



FINCANTIERI

# SUSTAINABILITY REPORT 2019

Consolidated Non-Financial Statement pursuant to Legislative Decree No. 254/2016



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**FINCANTIERI**

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ten universal principles relating to human rights, labour, the environment and the fight against corruption, through political actions, business practices and social and civil behaviour. Fincantieri is the largest shipbuilder, and the first cruise shipbuilder, to adopt these principles in its strategy.

This important result on the external front was immediately followed by another equally important one internally. We refer to the “Fincantieri for the green future” campaign, aimed at increasing awareness of environmental sustainability among all our stakeholders, primarily involving our own employees as well as contractor personnel, to encourage them to make a positive and tangible contribution to environmental protection through their behaviour in everyday life, not just in the workplace.

Let’s review some of the most important actions pursued during the year just ended. In the field of Research and Innovation, 2019 saw us spearheading two agreements of prime national importance. The first, with Cassa Depositi e Prestiti (CDP), our main shareholder, and Snam, in the key sectors for the development of port facilities in Italy and sustainable technologies for maritime transport, in line with the Proposal for an Integrated National Plan for Energy and Climate (PNIEC). The second, again with CDP, together with Eni, lays the foundations for establishing a company to develop and build power stations that use waves to produce electricity. We also presented, in collaboration with the National Research Council (CNR), the results of six multidisciplinary research projects funded

by the Ministry of Infrastructure and Transport for innovation in the naval field.

Our commitment to innovation also sees us engaging as partners of leading institutions of higher education. In fact, we have signed an extensive agreement to establish new cooperative relationships in the civil, industrial and information engineering sectors with the University of Calabria, one of the largest universities in the South of Italy, which will allow us to tap into a pool of excellence in terms of academic and research standards, with students ready to take advantage of the opportunities that the Company can offer in Italy and abroad. Moreover, our subsidiary Issel Nord, which specializes in logistics engineering and high added value services, has been working with the University of Genoa-Polo Guglielmo Marconi to develop the “Integrated Product Support and Lifecycle Management” course: a new opportunity for students of Master’s degree courses in Mechanical Engineering - Design and Production and Yacht Design, which has obtained the direct patronage of the Product Support & Specifications Group of ASD, the AeroSpace and Defence Industries Association of Europe, and will also concern the software tools developed by our Company. In agreement with the Liguria Region, we have also helped to launch the “Senior technician for the production and maintenance of means of transport and related infrastructure” course at the Accademia della Marina Mercantile (Merchant Navy Academy). All these initiatives concretely demonstrate the Group’s desire to create greater synergy

between the training offered by universities and the needs of employers, to improve the quality of training and research processes and to offer young people a series of academic paths with innovative content to prepare them for entry into the world of work.

Young people are therefore a resource to be invested in with determination, but are certainly not the only target for our ambitious and worthwhile projects. Our reference communities, i.e. the populations of the areas where we are present, are in turn essential partners, and we constantly promote proactive initiatives to improve their welfare, as well as the wellbeing of our employees and their families. Among the many projects of this type, we want to mention the extension of our charitable projects to include local Food Banks for the recovery of food surpluses in Bari and Ancona, after starting similar projects in the Ligurian shipyards. Last summer, together with the Municipality of Genoa, we inaugurated a summer centre that welcomed not only the children of our employees but also the rest of the city. Finally, we have signed an agreement with the Municipality of Monfalcone for the construction of a nursery school, committing ourselves to renovate a building owned by the Municipality, with an investment totally at our expense of euro 1 million, in addition to the payment of management and consumption costs up to a maximum amount of euro 300,000 per year for the first three years.

.....  
**LETTER TO STAKEHOLDERS**  
 .....

The 2019 financial year saw the publication of our third Sustainability Report. For our Group, a new phase of further improvement is opening up, in which the issues of corporate responsibility have been introduced into business processes and are becoming increasingly harmonized with them. The stated objective is, of course, to promote and consolidate a strong culture of sustainability in a planned way, reflecting Fincantieri’s strategic vision.

Last year, as part of this virtuous path, we published the Sustainability Plan, a truly fundamental milestone, with which we stated our long-term commitments over a five-year period, and we achieved all the objectives for 2019. A further step was taken by joining the United Nations Global Compact, the world’s largest business sustainability initiative. The scheme involves voluntary adherence to

Alongside this there is constant dedication to the aspects of people's lives that are most closely linked to work in Group shipyards around the world. In September the Palermo site also completed the process for RINA to issue OHSAS 18001 and ISO 14001 certificates of conformity, the highest international standards of health and safety at work and environmental protection: with this result the Company arrived at full coverage of all the Group's Italian production units. Looking overseas, however, we cannot fail to mention the two safety awards obtained by our Marinette shipyard, which in 2019 received both the "Excellence in Safety" and "Improvement in Safety" awards from the Shipbuilding Council of America.

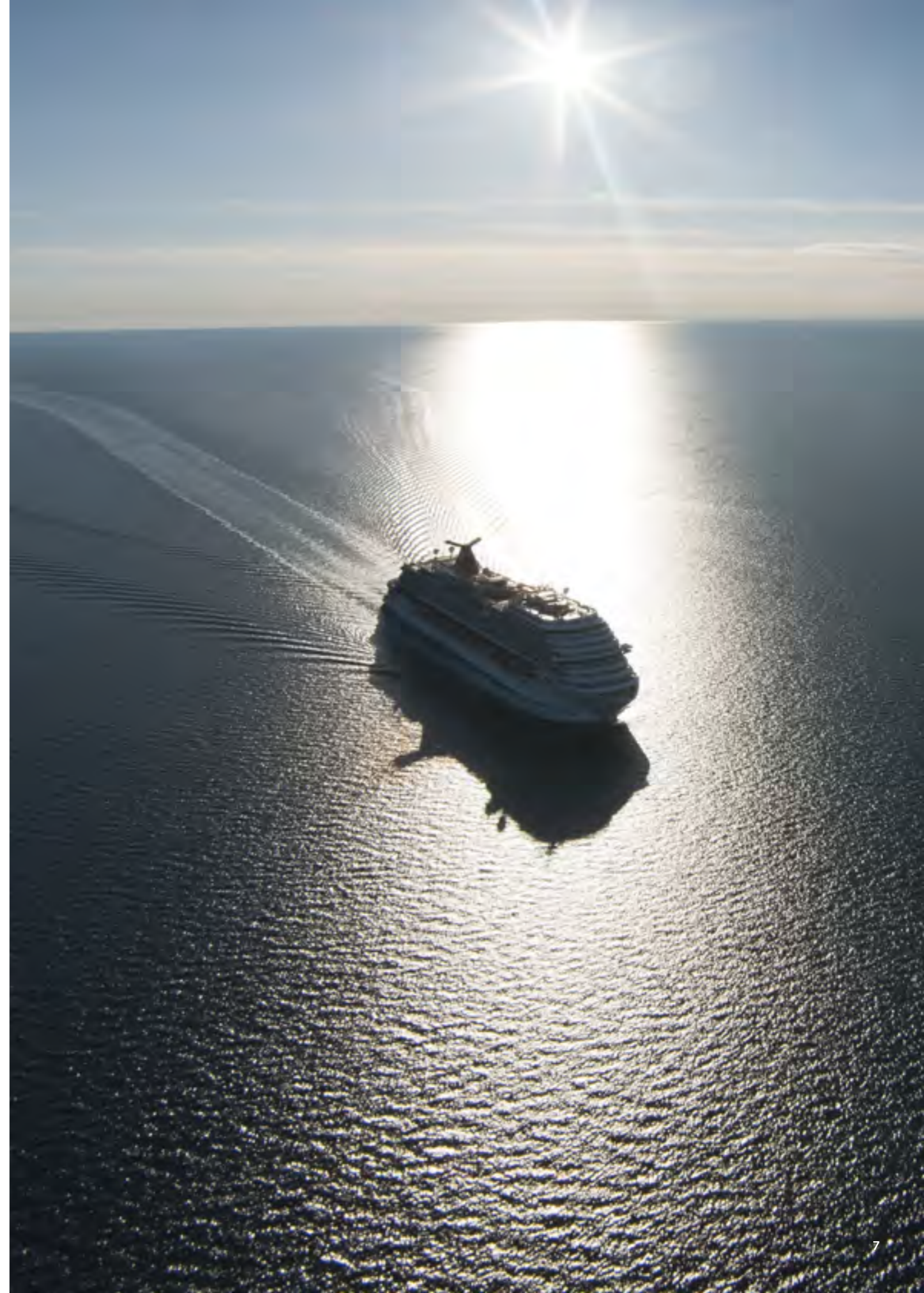
Once again it is worth pointing out that Fincantieri does not just see sustainability as an opportunity, but as a real mission to achieve and represent a model of excellence.

In conclusion, we cannot fail to mention the situation that we have all been facing here for a few weeks now. Since the first signs of the COVID-19 epidemiological phenomenon, the Company has set up a crisis committee to monitor and coordinate the necessary actions. In this way we were able to promptly implement all the measures aimed at safeguarding the health of all workers, through initiatives in line with the indications given and the measures progressively adopted by the government, and often supplementing

them, as in the case of the stipulation of an insurance cover specifically designed for the COVID-19 health emergency, aimed at all the employees of the Group's Italian companies and of the companies in the supply network. In this context, Fincantieri has currently suspended production activities at Italian shipyards as of 16 March, signing an agreement with the national trade unions, the cornerstone of which is to guarantee continuity of production when they are resumed. Now, as is our custom, we want to look to the future with determination: we want to restart as soon as possible, guaranteeing the health and safety of our employees and those of the companies in the supplier network while maintaining the leadership, employment levels and credibility that Fincantieri has earned with its domestic and foreign customers - fundamental elements not only for Fincantieri and its system, but also for the stability of the national economy. The challenge ahead of us is very tough, but we have emerged stronger from all the other crises we have faced, and this time, despite the most serious emergency since the second post-war period, it will be the same again.



GIUSEPPE BONO  
Fincantieri Chief Executive Officer



.....  
**FINCANTIERI IN NUMBERS**  
 .....

**SHIPYARDS AND DOCKS**

**EUROPE**

**ITALY**

- Trieste
- Monfalcone
- Marghera
- Sestri Ponente
- Genoa
- Riva Trigoso - Muggiano
- Ancona
- Castellammare di Stabia
- Palermo

**NORWAY**

- Aukra
- Brattvaag
- Brevik
- Langsten
- Søviknes

**ROMANIA**

- Braila
- Tulcea

**ASIA**

**VIETNAM**

- Vung Tau

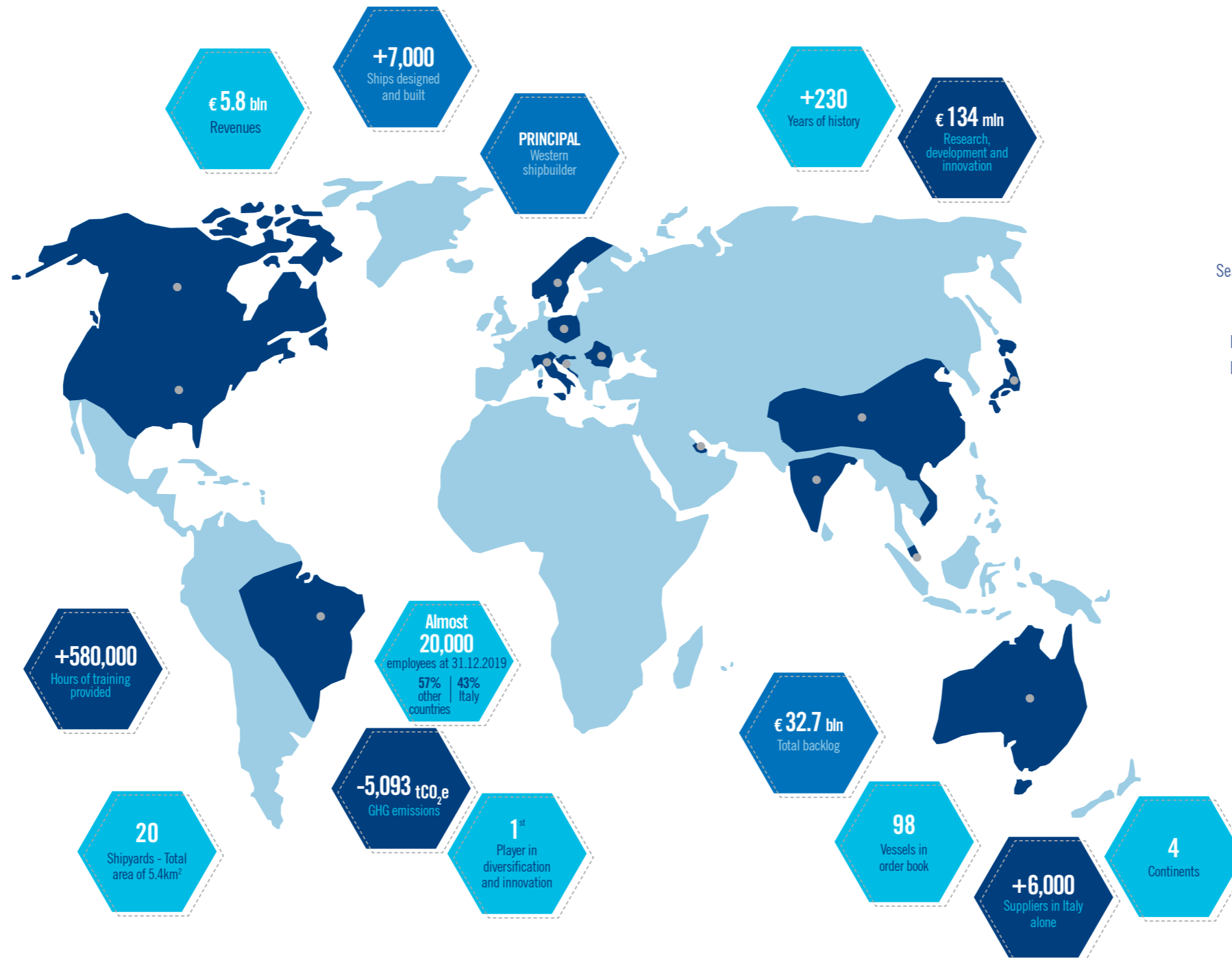
**AMERICAS**

**USA**

- Marinette
- Sturgeon Bay
- Green Bay

**BRAZIL**

- Suape



**MAIN SUBSIDIARIES**

**EUROPE**

**ITALY**

- FINCANTIERI S.p.A.
- Cetena
- Seastema
- Isotta Fraschini Motori
- Fincantieri Oil&Gas
- Marine Interiors
- Marine Interiors Cabins
- Insis
- Seanergy A Marine Interiors Company
- Fincantieri SI
- Fincantieri Infrastructure
- Fincantieri Infrastructure Opere Marittime
- Issel Nord

**NORWAY**

- VARD Group
- Vard Design
- Vard Piping
- Vard Electro
- Vard Accomodation
- Seaonics

**ROMANIA**

- Vard Tulcea
- Vard Braila

**CROATIA**

- Vard Design Liburna

**SWEDEN**

- Fincantieri Sweden

**POLAND**

- Seaonics Polska

**ASIA**

**CHINA**

- Fincantieri (Shanghai) Trading

**INDIA**

- Fincantieri India
- Vard Electrical Installation and Engineering (India)

**QATAR**

- Fincantieri Services Middle East

**SINGAPORE**

- Vard Holdings
- Vard Shipholdings Singapore

**JAPAN**

- FMSNA YK

**VIETNAM**

- Vard Vung Tau

**AMERICAS**

**USA**

- Fincantieri Marine Group
- Fincantieri Marine Systems North America
- Fincantieri Services USA
- Fincantieri USA

**CANADA**

- Vard Marine

**BRAZIL**

- Vard Promar

**OCEANIA**

**AUSTRALIA**

- Fincantieri Australia



# A SUSTAINABLE GROUP

- OUR IDENTITY
- OUR SUSTAINABILITY STRATEGY



*We are a unique group in the world.  
We are the only operators capable  
of building all types of highly  
complex vessels*

Fincantieri Group (also referred to here as Fincantieri, Group or Company) is one of the **world's largest shipbuilding groups** and number one in terms of diversification and innovation.

We are a global multinational company and the only operators capable of building all types of highly complex vessels from cruise ships to mega-yachts, from naval vessels to high-tech offshore vessels.

We are the leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry sectors.

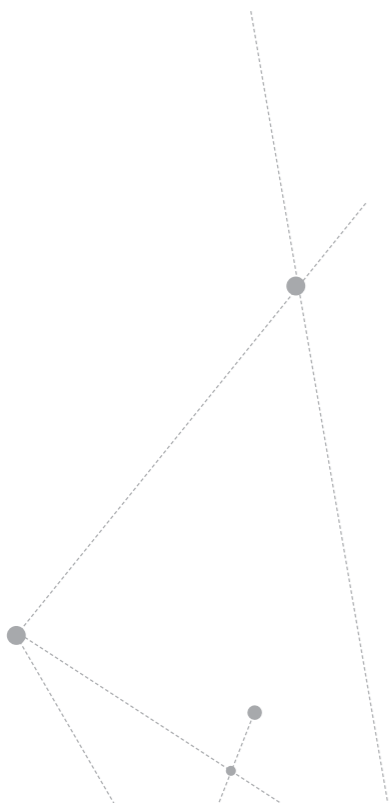
We work to create an increasingly technological and sustainable future, focusing on innovation and respect for people and the environment.

## OUR IDENTITY

The Group, which has its headquarters in Trieste, has built more than 7,000 vessels in its over 230 years of history. With 19,823 employees, including more than 9,300 in Italy, and 20 shipyards spanning 4 continents, our customers include the major cruise operators, the Italian and US Navy, as well as several foreign Navies. We are a partner of some of the main European defence companies within supranational programs.

Fincantieri is focused on customer satisfaction and for this reason, over the years, it has evolved its organizational structure to adapt it to the Group's strategies and to respond to the challenges posed by the market in a timely manner. Today the Group consists of a number of companies with headquarters in Italy and around the world, and adopts an integrated production model based on excellence. Fincantieri has 82 subsidiaries, 26 of which are Italian and 56 of which are foreign. As part of its growth and business strengthening strategy, 14 new companies were acquired or established in 2019. In particular, in order to strengthen activities in high-tech sectors, during the year a majority stake was acquired in Insis S.p.A., a company active in the information technology and cyber security sectors, which operates on domestic and foreign markets both directly and as a technological partner of large industrial groups.

Fincantieri's business is widely diversified by end markets, geographical exposure and by client base, with revenue mainly generated from cruise ship, naval and offshore vessel construction. Compared with less diversified players, such diversification allows it to mitigate the effects of any fluctuations in demand on the end markets served.



GROUP OVERVIEW

SEGMENTS

SHIPBUILDING

OFFSHORE AND SPECIALIZED VESSELS

EQUIPMENT, SYSTEMS AND SERVICES

OTHER

BUSINESS AREAS

PRODUCT PORTFOLIO

MAIN SUBSIDIARIES/ASSOCIATES/JOINT VENTURES



**Cruise ships**

- Contemporary Premium
- Upper Premium
- Luxury
- Exploration/Niche
- Expedition cruise vessels



**Ferries**

- Cruise ferry
- Ro-Pax
- Dual fuel ferries



**Naval Vessels**

- Aircraft Carriers
- Destroyers
- Frigates
- Corvettes
- Patrol vessels
- Amphibious ships
- Logistic support ships
- Multirole and Research Vessels
- Special vessels
- Submarines



**Mega-Yacht**

Mega-yacht > 70 m



**Offshore and Specialized Vessels**

- Drilling units
- Offshore support vessels (AHTS-PSV-OSCV)
- Specialized vessels
- Fishery/Aquaculture
- Offshore Wind



**Systems and Components**

- Cabins
- Public areas
- Electrical, electronic and electromechanical integrated systems
- Automation systems
- Entertainment systems
- Stabilization, propulsion, positioning and power generation systems
- Steam turbines
- Steel structure for large scale projects



**Services**

- Ship repairs
- Refitting
- Refurbishment
- Conversions
- Product lifecycle management
- Integrated logistic support
- In-service support
- Refitting
- Conversions
- Training and assistance



**Electronics, Systems and Software**

- Design and integration of complex systems (system integration) with a focus on automation
- Cyber security



**Infrastructure**

- Design, construction and assembly of steel structures on large projects:
  - bridges
  - viaducts
  - airports
  - ports
  - maritime/hydraulic works
  - large commercial and industrial buildings



**Corporate functions**

- Strategic Direction and Coordination
- Governance, Legal and Corporate Affairs
- Accounting and Finance
- Human Resources
- Information Systems
- Research & Innovation
- Purchasing

- FINCANTIERI S.p.A.
- Monfalcone
- Marghera
- Sestri Ponente
- Integrated Naval Shipyard Navale Riva Trigoso and Muggiano
- Ancona
- Castellammare di Stabia
- Palermo
- Vard Group AS
- Langsten
- Spviknes
- Vard Tulcea SA
- Tulcea
- Vard Braila SA
- Braila
- Vard Accommodations AS
- Cetena S.p.A.

- Fincantieri Marine Group Holdings Inc.
- FMG LLC
- Sturgeon Bay
- Marinette Marine Corporation LLC
- Marinette
- ACE Marine LLC
- Green Bay
- Fincantieri India Pte Ltd.
- Fincantieri do Brasil Participações SA
- Fincantieri USA Inc.
- Fincantieri Australia PTY Ltd.
- Fincantieri (Shanghai) Trading Co. Ltd.
- Etihad Ship Building LLC.
- Orizzonte Sistemi Navali S.p.A.
- CSSC - Fincantieri Cruise Industry Development Ltd.

- FINCANTIERI S.p.A.
- Fincantieri Oil&Gas S.p.A.
- Vard Group AS
- Aukra
- Brattvaag
- Brevik
- Vard Promar SA
- Suape
- Vard Vung Tau Ltd.
- Vung Tau
- Vard Electro AS
- Vard Design AS
- Vard Piping AS
- Vard Marine Inc.
- Seonics AS

- FINCANTIERI S.p.A.
- Riva Trigoso
- Seaf S.p.A.
- Isotta Fraschini Motori S.p.A.
- Fincantieri SI S.p.A.
- Marine Interiors Cabins S.p.A.
- Marine Interiors S.p.A.
- Seanergy a Marine Interiors company S.r.l.
- Luxury Interiors Factory S.r.l.
- Fincantieri Sweden AB
- Unifer Navale S.r.l.

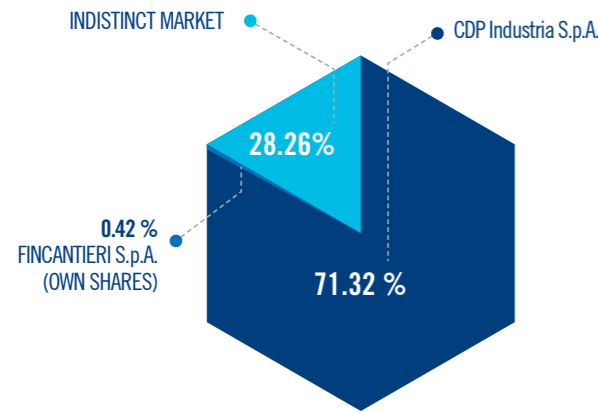
- FINCANTIERI S.p.A.
- Arsenale Triestino San Marco
- Bacino di Genova
- FMSNA Inc.
- Fincantieri Services Middle East LLC
- Fincantieri Services USA LLC

- Seastema S.p.A.
- Issel Nord S.r.l.
- Insis Group

- Fincantieri Infrastructure S.p.A.
- Fincantieri Infrastructure Opere Marittime S.p.A.
- Pergenova S.c.p.a.
- Fincantieri Dragaggi Ecologici S.p.A.

- FINCANTIERI S.p.A.

SHAREHOLDERS STRUCTURE



71.32% of Fincantieri's share capital of 862,980,725.70 euros is held, through the subsidiary CDP Industria S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance. The remainder of share capital was distributed between a number of private investors (none of whom held significant interests of 3% or above) and own shares (of around 0.42% of shares representing the share capital).

CHARACTERISTICS OF THE SHAREHOLDER STRUCTURE

	YES/NO	% sharecapital
Shareholders' agreements	No	-
Shareholding threshold for the submission of slates for the appointment of corporate bodies and officers	-	1%

Vision, Mission and Values

VISION

We aspire to be world leaders in the industrial sectors where we operate, becoming a reference point for our customers, always selecting high value-added sectors and standing out for our diversification and innovation.

**The Sea Ahead:** all those who work for the Fincantieri Group steer for this course: talented men and women working responsibly to help develop our idea of a future increasingly characterized by innovation, performance and sustainability.

MISSION

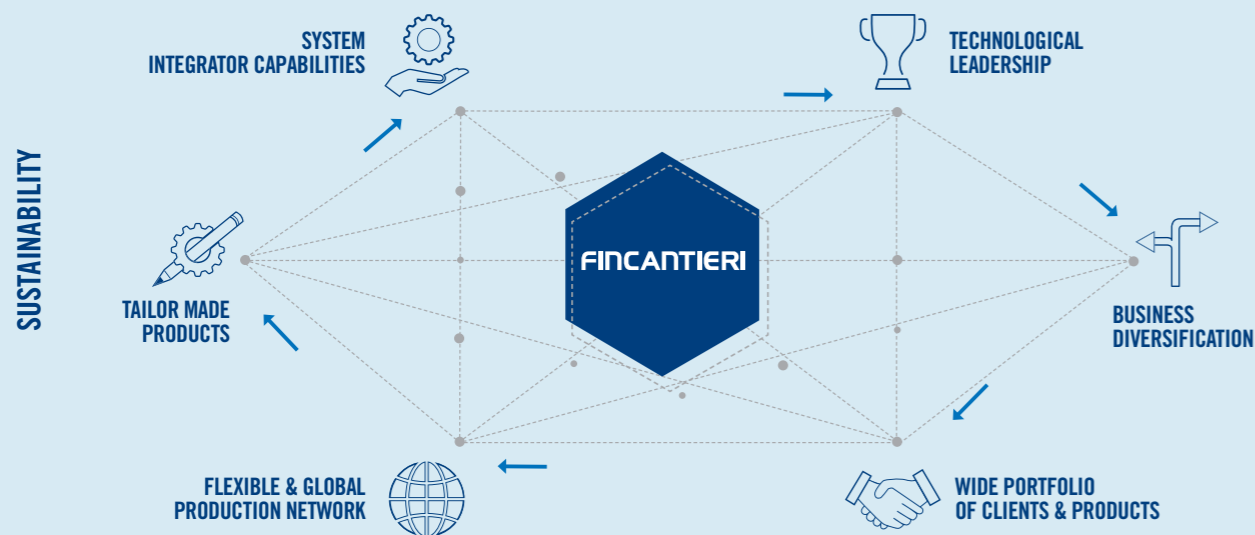
Technological development and continuous improvement are the goals that we have set for ourselves, and we are determined to pursue them.

Our every action, project, initiative or decision is based on strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, trade and financial partners, local communities and groups, creating value for every stakeholder.

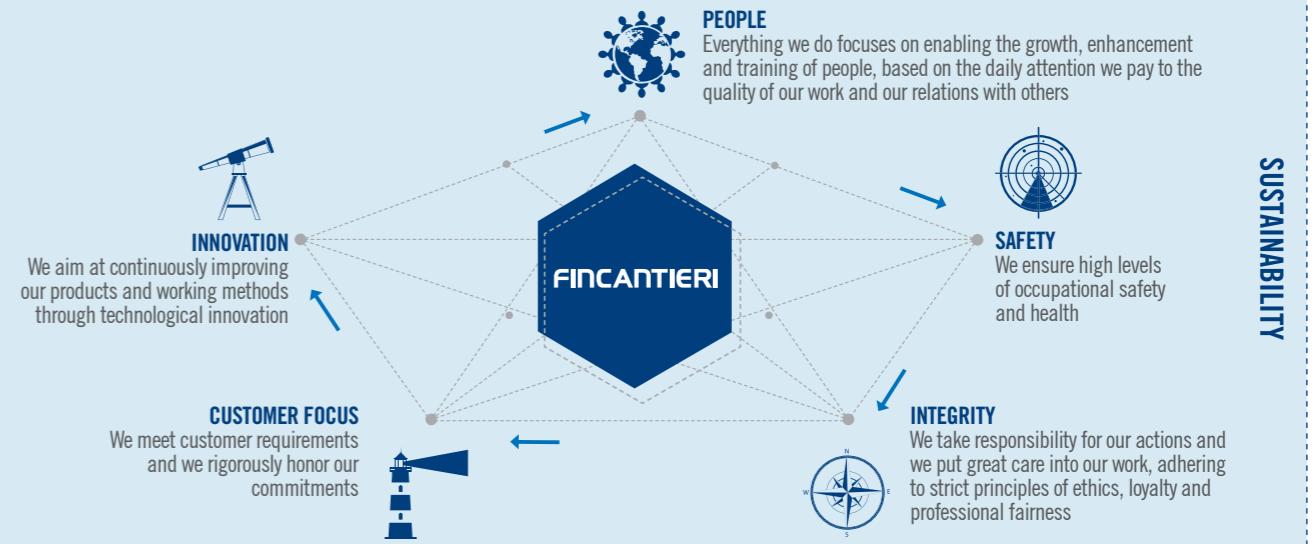
The sea is our natural element, the one we understand better and faster than the rest. In every epoch, we have built ships equipped with state-of-the-art technology that sail the seas from north to south and from east to west. Today we look towards the future, ready to take on new challenges in order to build the cruise ships, naval vessels, offshore

units, ferries and luxury yachts that will play a leading role in the seafaring history of tomorrow. Because our hallmark has always been the focus on our values and the courage to change. The values live in our people, in our relationships with partners, in our actions to implement our new Mission and Vision.

OUR STRENGTHS



VALUES

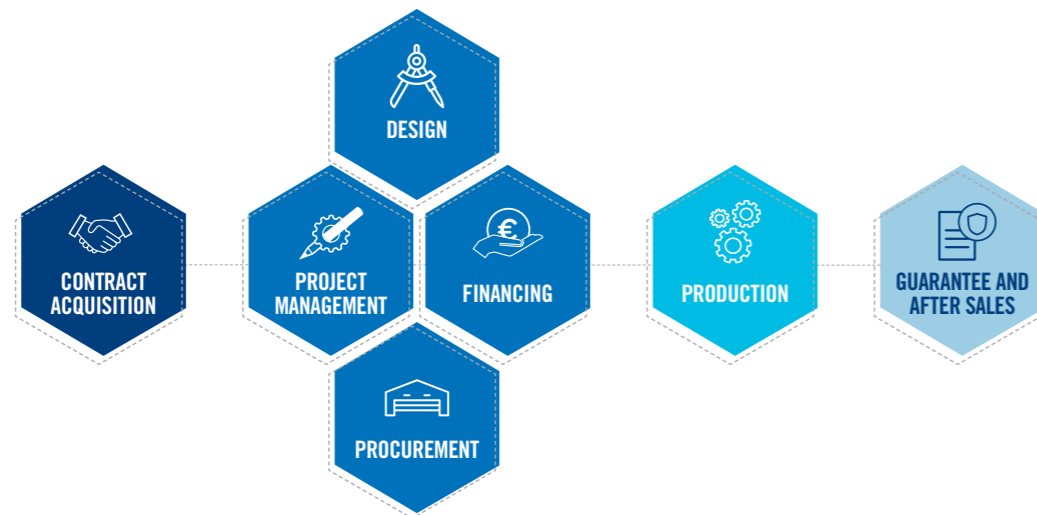


### Our business model

We are able to produce different types of units at the same time, and we have the flexibility to cope with any changes occurring during construction. Our products feature a high level of personalization and, in many cases, are prototypes with cutting-edge technological solutions. As such, they require significant efforts in terms of design, procurement, production, planning and order management. We act as a systems integrator, usually acting as the **prime/general contractor**, managing the project for vessel construction as a whole and taking on responsibility for this. Typically, while there are differences

due to the strategic business area and product type, for each order we develop directly project management, design, hull procurement and manufacture, while our role mainly involves integration and coordination of a qualified network of expert suppliers for the preparation of systems, accommodation and, for naval vessels, weapons systems. In terms of business model we have adopted a **make or buy strategy** for each step of development and construction of the vessel order, with the objective of keeping core skills and high value-added activities within the Group and outsourcing to qualified suppliers specialist activities that are low value-added or non-essential.

BUSINESS MODEL: SUMMARY DIAGRAM



For more information on the business model, see the website [www.fincantieri.com/en/group/business-model](http://www.fincantieri.com/en/group/business-model)

## OUR SUSTAINABILITY STRATEGY

For us, a company is sustainable when it generates value with the future and not just the present in mind, namely when it also generates value for those who come after us. To do this, we work so that every person in the Group understands the value of being sustainable and reflects in their everyday work the fundamental principles of social responsibility, undertaking and contributing to satisfying the stakeholder expectations today and tomorrow, creating a virtuous cycle that generates synergy and shared, proactive commitment. Sustainability is not just an opportunity but a duty and a real mission to represent a model of excellence in the world. Being sustainable means constantly improving health and safety in the workplace, developing technological innovation, promoting a responsible supply chain, maintaining customer satisfaction and trust, engaging with local communities by supporting them and, last but not least, reducing environmental impact by helping to combat climate change. This is all with the aim of finding a tomorrow that is better than today.

As a sign of our commitment and the importance of increasing integration of sustainability in our strategic choices, in 2019 we joined the United Nations **Global Compact**, the most wide-ranging business sustainability initiative in the world. This is a voluntary initiative to adopt ten universal principles related to human rights, labour, the environment and the fight against corruption, which promote the values of sustainability in the long term through political actions, business practices and social and civil behaviour.



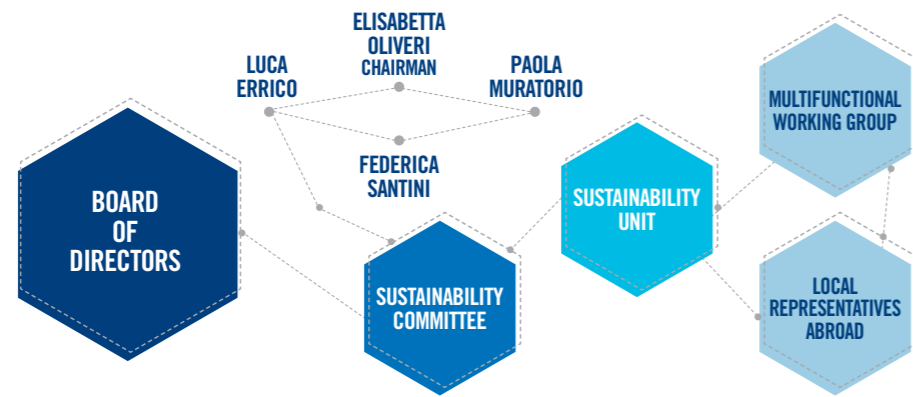
We are also committed to contributing to the **Sustainable Development Goals (SDGs)** of the United Nations 2030 Agenda for Sustainable Development, approved by the General Assembly in 2015. These are common sustainable development goals for today's complex social challenges. These goals are an important reference for the international community and for Fincantieri in conducting its business.



### Sustainability Governance

To guarantee adequate protection and monitoring of processes associated with

sustainability, we have a Sustainability Governance Model that provides for:



#### SUSTAINABILITY COMMITTEE

Set up in 2016 by Fincantieri's Board of Directors, it is composed of 4 independent members. In accordance with the By-Laws and the Corporate Governance Code for listed companies, the Committee is tasked with supporting, with adequate investigative activities, both proactive and advisory, the assessments and decisions made by the Board on sustainability issues connected with the Company activities and the dynamics of its interaction with all stakeholders. In particular, the Committee supports the Board in relation to the Company's respect for and promotion of human rights, labour rights, the environment, transparency and combating corruption, health and safety within the Company's activities, the rights of all stakeholders, product liability and its innovation. The Committee has the right to access the company information and functions necessary in order to perform its duties. In order to carry out its tasks, the Committee may use external consultants, through the Company's structures, provided they are suitably bound to the necessary confidentiality. The Chairman of the Committee reports on the Committee's activities to the Board of Directors at the earliest opportunity. The Committee met 6 times in 2019.

#### SUSTAINABILITY UNIT

It reports directly to the Deputy Chief Financial Officer, coordinates sustainability activities, ensures compliance with the commitments undertaken, monitors the progress of projects and achievement of the sustainability objectives while continually keeping the Sustainability Committee informed.

#### MULTIFUNCTIONAL WORKING GROUP

It supports the Sustainability unit by helping prepare the Sustainability Report and defining objectives, targets and timescales for the sustainability commitments undertaken by the Group. The Working Group is made up of representatives from the departments most involved in sustainability issues.

#### LOCAL REPRESENTATIVES ABROAD

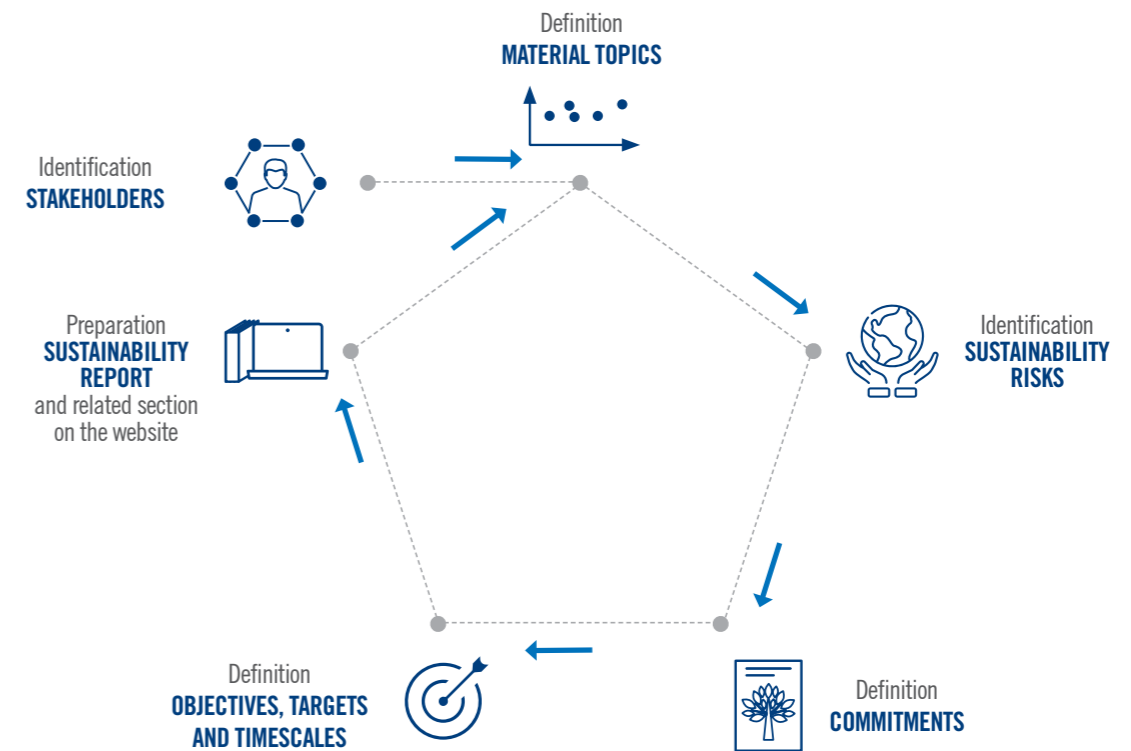
They represent the VARD group, Fincantieri Marine Group and Fincantieri Marine Systems North America Inc.. They support the Sustainability unit and the Working Group by collecting and managing the information for the Sustainability Report and coordinate in turn with a working group, specifically dedicated to sustainability.

### Our sustainability path

We have decided to structure our sustainability path by adopting an **integrated strategy** that is capable of combining business growth and financial stability with social and

environmental sustainability, creating value in the long term. This is why the important (material) topics for the Group have been integrated into its business strategy and why the Fincantieri Group's Sustainability Plan has been implemented.

#### STAGES OF THE SUSTAINABILITY PATH



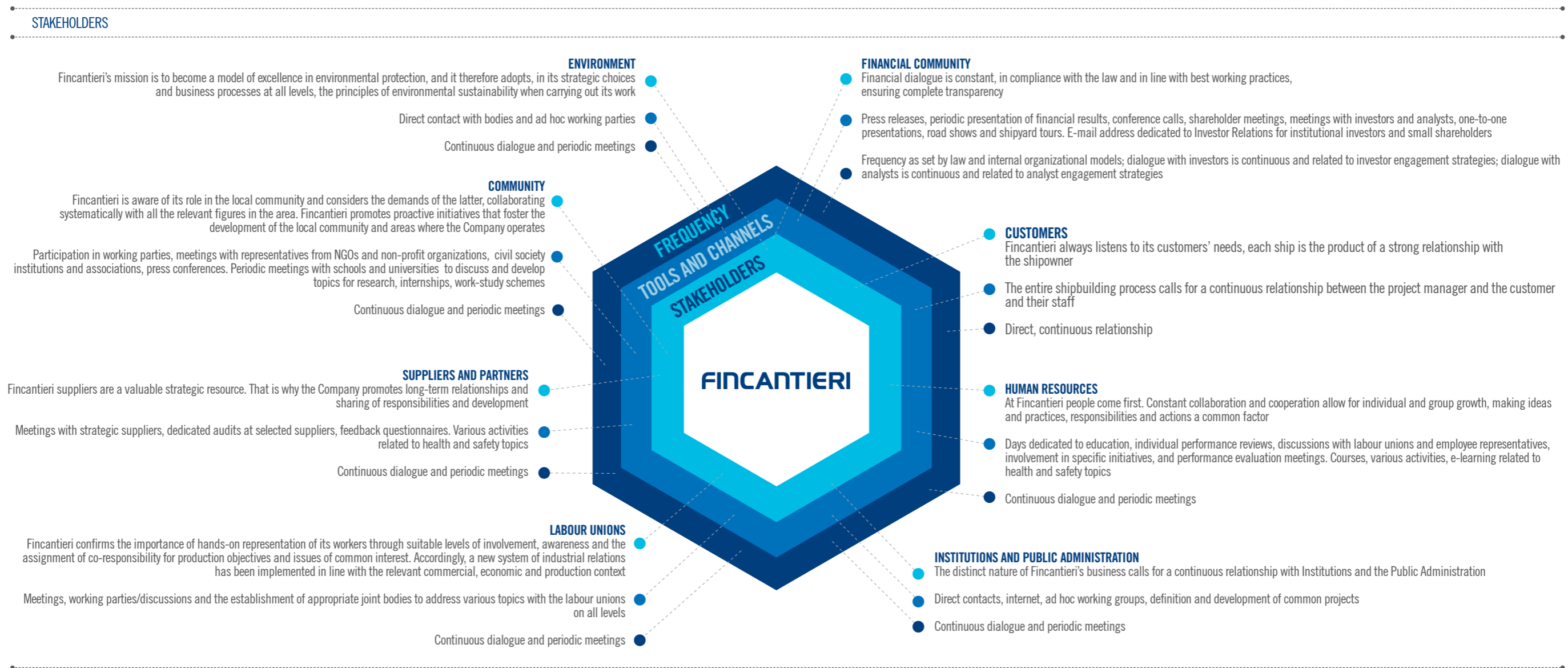
**Who are our stakeholders?**

We consider listening to and involving our stakeholders is paramount in order to understand their needs, their interests and their expectations. Stakeholders' involvement allows us to develop long-term relationships which become a source of competitive advantage for our Group.

In 2017, we analysed and identified the main categories of stakeholders, both within and outside the Group. More specifically, consideration was given to those stakeholders towards whom Fincantieri has responsibilities and those persons or entities able to influence the Group's performance; their level of representativeness and authoritativeness have also been considered.

For each group of stakeholders, the main tools, listening channels and frequency with which they are contacted are identified with the aim of gathering their expectations and needs and communicating the results achieved and the programmes promoted by the Group. Responsibility for relations with the various stakeholders is spread across the whole Group, with specific functions

constantly engaging with their individual groups of stakeholders.



In particular, we are in constant dialogue with investors, analysts and rating agencies, providing reliable information on the Group's activities so as to increase the market's confidence in us and create long-term relationships. The annual occasions where shareholders meet the Company's top management are the Shareholders' Meeting and Investor Day. Over the year we organized 148 events for groups and individuals, including teleconference meetings and visits to facilities.

We also dialogue with national and international legislators and institutions to maintain constructive collaboration, interpret and apply new regulations correctly and share expertise, initiatives and projects. We contribute to public consultations defining new legal measures and regulations for the industry, providing practical indications. To support the development of its business, Fincantieri S.p.A. and its subsidiaries participate in the governance of various national and international associations, stimulating, along with the other associates, effective, systematic action in the areas of research and development and promotion of the various stakeholders' interests.

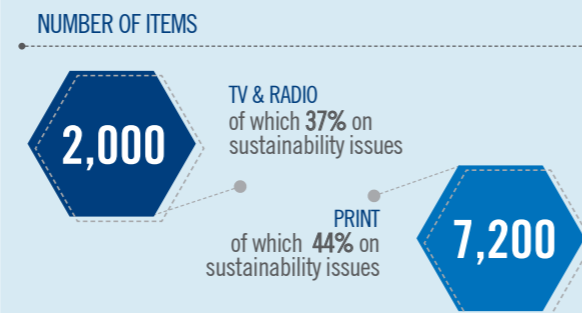
The main organizations and associations with which we actively collaborate are Confindustria, Federmeccanica, ASSONAVE, Federazione del Mare, Euroyards, Vessel for the Future, Surface Navy Association, etc.

**For more information on memberships and participation in associations, see the website [www.fincantieri.com/en/sustainability/governance/memberships-and-participation-in-associations](http://www.fincantieri.com/en/sustainability/governance/memberships-and-participation-in-associations)**

We meet regularly with our customers, employees and representatives of the communities where we operate in the pursuit of constant collaboration and continuous improvement.

### Fincantieri in the media

An important role in spreading the sustainability culture is played by the Marketing Communication and Media Relations department in conveying all the messages, which originate from direct dialogue with management both inside and outside the Group. In 2019, the initiatives promoted, in particular by the Media Relations office, have produced numerous articles that mention Fincantieri, divided as follows:



Another important tool in Fincantieri's communications strategy is use of **social networks**. In 2019, there were about **25,500** articles online.

### FOLLOWERS ON SOCIAL MEDIA



In 2019, we involved our employees, customers, suppliers and partners, the financial community and other stakeholders in helping us understand where we can and should make the most impact, in an initial path of engagement that we are committed to developing over time. We have identified, together with them, the material issues considered relevant for both the Company and its stakeholders.

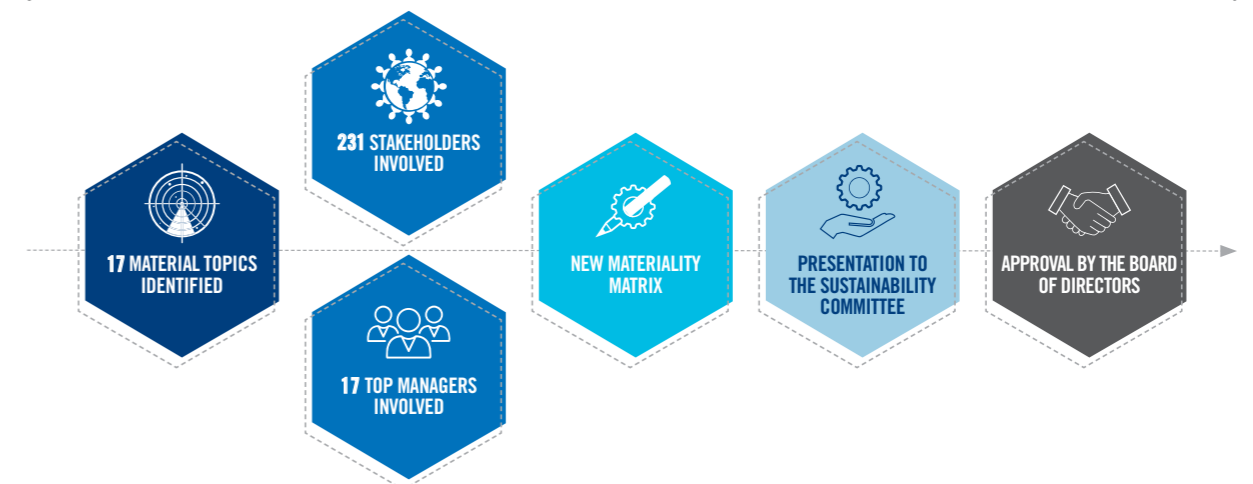
### Which material topics have been identified by our stakeholders?

We launched and have since consolidated over time a process called **materiality analysis**, aimed at identifying material topics for sustainability, namely those topics that are relevant from an economic, social and environmental point of view for Fincantieri and its stakeholders. We use the results of the analysis to define the Group's commitments, the objectives of the Sustainability Plan and the reporting of the Sustainability Report.

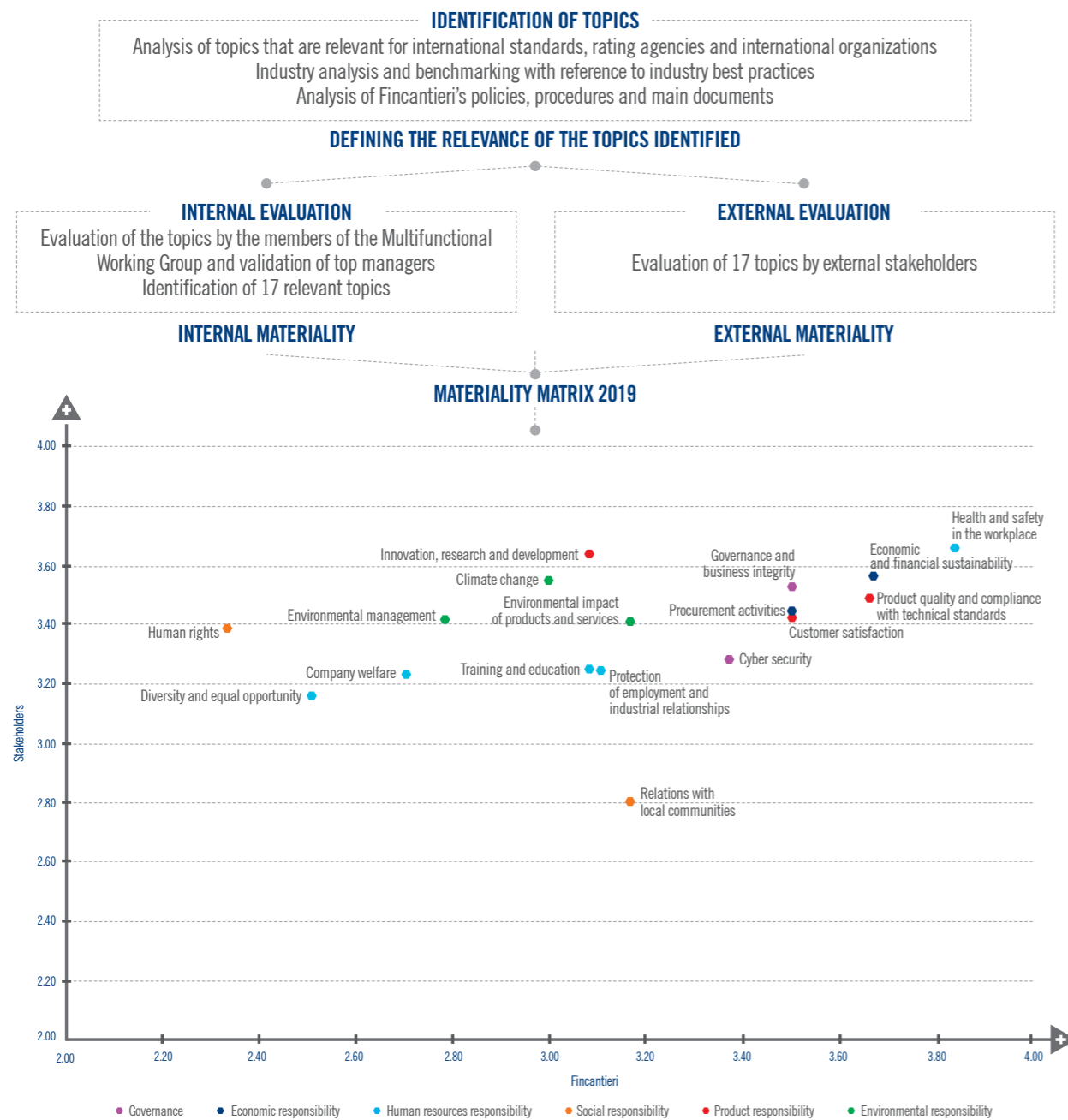
To define the most significant topics we analysed both the perception of the topics from the Company's perspective, through a questionnaire, and from the perspective of customers, suppliers and partners, the financial community and other stakeholders through a special online survey, asking them to evaluate the material topics identified by the Company. Both internally and externally the topics were evaluated on a scale of 1-4, where 4 is "highly significant". A materiality threshold was defined (corresponding to 2), beyond which an issue must be accounted for.

Joint consideration of internal and external significance led to the identification of the material topics. The materiality matrix has been updated based on the responses of the stakeholders contacted and a new material topic deemed relevant by both the Company and the stakeholders has been added: **cyber security**.

### PROCESS FOR STAKEHOLDER ENGAGEMENT ON MATERIAL TOPICS - 2019



PROCESS FOR DEFINING THE MATERIALITY MATRIX



The materiality matrix is reviewed annually in accordance with the Standards of the Global Reporting Initiative and approved by the Board of Directors.



The description of the material topics is available in the annexes p. 190

What are our sustainability risks?

We have **Enterprise Risk Management (ERM)** processes and systems to detect, evaluate and monitor the main company risks (Risk Universe), in compliance with the requirements for listed companies as per the Corporate

Governance Code for the Italian Stock Market. In Fincantieri the Risk Office coordinates and supports management with regard to risk assessment tools and methodologies, and aggregates and consolidates the results of their mitigation.

