



**REPORT OF THE
BOARD OF DIRECTORS
ON THE *CORPORATE GOVERNANCE* SYSTEM
AND ON COMPLIANCE TO THE
SELF-DISCIPLINE CODE FOR LISTED COMPANIES
RELEVANT TO THE YEAR 2010
(PREPARED PURSUANT TO ARTICLES 123-BIS OF THE CONSOLIDATION ACT ON
FINANCE AND 89-BIS OF THE ISSUERS' REGULATION)**

**Approved by the Board of Directors of Ansaldo STS S.p.A.
on March 1, 2011**

GLOSSARY

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| Ansaldo STS | Ansaldo STS S.p.A. |
| Code | The Self-Discipline Code of listed companies approved in March 2006 by the <i>Corporate Governance</i> Committee and promoted by Borsa Italiana S.p.A. |
| Board | the Board of Directors of Ansaldo STS |
| Financial Year | The financial year 2010 |
| Group | Ansaldo STS and its subsidiaries pursuant to Art. 93 del TUF |
| Stock Market Regulation Instructions | The Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A. |
| Stock Market Regulation | The Regulation of Markets organised and managed by Borsa Italiana S.p.A. |
| Issuers' Regulation | The Regulation issued by the Consob by resolution no. 11971 of May 14, 1999 regarding issuers, as subsequently amended and integrated |
| Market Regulation | The Regulation issued by the Consob by resolution no. 16191 of October 29, 2007 regarding markets, as subsequently amended and integrated |
| Related-Party Regulation | The Regulation issued by the Consob by resolution no. 17221 of March 12, 2010 regarding related-party transactions, as subsequently amended and integrated |
| Report | This <i>corporate governance</i> report drafted pursuant to Articles 123- <i>bis</i> of the Consolidation Act on Finance and 89- <i>bis</i> of the Issuers' Regulation |
| Company | Ansaldo STS S.p.A. |
| TUF | The Consolidation Act on Finance, Legislative Decree no. 58 of February 24, 1998, as subsequently amended and integrated |

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1. ISSUER'S PROFILE

The organisation of Ansaldo STS, based on the traditional model, conforms to the provisions on listed issuers and is articulated as follows:

1.1 COMPANY ORGANISATION

- **SHAREHOLDERS' MEETING.** It is competent to deliberate, as ordinary and extraordinary meeting, on the matters reserved to the same by the law or the Articles of Association.
- **BOARD OF DIRECTORS.** It is vested with all powers for the management of the Company, with the authority to take all appropriate actions for the achievement of the corporate purposes, excluding those acts which are reserved – by the law or the Articles of Association – to the Meeting.
- **BOARD OF AUDITORS.** It has the task of supervising:
 - the compliance with the law and the Articles of Association, as well as the observance of the principles of proper administration;
 - the adequacy of the organisational structure of the Company and of its accounting management system, also with respect to the reliability of this latter in representing the operating events in an accurate manner;
 - the adequacy and effectiveness of the internal control, internal audit and risk management systems;
 - the financial reporting process and the legal audit of annual accounts and consolidated accounts;
 - the independence of the legal audit company, particularly as regards the performance of services to the Company other than audit;
 - the methods for putting into practice the corporate governance rules set out by codes of conduct compiled by companies that manage regulated markets or by trade associations, with which the company declares to comply in its information to the public;
 - the adequacy of the instructions given to subsidiaries with respect to the information to be provided in order to comply with the disclosure obligations.
 - the compliance of the Procedure for related-party transactions adopted by the Company with the principles indicated in the Consob Regulation adopted by resolution no. 17221 of March 12, 2010 and subsequent amendments and integrations, as well as the compliance with the same Procedure.
- **LEGAL AUDIT COMPANY.** The activity of legal audit of accounts is performed by a specialised Company entered in the Consob register, specially appointed by the Meeting of the Shareholders, on a justified proposal of the Board of Auditors. The company entrusted with the legal audit of the accounts of Ansaldo STS has a similar assignment with almost all subsidiaries of Ansaldo STS.

1.2 COMPANY OBJECTIVES AND MISSION.

Ansaldo STS intends to maintain and reinforce its position as a primary international *competitor* in the industry of railway and underground transport systems. In particular, the Company deals (i) in the sector of design, manufacture, distribution, management and maintenance of systems, subsystems and components for the signalling and supervision of railway and underground traffic ("Signalling"), aimed at increasing the safety and efficiency of railway and underground transport systems, and (ii) in the sector of design, implementation, integration and maintenance of "turnkey" Transport Systems, of which the signalling systems are an essential part.