RISK UNIVERSE

EXTERNAL RISKS		
- Economic Cycle (Macro and Sectorial)	- Laws and Regulations	- Supplier Dependency
- Customers (Business Concentration)	- Country Risk	- Competition
- New Technologies	- Economic Policy (incentives)	- Natural Disasters and Catastrophes
INTERNAL RISKS		
FINANCIAL	OPERATIONAL AND SUPPLY CHAIN	ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)
<b>Price:</b>	- Product Technology	- Reputational Risk
- Exchange Rate	- Projects Quality and Safety	- Ecologically compatible product development
- Energy, Raw Materials and Components' Price	- Industrial productivity (operational efficiency)	- Environment
- Interest Rate	- Warehouse Management	- Implementation of the Mission and Values in terms of Sustainability
<b>Liquidity:</b>	- Management System	- Governance, Strategy and Sustainability Compliance
- Cash Flow	- Organizational Complexity of the Yard	- Rating agencies and sustainability indices
- Access to credit	- Outsourcing	- Sustainable Supply Chain
<b>Credit:</b>	- Project Management	- People
- Counterparty Risk	- Business Interruption	- Investor & Public Relations
- Credit Scoring	<b>GOVERNANCE/COMPLIANCE</b>	- Training, incentives, and assessment of the sustainability performance
<b>PLANNING AND REPORTING</b>	- System of Powers and Duties Management	<b>INFORMATION MANAGEMENT</b>
- Planning and Budgeting	- Segregation of Duties	- Corporate Data and Information Protection
- Evaluation	- Corruption and Frauds	- Reliability and Integrity
- Controlling	- Health, Safety and Environment	- IT infrastructure Management
- Disclosure	<b>HUMAN RESOURCES</b>	<b>STRATEGIC</b>
- Taxation	- Change Management	- Brand Positioning
<b>LEGAL</b>	- Labour Relations	- Production Capacity
- Intellectual Property	- Human Resources Management	- Customer Satisfaction
- Litigation and Disputes	- Staff Retention	- Business Portfolio
- Criminality (common and organized) and terrorism	- Performance Management	- Partnerships and Alliances Management
	- Labour Cost	- Acquisition, Integration and Disposal



In 2017, the Risk Officer integrated the Risk Universe with risks concerning sustainability. The integration process was conducted as follows:

- mapping of sustainability and climate change risks by business sector in a context similar to that of Fincantieri;


- initial identification of 16 potential categories of sustainability risk;
- comparison with Fincantieri's company risk model and with the materiality matrix;
- exclusion of certain sustainability risks because they were not considered applicable to the company or because they were already present in Fincantieri's Risk Universe;




- integration of the risks identified above into the Risk Universe, in the specific Environmental, Social and Governance (ESG) category.

of this Sustainability Report.

The reporting required for the information to be provided to the company bodies envisages a **specific report on ESG risks** for the Sustainability Committee, with the aim of facilitating its function of providing guidance to the Company.

The **10 sustainability risks** included in Fincantieri's Risk Universe are shown below; their management is described in the chapters

MACRO AREA	RISK EVENT	DESCRIPTION OF RISK	MANAGEMENT METHOD
 Governance	Rating agencies and sustainability indices	<ul style="list-style-type: none"> <li>• Risk of not achieving an excellent sustainability rating with specialized rating companies and analysts, or of a negative impact on reputation following a poor sustainability rating</li> </ul>	Chapter: A sustainable Group
	Reputation risk	<ul style="list-style-type: none"> <li>• Risk of damage to the Company brand that exposes it to loss of clients, profits and the competitive advantage gained on the market</li> </ul>	Chapter: Responsible Governance/ Our rules on fair conduct
	Investor & Public Relation	<ul style="list-style-type: none"> <li>• Risk of not adopting Public Relations strategies on the sustainability issues or transmission of inconsistent Company messages regarding environmental, social and governance initiatives. Risk of not using the lever of sustainability to build and broaden relations with stakeholders. This category includes the risk that relationships with local, national and international counterparties (local cities and authorities/associations, legal and government authorities, industrial associations, etc.) are inefficient or ineffective, influencing the Company's ability to compete</li> </ul>	Chapter: A sustainable Group/Our sustainability strategy
	Governance, Strategy and Sustainability Compliance	<ul style="list-style-type: none"> <li>• Risk that the Governance Model is not adequately communicated to all levels of the Company, creating ineffective communication regarding sustainability issues among the stakeholders, Board of Directors, and company management, incorrect delegation of powers, and inappropriate decisions on sustainability. This category also includes the risk of lack of implementation of monitoring programs for activities related to sustainability or the risk of inadequate preventive or investigative checks and controls relative to sustainability performance</li> </ul>	Chapter: A sustainable Group/Our sustainability strategy
	Implementation of the Mission and Values in terms of Sustainability	<ul style="list-style-type: none"> <li>• Risk of lack of integration or poor integration in company processes and activities of the sustainability principles (including ethics) defined in the Sustainability Governance Model. This category includes the risk relating to the absence or inadequacy of a monitoring and control process for environmental and social issues, as well as inadequate assignment of resources for this purpose</li> </ul>	Chapter: A sustainable Group/Our sustainability strategy

MACRO AREA	RISK EVENT	DESCRIPTION OF RISK	MANAGEMENT METHOD
 Human resources resp.	Training, incentives, and assessment of the sustainability performance	<ul style="list-style-type: none"> <li>• Risk of the absence or inadequacy of training programs with consequent lack of skills in relation to sustainability issues. This category also includes the risk that individual performance objectives are not aligned with or specific enough to guide conduct to support the sustainability strategy, and/or there are no adequate indices to measure sustainability performance</li> </ul>	Chapter: Fincantieri for society/For our people/We train and enhance our people with an eye on excellence/Our commitment to health and safety
	People	<ul style="list-style-type: none"> <li>• Risk that the Company, within its strategy of sustainable growth, does not implement processes aimed at valuing human capital, guaranteeing respect for diversity and equal opportunity, protecting human rights, and ensuring the health and safety of the workers</li> </ul>	Chapter: Fincantieri for society/For our people/We train and enhance our people with an eye on excellence/Diversity and inclusion as an asset/ Our commitment to health and safety
 Product resp.	Ecologically compatible product development	<ul style="list-style-type: none"> <li>• Risk that the Company invests in and builds products and/or uses materials incompatible with environmental protection</li> </ul>	Chapter: Fincantieri for the environment/To promote sustainability/Our ever greener ships
	Sustainable Supply Chain	<ul style="list-style-type: none"> <li>• Risk that due diligence on potential suppliers is not conducted adequately and of lack of monitoring of respect for environmental and social regulations in contracts concluded, with consequent execution of activities not in line with the sustainability principles (correct use of natural resources, protection of individual rights, etc.)</li> </ul>	Chapter: Fincantieri for society/For a sustainable supply chain/ How we monitor them
 Environmental Resp.	Environment	<ul style="list-style-type: none"> <li>• Risk that the Company adopts inadequate measures for incorporating sustainability principles in its evaluation of environmental issues and performs activities not in line with sustainability principles. This category also covers lack of activation of controls aimed at preventing environmental damage or lack of/inadequate evaluation and implementation of programmes for the recovery of biodiversity following environmental damage</li> </ul>	Chapter: Fincantieri for the environment/To reduce our impact

**Which are our sustainability commitments?**

Our mission, values and principles mean that we must commit to increasingly sustainable and responsible development. We have defined our commitments for each material topic with the aim of contributing

to a healthy, resilient, sustainable society, where people can advance and prosper. The Group's commitments are contained in the **Charter of Sustainability Commitments** approved by the Board of Directors.



MACRO AREA	MATERIAL TOPIC	COMMITMENT
 <b>Governance</b>	Governance and business integrity	<ul style="list-style-type: none"> <li>Promotion of the sustainability culture in line with the Group Values, encouraging managers to think in a sustainable manner within their sphere of influence</li> <li>Maintenance of the Corporate Governance system and risk management (including sustainability risk) in line with international best practices</li> <li>Respect for the law and prevention of corruption in all spheres of influence</li> <li>Integration of sustainability topics in dialogue with stakeholders (timeliness, accuracy, and exhaustive flow of information to stakeholders)</li> <li>Implementation of a reporting system for the non-financial information with the aim of informing stakeholders of the sustainability policies/strategies and the results attained in a transparent manner</li> </ul>
	Cyber security	<ul style="list-style-type: none"> <li>Guarantee protection of the computer systems and data by minimizing the risks of network breaches and corruption of data or sensitive processes, and develop the cyber security strategy for products and services</li> </ul>
 <b>Economic resp.</b>	Economic and financial sustainability	<ul style="list-style-type: none"> <li>Increasingly sustainable and responsible corporate performance, creating the conditions for development that ensures the needs and expectations of all stakeholders are met</li> </ul>
	Procurement activities	<ul style="list-style-type: none"> <li>Promotion and maintenance of a responsible supply chain that shares our values and is based on long-lasting relationships founded on integrity, transparency and respect</li> </ul>
 <b>Human resources resp.</b>	Protection of employment and industrial relationships	<ul style="list-style-type: none"> <li>Employment and job protection to promote economic and financial sustainability</li> </ul>
	Training and education	<ul style="list-style-type: none"> <li>Promotion of growth, training and enhancement of human capital</li> </ul>
	Company welfare	<ul style="list-style-type: none"> <li>Increase the wellbeing of personnel through innovative solutions rather than traditional ones</li> </ul>
	Diversity and equal opportunity	<ul style="list-style-type: none"> <li>Promotion of programmes to promote diversity and inclusion within the Group</li> </ul>
	Health and safety in the workplace	<ul style="list-style-type: none"> <li>Continuous improvement of the health and safety conditions of workers</li> </ul>

MACRO AREA	MATERIAL TOPIC	COMMITMENT
 <b>Social resp.</b>	Relations with local communities	<ul style="list-style-type: none"> <li>Dialogue with and support for local communities through social, cultural and educational initiatives</li> <li>Collaboration with governments, national and international associations to adopt policies and strategies to contribute to a healthy, inclusive, resilient and sustainable society for everyone</li> </ul>
	Human rights	<ul style="list-style-type: none"> <li>Respect for human rights through the adoption of policies and creation of programmes to promote diversity and inclusion within the Group</li> </ul>
 <b>Product resp.</b>	Product quality, compliance with technical standards	<ul style="list-style-type: none"> <li>Continuous improvement of quality and respect for technical standards, in all phases of the production process to meet the high standards required by the business</li> </ul>
	Innovation, research and development	<ul style="list-style-type: none"> <li>Investments in research and innovation with the aim of developing sustainable, efficient, safe and competitive products and processes</li> </ul>
	Customer satisfaction	<ul style="list-style-type: none"> <li>Listen to demands and expectations in order to maximize customer satisfaction</li> </ul>
 <b>Environmental resp.</b>	Climate change	<ul style="list-style-type: none"> <li>Support for research to improve the analysis and management of risks associated with climate change</li> </ul>
	Environmental management	<ul style="list-style-type: none"> <li>Action to raise energy efficiency and reduce carbon dioxide (CO<sub>2</sub>) and other pollutant emissions</li> <li>Conservation of natural resources, biodiversity, and reduction of environmental impact</li> <li>Increase employee awareness of environmental impact and promote virtuous behaviour</li> </ul>
	Environmental impact of products and services	<ul style="list-style-type: none"> <li>Development of ecologically sustainable products and services with the aim of contributing to a circular and low carbon economy</li> </ul>

The Charter of Sustainability Commitments is available on the website [www.fincantieri.com/globalassets/sostenibilita2/pdf/fincantieri\\_charter-of-sustainability-commitments.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/pdf/fincantieri_charter-of-sustainability-commitments.pdf)

**Which are our sustainability objectives?**

Through the **Sustainability Plan** we highlight our strong intention to be a responsible Group, whose policies are aimed at generating and distributing increasing resources to all stakeholders and with a commitment that is first and foremost shown in the sustainable management of its business. It is the Group's strategic approach to sustainability and it addresses some global challenges (the UN's Sustainability Development Goals - SDGs) and the

commitments undertaken by Fincantieri are broken down in the Charter of Sustainability Commitments into qualitative and quantitative targets that can be measured over time. With the **integrated strategy** (Sustainability Plan and Business Plan) we are able to manage its response to the challenges posed by the market of today and tomorrow in a sustainable way.

The Sustainability Plan has been updated with the integration of the new material topic of **cyber security**, acquiring the

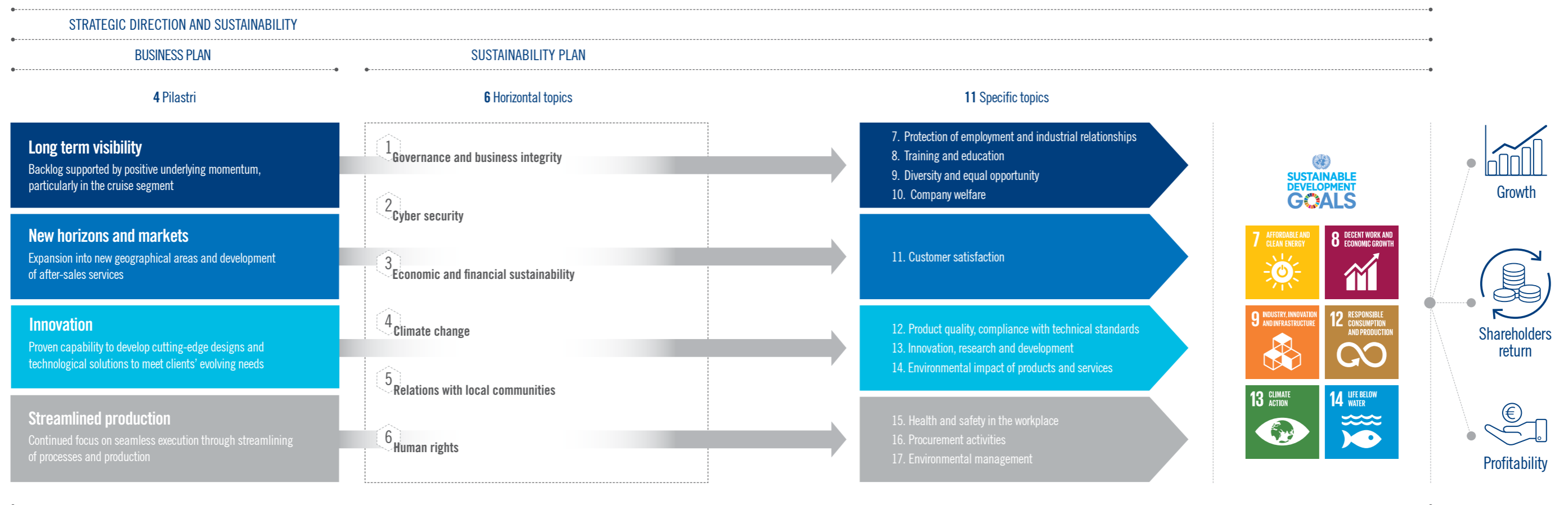
objective from the 2018-2022 Business Plan; it comprises 17 material topics such as the materiality matrix and 32 objectives to be achieved in the short, medium and long term.

The **17 material topics** for Sustainability are linked to the **4 Pillars** of the **Business Plan** (Long-term visibility, New horizons and markets, Innovation, Streamlined production). In particular:

- **6 material topics are horizontal** in that they involve all 4 Pillars and contribute

generally to the Group's growth;

- the other **11 material topics are associated specifically with one of the 4 Pillars** and show a clear correlation between the business drivers and those aspects of sustainability that the Company recognises as significant;
- Fincantieri's objectives contribute in particular to the achievement of the **6 SDGs** that Fincantieri has recognised as significant for its business and in line with its strategic direction.



The Sustainability Plan is approved by the Board of Directors of Fincantieri S.p.A.

Responsibility for achieving the objectives in the Sustainability Plan lies with the different corporate departments involved, which dedicate resources, tools and know-how to implement the actions underlying

those objectives.

The Plan's objectives are revised on a yearly basis taking in account the results achieved and adding the new needs that arise over time. The reference base year against which the quantitative targets in the Plan are defined is 2017.

All the 2019 objectives of the 2018-2022 Sustainability Plan **have been achieved** and two 2020 objectives have been completed early (Including a sustainability module in the Fincantieri Corporate University training programmes and Company car pooling project). The pages in this Report that

describe the related initiatives are marked with the following logo:



**Sustainability objectives achieved in 2019**

	TOPIC	COMMITMENT	OBJECTIVES	PAGE	
HORIZONTAL TOPICS		Governance and business integrity	Promotion of the sustainability culture in line with the Group Values, encouraging managers to think in a sustainable manner within their sphere of influence	Gradual assignment of sustainability objectives in the Company's variable remuneration system	141
			Maintenance of the Corporate Governance system and risk management (including sustainability risk) in line with international best practices	Structure an Emergency Response & Crisis Management process in Safety & Security	135
			Integration of sustainability topics in dialogue with stakeholders (timeliness, accuracy, and exhaustive flow of information to stakeholders)	Implement an external stakeholder engagement programme	25
		Climate change	Support for research to improve the analysis and management of risks associated with climate change	Promotion of research projects to develop new solutions for energy savings or reduction of emissions in collaboration with research institutes / universities on issues associated with climate risks	183
	Relations with local communities	Dialogue with and support for local communities through social, cultural and educational initiatives.	Commitment to managing social activities	145	
	Human rights	Respect for human rights through the adoption of policies and creation of programmes to promote diversity and inclusion within the Group	Annual audits to assess and monitor the most critical suppliers in terms of human rights, health and safety and the environment (second party audit)	96	

	TOPIC	COMMITMENT	OBJECTIVES	PAGE	
LONG TERM VISIBILITY		Training and education	Promotion of growth, training and enhancement of human capital	Include a sustainability module in the Fincantieri Corporate University training programmes	126
		Diversity and equal opportunity	Promotion of programmes to promote diversity and inclusion within the Group	Commitment to human rights and diversity	52
		Company welfare	Increase the wellbeing of people through innovative solutions rather than traditional ones	Company car pooling project	166
INNOVATION		Product quality, compliance with technical standards	Continuous improvement of quality and respect for technical standards, in all phases of the production process to meet the high standards required by the business	Keep ISO 9001 certifications on the Quality Management Systems and product certifications in line with market expectations	114
		Environmental impact of products and services	Development of ecologically sustainable products and services with the aim of contributing to a circular and low carbon economy	Definition of an eco-design system to promote the development of environmentally sustainable ships	180
STREAMLINED PRODUCTION		Procurement practices	Promotion and support of a responsible and sustainable supply chain that shares our values and is based on long-lasting relationships founded on integrity, transparency and respect	Code of Ethics for suppliers Organise meetings and opportunities for dialogue with suppliers as well as training on sustainability issues	54 102
		Environmental management	Increase employee awareness of environmental impact and promote virtuous behaviour	Launch the sustainable office project (10 rules)	160

The purpose, methodology used and the full Sustainability Plan describing the objectives, targets and timescales are available on the website [www.fincantieri.com/en/sustainability/governance/sustainability-plan](http://www.fincantieri.com/en/sustainability/governance/sustainability-plan)



# RESPONSIBLE GOVERNANCE

- CORPORATE GOVERNANCE AND REMUNERATION POLICY
- OUR SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT
- OUR RULES ON FAIR CONDUCT
- WE RESPECT HUMAN RIGHTS
- WE PROTECT DATA AND INFORMATION

Ethics, social responsibility, transparency, lawfulness, fairness and sustainability are Fincantieri's absolute values



We are aware of the role played by and importance of an appropriate corporate

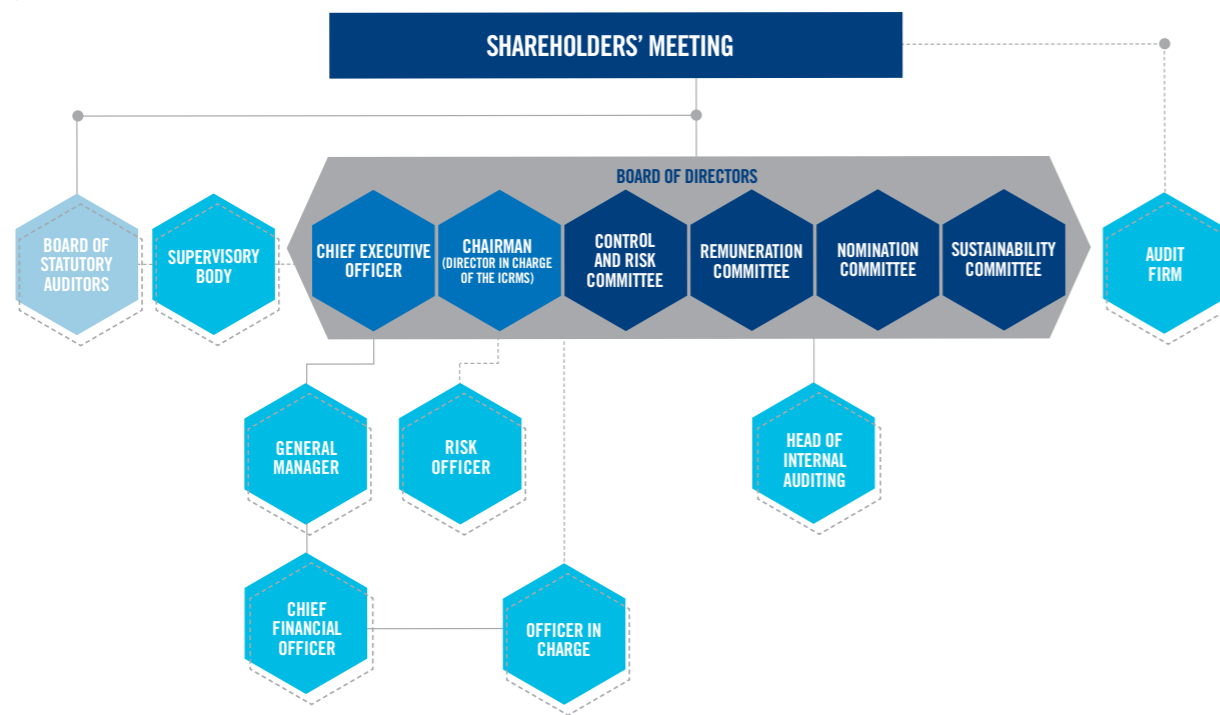
governance model in the clear and responsible performance of the Group's business, contributing significantly to the creation of sustainable value for all stakeholders in the medium to long term.

Fincantieri performs its business with respect for the law, internal regulations and professional ethics. To this end, we have developed a set of policies and guidelines that support the Company on a day-to-day basis.

### CORPORATE GOVERNANCE AND REMUNERATION POLICY

Fincantieri's corporate governance model is in line with the recommendations of the

Corporate Governance Code issued by the Italian Stock Market and has the following structure.



### Shareholders' Meeting

The Shareholders' Meeting is the company body through which the shareholders participate in Company decisions on topics reserved for them according to law and Company By-laws.

### Board of Directors

The Company's Board of Directors (BoD) is the Company's central organization for Corporate Governance, holding the widest powers for its ordinary and extraordinary administration, including the definition of strategic direction, organization and control of the Company and the Group. The Board of Directors currently consists of ten members, six of whom are independent, and was nominated during the Ordinary Shareholders' Meeting held on 5 April 2019 for financial years 2019, 2020, and 2021.

#### COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES ON THE DATE OF THE REPORT

DIRECTOR	OFFICE	EXPIRY OF TERM	ROLE	INDEP. BY LAW	INDEP. BY CODE	CRC	RC	NC	SC
Giampiero Massolo	Chairman	Sh. meeting to app. fin. stat. 2021	Executive	-	-	-	-	-	-
Giuseppe Bono	AD	Sh. meeting to app. fin. stat. 2021	Executive	-	-	-	-	-	-
Barbara Alemanni	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	X	X	-	-
Massimiliano Cesare	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	C	-	X	-
Luca Errico	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	-	-	X	X
Paola Muratorio	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	X <sup>1</sup>	C	-	X
Elisabetta Oliveri	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	-	X	-	C
Fabrizio Palermo	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	-	-	-	X	X	-
Federica Santini	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	-	-	X	-	-	X
Federica Seganti	Director	Sh. meeting to app. fin. stat. 2021	Non-Executive	✓	✓	X	-	C	-

<sup>1</sup> The Member of the Control and Risk Committee who replaces the Director Santini when the committee, meeting as the RPT Committee, examines major operations with related parties.  
 CRC: Control and Risk Committee.  
 RC: Remuneration Committee.  
 NC: Nomination Committee.  
 SC: Sustainability Committee.

C: Chairman of the Committee.  
 ✓: Satisfies the requirements.  
 -: Not applicable.  
 X: Member of the Committee.

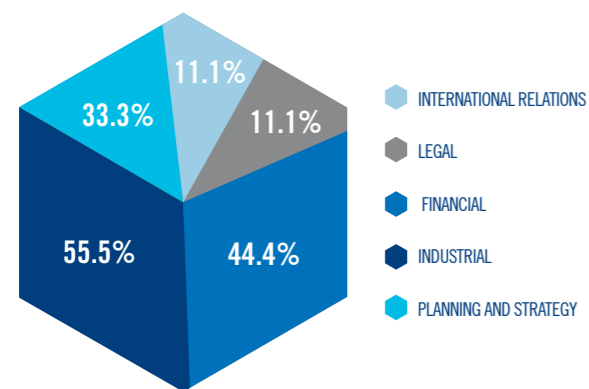
OTHER INFORMATION ON THE BOARD OF DIRECTORS \*

	FINCANTIERI	AVERAGE FOR LISTED COMPANIES **	
		ALL-SHARE	MID CAP
Number of Directors	10	10.0	10.9
Number of executives	2	2.5	2.5
Number of non-executives	8	2.9	2.9
Number of non-executives that do not qualify as independent under the Code	2	2.9	2.9
Number of independent under the Code	6	4.6	5.6
% less represented gender	50	-	-
Average age of Directors	56.3	57	-
No. of BoD meetings	13	11.2	11.2
% attendance at BoD meetings	88.6	93	-
Average duration of BoD meetings	104 min.	138 min.	153 min.
Board evaluation	Implemented	84.1%	-
Position on multiple offices	Adopted	47%	58%

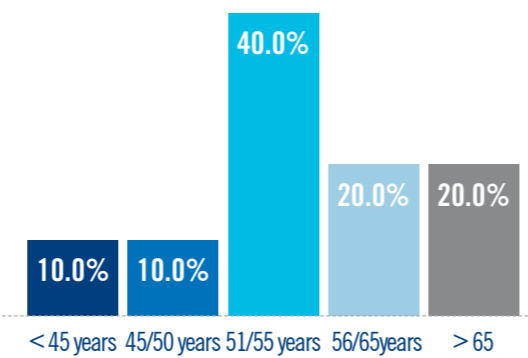
\* The statistical data of this table for Fincantieri refer to the composition and operation of the Board of Directors during 2019.  
 \*\* Latest available data taken from the Assonime - Emittenti Titoli S.p.A. report: "Corporate Governance in Italy: corporate governance, remuneration and comply-or-explain (year 2019)" issued on 26 January 2020.

CHARACTERISTICS OF THE MEMBERS OF THE BOARD OF DIRECTORS

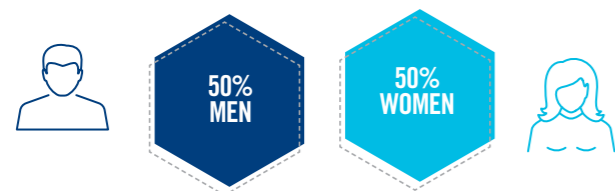
AREA OF EXPERTISE



AGE



GENDER



The Board of Directors has structured its organization, also establishing four dedicated **Board Committees**, that carry out proactive proposal and consultation tasks: the Control and Risk Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee.

Their composition, responsibilities and methods of operation, as well as the powers and means assigned, are regulated by specific regulations approved by the Board of Directors when these Committees were established and later amended based on changes introduced over time to the Corporate Governance Code. All members of the Committees are non-executive Directors, mostly independent, and have functional areas of expertise for performing the roles they have been assigned.

Board of Statutory Auditors

The Board of Statutory Auditors consists of three Standing Auditors and three Alternate Auditors appointed by at the ordinary Shareholders' meeting using a dedicated procedure. The Auditors in office satisfy the requirements of integrity, professionalism and independence.

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS ON THE DATE OF THE REPORT

MEMBERS	ROLE	EXPIRY OF TERM
Gianluca Ferrero	Chairman	Meeting to approve financial statements 2019
Roberto Spada	Statutory Auditor	Meeting to approve financial statements 2019
Fioranna Vittoria Negri	Statutory Auditor	Meeting to approve financial statements 2019
Alberto De Nigro	Alternate Auditor	Meeting to approve financial statements 2019
Flavia Daunia Minutillo	Alternate Auditor	Meeting to approve financial statements 2019
Massimiliano Nova	Alternate Auditor	Meeting to approve financial statements 2019

The Auditors act completely autonomously and independently from all shareholders. Therefore, an Auditor who - independently or on behalf of third parties - has an interest in a particular transaction/operation of the Company must promptly and fully inform the other Auditors

and the Chairman of the Board of Directors about the nature, terms, origins and extent of this interest. The Auditors are also obligated to respect the limits on multiple offices held as director and auditor in Italian joint stock companies provided for by applicable regulatory provisions and by the By-laws.

OTHER INFORMATION ON THE BOARD OF STATUTORY AUDITORS\*

	FINCANTIERI	AVERAGE FOR LISTED COMPANIES **	
		ALL-SHARE	MID CAP
Number of Auditors	3	-	-
Average age of Auditors	57.67	55.8	-
No. of meetings	12	13.8	16.3
Average duration of meetings	105 min.	149 min.	152 min.
% attendance by Auditors	100	97	-

\* The statistical data of this table for Fincantieri refer to the composition and operation of the Board of Statutory Auditors during 2019.  
 \*\* Latest available data taken from the Assonime - Emittenti Titoli S.p.A. report: "Corporate Governance in Italy: corporate governance, remuneration and comply-or-explain (year 2019)" issued on 26 January 2020.

For more information on Corporate Governance, see the Report on Corporate Governance and Ownership Structure, [www.fincantieri.com/en/governance/corporate-governance-system/corporate-governance-reports](http://www.fincantieri.com/en/governance/corporate-governance-system/corporate-governance-reports)

### Remuneration policy

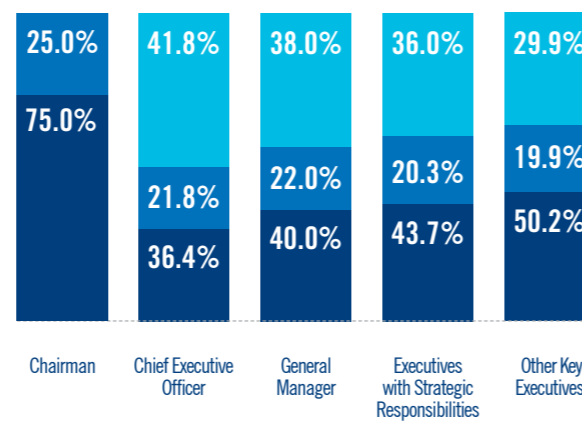
Fincantieri's Remuneration Policy is approved annually by the Board of Directors, on the proposal of the **Remuneration Committee**. The Board of Directors is also the company body responsible for proper enactment of the Policy, that relies on the support of the Remuneration Committee, which acts to provide consultancy and proposals. The adequacy, overall consistency, and concrete application of the Remuneration Policy are evaluated by the Remuneration Committee, as recommended by the Corporate Governance Code and as indicated in the regulations for the Committee. The Remuneration Committee consists of four non-executive members, three of whom are independent and at least one of whom has adequate knowledge and experience in finance or pay policy, evaluated by the Board of Directors when nominated. The parties covered by the Remuneration Policy are the Chief Executive Officer, the Chairman, the General Manager, Executives with Strategic Responsibilities and other Key Executives. Management of the Remuneration Policy is delegated to the Chief Executive Officer, supported by the Human Resources and Industrial Relations Management. Verification of the qualitative and quantitative performance objectives and consequent determination of any sums of money due to the interested parties is performed following approval of the financial statements for the year following verification by the Chief Executive Officer. The Remuneration

Policy is aimed at achieving the Company's strategic priorities and enhancing sustainable performance.

In continuation of the LTI Plan 2016-2018, on 27 March 2018, the Board of Directors approved the LTI Plan 2019-2021 which essentially follows the same structure though with the addition of another **objective associated with sustainability**.

The creation of sustainable value in the medium to long term, alignment of the interests of management with those of the shareholders and support for retention capacity are the primary objectives of this Plan, in line with the indications in the Corporate Governance Code and the best and most widespread market practices.

PAY-MIX 2019-2021 LTI



■ FIXED COMPONENT  
■ SHORT TERM VARIABLE COMPONENT  
■ MEDIUM-LONG TERM VARIABLE COMPONENT

The structure of the remuneration package is set out below.

TYPE OF REMUNERATION	PURPOSE	POSITIONS INVOLVED
Fixed remuneration	Remunerates the role and more specifically the responsibilities assigned to the recipients, taking account, among other things, of the experience, quality of contribution made to achieving the business results and level of excellence with respect to the assigned duties.	<ul style="list-style-type: none"> <li>Chairman</li> <li>Chief Executive Officer</li> <li>Non-executive Directors</li> <li>General Manager</li> <li>Executives with Strategic Responsibilities</li> <li>Other Key Executives</li> </ul>
Short-term variable remuneration (annual MBO)	Remunerates results achieved in the short term and is aimed at expressing the industrial plan strategies into a series of annual, individual and group objectives, capable of decisively influencing the performances of the executives involved.	<ul style="list-style-type: none"> <li>Chairman</li> <li>Chief Executive Officer</li> <li>General Manager</li> <li>Executives with Strategic Responsibilities</li> <li>Other Key Executives</li> </ul>
Medium-long term variable remuneration (Performance Share Plan)	Remunerates results achieved in the medium-long term and is aimed at improving the alignment of interests of the recipients with those of the shareholders and supporting the retention capabilities for key resources.	The beneficiaries are individually identified at the discretion of the Board of Directors, on the advice of the Remuneration Committee, among the following persons: <ul style="list-style-type: none"> <li>Chief Executive Officer and, according to the Chief Executive Officer's indications, the following persons:</li> <li>General Manager</li> <li>Executives with Strategic Responsibilities</li> <li>Other Key Executives</li> </ul>



For more information, see the Remuneration Report available on the website [www.fincantieri.com/en/governance/remuneration](http://www.fincantieri.com/en/governance/remuneration)





## OUR SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

The System of Internal Control and Risk Management System (ICRMS) of the Company is formed by a set of tools, organizational structures, and company procedures aimed at contributing business conduct which is honest, fair and consistent with the objectives set by the Board of Directors.

The ICRMS is integrated within the general organizational aspects and corporate governance system adopted by the Company and, taking into account the main reference models, allows and promotes the identification, measurement, management, and monitoring of the main risks as well as the dependability, accuracy, reliability and timeliness of the financial report. This system, based on leading international practices, is divided into the three traditional levels of control:

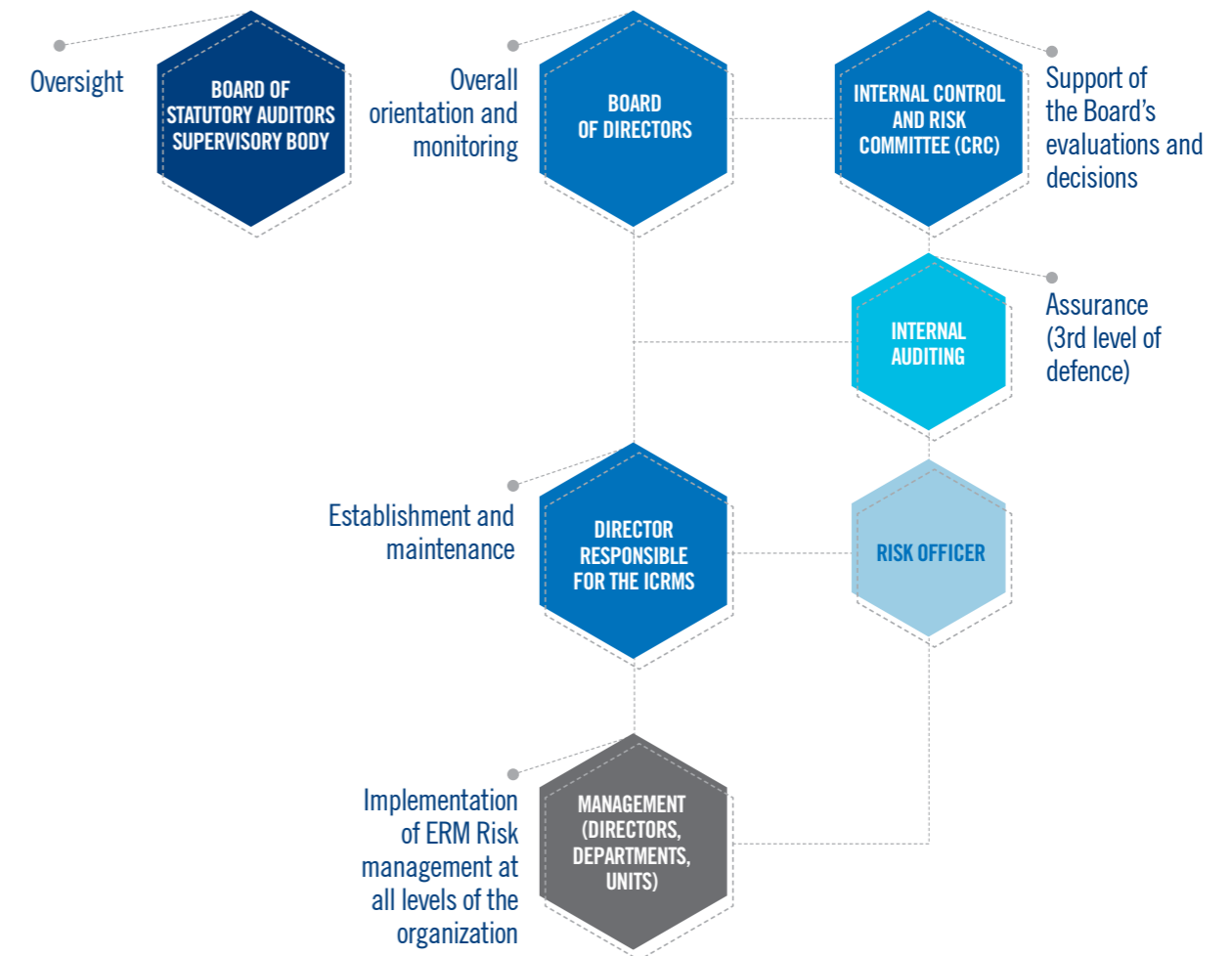
- 1st level: the operational functions identify and evaluate the risks and implement specific treatments for their management;
- 2nd level: the functions responsible for risk control define the methods and tools for risk management and perform monitoring activities;
- 3rd level: the Internal Auditing function provides independent evaluations regarding the entire system.

The guidelines, approved by the Board of Directors, identify the main parties involved in the preparation and implementation of an effective internal control and risk management system, involving each of them based on their area of expertise.

It is also required that all employees of the Group, as part of their functions and responsibilities, actively intervene according to

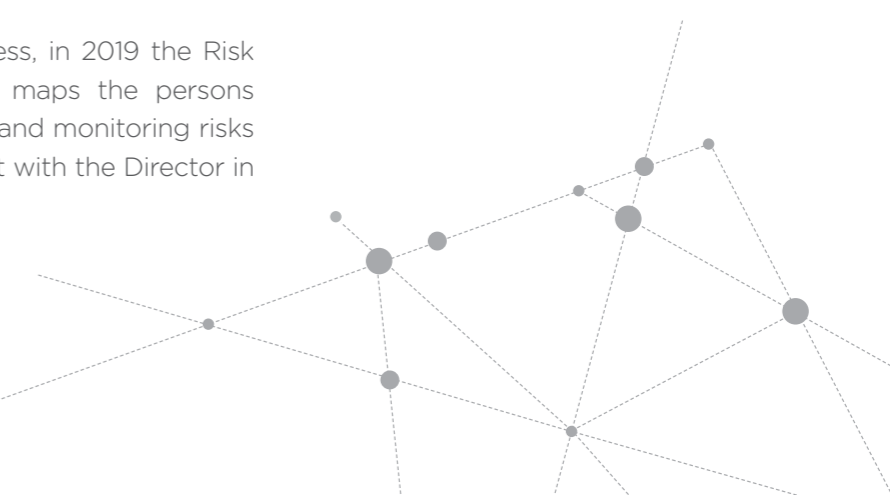
the methods defined in the Group's regulatory system and internal procedures for the maintenance, updating, and correct operation of the ICRMS.

Following is a representative diagram of the parties involved in Risk Management at various titles.



For more information, see the Internal Control and Risk Management section on the website [www.fincantieri.com/en/governance/internal-control-and-risk-management](http://www.fincantieri.com/en/governance/internal-control-and-risk-management)

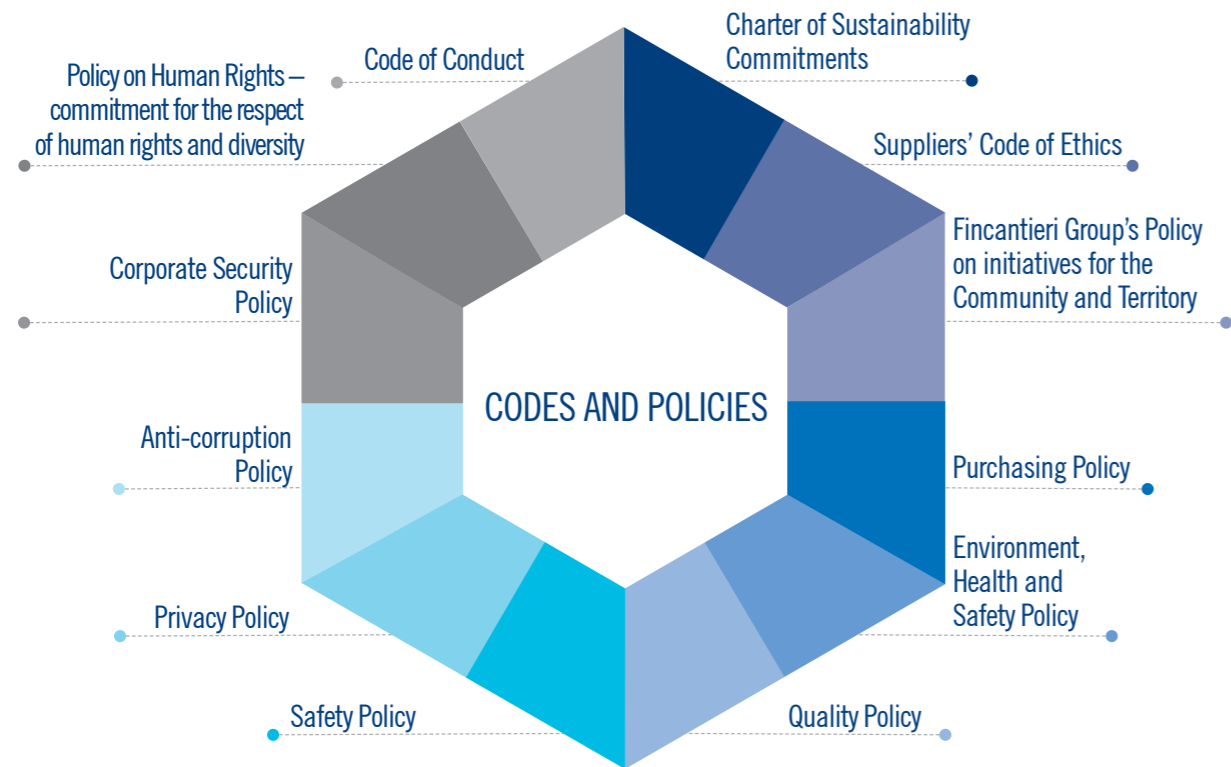
As part of the ERM process, in 2019 the Risk Management Model that maps the persons responsible for managing and monitoring risks was updated in agreement with the Director in charge of ICRMS.



## OUR RULES ON FAIR CONDUCT

We believe that success can be long lasting only with responsible, ethical business management; the Group's actions are performed with integrity, honesty and dedication and based on mutual trust, so that growth is also guided by the principle of shared values.

We conduct our business with respect for the law, internal regulations and professional ethics. To this end, we have developed a set of policies and guidelines that support us in our activities and which are described in various chapters of the Sustainability Report.



### Code of Conduct

All those who work for Fincantieri, without exception or distinction, are committed to observing and ensuring the observance of the company's Code of Conduct, which, for the smooth operation, reliability and reputation of the Group, requires that all the activities are conducted in compliance with the law, with international conventions and in strict accordance with the human rights enshrined in the UN Universal Declaration. Operating according to the principle of fair competition, with honesty, integrity, fairness and good faith, respecting the legitimate interests of our stakeholders, shareholders, employees, customers, commercial and financial partners and of the general public and local communities in which we conduct our activities is fundamental for the smooth operation, reliability and reputation of the Group, but at the same time represents a key asset for Fincantieri's ongoing success. In no way does the conviction of acting in the interest or advantage of the Company justify adopting conduct that goes against these principles and all conduct contrary to the words or spirit of the Code will be subject to sanctions as mentioned in the Code. We are committed to encouraging and promoting knowledge of the Code among employees and with all parties who have business relations with Fincantieri and we monitor observation of the Code, providing suitable tools for information, prevention and control, and ensuring the transparency of existing operations and conduct. The Board of Directors and the Company management is responsible for verifying the Code of Conduct's implementation and

application, and these corporate bodies/officers may also make proposals to supplement or amend its provisions.

The Code of Conduct is available on the website [www.fincantieri.com/globalassets/sustainability2/business-ethics/fincantieri\\_code\\_of\\_conduct.pdf](http://www.fincantieri.com/globalassets/sustainability2/business-ethics/fincantieri_code_of_conduct.pdf)

### Organizational Model

Fincantieri has adopted an organization, management and control model according to Legislative Decree No. 231/2001 (Organizational Model), the latest version of which was approved by the Board of Directors on 14 February 2019. It consists of a general section, which illustrates the principles, departments and basic components of the Organizational Model, and special parts, which identify the activities at risk of crime, the principles of conduct, and the control procedures for the specific types of crimes considered relevant.

The Organizational Model is available on the website [www.fincantieri.com/globalassets/sostenibilita2/business-ethics/fincantieri\\_modello-231-parte-generale\\_feb2019\\_en\\_pubbl.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/business-ethics/fincantieri_modello-231-parte-generale_feb2019_en_pubbl.pdf)

### Anti-corruption Policy

Given the extensive geographic context in which we operate, the Company has adopted a number of internal rules aimed at identifying and applying a global anti-corruption policy that defines the expectations for conducting business operations in strict compliance with the best international standards on anti-corruption legislation. The Group's commitment to combating corruption - established in primis by the Code of Conduct - is reflected in a series of corporate documents that are its existing

means to combat corruption. The first of these documents is the **Anti-corruption Policy** adopted by the Company in 2014 and updated in January 2019, which introduces a regulatory system to protect sensitive areas.

 The Anti-corruption Policy is available on the website [www.fincantieri.com/globalassets/sostenibilita2/business-ethics/20190125\\_anticorruzione\\_eng.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/business-ethics/20190125_anticorruzione_eng.pdf)

As part of the process of constant evolution and continuous improvement of the Company's anti-corruption system, we launched a project in 2019 with the aim of obtaining certification by the end of 2020 for its **anti-corruption management systems**, one objective included in the Sustainability Plan. The project, which avails itself of advisory support, envisages the Internal Auditing Function coordinating a working group made up of the company functions/departments most directly involved in sensitive processes, in order to prepare and/or integrate the Company's procedural and organizational controls to adapt them to the standards required by certification. At an organizational level, in order to oversee the Company's anti-corruption system, in accordance with the **ISO 37001** standard, it is the responsibility of the Board of Directors to identify and appoint the "anti-corruption compliance function", giving it the appropriate operational responsibilities and authority to carry out its duties. To this end, the Board of Directors established the Anti-Corruption function at the meeting held on 28 January 2020.

With reference to the Parent Company, the **Internal Auditing** function examines and independently evaluates the internal controls to verify if what is required by the

anti-corruption procedures has been met within the range of the annual planned audits, approved by the Board of Directors. The **Supervisory Body** plays a special role. Its activities call for the periodic collection of confidential information in order to identify potentially risky conduct with reference to corruption both with respect to Italian and foreign Public Administrations, and to private parties. The Organizational, Management and Control Model according to Legislative Decree No. 231/2001 and the corporate regulatory framework are subject to a continuous updating process to comply with organizational and legal changes and to adequately respond to the possible risk of committing crimes.

Among the tools for preventing the risk of corruption, the Company has - since 2009 - adopted a system for reporting infringements to the Supervisory Body (**whistleblowing**), also defined in the Organizational Model, which enables employees and third parties to report issues involving non-compliance with the provisions of the Code of Conduct, the Organizational Model, or of the corporate procedures or, otherwise, the law. Since January 2019, an update of the whistleblowing computer system has been made operational. This system uses an independent platform to send reports and is an evolution in terms its suitability in order to ensure the confidentiality of the sources and of the information communicated (as required by Law No. 179 of 30 November 2017).

 For more information on the whistleblowing system and on all the anti-corruption procedural tools, see the website [www.fincantieri.com/en/governance/business-ethics](http://www.fincantieri.com/en/governance/business-ethics)

**Communication and training on the anti-corruption procedures and policies**

With regard to Legislative Decree No. 231/01, and in particular relating to anti-corruption and safety at work, an e-learning training project has been in place since 2016, supported by the Supervisory Body and the Internal Auditing function. The training system for this course is divided into differentiated paths in order to allow targeted distribution of the information based on the roles of the people involved. The "general" path has been delivered to all employees of the Parent Company (equipped with company PC and email), while agents and specific corporate departments were also given specific modules. During 2019, the program continued with the provision of an on-line course for agents focusing on anti-corruption and company risks, and new editions of the general course and on safety at work and the environment were started for those

who had not participated in the previous editions. For employees of Italian subsidiaries, specific anti-corruption training meetings are held, organized by their supervisory bodies with a view to extending this training to the e-learning mode. The Board of Directors receives an annual report from the Supervisory Body on the activities performed, including training. Regarding foreign subsidiaries, the VARD group and Fincantieri Marine Systems North America Inc. (FMSNA) have held training on the Code of Conduct and business ethics, while in 2019 Fincantieri Marine Group (FMG) did not carry out any training on the issues in question since the contents of the course have been revised and it will be resumed in 2020. The courses were held in the local language of the countries where the companies involved in training are based (Italy, USA, Norway, Croatia, Poland, Romania and Vietnam). The table below shows the data on the overall number of employees who received training in 2018 and 2019.

	SENIOR MANAGERS		MIDDLE MANAGERS		WHITE COLLAR EMPLOYEES		BLUE COLLAR EMPLOYEES		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
FINCANTIERI	99	7	69	55	500	1,140	0	2	668	1,204
VARD	9	3	38	6	75	53	47	78	169	140
FMG	31	0	129	0	387	0	23	0	570	0
FMSNA	1	3	8	11	16	24	31	27	56	65
TOTAL	140	13	244	72	978	1,217	101	107	1,463	1,409
% of total employees	37%	3%	21%	6%	14%	16%	1%	1%	8%	7%

As regards monitoring of corruption cases, it should be noted that **no confirmed cases of corruption** involved companies in the Fincantieri Group were found in 2018 and 2019.

### National Framework Tender Protocol

Having identified in the tender system a key element for our ability to develop and raise our competitive standing in our reference markets, we have always paid constant attention, also in this context, to ensuring maximum transparency. It is in fact in the interest of the Company to ensure respect for legality and to defend the market from interference by organized crime, as well as from undue interference and pressures from common criminals, preventing any possible infiltration attempt by organized crime during the process of awarding tenders, in capital expenditure and in production activities. To this end, since 1999, Fincantieri has been working on improved cooperation with the relevant local authorities and, over time, has arrived at signing Legality and Transparency Protocols, which led to the signing of a single **National Framework Tender Protocol** with the Ministry of the Interior

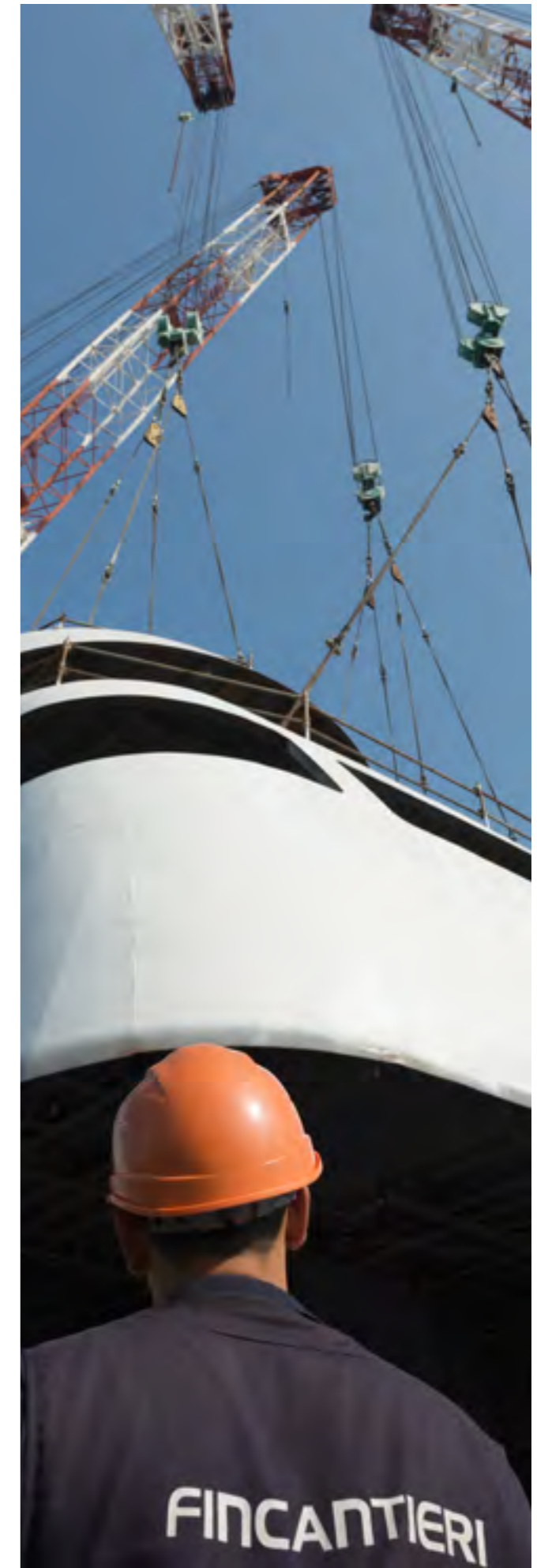
on 27 February 2017, aimed at preventing infiltration attempts by organized crime. The agreement represents a fundamental milestone that unifies the procedures for control against organized crime on a national level in companies considered at “high risk” and which enabled, since its activation, **more than 2,200 reports** to be sent to the relevant local Prefectures on firms that operate on contracts and sub-contracts in all locations of the Fincantieri Group. The agreement, in addition to having set up a permanent round table in the Minister’s Office, guarantees an invaluable exchange of information for those cases considered most at high risk and, should any issues arise, enables Fincantieri to adopt the most appropriate protective measures while also reconciling the necessary confidentiality requirements of the parties involved. Under the agreement, Fincantieri also asks the supply chain concerned to ensure the highest levels of transparency and fairness and fulfil their obligations to combat against and report any instances that could entail conspiracy to commit a crime - including mafia-type conspiracy - or, by way of example, corruption, fraud, money laundering and extortion.

## WE RESPECT HUMAN RIGHTS

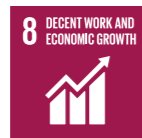
We are committed to ensuring and promoting respect for human rights, a priority for the Group, in all business areas and among all stakeholders, whether Group employees or suppliers. We conduct our activities in accordance with fundamental human rights standards. As proof of this commitment, our policies and practices are aligned with:

- International Bill of Human Rights, including the United Nations (UN) Universal Declaration on Human Rights;
- Fundamental Conventions of the International Labor Organization (ILO);
- Guidelines of the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises;
- Ten principles of the United Nations Global Compact.

The Group has adopted the **Policy On Human Rights** - Commitment for the respect of human rights and diversity and the **Suppliers’ Code of Ethics**, two relevant documents to guide the company’s activities, following an approach to business that is not limited to compliance with the regulations in force in the countries where we operate, but proactively oriented towards the protection of human rights. The documents approved by the Board of Directors confirm our commitment to protecting human rights as stated in the Code of Conduct, the Charter of Sustainability Commitments and the Sustainability Plan.



**Policy on human rights**



In order to define principles and rules that guide the strategies, activities and initiatives of the entire Group towards respect for human

rights and the promotion of diversity and inclusion, Fincantieri has drawn up the **Policy on Human Rights** - Commitment for the respect of human rights and diversity

The **principles** on which the public commitment to human rights adopted within the lines of the Policy is based and the consequent commitment to share a collective awareness of their importance within the Company can be represented as follows:



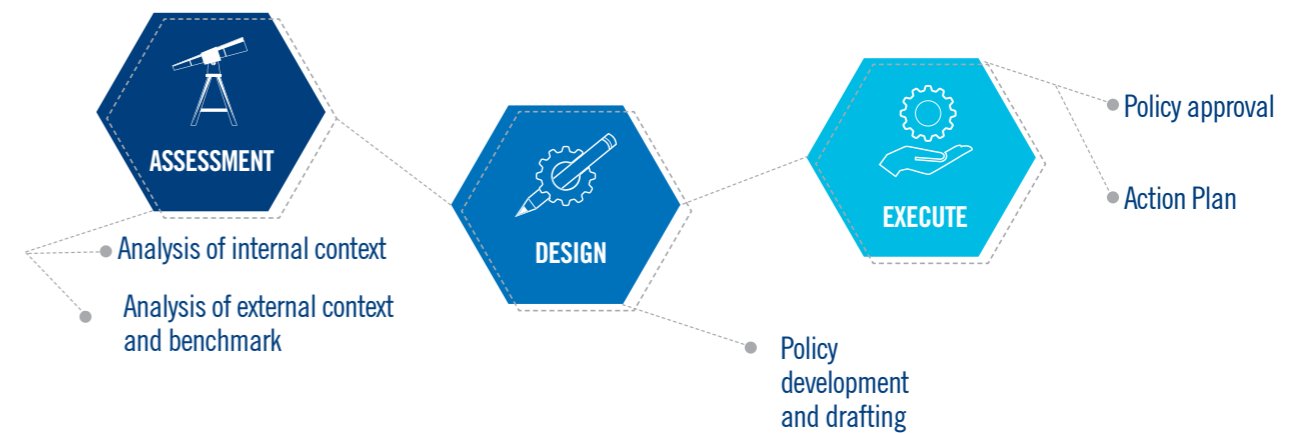
The document contains a focus on **Diversity and Inclusion**, elements we consider

strategic factors for company competitive advantage and people development.

The Policy was developed with the **involvement of Group companies**, under the coordination of the Human Resources departments and in close collaboration with the main corporate functions. This comprehensive involvement has made it possible to carry out an exhaustive mapping of the initiatives and best practices in place in the various companies within the countries in which the Group operates. In fact, a study of the reference context was carried out in

parallel to identify the regulatory scenario, standards, the main trends and any risks present. Using the results of the assessment and benchmark carried out with a number of significant players, the areas of intervention have been defined and the Policy has been drawn up, which will be followed by a work plan for effective implementation and monitoring capable of overseeing the logic of continuous improvement.

**METHODOLOGICAL APPROACH**



Policy on Human Rights - Commitment for the respect of human rights and diversity [www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri\\_policy\\_on\\_human\\_rights2.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri_policy_on_human_rights2.pdf)

Even in countries like Vietnam, where human rights might be more at risk, the Company constantly monitors these issues. The Vietnamese shipyard has been certified in compliance with SA 8000. The model guarantees a virtuous process aimed at

ensuring their continuous respect and provides specific training to all new recruits. In 2019, 1,861 hours of human rights training were provided in the Vietnamese shipyard with the participation of 267 people.

### Suppliers' Code of Ethics



In order to respect the Group's commitment to promoting a responsible and sustainable supply chain, with respect for human rights, we have adopted the **Suppliers' Code of Ethics**. The document defines the values and principles of conduct that suppliers must refer to and

adopt in order to pursue a development that integrates competitiveness, environmental sustainability and social responsibility, capable of establishing a long-term partnership based on integrity, honesty and mutual transparency.

The Suppliers' Code of Ethics is available on the website [www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri\\_policy\\_on\\_human\\_rights2.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri_policy_on_human_rights2.pdf)

To guarantee respect for human rights in the supply chain, a specific objective has been included in the Sustainability Plan that provides for annual second-party audits to monitor and evaluate strategic suppliers in terms of respect for human rights, safeguarding workers' health and safety, and protecting the environment.

For more details on the Suppliers' Code of Ethics and audits, please refer to the chapter "For a sustainable supply chain".

### WE PROTECT DATA AND INFORMATION

The Company's focus on **cyber security** has gradually intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance. The sophistication of cyber threats - made possible by the operation of consolidated international groups, some of which supported by the governments of the countries to which they belong - requires the constant adjustment of the company's defenses and processes for protecting IT assets, as an additional element to protect the Company's industrial know-how and market competitiveness. For this reason, in 2019 we further strengthened the Cyber Security function, activating a pervasive multi-year program focused on managing and mitigating cyber risks, which develops far-reaching project initiatives on the company's technological infrastructure, such as:

- lifecycle management of cyber security incidents;
- conducting periodic IT security assessments aimed at identifying and remedying any gaps;
- providing awareness campaigns to employees, aimed at improving awareness of cyber risks and shedding light on the most widespread attack techniques (e.g. social engineering) and the organizational and behavioural methods for neutralizing them;
- managing cyber risks within a more general framework of operational risks that may negatively impact on the Company's business and image.

Fincantieri - in its capacity as a strategic company for the national system - continues to collaborate with the **State Police and other important national institutions** through information sharing activities on significant cyber events recorded on its IT infrastructure.

We are aware of our social responsibilities and in light of the full transposition of the principles laid down to protect personal data, we have launched a process to comply with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (the GDPR), became fully applicable on 25 May 2018. At the end of this process, the Company adopted a privacy management system, whose founding principles are contained in the Policy on General Principles

- creation of a program to protect the industrial networks supporting ship production on 4 pilot shipyards (Monfalcone, Marghera, Ancona and Riva Trigoso) to allow the monitoring, protection and management of field equipment;
- development of a model to manage cyber security aspects related to product development processes;
- definition of the Group business model with regard to the Information Security Policy Architecture;
- implementation of tools based on Artificial Intelligence to identify a standard behavioural model capable of highlighting any anomalies in user actions;
- central monitoring of core corporate services;



of the Privacy Management System (**Privacy Policy**) which establishes, among other things, the main processes needed to ensure the protections envisaged by the legislation. With this policy Fincantieri undertakes to establish and maintain over time a control model aimed at protecting the personal data collected and processed as part of the operational processes of its business, promoting the development of a pervasive privacy culture at Group level. With this in mind, in addition to the dissemination of privacy statements to the data subjects and instructions to personnel authorized

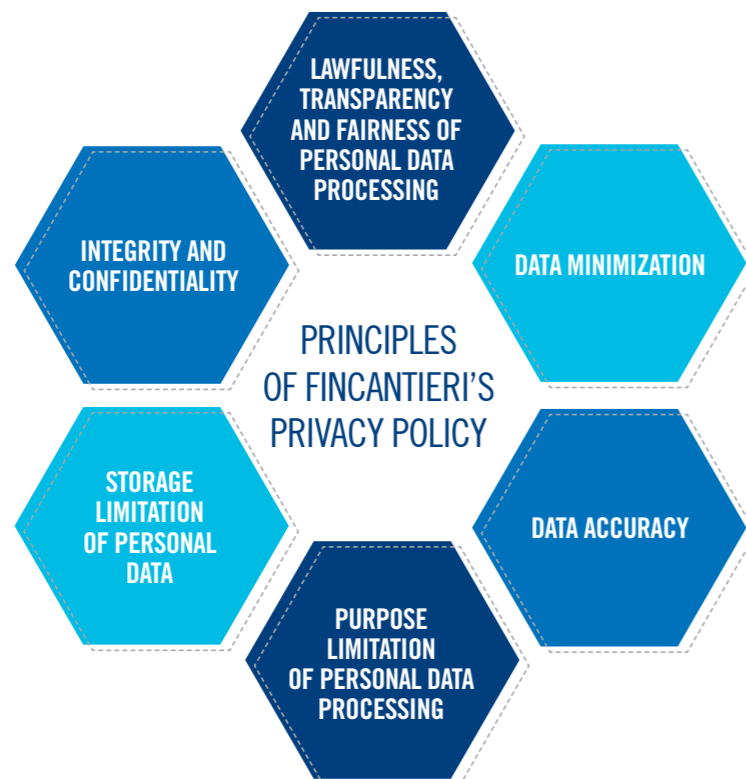
to process personal data, Fincantieri has carried out a pervasive training campaign that reached the employees of the Parent Company and was extended to the Italian subsidiaries. The Privacy Management System was laid out in detail in a specific Privacy Management System Manual and by operational procedures that identify certain processes that are especially critical such as management of data breaches and management of requests from data subjects asserting their rights.

As regards the security measures to be implemented to guarantee and protect data, the **ISO/IEC 27001:2013** and ISO 9001:2015 certifications, which represent deeper integration with the information technology required by the personal data protection obligations, were confirmed again in 2019, confirming compliance with the level of reliability required by international standards.

With regard to foreign subsidiaries, the VARD group, complying with the provisions of the GDPR, has adopted the following line of action: implementing an overall mapping of processes that involve personal data, implementing the privacy policy

for employees, limiting access to data in compliance with regulatory requirements, carrying out the related training, sharing the mapping results with the shipyards and offices in the various territories so that it can be implemented according to local characteristics.

Fincantieri Marine Group, complying in particular with the provisions of the Health Insurance Portability and Accountability Act (HIPAA), has prepared a detailed document on the protection of employees' medical data, providing training to those who have access to such information.





# FINCANTIERI FOR SOCIETY

- FOR THE ECONOMY AND THE MARKET
- FOR INNOVATION
- FOR A SUSTAINABLE SUPPLY CHAIN
- FOR OUR CUSTOMERS
- FOR OUR PEOPLE
- FOR THE COMMUNITY



## FOR THE ECONOMY AND THE MARKET

*We believe in an economy that is a system of relations based on trust and transparency, an integrated dynamic network of cross-cutting communities, built over time to create and exchange value*



In recent years, new technologies and changes in people's behaviour have led to structural changes in many industrial sectors, resulting in the emergence of new markets, growth and employment opportunities, but also to the need to adapt the business model in order to seize all the opportunities.

In this context, our business model - diversified by end markets, geographical areas and customer portfolio - is able to face new challenges by seizing all opportunities without ignoring their social and environmental implications. Our goal always remains that of combining business with reducing environmental impact, meeting the needs of local communities and improving the safety of our people and our suppliers.

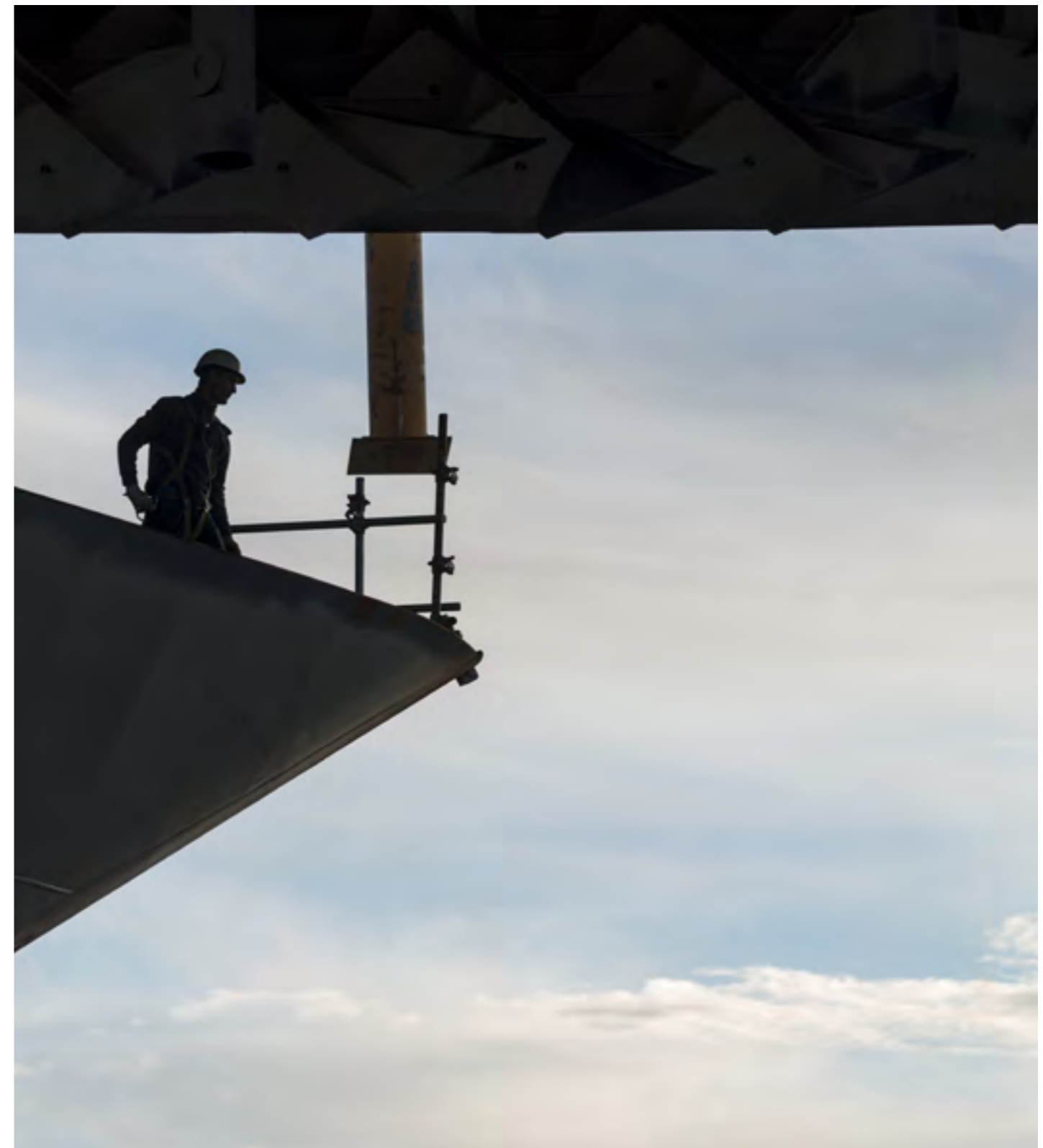
We are committed to developing and promoting innovative solutions that contribute to the achievement of the UN 2030 Sustainable Development Goals (SDGs), through a structured organization, the activation of virtuous ecosystems, and by leveraging on access to new technologies.

With this in mind, we are also actively involved in the construction of the new **Genoa Bridge**, a project that Fincantieri Infrastructure manages together with

Salini Impregilo, a leading partner and company in the sector with which it set up the consortium PERGENOVA. The latter's mission is to give back to the city of Genoa the viaduct over the Polcevera river, which collapsed following the tragedy on 14 August 2018. Fincantieri Infrastructure contributes in this case by pooling the entire know-how of the Fincantieri Group: the Valeggio sul Mincio shipyard produces the metal sheets, beams and semi-finished products which are then assembled at the Castellammare di Stabia and Sestri Ponente shipyards. The latter shipyard will also support all operations in logistical terms given its proximity to the bridge site. In addition, the technological skills of the automation, safety and monitoring systems of the Group's various subsidiaries will also be integrated. The reconstruction of the bridge is destined to become the symbol of the rebirth of a great city like Genoa, but also the symbol of a new phase of the country's development. It will show that also in Italy, thanks to a virtuous collaboration between the public and private spheres, it is possible to build infrastructures with certain times and costs, from the stage of identifying the needs to execution. The hope is that the Genoa project can represent a model

of collaboration between large Italian companies that are mutually supportive of each other, placing a unique industrial

heritage at the disposal of the city and the country.



## ECONOMIC VALUE FOR STAKEHOLDERS

The creation of economic value is essential to ensure that the Group is safeguarded over time and, therefore, its sustainability. The distribution of economic value, determined in accordance with the “direct economic value generated and distributed” (201-1) of the GRI Sustainability Reporting Standards (2016), represents the economic impact of our business for the benefit of the main stakeholder categories.

In 2019, we distributed a total economic value of €5.8 billion to suppliers, collaborators, lenders, Public Administration and the community. This is a significant value, the impact of which remains limited mainly to the territory, particularly with regard to personnel and suppliers.

Since 2013, following the acquisition of the VARD group, our worldwide presence has increased to around 20 countries, mainly in Italy, Norway and the United States, which together produce 98% of revenues. In 2019, 33% of revenues were generated by cruise ships equipped with green technologies such as scrubbers that purify exhaust fumes from hazardous chemicals and pollutants, selective catalytic reduction systems (SCR) for ships or liquefied natural gas (LNG) propulsion.

order backlog offers some guarantee of visibility that supports the development of leading-edge supply chains and technology districts, creating a driving force for the subcontractor network and fostering Italian export and innovation.

Our leadership is also based on the ability to **create jobs** all over the world, offering people the opportunity to establish a stable and long-term relationship with us, and to share with them the same idea of growth, improvement and personal fulfilment. In Italy, in particular, our workforce grew by 672 employees, confirming Fincantieri’s primary role in the employment context. We recorded an increase of 2.8% at Group level compared to 2018.

In order to support our production, we have created a **production network** that requires our shipyards work in synergy and collaboration with each other so that one single order brings value to different regions or nations and not only to the production site where the ship is delivered. For example, with regard to the vessels produced by the VARD group in the five shipyards in Norway, it is worth noting that these are also partly built with the operational contribution of the two shipyards in Romania, the shipyard in Brazil and the one in Vietnam. With this integration it possible, on the one hand, to ensure the proper combination of functionality, capacity, cost control and proximity to the market in order to satisfy the desires of a wide and diversified international portfolio of customers at the highest level and, on the other hand, to generate internationally distributed value by

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

DESCRIPTION		2018 euro/million	2019 euro/million	VAR 2019/2018
<b>ECONOMIC VALUE GENERATED DIRECTLY</b>		<b>5,513</b>	<b>5,897</b>	<b>7.0%</b>
Revenue	Sales revenue	5,474	5,849	6.9%
Finance income	Interest income and return on equity investments	40	50	24.8%
Capital gains/losses on business profits	Business profits	(0)	(2)	224.5%
<b>DISTRIBUTED ECONOMIC VALUE</b>		<b>5,266</b>	<b>5,796</b>	<b>10.1%</b>
Operating costs	Payments to suppliers	4,089	4,505	10.2%
Cost of personnel	Payments to employees	952	1,001	5.2%
Dividends	Payments to suppliers of capital (shareholders)	17	17	0.0%
Interest paid and financial costs	Payments to suppliers of capital (banking institutions)	141	187	33.1%
Duties and taxes	Payment of duties, taxes and other financial and legal fees	64	84	29.8%
Donations to associations	Community investments	3	2*	-33.3%
<b>ECONOMIC VALUE RETAINED</b>		<b>247</b>	<b>101**</b>	<b>-59.0%</b>
calculated as the difference between the economic value generated and the economic value distributed				

\*In 2019, a new method of reporting than the one used in 2018 was developed in order to bring it closer to the London Benchmarking Group (LBG) model.  
\*\*The figure does not include “Net profit/(loss) from discontinued operations”.  
The data refer to the entire Fincantieri Group.

### REVENUES BY OPERATING COUNTRIES

	2018 euro/million	2019 euro/million	VAR 2019/2018
Italy	3,989	4,448	11.5%
Norway	817	731	-10.6%
United States	467	581	24.4%
Other countries	201	89	-55.7%
<b>TOTAL</b>	<b>5,474</b>	<b>5,849</b>	<b>6.9%</b>

The data refer to the entire Fincantieri Group.

Fincantieri’s worldwide order book at December 2019 contains 109 ships and amounts to €32.7 billion (including those under a Memorandum of Understanding) with deliveries stretching to 2027. Demand drivers continue to be positive in 2019; in the cruise business, in particular, there is a demand to replace ships that entered fleets in the early 1990s, and now made obsolete by the entry into force of new safety and environmental regulations and by the increased profitability of new generation ships with lower management costs and a diverse range of entertainment on board. There was also considerable activity in the market for naval vessels, with the finalization of several contracts, mainly assigned to domestic shipbuilders. The



promoting the transfer of technology and knowledge aimed at fostering independent local development even in non-European countries with different levels of economic development. Moreover, this preventive model also allows us to address possible risks related to climate change.

We are present in different geographical areas of Italy and the world, some of them in precarious or developing socio-economic contexts, characterized by a limited presence of large companies, a large number of small enterprises, where employment rates and the labour market are not very dynamic and not always evolved. This involves a considerable investment in terms of both organizational and economic resources in order to address and make up for the shortcomings of infrastructure networks and the lack of a widespread business culture. Through our shipyards we are able to guarantee economic stability to

entire families and territories and contribute significantly to employment growth and the positive evolution of the socio-economic context of the areas in which we operate. In cases of business reorganization (mergers, acquisitions, etc.), we try to safeguard our people by, if necessary, assigning new tasks with targeted training or retraining, based on each person's ability and experience. We also pay close attention to the **professional capital** that a territory is able to express and try to enhance it as much as possible. In this context, Fincantieri purchased a majority share of the capital of Insis, a company based in Follo (La Spezia), operating in the IT and electronic sectors, that employs a total of around 100 people, 70% of whom are engineers, system engineers and specialist technicians, namely a pool of expertise that is difficult to find on the market or one that can only be developed internally over a particularly long period of time.

Thanks to the adoption of a strategic approach to the market, over the years we have evaluated and finalized several M&A transactions and acquired entire companies in financial difficulties but with solid industrial backgrounds, also giving priority to direct hiring or hiring through our chain of subsidiaries belonging to the Group. These actions have enabled us to safeguard know-how, strengthen our skills and support the economic system of the territories in which we operate. By way of example, Fincantieri Infrastructure took over the company Cordioli & C. s.r.l. of Valeggio sul Mincio from the extraordinary administration procedure managed by the Ministry of Economic Development, in order to increase its expertise in the construction and major works sector and help safeguard dozens of jobs. As part of the same operation, Fincantieri Infrastructure started to refurbish the industrial buildings of the former Cordioli plant, equipping them with new technologically advanced equipment for cutting, welding and processing steel, even for large thicknesses, and therefore rebuilding a solid production and employment base.

In addition, it is worth mentioning that since early 2019, Fincantieri has been working with the Friuli Venezia Giulia Region, and more specifically with the Central Directorate for Work, Training, Education and Family, in order to encourage the redeployment of unemployed staff who have left companies in crisis in the area. The activity, in particular, involved the over 150 workers of the company Eaton s.r.l. who participated in a selection process with Fincantieri, the economic satellite businesses and the

Regional Employment Centre which, in many cases, ended with them being hired by Fincantieri or by satellite businesses. Some resources were included in pre-hiring training courses aimed at acquiring the skills of the main shipbuilding trades (e.g. welders, carpenters, pipers) which the Region is promoting in collaboration with Fincantieri.

In order to relaunch the **shipbuilding hub** in the port of Palermo, a protocol of intent was signed between the Authority of the Western Sicilian maritime port system and Fincantieri, with the shared objective of establishing the Sicilian site as one of the most important centres in the Mediterranean. The Palermo site also completed the process for RINA to issue OHSAS 18001 and ISO 14001 certificates of conformity, the highest international standards of health and safety at work and environmental protection. With this result, the company arrived at full coverage of all the Group's certified Italian production units.

We have also signed a preliminary cooperation agreement with Cassa Depositi e Prestiti (CDP) and Snam aimed at identifying, defining and implementing strategic medium-term projects in some key segments for innovation and the development of the Italian ports and the development of sustainable technologies for sea transport, in line with the Proposals of the National Integrated Plan for Energy and the Climate (PNIEC). Fincantieri and Snam will share their technical expertise by setting up dedicated working groups and CDP will support, from an economic and financial perspective and in line with its institutional

mission, projects that have positive effects of public interest.

Our economic contribution in the various countries where we are present is also expressed at **tax** level and is divided into various types of taxes, which can be grouped into the following categories:

- income tax, corporation tax;
- property taxes, charges on ownership, sale or lease of property;
- taxes on labour, including taxes collected and paid to the tax authorities on behalf of employees;
- indirect taxes levied on the production and consumption of goods and services, such as VAT, customs duties, etc.

In the spirit of the Code of Conduct, we are committed to acting with honesty and integrity in all tax matters and aim to pursue a transparent and sustainable long-term tax strategy. We are committed to complying with legislation in all jurisdictions in which we operate, working closely with tax authorities, tax advisors and auditors to ensure payment of the taxes due.

Our massive presence in the territories where we operate certainly generates benefits, but it can also cause inconvenience to the local population. For this reason we are committed to respecting the rights of **communities** and contributing to their economic and social progress, interacting with a variety of stakeholders on a daily basis. The search for shared value for the Company and its stakeholders represents an opportunity to combine competitiveness

with the creation of social value in the long term. Such a vast geographical perimeter necessarily implies confronting different enterprises and an in-depth knowledge of the territory and the needs of the various stakeholders in order to identify targeted solutions.

For this reason we try to reduce our impacts through responsible management, helping the institutions in the territories where we are present.

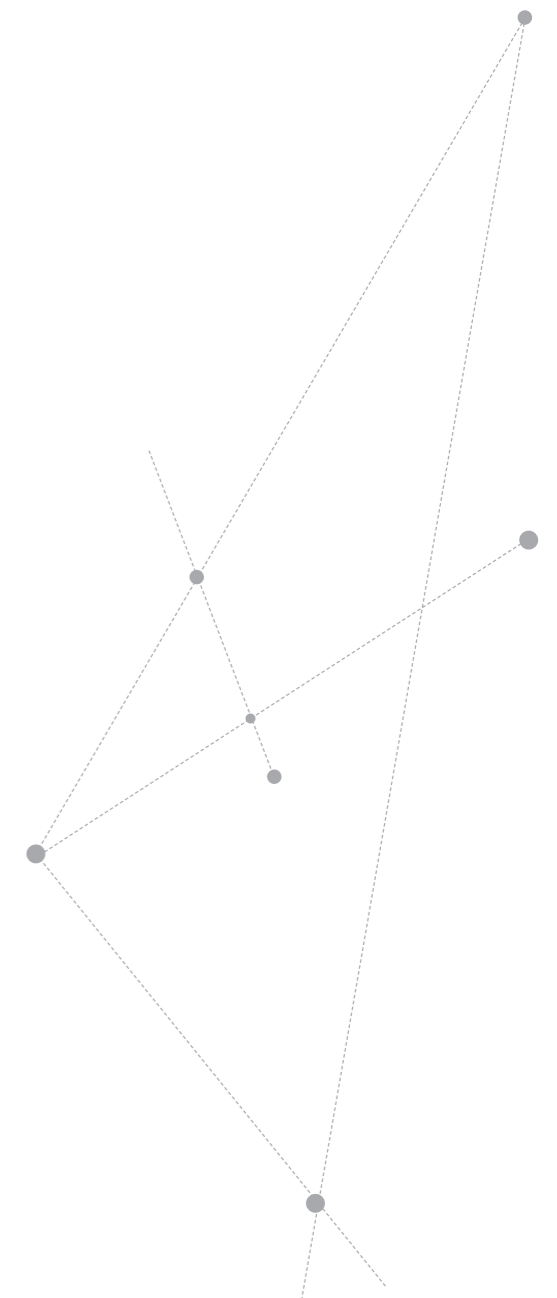
Numerous initiatives have been implemented in the Monfalcone area, where one of our most significant shipyards is located. Fincantieri and the Municipality of Monfalcone, sharing the need to increase local school facilities, also caused by the impact of the population active in the shipyard, have conducted a feasibility study for the renovation of a building, owned by the Municipality, to be used as a **nursery school**. The project envisages the creation of a number of classrooms equipped with all the necessary services, potentially able to accommodate about one hundred children. After the Agreement is signed, scheduled for spring 2020, Fincantieri will return the property to the Municipality of Monfalcone, renovated and adapted for the new use, in time for the start of the 2020/21 school year. Fincantieri has also undertaken to bear the operating costs with a contribution for the first three years of activity.

We are also strongly committed to reducing the environmental impacts, generated by our activities, on the community. As part of the **noise reduction** plan adopted by Fincantieri

and in line with the provisions contained in the Integrated Environmental Authorization, the Company has undertaken, in addition to an extensive investment programme at the Monfalcone site, to replace the windows and doors in some of the houses most exposed to the noise generated by the shipyard's production processes. This work will take place during 2020 under the coordination of the Municipality of Monfalcone. In addition, the company is transforming the area of the former railway into a cycle path and has arranged free buses to reach the shipyard from the external parking areas. Also at the Monfalcone site, a project has been developed to provide **healthcare** directly on site to non-resident staff in order to reduce the impact on the hospital's emergency services operating units, improving the quality of the service offered to each worker concerned and at the same time ensuring prevention and diagnostics.

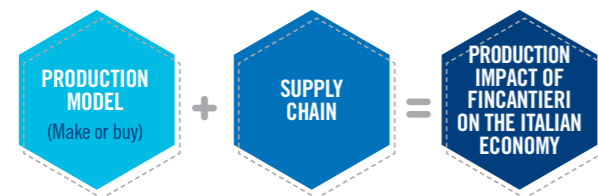
Fincantieri signed a joint working agreement for charitable purposes with the **Banco Alimentare** (Food Bank) of the Liguria and Marche Regions and with the companies that provide catering services at the canteens in the Muggiano and Ancona shipyards. Under these initiatives, which replicate similar experiences already underway at the Sestri Ponente and Riva Trigoso shipyards, the Company donates the food not eaten at the shipyard canteens in order to redistribute it to charities that support and help the poor and, more generally, people in need. Further agreements with the Food Bank or other associations will be concluded during 2020, where locally compatible.

We pay great attention to the search and selection of **long-lasting partnerships** with those who contribute to the creation of our products and services and represent us in the world. Working with our suppliers has an additional positive impact on the communities in which we operate by creating jobs and increasing our partners' business volumes. The initiatives implemented by the Group for the individual stakeholder groups are described in the various chapters of this Report.



## OUR ECONOMIC SATELLITE BUSINESSES

As already mentioned, we believe in an economy that is a system of relations, an integrated dynamic network, built over time to create and exchange value. Thanks to a competitive production model that is strongly linked to the Italian production network, Fincantieri generates additional impact on the national economy.



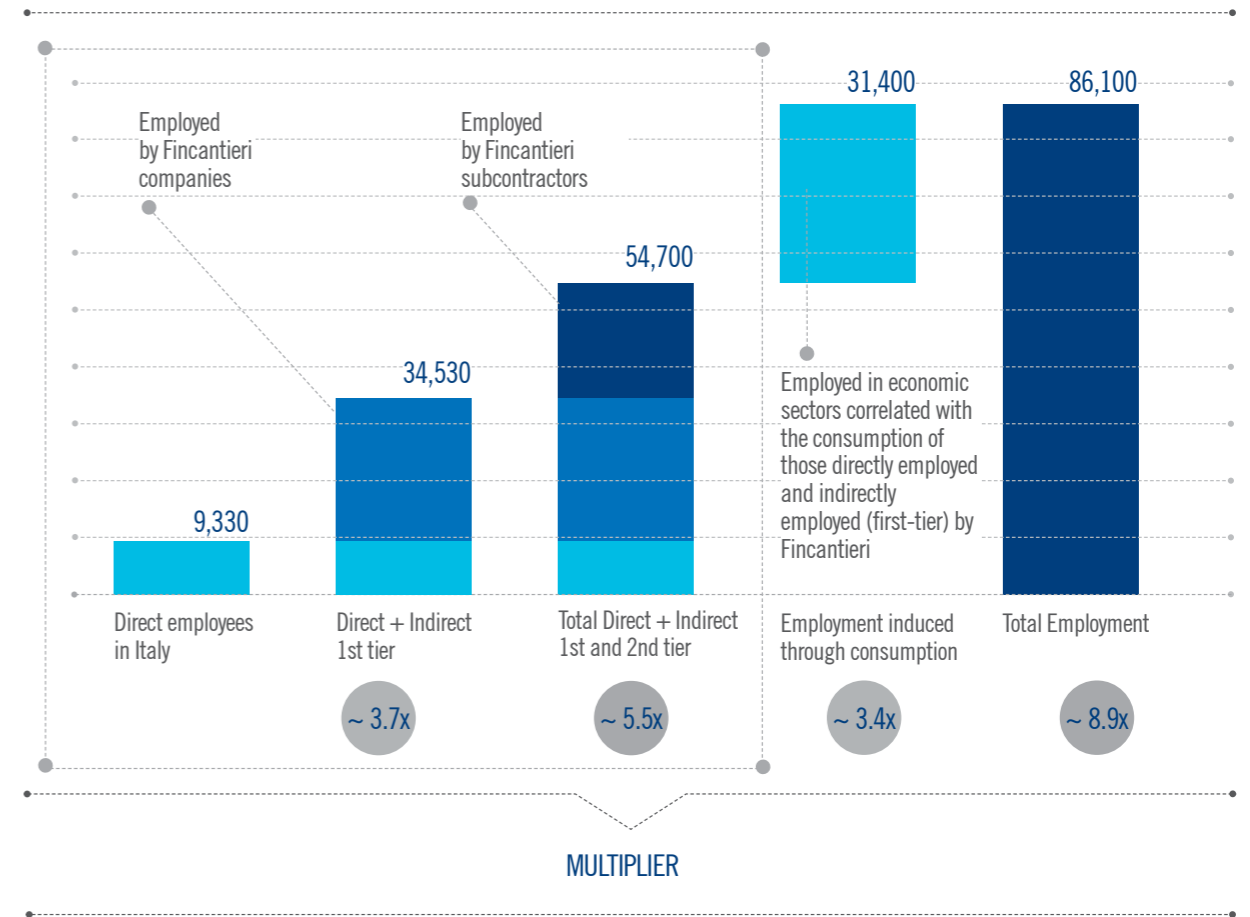
According to a Censis study, the Fifth Report on the Economy of the Sea 2015, every euro invested in shipyards produces a value 4.5 times greater, mostly benefitting the area where it is located, through the involvement

of a wide and diverse network of companies, many of which are highly specialized small or medium-sized enterprises.

Each cruise ship built by Fincantieri develops on average € 2.7 to € 3.6 billion of business volume for the Italian System:

- directly generated by Fincantieri: about € 600 to 800 million;
- additional through stimulation of satellite businesses: about € 2.1 to 2.8 billion.

The impact on employment can be calculated by initially considering direct employment, that is direct jobs at Fincantieri in Italy, to which first-tier indirect employment is added, that is jobs at Fincantieri contractors, as well as second-tier employment, represented by jobs at sub-contractors. In turn, it is necessary to add to this final employment figure the satellite business jobs due to consumption by the families of all employees.



From the graph it can be seen that:

- the approximately 9,300 direct resources at Fincantieri activate in Italy more than 54,000 employment units in industry (considering contracts and subcontracts) in the manufacturing industry;
- adding to this the induced effect of family consumption, employment exceeds 86,000 units.

Considering both the effects upstream and downstream of its production organization, Fincantieri therefore has a significant employment multiplier effect of about 8.9x, confirming the broad impact the Company has on the country's economic system.



## FOR INNOVATION

*Innovation is growth and we never cease to innovate*



Our main objective has always been to keep our world leadership in all the high value-added segments of the shipbuilding industry. Our competitive advantage lies in our capacity to provide highly technological and customized solutions and is evident whenever the need to apply solid know-how in system integration emerges.

We have repeatedly confirmed our position as one of the most competitive global players, thanks to our flexibility and ability to adapt to significant and cyclical changes in market needs. These fluctuations require a continuous process of change that generates product innovations, applicable to all types of ships, and process innovations, which are necessary in order to apply new technologies and recover productivity.

We aim to be proactive towards shipowners by always offering innovative solutions that anticipate future technological evolutions. The constant updating of products and processes is one of the fundamental values of Fincantieri that have led to it being one of the most competitive players in its business globally. In this sense, the capacity to seize on the promising synergies in terms of innovation at international level characterizes the Group's actions and makes it gradually more integrated with and sensitive to market dynamics.

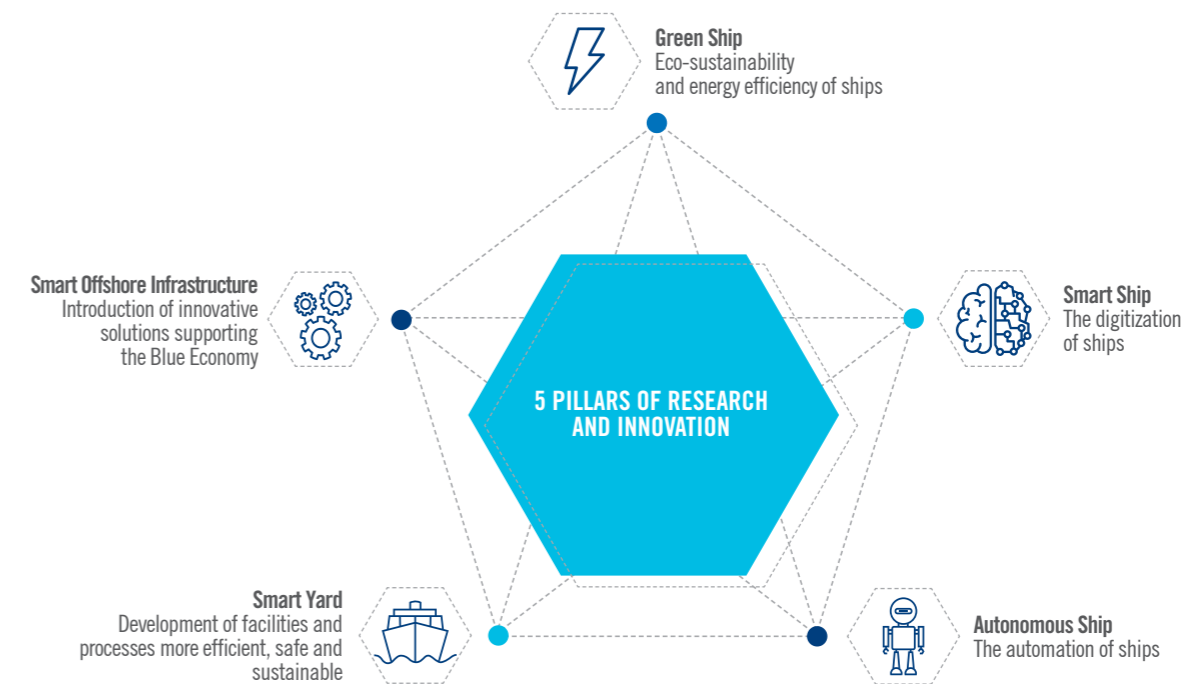
### WE ARE INNOVATORS

The main objective we have set ourselves in order to direct our work strategically in the near future is the definition, shared with our European partners, of a vision of innovation trajectories in the shipbuilding industry. This is confirmed by our commitment in the recent definition of the Strategic Research Agenda (SRA) of WATERBORNE, the European Research and Innovation Platform for Waterborne Industries. The work was carried out in collaboration with the main associations in the industry to outline the prospects for collective development in the coming years. In particular, WATERBORNE's SRA proposes to radically transform waterborne transport by giving new impetus to European leadership in high value-added ships. This will be feasible thanks to the definition of new business models aimed at supporting sustainable growth in the shipping industry and the integration of goods and passenger transport into a seamless solution for shipping, ports and related logistics.

In this context, innovation is a key element for the European shipbuilding industry to continue to maintain a global leadership position, demonstrating that it is fully able to handle the greatest technological and

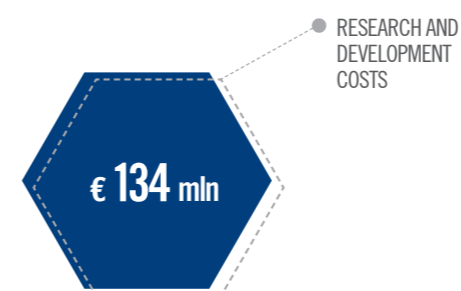
environmental challenges of our time. We have set ourselves the objective of

implementing our strategic vision by focusing our Research and Innovation process on five fundamental pillars:



In order to be strategically valid for the Group, each research project pursues at least one of these fundamental directions.

and fields of interest. We are constantly engaged in industrial research, experimental development and process innovation in order to improve existing products, processes and services and to expand our knowledge base to support our entry into promising new market sectors worldwide.



Our Research and Innovation activities extend to various areas with different aims

**Long-term** activities are defined, in agreement with the business units and subsidiaries, starting from an analysis of the economic and technological megatrends that will be significant for the maritime segment over the next decade.

An analysis of the policy documents produced by international organizations, research centres and, more generally, by our stakeholders, allows us to define the areas which have not yet been explored and where the Group's resources can be invested.

As regards the **medium and short term**, our commitment is aimed at satisfying both the requests we expect to receive in order to meet the needs of the end users of the product and those actually received from shipowners. In the first case, we are committed to off-the-shelf innovation, i.e. those activities that are not directly applicable to orders, but are strategic in

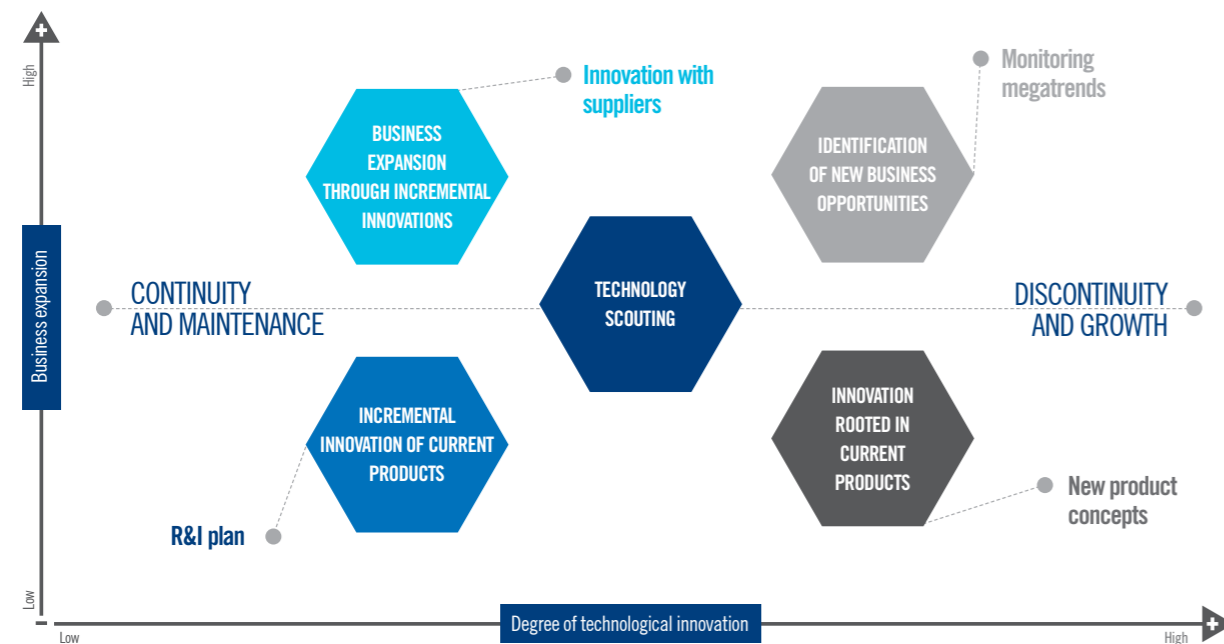
anticipating the needs of the end customers for our product. The directions to be taken suggested by recent market surveys show the importance of concentrating our efforts on issues such as energy efficiency and reduction of operating costs, maximization of payload and at the same time perceived quality, and improvement of safety. In the shorter term, however, the focus is on developing and innovating technologies and applying them to each individual order. Timely fulfilment of the shipowner's requests often requires the development of technological solutions or the study of innovative materials and systems to be applied during the ship design phase.

Fincantieri draws up a **Research and Innovation Plan (R&I Plan)** every year. The Plan is the tool that the Group uses to effectively implement its strategy and it is the cornerstone of the other processes in Research and Innovation. The annual redefinition of the projects is essential in order to maintain consistency between the activities carried out during the previous year, new corporate objectives and the market needs envisaged in the near future.

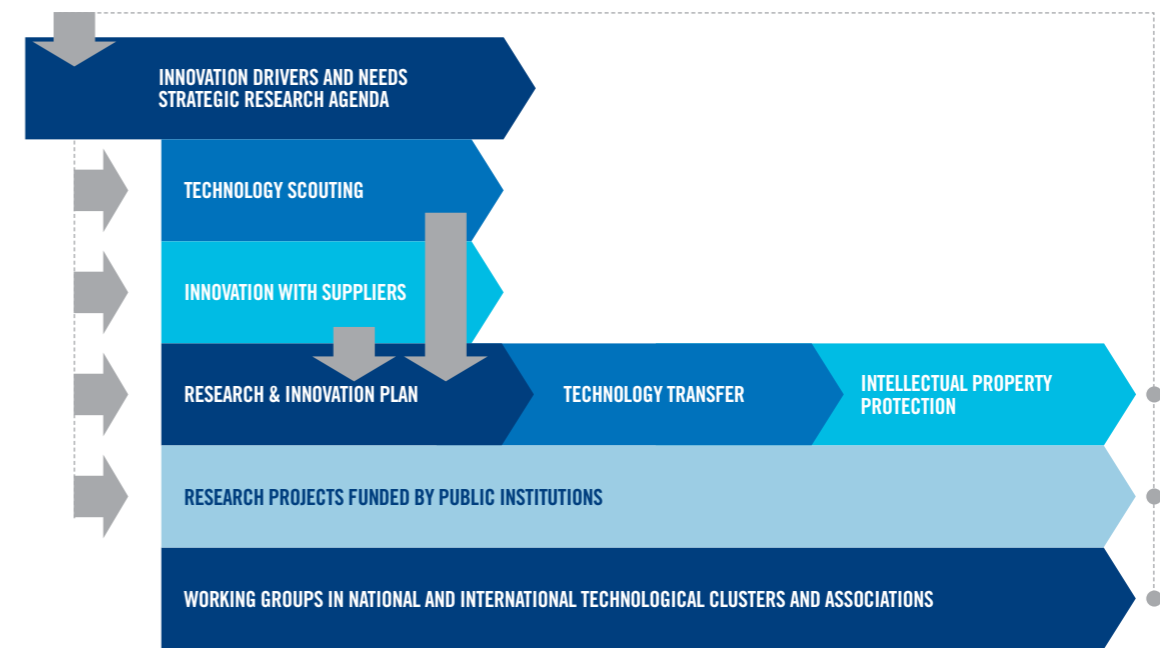
The plan takes its momentum from the processes analysing technological and economic **megatrends**, carried out by our analysts or sector stakeholders, as part

of the process of defining the Group's development strategy. The **innovation with suppliers** process also contributes to the plan. This process is dedicated to analysing the specific perspective of the partners operating upstream in the value chain - in order to define joint development roadmaps that enable the Group and its ecosystem of suppliers of components and related subsystems to achieve joint objectives. The plan is also fuelled by the **Technology Scouting** process which aims to analyse emerging technologies in detail, including in sectors far removed from the world of shipping, and assess their potential impact on our products, services and processes.

INNOVATION



OUR CORE PROCESSES ARE DESIGNED TO DRIVE INNOVATION FORWARD



The Group develops the projects in the Research and Innovation Plan with the aim of ensuring a competitive advantage for the Group and for the companies that collaborated to achieve common results. The value generated by Research and Innovation projects is captured in particular through two fundamental processes: technology transfer and intellectual property management.

The first is a fundamental step to transfer knowledge, even if intangible, into **services and applied technologies** aimed at a wider audience of users. In particular, this phase takes place after each project is closed and is aimed at ensuring that the results, including intangible knowledge, models and algorithms, are correctly transmitted to the relevant departments of all divisions. Once finalized, all the project documentation and the material produced are uploaded to a special database which can be accessed by the designers after a simple request.

However, while enlarging the user base aids the marketing of the technology, if the **intellectual property** of the results attained from the research is not properly protected, there is a risk that the competitive advantage obtained will be nullified. It is therefore essential to protect the intellectual property of the results obtained, delivered through not only collaboration with suppliers but also joint work with universities and research centres, assessing, on a case-by-case basis, whether it is appropriate to use it as an industrial secret or by filing trademarks, patents and models. In this context, we have set ourselves the

objective of ensuring, in any case, that researchers collaborating in the projects have the freedom to publish by designing processes that allow us to quickly assess the advisability of filing patent applications, and agreeing on a case-by-case basis on the degree of abstraction of the publications, so as to ensure effective protection of their industrial secrets.

The Parent Company's patent portfolio currently contains:



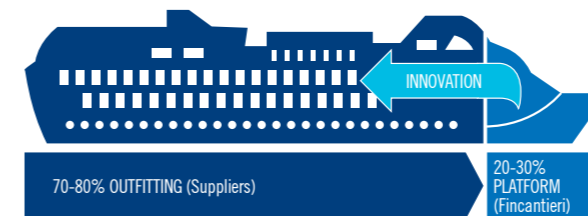
\* of details of the hulls and superstructures of cruise ships

In conducting Research and Innovation activities, we use the support of the **CETENA** research centre. Thanks to its experience in research and consultancy in the naval and maritime field since 1962, this is the cornerstone of the Group's pre-competitive research. CETENA's main tasks range from fluid dynamics to structural design, including the application of innovative materials, from energy efficiency and control of emissions to safety issues, and from the development of software and simulators to testing activities.

## WE COOPERATE IN ORDER TO CREATE VALUE

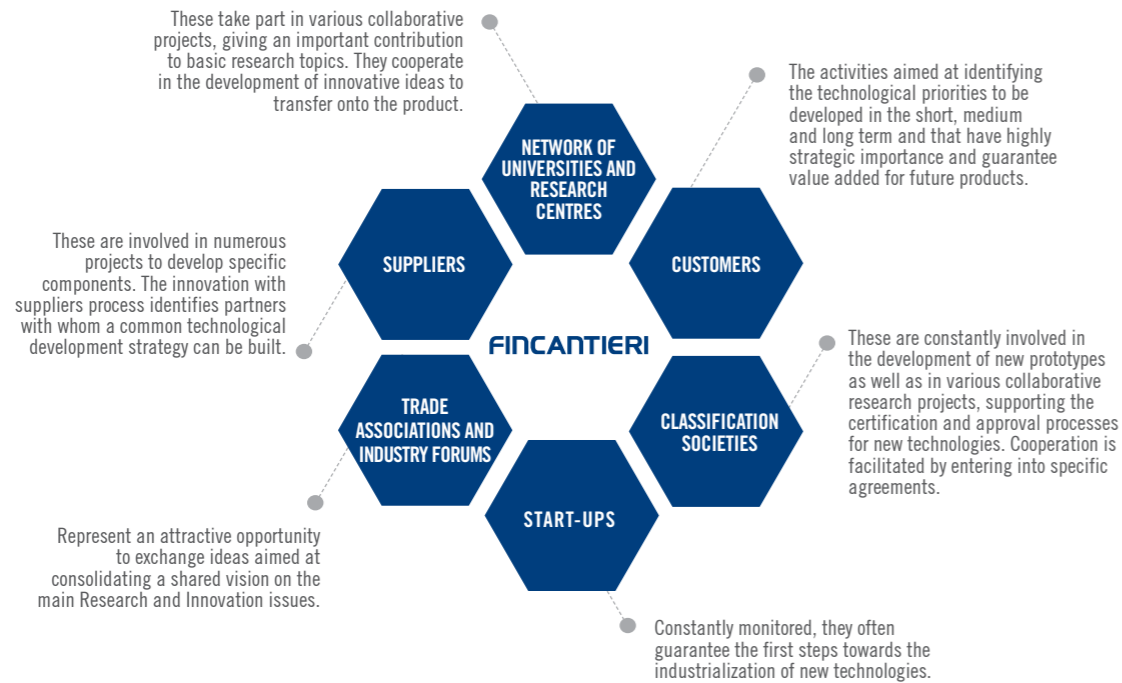
In order to take full advantage of Research and Innovation processes, in addition to making the most of our internal expertise, we are aware of our role as an integrator, wholeheartedly adopting the Open Innovation paradigm, researching and proposing collaborations with partners operating upstream in their own value chain, or with other stakeholders working to innovate tools, products and services in the maritime field.