Ansaldo STS pursues its own mission in strict compliance with the objective of Shareholder value creation.

2. INFORMATION ON THE OWNERSHIP STRUCTURE AT THE DATE OF MARCH 1, 2011

2.1 STRUCTURE OF THE COMPANY CAPITAL

Amount in Euro of the capital subscribed and paid up:

- Euro 60,000,000.00 entirely paid up

Classes of shares that comprise the company capital:

- 120,000,000 ordinary shares for a value of Euro 0.50 each.

| | No. of shares | % with respect to the co. cap. | Listed (indicate the markets) / not listed | Rights and obligations |
|-----------------------|---------------|--------------------------------|--|--|
| Ordinary shares | 120,000,000 | 100 | Listed MTA Star | Right to vote in ordinary and extraordinary meetings, right to dividend and to refund of capital in case of winding-up |
| Limited-voting shares | – | – | – | – |
| Non-voting shares | – | – | – | – |

Ansaldo STS has not issued any other classes of shares or financial instruments convertible into or exchangeable with shares.

For the sake of completeness, we point out that on April 23, 2010 the Extraordinary Meeting resolved to freely increase the company capital, pursuant to Art. 2442 of the Italian Civil Code, for total Euro 50,000,000.00 (fifty million) and, therefore, from the current Euro 50.000.000,00 (fifty million) to Euro 100,000,000.00, (one hundred million), through allocation of available reserves to capital. The above increase was partially implemented on July 5, 2010 for an amount equal to Euro 10,000,000.00 by issuing 20,000,000 ordinary shares of the Company, of a nominal value of Euro 0.50 each. The remaining ordinary shares will be issued in four annual tranches of the amount of Euro 10,000,000.00 (ten million) each, represented by 20,000,000 newly-issued ordinary shares of the nominal value of Euro 0.50 (zero point fifty) each, within December 31, 2014. The shares will be issued in the second half of each year and assigned, free of charge, to the shareholders existing at the date of issue, in proportion to those already owned by the same.

2.2 RESTRICTIONS TO THE TRANSFER OF INSTRUMENTS

At the date of the report, there are no restrictions of any nature whatsoever with regard to the transfer of Ansaldo STS instruments.

2.3 SIGNIFICANT INVESTMENTS IN THE CAPITAL

At the date of the Report, pursuant to what results from the Shareholders' Register and taking into account the notices received in accordance with Art. 120 of the TUF and the other information gathered, the following persons own, either directly or indirectly, shares of the Company for an amount exceeding 2% of the company capital:

| Declarant | Direct shareholder | % share on ordinary capital | % share on voting capital |
|---|--|-----------------------------|---------------------------|
| Altrinsic Global Advisors LLC | Altrinsic Global Advisors LLC ⁽¹⁾ | 2.092% ⁽²⁾ | 2.092% |
| FINMECCANICA SPA | FINMECCANICA S.p.A. | 40.065% | 40.065% |
| Scottish Widows Investment Partnership Ltd. | Scottish Widows Investment Partnership Ltd. ⁽¹⁾ | 2.019% | 2.019% |

⁽¹⁾ shareholding held within collective savings management

⁽²⁾ of which 0.302 % without the right to vote

Ansaldo STS is subject to direction and coordination by Finmeccanica Società per Azioni, to the effects and purposes of Art. 2497 of the Italian Civil Code.

2.4 INSTRUMENTS THAT GRANT SPECIAL RIGHTS

The Company has not issued any instruments that grant special control rights.

2.5 EMPLOYEE SHARE OWNERSHIP: PROCEDURE FOR THE EXERCISE OF THE VOTING RIGHTS

The incentive plans adopted by the Company do not permit that the voting rights inherent in the shares be exercised by persons other than the plan beneficiaries. For further information on such plans, see the informative documents drafted pursuant to Art. 84-*bis* of the Issuers' Regulation, published on the Company Internet site <http://www.ansaldo-sts.com/>.

2.6 RESTRICTIONS TO THE RIGHT TO VOTE

There are no restrictions or mandatory terms at the date of the Report for the exercise of the right to vote. Nor there are any financial rights in connection with instruments, being separate from the possession thereof.