We often promote long-term relationships through the creation of wide-ranging cooperative development programs. Aware of the significant boost that these can provide, we continuously aim to expand our partnership networks at local and international level, both within the projects we finance independently and by cooperating in the creation of consortia that respond to the innovation challenges raised by public actors, such as the Horizon 2020 programme.





In embracing the Open Innovation model, we take into account a wide range of stakeholders:



We strongly believe in the possibility of creating value in a collaborative way and, for this reason, we have created a dense network

of collaborations and participations in various industry round tables both in Italy and in the main countries where the Group operates.

### A common strategy: from global to local level

In the context of the Group's collaborations, those activated to define our medium-long term vision and to jointly define the documents setting out the sector's priorities, at local, national and supranational level, are particularly important.

In addition to maintaining a large number of bilateral relationships with other companies in our sector, and with universities and research institutes, we are active in various associations and forums, with the aim of both contributing to the definition of sector roadmaps at a general level, and providing our contribution on individual technical or technological issues, including through the activation of pre-competitive research projects.

During 2019, we actively participated in the work of European sectoral technology associations. One of the most important strategic partners of the European Commission is represented by the European Technology Platform **WATERBORNE**, of which we are active members. The platform aims to maintain continuous dialogue between all stakeholders in the maritime, naval, port, logistics and blue growth fields (an expression that brings together various economic activities including, for example, fisheries, aquaculture, maritime tourism, maritime biotechnology, collection of renewable energy from oceans, mining from the ocean floor), through the consolidation of a shared consensus aimed at identifying

European priorities for Research and Technological Innovation.

The **WATERBORNE** Technology Platform, which updated its Strategic Research Agenda in 2019, played a key role in proposing the establishment of the co-Programmed European Partnership "Zero-emission waterborne transport" to be launched within the Horizon Europe programme to develop solutions to transform the waterborne transport sector into a zero-emission sector towards the year 2050, in line with the objectives of the European Green Deal.

Fincantieri has contributed to the policy papers of the industry associations **Sea Europe** and **Hydrogen Europe**. The former is the European association of shipyards and manufacturers of maritime systems, while the latter is the European association representing the industry and research for the development of hydrogen technologies and fuel cells. In particular, Hydrogen Europe, among its objectives, aims to support the launch of the institutionalized European partnership "Clean Hydrogen for Europe" in the Horizon Europe programme and to support the activities of the "Fuel Cells and Hydrogen" Joint Undertaking (FCH JU) of Horizon 2020.

At European level, we also cooperate with:

- **EuroYards**, the association of leading European manufacturers, where we actively contribute to the activities of the technical committee and the

working group on product and process digitalization;

- the **Cooperative Research Ships** consortium, which focuses on the study of hydrodynamic, structural and general issues related to large ships interpreted both from an operational and design point of view;
- **European Council for Maritime Applied R&D** (ECMAR), sector association that aims to develop a common strategy for European research in the maritime sector.

As part of our Italian activities, we have contributed to the work of the Trasporti Italia 2020 NTC and the formation of the Blue Italian Growth NTC. During 2019, following a participatory process, both clusters published their action plans for the three-year period 2019-2021. Fincantieri actively contributed to the drafting of these plans, whose contents were transferred into the contribution that the two associations made to the National Research Programme (NRP) drafting committee.

At the Italian level, we also collaborate with AIRI, the Italian Association for Industrial Research, contributing to the definition of the technical analysis documents, which are often taken as a reference for evaluating actions that support innovation, which are activated by public administrations.

Over the year Fincantieri contributed, through its representatives in the Italian regional technological districts, to the analysis of the context and local application of the sector's development strategies, contributing, in particular, to the definition of intelligent development strategies (S3)

of the regional territories in which the Company is located. The districts involved in cooperation relationships with the Group are:

- Maritime Technology Cluster Friuli Venezia Giulia (MareTC FVG);
- Distretto Ligure delle Tecnologie Marine (DLTM);
- Distretto Tecnologico Ligure sui Sistemi Intelligenti Integrati (SIIT);
- Distretto sull'Ingegneria dei Materiali polimerici e composti e Strutture (IMAST);
- Distretto Tecnologico sui Trasporti Navali, Commerciali e da Diporto (NAVTEC).

#### Norway: the main partnerships

The Group benefits from the relationships that the subsidiary VARD maintains with the Norwegian academic and research world. Partnerships are active with the NTNU - the Norwegian University of Science and Technology - and the SINTEF - The Foundation for Industrial and Technical Research. The latter currently represents one of the main independent research centres in northern Europe.

This close cooperation has led to the establishment of two centres for research-based Innovation (SFI):

- **Smart Marine SFI:** the centre's main focus is to increase the potential of the Norwegian maritime sector within the segment of sustainable waterborne transport;
- **Move SFI:** the centre's activities are focused on increasing the value of maritime operations by developing IT knowledge, methods and tools.

In addition, VARD has recently joined the **Joint Industry Project** (JIP), the Open Simulation Platform, with the aim of creating an open source digital platform to be used during the development of new ships.

#### United States: the National Shipbuilding Research Program

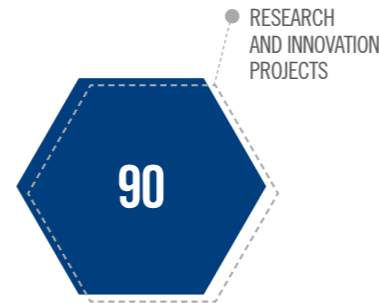
The American subsidiary Marinette Marine actively collaborates with research centres and universities, through the National

Shipbuilding Research Program (NSRP) funded by the US Government in order to carry out research and innovation initiatives. The NSRP project, founded in collaboration with U.S. Shipyards, studies and develops new processes and designs to improve ship production in the United States and make it more efficient. The activities carried out in this context range from welding techniques to design for maintenance concepts, via the study of strategies to reduce ship weight and the implementation of innovative coating solutions.



OUR MAIN PROJECTS

In 2019, we have activated over 90 Research and Innovation projects, funded through our own resources and through Research and Innovation programmes funded at European, national and regional level. Some of the projects are carried out through close cooperation with universities and research institutes, through the awarding of specific assignments or the funding of doctoral fellowships, research grants, or positions in partner universities. All the projects can be classified within 5 development trajectories, which are Fincantieri's vision for the sector.



Green Ship



For the past several years, the concept of greening has established itself as one of the guidelines for innovation processes and has acquired fundamental importance in the eyes of the public. The European Union, with the recent European Green Deal, the International Maritime Organization (IMO) and the Cruise Line International Association (CLIA), have defined precise objectives to reduce polluting emissions (in particular CO<sub>2</sub>) for the next decades.

We consider Green Ship as a milestone of our vision and the activities carried out in 2019 confirm this commitment.

Recent contracts, whether they are related to the sectors of new builds or refitting, feature the use of advanced technologies, such as liquefied natural gas (LNG), batteries, modern pollutant reducing and energy saving systems. Fincantieri applies a holistic approach in design and building, integrating in the best way the systems on board, pursuing continuous improvement in energy efficiency and supporting the introduction of new green fuels, technologies for decarbonization, including fuel cells, as well as the study of high-performance materials. The main projects active and related to these issues are:

- **Technologies with low environmental impact:** a project conducted in cooperation with the CNR and the Universities of Genoa, Naples and Palermo, funded by the Italian Ministry of Economic Development. The project sets out to realize a laboratory ship approximately 25 metres long to study power generation technologies with low environmental impact.
- **Sustainable Ship Design Program:** the project aims to create and validate a holistic approach to energy efficiency and emission reduction in ship design, also through a careful control of EEDI (Energy Efficiency Design Index).

- **PIAQUO - Practical Implementation of AQUO:** a cooperative project financed by the European LIFE programme, which aims to mitigate issues related to underwater noise and reduce its impact on the marine ecosystem by optimizing propellers and developing a self-assessment model in real time.

- **ESS Control System (v2.0):** the project, financed internally by the subsidiary VARD, aims to study more capacious batteries, at a reduced cost, combined with an advanced management and control system for energy storage in order to guarantee longer autonomy and improve device safety.

- **DC Grid Power Analysis:** the project, financed internally by the subsidiary VARD, aims to optimize the Direct Current (DC) grid through advanced techniques for the simulation of micro grid applications in the marine sector.

Smart Ship and Autonomous Ship



In the context of the development model proposed by the Industry 4.0 paradigm, the enhancement of IoT (Internet of Things) and smart devices has taken on fundamental importance. These are pervasive across all industrial sectors and ships are not exempt from this "intelligent" revolution. The improvement of monitoring systems and operational support systems give value added to the whole ship product and help improve their global safety. The study of design and operational solutions to reduce the frequency of accidents, in addition

to measures capable of improving the resilience of ships, guarantee an increase of overall safety. Lastly, one of the most interesting challenges for the shipbuilding industry is to develop autonomous ships for use in any operational scenario, including in busy port areas. These concepts also have important repercussions on maintenance and after-sales activities, as well as strong implications on cyber security aspects. These aspects of the ship product are studied and developed both in specifically dedicated projects (the ECHO project,

for example) and to assess the impacts of projects activated with the aim of increasing digital integration and on-board autonomy (the STESS project, for example). Great importance is given to the modelling of possible cyber attack risks and the countermeasures to be taken both logically and physically to prevent these eventualities. The main projects related to these issues which are already active or in advanced state of preparation are:

- **OCEAN2020 - Open Cooperation for European mAritime awareNess:** the project is funded by the European Defence Agency (EDA) and its purpose is the integration of unmanned systems in addition to

the introduction and use of situational awareness concepts in the maritime environment. The project envisages the cooperation of over 40 international partners.

- **Integrated Bridge** (SeaQ Bridge): this innovative solution allows the integration of a wide selection of navigation and communication solutions in a system controllable from the vessel's bridge. This allows a considerable simplification of on-board operations and a consequent increase in security.
- **Cyber**: project funded by the Liguria region and aimed at studying different cyber security aspects for critical infrastructures.
- **STESS** - Systems and technologies to improve after sales services: the project, financed by the Italian Ministry for

Economic Development, aims to develop prototype technologies, guidelines and processes that, in the future, will enable the offer and delivery of an overall after-sales service bundled with Fincantieri products.

- **ECHO** - European network of Cybersecurity centres and competence Hub for innovation and Operations: project, funded under the Horizon 2020 programme, aimed at developing a coordinated and structured approach to proactively increase the EU's cyber defence through efficient transectorial partnerships.
- **FLARE** - FLOODing Accident REsponse: cooperative project, funded under the Horizon 2020 programme, which aims to develop a methodology based on risk analysis to assess and control the risk of flooding in real time on board passenger ships.

- **SAFEMODE** - Strengthening synergies between Aviation and maritime in the area of human Factors towards achieving more Efficient and resilient MODEs of transportation: the project, funded under the Horizon 2020 programme, aims to develop a new design framework for "HUMAN Risk Informed Design" (HURID) in order to identify, collect and assess human factor data in order to provide properly risk-based systems design and operative procedures.
- **Smart Cabin** (v2.0): the project, financed internally by the subsidiary VARD, aims to expand the knowledge base in the field of home automation in order to increase perceived quality and improve the onboard experience of passengers.

Smart Yard



We have set ourselves several development objectives as regards safety and productivity at work with a view to improving all the design and construction phases in the shipyard. The introduction and application of innovative computer models, logistics and quality control procedures in line with Industry 4.0 guidelines will drive the evolution of the shipyards of the future. This area has also given rise to studies and developments related to the cyber security aspects of production processes, with particular emphasis on the security of Information Technology (IT) infrastructures and the OT infrastructures of the shipyards (linked to the world of Operational Technology, such as, for example, the networks that control automatic machines), with a

pilot project started as part of the production process innovation project at the Marghera site. In the years to come, the aim will be to follow a ship throughout its entire life cycle, including trying to facilitate the last phase - decommissioning - studying new welding and joining procedures. The main projects active and related to these issues are:

- **RAMSSES** - Realisation and Demonstration of Advanced Material Solutions for Sustainable and Efficient Ships: a cooperation project, funded under the Horizon 2020 programme, that aims to widen the application of advanced materials in the European maritime industry by also carefully studying aspects related to industrial methods. In particular, the project sets out to analyse the different applications of high-strength steel and composites on board.

- **Marghera shipyard production process innovation**: a project, financed by the Italian Ministry of Economic Development, aimed at achieving the requirements for yards and infrastructure for the construction of large ship sections in the Marghera shipyard by reviewing the layout and the production process.
- **Monfalcone shipyard production process innovation**: the project, financed by the Italian Ministry of Economic Development, has the strategic goal to innovate the production process of cruise ships, focusing on increasing the efficiency and quality of the mounting and outfitting of the sections to significantly reduce dry-dock lead times.

### Smart Offshore Infrastructure

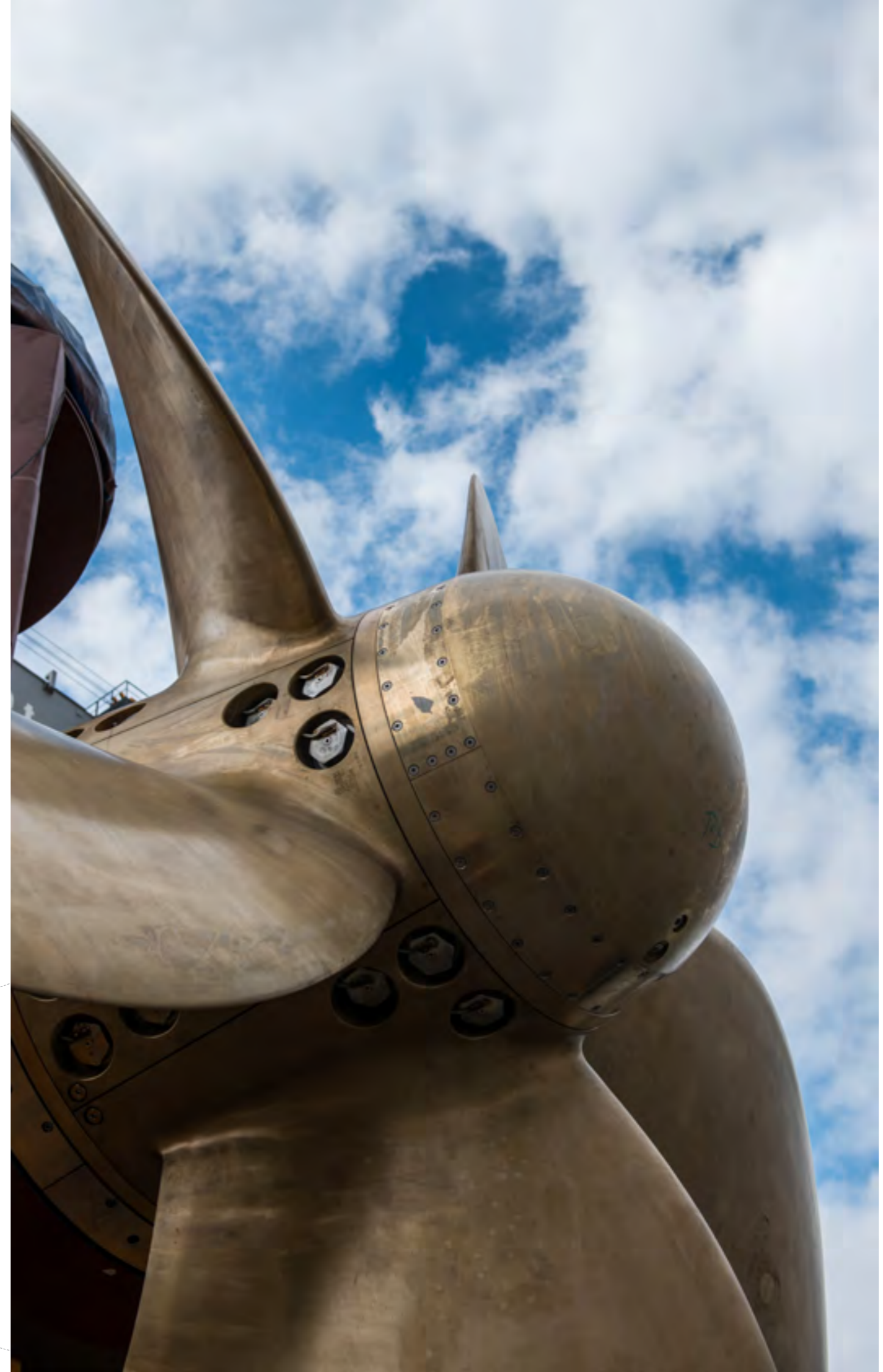
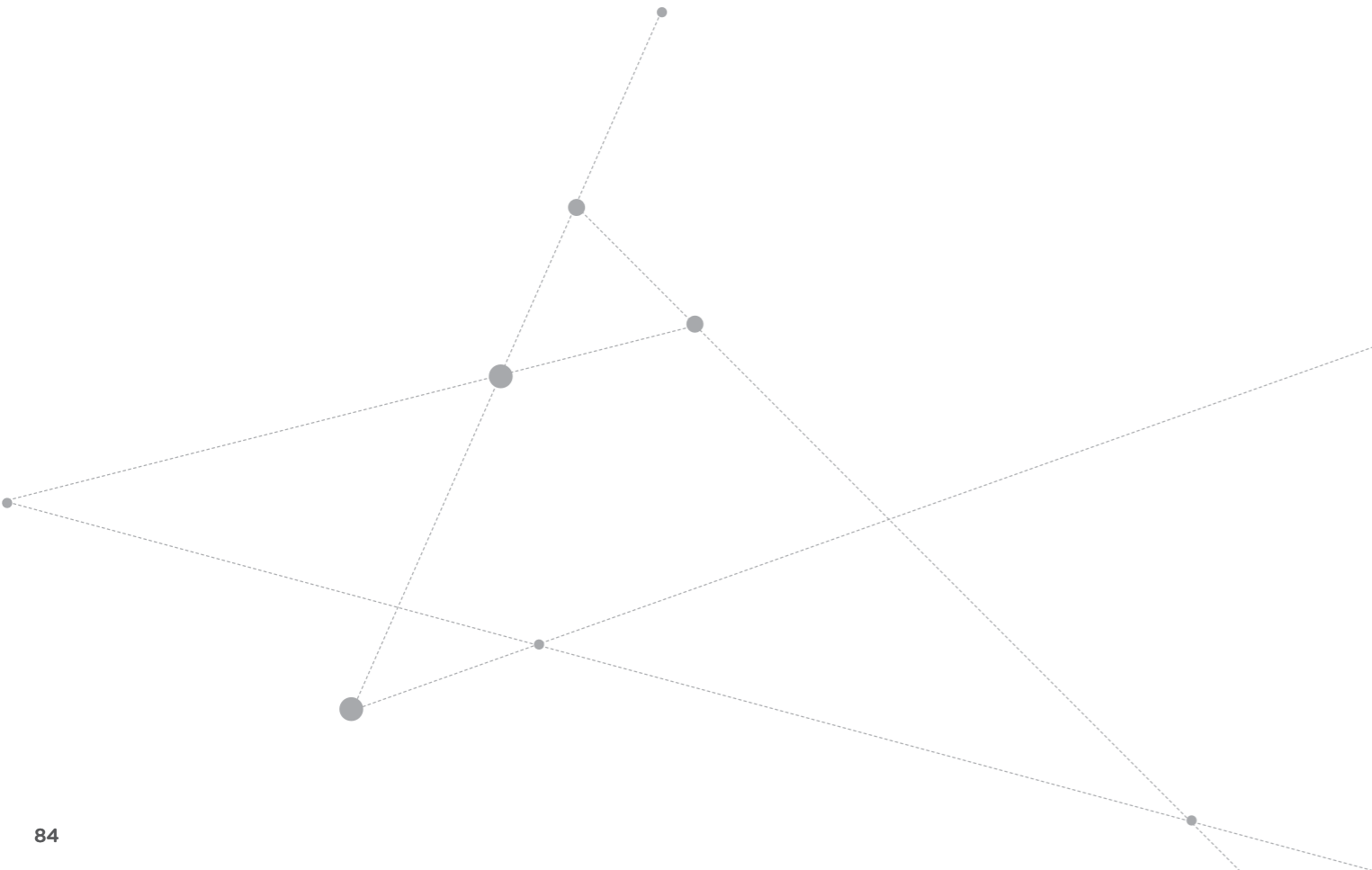


An important part of our business is the offshore market. Current trends in this sector are driven by the need to more efficiently harness the maritime environment through the use of structures aimed at work and life at sea as well as clean energy production. The displacement of offshore activities to ever remote areas will require the

study of support vehicles for transferring people and materials to and from land. The main projects active and related to these issues are:

- **Modular Production Platform:** the project aims to develop a concept of modular floating platform for offshore operations, particularly for the initial stage of oil and gas exploitation.

- **Inertial Sea Wave Energy Converter:** the project aims to design an innovative system to convert sea waves into electrical energy. Within the consortium, Fincantieri deals in particular with making the system suitable for the marine environment, structural studies and innovative materials for the hull construction.



## FOR A SUSTAINABLE SUPPLY CHAIN

*We promote a responsible and sustainable supply chain based on long-lasting relationships founded on integrity, transparency and respect*



Development of a responsible and sustainable supply chain is part of a broader corporate vision that actively enhances and protects social and environmental responsibility, fully integrating them in the strategic guidelines.

Our suppliers are an integral part of this strategy and they are asked to share the

Purchasing Policy, the primary goal of which is to communicate the Group's commitment to strengthening the development of solid and long-lasting relationships with its partners in order to pursue a common goal of sustainable development together.

The core aspects of our Purchasing Policy are:



The Purchasing Policy is available on the website [www.fincantieri.com/globalassets/sostenibilita2/pdf/purchasing\\_policy.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/pdf/purchasing_policy.pdf)

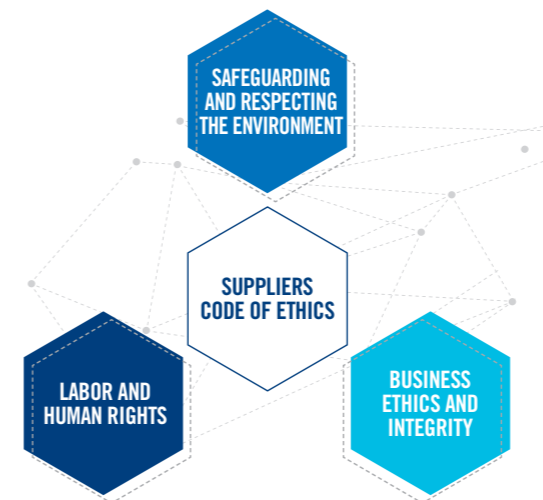
Awareness of the supply chain's strategic nature and the need to coordinate a vast and varied network of suppliers means it is essential to seek long-term partner relationships that are based on transparency, collaboration and mutual respect.

In this sense, it is extremely important that suppliers respect the **Code of Conduct** that the Company has implemented, which contains the principles and rules that must be observed. In order to strengthen the bond with our suppliers, in 2019 we drew up the **Suppliers' Code of Ethics**, approved by the Board of Directors. This document is intended to convey the **values, principles** and **responsibilities** defined by our Code of Conduct, Charter of Sustainability Commitments and Sustainability Plan. It has been defined based on national and international best practices and principles. The document was developed by the Procurement Department with the involvement of various corporate functions (Sustainability, Human Resources, Internal Auditing, Legal Affairs) and was shared with Italian and foreign subsidiaries. The Code is based on three fundamental pillars:

Suppliers are required to **adhere** to the Code of Ethics and to **share** it with their employees, subsidiaries, collaborators and subcontractors, as well as to monitor compliance with it and to report promptly any alleged or actual violations of the law, the Suppliers' Code of Ethics, the Organization, Management and Control Model pursuant to Legislative Decree 231/2001, or any contractual agreement with the Company.

The importance of the relationship with suppliers is underlined by the fact that our product is highly customized, since it is designed and engineered to the specific needs of the individual customer.

This entails active management of make-or-buy procurement strategies during every single phase of development and implementation of the naval job, while maintaining constant synergy with its suppliers in the continuous search for high value added solutions.



The Suppliers' Code of Conduct is available on the website [www.fincantieri.com/globalassets/sostenibilita2/responsabilita-economica/fincantieri\\_suppliers\\_code\\_of\\_ethics2.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-economica/fincantieri_suppliers_code_of_ethics2.pdf)

## WHO ARE OUR SUPPLIERS AND HOW WE CHOOSE THEM

### The soul of the supply chain

Approximately 80% of the finished product is made with the contribution of our suppliers: Fincantieri works as de facto system integrator, taking responsibility for the shipbuilding project as a whole.

Awareness of the supply chain's strategic nature and the need to coordinate a vast and varied network of suppliers lead us to seek long-term partner relationships that are based on transparency, collaboration and mutual respect.

#### FINCANTIERI SUPPLY CHAIN



### Supply chain numbers

As regards the Italian activities, Fincantieri acts as leader and group hub for a large number of Small and Medium Enterprises (SMEs), an important factor in the flexibility and wealth creating capacity of local production systems, allowing them to access projects of great breadth and value, taking on a global market they would otherwise be excluded from due to their small size.

The Company supports a large network of highly specialized Italian SMEs in various macro-

sectors (furniture suppliers, air conditioning systems, electrical/electronic systems, etc.). In particular, through our shipyards, we contribute to the maintenance and development of the industrial system of the regions in which we operate.



The data on the value of orders issued are given below.

#### VALUE OF ORDERS ISSUED BY PRODUCT CATEGORY

(euro/000)	2018	2019
Turnkey	1,663,864	1,583,443
Supply	1,334,825	1,304,499
Contracts	439,691	525,568
Services	425,427	556,483
Investments	183,488	202,064
Engineering	38,610	48,044
<b>Total</b>	<b>4,085,905*</b>	<b>4,220,101**</b>

\*Intercompany Value 2018: 415,169 thousands of euros.  
 \*\*Intercompany Value 2019: 409,658 thousands of euros.  
 The data refer to Fincantieri S.p.A. and to the Italian subsidiaries.

#### VALUE OF ORDERS ISSUED BY GEOGRAPHICAL AREA

(euro/000)	2018	2019
Italy	3,257,747	3,468,099
Rest of Europe	697,283	684,998
North America	786	40,368
Asia	2,075	22,651
Oceania	127,996	131
South America	4	3,824
Africa	14	30
<b>Total</b>	<b>4,085,905*</b>	<b>4,220,101**</b>

Fincantieri S.p.A. and the Italian subsidiaries confirmed in 2019 the purchasing volumes

of the previous year, showing a slight growth trend of 3%.



**e-Procurement**

Fincantieri Suppliers is Fincantieri's e-procurement system dedicated to supplier management ([www.fincantieri-suppliers.com](http://www.fincantieri-suppliers.com)), providing support throughout all the stages of procurement activities. In line with the objective of strengthening communication with our suppliers, the portal is developed to manage the following processes:

- marketing, offering the possibility to each supplier to participate in the selection process regarding Italy by registering on the portal;

- requests for offers, made available to selected suppliers in digital format, to which they can respond by sending their economic and technical offers on the same platform;
- purchase contracts, digitally signed and made available electronically to suppliers, who in turn can accept them directly on the system without printing and sending paper documents to Fincantieri.

Using the e-procurement system saves a lot of time, transport costs (and related emissions of CO<sub>2</sub>), printing and use of paper throughout the procurement process.

**Management of contracting companies**

The production process we have adopted is structured to operate as an integrated model that makes use of skills, technologies and production capacities both inside and outside the Company.

The widespread participation of the resources involved in company business processes and the sharing of common principles, behaviours and objectives are fundamental for achieving continuous improvement objectives. We have therefore pressed on, in continuity with the guidelines adopted in recent years, with significantly reducing the supply chain in some specific activities (insulation, painting) and at the same time we have intensified actions aimed at consolidating the relationship with suppliers considered strategic, in particular for supply activities and turnkey contracts, through medium/long-term contractual agreements.

The prospect of stabilizing the supplier base by pursuing long-term partnerships with the consequent continuity in terms of worker presence in the individual production sites is able to provide the best response to the expectations formulated by some institutional stakeholders in areas involved. The continuity of companies and the reduction of worker turnover can in fact allow local authorities to improve the planning of infrastructure and social services, as well as result in a more effective management of integration policies.

We have signed further framework agreements with leading employment agencies in order to make it easier for satellite businesses to **find qualified resources**, also through specific training courses aimed at the most sought-after professional profiles.

The entire supply process is subject to controls and constraints that commit

suppliers to meeting all their legal obligations, in particular with regard to the rights of employees, starting from the qualification phase - and their inclusion in the Register of Suppliers - and the awarding of orders. Further **controls** are envisaged when entering the production sites and during the entire time they remain at the operating units.

These guidelines and trends were shared at the trade union level and implemented in the

most recent company agreements.

Indicators are used to monitor the supplier base, such as supplier turnover, employee turnover, employment contract type and geographical origin of the contracting companies' personnel.

In particular, from January to December 2019, **2,292** companies entered the Italian shipyards, of which 1,052 were not present at the beginning of the year.

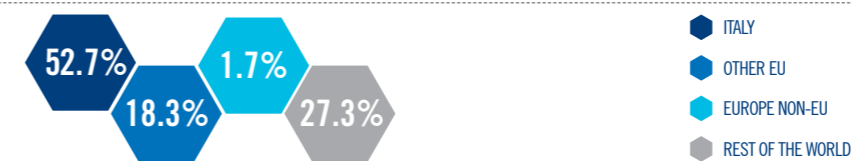
PERIOD	NO. OF COMPANIES PRESENT IN ITALIAN SHIPYARDS IN THE MONTH	NO. OF OTHER COMPANIES THAT ENTERED IN THE SUBSEQUENT MONTHS	NO. COMPANIES THAT ENTERED ITALIAN YARDS IN 2019
January 2019	1,240 (A)	-	2,292 (A+B)
February-December 2019	-	1,052 (B)	-

The data refer to Fincantieri S.p.A.

In the same period, the shipyards hosted **42,455** employees of contracted companies, mainly Italian nationals (52.7%) or coming

from EU countries (18.3%). Non-EU citizens totaled 29%.

**ORIGIN OF WORKERS**



The data refer to Fincantieri S.p.A.

In the field of employment relationships, permanent contracts accounted for 43.9% of

the total, fixed-term contracts accounted for 37.4%. Agency staff contracts accounted for 11%.

**NUMBER OF CONTRACTING COMPANY WORKERS**

PERMANENT	FIXED TERM	AGENCY STAFF	OTHER TYPES	TOTAL
18,615	15,897	4,664	3,279	42,455
43.9%	37.4%	11.0%	7.7%	100%

The data refer to Fincantieri S.p.A.

The most prevalent nationalities (excluding Italians) were Bengalis (17.3%) and

Romanians (13.3%).



### Supplier qualification process

Development and efficiency of our supply chain start immediately at the supplier selection phase, which follows a documented procedure in order to guarantee impartiality and equal opportunities for all the parties involved.

Management and the continuous improvement of a pool of trusted and innovative suppliers is essential in order to achieve the goals we have set for ourselves at Group level in economic and sustainability terms. Fincantieri's purchasing office provides suppliers with constant **technical support** for all activities related to the selection and qualification process, including those concerning sustainability. Fincantieri recognises that the supplier base is a significant asset for the entire company, and as such it should be valued and protected. This is why we have developed a stringent **qualification** and performance **monitoring** process for strategic suppliers, based on the evaluation of economic, technical, reputational, social and environmental aspects.

In this sense, the **collection of environmental and social information** is active during the pre-qualification stage, e.g. possession of environmental, health, work safety and social responsibility certifications.

#### QUALIFICATION OF SUPPLIERS IN THE REGISTER



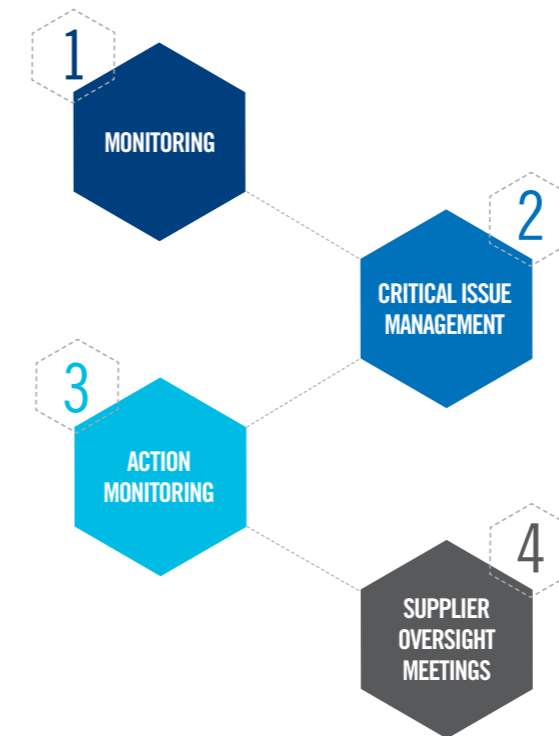
### HOW WE MONITOR THEM

A stringent performance monitoring process is carried out so that suppliers can maintain their qualified status and to promptly manage any critical issues.

A supplier remains qualified as long as the reasons for its inclusion in the Register of Suppliers continue to exist and until the monitoring of its performance is considered critical to the point of expulsion.

We monitor the supply chain using a **life cycle** management approach to reduce the environmental and social impact of a product or service over its entire lifetime to a minimum. In particular, sensitivity towards and respect for the environment is spread along the whole production chain, and this has led to increasing exchanges of information and documents with suppliers.

#### SUPPLIER MONITORING



As part of the supplier monitoring system, we use a continuous performance evaluation system, in which all the relevant corporate departments take part (**balanced scorecard**), in order to guarantee that the required standards are met over time. Through the use of specific purchase methods adapted for the different product categories, we are committed to obtaining the best conditions and performance throughout the entire life cycle of the product.



Of the 759 qualified strategic suppliers at the end of 2019, 99% were subject to an evaluation, with the following results:

- 89% satisfactory;
- 10% with some gaps that can be resolved by themselves;
- 1% with serious issues, for which the adoption of an improvement plan or replacement is planned.

Moreover, the main problems are examined through cross-involvement within **Supplier Oversight**, the body that gathers the different functions and departments and takes decisions resulting based on examination of these critical issues. Prominence is given to issues related to **safety**, the **environment** and **protection of**

**labour rights**, with specific focus on **ethical and reputational aspects** during both the qualification and the monitoring phases. These values are essential for the whole Group and are a priority in all company decisions, including those relating to the pool of suppliers.

Evaluation of certain **fundamental aspects**, such as the technical/professional suitability of the company, the regularity of contributions and remuneration of

employees, and the existence of a structure dedicated to safety at work, takes place during both the pre-qualification document collection phase and the quality inspection phase at the supplier's premises, as well as during entry in our shipyards.

For us business integrity and the ethical and reputational aspects that accompany it are a constant guideline. We are aware that corporate reputation is a strategic asset

that should be valued and protected, also so as not to compromise the trust placed in us by our stakeholders, and by using a risk intelligence based strategy we ensure that our supply chain leans towards more extensive compliance with regard to anti-money laundering, counter-terrorism, anti-corruption and sanctions at international level.

Furthermore, in order to prevent any possible infiltration of organized crime in the

contract award phase, in capital expenditure and in production activities, our Group has established a stronger cooperation with the local competent Prefectures, stipulating **Legality and Transparency Protocols**, which since 2017 have merged into a National Protocol.

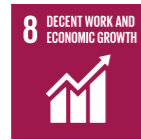
Data on qualification and monitoring activities in 2018 and 2019 are given below.

QUALIFICATION AND MONITORING ACTIVITIES

	2018	2019
Total number of suppliers registered on the portal	3,387	3,727
Total number of qualified suppliers (strategic in the register)	744	759
Total number of qualified suppliers in the year	385	394
No. of new suppliers qualified in the year	82	54
% orders run through the portal	88.0%	90.5%
No. of audit visits carried out during the year	51	68

The data refer to Fincantieri S.p.A.



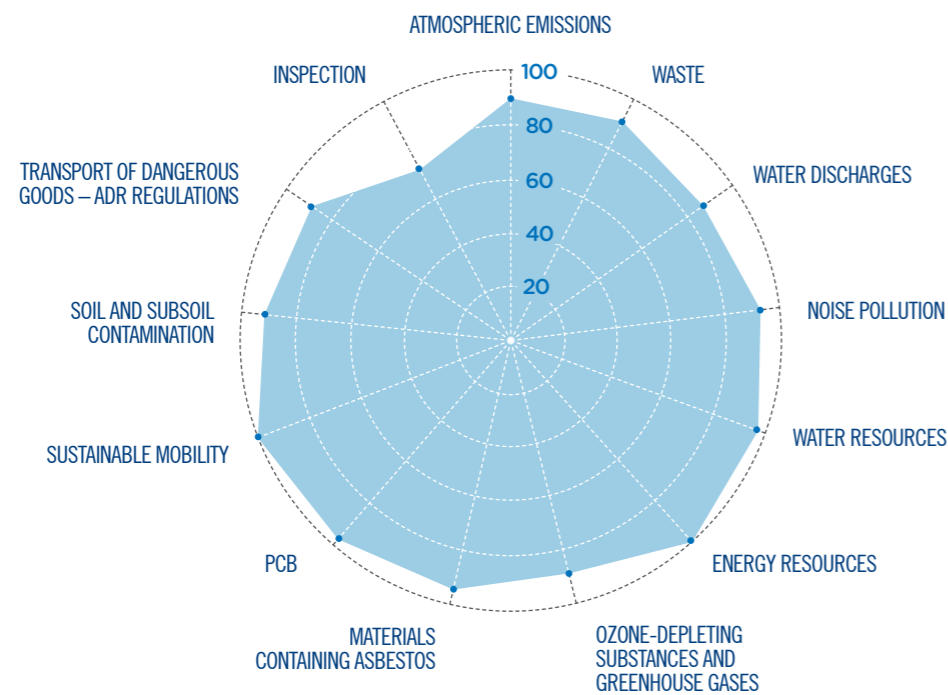


We periodically schedule monitoring activities at our suppliers through different types of audit visits. As the importance of the inspection visit is also recognised for sustainability, as set out in the Sustainability Plan, **35 sustainability audits** were carried out in 2019 at strategic suppliers for human

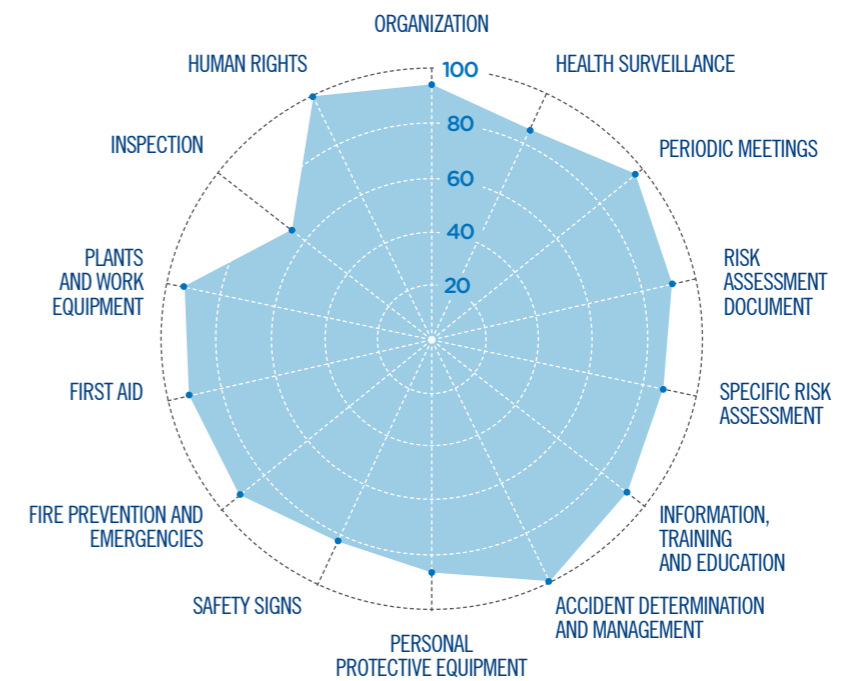
rights, environment, health and safety aspects. Two checklists were implemented to make the evidence found during the audits more uniform: one related to the environment and one related to health, safety and human rights, which were divided into thematic areas that consider the

specific aspects analysed. The expectations considered in the checklists and verified during the inspections are summarized in the diagrams below, where a 100% result indicates full compliance with Fincantieri's requirements.

AUDIT RESULTS – ENVIRONMENT



AUDIT RESULTS – HEALTH, SAFETY AND HUMAN RIGHTS



During the year, 5 audits were below expectations and will be the subject of a new meeting in 2020 to check up on the improvement path identified.

To ensure compliance with our standards, we are committed to continuing our audit work during 2020 and have a target of at least 40 audits.

CHARACTERISTICS AND MANAGEMENT OF THE SUPPLY CHAIN OF FOREIGN COMPANIES

Fincantieri Marine Group: supply chain

Through Fincantieri Marine Group (FMG) we are one of the leading manufacturers of medium-sized ships in the United States and we operate for civilian customers and government agencies. The US Government is the main customer of Fincantieri Marinette Marine (FMM) and requires high quality, high performance goods and services provided by suppliers with proven experience. In order to fulfil the objectives of Congress, the company supports small and medium enterprises in selecting its suppliers, in particular those run by women, economically and socially disadvantaged individuals, veterans, and companies that are part of the Historically Underutilized Business Zone Program (HUB zones). Founded in 1997, the HUBZone Program aims to promote economic development and employment growth in disadvantaged areas, helping small businesses located in these areas through privileged access to opportunities in the public procurement sector. In 2019, 798 suppliers received a purchase order from FMG, the majority of which are situated in the United States. With the exception of indirect purchases, almost all purchases are managed directly with the manufacturer, unless it is necessary to go through an agent or there is a cost advantage in resorting to a wholesaler or distributor. All suppliers working in the government programme are required to sign a specific Non-Disclosure Agreement (NDA) and are selected according to a **specific procedure** for selection and evaluation which defines the process and the methods to guarantee

the selection of suppliers based on criteria of quality, technical capability, delivery times and continuous improvement. The goal is to select a supplier able to sustain the programme, seeking the best compromise in terms of price and quality, in order to support the business and satisfy the customer. In accordance with the procedure adopted, specific **audits** are carried out on suppliers, which are also subjected to reassessments. In particular, when a supplier does not maintain the capabilities and qualities that led to its enrolment in the register and becomes critical to the FMM business, it is expelled from the list of usable suppliers. In particular, 4 audits were carried out on suppliers in 2019. The purchase process is defined through various procedures that describe all the steps that must be followed to issue a purchase order according to the needs of FMM. Suppliers are selected according to **various criteria**, starting from their experience in the marine sector and their observance of US law in **social** and **environmental areas**. Other additional factors that are considered include: estimated cost, purchase frequency, size, position, shipowner's recommendations, recorded non-conformities, etc. An **orientation course** is provided to suppliers performing services in shipyards before the works begin, to verify that they meet certain insurance requirements. They also carry out shipyard safety training courses and are familiarized with the correct contact representatives within the company, in order to ensure an appropriate communication flow.

The procedure followed for requests for offers/quotations begins with the development of a list of suppliers that are able to guarantee the supply and meet all the working, environmental and government requirements as per terms and conditions

defined by FMG. For complex systems or larger services, the supplier subscribes and accepts the supply purpose and certain technical specifications. The data on the value of orders issued are given below.

VALUE OF ORDERS ISSUED BY PRODUCT CATEGORY

(euro/000)	2018	2019
Turnkey	37,811	102,146
Supply	80,004	188,285
Contracts	53,656	75,609
Services	2,449	12,566
Investments	4,614	1,329
Engineering	1,555	20,838
<b>Total</b>	<b>180,089</b>	<b>400,773</b>

The data refer to Fincantieri Marine Group.

VALUE OF ORDERS ISSUED BY GEOGRAPHICAL AREA

(euro/000)	2018	2019
Italy	0	0
Rest of Europe	644	12,381
North America	179,430	388,233
Asia	15	159
Oceania	0	0
South America	0	0
Africa	0	0
<b>Total</b>	<b>180,089</b>	<b>400,773</b>



**VARD group: supply chain**

Approximately 60% of the VARD group's value of orders issued concern Norwegian suppliers and 32% are located in other European countries. The remaining 8% is distributed between South America and Asia.

The **selection criteria** used are based on the maker list, but also on the supply history and previous purchasing experiences.

Turnkey contracts are the most commonly used type of purchase orders, followed by materials and equipment. Together they represent 72% of the total orders issued by the group.

Purchasing management is entrusted to the Alesund headquarters, while purchase plans

are managed by the procurement teams of the various sites.

Goods and services are purchased from suppliers who can guarantee specific quality levels. Suppliers must be selected from those that have been registered as approved suppliers (maker list) through a direct evaluation by VARD or an evaluation by other companies within the VARD group. During the supplier selection process, **preferential requirements** include possession of certification concerning health, safety, anti-corruption and the environment.

For activities relating to the cruise sector, a new market segment for VARD, the central purchasing management team also uses qualified suppliers approved by the Parent

Company. Suppliers who work for VARD first receive **safety courses**, available in 5 different languages. The acquisition of goods and services is based on technical and commercial information. Requests for proposals are sent to the possible suppliers, and after the technical and commercial approval, a winning supplier is selected. A contract/agreement is then signed and a purchase order is issued. Purchase orders are issued on two complementary systems, through which the entire procurement process is managed: production specifications, order approval processes, delivery times and payment conditions.

**Audit activities** are carried out periodically through the yard health, safety, environment and quality (HSEQ) managers accompanied by the central purchasing function to check compliance with the contractual requirements agreed for the jobs. In 2019, 75 audits were carried out on suppliers, 43 of which based on environmental and social criteria, none received a negative evaluation. In particular, VARD Vung Tau, which holds SA 8000 certification, also carried out 17 audits of its suppliers in 2019 based on checklists covering environmental and social issues; these did not reveal any critical situations.

The data on the value of orders issued are given below.

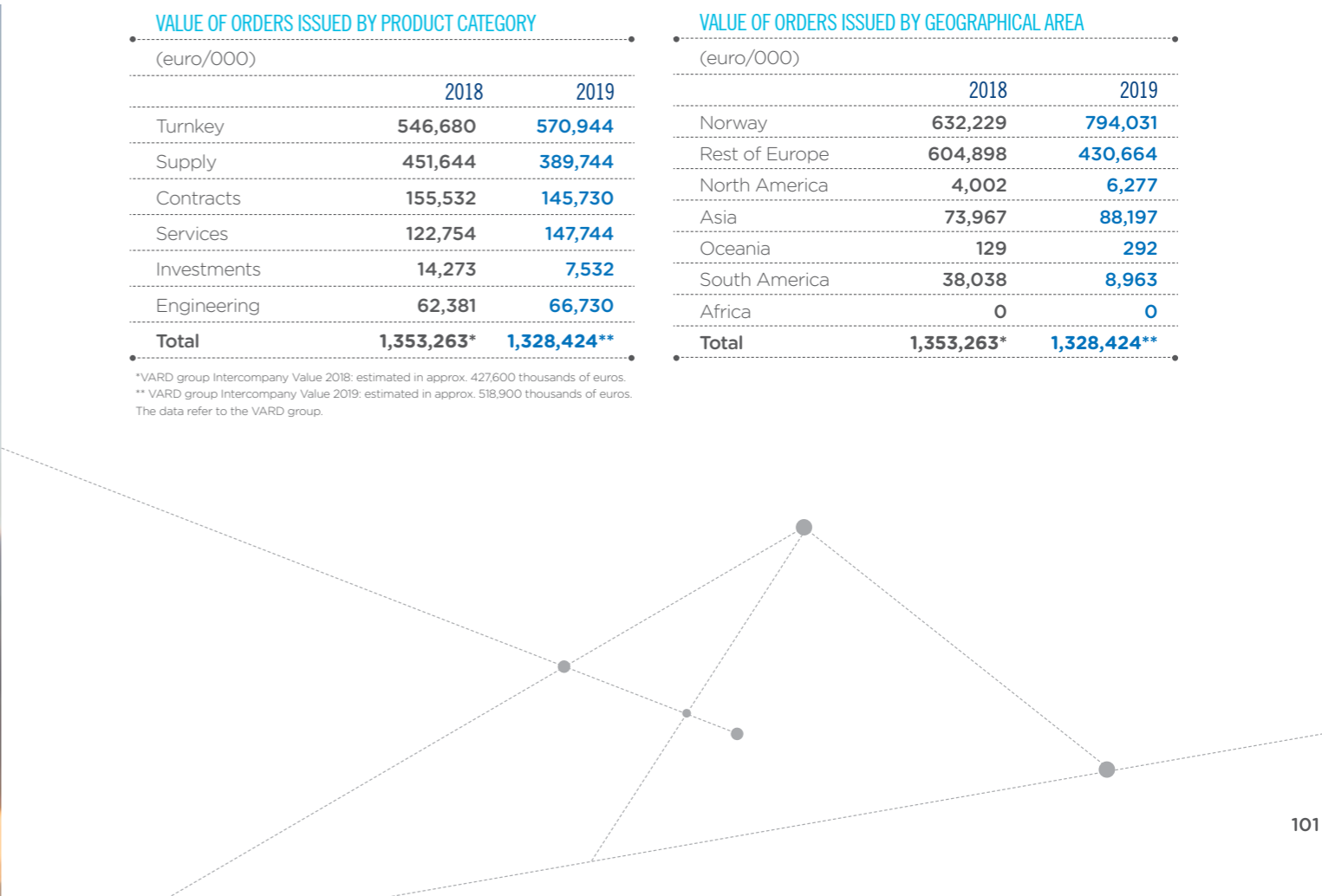
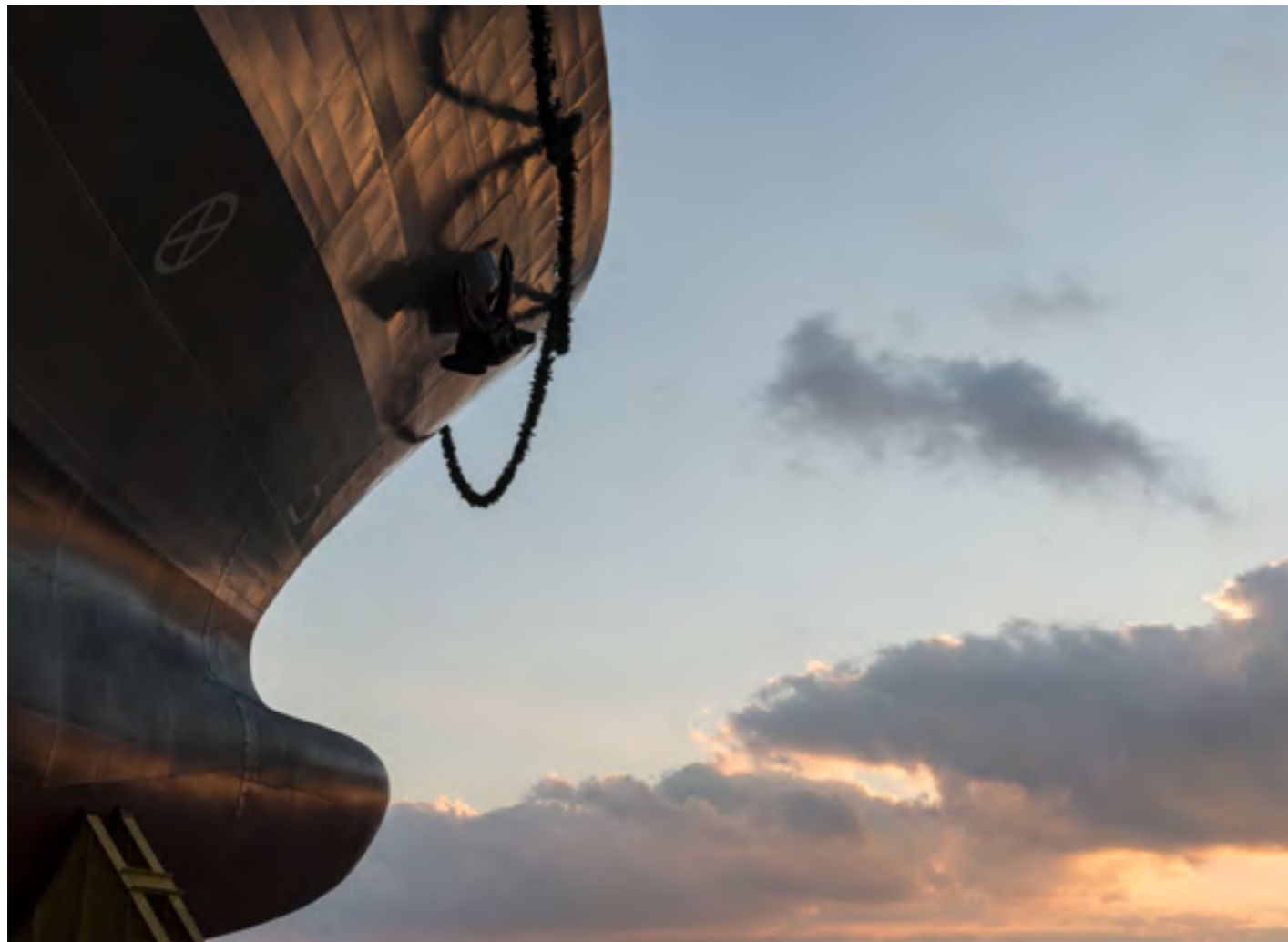
**VALUE OF ORDERS ISSUED BY PRODUCT CATEGORY**

(euro/000)	2018	2019
Turnkey	546,680	570,944
Supply	451,644	389,744
Contracts	155,532	145,730
Services	122,754	147,744
Investments	14,273	7,532
Engineering	62,381	66,730
<b>Total</b>	<b>1,353,263*</b>	<b>1,328,424**</b>

\*VARD group Intercompany Value 2018: estimated in approx. 427.600 thousands of euros.  
 \*\* VARD group Intercompany Value 2019: estimated in approx. 518.900 thousands of euros.  
 The data refer to the VARD group.

**VALUE OF ORDERS ISSUED BY GEOGRAPHICAL AREA**

(euro/000)	2018	2019
Norway	632,229	794,031
Rest of Europe	604,898	430,664
North America	4,002	6,277
Asia	73,967	88,197
Oceania	129	292
South America	38,038	8,963
Africa	0	0
<b>Total</b>	<b>1,353,263*</b>	<b>1,328,424**</b>



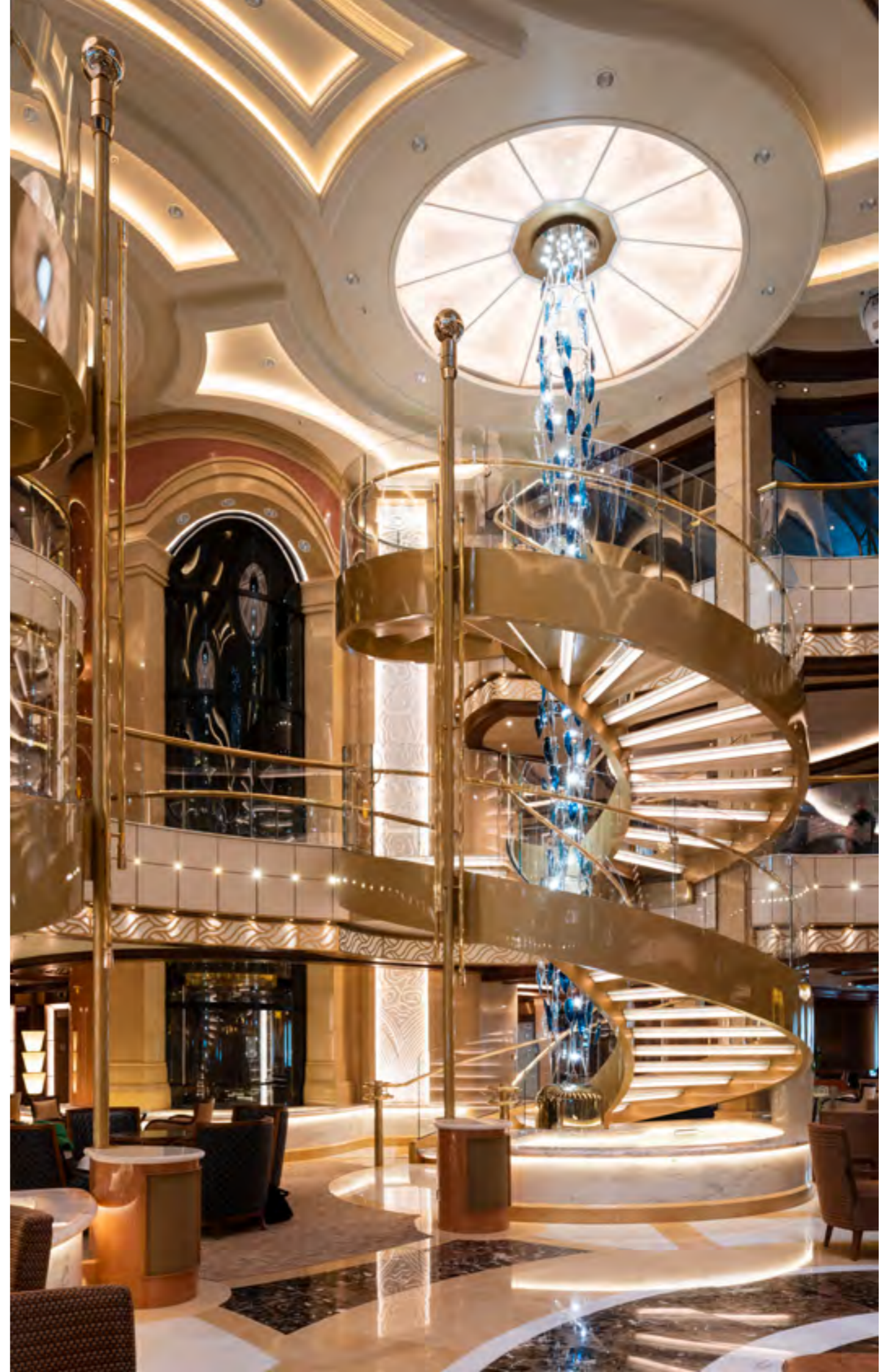
ONGOING DIALOGUE

The Group's focus on its relationships with suppliers is constantly evolving. Therefore, constant commitment and communication are essential in order to help the Company promote more positive and mutually beneficial relationships. We believe that close cooperation with the supply chain is essential in order to achieve high levels of quality in the finished product and in the entire production process. With a view to establishing a stable and long-lasting relationship, based on transparency and collaboration, we are actively committed to **promoting dialogue** with our suppliers through periodic meetings to share information, including on sustainability.

with the aim of studying the actions and the governance model adopted. This approach gives us greater awareness of the certifications that suppliers possess and the corporate procedures, policies and management systems currently adopted by suppliers, and enables us to follow a shared path of sustainable development.



During 2019, we organized our first **sustainability meeting** with the participation of 23 strategic suppliers. Sustainability has steered these meetings, during which topics such as the Sustainability Plan and related objectives were presented, with particular emphasis on those concerning the supply chain. Moreover, in order to increase our partners' awareness of and involvement in social and environmental issues, a fact-finding **questionnaire** was sent out in 2019 to a panel of 75 suppliers considered significant,



## FOR OUR CUSTOMERS

*We imagine a world where respect for the sea, the environment and people is combined with technological excellence and where our products can be tools for sustainable growth*



Each new ship is the flagship of our capabilities' progress, enhanced by a system of selected suppliers that, with the best craftsmanship tradition and the class of a unique design, allow us to best interpret the style and needs of each segment. Technological development is essential because it means market competitiveness

and economic growth. Thanks to a pool of resources dedicated to naval research and design, we aim to create increasingly safe and environmentally sustainable ships. In our strategies, we have embraced the objectives of the International Maritime Organization (IMO), summarized in the slogan **"Safe, secure and efficient transport on clean oceans"**.



### Our customers

We look towards the future, ready to take on new challenges in order to build the cruise ships, naval vessels, offshore units, ferries and luxury yachts of tomorrow. One of the keys to our success is our highly diversified activities in terms of final market, geographical area and customer portfolio.



The customers who purchase cruise ships produced by the Merchant Shipping Division of Fincantieri SpA and VARD are the leading cruise operators in the world. The customer portfolio has expanded considerably over the last few years, thanks to the ability to design and build widely differing types of cruise ship, with strong customization by customer, geographical area and market segment served.



The customers who purchase the products of the Naval Shipping Division of Fincantieri SpA and Fincantieri Marine Group are government entities, both Italian and foreign, including the Ministry of Defence, the Navy, the Coastguard and all entities appointed to make acquisitions in the Defence sector.



Ferries designed and built by Fincantieri and VARD are intended for private and public clients, both Italian and foreign, operating mainly in the Mediterranean, the North Sea and the Baltic Sea, and meet the most demanding requirements in this sector in terms of technological innovation, low environmental impact, energy saving and diversification.



The mega-yachts designed by Fincantieri are intended for private customers who fall into the category of ultra-high net worth individuals.



The Group offers its naval equipment, systems and components to the internal captive market and to other shipbuilders and industrial operators (such as, for example, engineering companies active in the installation of power plants as well as companies responsible for carrying out complex projects, for instance in the Oil & Gas sector). The main customers of these equipment, systems and components include the customers of each of the other business sectors: civilian, naval and offshore. In addition, the main customers include shipbuilders and industrial operators.



The main customers of the Group's offshore division are shipowners and charter companies that provide logistical support and services for the construction and operation of offshore facilities for companies active in the Oil & Gas industry. These also include large contractors specializing in offering turnkey services for the commissioning of large projects and offshore infrastructure, as well as the main drilling contractors specializing in the management of semi-submersible drilling vessels and platforms. In addition to the design and production of offshore support units, VARD also supports the production of special vessels, such as ferries powered by liquefied natural gas (LNG) or hybrid (battery) systems, mainly for shipowners in Northern Europe, and vessels used by customers active in the aquaculture sector and the maintenance and construction of offshore wind farms.

CUSTOMERS BY MAIN BUSINESS AREA

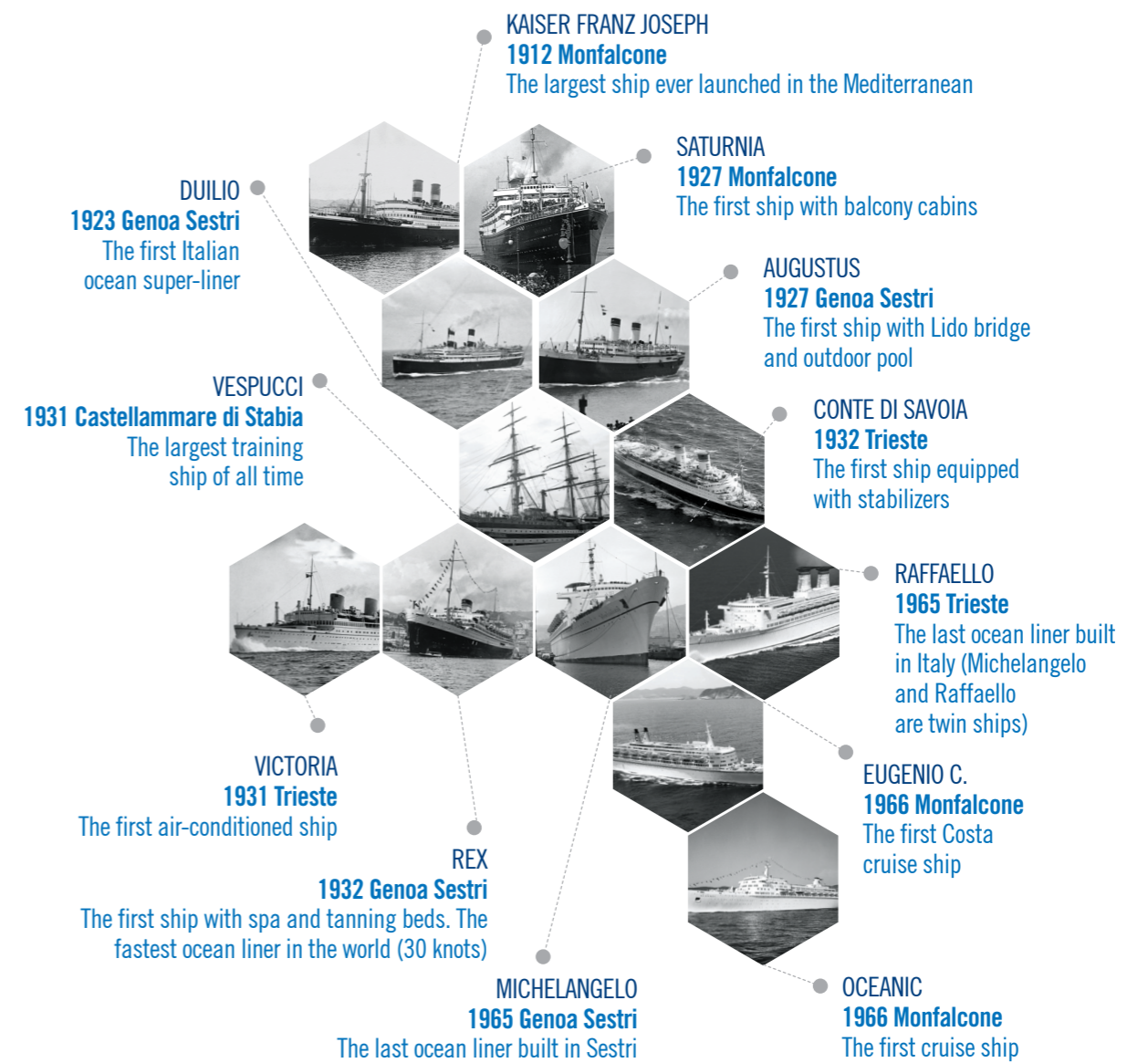


Source: Company information at 31.12.2019.  
<sup>1</sup> As of 31 December 2019.  
<sup>2</sup> One cruise ship below 10,000 Gross Ton delivered and one under construction.  
<sup>3</sup> Topaz Energy and Marine have become P&O Maritime Logistics. The new logo is not yet available.  
<sup>4</sup> Previously called: Technip.  
<sup>5</sup> Previously called: Farstad.  
<sup>6</sup> Ferry operator.

MORE SUSTAINABLE AND SAFER SHIPS

The world market for **cruise ships** is rigorous, selective and is characterized by the presence of high-profile shipbuilders. In this scenario, we are leaders in design and production, a success that comes from

afar. As early as the beginning of the 20th century, the shipyards of Genoa and Trieste were already producing jewels of design and fittings, with extraordinarily innovative engineering solutions.





A cruise ship is an ideal and self-sufficient floating city in constant communication with land. It is designed, built and managed to respect the ecosystems of the areas in which it must operate and to safeguard the health and life of those temporarily living there for work or fun, thousands of people from different countries and cultures, who live together and adhere to its rules of governance.

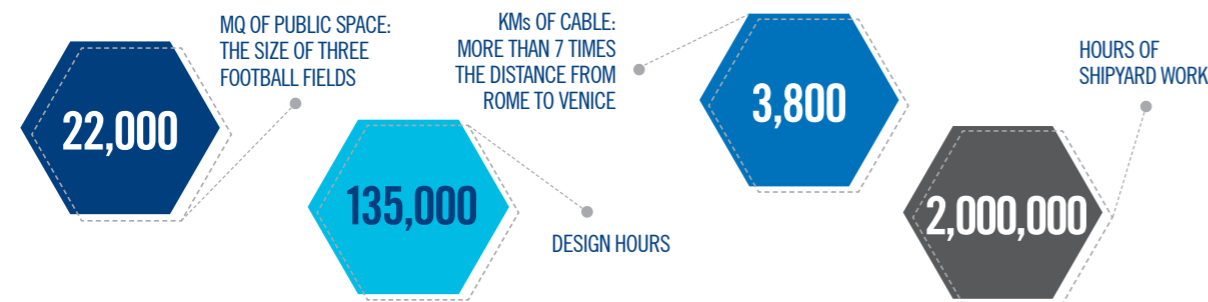
We oversee all stages of production, including design, supplier selection, construction, commissioning, testing and delivery.

The ships designed and built by the Group are not standard vessels; each one is a tailor-made product that reflects the specific needs of the customer. In addition, we carry out activities to develop applied

technological and innovative solutions (in particular in the areas of safety, noise reduction, stability and ship operating speed) and the results they yield can be used in the ship design. In this sense, each ship can be considered a new product as it is the result of the combination of specific design activities in response to customer needs and of research and innovation activities.

The Group offers a diversified product portfolio, which includes ships of very different sizes, from 10,000 to 175,000 gross tonnage and with a length between 110 and 345 metres, characterized by the diversity and richness of the fittings in the hotel part and the entertainment services offered to meet the needs of all types of customers.

THE NUMBERS OF COMPLEXITY - What you need on average to build a cruise ship



The Group is directly involved in the development of international regulations for safety and our activities are carried out in close collaboration with the flag agency, classification bodies, the sector's industrial associations, shipping companies and the main international research bodies. Monitoring of regulatory developments

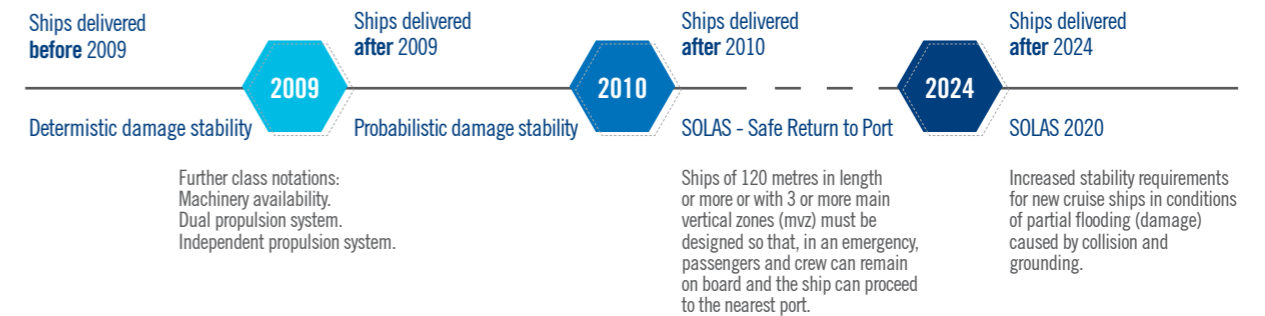
is therefore a fundamental element, at a strategic and technological level, in the early identification of possible trends in the market and of the emergence of new needs by proposing solutions that are innovative and competitive at product level and comply with the technical, economic and environmental feasibility standards at process level.

We are an accredited representative with the **IMO**, the specialized Agency at global level for issuing directives on maritime safety and environmental protection. The main conventions between the IMO's member states are aimed at:

- improving maritime security (mostly from a safety point of view) – SOLAS;
- limiting the pollution of the seas – MARPOL;
- standardizing maritime labour rules – ILO.

In particular, the SOLAS (Safety Of Life At Sea) Convention aims to specify common international standards in order to safeguard human life at sea, establishing safety standards for technical aspects and for the preparedness of personnel in case of emergency. All ships produced must comply with these rules, which are constantly evolving.

PRODUCT EVOLUTION: SAFETY AND RELIABILITY



Commercial ships, including cruise ships, must have a valid **class certificate**, issued after verification that they comply with the regulations of a classification body. The primary aim of the classification body is to ensure that ships are designed, constructed and maintained in such a way as to minimize the risks to life, the environment and property. Achievement of the class demonstrates that all the controls in the various phases of the ship's life have been successful.

All **equipment** and **appliances** installed on board follow the manufacturer's or internationally recognized standards. Other regulations are determined locally,

such as docking in U.S. ports that follow U.S. Coast Guard (USCG) rules or, if they relate to hygiene, food processing, environments, accident prevention, and air conditioning systems, those of the U.S. Public Health Service (USPHS).

In addition to being a product designed to be safe, ships are designed and built for the **comfort** of everyone on board, whether passengers or crew members. There are also dedicated relaxation areas, which may include swimming pools, bars, gyms or discos for crew members.

The ships are designed to make more and more spaces accessible to **people with disabilities**, for example by providing easy

access with ramps, optical and acoustic warning systems and devices that facilitate mobility and therefore allowing all travellers to enjoy the full range of services available on board.

With regard to **materials**, the Company has adopted an internal procedure on the “Asbestos Free Declaration” which aims to ensure that the products produced are free of asbestos, polychlorinated biphenyls (PCBs) and ozone depleting substances (ODS). The procedure also defines the components, structures and equipment that require the Declaration by suppliers. In addition, with regard to the management of chemical products, suppliers must declare and ensure that their products and services are developed using only materials and substances that are not prohibited by applicable laws and regulations and that are not classified as mutagenic or carcinogenic. In the last phase of the ship’s construction, dedicated sessions are held to enable the crew to familiarize themselves with the on-board systems, particularly those relating to safety, before the ship enters service. In general, **education** and **training** is provided directly by the suppliers of the different systems.

In **naval shipbuilding**, we are one of the few operators able to design and build a wide and complete product portfolio that includes surface combat vessels, auxiliary and specialized vessels, as well as submarines. Our ships are equipped with state-of-the-art command and control systems. Although the Group assembles and installs armaments supplied by third parties in the process of building and equipping its naval vessels according to the customer’s instructions, the Group has never manufactured and does not manufacture armaments or weapon components itself.

As part of the general concept of the naval vessel’s survivability, studies are being carried out to further reduce its vulnerability to **cyber attacks**. In addition, an observatory has been set up to screen laws and regulations relating to environmental aspects, chemical risk and health and safety at work, with the aim of making the already established contractual requirements complementary to the current regulatory situation.

For each ship, the residual risk assessment document as provided for by Legislative Decree 81/2008 is delivered to the ship’s captain.

Systems to improve air quality have been introduced for the well-being of the crew and, where it has been possible to increase the well-being of the crew compatibly with the vessel’s operational profiles, the following improvements have been introduced:

- increased air changes per hour for the heating, ventilation and air conditioning (HVAC) system;
- increased fresh air supply for each air change per hour for the HVAC system;
- extension of HVAC in some operational areas (e.g. hangar);
- increased liveability of the areas intended for the crew by ensuring more square metres per person, introducing modular cabins with attached integrated toilet/shower unit and partitions to cut noise pollution;
- use of water-based paints for interior areas.


The renewal process for the Italian Navy fleet has a distinctly dual approach, typical of the Armed Forces. The Navy is often engaged in non-military tasks such as aiding populations affected by natural disasters, monitoring and protecting archaeological heritage, and transporting humanitarian materials and basic necessities, which is influencing the current use of the fleet and the way in which the renewal process is taking place. The new constructions are designed right

from the preliminary phase of the project to be flexible, modular and reliable, with low environmental impact, easily reconfigurable and upgradable.

In the event of an operation to support populations affected by a natural disaster, the new vessels will be able to provide drinking water, electricity and health support through its own hospital facilities. In addition to the particular attention giving to reducing emissions of fumes, the treatment of wastewater and the use of bio-fuels, the vessels will be able to intervene to contain a contaminated tract of sea, with the possibility of collecting and stowing the polluting substances.

Consolidating the experience gained on the projects for the Italian Navy, the logistics ship for the Qatari Navy (LPD Qatar) is being developed, where the concepts of flexibility, modularity and low environmental impact have been enhanced. The new vessel can also be used for humanitarian purposes in crisis areas both in times of peace and in times of war.

Lastly, the International Convention for the Prevention of Pollution from Ships (**MARPOL**) aims to prevent and minimize pollution from ships, whether accidental pollution or pollution resulting from routine operations. We are committed to various projects with the aim of containing environmental impact throughout the ship’s life cycle.

 These initiatives are described in detail in the chapters “For innovation - Our main projects” and “Fincantieri for the environment - Our ever greener ships”.



QUALITY AT THE CORE

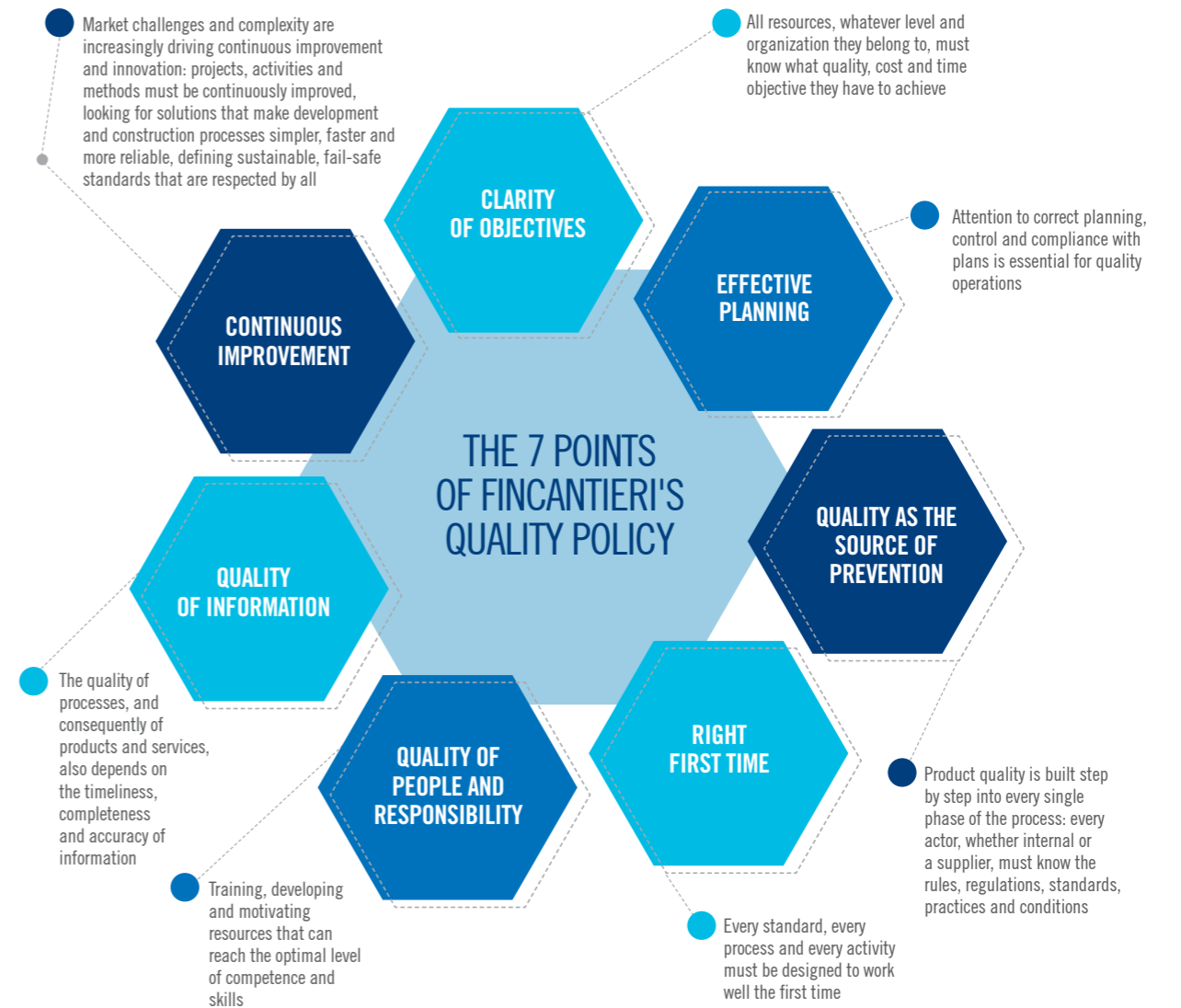
We are aware that the complexity of our business requires high standards in terms of quality, cost and time of products and services offered. This is why we have adopted a Quality Policy able to convey the commitment of the Group's resources on specific key points. The goal is to achieve and maintain an excellent level of quality in strategic choices, business processes and every activity.

Every company or division adopts a Quality Management System (QMS), certified according to the ISO 9001 standard, which ensures compliance with the best standards. 100% of Italian production sites are certified ISO 9001 and 96% at Group level. Quality assurance at each stage of the process, from the acquisition of the contract to the design and procurement, down to the production or provision of the services, is entrusted to each process owner.



The **Quality Policy** defines our mission to achieve and maintain an excellent level of quality in all our activities, incorporating the following seven points of the corporate

Quality Policy into the strategic choices and business processes at the various levels.



The Quality Policy is available on the website [www.fincantieri.com/globalassets/sostenibilita2/responsabilita-prodotto/quality\\_policy.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-prodotto/quality_policy.pdf)



As envisaged in the Sustainability Plan, we maintained all our quality certifications in 2019. To maintain the ISO 9001:2015 certification, the Group's divisions and companies were subjected to **official audits** by the certification body. The 12 audits conducted by the certification body RINA in 2019 on the Quality Systems of Fincantieri's Italian organizations certified as compliant resulted in satisfactory outcomes. Moreover, in line with its responsibilities, the company Quality body has carried out a series of **internal audits**, aimed at verifying the correct application of the corporate documentation on processes that have a significant impact on quality, as required by the ISO 9001 standard. In particular, four macro organizational areas were examined:

- the Quality bodies of the shipping departments/units;
- the Corporate functions related to primary processes;
- the Quality bodies of the production sites (Monfalcone, Sestri, Ancona, Integrated Shipyard);

- the Quality bodies of the Italian subsidiaries (Isotta Fraschini Motori, Marine Interiors, Cetena, Seastema, Issel Nord, Fincantieri SI).

A total of 17 audits were carried out and the formalized findings were almost all class "C", i.e. minor and/or similar to a recommendation, with the exception of one class "B" finding made against one of the subsidiaries, relating to the way performance and quality indicators are monitored. As regards the US subsidiaries, Fincantieri Marine Systems North America Inc. and the Fincantieri Marine Group's shipyards Marinette and Green Bay have achieved ISO 9001:2015 certification. The subsidiary VARD carries out its operations in compliance with the Group's Health, Safety, Environment and Quality (HSEQ) Manual and the Policy, the principles and strategies of which are based on the ISO standards. VARD's efforts are aimed at ensuring that safety is achieved at all times and in all areas. Its production sites all have ISO 9001:2015 certification.

 For more information on the certified shipyards and companies, see the website [www.fincantieri.com/en/sustainability/certifications](http://www.fincantieri.com/en/sustainability/certifications)

In addition to the system certifications mentioned, the subsidiary Marine Interiors is in charge of the design, refitting and delivery of turnkey cabins and has achieved the MED B **product certification** and MED D **process certification** issued by RINA certification body. MED certifications attest compliance with EU Directive 2014/93/EU - Fire Protection Requirements of Marine Equipment Directive (MED).

In 2019, Fincantieri Infrastructure manufactured and assembled the new bridge in Genoa (Polcevera viaduct), entrusting part of the production to the Castellammare di Stabia and Sestri shipyards: in order to do so, these shipyards have obtained **ISO EN 1090** certification - Execution of steel structures and aluminium structures.

In December 2019, the Naval Shipping Division obtained the **NATO AQAP 2110** (Quality Assurance Requirements for Design, Development and Production) certificate issued by the Swiss Association for Quality and Management Systems (SQS) for the Genoa Department and the Muggiano and Riva Trigoso sites.

### Quality monitoring

In Italy, the Quality Management System is also applied to job orders, whether they be naval or other products, through the job Quality Plan (QP).

The QP is a set of documents and Control Plans attached to the contract and governs all aspects related to quality assurance, control and monitoring valid for the job in question. It guides the operating structures in the correct design, construction and testing of the product.

The job Quality Plan is structured as follows:

- object of the project;
- main characteristics of the job;
- applicable documents:
  - for the project;
  - rules, laws and regulations;

- quality system standards and procedures;
- standard to be applied;
- organizational aspects:
  - organization and resources for the job;
  - interfaces and communications;
- control and inspection plans.

When designing and building complex products and systems, such as cruise ships, military submarines or industrial diesel engines, there is always the possibility that the process may be subject to deviations from standards, design changes, unexpected events and supply or execution errors. These "non-quality" events are normally detected and tracked by internal structures, by the customer's inspection staff and by the classification bodies, or more rarely after delivery, with interventions in the guarantee and after sales period. The remedial actions follow the industrial practice that involves increasing costs/times to adjust, repair, redo and replace in order to minimize the impact for the customer. The quantitative and qualitative analysis of these events, appropriately recorded and classified, gives rise to mechanisms for reviewing the projects; in the case of shipbuilding, the analyses trigger the processes of continuous improvement, in order to ensure that the same errors are not repeated in subsequent jobs. A closing report/booklet is produced, with the main lessons learned, in order to share with all the operating sites the countermeasures to the error causes identified and make the consequent prevention and improvement actions possible.

We regularly monitor quality indicators, at a divisional level (for homogeneous business areas) and at production level:

- shipbuilding sectors (cruise ships, naval vessels, mega yachts), are classified by job and by construction, which allows detailed comparisons to be made with regard to homogeneous “objects” and “phases”;
- in the plant and components sector (e.g. diesel engines, turbines, naval systems and systems, cabins for passenger ships), the classification is by production process, facilitated by repetitions in small and medium-sized series.

The VARD subsidiary also uses the Quality Plan for its projects. The quality indicators and the achievement of the related annual objectives constitute a fundamental part of the incentive programmes of the entire Fincantieri organization.

Regarding the management of military orders, during 2019 four audits were carried out by the Italian Government Quality Assurance (AQG), which involved the FREMM Programme, the Multi-Purpose Patrol Vessel (PPA), Logistic Support Ship (LSS) and Landing Helicopter Dock (LHD) jobs, with 16 non-conformities, of which 11 have already been resolved and 5 are being resolved.

#### Customer satisfaction

The main sector in which we operate is intrinsically characterized by a limited number of competitors and customers. The measure of customer satisfaction and retention cannot therefore be based on significant data and statistical samples. It requires instead a long-term analysis of the relationship between market trends, assignment of orders and jobs to the various players, the time taken to transform negotiations into orders, the maintenance of historic customers, and the acquisition and retention of new customers.

We regularly survey the market and the competition, from which certain “loyalty” factors can be deduced.

In Italy, five new ships were delivered in 2019, four cruise ships and one naval vessel. Delivery of the 8th frigate in the FREMM programme was accompanied by a letter of congratulations from the customer OCCAR (Organisation for Joint Armament Co-operation).

As part of the Sustainability Plan, there is a specific objective regarding customer satisfaction which includes the development of the **Customer Satisfaction Index (CSI)** system. For its regulation, in 2019, the internal procedure was defined and tested on two orders, one from the Cruise Ship Division and one from the Naval Shipping Division. The resulting CSI of 85/100 is a very satisfactory starting value.

Fincantieri Marine Group surveys customer satisfaction three times a year through

meetings with representatives of Lockheed Martin and the US Navy. These sessions cover the following areas: technical, testing, planning, quality, after sales and Integrated Logistics Support (ILS). During these monitoring sessions, the company receives feedback on the degree of customer satisfaction and on any problems. The corrective actions are defined at that time, with subsequent follow-up.

In VARD, customers’ requirements and expectations are defined during contract negotiations and are maintained and developed throughout all the project stages. Customer satisfaction is monitored periodically and continuously, both during the production stage and during the guarantee and after-sales period. Each product is subject to voluntary feedback by customers. Customers also provide the company with voluntary testimonials. Unsurprisingly, the company’s slogan is “Built on Trust”.



ONGOING DIALOGUE

The shipbuilding sector is constantly developing, which is why in order to create products that are increasingly safe, sustainable, efficient and have a lower environmental impact, it is important to create long-term relationships with all the stakeholders involved in the process. Therefore, we are in constant dialogue and cooperation with:

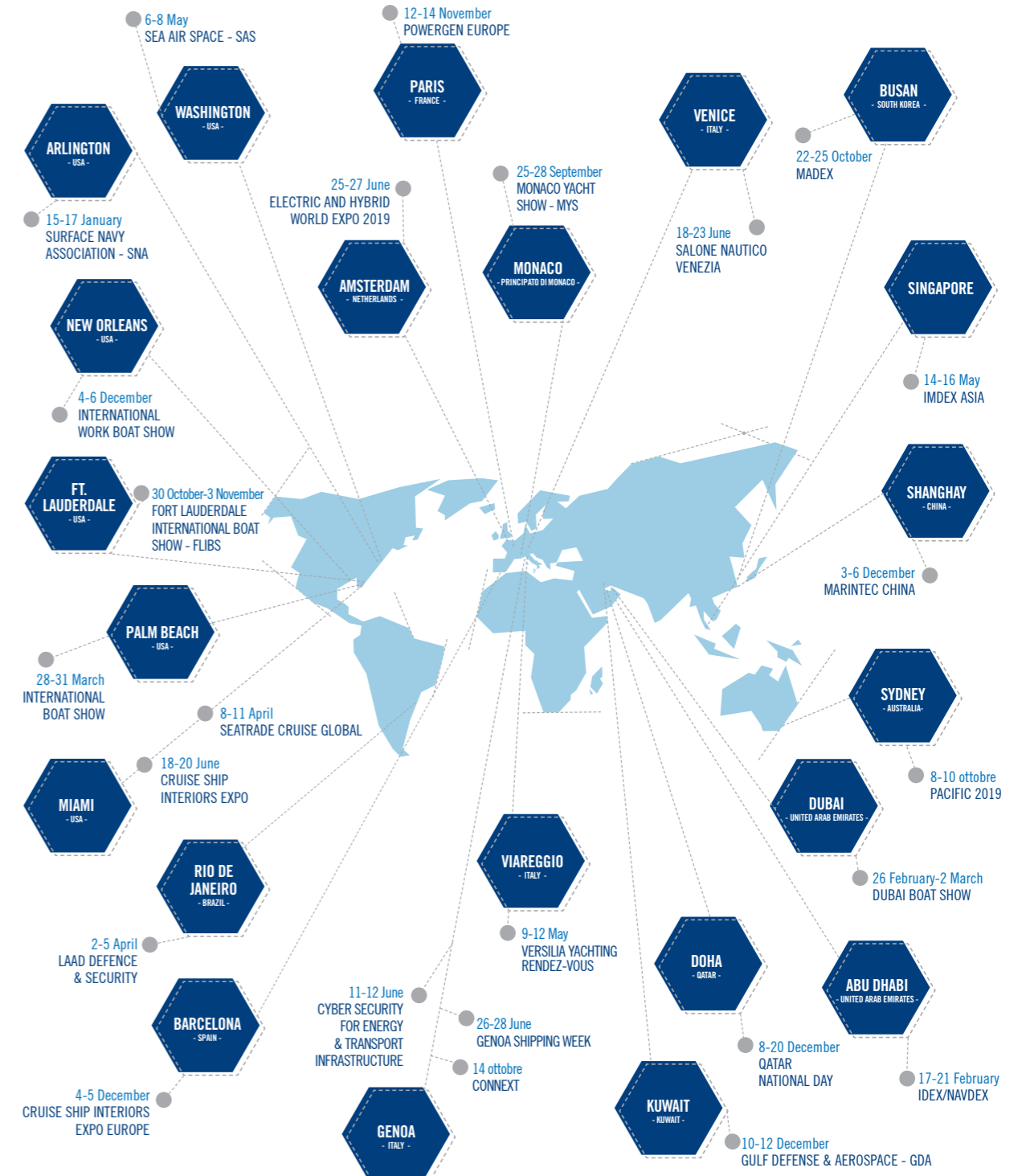
- **shipowning companies**, which intercept the new needs of end customers (cruise passengers) and promote the development of the market in terms of products and services. We constantly listen to the needs of the shipowner, building each ship according to their specifications. By nature, the entire shipbuilding process requires a continuous relationship between the Project Manager, the customer and their staff;
- the **bodies** issuing the regulations, whether national or private, which monitor ship operations and update the regulations to prevent damage and accidents;
- **suppliers** that develop and make available new products and systems for new constructions based on market requirements.

Our challenge is to integrate and unify the demands of these industry players in the most effective way and to combine the design, safety and sustainability of our ships in the optimal way.

In order to maintain constant contacts, we are also committed to collaborating with the various stakeholders (shipowning companies, agencies, suppliers) through working parties, one-to-one meetings, video and tele-conferencing.

An important opportunity for dialogue with customers and potential customers is participation in **exhibitions**. This is an essential activity for the Group as it provides direct contact with customers, reinforces the consolidation of the brand in the reference markets and can be an opportunity to communicate the launch of new products. Fincantieri took part in 25 exhibitions in 2019.

EXHIBITIONS



## FOR OUR PEOPLE

Everything we do focuses on enabling the growth, enhancement and training of people, based on the daily attention we pay to the quality of our work and our relations with others

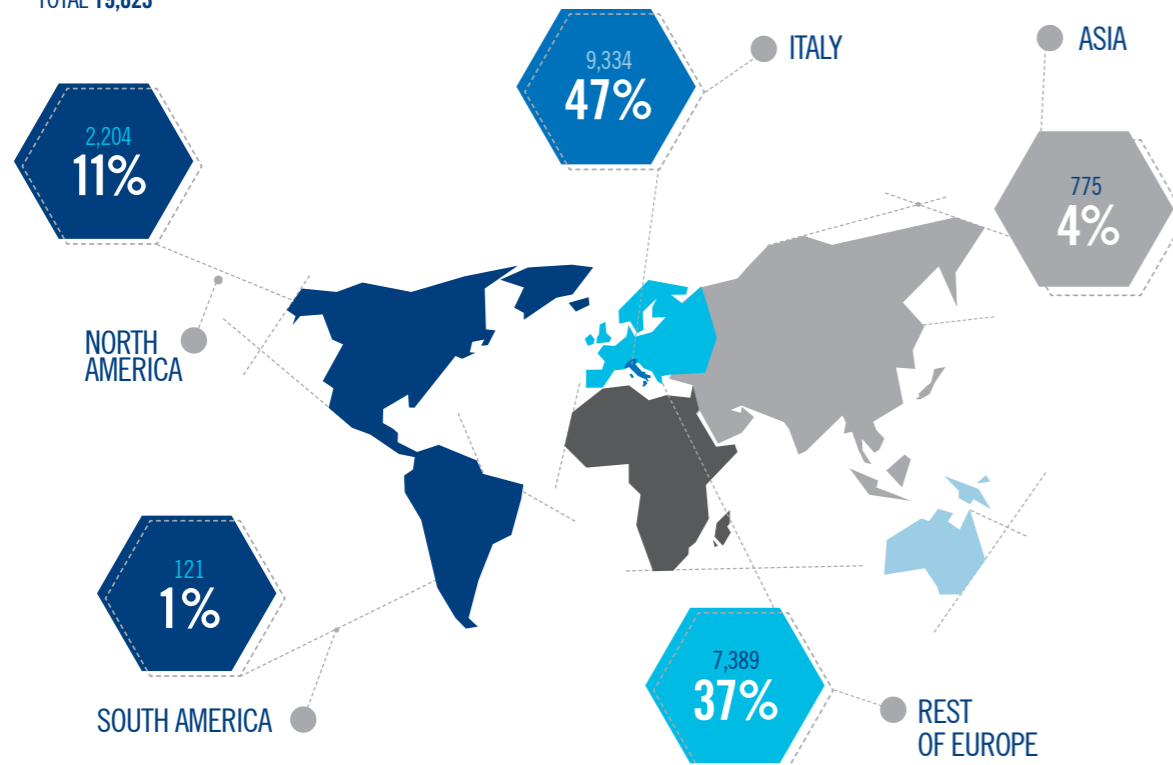


Developing a globally shared vision, spreading a common culture and promoting an increasingly motivating work environment that responds quickly to business needs are the challenges we set ourselves in 2019. The constant development and enhancement of people are the strategic levers that increase

their engagement in the Company. Our objective, through the implementation of a common "People Strategy" among the Group companies, is to aim for excellence by increasing people's well-being and their productivity.

### WORKFORCE BY GEOGRAPHICAL AREA

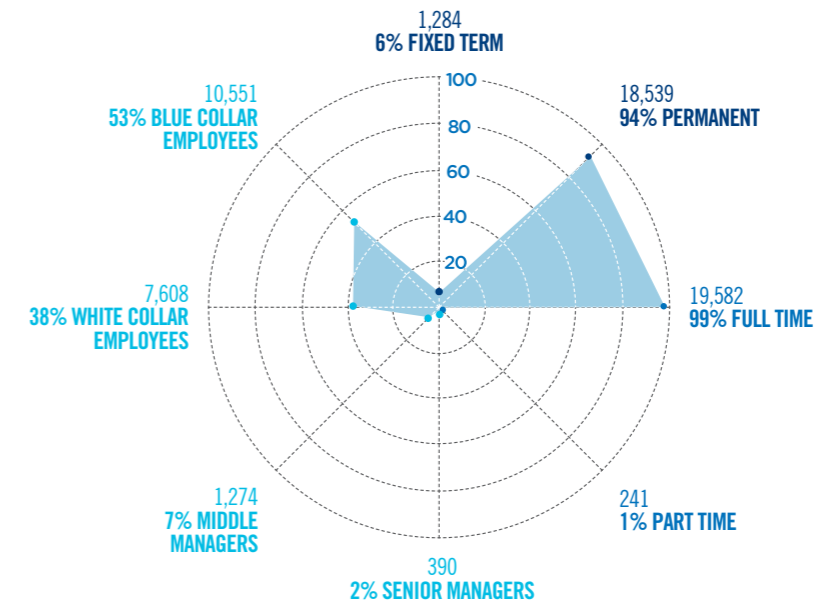
TOTAL 19,823



..... The data refer to the entire Fincantieri Group.

### EMPLOYEES BY TYPE OF CONTRACT

TOTAL 19,823



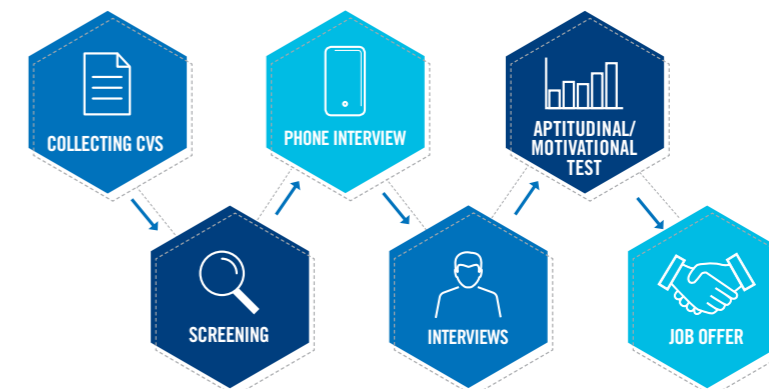
..... The data refer to the entire Fincantieri Group.

### WE AIM TO ATTRACT TALENT

We are convinced that real change depends on who is promoting it: people who contribute to creating the future of the Company and their own future with commitment, dedication and passion.

For this reason our selection process is structured, transparent and guarantees a thorough evaluation of candidates in terms of technical and cross-functional skills, aptitudes and professional aspirations.

### SELECTION PROCESS



..... The data refer to the entire Fincantieri Group.

During 2019, over 21,000 applications were received through the company's web portal "Work with us" (compared to around 20,000 in 2018). In Italy, 787 people were hired, of whom 62% are under 35, and 272

internships were activated, both curricular and post-curricular, of which 49% were then transformed into employment contracts. The Group as a whole hired 2,767 people, 44.7% of whom were 30 years of age or under.

**HIRES BY AGE GROUP AND GENDER**

	≤ 30 YEARS		30-50 YEARS		≥ 50 YEARS		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019
<b>Total</b>	<b>1,034</b>	<b>1,238</b>	<b>1,248</b>	<b>1,237</b>	<b>330</b>	<b>292</b>	<b>2,612</b>	<b>2,767</b>
<b>of which women</b>	<b>188</b>	<b>234</b>	<b>217</b>	<b>185</b>	<b>46</b>	<b>34</b>	<b>451</b>	<b>453</b>

The data refer to the entire Fincantieri Group.

In an increasingly complex labour market, where there is a growing professional mismatch between supply and demand for profiles with technical and technological skills, we work constantly to make selection processes better and more effective and to enhance our recruiting and employer branding policies and strategies. Our employer branding strategies are translated into an increasingly active presence on social networks, including LinkedIn and Instagram, and above all through a synergistic network of education and training actors, at national and international level, which see the involvement of secondary schools, Istituti Tecnici Superiori Foundations (ITS - Higher Technical Colleges), universities and business schools, with the aim of promoting the development of knowledge and skills sought and applied in the Company.

**Partnerships with universities**

In order to have a direct and constant contact with students and teachers, we actively participate in "Career Days" organized by universities and various local institutions, we promote meeting days with university students dedicated to introducing the Company ("Meet Fincantieri"), we carry out moments of learning with seminars, classroom testimonials, orientation sessions, as well as guided tours for students and school classes at construction sites and technical departments. We have several conventions in place to support the development of teaching, scientific research and higher education at university and post-graduate level. In particular, Fincantieri has collaborated in and promoted the Cassa Depositi Prestiti (CDP) MBA master's degree at the Luiss Business School in Rome, reserved for employees of the CDP group. We are also collaborating in the design of the MIND - Management & Innovation Design - master's degree with the Scuola

Superiore Sant'Anna in Pisa and the first level university master's degree in nautical and naval Interior Design with the University of Trieste.



In 2019 Fincantieri was awarded the **Universum prize** as Most Attractive Employers among companies in the Industrial Engineering and Manufacturing sector

according to STEM (Science, Technology, Engineering & Mathematics) student rankings of the leading Italian universities. In 2019, Fincantieri won the Universum award as Best Employer for STEM professionals, professionals with up to five years' experience, among companies in the Industrial Engineering sector.

**Technical institutes and ITS Foundations**

In 2019, we intensified our relationship with secondary educational institutions to ensure the training of qualified resources with profiles that allow them to be easily employed in typical roles in the shipbuilding industry, both within the Group and in satellite companies. The main collaborations activated with a view to supporting orientation and employment are given below.

- **Technical institutes and vocational schools:** we have launched various initiatives in collaboration with technical colleges and vocational schools, such as the IFTS

course (Higher Technical Education and Training) for ship designers in Monfalcone, the course for Process Technician for Shipbuilding in Genoa and the two editions of the "Ship Master" courses in La Spezia and Sestri Levante. To support the expansion of the training offered by institutions in the Ligurian capital, we have joined the TecnOrientarsi Memorandum of Understanding, signed in October between Confindustria Genova and the network of professional colleges. We also offer work-study opportunities, as part of the PCTO (Paths for Cross-functional Skills and Orientation), to students at technical colleges located in the territories where we have our sites.

- **ITS Foundations:** in accordance with the Memorandum of Understanding signed in May 2018 with the MIUR, we have expanded our collaboration activities with the Higher Technical College (ITS) Foundations, thanks to our managers' teaching posts, company visits and internships for students. On this point, during 2019 we designed a new course with the Merchant Marine Academy for senior technicians for the supervision and installation of on-board systems. Further initiatives are being launched which will affect territories with a lower rate of development.

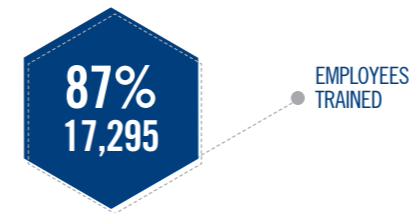


**WE TRAIN AND ENHANCE OUR PEOPLE WITH AN EYE ON EXCELLENCE**

For us, the **training** and **development** of people are the two fundamental strategic levers of the Talent Management process, since, by facilitating growth from within, we make it possible for individuals to increase their skills, enhance their potential and professionalism and encourage their motivation and involvement.

**Training**

Also during 2019 the Group continued its policy of investing in training programmes aimed at improving the technical and professional know-how of its resources, ensuring effective monitoring of roles and encouraging the dissemination of cross-functional skills. Investments in training programmes amounted to euro 4.8 million, with an average of 29.7 hours of training per capita.

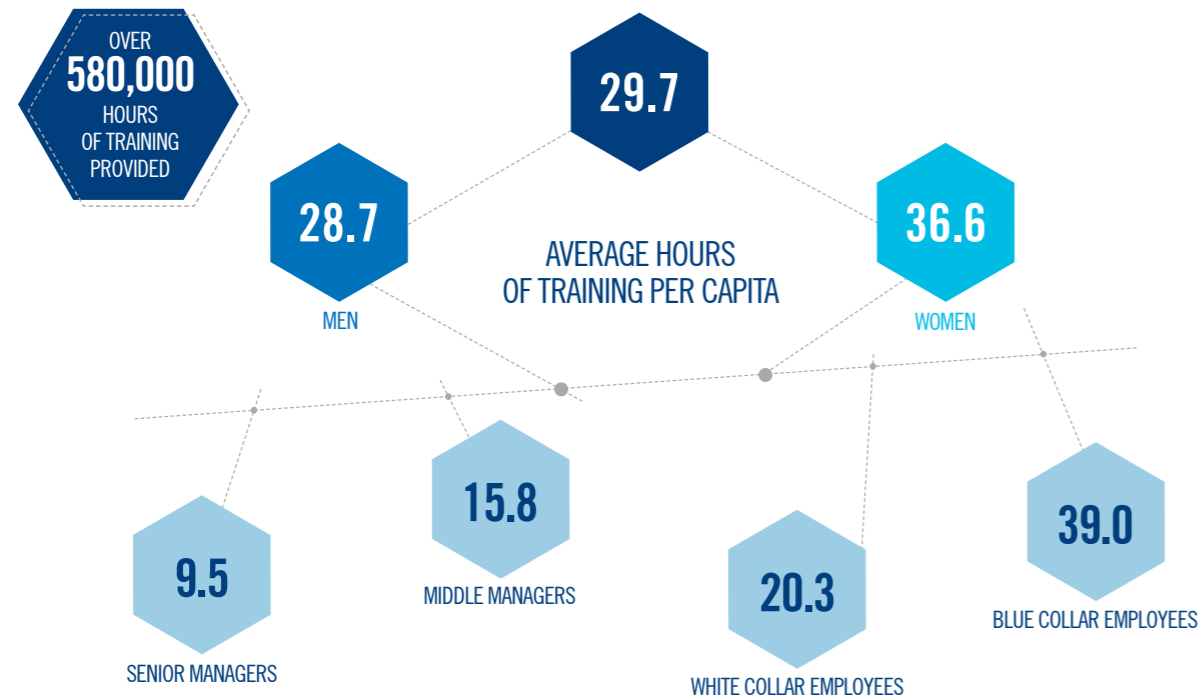


The training we offer is mainly based on 3 tools:

- **FORmare catalogue:** includes courses aimed at covering technical-specialist needs and developing professional know-how through training initiatives on the main specialized software and applications used in the Company, on processes, regulations and other activities involved in the development of the ship product and maintenance of quality standards. In addition to technical training, the catalogue includes courses aimed at strengthening

and consolidating cross-functional skills related to innovation and change management, soft skills and knowledge of foreign languages.

- **Corporate University:** this is Fincantieri's in-house management training school, which consists of technical-managerial training courses aimed at increasing employees' skills at various stages of individual development. Numerous editions of the Academy programme took place over the year. This programme is dedicated to young people who have recently been hired by the Company and aims to encourage integration into the company environment, providing them with training on cross-functional issues and facilitate an aptitude to manage change.



--- The data refer to the entire Fincantieri Group. The per capita hours are calculated as the ratio between hours provided to the whole workforce and the number of employees in service at the end of the year.





In line with the Sustainability Plan, and as part of the Corporate University's training programmes, we have introduced a module dedicated to **sustainability issues**. In 2019, 131 employees were trained on these issues.

- **Safety Academy:** includes training courses on health, safety and the environment that the Company offers its employees as activities aimed at providing useful knowledge for identifying, reducing and managing risks in the workplace. During 2019, training activities relating to **environmental management** were increased, with courses dedicated to specific professional figures such as energy managers and resources involved in managing environmental and safety certification systems.

**Team building**

During the year, we have proposed various **team building** activities with the aim, on the one hand, of understanding the obstacles hindering team performance and identifying the most valid mechanisms

for bringing together, communicating and working synergistically among different generations and, on the other, working on trust/esteem to break down barriers and create a shared team identity, starting from the enhancement of individual peculiarities and pride linked to the sense of belonging to the Group. One of the most significant team building initiatives is the “Development Challenge”, dedicated to young resources who have already completed the Academy course and continuing their training in order to reactivate group dynamics, and the “Effective Relationships” course, which is intended for production supervisors and technical figures in the shipyard, as an opportunity to develop management and relational skills.