2.7 SHAREHOLDERS' AGREEMENTS

At the date of the Report, there are no agreements under Art. 122 of the TUF, known to the Company, concerning the shares of the same.

2.8 CHANGE OF CONTROL CLAUSES

Ansaldo STS stipulated with Finmeccanica Società per Azioni a licence agreement for use of the "Ansaldo" trademark and a licence agreement for use of the "Globo" trademark, which is the distinctive trademark of Gruppo Finmeccanica in its entirety (jointly "Trademarks"), respectively on December 27, 2005 and July 6, 2007.

Both such licence agreements grant Finmeccanica Società per Azioni a right of withdrawal in the event that there should be a change in the shareholding structure, such as to imply for Finmeccanica Società per Azioni the loss of the control within the meaning of Art. 2359 of the Italian Civil Code

Ansaldo STS has, in turn, sub-licensed the Trademarks to its own subsidiaries reserving the right, similarly to the provisions of the master licence agreement, to withdraw from the agreement in case of loss of control pursuant to Art. 2359 of the Italian Civil Code.

Further to the merger by incorporation of Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo STS, moreover, the Company has taken over all rights and obligations of the merged companies. In particular, Ansaldo STS has taken over the Concession Convention for the realization of Line 6 of the Naples Underground, according to which, in case of merger of the Licensee with other Companies outside the Group, the Licensor shall immediately decide the termination of the concession.

2.9 INDEMNITY OF DIRECTORS IN CASE OF RESIGNATION, DISMISSAL OR CESSATION OF THE RELATIONSHIP IN CONSEQUENCE OF A TAKEOVER BID

No agreements have been stipulated between Ansaldo STS and the directors, at the date of the Report, granting indemnities for the case of resignation or dismissal/revocation without cause or cessation of the employment in consequence of a takeover bid.

With respect to the effects of the cessation of the relationship under the incentive plans adopted by the Company, the Regulation for the free share allocation plan 2008-2010, the beneficiary of which was the Managing Director, provided for several hypotheses, going from a partial payment in accordance with the *pro rata temporis* principle in case of consensual resignation, cessation from the office of director, etc. to the total revocation of any rights not yet formally assigned. Considering that such plan expired in 2010, the Board of Directors has proposed to the ordinary Meeting of the shareholders convened on April 4, 2011 in first call and, where needed, on April 5, 2011 in second call, a new plan for the free allocation of Ansaldo STS shares, which would also include the Managing Director of the Company among its beneficiaries. Such plan refers, for the definition of the effects deriving from the cessation of the relationship, to the regulation to be adopted by the Board of Directors after the mentioned Meeting.

2.10 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

For detailed information on the appointment and replacement of directors, see Part 4, paragraph 4.1.1 of the Report (“*Information on the implementation of the Self-Discipline Code provisions. Board of Directors. Appointment*”).

At the date of the Report, Ansaldo STS has no succession plan relevant to executive directors.

As to the clauses of the Articles of Association regarding amendments to the same Articles, it is specified that they do not contain any provisions different from those set out by the applicable laws.

It is also specified that the Company Articles of Association, in accordance with the provisions of Art. 2365 of the Italian Civil Code, entrust the Company Board of Directors with adopting deliberations to conform the same Articles to any legal provisions.

2.11 DELEGATIONS TO INCREASE THE COMPANY CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES

The extraordinary Meeting of the Shareholders held on April 23, 2010 entrusted the Board of Directors of Ansaldo STS, pursuant to Art. 2443 of the Italian Civil Code, with the authority – to be exercised within April 20, 2015 – to increase the company capital, on one or several occasions, for consideration and even separately, by an amount up to Euro 50,000,000.00 maximum, through the issue of ordinary shares, the relevant options being offered to those entitled (see art. 5.4 of the Company Articles of Association). The Board of Directors has therefore been delegated to define all terms, procedures and conditions of each capital increase, including the number of shares to be issued and, accordingly, the amount of the capital increase as well as, in accordance with the applicable laws, the offer procedures.

In exercising such delegation, the Board of Directors may decide to increase the company capital excluding the option right under Art. 2441, subsection 4, of the Italian Civil Code, up to

a limit of 10% of the pre-existing company capital, on condition that the issuing price corresponds to the market value and this is confirmed by a proper report by the company entrusted with the audit of accounts.

The capital increase with exclusion of the option right under Art. 2441, subsection 4 of the Italian Civil Code may be offered to institutional investors as well as to industrial and/or financial partners who, for their activity and the size of their business (qualities to be certified by the Board of Directors) are considered strategic to the Company's business.

As regards the purchase and disposal of treasury shares, it is pointed out that on April 23, 2010 the Ordinary Meeting of the Shareholders of Ansaldo STS authorised the Board of Directors to: (i) purchase, on one or several occasions, treasury shares up to the limit set out by the law; (ii) dispose of such treasury shares, on one or several occasions, in the manner deemed most appropriate in the interest of the Company and in compliance with the applicable provisions. The authorisation to purchase was granted for a duration of 18 months of the meeting resolution, i.e. until October 23, 2011, whereas the authorisation to dispose of treasury shares was granted without any time limit. For the sake of completeness, it is pointed out that on February 18, 2011 the Board of Directors resolved to propose to the ordinary meeting convened on April 18, 2011 in first call and on April 4, 2011 in second call, to grant a new authorisation for the purchase of treasury shares, even to the service of the share incentive plans approved by the Company, up to the limit permitted by the law at price conditions conforming to the provisions of Art. 5, subsection 1, of the (EC) Regulation no. 2273/2003 of the European Commission dated December 22, 2003, and however in compliance with the conditions and limits of the Consob resolutions on accepted market practices, where applicable.

At the date of this Report, Ansaldo STS S.p.A. owns 27,200 ordinary shares of the Company.

2.12 SUBSCRIPTION OF A CODE OF CONDUCT ON CORPORATE GOVERNANCE

For information on the subscription of a code of conduct on corporate governance, see Part 3 of the Report, paragraph 3.1. ("*Governance Structure of Ansaldo STS – Introductory Notes*").

2.13 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS: MAIN CHARACTERISTICS IN RELATION TO THE FINANCIAL REPORTING PROCESS, INCLUDING CONSOLIDATED REPORTING

For information on the main characteristics of the risk management and internal control systems existing in relation to the financial reporting process, including consolidated reporting, see Part 4.3 of the Report ("*Internal Control System*").

2.14 SHAREHOLDERS' MEETING: OPERATING MECHANISMS, MAIN POWERS, RIGHTS OF THE SHAREHOLDERS AND MANNER TO EXERCISE THEM

For information on the operating mechanisms of the shareholders' meeting and its main powers see Part 4.7 of the Report ("*Meeting*").

As to the rights of the shareholders and the manner to exercise them, the Articles of Association do not contain any provisions different from those set out by the applicable laws.

2.15 COMPOSITION AND OPERATION OF THE MANAGEMENT AND SUPERVISING BODIES AND THEIR COMMITTEES

For information on the composition and operation of management and supervising bodies and their committees see, respectively, Part 4.1 (“*Board of Directors*”), 4.5 (“*Board of Auditors*”) and 4.2 (“*Committees*”) of the Report.

3. GOVERNANCE STRUCTURE OF ANSALDO STS

3.1 INTRODUCTORY NOTES

By resolution of the Board of Directors dated December 19, 2006, Ansaldo STS subscribed to the Self-Discipline Code adopted by Borsa Italiana in March 2006. The Code is available on the Internet site of Borsa Italiana at the following address http://www.borsaitaliana.it/chisiamo/ufficiostampa/comunicatistampa/2006/codiceautodisciplina_pdf.htm

The corporate governance system adopted by the Company has as its primary purpose the creation of shareholder value, being aware of the importance of transparency for the choices and the formation of the business decisions, as well as of the necessity to prepare an effective internal control system. In compliance with the applicable laws, the Report illustrates the “*Corporate Governance*” system of Ansaldo STS and indicates the procedures for the actual implementation of the Code provisions by the Company.

3.2 MAIN GOVERNANCE INSTRUMENTS

Here below are reported the main governance instruments with which the Company is equipped, also in compliance with the most recent laws and regulations, the Code provisions and the national and international best practices:

- Articles of Association
- Code of Ethics
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01
- Meeting Regulation
- Regulation of the Board of Directors
- Regulation of the Internal Control Committee
- Regulation of the Remuneration Committee
- Related-party transactions - Procedure adopted pursuant to Art. 4 of the Consob Regulation no. 17221 dated March 12, 2010;
- Procedure for handling Privileged Information
- Internal Dealing Code

Such documents are available to the public on the Internet site of the Company at the address <http://www.ansaldo-sts.com/AnsaldoSTS/IT/Corporate/InvestorRelations/CorporateGovernance/internalcode/index.sdo>

4. INFORMATION ON THE IMPLEMENTATION OF THE SELF-DISCIPLINE CODE PROVISIONS

4.2 BOARD OF DIRECTORS

4.1.1 APPOINTMENT

The Company is managed by a Board of Directors consisting of a number of members not lower than seven and not exceeding thirteen. The Meeting shall case by case, before electing the board, define the number of its members within the said limits.