**Evaluation processes**

The assessment processes are based on the **Company Skills Model** which aims to enhance and encourage consistent behaviour at all levels of the organization and to develop the appropriate skills to deal with future challenges. This model includes skills related to “knowing”, such as knowledge of corporate strategy and specialist and process know-how, “knowing how to do”, such as the skills and abilities possessed and the experience gained, and “knowing how to be”, namely those soft skills necessary to ensure appropriate interaction between the individual and the organizational context (leadership, teamwork, feedback, staff management). The evaluation processes in place at Fincantieri are structured in order to ensure

the most complete, objective and analytical view of the various dimensions under evaluation.

- **Performance appraisal:** a key tool in human capital development processes that aims to improve employees' performance through individual feedback that all employees, from workers to managers, receive at least once a year. This tool supports and directs meritocratic appraisals, helps customize the personal development processes and define the training offered in line with the skills gaps highlighted.

**PERCENTAGE OF EMPLOYEES EVALUATED - 2019**

Senior managers	<b>62%</b>
of which women	<b>69%</b>
Middle managers	<b>76%</b>
of which women	<b>72%</b>
White collar employees	<b>78%</b>
of which women	<b>74%</b>
Blue collar employees	<b>80%</b>
of which women	<b>88%</b>
<b>Total</b>	<b>79%</b>
<b>of which women</b>	<b>78%</b>

The data refer to the entire Fincantieri Group.

- **360° assessment:** a tool intended for all managers with at least five staff members. It aims to assess the typical skills of team managers, such as feedback, delegation, development of team members and recognition of others, and aims to provide the evaluator with a complete overview of the skills being evaluated by comparing

self-assessment and assessment by others. At the beginning of the year the Parent Company completed the 360° assessment process that had begun in 2018.

- **Potential appraisal:** aimed at a target group of resources determined by age, company seniority, role and qualification requirements. It takes the form of an assessment activity which, on the one hand, offers the possibility of highlighting, through feedback interviews, the strengths, areas of improvement and growth motivation and, on the other hand, makes it possible to structure an individual development plan in terms of short/medium-term training activities, coaching, mentoring, career paths and job rotation.

**People development**

During 2019, people review activities, which are an active management tool used by the HR Department and managers to develop employees, played a key role in enhancing human capital and defining professional **growth paths** and succession plans. People review activities are launched from a synergistic work carried out every six months by the HR Department and by the business line and allow the population to be mapped using the data related to the performance appraisal, potential appraisal and the experience gained within the Company in a systematic and structured way. The strategic output that emerges from this mapping is the identification of high potential, namely those resources with greater potential and usefulness in the Company, on which to invest so that in the

.....  
**DIVERSITY AND INCLUSION AS AN ASSET**  
 .....

future they can play key roles in driving the business. The ultimate goal of people review meetings is to plan the development actions necessary to accompany the growth of talent through a career path, with structured job rotations that provide for both horizontal and vertical growth, national and international mobility activities, training and mentoring that support the development of interpersonal skills and encourage the creation of a professional network, even outside the area in which the talent works. More specifically, there were 198 people involved in **mobility processes** in 2019.

Once a year, in order to ensure effective oversight of key positions and allow for structured and organic reflection on the Group's managerial assets, **succession plans** for top management are updated to guarantee and safeguard continuity, stability and oversight of the business.

We have developed **coaching** in a more structured and widespread way to enhance management effectiveness. This is a voluntary development tool aimed at facilitating and supporting resources in becoming aware of themselves, their possibilities and potential, allowing them to plan development actions aimed at strengthening and consolidating their managerial skills.

We reject any form of discrimination based on ethnicity, colour, gender, age, disability, sexual orientation, religion, political opinion, nationality and social origin. We are committed to maintaining a work environment that is free from any and all forms of violence or harassment. The Group has therefore adopted the **Policy on Human Rights** - Commitment for the Respect of Human Rights and Diversity, which reaffirms our commitment to protecting human rights and promoting diversity as strategic elements for the company's competitiveness and the development of our people. We operate with utmost respect for diversity and equal opportunities and we do not permit any kind of discrimination, from personnel selection and throughout the entire employment relationship. The change management path that characterizes the Fincantieri for the Future initiative is a pure expression of how each person, regardless of gender, age or nationality, represents a source of "wealth" for the Company. The presence of different skills, experiences and cultures fuels the exchange of opinions, comparison and dialogue, promoting the growth of the organization, intellectual enrichment, innovation and the gradual development of an inclusive working environment.

In order to **enhance diversity** and **promote inclusion**, in line with the existing regulatory framework for equal opportunities, we are committed to:

- creating an inclusive work environment that ensures respect, integrity, personal development and equal opportunities;
- increasing employee awareness of diversity and equal opportunities;
- encouraging the commitment of all Group employees to act with respect and integrity in every relationship;
- requiring suppliers to behave in a manner consistent with respect for human dignity.

The main issues on which the Company is determined to influence diversity and equal opportunities are represented by **age diversity**, to encourage generational exchange through the enhancement of young people and the recruitment of senior resources, **gender diversity**, with the aim of providing modern forms of work-life balance, and **cultural diversity**, to stimulate creativity and nurture an increasingly open corporate culture.

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**EMPLOYEES BY AGE RANGE**  
 .....

	≤ 30 YEARS		30-50 YEARS		≥ 50 YEARS		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019
Senior managers	0	0	171	175	206	215	377	390
Middle managers	29	23	679	744	457	507	1,165	1,274
White collar employees	1,167	1,396	4,106	4,370	1,676	1,842	6,949	7,608
Blue collar employees	1,475	1,397	6,428	5,990	2,880	3,164	10,783	10,551
<b>Total</b>	<b>2,671</b>	<b>2,816</b>	<b>11,384</b>	<b>11,279</b>	<b>5,219</b>	<b>5,728</b>	<b>19,274</b>	<b>19,823</b>
<b>% Incidence</b>	<b>14%</b>	<b>14%</b>	<b>59%</b>	<b>57%</b>	<b>27%</b>	<b>29%</b>	<b>100%</b>	<b>100%</b>

The data refer to the entire Fincantieri Group.

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**PERCENTAGE OF EMPLOYEES BY GENDER**  
 .....

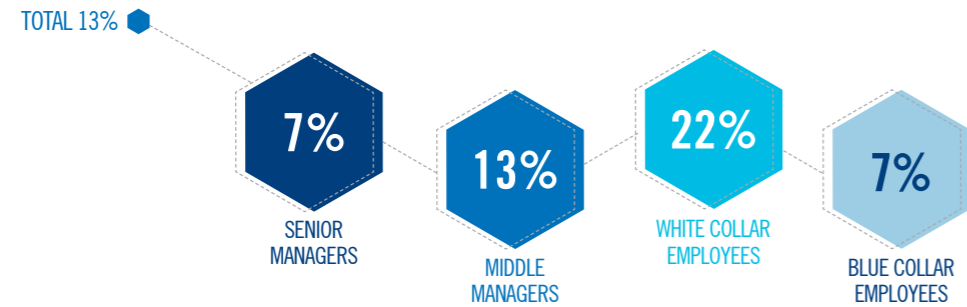
	2018		2019	
Men	16,889	88%	17,214	87%
Women	2,385	12%	2,609	13%
<b>Total</b>	<b>19,274</b>	<b>100%</b>	<b>19,283</b>	<b>100%</b>

The data refer to the entire Fincantieri Group.

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**PERCENTAGE OF WOMEN ON THE BOARD**  
 .....

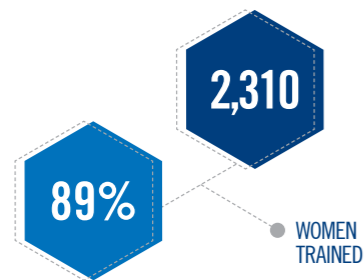
	2018	2019
Women on the Board	33%	50%

PERCENTAGE OF WOMEN BY CATEGORY OF THE CATEGORY TOTAL - 2019



The data refer to the entire Fincantieri Group.

PERCENTAGE OF WOMEN TRAINED OF TOTAL WOMEN - 2019



The data refer to the entire Fincantieri Group.

We are constantly working to promote the insertion of people with **different physical and psychological abilities**, in line with the characteristics of shipbuilding and the risk profiles associated with the industry. 459 people with disabilities work in the Fincantieri Group.

The US companies, Fincantieri Marine Group and Fincantieri Marine Systems North America Inc., as in the past few years, have organized specific **training activities** aimed at creating greater awareness of and sensitivity to diversity issues.

Policy on Human Rights - Commitment for the respect of human rights and diversity [www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri\\_policy\\_on\\_human\\_rights2.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/responsabilita-risorse-umane/diverita-e-pari-opportunita/fincantieri_policy_on_human_rights2.pdf)

OUR COMMITMENT TO HEALTH AND SAFETY

Safety at work, workers' health, the maintenance and improvement of work environments have always been our main drivers and the foundation of our policies, in a vision that considers safety a strategic and development factor for the Company. The continued implementation of tools associated with the certification of the company's systems for managing health and safety at work, according to the requirements of OHSAS 18001/ISO 45001, has resulted in the broadening of the work population involved, facilitating dissemination of corporate culture growth paths.

This result is monitored through the systematic implementation of **internal audits** connected to the certification of management systems and it has been further supported by the various actions implemented as part of the **Towards Zero Accidents** project.

Towards Zero Accidents

For several years the Towards Zero Accidents project has involved all the resources concerned with the Company's production process within a structured plan of initiatives and it has continued along its path of activities aimed at employees and suppliers and at contractors' employees.

To consolidate good practices and the constant monitoring of the production dynamics, **coordination meetings** on safety and the environment are organized which, scheduled at least every two weeks, are carried out directly in the production areas

and envisages the participation of all the supervisors involved in processing and the workers' safety representatives.

Furthermore, the meetings of the **Quality and Safety Committees** are held periodically in each production unit. These committees, composed of the site Management and the people reporting to management, including the quality, health, safety and environment managers, have the aim of supervising and monitoring production processes during their constant evolution and within their different complexities. In these committees, workers' requests and any critical elements that may have emerged during joint inspections of the operational areas or within the **Commission for Safety and Environment** have a prompt and timely response.

Similarly, in the United States, the Fincantieri Marine Group organizes monthly meetings between health & safety and environment managers and union representatives to analyse and share the results of accident analyses, performance indicators and the main updates to the safety management system.

The trend in injury data and rates for employees and contractors is constantly monitored, both at company and site level, and a special **monthly report** informs Top Management, all employers and all the health and safety managers. Similarly, with the aim of involving and informing the entire company audience with view to prevention, the **documented analyses** of accidents and near misses at individual shipyards are systematically shared in a particularly



detailed format, which is sent electronically. The same data, together with other health, safety and environmental (HSE) issues, are compared and examined at quarterly meetings involving all site managers on health and safety at work issues. In the same context, the corporate HR manager coordinates work to share best practices, raise issues of common interest and identify improvement proposals on which to involve and direct the Group's activities.

Particular importance is attached, within the mechanisms governing **variable pay**, to objectives related to health and safety at work and environmental issues. The company's best performance and sustainability improvement objectives are benchmarks used to monitor and stimulate the performance result and determine the related economic impact.

Evidence of **work-related stress** risk has been the subject of targeted pathways involving employees and workers' safety representatives in identifying possible sources of risk. Surveys and tests carried out individually and for homogeneous groups allow the Company to acquire results and elements which are used to define, where necessary, appropriate initiatives with a view to reducing risk and promoting personal well-being (training, organizational

measures, etc.). This type of risk, together with all the specific risks present in the workplace, is addressed in the safety courses for employees regardless of their position. The **risk assessment** process, in particular those related to health and safety at work, is the subject of specific company guidelines and subsequent operating procedures.

The VARD subsidiary, similarly to Towards Zero Accidents, continues to implement its **Vision Zero** project, the results of which confirm a positive trend.

Further initiatives have been implemented with the aim of preventing any type of accident to people and the environment:

- using the Safety Observation tool to report any anomalies found;
- reporting health and safety indicators at the monthly management meetings;
- organization of an internal accident prevention week;
- monthly discussions on health and safety (required by law in Brazil);
- electing an internal commission for the prevention of accidents;
- the internal distribution, based on the Group's guidelines, of a booklet with the ten golden rules for health and safety at work.

The US subsidiaries have maintained a high commitment to safety and the environment and have received numerous awards for excellence. In 2019, Fincantieri Marinette Marine won the **Safety Excellence Award** and the **Safety Improvement Award**, both recognized by the Shipbuilders Council of America. The National Safety Council has

also certified Fincantieri Marinette Marine for achieving one million consecutive hours worked without injury or illness. Fincantieri Ace Marine has developed and launched the SLAM (Stop, Look, Assess, Manage) programme that involves the employees and aims to promote a pro-active vision of health and safety in the workplace.

**MAIN HEALTH AND SAFETY INDICATORS**

	2018	2019
Rate of absenteeism	3.6	3.7
Rate of recordable work-related injuries	8.5	9.7
Rate of high-consequence work-related injuries	n.a.*	0.1
Rate of fatalities as a result of work-related injury	0	0
Number of injuries	366	383
- of which work-related	301	339
- of which high-consequence work-related	n.a.*	3
- of which fatalities as a result of work-related	1	0
- of which while travelling	65	44
Number of injuries - women	19	21
Number of training hours in health and safety	152,791	186,958
Number of employees trained in health and safety	n.a.*	14,362
Investments in health and safety (euros)	7,077,620	5,877,467

\*Data reported since 2019 as per 403 - Occupation health and safety GRI Standards 2018. The data refer to the entire Fincantieri Group.

**Together in Safety**

The multimedia support **Together in Safety** is available in order to protect all the resources involved in the production process and promote correct behaviour, including from an environmental perspective, in all the Italian shipyards. This is a **training video**, with a duration of over three hours, aimed at employees of subcontractors (a user catchment of around 30,000 people), and it must be watched in the classroom when

people enter the Group's production sites for the first time.

The video is available in the 10 languages most used in Fincantieri's shipyards and customized to the logistics of each site in Italy. It provides information on each of the production units and on the work risks that characterize shipbuilding.

In Italy, the **Active Safety** project continues, on a regular basis, to provide training and information to all workers (direct employees

and employees of contractors) present at individual shipyards. During working hours and directly at the workplace, the individual supervisors explain the subject matter to their staff, who are given a leaflet. In 2019, 9 different editions were carried out with a duration of approximately 30 minutes each, which is in addition to the activities required by law.

**Memorandum of understanding with INAIL**

In April 2019, we signed with the National Institute for Insurance against Accidents at Work (INAIL) a memorandum of understanding aimed at developing a safety at work culture and at implementing activities and projects with the goal of consistently reducing accidents and occupational diseases. The MoU, which follows on from long-term cooperation, determines the scope and implementation methodologies of activities aimed at protecting workers' health and safety. In particular:

- production process analysis, with respect to the risks related to the shipbuilding industry and in particular those arising from interferences between the activities of internal and external resources;
- monitoring of the health and safety management system in place for contract work in the shipbuilding industry and its possible evolution;
- evolution analysis of accidents in the represented sectors, supplemented with a comparison of the data collected at European level;

- analysis of the current near miss model mapping (i.e. events which potentially can cause accidents) and its possible evolution;
- identification and implementation of new training and information initiatives aimed at promoting a culture of prevention, and innovative communication tools to strengthen workers' awareness of the risks in the production process and the appropriate safety measures.

**Supplier evaluation**

Safety, environmental and human rights issues are an integral part of the supplier evaluation process. Contractors are already subject to evaluation from a financial, quality, contractual and production perspective and they are assessed using a predefined format and **scorecards** focused on health, safety and environment issues. The assessments by the various shipyards have led to the calculation of the overall performances of the companies and are subject to permanent monitoring within Supplier Oversight.

**Security**

Owing to the more frequent and widespread presence of employees who travel or are on secondment abroad, with the **Travel Security** programme we have developed an ongoing mapping of risks in foreign countries to guarantee the security of travelling employees and the sustainability of the locations associated with business operations. Therefore, around 16,000 foreign travel routes are monitored.



As required by the Sustainability Plan, through the activation of a **Crisis Management** system (abroad), 12 contingency plans have been drawn up and updated for the most important foreign sites and locations where the Company is present. The plans are managed by special crisis committees (CMTs) which include, in addition to employers, travellers and the relevant Health and Safety Department Managers, the heads of all functions involved in the travel and personnel management process. Each CMT, in accordance with corporate procedures, met at least twice a year, to update team members on the

evolution of risks present in local scenarios and for training and education activities based on contingency plans. We also have a Virtual Crisis Management software platform, which allows committees to meet virtually to manage possible crisis situations even when on the move or when the Company is closed (at night or on holidays).

With reference to the security problems connected to the globalization of the business, mention should be made of the **International Ship and Port Facility Security** (ISPS) Code, Chapter XI-2 of the SOLAS Regulation developed by the International Marine Organization (IMO), a comprehensive set of rules to enhance ship and port facility security in order to mitigate the risk of acts of terrorism and other unlawful acts. On the basis of the types of ships interacting with the areas pertaining to Fincantieri, the relevant authority has determined its obligation for the Arsenale Triestino San Marco, Muggiano and Palermo shipyards, while considering the Monfalcone and Marghera shipyards as occasional. The necessary professional figures have already been identified at these shipyards, and the planned activities and facilities have been implemented. Following on from our commitment to maintain an effective system of corporate governance and risk management, we have decided to launch a project to implement the ISPS Code, in order to adopt a methodology in line with the above-mentioned international best practices, to protect our assets as well as its ship product, also for the Ancona, Castellammare di Stabia, Genoa Sestri Ponente, Riva Trigoso shipyards and for the Trieste, Rome and Genoa offices.

**OHSAS 18001 / ISO 45001 and SA 8000 certifications**

During 2019, we continued implementing and consolidating the occupational health and safety management systems in our operating units (65% of sites are certified), with the aim of supporting the implementation of the policy adopted by the Company.

In 2019, eight Italian sites completed the migration process to the new ISO 45001 standard and we plan to complete the transition of the remainder by 2020. In parallel, the surveillance activity by the accredited certification body to maintain the existing management systems continues. The Palermo shipyard has achieved the first OHSAS 18001 certification in accordance with the requirements of the reference standard while the subsidiary Isotta

Fraschini Motori has achieved the first ISO 45001 certification in accordance with the relevant requirements.

The US site of Fincantieri Marinette Marine, already previously certified in compliance with OHSAS 18001, has planned to migrate its health and safety at work management system to the ISO 45001 standard during 2020.

The VARD group maintained OHSAS 18001 certification for the Romanian Braila and Tulcea shipyards, as well as the Vietnamese Vung Tau shipyard.

All VARD shipyards are aligned with SA 8000 standards, which are based on the International Labour Organization (ILO) conventions and the Universal Declaration of Human Rights (Vung Tau is also certified).

 For more information on the certified shipyards and companies, see the website [www.fincantieri.com/en/sustainability/certifications](http://www.fincantieri.com/en/sustainability/certifications)

**WELL-BEING FOR OUR PEOPLE**

We have implemented a **welfare model** that is able to positively affect the welfare of our people and, at the same time, capture the most modern dynamics of the labour market and the business.

The welfare tools, defined with the corporate agreement in 2016, are aimed at employees in general of Fincantieri S.p.A., including part-time and fixed term employees, and are also recognized for the employees of Italian subsidiaries and/or associates falling under the application of the supplementary labour agreement.

Within the welfare system, the Social Bonus is particularly important because of its characteristics. The bonus is paid annually and exclusively in welfare services and any unused bonus amounts are automatically allocated to the individual employee's supplementary pension fund. To strengthen the connection between the achievement of production objectives and consolidation of the overall welfare system, employees who decide to convert variable bonuses into welfare are paid a further increase of 10% on the value converted. In 2019, 25% of the overall performance Bonus was converted into welfare services. For an employee to benefit from company welfare, we have a special portal through which the employee can access a wide range of goods and services. The most requested services were those intended for the family, in particular for the training of children and assistance to family members, together with welfare vouchers, which can be spent in establishments with which the employees themselves have often asked the Company to arrange special prices. The supplementary

pension and health programme, which are complementary to the measures already defined in terms of supplementary pensions and healthcare, the National Collective Bargaining Agreement (CCNL) and the company's supplementary labour agreement, were also highly appreciated. The portal also provides other categories of services such as training courses, travel and holidays, mortgage repayments, leisure, sport and wellness.

As regards welfare policies, particular attention has been paid to public transport and mobility issues, with an eye on sustainability. The employee can request the total or partial reimbursement of the ticket, such as the season ticket for the bus or train, for themselves and/or for their dependent family members.

Confirming the validity of the welfare model it has adopted, Fincantieri - having previously won the Welfare Awards 2018 for the best plan in application of the National Collective Bargaining Agreement for Steelworkers and for welfare policies aimed at blue collar employees - won the **Welfare Award** for the Best Welfare Network Plan 2019 due to the territorial extension of the welfare system.

Again with a view to generating positive repercussions in terms of environmental sustainability, during 2019 the promotion campaign for the use of corporate **car pooling** (namely two or more people sharing a private car for the commute to and from work) was implemented and provided for incentives and the recognition of bonuses. In order to respond to the growing need for work-life balance, we continued to



test **smart working** for particular personal situations.

The Company's focus on **work-life balance**, which is already included in the National Collective Bargaining Agreement for steelworkers where a worker dealing with serious family situations can take a period of leave of absence of up to two years, has also been implemented indirectly with the involvement of company clubs, through initiatives that meet the employees' needs: special arrangements with day care centres, seaside or mountain resorts during the summer, daytime summer camps and after-school activities.

With regard to **supplementary health care**, since January 2018 the Company has been a member of the Health Fund for steelworkers, called "MètaSalute", with a supplementary health care plan for employees and dependent family members, also covered free of charge. Health services are provided both directly, through the facilities contracted by the operator and in the form of reimbursement.

The Fincantieri agreement on health care also confirmed the opportunity for **pensioners**, under the most favourable conditions, to continue to make use of the supplementary health care benefits with a contribution paid for by them.

Fincantieri Marine Group provides benefits to all employees working for at least 30 hours a week. Benefits include subscription to the Group Health Medical Plan, which covers various services: a medical coverage plan, a dental coverage plan and vision

coverage plan for eye health. The costs are borne partly by the Company and partly by the worker. Additional benefits are available that are not included in the above plans, such as the on-site clinic, vacation and holiday pay, the policy on short/long term disability, life insurance for accidental death & dismemberment, the retirement plan and the employee assistance programme.

The VARD group provides its employees, using different methods depending on the location, with medical assistance, internal catering services, food cards, training incentives and support for transport to and from home.

### Industrial relations

Industrial relations in Fincantieri are characterized by a participatory model that is developed through the activities of various commissions defined by the 2016 supplementary labour agreement, which in some cases, in addition to trade unions, include workers.

A strategically important body is the **Advisory Committee**, composed of 12 members, 6 of which are company representatives and 6 trade unions, which meets annually for information and consultation between the Parties on issues such as market scenarios and competitive positioning, economic performance, alliances and strategic partnerships, business strategies, technological innovations, safety at work, training and retraining, relations with educational institutions and/or universities,

and employment trends.

The Committee also meets when there are changes in the company and ownership structure, significant organizational changes, significant changes in labour policy, restructuring and/or reorganization projects and restructuring and development programmes.

In fact, any **restructuring and/or reorganization processes** provide for specific information procedures with the involvement of trade unions, in order to identify the most appropriate tools (e.g. early retirement, reduction of working hours, social shock absorbers, retraining, etc.) and their different structuring according to the different contexts.

The supplementary agreement also governs the operation of the **Joint National Committee on Safety at Work** and the **Joint National Training Committee**. Composed of 3 company representatives and 3 workers' representatives, these joint committees are responsible for analysing the characteristics and trends of the issues within internal evolution, verifying the consistency of the initiatives implemented, proposing and evaluating new general or specialized initiatives, and evaluating and approving intervention plans.

Each company site has a **Bilateral Joint Technical Body** and a **Committee on Safety and Environment**. Their purpose is, by systematically involving all resources, to increase the motivation and participation of employees in the change and innovation

processes, combining the necessary increases in efficiency and productivity with the improvement of working conditions and the environment.

With regard to the subjective right to **continuous training**, Fincantieri operates in line with the provisions of the National Collective Bargaining Agreement signed in 2016, guaranteeing the possibility of participating, either directly or at the initiative of the Company, in training courses lasting at least 24 hours per person during the three years of the National Collective Bargaining Agreement.

This approach has provided yet more impetus to the training process, which is already effectively monitored, helping to further awareness of the need for companies and workers to invest in the continuous updating of skills and knowledge, identified as strategic factors when responding to technological, organizational and market changes.

In relation to the growing process of internationalization and with a view to encouraging the full involvement of Group workers, Fincantieri, together with the trade unions, is committed to setting up a special working group for the establishment of the **European Works Council (EWC)**, the purpose of which will be to inform and consult the workers of EU-wide companies.

The current supplementary labour agreement will also be fully effective in 2020, since the trade union agreement providing for its extension was signed in December 2019.



Employees are guaranteed **freedom of association** throughout the Group. In 2019, 52% of employees are registered with trade unions.

The VARD group has established a model of industrial relations that is strongly oriented towards **dialogue with trade unions** in order to identify and provide impetus for the changes needed to ensure a stable and profitable future for the Company. During 2019, especially in the Norwegian shipyards, agreements and protocols were signed to define phases, rules and timing for the gradual cessation of VARD activities at the Aukra and Brevik shipyards and to manage the personnel concerned through redeployments or support in the search for new opportunities. Trade union agreements have been signed at the VARD shipyards in Braila and Tulcea in Romania to improve productivity (reorganization of work programmes, shift changes, breaks), with the simultaneous introduction, in terms of pay, of a bonus system focused on results.

**Remuneration**



The remuneration of employees (blue collar and white collar) is defined in relation to the relevant labour market and with the provisions of the collective bargaining agreements and company level contracts and consists of a fixed component and a variable component.

The **fixed component** remunerates the role and, specifically, the responsibilities assigned to each employee, taking account of, among other things, the level of experience, the quality of the contribution that each employee brings to the attainment of the business results, as well as the level of excellence with respect to the duties assigned and is sufficient to remunerate the services performed in the event of no payment or only partial payment of the variable components, where envisaged.

It is also such as to ensure a suitably competitive position with respect to the level of salary paid by the market for the specific position.

The **variable component** is linked to predetermined and measurable Group and individual performance objectives and remunerates, according to the different structures, the results achieved in the short and long term. The latter, moreover, focuses people's attention and commitment on the achievement of strategic objectives and can

be provided not only in monetary form, but also in the form of welfare or non-monetary benefits.



As set out in the Sustainability Plan, to promote a culture of sustainability in line with the Group's Values, **sustainability objectives** with a weight of no less than 10% up to a maximum of 30% have been included in the short-term variable remuneration system (MBO). In 2019, 13.3% of MBO Plan recipients received at least one sustainability target.

As regards remuneration between genders, the ratio of women's (basic and global) remuneration compared to men is given below.

**RATIO BETWEEN WOMEN'S BASIC SALARY AND MEN'S AVERAGE SALARY - 2019**

	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES
Fincantieri	1.0	0.9	0.9	0.9
VARD group	0.5	1.0	0.7	0.8
Fincantieri Marine Group	1.4	0.9	0.8	0.9
Fincantieri Marine Systems North America Inc.	0.0	0.8	0.9	0.8

**RATIO BETWEEN WOMEN'S GLOBAL REMUNERATION AND MEN'S AVERAGE REMUNERATION - 2019**

	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES
Fincantieri	1.0	1.0	0.9	0.9
VARD group	0.5	1.0	0.7	0.8
Fincantieri Marine Group	1.3	1.0	0.8	0.8
Fincantieri Marine Systems North America Inc.	0.0	0.7	0.8	0.6



WE LISTEN TO OUR PEOPLE

We believe that dialogue and listening are essential for creating relationships based on trust and transparency, which is why we have developed the following listening initiatives over the years.

**2016** ● As part of our development and improvement initiatives, we have launched the **Fincantieri for the Future** project in Italy with the aim of developing and implementing an organic path of management change at all levels, which is needed in order to best respond to current and future competitive challenges. The first step of the project saw the active engagement of and listening to workers through an anonymous **questionnaire** aimed at identifying the organizational climate, people's expectations and their suggestions.

**2017** ● The results obtained from this first survey were the starting point for designing, planning and implementing improvement actions in response to the objective evidence that emerged, the so-called "change shipyards". With the aim of promoting the exchange of opinions, confrontation and dialogue, considered fundamental tools for the growth of people and the organization as a whole, we shared the results that emerged and the contents of the "change shipyards" launched during **dedicated meetings** held in all production units, divisions, departments and Italian subsidiaries, which involved more than 6,500 resources. Using the same procedure as the first step, a monitoring process was

set up to review the new change initiatives and collect people's suggestions, with a view to continuous improvement through a new survey that recorded a higher response rate than the previous year (+7%).

**2018** ● The evidence that emerged, including the growing awareness of the need for change and how it is a living and vital process within the Company, as well as a strong and increased pride in working at Fincantieri, was shared during 2018 in meetings with employees, who were able to actively participate in the project also through a direct dialogue with management. An external eyewitness attended the meetings and brought practical examples of the connection between values and behaviour in the world of work. After this meeting, various working groups were established aimed at defining the Group **Conduct Agreement**, which translates the corporate values, defined during the first stage of the project, into actual behaviours that can be observed and translated into everyday life.

Again with the aim of "putting people at the core", disseminating the culture, corporate values and all the initiatives launched as part of the change management project, we set up a **network of internal facilitators**, Group employees who, owing to their personality, aptitude and natural inclination, can facilitate the change process, stimulate everyday participation at all levels, leveraging on formal and informal occasions, with the aim of making everyone aware that they each can and must be an active part in the change.

**2019** ● The project was given a green perspective with the launch of **Fincantieri for the Green Future**, a new initiative that aims to raise awareness and bring employees closer to environmental issues, making them protagonists of a path of continuous improvement. Fincantieri for the Green Future is a call to action, an invitation and an incentive to make a tangible contribution to environmental protection with virtuous behaviour, small daily actions, simple gestures and attention to waste, starting with greater awareness and sensitivity to environmental sustainability in the Company. With the aim of promoting environmental sustainability not only as an opportunity, but as a real mission, the second edition of **FincantieriON** will be launched in 2020. The initiative, aimed at all employees, aims to promote the collection of innovative ideas that may suggest the introduction of materials, system and organizational solutions and, more generally, a process of change that can bring about continuous improvement within the Company with a view to sustainability so that the resource exploitation, technological development and investment management are increasingly compatible with protecting the environment and the creation of long-term value.



## FOR THE COMMUNITY

*We are committed to dialoguing with and supporting communities through a number of initiatives with the aim of advancing the principles of a healthy, resilient and sustainable society for everyone*



We direct our activities in line with our values, mission and vision by carefully assessing the context, needs and requirements of the territories in which we are present. We support and involve local communities through initiatives, donations, gifts and investments aimed at responding to the needs most felt by communities by becoming an active part of the social and economic development of the territory.



FOR THE COMMUNITY

In 2019, at Group level we allocated approximately euro 2.4 million to initiatives in favour of the community.



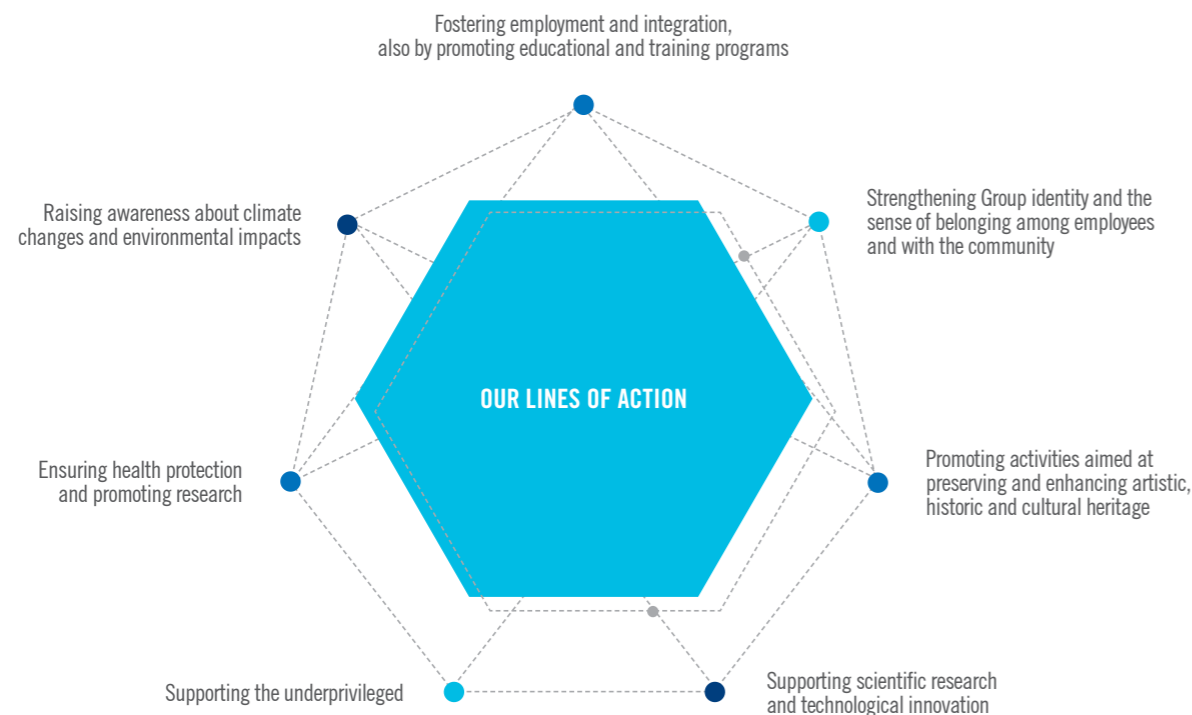
In accordance with the Sustainability Plan, a **Fincantieri Group Policy on initiatives for the Community and Territory** has been drawn up in which:

- the Group is **committed** to dialoguing with and supporting local communities as stated in its Code of Conduct and Charter of Sustainability Commitments;
- are contained the **lines of action** on which the community support strategy is based;
- the path of **active participation** that the Group has undertaken towards the communities and territories on which it is present is fully expressed.

The document is approved by the Board of Directors of Fincantieri S.p.A.



OUR LINES OF ACTION



Fostering employment and integration, including through the promotion of educational and training programmes

Our goal is to:

- facilitate the matching of labour supply and demand;
- activate a virtuous circle and an ever closer bond with local communities;
- create opportunities for growth and enhance the skills of people and businesses.

We are committed to creating a pool of suitably trained personnel to stimulate the Fincantieri system, particularly with reference to the supply chain, in order to cope with workloads.

With this in mind we are developing, together with regional and municipal administrations, several initiatives, such as specific pre-employment courses and recruitment days, in which the satellite businesses took part in the search for specialized personnel. These initiatives involved, as a priority, unemployed people or non-workers as a result of businesses that suffered economic crisis in the territory.

We work continuously to promote the Professional Training System related to the maritime economy by participating in Higher Technical Colleges (ITS) and Higher Technical Education (IFTTS).

**STRADAMICA**

Project organized by the Prefecture of Gorizia and aimed at high school students in the province in order to make young people aware of road safety.

**PESCHIERE UNIVERSITY STUDENT ACCOMMODATION FOUNDATION (Genoa)**

A charitable trust that pursues educational and research aims. It provides training, research, study orientation and volunteer activities and awards scholarships to particularly deserving students with limited economic resources.

**MUNICIPALITY OF MONFALCONE**

Coverage of school fees for some children at the Monfalcone nursery school. Contribution to the renovation project of a building in Monfalcone to be used as a nursery school.

More details on the initiative are described on p. 66.

**EDUCATIONAL AND TRAINING PROGRAMMES**

- Career Day for the unemployed/non-workers.
- Orientation activities with colleges.
- Pre-employment courses to train the unemployed/non-workers on critical professional skills and two-year post-diploma specialization (ITS).
- Targeted actions for staff made redundant due to companies in economic crisis.





### Strengthening the Group's identity and sense of belonging with employees and with communities

In our shipyards (in Italy, Norway, Romania and the United States), we organize many events that are an important opportunity for us to open our doors to the employees and communities in the territory and promote awareness of the Company and its values.

#### FAMILY DAY / WORKERS VISIT

Through these initiatives in Italy alone around 19,000 people, both employees and workers in satellite businesses, were able to spend a few hours in the shipyards with their families and, where possible, visit with the ships.

#### OPEN SHIPYARDS

Several shipyards open their doors to school children and university students and groups to show and explain the naval production process.

#### UNIONE FINCANTIERI MONFALCONE

Supporting the youth football team Unione Fincantieri Calcio Monfalcone, which bears the Company's name.

#### BIMBI A BORDO (CHILDREN ON BOARD)

Events dedicated to all the children of employees from Fincantieri and the external companies aged between 4 and 10, allowing them to board and see the ship built by their family members.

In Italy alone, around 3,600 children aged between 4 and 10, accompanied by 1,800 adults, participated in this initiative.

#### COMPANY CLUBS

In 2019, more than 16,000 registered members benefited from the activities of the 9 company clubs at national level, of which approximately 8,000 were current and former Fincantieri employees.

The premises of the company clubs, the staff in charge of the administrative management and the economic resources necessary for their maintenance are predominantly provided by Fincantieri.



### Promoting cultural activities to protect and enhance artistic, historic and cultural heritage

Culture can drive growth in the territory. We want to contribute to the attractiveness of local territories and increase their development opportunities by recovering and enhancing artistic and historical peculiarities and supporting cultural initiatives.

#### GIUSEPPE VERDI OPERA HOUSE FOUNDATION

Supporting the activities of the Giuseppe Verdi Opera House Foundation in Trieste entrusted the tasks of conservation, enhancement and promotion of opera and symphonic music.

#### LINK - PREMIO LUCHETTA INCONTRA MARCO LUCHETTA INTERNATIONAL JOURNALISM PRIZE

Festival of good journalism consisting of interviews, presentations dedicated to new publications and talks with leading figures in the news. Over 15,000 admissions at thirty events over three days.

#### CAMPIELLO FOUNDATION

Sponsor of the 57th edition of the Campiello Literary Prize.

#### CULTURAL EVENTS

- Partnership in "GEOgraphies, write the Earth, read the Earth", the literary festival held in the Municipality of Monfalcone.
- Sponsorship in Pordenone Legge.

#### BARCOLANA

Participation and local identity are pivotal elements of the Barcolana, an international sailing regatta held in Trieste, which, in 2019, held 400 events over 10 days.

#### MUCA - MONFALCONE SHIPBUILDING MUSEUM

Collaboration with MuCa - Monfalcone Shipbuilding Museum - through the Fincantieri Foundation.





Fondazione **FINCANTIERI**

**Fincantieri Foundation**

Fincantieri Foundation (www.fondazionefincantieri.it) supports the corporate culture in a continuous, organic and authoritative way, and is a link with the social fabric and it establishes a socially responsible, equitable and virtuous relationship with local territories.

During 2019, the Foundation carried out numerous activities:

Contribution to the organization of the exhibition “From Julius Caesar to Leonardo da Vinci” held by the Municipality of Monfalcone in the MuCa and in the Contemporary Art Gallery.

The restoration and display of the historical model of the Vulcania motorboat.

Digitization of the Marghera shipyard’s photographic archive (around 2,300 digitally reproduced photos) and implementation activities in the Palermo archive.

Assistance to students, associations and public entities with regard to historical research on the shipbuilding world and on Fincantieri’s activities in the archives of Monfalcone and Muggiano.



**Supporting scientific research and technological innovation**

We support scientific research and technological innovation for a sustainable future. With this objective we promote and support multiple activities aimed at spreading a culture of technological innovation and research and the realization of scientific projects with the contribution of scholars and experts.

**PARTICIPATION IN EVENTS / CONFERENCES**

- Trieste Next - Festival of Scientific Research.
- Science Festival in Genoa.
- SUPEHR 2019 (Sustainable PolyEnergy generation and HaRvesting) future technologies for sustainable energy generation.

**COOPERATION PROTOCOLS**

- Projects for teaching and research activities, internships and doctorates with:
- Universities;
  - Business Schools;
  - Colleges.



**Supporting the vulnerable**

Support to people in difficulty and the promotion of volunteer initiatives for disadvantaged communities is an issue that we feel strongly about and we translate this feeling into practical help through numerous initiatives.

**RICREARTI ASSOCIATION**

A recovery and job placement project for unemployed or disadvantaged people that makes gadgets by reusing Fincantieri’s promotional materials otherwise destined for disposal.

In 2019, 1,600 art shopping bags and 2,000 key rings were created for Fincantieri.

**NOIHANDIAMO ASSOCIATION**

Partnership in the LaMaxGua project, which aims to make a boat safely accessible to people with severe mobility limitations.

**ANDREA DORIA INSTITUTE**

Support for welfare activities aimed at the families of soldiers currently in service or who have served in the Italian Navy and who are in a particularly difficult economic situation.

**FOOD BANK**

Agreements with the Food Bank and the companies that provide catering services to collect unconsumed food in canteens and redistribute it to those bodies providing assistance and help to people in need.

**GOFFREDO DE BANFIELD ASSOCIATION**

Support for the elderly who are not self-sufficient with staff made up mostly of volunteers.



More details on the initiative are described on p. 67.

## Protecting health and promoting research

Our contribution primarily consists of initiatives to support the medical-scientific sector or to support the sick. We are convinced that it is only through scientific research that we can improve people's quality of life and prospects, because health protection is an ethical and social value of primary importance.

### ITALIAN RED CROSS

Support to the Hospitality Centre of the Italian Red Cross in Genoa, which hosts families and children under treatment in the oncology and haematology departments of the Gaslini Institute.

### PESCHIERE UNIVERSITY STUDENT ACCOMMODATION FOUNDATION

Award of scholarships to particularly deserving students with limited economic resources.

### FRIENDS OF THE HEART ASSOCIATION

Creation of a multimedia laboratory at the Maggiore Hospital in Trieste used by researchers from the Cardiovascular Centre, the Friuli Venezia Giulia Regional Cardiovascular Observatory and the Interuniversity Consortium Healthcare Research & Pharmacoepidemiology.

## Raising awareness on climate change issues and environmental impacts

Respect for the environment, for local territories and for each individual with whom we share areas and activities, is an essential prerequisite to ensure the continuity and growth of our Group over time, to the benefit of future generations.

### FINCANTIERI FOR THE GREEN FUTURE

Communication campaign aimed at creating greater awareness and sensitivity on environmental issues and encouraging all employees to make a tangible contribution to safeguarding the environment.

 More details on the initiative are described on p. 160.

### OUR FUTURE TAKES ROOT

Participation in the fundraising for the reforestation of the mountain areas in Friuli Venezia Giulia after the Vaia storm.

## WE DIALOGUE WITH COMMUNITIES AND INSTITUTIONS

Our structure and international presence throughout the world brings with it dialogue with very different realities and requires that we have in-depth knowledge of the territory and the needs of stakeholders with the aim of effectively responding to demands and define priorities.

The relationship and dialogue with local communities is managed internally at Parent Company level through the Central and Local Administration Relations function. This function represents:

- our direct line with Institutions and Public Administrations and we use it to channel all the requests from and to local areas;
- the Fincantieri Group and all our associates

before Parliament, the Government and national institutions whose actions could have a direct or indirect impact on society, through symmetrical relations with its counterparties.

Our approach is aimed at transparency by representing the interests of the Group, as a whole, and in full institutional respect for the roles of our counterparties.

We have built a process based on mutual trust, presenting the Company's perspective before public decision-makers, supporting our arguments, also through the preparation of position papers always supported by a legal/regulatory and scientific foundation.



# FINCANTIERI FOR THE ENVIRONMENT

- TO REDUCE OUR IMPACT
- TO PROMOTE SUSTAINABILITY



## TO REDUCE OUR IMPACT

*We want to play an active role towards a more sustainable economy and society. We are committed to monitoring and reducing our direct impacts and contributing to limiting global warming with our greener ships, a responsible supply chain and by engaging in dialogue and collaboration with agencies and institutions*



In a world where natural resources are, by their very nature, limited, where people are highly mobile and that is subject to climate change, companies are called on to implement appropriate mitigation and adaptation methods in order to address these phenomena and create value in the long term. The aspects linked to climate change are both

a source of risk and an opportunity. For this reason, we seek to monitor them constantly and to analyse them with the dual purpose of, on the one hand, identifying all the risks for which it is appropriate to adopt mitigation and/or adaptation measures and, on the other, exploiting opportunities to develop the business and improve efficiency.

We want to reduce our environmental impact through responsible resource management and sustainable patterns of production and consumption, protecting the biodiversity of the territories where we operate.

Therefore, we look for options that allow us to reduce the direct impact of our operations and the indirect impact associated with the value chain that characterizes our business.

### OUR COMMITMENTS TOWARDS AN ECO-SUSTAINABLE ECONOMY

#### TO REDUCE DIRECT IMPACT

- Action to raise energy efficiency and reduce carbon dioxide (CO<sub>2</sub>) and other pollutant emissions
- Conservation of natural resources, biodiversity, and reduction of environmental impact
- Increase employee awareness of environmental impact and promote virtuous behaviour

#### OBJECTIVE

- 20% reduction of Scope 2 GHG emissions by 2020
- ISO 50001 - Energy Management System certification
- Increase the portion of electricity from renewable sources
- Awareness campaign

#### TO REDUCE INDIRECT IMPACT

- Development of ecologically sustainable products and services with the aim of contributing to a circular and low carbon economy
- Promotion and support of a responsible and sustainable supply chain that shares our values and is based on long-lasting relationships founded on integrity, transparency and respect

#### OBJECTIVE

- Development of technological solutions that enable energy savings to be increased for ships with the same features (green ships)
- Definition of an eco-design to promote the development of environmentally sustainable ships

#### TO HELP COMBAT CLIMATE CHANGE

- Support for research to improve the analysis and management of risks associated with climate change

#### OBJECTIVE

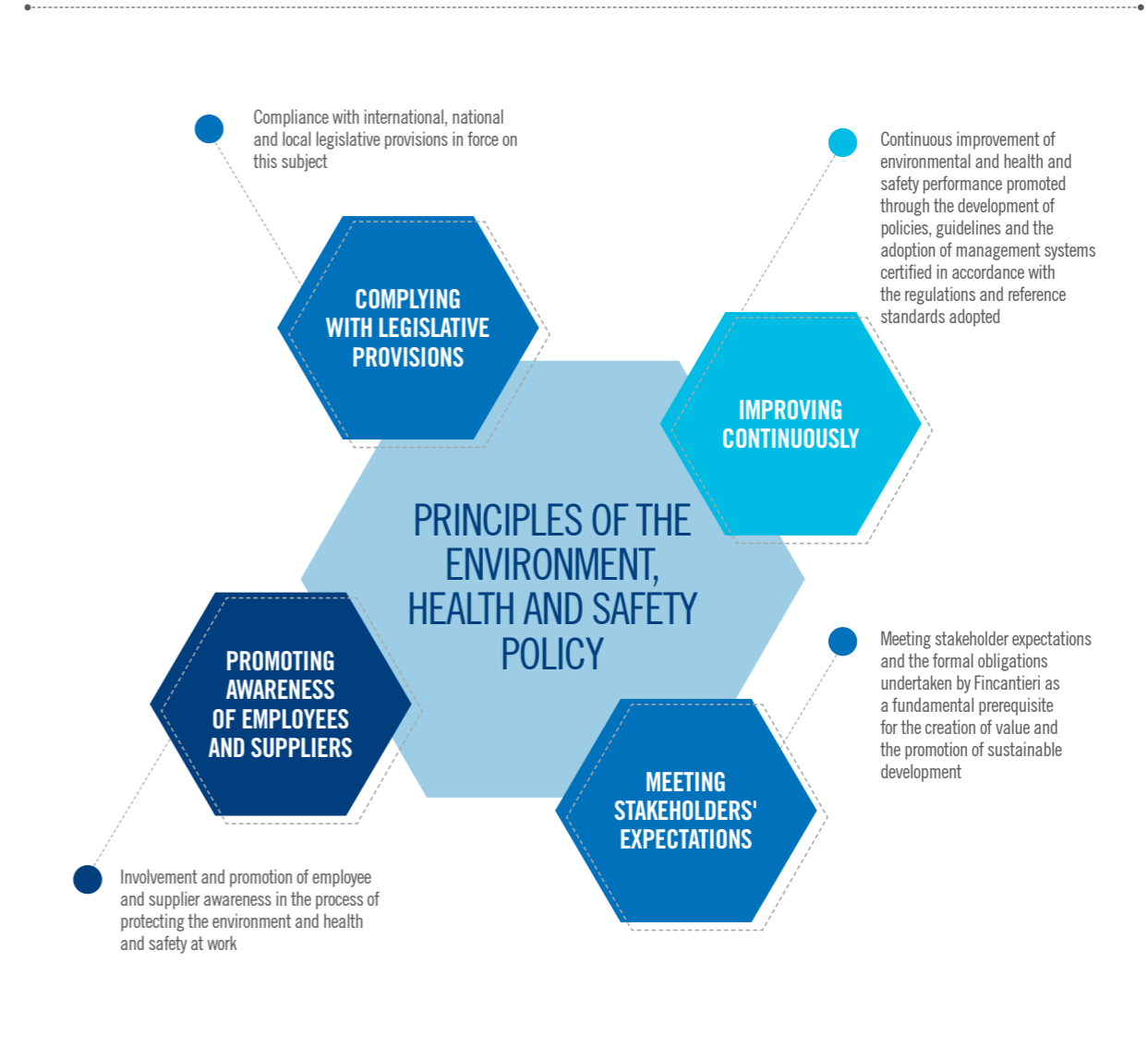
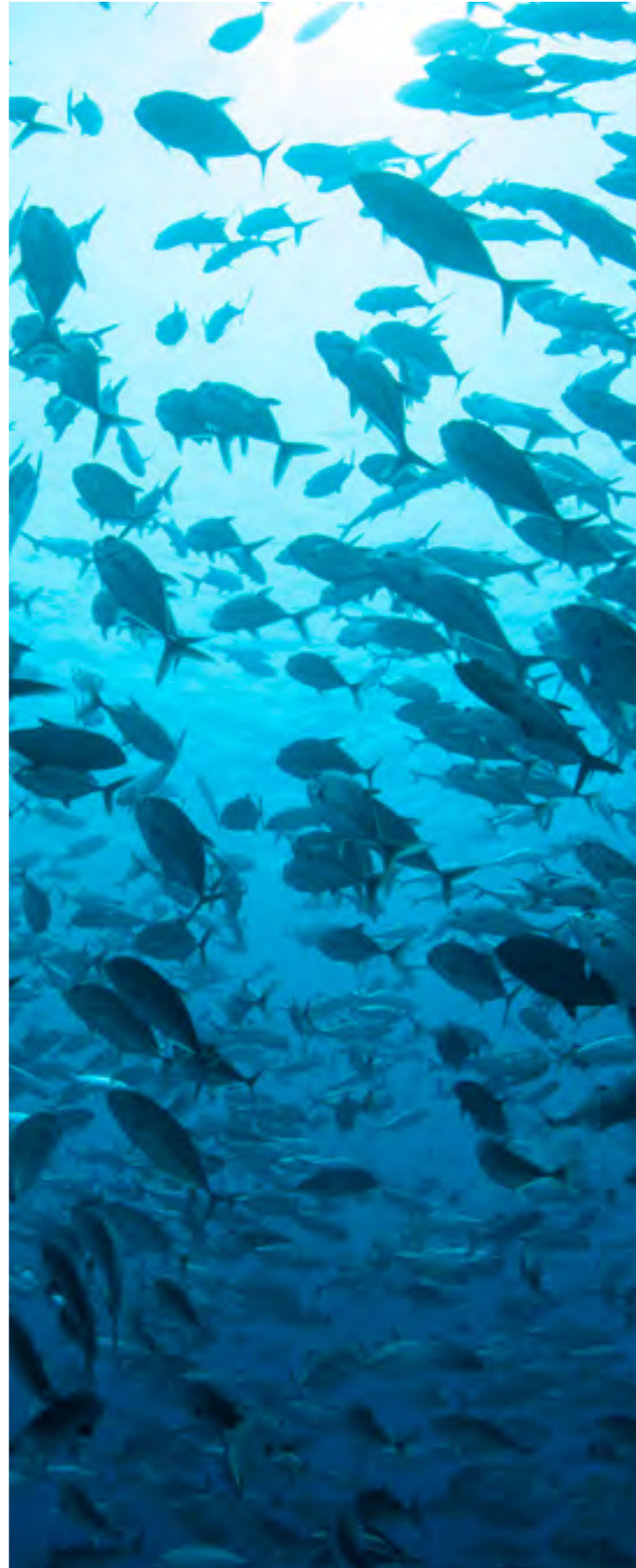
- Research projects to develop new solutions for energy savings or reduction of emissions in collaboration with research institutes / universities on issues associated with climate risks



OUR MANAGEMENT SYSTEM

We are committed to reducing our **direct impact** by reducing consumption and waste produced, and prioritizing the use of eco-sustainable resources, such as certified energy from renewable sources. We want to represent a model of excellence also in terms of maximum environmental protection and we see the environmental management system as the tool for implementing and monitoring the actions taken to carry out the commitments made. The Company's Policies relating to the environment, health and safety at work were updated and integrated in 2019. As far as environmental protection is concerned, the commitments undertaken in the new **Environment, Health and Safety Policy** are:

- assess the risks and environmental impact of its activities and manage the environmental aspects using the principles of precaution and prevention;
- promote the use of the best available technologies and the use of products with a lower environmental impact;
- implement improvement plans aimed at containing and reducing its emissions to air, water and soil, the continuous efficiency of the Company's energy performance including through the use of energy from renewable sources, and the minimization and proper management of waste;
- safeguard the natural value and biodiversity of the territories affected by the presence of its sites by implementing appropriate environmental measures and protections;
- design and develop eco-sustainable products.



The Environment, Health and Safety Policy is available on the website [www.fincantieri.com/globalassets/sostenibilita2/politica\\_ambiente\\_salute\\_e\\_sicurezza\\_sul\\_lavoro\\_en.pdf](http://www.fincantieri.com/globalassets/sostenibilita2/politica_ambiente_salute_e_sicurezza_sul_lavoro_en.pdf)

We are committed to implementing and maintaining our management systems in particular; all the production sites of Fincantieri S.p.A., the US Marinette site, as well as the Braila and Tulcea shipyards in Romania and Vung Tau in Vietnam of the VARD group are certified ISO 14001:2015.

Environmental audits are carried out regularly in all the sites by the specific internal structures and all the reports of any environmental accidents are collected and managed systematically. The individual certified sites adopt specific site policies consistent with the guidelines defined at company level. The latter are binding for all Fincantieri employees and are shared with all suppliers through frequent coordination activities.

 For more information on the certified shipyards and companies, see the website [www.fincantieri.com/en/sustainability/certifications](http://www.fincantieri.com/en/sustainability/certifications)

As part of the management systems, the individual production units plan specific **training/information activities** on environmental issues on an annual basis, based on identified needs, to increase the level of knowledge and raise awareness of their employees on individual issues.



During 2019, in accordance with the objective of the Sustainability Plan, we committed ourselves to spreading and promoting the culture of environmental sustainability by launching a communication campaign (for a “sustainable” office), within the **Fincantieri for the Green Future** project, that is focused on promoting virtuous and eco-sustainable behaviour.

The objectives of the campaign are to:

- consolidate the culture of sustainability and the virtuous path that the Group has undertaken in terms of environmental protection, giving practical form to the objectives published in the Sustainability Plan;
- disseminate projects and strategies aimed at reducing environmental impact to all stakeholders by first involving employees, but also suppliers, in the sustainability path;
- create greater awareness and sensitivity in order to encourage all employees to make a tangible contribution to safeguarding the environment with virtuous behaviours in day-to-day life, both at work and at home.

The campaign was launched by distributing a brochure to all employees that illustrates the virtuous behaviour to be adopted in everyday life, both in the workplace and at home, and with the symbolic distribution of a gadget (an aluminium water bottle to encourage people to reduce their plastic consumption).

The subsidiary Insis has also promoted an internal campaign on lighting management and a policy on reusing materials.

### Environmental aspects

We are bound by laws and regulations to protect the environment and people’s health which impose limits on atmospheric emissions, discharges into water and soil and set rules for the treatment of hazardous waste and the reclamation of any polluted sites.

No significant environmental accidents occurred in the Group’s production sites in 2019.

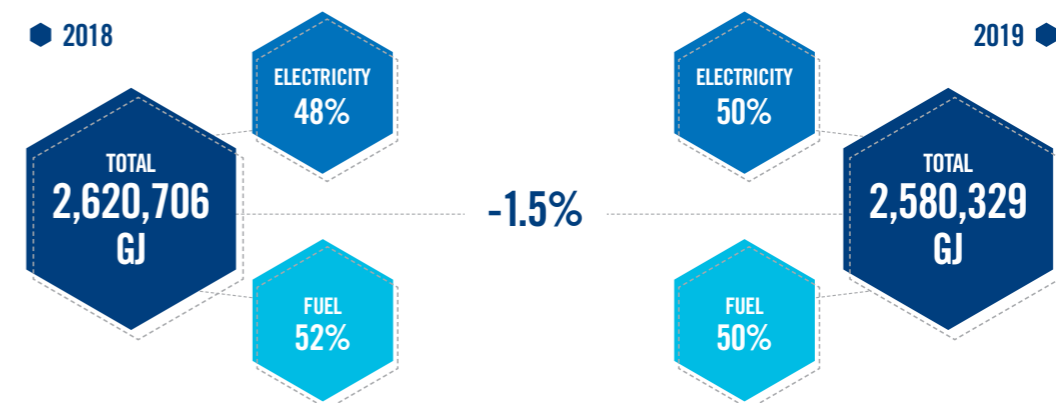
### Energy

The Parent Company produces an **energy diagnosis** each year (in 2019 with reference to consumption in 2018), in compliance with the regulatory requirements of Legislative Decree 102/2014, aimed at identifying inefficiencies and implementing an annual programme to modernize the plants, including through the implementation of new technologies capable of guaranteeing ever better performance in terms of energy efficiency.

To make the quality of data acquired more reliable and identify the consequent improvement actions, the installation of more **advanced measurement systems** has continued, giving priority to those for the most significant energy consumption and which are more easily dealt with from a performance perspective. The process of improving the energy efficiency of lighting systems, carried out with the gradual installation of solutions based on **LED technology**, continued. During 2019, this intervention involved the Castellammare di Stabia, Monfalcone, Palermo and Sestri Ponente shipyards in Italy, the Braila shipyard in Romania, the Marinette shipyard in the United States and the subsidiary Isotta Fraschini Motori’s production site in Bari.

The good results from the Ancona shipyard regarding the experimental introduction of a remote control and automatic shutdown system for the mobile welding fume extractors has validated the initiative, which is expected to be implemented in 2020 at the Marghera, Monfalcone and Sestri Ponente shipyards.

### ENERGY CONSUMPTION

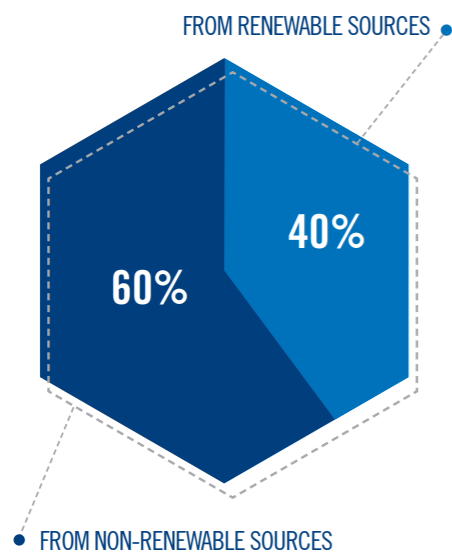


••• The data refer to the entire Fincantieri Group.

As per the objective of the Sustainability Plan, we are committed to increasing the share of electricity from renewable sources. In 2019, about 50% of the electricity needed to satisfy the demand of Italian production sites and companies was purchased and sourced from **renewable sources** (hydroelectric, wind, photovoltaic) certified with Guarantees of Origin (GO). Taking also into account the contribution of the subsidiary VARD in relation to its Norwegian sites, 40% of the electricity consumed by the entire Group comes from renewable sources.

In other countries the purchase and production of energy from renewable sources was not significant for reporting purposes.

ELECTRICITY



The data refer to the entire Fincantieri Group.

In addition to the actions undertaken in previous years and during 2019, we have included in our Sustainability Plan the objective of obtaining **ISO 50001:2018** certification for the **Energy Management System** of Fincantieri S.p.A. by 2021. With this in mind, a gap analysis was carried out in 2019 with the aim of assessing the current energy management system against the requirements of the standard and consequently identifying the activities needed in order to obtain certification. The activity involved representatives of the main organizational units concerned with the certification process, who will subsequently play an active role in maintaining it. The process of identifying and formalizing specific working groups (Energy Team) has been initiated and more than 50 people throughout the Company are expected to be involved.

Water

Water is a precious natural resource whose availability is increasingly limited owing to climate change. Safeguarding it is one of the main commitments in our Policy and is also one of the aims of the communication/awareness project, aimed at promoting virtuous and eco-sustainable day-to-day behaviour.

We take measures to improve efficiency in the use and quality of water as part of our environmental management systems at the level of individual shipyards. We **monitor** water consumption during the production cycle, planning and implementing system interventions aimed at saving water resources.

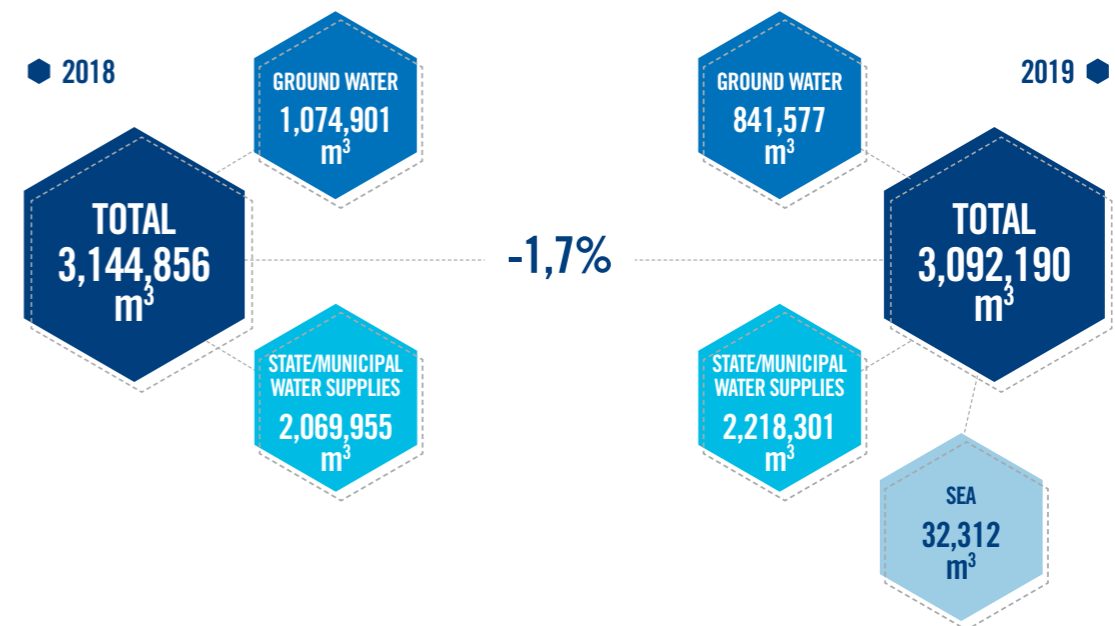
The **main initiatives** implemented concern leakage tests and repairs to distribution networks, implementation of more efficient gasification systems for the technical gas tanks, and installation of timed mixers in changing rooms.

Fincantieri Marine Group has also implemented systematic network leakage monitoring activities, which have led to

a significant reduction in drinking water consumption.

72% of the water is taken from the municipal/state water supplies, 27% from the ground water and 1% from the sea, there are no other types of withdrawal. Water withdrawals are mainly used in the production and sanitation process.

WATER WITHDRAWAL



The data refer to the entire Fincantieri Group.

### Water discharges and heavy metals

As regards water discharges, in accordance with the authorization profiles of the different production sites, **sampling** and **laboratory analysis** are conducted regularly to monitor the quality of the discharges and guarantee that the limits laid down by the law for analytes (heavy metals in particular) which are subject to monitoring.

With a view to continuous improvement, we are revising the current plant layouts at the various production sites, while new and technologically more advanced solutions are already being implemented.

### Raw materials

Procurement of raw materials has a strategic role for the Company.







In recent years we have given more significance to the selection of materials in order to reduce their environmental impact as much as possible.

As best described in the section on eco-design, even while preparing specific contractual techniques, and consequently those needed for the procurement process, we work to identify materials for the interiors that, though possessing the same technical, qualitative and compliance characteristics, are also environmentally compatible. The main raw materials present in the production cycle are:

- iron for the hull;
- copper for the electric wiring and

- automation;
- steel, iron, plastics and other iron and non-iron alloys for the piping installed on board;
- welding materials;
- paint products.

In line with the contents of the Policy regarding the use of **chemical products**, the supply choices, where there are equivalent technical characteristics and/or compatible performance, have been oriented towards products with a lower environmental impact. For the most commonly used **paint products** in shipbuilding, joint initiatives have been carried out with the major suppliers on the market to identify low-solvent or water-based alternatives.

RAW MATERIALS		MEASUREMENT UNIT	2018	2019
	Carbon dioxide	t	19,252*	24,345
	Argon	m <sup>3</sup>	822,757*	1,122,444
	Nitrogen	m <sup>3</sup>	557,401	599,937
	Ferrous	t	136,022	144,426
	Oxygen	m <sup>3</sup>	6,529,773*	7,056,615
	Paints	l	2,345,228*	2,812,032

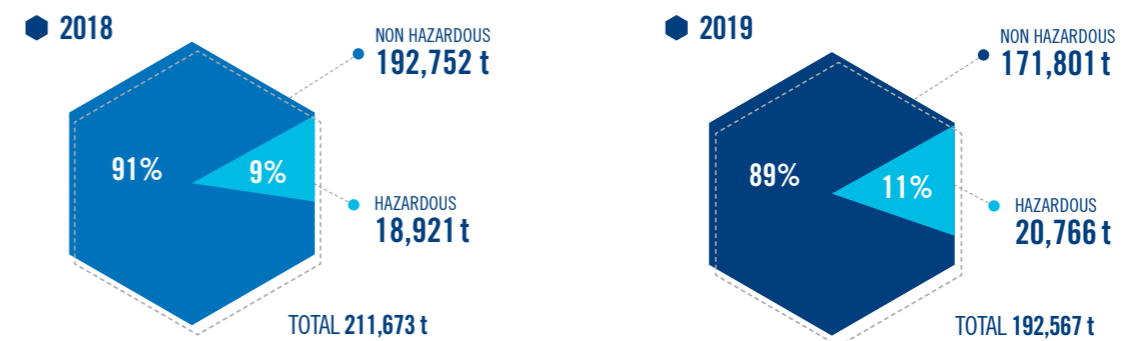
\*The data for 2018 have been revised for comparison purposes following the inclusion of data for the VARD group. The data refer to the entire Fincantieri Group, except for the procurement of ferrous materials and nitrogen which concern Fincantieri S.p.A. and Fincantieri Marine Group.

Most of the materials used for the hull are ferrous and are therefore by their nature reusable. Steel is a 100% **recyclable material** and it can be recycled countless times without losing any of its original properties. This product is therefore never consumed, but continuously transformed through recycling processes that make it a permanent material, a concept underpinning the circular economy.

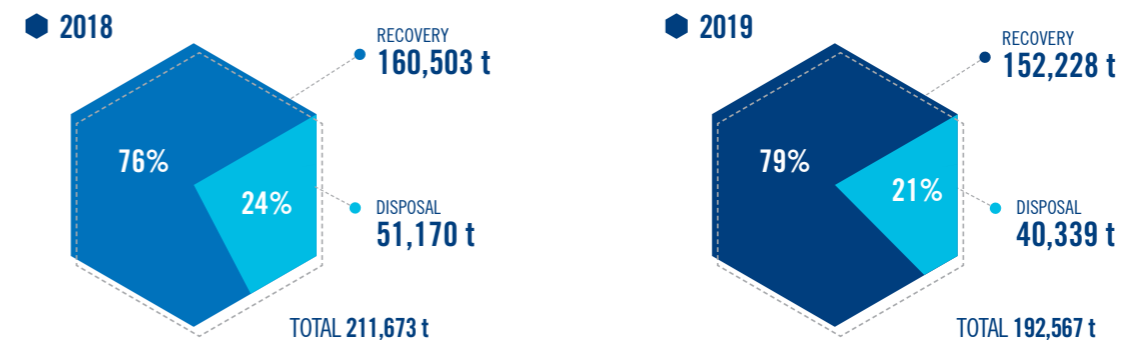
### Waste

The criteria identified for managing processing residues and waste disposal are included in the guidelines revised in 2019, which provide for the development of a production unit procedure to manage the site's specificities. Waste produced by our activities is delivered to authorized sites according to its classification and, in line with the policies adopted by the Group, recovery destinations are favoured and maximized.

#### WASTE BY TYPE



#### WASTE BY DISPOSAL METHOD



--- The data refer to the entire Fincantieri Group.

In Italian sites the overall percentage of waste sent for **recovery** over 2019 was about 75%.

The VARD group identifies the optimization of recovery activities as a priority: in 2019, waste sent for recovery amounted to about 90% of the total waste produced. In the United States, Fincantieri Marine Group has specific waste management policies and procedures and aims to continuously improve its waste management processes. In 2019, thanks to the activities implemented, the total waste produced had fallen by 67% and 56% had been sent to recovery.

### Corporate mobility

Through corporate and local initiatives, we promote a model of sustainable mobility management that concretely affects the reduction of greenhouse gas (GHG) emissions, leading to a change in established habits with a greener perspective.



As envisaged in the Sustainability Plan, 2019 was the year of the launch of the company digital **car pooling** service in Fincantieri S.p.A. and in the Group's Italian subsidiaries. This service is designed to provide and encourage an alternative sustainable solution

for home/work journeys by sharing the use of personal cars. The system makes it easy to for employees to get in touch with each other, certify the results in terms of energy and environmental savings and access a reward system that encourages participation in the initiative and helps to change established habits. In parallel, an option is being tested in the same digital system to certify home/work journeys by bicycle and on foot, and here too access a reward system.

In 2019, the use of the car pooling service certified a saving of 327,000 kilometres travelled, corresponding to 42,683 kg of carbon dioxide.

With the same aim, we have completed the installation of **electrical charging points** at all production sites and their use has been made available to employees.

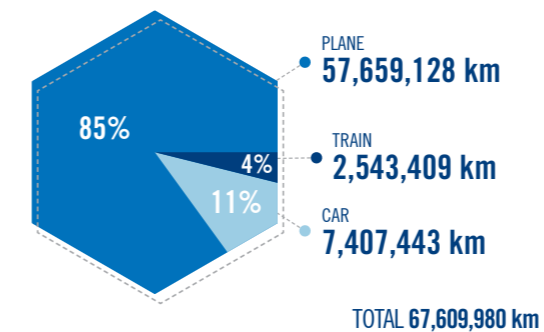
The agreement with the provider of welfare services allows for the **reimbursement of season tickets** issued for use on public transport.

Company policy promotes the use of **public transport** for work journeys whenever this is possible and does not create excessive difficulties for travel, thus avoiding recourse to car use. We are also investing in new technologies to reduce employees' travel for work, promoting the use of **video** and **teleconferencing**.

In 2019, the Group's employees made business trips totalling over 67.6 million

kilometres, distributed as follows:

### CORPORATE MOBILITY - 2019

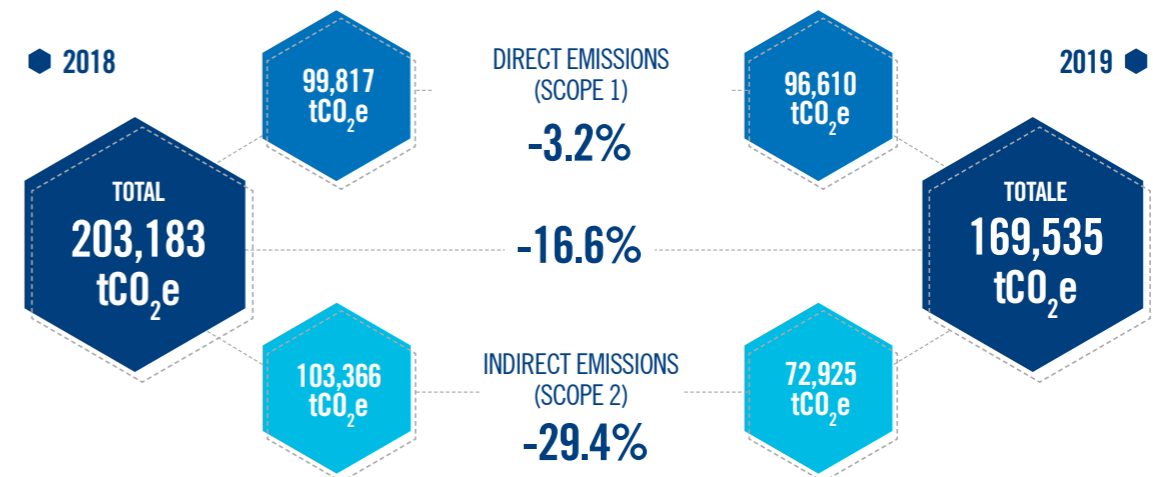


The data refer to the entire Fincantieri Group.

With regard to the fleet of company cars for personal and business use, the gradual replacement of current vehicles with hybrid vehicles is planned, as is already the case with service vehicles.

In the United States Fincantieri Marinette Marine has implemented a **car pooling policy**. In the same vein and with the same purpose, as an alternative to using cars, areas have been made available to park bikes and, at the same time, the use of company vehicles inside the shipyards has been limited.

### SCOPE 1 AND SCOPE 2 GHG EMISSIONS



The data refer to the entire Fincantieri Group.

### Greenhouse gas emissions



In 2019, our total greenhouse gas (GHG) emissions from direct emissions from sources owned by or under the control of the Group (**Scope 1**), indirect emissions from electricity consumption (**Scope 2**) and other indirect emission (**Scope 3**) amounted to 834,632 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) compared to 839,725 tCO<sub>2</sub>e in 2018. All our initiatives are aimed at reducing our emissions and our commitment to the fight against climate change is confirmed by the inclusion in the Sustainability Plan of the objective to **reduce indirect (Scope 2) emissions by 20%** by 2020 compared to 2017.

Our **energy efficiency measures** and the increased use of energy from renewable sources (40%) have led to a significant reduction in indirect emissions from electricity consumption.

Total Scope 1 and Scope 2 GHG emissions over hours worked amounted to 0.005 tCO<sub>2</sub>e with a reduction of 16% compared to 2018.

The Company **monitors** GHG emissions with the aim of continuously improving performance in terms of impact. The new 50/60 Hz frequency conversion systems to supply ships became fully operational at the Sestri Ponente shipyard, while at the Ancona shipyard an additional frequency conversion system was added to

service the new outfitting quay. We should also mention the conversion of thermal power stations fuelled with low sulphur content (BTZ) and diesel fuel into thermal power stations fuelled with liquefied natural gas (LNG), also carried out at the Ancona shipyard, which has led to a significant reduction in carbon dioxide (CO<sub>2</sub>) emissions.

In 2019, we have further expanded the reporting of other (**Scope 3**) emissions that refer to the procurement chain for raw materials, employee travel, and consumption of raw materials which are the cause of the different breakdown and increase in emissions. For comparison purposes between the two years, we have also expanded and revised 2018.

As regards the optimization of **material logistics**, in Italy the project to centralize delivery planning (Control Tower), launched in 2014, has the goal of managing the shipyards' delivery requests in order to reduce transport costs, improve reliability and timeliness of deliveries and reduce environmental impact. In particular, this project has enabled polluting emissions to be reduced by:

- planning deliveries using the outgoing and return formula;
- increasing vehicle saturation (combing multiple delivery requests into a single carrier).

The project led to the reduction of 1,300 journeys in 2019 (corresponding to 383,300 km) and a reduction of 256 t of CO<sub>2</sub>, equal to the average CO<sub>2</sub> absorbed in one year by around 43 hectares of forest.

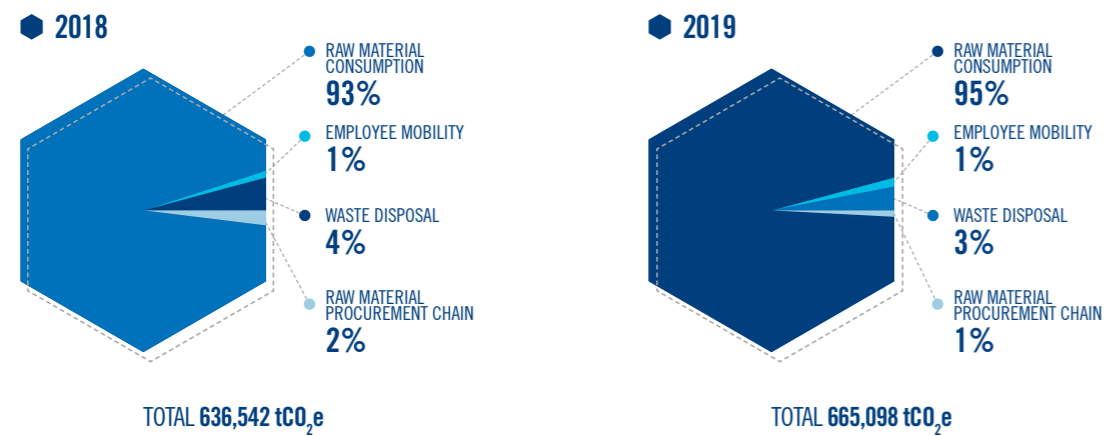
### Other emissions of polluting gases

The conversion of all the heating networks in the Italian shipyards has led to the elimination of heavy combustibles and the introduction of methane systems, resulting in negligible **sulphur oxide (SOx) emissions**. VARD and Fincantieri Marine Group have also significantly reduced (-92%) SOx emissions, which amounted to 0.74 t in 2018 and 0.06 t in 2019.

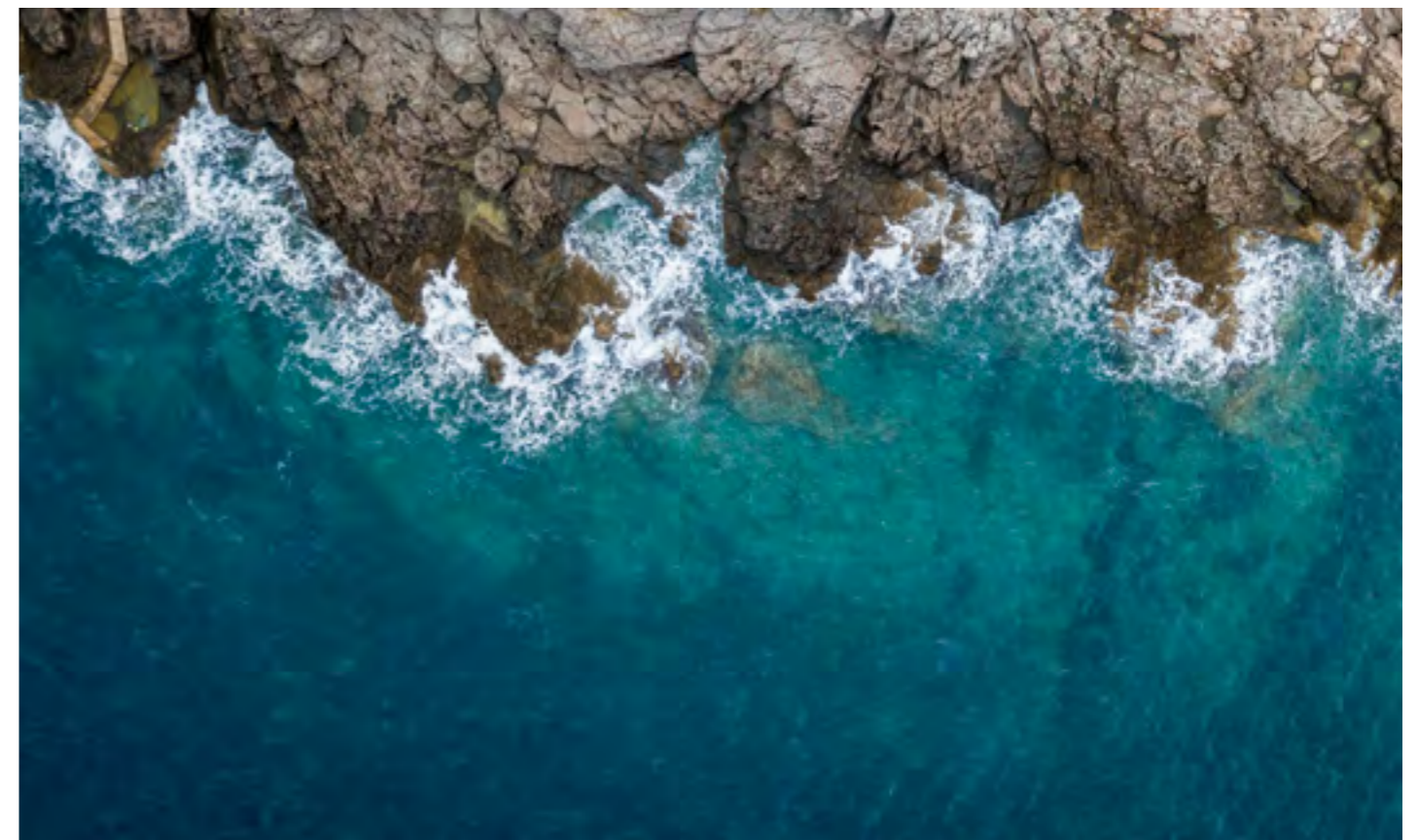
The Group's **emissions of nitrogen oxides (NOx)**, associated solely with natural gas combustion, in 2018 amounted to 24.5 tNOx and in 2019 24.7 tNOx.

With a view to continuous improvement, the VARD group is focused on researching new approaches to contain and minimize the impact of emissions resulting from industrial activities. The group's commitment is also demonstrated by its participation, since 2008, in the **Confederation of Norwegian**

### SCOPE 3 GHG EMISSIONS



The 2018 data have been revised for comparison purposes following improvement of the identification and measurement of raw material consumption by the VARD group and the procurement of materials by Fincantieri Marine Group. The data refer to the entire Fincantieri Group, except for the procurement of raw materials which concerns Fincantieri S.p.A. and Fincantieri Marine Group.



WE INVEST FOR THE ENVIRONMENT

**Enterprises' NOx-Fund**, whose primary objective is to reduce emissions of NOx.

Fincantieri's production sites are individually subject to environmental permits that prescribe specific limits on the maximum consumption and total emissions of **volatile organic compounds (VOCs)** into the atmosphere. Compliance with these limits is pursued, even when production volumes are increasing, by planning a gradual replacement of the products used with alternatives with a lower solvent content and by adopting appropriate system measures to reduce emissions. These include the installation of new sandblasting and painting facilities and, most recently, the one that has been operational since 2017 at the Monfalcone shipyard that is equipped with a post-combustion system and allows the elimination of VOCs emitted during processing. VOC emissions relating to Fincantieri S.p.A.'s production units, in proportion to the production volume, have improved significantly since 2017.



To conserve resources in 2019, we have invested 10.5 million euros in environmental protection, around 33% more than in 2018.

Fincantieri S.p.A. has for years been committed to implementing **measures** aimed at continuously improving the impact on all environmental compartments. The main ones involved the systems for collecting and treating rainwater, noise containment measures related to production and systems for extracting and treating welding fumes and new system measures for sandblasting and painting.

These latter work primarily involved the Monfalcone shipyard, in line with the improvement programme set up with the issue of the Integrated Environmental Authorization.

On the other hand, at the Muggiano, Riva Trigoso and Palermo shipyards, work was carried out on the extraction and treatment systems for welding fumes.

In the field of runoff **water management**, works were carried out to upgrade the rainwater collection systems in the quayside area in Sestri Ponente and to optimize the first rainwater treatment plants in the Marghera and Palermo shipyards are particularly important. Finally, the Arsenale Triestino San Marco has completed construction of the runoff water collection system and has agreed with the operator to feed it into a special network for subsequent treatment.

OTHER EMISSIONS OF POLLUTING GASES

	MEASUREMENT UNIT	2018	2019
	SOx t	0.74	0.06
	NOx t	24.5	24.7
	VOC t	505	595

The data refer to the entire Fincantieri Group, except for VOCs which concern Fincantieri S.p.A. and Fincantieri Marine Group.

WE PROTECT BIODIVERSITY

We promote the efficient use of natural resources and the protection of biodiversity, identifying potential impacts and mitigation actions, since safeguarding the natural value of the areas surrounding the shipyards, where the Company's production is located, is of primary importance for Fincantieri.

To protect these places, **specific and special precautions** are put in place in accordance with local legislation and activities that could directly or indirectly concern the protected area are carefully monitored.

The production sites in Muggiano (surface area of 147,000 m<sup>2</sup>), Riva Trigoso (surface area 173,000 m<sup>2</sup>) and Sestri Ponente (surface area 237,500 m<sup>2</sup>) are inside an International Marine Protected Area - Marine Mammal Sanctuary, which was established with the intent to safeguard various kinds of marine life.

The production site at Marghera (surface area 370,000 m<sup>2</sup>), which is on the Venetian lagoon, is also considered part of the UNESCO site - Venice and its Lagoon. In the United States Fincantieri Marinette Marine is positioned next to the Menomonee, in Wisconsin (for a surface area of 21,315 m<sup>2</sup>). The river in question is an area to be protected, especially due to the quality of the waters, the marshland and the ecosystem of aquatic flora and fauna. As regards the VARD group, the Tulcea shipyard, in Romania (for a surface area of about 750,000 m<sup>2</sup>), is adjacent to the Danube Delta, an area protected by UNESCO. The ISO 14001 certification, obtained in 2012, certifies the presence of the protections required to safeguard the site.



VARD Promar, in Brazil, occupies a surface area of about 800,000 m<sup>2</sup> and part of it (250,000 m<sup>2</sup>) is adjacent to the mangrove forest, considered by WWF to be a biome, that is, one of the fourteen major types of habitat into which the Earth is divided. Also in this case, specific and special precautions are put in place in accordance with local legislation.



## TO PROMOTE SUSTAINABILITY

*As part of our activities, we act to raise awareness about issues related to environmental risks and to encourage eco-sustainable behaviour*



The Group's activities also have an indirect impact on the environment, in particular through our products, the supply chain and our partnerships.

### OUR EVER GREENER SHIPS

The world of navigation, whether cruise, merchant or naval, is going through a process of evolution under the principles of sustainability and the circular economy. For Fincantieri, this scenario is already a consolidated reality and with our projects we are literally redesigning the future scenario of navigation, at a strategic and technological level. The ships under construction will be increasingly resemble a large, hyper-connected, energy self-sufficient, lighter and green or hybrid propellant floating city, capable of recycling up to 90% of the waste produced. With the technologies already applied today we are able to cut 1,200 tons of fuel per year on a ship of about 130 thousand GRT (gross registered tonnage).

### Cruise ships

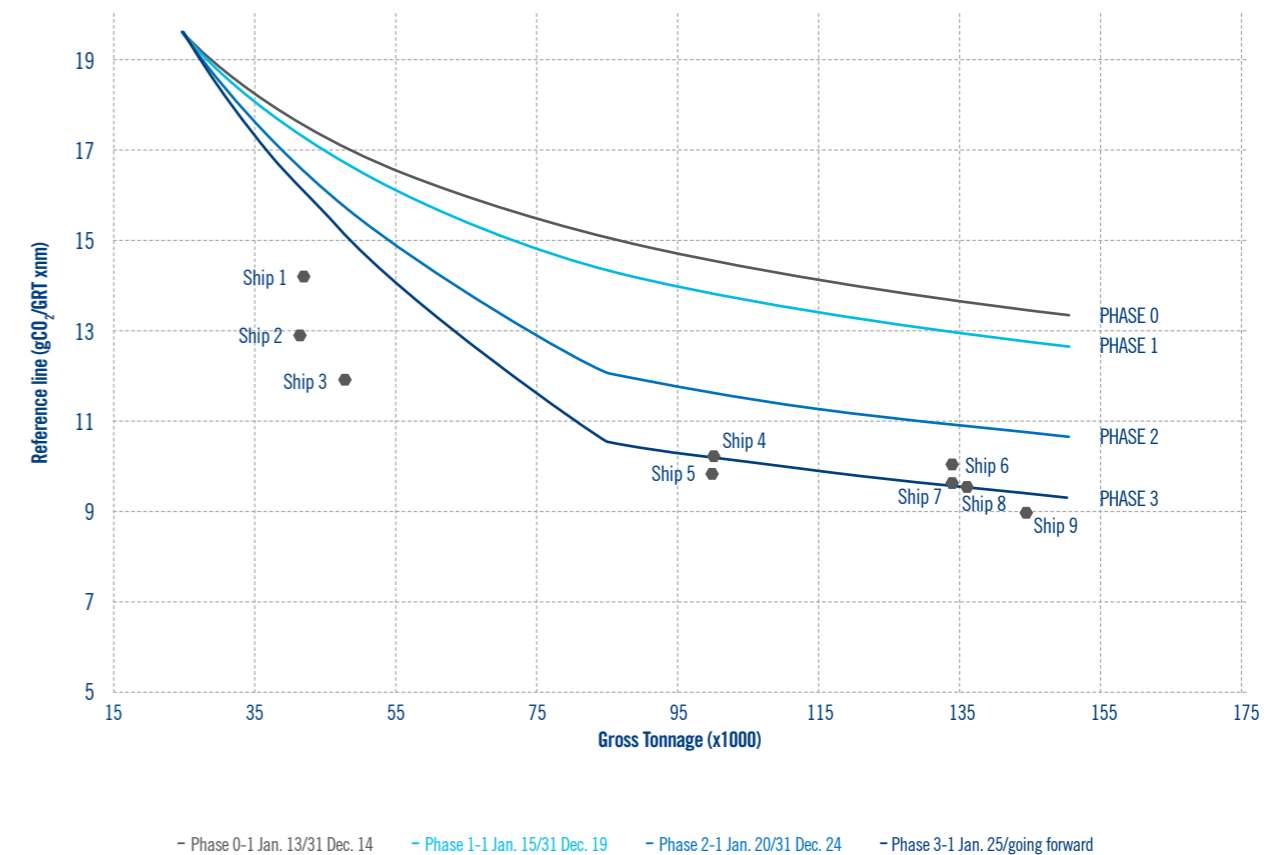
The cruise ship industry is highly committed to adopting policies to minimize environmental impact, this is a joint effort implemented by cruise lines and shipbuilders. The regulatory framework, with regulations at a global and local level, requires a rapid reduction of emissions into the air and water. The reduction of environmental impact has become one of the most important drivers for design and innovation in the field of cruise ships. Our ships represent a technological benchmark at the European and global level. They feature the most advanced technologies, with technical solutions that provide **energy savings, emission reduction, high performance and high quality**. In particular, we follow all the international best practices to minimize a ship's environmental impact throughout its entire life cycle.

### Energy saving and reduction of emissions

The International Convention for the Prevention of Pollution from Ships (MARPOL) aims to prevent and minimize pollution from ships, both accidental pollution and pollution resulting from routine operations. The MARPOL Annex VI sets out the rules for calculating and verifying compliance with the limits set for the **energy efficiency of ships** (Energy Efficiency Design Index - EEDI).

Lower values of the index correspond to greater energy efficiency. Regulations impose a decrease in values over time. In several cases, the ships built by Fincantieri anticipate the EEDI values, which are expected to be applied from 2025 onwards. The EEDI scores obtained by Fincantieri's cruise ships delivered in the last 5 years with respect to the provisions of the regulations on the index values, represented as time phase curves, are given below.

### EEDI FOR CRUISE SHIPS



In particular, we have validated and applied on our ships a series of initiatives, included in the company's "Eco-sustainable Design"

procedure, that are also aimed at energy saving and reducing air pollution.

**SOME ENERGY SAVING SOLUTIONS**

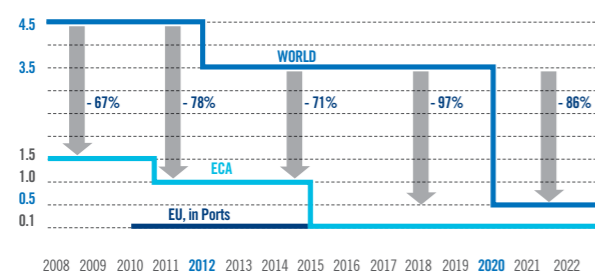
	REDUCED CONSUMPTION PER SHIP BY CA 130,000 GRT (t FUEL/YEAR)
Fan coil installation in cabins	290 t/year
Fan coil installation in public areas	160 t/year
Variable speed adjustment systems for electric motors	220 t/year
Heat recovery system optimization	270 t/year
Recalibration of drinking water generation system	48 t/year
Increase of electric motor energy class	75 t/year
LED and high efficiency lighting and automatic lighting control	130 t/year

**Reduction of harmful air emissions**

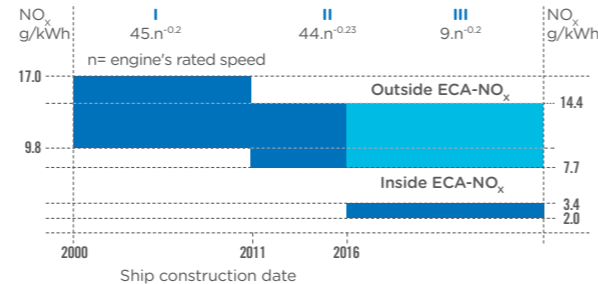
MARPOL also requires a progressive reduction in emissions of harmful gases, in particular sulphur oxides (SOx) and nitrogen oxides (NOx). The constraints are growing over time, and they are particularly stringent in Emission Control Areas (ECA), which broadly identify

the most vulnerable ecosystems, where the most stringent values for reducing harmful emissions are applied, and which coincide with the main operating areas of the cruise industry. European legislation (Directive 2012/33/EU) sets further emission limits, particularly in port areas, due to their proximity to intensely inhabited areas.

**% SO<sub>x</sub> EMISSIONS**



**% NO<sub>x</sub> EMISSIONS**



The currently most common configuration for emissions reduction is based on **latest generation diesel engines** combined with the installation of fume purification systems in the exhaust systems.

Another method which is gradually being established is the substitution of traditional fuels with **liquefied natural gas (LNG)** in view of the indisputable benefits in terms of emission impact.

**SOLUTIONS TO REDUCE HARMFUL AIR EMISSIONS**

**EMISSION IMPACT BY TYPE OF POWER SUPPLY**

	PURIFICATION OF EXHAUST FUMES	LNG/DUAL FUEL PROPULSION	EMISSIONS (DIESEL CYCLE)	HEAVY FUEL OIL	LNG
<b>NO<sub>x</sub> reduction: Catalytic muffler</b> , in which the nitrogen oxides are made to react with urea in a high-temperature process, obtaining pure nitrogen (N <sub>2</sub> ) and water vapour			CO <sub>2</sub> (g/kWh)	500	417
<b>SO<sub>x</sub> reduction: Scrubbers</b> , i.e. fume scrubbers		<b>NO<sub>x</sub> and SO<sub>x</sub> reduction:</b> solutions for future new builds	SO <sub>x</sub> (g/kWh)	11	0.08
			NO <sub>x</sub> (g/kWh)	12.91	1.8

Fincantieri already built a special LNG-powered ferry for Canada in the past and in 2019 it received orders for prototype "dual-fuel" cruise ships primarily powered by LNG:

- Tui Cruises (joint venture between TUI AG and Royal Caribbean Cruises) finalized the order of **two new-generation cruise ships** with a gross tonnage of approximately 161,000 and primarily powered by LNG. Energy efficiency is one of the features of the project, with the dual objective of containing consumption under operation and minimizing environmental impact;
- Princess Cruises, the Carnival group brand, finalized the order for the construction of two cruise ships with a gross tonnage of 175,000. The vessels will house approximately 4,300 passengers and will be based on a **new-generation project**, becoming the first of the Princess Cruises fleet to be powered mainly by LNG.

Another solution for reducing emissions is to build **electric or hybrid vessels**. The Norwegian subsidiary VARD has contracts and offers for various small/medium-sized vessels equipped with **electric batteries** to cover all or part of the energy requirements.

- VARD is delivering **two ferries** to the Norwegian operator Torghatten Nord and a dual-powered electric hybrid cruise ship with icebreaker features, equipped with high capacity batteries and LNG storage on board;
- VARD will deliver the first **electric self-driving container ship** in 2020. It will gradually reduce human intervention over the two years from delivery until reaching complete autonomy in 2022. The 80-metre by 15-metre vessel will operate in Norway, guaranteeing a transport capacity of 120 TEU, replacing 40,000 TIR journeys a year. The vessel will reduce nitrogen oxide (NOx) and carbon dioxide (CO<sub>2</sub>) emissions and improve road safety in a highly populated urban area.

However, there are critical issues related to the new technologies. In general, the new technological solutions and systems introduced for the protection of the environment occupy volumes previously intended for the payload. In the case of LNG, accommodating the tanks on board (in addition to the liquid fuel tanks) and installing the related operating and safety systems entails a significant reduction of the useful space on board. The development of a logistics system capable of ensuring the availability of LNG (including intermediate storage and bunkering systems) in all major cruise destinations is still at an embryonic stage, consequently limiting the area of operation on new ships.

The future lies in the application of **fuel cells**, electrochemical conversion devices that generate electricity and heat by combining a fuel (typically hydrogen, methanol or methane) and a comburent (oxygen), in the absence of combustion. In this way, no polluting substances are actually produced. After the initial development phase, linked to space exploration and the naval field (submarines), terrestrial applications for the generation of electricity and propulsion (for example prototype trains fuelled by fuel cells) are spreading. Studies and research are being carried out on their application for generating energy for cruise ships.

**USE OF BATTERY MODULES**

To cover the entire load on board

Supplementation of the electric power supplied by the batteries with a traditional generation system (as in hybrid cars). The energy supplied by the batteries is used:

- exclusively in particular situations (for example in port), or
- supplemented by the on-board diesel engines at times of maximum power demand (e.g. maximum speed navigation).



In collaboration with the Consiglio Nazionale delle Ricerche (CNR, National Research Council) and the Universities of Genoa, Naples and Palermo, with the contribution of the Italian Ministry of Economic Development, we have developed a project to realize a laboratory ship approximately 25 metres long to study power generation technologies with low environmental impact.

The boat, called **Zeus**, will be powered by electric propulsion engines, which will be powered by a fuel cell system of about 120 kW and a battery system capable of ensuring around 6 hours' navigation autonomy at zero emissions, thanks to about 50 kg of hydrogen contained in metal hydride cylinders. Zeus will be the first marine vessel powered exclusively by fuel cells.

**Treatment and storage of solid and liquid waste**

Waste treatment is regulated by MARPOL:

- Annex I Prevention of pollution by oil and oily water.
- Annex IV Prevention of pollution by sewage.
- Annex V Prevention of pollution by shipboard waste.

The increasingly stringent regulations in force in areas with a strong cruise vocation and vulnerable ecosystems, such as Alaska and the Baltic Sea, determine the characteristics of the latest generation cruise ships. Only **bacteriologically** and **chemically pure water**, with an extremely low hydrocarbon content, can be discharged into the sea (under certain conditions) in these areas. Any other residue must be stored on board and unloaded in port for further treatment.

The processes for treating, sorting and disposing of the waste produced on board are shown in the diagram below.

WASTE TREATMENT

SOLID WASTE



- collection, dehumidification, kitchen waste treatment;
- sorting and recycling of hotel waste;
- compaction and/or incineration (where permitted) of solid waste;
- pelletizing, storage of waste for subsequent unloading in port.

LIQUID WASTE



- physical and biological treatment (in line with the best land standards) of all on-board wastewater (sewage, grey water, kitchen effluents and laundries);
- storage of purified water;
- thickening and drying of residual sludge for subsequent unloading in port.

Ballast water treatment

The ballast water treatment regulations, International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM 2004), require ships to sterilize ballast water before discharging it, to avoid contamination with species from different ecosystems.

BALLAST WATER TREATMENT



Latest generation of ballast water treatment systems, based on the pre-filtering of plankton and subsequent sterilization with ultraviolet rays.

Although the disposal of materials at the end of the ship's operational life is not part of the ship's construction activities because it is managed directly by the shipowners, cruise ships built by Fincantieri have voluntary certifications such as **Green Passport, Clean Ship or Eco** (the name of the certification is different depending on the classification society). These certifications include our commitment to provide, on delivery of the ship, the list of hazardous materials in accordance with the Hong Kong Convention for the safe and environmentally friendly recycling of ships, adopted by IMO's MEPC 197 (62). The classification society will carry out periodic audits throughout the life of the ship to ensure compliance with environmental standards and maintenance of its environmental certification.

Naval vessels

The naval vessel construction business is strongly influenced by the continual demand to increase efficiency standards in the international defense segment and is one of the most demanding challenges. We are a reference player for many Navies and we face tough challenges with our consolidated experience in the design sector; since 1990, Fincantieri has delivered over 100 naval vessels to ten different nations. Its consolidated experience has enabled it to combine the development of platforms with **high operational performance** with the development of solutions aimed at containing environmental impacts.

Thanks to the adoption of an eco-sustainable design process and the increased sensitivity towards ecological issues shown by Navies, we have been able to operate in many fields, adopting solutions aimed at reducing environmental impact. We have collaborated with the Italian Navy for many years, focusing on environmental impact issues right from the preliminary project. The new vessels, some of which are already in service, feature design choices aimed at **containing environmental impact** in terms of emissions to air, fuel consumption, wastewater treatment, use of special treatments to preserve the hull and the possibility, for certain vessels to be delivered shortly, to contain an area of sea that is polluted, with the possibility of collecting and storing the pollutants on board.

As regards power generation, building on more than ten years of experience of

submarines, studies are underway for the use of fuel cells on naval vessels.

Energy saving and reduction of emissions

This issue is dealt with by introducing energy savings criteria developed mainly in ship architecture, namely by selecting **endothermic engines** (both propulsion engines and power generation engines) with appropriate technological solutions and by selecting high energy efficiency materials or materials with high efficiency heat transfer.

AREAS OF INTERVENTION TO REDUCE EMISSIONS	EMISSIONS REDUCTION OF NAVAL FIGHTING VESSELS WITH A DISPLACEMENT FROM 6,000 TONS (*)	
	CO <sub>2</sub> [t/YEAR]	NO <sub>x</sub> [t/YEAR]
Optimization of hull lines		
Introduction of LED lights		
Painting of superstructures with low sun absorption paints	~ 2,000	~ 40
Optimized insulation of internal areas		

\* Use profile: 50,000 nautical miles/year.

On the other hand, the special characteristics of naval vessels and the consequent system solutions optimized to deliver mission performance currently do not enable the introduction of energy recovery systems.

**Treatment and storage of liquid and solid waste**

The technological solutions adopted for the treatment of solid waste are entrusted to the **converters**. The use of these machines enables waste to be dried and sterilized. The reduction in volume and weight and subsequent automatic vacuum storage allow on-board retention to be increased. The modern converters adopted enable a volume reduction of 70% and weight reduction of 30%.

For liquid waste, we have adopted **technological solutions** that are in line with the international regulations already used for merchant vessels:

- IMO MEPC 227 (62) for grey water and sewage treatment.
- IMO MEPC 107 (49) for bilge water treatment.

**Grey water** and **sewage** are collected into appropriate physical and chemical treatment units which macerate the suspended solids and reduce the contents of the Total Suspended Solids (TSS), Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) using aerobic processes. The process also envisages disinfection using UV systems. The systems adopted are able to achieve BOD values of 25 mg/l and COD values of 125 mg/l. Bilge water is treated using units that separate the pollutants caused by accidental spills. The system is based on physical processes for viscosity reduction and then absorption using coalescent filters. Separation enables the level of pollutants in the treated water to be

kept under control, guaranteeing a maximum concentration of 15 ppm.

As regards end of life, all naval vessels are also delivered with a **Green Passport**. This document is the inventory of materials to be monitored during the ship's life cycle and it is used to ensure that it is scrapped safely and in an environmentally friendly way.

**Eco-sustainable design**

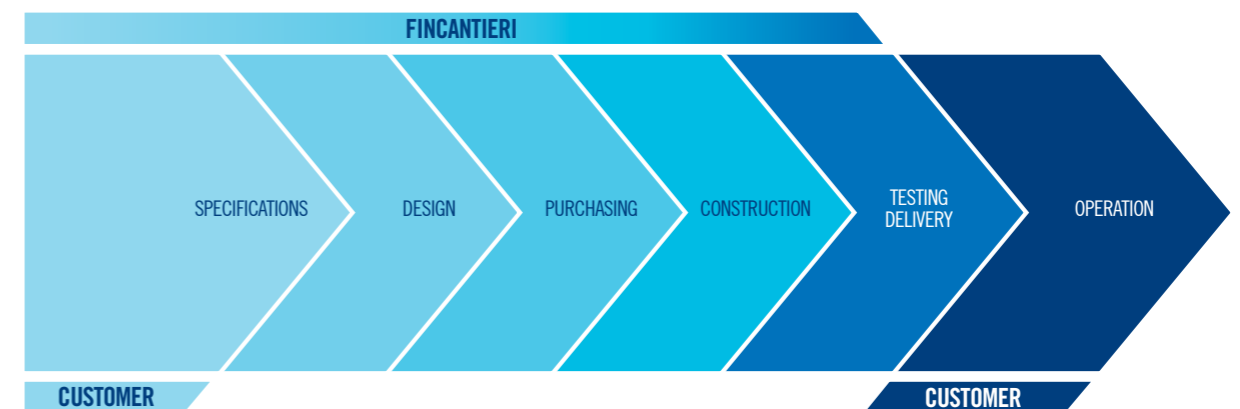
In line with the Environmental Policy guidelines and the objectives of the Sustainability Plan, the design process has been revised with reference to the basic principles and logic of eco-sustainable design and the related requirements have been incorporated into a **specific procedure**.

As part of this, and with reference to the different environmental aspects, we have defined criteria to enhance internally the technological solutions adopted for each ship built. This approach makes it possible to compare the different constructions and

to monitor the product's environmental sustainability trends over time.

The foundation of the entire process of eco-sustainable design lies in the ability to contain and improve the environmental

impact during the **entire life cycle** of the product: from technical design development to the choice of systems and materials, from procurement to construction, from its management in operation to disposal at its end of life.



Identifying solutions that reduce energy consumption, atmospheric emissions, waste production and improve the environmental impact of the production process and materials used, taking as reference similar products as well as "best in class", therefore benefits the entire context (population and surrounding area) in which the individual production site is located. The design choices made in relation to managing the ship during its operation and its performance, in addition to seeking to contain consumption and minimize the impact

on the environment, have the additional purpose of making work easier and making the hospitality provided on board more comfortable. Finally, it should be stressed that sustainability assessments are also taken into account with regard to **decommissioning activities**, helping to guide choices on materials, components and systems with characteristics that limit the environmental impact of the dismantling and disposal operations at the end of the product's life, which remain the sole responsibility of the shipowner.

## WE RAISE OUR PARTNERS' AWARENESS OF ECO-SUSTAINABILITY

We ask our suppliers to share our approach to sustainability in order to achieve one of our most important corporate objectives: having a **responsible and sustainable supply chain**.

We want to represent a model of excellence also in terms of environmental protection and this is why we have a binding environmental policy for all our employees and for all external companies operating in our production sites. We are committed to the implementation and maintenance of an Environmental Management System at our sites and obtaining ISO 14001 certification for most of them. We expect all our suppliers to align themselves with this approach,

sharing principles and commitments on environmental protection, with the common goal of achieving a sustainable supply chain while minimizing environmental impact. For this reason we have adopted the Suppliers' Code of Ethics that includes among its pillars the **protection of and respect for the environment**. Suppliers are asked to share the principles contained in the document with their employees, subsidiaries, collaborators and subcontractors, with a view to encouraging virtuous behaviour throughout the supply chain.

 For more information on the supply chain, please refer to the chapter "For a sustainable supply chain".

## TOGETHER FOR A MORE SUSTAINABLE ENVIRONMENT

Respect for the environment, for local territories and for the people with whom we share areas and activities are essential elements in order to ensure the continuity and growth of our Group over time and to the benefit of future generations.

Therefore, we are directly involved in the development of international regulations and we conduct our business in close collaboration with the flag agency, classification societies, the sector's industrial associations, shipping companies and the main international research bodies.



Research plays a particularly important role in the fight against climate change. Therefore, the Sustainability Plan includes a specific objective that provides for the activation of **partnerships with universities/research institutes** in order to develop new solutions for energy efficiency or reduction of greenhouse gas emissions. In particular, a project was launched in 2019 to study proposals for regulations allowing the use of fuel cells on board ships, with particular focus on passenger ships. Fincantieri also presented a project proposal called GreenCruise to the Italian Ministry for Economic Development to study and develop prototypes of power generation solutions using alternative fuels (e.g. LNG and fuel cells). This second project is awaiting evaluation by

the Ministry's technical experts. As part of our Research and Innovation projects, we have launched several initiatives within the framework of **European collaborations** to study strategies to reduce the environmental impact of our products, in particular, with reference to the initiatives underway to contribute to the SDG 14 objective - life below water, studies are being carried out to reduce underwater noise caused by our products, even though there are no strict regulations on this issue. An agreement was signed between Fincantieri, Eni, Cassa Depositi e Prestiti, and Terna with the aim of developing energy systems with reduced environmental impact. Experimentation of a system that uses **wave motion** to produce electricity is part of this approach.

We also believe in the value of transparency in reporting and we are guiding change in this direction. As proof of this, in 2016 we joined the **CDP Climate Change Programme**, a prestigious British organization whose goal is to improve the management of environmental risks by leveraging information transparency. The programme asks the world's largest companies from all sectors to participate in an annual survey of their approach to managing their environmental risks and of the results they achieved. The extensive database resulting from this survey is made available to stakeholders. In 2019, the Fincantieri Group obtained the **B rating**, on a scale ranging from the minimum D to the maximum A, which testifies to the effectiveness of the actions it has taken in the fight against climate change.

 For more information on our collaborations, please refer to the chapter "For innovation".



# ANNEXES

- METHODOLOGICAL NOTE
- DESCRIPTION OF MATERIAL TOPICS
- GLOBAL COMPACT RECONCILIATION TABLE
- GRI CONTENT INDEX
- INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

METHODOLOGICAL NOTE

The third Sustainability Report of the Fincantieri Group, approved by the Board of Directors on 1 April 2020, is a communication tool that describes, in a transparent and structured manner, the economic, social and environmental results achieved, and demonstrates the Group's commitment to sustainable development, with the aim of creating value not only for the Company, but also for its stakeholders.

The Report represents the **Consolidated Non-Financial Statement of the Fincantieri Group** prepared in accordance with Articles 3 and 4 of Legislative Decree No. 254/16, with reference to the 2019 financial year (from 1 January to 31 December 2019). This document reports, to the extent necessary to ensure an understanding of the activities of the company, its progress, its results and its impact, in relation to the areas considered important and required by Article 3 of the Decree.

As required by Article 5 of the Decree this document is a **distinct report** with the appropriate wording to identify it as the Consolidated Non-Financial Disclosure (NFD) required by the regulation.

The **contents** of the Report have been prepared in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Standards of 2016, with the exception of the GRI 303 - Water and Effluents and GRI 403 - Occupational Health and Safety indicators which implement the GRI 2018 Standard. The Report has been prepared in accordance with GRI Standards: Core option.

For further detail on the information required by the Standards and the indicators reported, please refer to the table shown in the annex to this document.

Sustainability reporting is preceded annually by the analysis and identification of **material topics** (materiality matrix page 26), i.e. those which reflect the significant impacts for the organization from an economic, social and environmental viewpoint, and which substantially influence stakeholders' assessments and decisions, and by the mapping and risk management methods. As required by the Decree, for each theme evidence is given on its materiality in relation to Group's activities, the risks connected with it, the Company's policies and commitments and the results obtained and monitored using ad hoc indicators capable of representing the results in terms of management.

With reference to the requirements of Article 3, paragraph 2 of Legislative Decree 254/16, some information not considered relevant for an understanding of the company, its progress, results and impact has been excluded.

Fincantieri defined its **Sustainability Plan**, approved by the Board of Directors, which is aligned to the 2018-2022 Business Plan and highlights and strengthens the intention to be a responsible Group. The Plan addresses some global challenges (such as the **UN's Sustainability Development Goals**) and details the commitments undertaken by the Group and breaks them down into qualitative and quantitative targets that can be measured over time and subjects them to constant monitoring.



In 2019, the Fincantieri Group decided to join the **Global Compact**, the initiative to promote and disseminate sustainable development practices launched and sponsored by the United Nations, and has therefore committed itself to integrating the ten principles relating to human rights, labour rights, environmental protection and combating corruption into its policies, strategies and activities.

The Sustainability Report represents the **Communication on Progress (COP)** related to the activity carried out in 2019. In particular, a table has been prepared (see appendix), which summarises the actions taken and the results achieved in relation to each of the above principles and references the pages of the Sustainability Report where these topics are discussed in greater detail.

The **process** of collecting data and information and drafting the Report is coordinated and managed by the Sustainability unit, in cooperation with the multifunctional Working Group. The Report's contents have been defined according to the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

The Sustainability Report has been prepared in accordance with a specific internal procedure that defines the roles, responsibilities and operating methods that Fincantieri S.p.A.'s and subsidiaries' staff must follow in order to guarantee the proper management of all the data required to prepare the document.

The reporting process is based on the current information systems used by the main company units are have been integrated using specific data collection sheets and supported by operating manuals in which the methods for collecting the indicators have been defined. The data were processed and validated also by the various function managers.

To enable data and information comparability over time and assess the Group's performance, comparison with the previous year is given where possible. Furthermore, in order to correctly show performance and guarantee the reliability of the data, the use of estimates was limited to the minimum possible and, if present, these are based on the best methods available and appropriately described. The document seeks to present the positive and negative aspects in an equal light and, where considered appropriate, a comment on the results has been provided. The economic values are expressed in euros (thousands and/or millions of euros). Sometimes the data are rounded to one decimal point or to a round number, and therefore their sum may not coincide exactly with the total value.

The **reporting boundary** of the data presented in the Report relates to the companies fully consolidated (using the line-by-line method) in the consolidation area used for the consolidated financial statements. Any limitations to the reporting boundary specified above or clarifications concerning



the calculation method are indicated in the relevant sections of the document. In particular, with regard to the indicator of the direct economic value generated and distributed (201-1) in 2019, the method of calculating the amounts allocated to the community was revised in order to bring it closer to the London Benchmarking Group (LBG) model. It should be noted that with regard to the raw materials indicator (301-1) the 2018 data have been revised following the inclusion of the VARD group data excluding nitrogen and iron, the latter was provided only for Fincantieri S.p.A. and Fincantieri Marine Group for both 2018 and 2019. Fincantieri Marine Group's 2018 data for the procurement of materials has been revised for comparative purposes and as a result of improved collection systems. Fincantieri Marine Systems North America provided data for the first year on employee journeys by air and by car. As a result, indirect Scope 3 greenhouse gas (GHG) emissions (305-3) for both years were also integrated with emissions from ferrous materials and those for 2018 were revised following the update of the data on raw materials and material procurement data. Fincantieri Marine Group's 2018 data on minority groups included in the indicator (405-1) have been reclassified for comparison purposes to adapt them to the definition that is common to the whole Group.

With regard to the analysis and description of the main indirect economic impacts associated with outsourcing of the production chain (203-2), Fincantieri has used an econometric model developed by Censis (a Foundation recognized with Decree of the President of the Republic No. 712/1973). Based on this model,

a better estimate was produced to represent the multiplier effects that Fincantieri is able to produce within the national economic system, based on the specific production and business model developed and pursued in recent years and the structure of the supply chain, with the relative levels of integration upstream of the production cycle for naval vessels.

The document was also the subject of a **limited assurance engagement** according to the criteria indicated in the revised ISAE 3000 standard involving the independent auditors PwC S.p.A. who, at the end of their work, issued the report required under Legislative Decree 254/16 and Consob Regulation 20267 of 2019 concerning the compliance of the information supplied in the Sustainability Report - Consolidated Non-Financial Statement prepared by Fincantieri under Legislative Decree 254/16 and in accordance with the reporting standard adopted.

The Sustainability Report is required to be published **annually**. The document is also available on the website ([www.fincantieri.com](http://www.fincantieri.com)), in the Sustainability section.

For any further information it is possible to contact the Sustainability unit at the email address [sustainability@fincantieri.it](mailto:sustainability@fincantieri.it)

MATERIAL ASPECTS

MATERIAL ASPECTS FOR FINCANTIERI		GRI STANDARD TOPICS	BOUNDARY OF ASPECT	
MACRO AREA	MATERIAL TOPIC		INTERNAL	EXTERNAL
 Governance	Governance and business integrity	Organizational profile; Ethics and integrity; Governance; Stakeholder engagement; Indirect economic impacts, Anti-corruption; Anti-competitive behaviour	Group	Supply chain; Customers; Community
	Cyber security	Ethics and integrity; Customer privacy	Group	Supply chain; Customers; Community
 Economic resp.	Economic and financial sustainability	Economic performance	Group	Supply chain; Customers; Community
	Procurement activities	Procurement practices; Environmental and social assessment of suppliers	Group	Supply chain
 Human resources resp.	Protection of employment and industrial relationships	Market presence; Employment; Labour/management relations; Freedom of association and collective bargaining	Group	Community
	Training and education	Training and education	Group	
	Company welfare	Employment	Group	
	Diversity and equal opportunity	Diversity and equal opportunity	Group	
 Social resp.	Health and safety in the workplace	Occupational health and safety	Group	
	Local communities and relations with the local area	Local communities; Public policy	Group	Community
	Human rights	Environmental and social assessment of suppliers	Group	Supply chain; Community
 Product resp.	Product quality and compliance with technical regulations and standards	Customer health and safety; Customer privacy; Socioeconomic compliance	Group	Customers
	Innovation, research and development	Stakeholder engagement; Customer health and safety; Emissions	Group	Customers; Supply chain
	Customer satisfaction	Stakeholder engagement	Group	Customers
 Environmental resp.	Climate change	Emissions	Group	Community, Environment
	Environmental management	Materials, Energy; Water and effluents; Biodiversity, Emissions, Effluents and waste; Environmental compliance	Group	Community, Environment
	Environmental impact of products and services	Emissions	Group	Environment

.....  
**DESCRIPTION OF MATERIAL TOPICS**  
 .....

**Governance and business integrity**

Business integrity is the capacity to develop the business fairly and transparently and is a key factor characterizing the identity of the Group, as well as an important element in its reputation.

Responsible governance ensures fair and transparent conditions in the conduct of business affairs and the related company activities, protecting the company image and reputation, meeting the expectations of stakeholders and safeguarding the work of employees.

**Cyber security**

The focus on cyber security has gradually intensified in response to the ever-increasing complexity and frequency of cyber attacks carried out against companies with national and international strategic importance, making it necessary to constantly adapt the corporate defences and processes for safeguarding IT assets.

Protecting the integrity and confidentiality of data and information has become a pillar of the corporate digital strategy. The Group guarantees the protection of computer systems and data by avoiding the risk of network breaches, corruption of sensitive data or processes, using prevention, detection and measures against potential cyber attacks.

**Economic and financial sustainability**

The Group is committed to increasingly sustainable and responsible performance, creating the conditions for development which meets the needs and expectations of all its stakeholders.

**Innovation, research and development**

Technological excellence is a key element of the Group's entrepreneurial approach, which allows it to maintain and strengthen its competitiveness and leading position in complex, markets with high potential.

**Employment protection and trade union relations**

People are the key assets of the Group and their protection generates wealth for the

company. Individual growth comes with constant collaboration and cooperation, factoring in common ideas and practice, skills and actions, international exchange and comparison and a multidisciplinary approach. Industrial relations in Fincantieri are based on a participative model which values and enhances the role of trade unions and workers, also through the establishment of appropriate joint committees.

**Procurement activities**

A significant portion of the overall value of each ship depends on materials, parts, components and turnkey systems supplied by third parties. The Group actively manages its make-or-buy procurement strategies and therefore the size of the contribution of third party suppliers to the overall value of the project, also through rigorous qualification processes.

**Product quality and compliance with technical standards**

Excellent levels of quality are in the DNA of the Group, because the complexity of its business requires high standards in terms of quality and compliance with technical regulations and standards, at each stage of the production process. Responsibility for ensuring quality is widespread and shared.

**Customer satisfaction**

Customers and their satisfaction are at the centre of the Group's interest; customer satisfaction is pursued by constantly involving the customer at the execution stage, in the continuous monitoring of quality and through the offer of innovative products.

**Climate change**

The Group manages the risks related to climate change, constantly researching new methods to improve its practices and minimize the impact of emissions resulting from its industrial activities. It supports research projects in collaboration with research institutes/universities on issues associated with climate risks.

**Environmental management**

Environmental protection is at the centre of the activities of the Company, which must commit itself, in carrying out its activities, to making the principles of environmental sustainability its own, both in its strategic choices and in its business processes. To this end it must commit itself to improving energy efficiency and saving, proper management of water resources and correct disposal of waste and effluent. Safeguarding the natural value of the areas affected by shipyard activities is also important. To protect these delicate places, specific and special precautions are put in place in accordance with local legislation.

**Environmental impact of products and services**

The Group operates with a "life cycle" approach, aiming to minimize the environmental and social impact of a product or service over its life cycle, departing therefore from a model which sees the impact on the environment and society of only production activities, and broadening the analysis of possible negative external effects to all the links in the value chain

**Diversity and equal opportunity**

Diversity allows all the transformations and changes currently taking place to be embraced and represents an open, flexible and helpful relational approach. With regard to equal opportunities, significant commitment has been given to increasing the presence of women in the Company.

**Company welfare**

This is an innovative tool which permits efficient management of resources and provides an alternative to traditional pay and incentive mechanisms. The ultimate aim is to improve the quality of life and wellbeing of employees and their families.

**Health and safety in the workplace**

Safety at work is a condition for the performance of work without exposure to the risk of accidents or occupational disease. Historically Fincantieri has dedicated significant effort to the protection of health and safety; over the years it has promoted a profound change in safety culture, as a first step towards further development. The key element is personnel training as a tool for risk prevention.

**Training and education**

Investment in staff training and development is of strategic importance in terms of restoring a high level of skill and know-how in the field, at all levels. Accordingly the training on offer has been expanded with new technical and managerial training programmes.

**Local communities and relations with the local area**

Local development is directly linked both with business activities and with the ability to systematically involve local players, showing awareness of the impact on the community. In terms of business activities, networks of small and medium-sized enterprises (SME), highly specialized in various macro-sectors, are engaged. In addition, initiatives to promote the development of local communities are stimulated and encouraged, with the aim of creating shared value.

**Human rights**

The Company has a strong commitment to ensuring that the skills and competencies of each employee are developed and maintained, both through recognition of merit and respect for equal opportunities, with the aim of safeguarding the human rights sanctioned by the Universal Declaration of the UN. Moreover the Group has always paid the maximum attention to ensuring transparency and observance of agreements and laws governing the contracting (tendering) system, a key element in its own development capacity and competitiveness in the relevant markets.

GLOBAL COMPACT RECONCILIATION TABLE

THE TEN PRINCIPLES	SUSTAINABILITY REPORT 2019	PAGE
Principles 1, 2 - Businesses are required to promote and respect universally recognized human rights within their sphere of influence and to ensure that they are not complicit in human rights abuses, even indirectly.	<p><b>Human rights</b> The Company is committed to ensuring and promoting respect for human rights, a priority for the Group, in all business areas and among all stakeholders, whether Group employees or suppliers. The activities are conducted in accordance with fundamental human rights standards. As proof of this commitment, the Group's policies and practices are aligned with:</p> <ul style="list-style-type: none"> <li>• the International Bill of Human Rights, including the United Nations (UN) Universal Declaration on Human Rights;</li> <li>• fundamental Conventions of the International Labor Organization (ILO);</li> <li>• Guidelines of the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises;</li> <li>• the Ten principles of the United Nations Global Compact.</li> </ul> <p>Fincantieri promotes sustainability and business ethics in the supply chain by conducting human rights, environmental, occupational health and safety audits on its suppliers.</p> <p>Fincantieri protects health and safety at work through training, awareness and information initiatives.</p>	46-47; 51-54; 96-101; 128-130; 136
Principles 3, 4, 5, 6 - Businesses are required to uphold workers' freedom of association and recognize the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; the elimination of all forms of discrimination in respect of employment and occupation.	<p><b>Labour</b> Fincantieri is committed to complying with the ILO's four core labour standards, as set forth in the Declaration on Fundamental Principles and Rights at Work:</p> <ul style="list-style-type: none"> <li>• freedom of association and the right to collective bargaining;</li> <li>• elimination of all forms of forced or compulsory labour;</li> <li>• effective abolition of child labour;</li> <li>• elimination of all forms of discrimination in respect of employment and occupation.</li> </ul> <p>Fincantieri rejects any form of discrimination based on ethnicity, colour, gender, age, disability, sexual orientation, religion, political opinion, nationality and social origin. It is committed to maintaining a work environment that is free from any and all forms of violence or harassment.</p> <p>Fincantieri regulates its relationships with political organizations and labour unions exclusively based on the current laws, regulations and agreements/contracts, guaranteeing the highest principles of transparency and correct conduct.</p> <p>Fincantieri is committed to initiatives to balance life and work.</p> <p>Fincantieri provides employees with training and professional development paths.</p>	46-47; 51-54; 96-101; 120-143

THE TEN PRINCIPLES	SUSTAINABILITY REPORT 2019	PAGE
Principles 7, 8, 9 - Businesses are required to support a precautionary approach to environmental challenges; undertake initiatives that promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.	<p><b>Environment</b> Fincantieri is committed to:</p> <ul style="list-style-type: none"> <li>• reducing its direct impact by reducing consumption and waste produced, and prioritizing the use of eco-sustainable resources, such as certified energy from renewable sources;</li> <li>• protecting the environment and seeing the environmental management system as the tool for implementing and monitoring the actions taken to carry out the commitments made;</li> <li>• following all the international best practices to minimize a ship's environmental impact throughout its entire life cycle. The Group is committed to developing new technologies to save energy, reduce emissions and increase the performance and quality of its ships;</li> <li>• also making its suppliers aware of environmental aspects.</li> </ul>	156-183
Principle 10 - Businesses are committed to working against corruption in all its forms, including extortion and bribery.	<p><b>Anti-corruption</b> Fincantieri disseminates ethical principles and corporate values and provides training on legality and anti-corruption issues.</p> <p>Fincantieri carries out reputational audits on suppliers and third parties.</p> <p>No corruption cases were reported in 2019.</p>	46-50
Support for the Sustainable Development Objectives	<p>Fincantieri is also committed to contributing to the achievement of the Sustainable Development Goals defined by the United Nations, in particular, the Company is active on goals 7, 8, 9, 12, 13 and 14.</p>	32-35



**UN GLOBAL COMPACT**  
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

GRI CONTENT INDEX

“In accordance - Core” option

**Key:**  
 FC: Fincantieri S.p.A., Italian and minor foreign subsidiaries  
 VARD: VARD group  
 FMG: Fincantieri Marine Group  
 FMSNA: Fincantieri Marine Systems North America Inc.

The contents of the Report have been prepared in accordance with the GRI Sustainability Reporting Standards of 2016, with the exception of the GRIs 303 - Water and Effluents and GRI 403 - Occupational Health and Safety indicators which implement the GRI 2018 Standards. The Report has been prepared in accordance with GRI Standards: Core option.

GENERAL STANDARD DISCLOSURES										
CODE	INDICATOR DESCRIPTION									PAGE
<b>ORGANIZATION PROFILE</b>										
102-1	Name of the organization									FINCANTIERI S.p.A.
102-2	Activities, brands, products, and services									8; 14
102-3	Location of headquarters									12
102-4	Location of operations									8
102-5	Ownership and legal form									16
102-6	Markets served									8
102-7	Scale of the organization									8
102-8	Information on employees and other workers									120
<b>EMPLOYEES BY GEOGRAPHICAL AREA</b>										
	2018		2019							
	NUMBER OF EMPLOYEES		NUMBER OF EMPLOYEES							
Italy	8,662	44.9%	9,334	47.1%						
Rest of Europe	7,459	38.7%	7,389	37.3%						
North America	2,060	10.7%	2,204	11.1%						
South America	308	1.6%	121	0.6%						
Africa	0	-	0	-						
Asia	784	4.1%	775	3.9%						
Oceania	1	0.0%	0	0.0%						
<b>Total</b>	<b>19,274</b>	<b>100%</b>	<b>19,823</b>	<b>100%</b>						
<b>EMPLOYEES BY TYPE OF CONTRACT</b>										
	PERMANENT				FIXED TERM				TOTAL	
	FULL TIME		PART TIME		FULL TIME		PART TIME			
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
FC	8,304	8,994	160	177	204	171	3	2	8,671	9,344
VARD	7,357	7,278	50	48	1,227	1,099	30	12	8,664	8,437
FMG	1,881	1,975	2	2	0	0	0	0	1,883	1,977
FMSNA	56	65	0	0	0	0	0	0	56	65
<b>Total</b>	<b>17,598</b>	<b>18,312</b>	<b>212</b>	<b>227</b>	<b>1,431</b>	<b>1,270</b>	<b>33</b>	<b>14</b>	<b>19,274</b>	<b>19,823</b>
<b>% Incidence</b>	<b>91.3%</b>	<b>92.4%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>7.4%</b>	<b>6.4%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>100%</b>	<b>100%</b>

CODE	INDICATOR DESCRIPTION									PAGE
<b>EMPLOYEES BY TYPE OF CONTRACT - WOMEN</b>										
	PERMANENT				FIXED TERM				TOTAL	
	FULL TIME		PART TIME		FULL TIME		PART TIME			
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
FC	625	775	141	145	41	38	3	0	810	958
VARD	1,175	1,242	24	23	106	74	4	3	1,309	1,342
FMG	256	295	1	2	0	0	0	0	257	297
FMSNA	9	12	0	0	0	0	0	0	9	12
<b>Total</b>	<b>2,065</b>	<b>2,324</b>	<b>166</b>	<b>170</b>	<b>147</b>	<b>112</b>	<b>7</b>	<b>3</b>	<b>2,385</b>	<b>2,609</b>
<b>% Incidence</b>	<b>86.5%</b>	<b>89.1%</b>	<b>7.0%</b>	<b>6.5%</b>	<b>6.2%</b>	<b>4.3%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>100%</b>	<b>100%</b>
<small>The data refer to the entire Fincantieri Group. Other collaborators (interns, apprentices, agency workers) are not included, which in 2019 numbered 1,029, of whom 119 women, as they are not part of the workforce.</small>										
102-9	Supply chain									86-102
102-10	Significant changes to the organization and its supply chain									12-14
102-11	Precautionary principle									27; 44-45
102-12	External initiatives									24; 70; 75-78
102-13	Membership of associations									24
<b>STRATEGY</b>										
102-14	Statement from a senior decision-maker									4
<b>ETHICS AND INTEGRITY</b>										
102-16	Values, principles, standards, and norms of behavior									17; 46-47
<b>GOVERNANCE</b>										
102-18	Governance structure									20; 38-41
102-35	Remuneration policies									42-43
<b>STAKEHOLDER ENGAGEMENT</b>										
102-40	List of stakeholder groups									22-23
102-41	Collective bargaining agreements									138-140
<small>The percentage of employees covered by collective bargaining agreements is 95% in Fincantieri S.p.A. and its Italian subsidiaries compared to 66% for Fincantieri Marine Group, 0% for Fincantieri Marine Systems North America Inc. and a variable coverage in the countries worked in by the VARD group (0% Canada, United States, Poland, Chile, Croatia, India, Scotland, Singapore, Estonia, 89% Norway, 99% Brazil, 100% Vietnam, Italy, Romania).</small>										
102-42	Identifying and selecting stakeholders									22-23
102-43	Approach to stakeholder engagement									22-23
102-44	Key topics and concerns raised									25-26

CODE	INDICATOR DESCRIPTION	PAGE
<b>REPORTING PRACTICE</b>		
102-45	Entities included in the consolidated financial statements	8; 186-189
102-46	Defining report content and topic boundaries	186-189
102-47	List of material topics	26; 190-191
102-48	Restatements of information	186-189
102-49	Changes in reporting	186-189
102-50	Reporting period	186-189
102-51	Date of most recent report	186-189
102-52	Reporting cycle	186-189
102-53	Contact point for questions regarding the report	186-189
102-54	Claims of reporting in accordance with GRI Standards	194
102-55	GRI content index	194-204
102-56	External assurance	206
<b>SPECIFIC STANDARD DISCLOSURES</b>		
<b>CATEGORY: ECONOMIC</b>		
<b>ECONOMIC PERFORMANCE</b>		
103-1 103-2 103-3	Management approach	62
201-1	Direct economic value generated and distributed	62
<b>MARKET PRESENCE</b>		
103-1 103-2 103-3	Management approach	120
202-2	Proportion of senior management hired from the local community As regards the recruitment policies for senior management, the majority of those recruited (over 94%) are found to be from local profiles and candidates.	
<b>INDIRECT ECONOMIC IMPACTS</b>		
103-1 103-2 103-3	Management approach	68-69
203-2	Significant indirect economic impacts For the analysis and description of the main indirect economic impacts, Fincantieri has used an econometric model developed by Censis (a Foundation recognized with Decree of the President of the Republic 712/1973). The impact measures were calculated using the analysis and calculation methodology based on Leontief input-output tables, although this model was substantially modified to adapt it to the specific Fincantieri production and company structure. The estimates can be considered sufficiently robust proxies for the multiplier effects that Fincantieri is able to produce within the national economic system, given its specific production model, the business model that the Company has built in recent years and the structure of the supply chain, with the relative levels of integration upstream of the production cycle for naval vessels.	68-69

CODE	INDICATOR DESCRIPTION	PAGE	
<b>PROCUREMENT PRACTICES</b>			
103-1 103-2 103-3	Management approach	86-87	
204-1	Proportion of spending on local suppliers	88-89; 98-101	
<b>ANTI-CORRUPTION</b>			
103-1 103-2 103-3	Management approach	46-50	
205-2	Communication and training about anti-corruption policies and procedures	49-50	
205-3	Confirmed incidents of corruption and actions taken	50	
<b>ANTI-COMPETITIVE BEHAVIOR</b>			
103-1 103-2 103-3	Management approach	46-50	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices No fines or sanctions have been received for actions referred to the reporting period.		
<b>CATEGORY: ENVIRONMENTAL</b>			
103-1 103-2 103-3	Management approach	156-159	
Fincantieri is aware that its level of responsibility is judged by its ability to combine, in its work, professionalism and quality with strict respect for laws and consideration for the needs and expectations of the community in relation to the protection of public goods. Fincantieri wants to represent a model of excellence also in terms of maximum environmental protection. To manage the more significant environmental aspects and prevent its business having an environmental impact, Fincantieri is committed to implementing and maintaining an Environmental Management System and obtaining the relevant certification in accordance with international standard ISO 14001 at its sites. 8 grievances regarding environmental impacts were filed in 2019, of which 2 referred to previous years and were resolved during the year.			
<b>MATERIALS</b>			
301-1	Materials used by weight or volume	164-165	
<b>ENERGY</b>			
302-1	Energy consumption within the organization	161-162	
Type	MEASUREMENT UNIT	2018	2019
Acetylene	GJ	16,769	18,585
Natural gas	GJ	430,935	425,761
Diesel	GJ	634,912	612,830
LPG	GJ	22,761	14,052
LNG	GJ	4	8
Fuel oil	GJ	256,615	224,767
<b>Total fuel</b>	GJ	<b>1,361,996</b>	<b>1,296,003</b>
<b>Total self-generated thermal energy</b>	GJ	<b>587</b>	<b>3,766</b>
<b>Total electricity</b>	GJ	<b>1,258,122</b>	<b>1,280,560</b>
Of which from renewable sources	GJ	106,376	508,185
<b>Total energy</b>	GJ	<b>2,620,706</b>	<b>2,580,329</b>

The data refer to the entire Fincantieri Group.  
Energy consumption varies according to production loads.

CODE	INDICATOR DESCRIPTION						PAGE
302-4	Reduction of energy consumption						161
INITIATIVE	MEASUREMENT UNIT	BASELINE	CONSUMPTION	BASELINE CONSUMPTION	SAVING OBTAINED	% SAVING OBTAINED	
LED replacement warehouse 51 and Package Workshop - Monfalcone (Italy)	kWh	May - December 2018	60,786	104,482	43,696	41.8%	
LED replacement PRF A workshop - Castellammare di Stabia (Italy)	kWh	2018	87,093	217,120	130,027	59.9%	
LED replacement block workshop and OSA - Palermo (Italy)	kWh	May - December 2018	54,000	133,000	79,000	59.4%	
Replacement of outdoor lighting - Sestri Ponente (Italy)	kWh	January - October 2018	174,599	686,499	511,900	74.6%	
LED Replacement Program - Marinette (United States)	kWh	2018	72,589	421,817	349,228	82.8%	
Replacement yard areas - Braila (Romania)	kWh	2018	106,650	222,916	116,266	52.2%	
<b>Total</b>			<b>555,717</b>	<b>1,785,834</b>	<b>1,230,117</b>	<b>68.9%</b>	
The data relate to the Fincantieri Group.							
<b>WATER AND EFFLUENTS</b>							
303-1	Interactions with water as a shared resource						162-163
303-2	Management of water discharge-related impacts						164
303-3	Water withdrawal						163
<b>BIODIVERSITY</b>							
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas						171
<b>EMISSIONS</b>							
305-1	Direct (Scope 1) GHG emissions						167
The data refer to the entire Fincantieri Group. The emissions have been estimated following the guidelines of the Greenhouse Gas (GHG) Protocol. The sources of emission factors are ISPRA and DEFRA for fuels and transport fuels, while they are DEFRA and IPCC for refrigerant gases.							
305-2	Energy indirect (Scope 2) GHG emissions						167
The data refer to the entire Fincantieri Group. The emissions have been estimated following the guidelines of the Greenhouse Gas (GHG) Protocol. The sources of emission factors are ISPRA for Italy and TERNA International Comparisons 214/USA for abroad. Emissions from Scope 2 for the Italian sites that have acquired energy from renewable sources certified with the Guarantee of Origin (GO) and those for Norwegian sites of the subsidiary VARD have been calculated using the market-based methodology which attributes a conversion factor of zero (0) for energy consumption from renewable sources.							
305-3	Other indirect (Scope 3) GHG emissions						168
The 2018 data have been revised for comparison purposes following improvement of the identification and measurement of raw material consumption by the VARD group and the procurement of materials by Fincantieri Marine Group. The 2019 data refer to the entire Fincantieri Group, except for the procurement of raw materials which concerns Fincantieri S.p.A. (56% of stocks) and Fincantieri Marine Group. The emissions have been estimated following the guidelines of the Greenhouse Gas (GHG) Protocol. The sources of the emission factors are DEFRA, EPA and Greenhouse Gas (GHG) Protocol.							
305-4	Intensity of GHG emissions						168
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions						169-170

CODE	INDICATOR DESCRIPTION						PAGE	
<b>EFFLUENTS AND WASTE</b>								
306-2	Waste by type and disposal method						165-166	
<b>ENVIRONMENTAL COMPLIANCE</b>								
307-1	Non-compliance with environmental laws and regulations							
No significant fines were received in the reporting period.								
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>								
103-1 103-2 103-3	Management approach						86-87	
308-1	New suppliers that were screened using environmental criteria						92-95	
308-2	Negative environmental impacts in the supply chain and actions taken						96-101	
<b>CATEGORY: SOCIAL</b>								
103-1 103-2 103-3	Management approach						120-128	
The Group has staff policies that are characterized by enhancement, professional growth, protection of rights and respect for corporate values. The fundamental principles and rights recognized to workers are detailed in the Code of Conduct. Fincantieri operates within the reference framework of the UN's Universal Declaration of Human Rights, the fundamental Conventions of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the ten principles of the United Nations Global Compact. Staff are hired with a proper written contract. Worker exploitation, forced, compulsory or child labour of any kind is not permitted. Employees are recognized the rights to freedom of association, to establish workers' representatives and to perform the related duties (including the right to collective bargaining), in accordance with the regulations and practices in force in the different countries. Lastly, benefits of various kinds, in addition to remuneration, are envisaged for the employees. During 2019, 189 grievances were filed related to impacts concerning employment, of which 28 were resolved in the reporting period. The 9 grievances filed related to human rights violations were all resolved during the reporting period. Furthermore, 621 employment disputes are reported relating to employees and former employees for a value of over 260 million euros including the asbestos-related cases dating back to the past.								
<b>EMPLOYMENT</b>								
401-1	New employee hires and employee turnover						121-122	
<b>HIRES</b>								
	≤ 30		30-50		≥ 50		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019
FC	185	360	291	370	53	59	529	789
VARD	726	646	842	646	220	143	1,788	1,435
FMG	121	226	110	206	57	87	288	519
FMSNA	2	6	5	15	0	3	7	24
<b>Total</b>	<b>1,034</b>	<b>1,238</b>	<b>1,248</b>	<b>1,237</b>	<b>330</b>	<b>292</b>	<b>2,612</b>	<b>2,767</b>
<b>LEAVERS</b>								
	≤ 30		30-50		≥ 50		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019
FC	36	44	80	98	60	82	176	224
VARD	746	555	1,134	753	323	334	2,203	1,642
FMG	109	117	159	176	143	139	411	432
FMSNA	4	1	4	5	1	3	9	9
<b>Total</b>	<b>895</b>	<b>717</b>	<b>1,377</b>	<b>1,032</b>	<b>527</b>	<b>558</b>	<b>2,799</b>	<b>2,307</b>

CODE	INDICATOR DESCRIPTION								PAGE
<b>HIRES - WOMEN</b>									
	≤ 30		30-50		≥ 50		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	
FC	56	99	57	59	3	5	116	163	
VARD	100	91	139	74	30	16	269	181	
FMG	32	43	21	47	13	12	66	102	
FMSNA	0	1	0	5	0	1	0	7	
<b>Total</b>	<b>188</b>	<b>234</b>	<b>217</b>	<b>185</b>	<b>46</b>	<b>34</b>	<b>451</b>	<b>453</b>	
<b>LEAVERS - WOMEN</b>									
	≤ 30		30-50		≥ 50		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	
FC	7	13	14	12	3	9	24	34	
VARD	45	46	68	55	44	40	157	141	
FMG	17	25	31	23	21	18	69	66	
FMSNA	1	0	1	2	0	0	2	2	
<b>Total</b>	<b>70</b>	<b>84</b>	<b>114</b>	<b>92</b>	<b>68</b>	<b>67</b>	<b>252</b>	<b>243</b>	

The data refer to the entire Fincantieri Group and do not include intra-group movements.

In 2019, 2,767 people were hired, including 453 women, and there were 2,307 leavers, including 243 women. The rate of new employee hires was 14.0% (16.4% for women) while the turnover was 11.6% (10.5% for women).

401-2	<b>Benefits provided for full-time employees that are not provided to temporary or part-time employees</b>	<b>137-138</b>
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**LABOUR/MANAGEMENT RELATIONS**

402-1	<b>Minimum notice periods regarding operational changes</b>	
In the case of business reorganization, the Group applies, in Italy and abroad, the instruments provided for by national collective bargaining agreements and contracts and supplementary company contracts. The minimum notice period in Italy varies depending on the national contracts and for Fincantieri S.p.A. is 25 days while for the Italian subsidiaries either none is provided for or it varies from between 5 and 25 days, for companies in the VARD group it varies depending on the country (90 days in Scotland, 30 days in Brazil, India, Norway, Poland, Romania and Singapore, 25 days in Italy, while it is not provided for in Vietnam, Canada, the United States, Estonia, Chile and Croatia). The indicator is not applicable for the American companies Fincantieri Marine Group and Fincantieri Marine Systems North America Inc. as it is not provided for within contracts.		

**OCCUPATIONAL HEALTH AND SAFETY**

103-1 103-2 103-3	<b>Management approach</b>	<b>131-136</b>
403-1	<b>Occupational health and safety management system</b>	<b>131; 136</b>
403-2	<b>Hazard identification, risk assessment, and incident investigation</b>	<b>131-136</b>
403-3	<b>Occupational health services</b>	<b>131-133</b>
403-4	<b>Worker participation, consultation, and communication on occupational health and safety</b>	<b>131-133</b>
403-5	<b>Worker training on occupational health and safety</b>	<b>133</b>
403-6	<b>Promotion of worker health</b>	<b>131-136</b>
403-7	<b>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</b>	<b>131-136</b>
403-8	<b>Workers covered by an occupational health and safety management system</b>	<b>136</b>

The number of employees at production sites covered by an occupational health and safety management system at Group level is 15,261 equal to 91% (in Italy it is 100%). While the number of non-employee staff at production sites covered by an occupational health and safety management system is 42,557 for Fincantieri S.p.A. (100%) and Fincantieri Marine Group (62%).

CODE	INDICATOR DESCRIPTION										PAGE
403-9	<b>Work-related injuries</b>										<b>133</b>
<b>HEALTH AND SAFETY INDICATORS</b>											
	2018					2019					
	FC	VARD	FMG	FMSNA	TOTAL	FC	VARD	FMG	FMSNA	TOTAL	
Severity index*	0.6	0.1	0.2	0.0	0.3	0.4	0.0	0.1	0	0.2	
Rate of occupational disease	0.2	0.1	0	0	0.1	0.2	0.0	0	0	0.1	
Rate of absenteeism	4.1	3.4	3.3	0	3.6	3.8	4.0	2.5	0	3.7	
Injury rate/Frequency rate	18.7	3.9	7.9	17.7	10.3	15.7	6.4	10.7	15.5	10.9	
Rate of recordable work-related injuries	14.8	3.4	7.9	17.7	8.5	12.9	6.2	10.7	15.5	9.7	
Rate of high-consequence work-related injuries	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	0.1	0.1	0	0	0.1	
Rate of fatalities as a result of work-related injury	0	0.1	0	0	0.0	0	0	0	0	0	
Number of injuries	267	69	28	2	366	239	100	42	2	383	
- of which work-related	211	60	28	2	301	197	98	42	2	339	
- of which high-consequence work-related	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	2	1	0	0	3	
- of which fatalities as a result of work-related	0	1	0	0	1	0	0	0	0	0	
- of which while travelling	56	9	0	0	65	42	2	0	0	44	

**HEALTH AND SAFETY INDICATORS - WOMEN**

	2018					2019				
	FC	VARD	FMG	FMSNA	TOTALE	FC	VARD	FMG	FMSNA	TOTAL
Severity index*	0.1	0.1	0.3	0	0.1	0.0	0.0	0.0	0	0.0
Rate of occupational disease	0	0	0	0	0	0	0	0	0	0
Rate of absenteeism	2.7	4.7	3.7	0	3.9	2.6	5.4	2.9	0	4.1
Injury rate/Frequency rate	6.0	2.6	12.4	0	4.7	4.4	1.3	22.4	0	5.0
Rate of recordable work-related injuries	1.7	1.7	12.4	0	3.0	2.9	1.3	22.4	0	4.5
Rate of high-consequence work-related injuries	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	0	0	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0	0	0	0	0	0	0	0
Number of injuries	7	6	6	0	19	6	3	12	0	21
- of which work-related	2	4	6	0	12	4	3	12	0	19
- of which high-consequence work-related	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	0	0	0	0	0
- of which fatalities as a result of work-related	0	0	0	0	0	0	0	0	0	0
- of which while travelling	5	2	0	0	7	2	0	0	0	2

The severity index was calculated as: (number of days lost due to injury/hours worked) x 1,000.  
 The rate of occupational disease was calculated as: (number of cases of occupational disease/hours worked) x 200,000.  
 The rate of absenteeism was calculated as: (number of days absent due to injury or illness/workable days) x 100.  
 The injury rate/frequency rate was calculated as: (number of injuries/hours worked) x 1,000,000.  
 The rate of recordable work-related injuries was calculated as: (number of recordable work-related injuries/hours worked) x 1,000,000.  
 The rate of high-consequence work-related injuries was calculated as: (number of high-consequence work-related injuries/hours worked) x 1,000,000.  
 The rate of fatalities as a result of work-related injury was calculated as: (number of fatalities as a result of work-related injury/hours worked) x 1,000,000.  
 \* The severity index has been recalculated by no longer comparing it workable hours but to hours worked, so 2018 has also been revised.  
 \*\* Data reported since 2019 as per 403 - Occupation health and safety GRI Standards 2018.  
 The data refer to the entire Fincantieri Group.

CODE	INDICATOR DESCRIPTION					PAGE
<b>HEALTH AND SAFETY INDICATORS - NON-EMPLOYEE WORKERS</b>						
	2019					
	FC	VARD	FMG	FMSNA	TOTAL	
Rate of recordable work-related injuries	13.6	10.9	3.0	0	13.1	
Rate of high-consequence work-related injuries	0.1	0.8	0	0	0.2	
Rate of fatalities as a result of work-related injury	0	0.1	0	0	0	
Number of recordable work-related injuries	619	79	3	0	701	
- of which high-consequence	3	6	0	0	9	
- of which fatalities	0	1	0	0	1	
Number of injuries - women	0	3	0	0	3	
Number of non-employee staff trained on health and safety	27,918	12,338	557	0	40,813	

As regards injuries involving non-employee workers in 2019, 701 injuries were recorded in the workplace at Group level, of which 1 was a fatality.

<b>TRAINING AND EDUCATION</b>			PAGE
103-1 103-2 103-3	Management approach		124-128

404-1	Average hours of training per year per employee	124
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<b>HOURS OF TRAINING</b>			
	2018	2019	VAR 2019/2018
Senior managers	3,770	3,689	-2.1%
Middle managers	16,783	20,030	19.3%
White collar employees	123,778	154,196	24.6%
Blue collar employees	516,102	411,461	-20.3%
<b>Total</b>	<b>660,432</b>	<b>589,376</b>	<b>-10.8%</b>

<b>HOURS OF TRAINING - WOMEN</b>			
	2018	2019	VAR 2019/2018
Senior managers	252	548	117.6%
Middle managers	1,639	2,088	27.4%
White collar employees	22,521	30,303	34.6%
Blue collar employees	65,882	62,456	-5.2%
<b>Total</b>	<b>90,294</b>	<b>95,395</b>	<b>5.6%</b>

The data refer to the entire Fincantieri Group.

404-3	Percentage of employees receiving regular performance and career development reviews	126-127
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<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			PAGE
103-1 103-2 103-3	Management approach		128-130

CODE	INDICATOR DESCRIPTION										PAGE
405-1	Diversity of governance bodies and employees										40; 128-130
<b>EMPLOYEES BY CATEGORY</b>											
	SENIOR MANAGERS		MIDDLE MANAGERS		WHITE COLLAR EMPLOYEES		BLUE COLLAR EMPLOYEES		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	
FC	255	279	467	518	4,544	5,113	3,405	3,434	8,671	9,344	
VARD	90	80	549	594	1,978	2,031	6,047	5,732	8,664	8,437	
FMG	31	28	141	151	411	440	1,300	1,358	1,883	1,977	
FMSNA	1	3	8	11	16	24	31	27	56	65	
<b>Total</b>	<b>377</b>	<b>390</b>	<b>1,165</b>	<b>1,274</b>	<b>6,949</b>	<b>7,608</b>	<b>10,783</b>	<b>10,551</b>	<b>19,274</b>	<b>19,823</b>	
<b>% Incidence</b>	<b>2.0%</b>	<b>2.0%</b>	<b>6.0%</b>	<b>6.4%</b>	<b>36.1%</b>	<b>38.4%</b>	<b>55.9%</b>	<b>53.2%</b>	<b>100%</b>	<b>100%</b>	

<b>EMPLOYEES BY CATEGORY - WOMEN</b>											
	SENIOR MANAGERS		MIDDLE MANAGERS		WHITE COLLAR EMPLOYEES		BLUE COLLAR EMPLOYEES		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	
FC	12	14	50	59	740	877	8	8	810	958	
VARD	10	12	72	79	633	650	594	601	1,309	1,342	
FMG	3	3	21	21	124	143	109	130	257	297	
FMSNA	0	0	1	2	8	9	0	1	9	12	
<b>Total</b>	<b>25</b>	<b>29</b>	<b>144</b>	<b>161</b>	<b>1,505</b>	<b>1,679</b>	<b>711</b>	<b>740</b>	<b>2,385</b>	<b>2,609</b>	
<b>% Incidence on category total</b>	<b>6.6%</b>	<b>7.4%</b>	<b>12.4%</b>	<b>12.6%</b>	<b>21.6%</b>	<b>22.1%</b>	<b>6.6%</b>	<b>7.0%</b>	<b>12.4%</b>	<b>13.2%</b>	
<b>% Incidence</b>	<b>1.1%</b>	<b>1.1%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>63.1%</b>	<b>64.3%</b>	<b>29.8%</b>	<b>28.4%</b>	<b>100%</b>	<b>100%</b>	

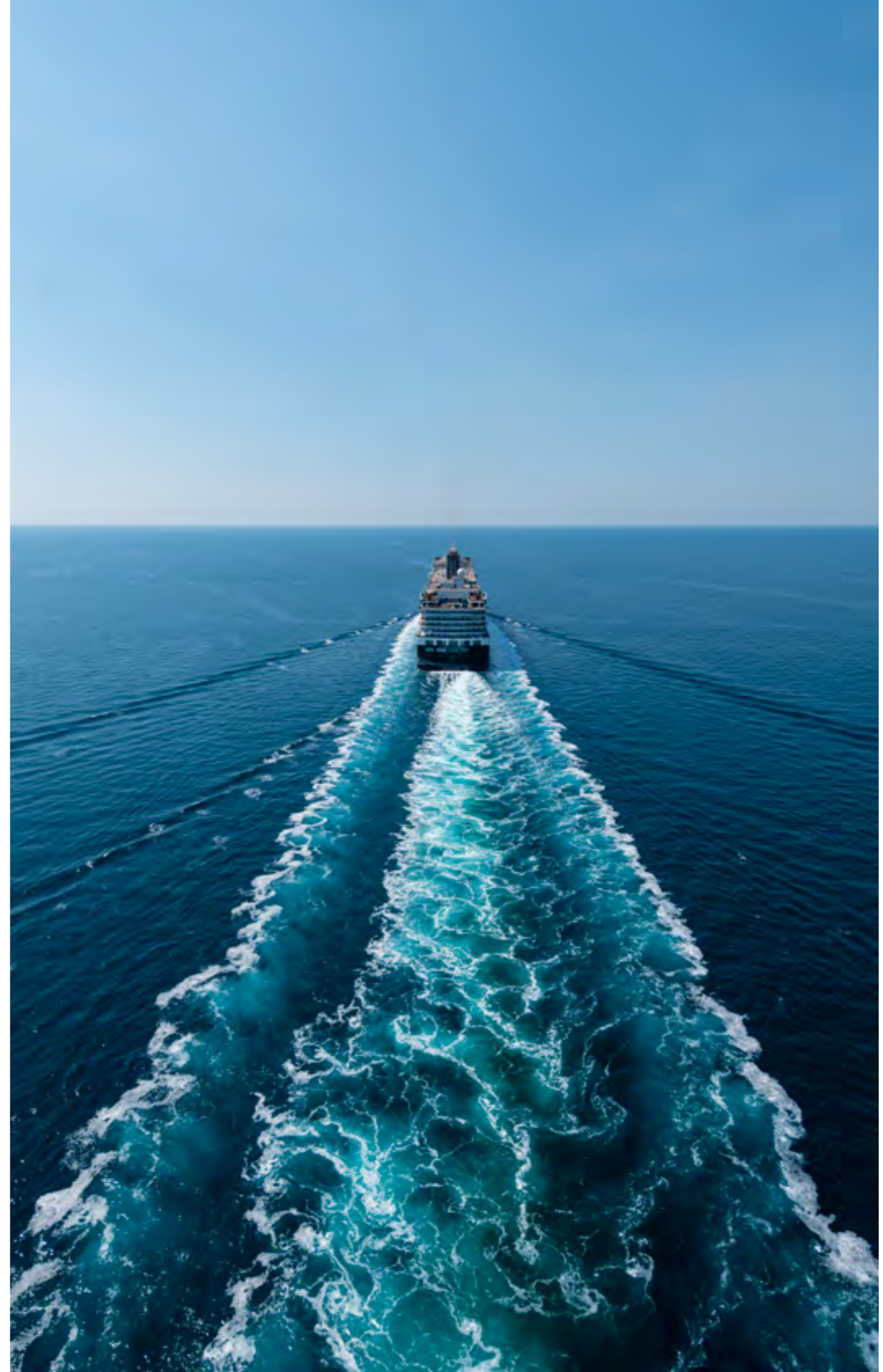
<b>EMPLOYEES BY AGE GROUP</b>									
	≤ 30		30-50		≥ 50		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	
FC	543	768	5,870	5,974	2,258	2,602	8,671	9,344	
VARD	1,789	1,626	4,688	4,444	2,187	2,367	8,664	8,437	
FMG	330	412	805	826	748	739	1,883	1,977	
FMSNA	9	10	27	35	20	20	56	65	
<b>Total</b>	<b>2,671</b>	<b>2,816</b>	<b>11,390</b>	<b>11,279</b>	<b>5,213</b>	<b>5,728</b>	<b>19,274</b>	<b>19,823</b>	
<b>% Incidence</b>	<b>13.9%</b>	<b>14.2%</b>	<b>59.1%</b>	<b>56.9%</b>	<b>27.0%</b>	<b>28.9%</b>	<b>100%</b>	<b>100%</b>	

<b>EMPLOYEES BY AGE GROUP - WOMEN</b>									
	≤ 30		30-50		≥ 50		TOTAL		
	2018	2019	2018	2019	2018	2019	2018	2019	
FC	147	202	499	570	164	186	810	958	
VARD	246	243	686	681	377	418	1,309	1,342	
FMG	50	63	109	135	98	99	257	297	
FMSNA	1	1	7	9	1	2	9	12	
<b>Total</b>	<b>444</b>	<b>509</b>	<b>1,301</b>	<b>1,395</b>	<b>640</b>	<b>705</b>	<b>2,385</b>	<b>2,609</b>	
<b>% Incidence</b>	<b>18.6%</b>	<b>19.5%</b>	<b>54.5%</b>	<b>53.5%</b>	<b>26.9%</b>	<b>27.0%</b>	<b>100%</b>	<b>100%</b>	

The data refer to the entire Fincantieri Group.



CODE	INDICATOR DESCRIPTION						PAGE
<b>PERCENTAGE OF EMPLOYEES BELONGING TO MINORITY GROUPS</b>							
	TOTAL		OF WHICH WOMEN		OF WHICH WITH DISABILITIES		
	2018	2019	2018	2019	2018	2019	
FC	4.6%	4.6%	7.7%	7.0%	3.5%	3.7%	
VARD	0.5%	0.2%	0.5%	0.1%	0.5%	0.2%	
FMG*	4.2%	4.5%	5.1%	5.1%	4.2%	4.5%	
FMSNA	16.1%	40.0%	0.0%	8.3%	7.1%	13.8%	
<b>Total</b>	<b>8.6%</b>	<b>2.9%</b>	<b>10.0%</b>	<b>3.2%</b>	<b>2.2%</b>	<b>2.3%</b>	
<small>The data refer to the entire Fincantieri Group. * Fincantieri Marine Group's 2018 figures have been revised for comparison purposes by adjusting them to the reporting criteria.</small>							
405-2	<b>Ratio of basic salary and remuneration of women to men</b>					<b>140-141</b>	
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>							
407-1	<b>Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</b>					<b>138-140</b>	
<b>LOCAL COMMUNITIES</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>144-145</b>	
413-1	<b>Operations with local community engagement, impact assessments, and development programs</b>					<b>144-145</b>	
<b>SUPPLIER SOCIAL ASSESSMENT</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>86-87</b>	
414-1	<b>New suppliers that were screened using social criteria</b>					<b>92-95</b>	
414-2	<b>Negative social impacts in the supply chain and actions taken</b>					<b>96-101</b>	
<b>PUBLIC POLICY</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>46-50</b>	
415-1	<b>Political contributions</b> Fincantieri Marine Group made a contribution of 26,798 euros to the Political Action Committee.						
<b>CUSTOMER HEALTH AND SAFETY</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>112-115</b>	
416-1	<b>Assessment of health and safety impacts of product and service categories</b>					<b>80-84; 114-116; 180-181</b>	
<b>CUSTOMER PRIVACY</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>55-57</b>	
418-1	<b>Substantiated complaints concerning breaches of customer privacy and losses of customer data</b> No grievances were filed in the reporting period.						
<b>SOCIOECONOMIC COMPLIANCE</b>							
103-1 103-2 103-3	<b>Management approach</b>					<b>46-50</b>	
419-1	<b>Non-compliance with laws and regulations in the social and economic area</b> No significant fines were received in the reporting period.						





## Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Fincantieri SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have been engaged to perform a limited assurance engagement on the consolidated non-financial statement of Fincantieri SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 1 April 2020 (hereafter the "NFS").

### Responsibilities of the Directors and of the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 and subsequent versions (hereafter the "GRI Standards"), set out in the paragraph "Methodological note" of the NFS identified by them as the reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal controls as they determine is necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organizational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

### PricewaterhouseCoopers SpA

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### Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts the *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with the *International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (hereafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Fincantieri Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Fincantieri SpA, Vard Tulcea SA, Fincantieri Marine Group LLC, Fincantieri Marine Systems North America Inc and Isotta Fraschini Motori SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the holding company level:
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, divisions and sites: Fincantieri SpA (Head Office -Trieste and Castellammare di Stabia site, Italy) Fincantieri Marine Group LLC (Head Office - Green Bay, registered office and site, Sturgeon Bay, Wisconsin), Vard Tulcea SA (registered office and site, Tulcea, Romania) and Isotta Fraschini Motori SpA (registered office and site, Bari, Italy) , which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

**Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Fincantieri Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Trieste, 20 April 2020

PricewaterhouseCoopers SpA

*Signed by*

Maria Cristina Landro  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.*



# FINCANTIERI

Parent Company

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fincantieri.com

Share capital Euro 862,980,725.70

Venezia Giulia Company Registry and Tax No. 00397130584

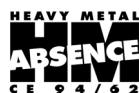
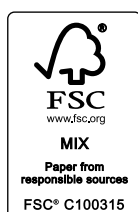
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