Directors are appointed for a period not exceeding three corporate years and may be re-elected pursuant to Art. 2383 of the Italian Civil Code.

The appointment of directors is made by the ordinary Meeting by the 'list' system. Lists may be submitted on the initiative of shareholders who, either alone or together with other shareholders, own the shareholding indicated in compliance with the provisions of the Consob regulation (equal, for the year 2011, to 2.0% of the company capital of Ansaldo STS).

Without prejudice to the other publication obligations under the Issuers' Regulation, the lists submitted by the shareholders are to be deposited at the company registered office and made available to the public in accordance with the terms and procedures set out by the applicable provisions.

In order to prove the ownership of the number of shares required for the submission of the lists, the shareholders shall deposit at the company registered office, within the deadlines indicated by the applicable provisions, the specific certificate proving the ownership of the number of shares represented.

Each list shall include two candidates endowed with the independence requirements set out by the law, distinctly indicated, one of whom shall appear in the first position of the same list. If such requirements are not fulfilled, the list shall be considered as not submitted.

In order to ensure the actual participation of minorities in the company management, as well as the transparency of the process of selection and appointment of directors, the company Articles of Association expressly provide that each shareholder is entitled to submit or concur to submit only one list. Each person entitled to vote may vote only one list. Any shareholders belonging to the same group or being parties to a shareholders' agreement concerning shares of the Company shall not submit or vote more than one list, even by proxy or through trust companies. Statements shall be filed together with such list, whereby the single candidates accept their nomination and certify, under their own responsibility, the non-existence of any reasons for ineligibility and incompatibility, as well as the existence of the requirements set out by the applicable laws and the Company Articles of Association for their respective offices.

Each candidate shall be nominated in one list only, on pain of ineligibility.

The company Articles of Association condition the assumption of the office of director on the honorability requirements under the applicable laws and regulations, as well as on the possession of certain professional qualifications indicated in the same Articles of Association.

In particular, one cannot be appointed to the office of director of the Company and, if appointed, shall cease from office if one has not gained experience of at least three years altogether in the exercise of:

- management or control activities or executive duties in corporations endowed with a company capital not lower than two million Euro; or
- professional activities or teaching in universities as a professor with tenure of legal, economic, financial and technical-scientific subjects strictly relating to the Company business; or

- managerial duties in public authorities or public administrations operating in the credit, financial and insurance sectors or, however, in sectors strictly connected with the Company business.

Such experience may be evaluated on the basis of the *curriculum vitae* containing exhaustive information on the personal and professional characteristics of each candidate, to be made available to the public together with each list, pursuant to Art. 144-*octies*, subsection 1, of the Issuers' Regulation.

The directors shall be appointed as follows: (i) two thirds of the directors to be appointed shall be drawn (any fraction being rounded-down to the nearest whole number) from the list that has obtained the majority of votes expressed by those entitled to vote, in the progressive order in which they appear in the same list; (ii) the remaining directors shall be drawn from the other lists in accordance with the criteria and procedures indicated in the Articles of Association.

In the event that only one list or no list is submitted, the Meeting shall adopt a resolution with the majorities required under law.

If one or more Directors should cease from office during a corporate year, the provisions of Art. 2386 of the It. Civil Code shall apply, on condition that the majority be always formed by Directors appointed by the Meeting.

If the majority of directors appointed by the Meeting cease from office, the entire board shall be considered outgoing and the Meeting shall be called without delay by the Directors who are still in office in order to reform the same.

The Meeting shall elect the Chairperson of the Board of Directors, choosing him/her among the Board members; if the Meeting fails to do so, the Chairperson shall be elected by the same Board. The Board may also elect a Deputy Chairperson, who shall replace the Chairperson in cases of absence or impediment.

We point out that by resolution no. 17221 of March 12, 2010 on related-party transactions, as subsequently amended, the Consob has modified Art. 37, subsection , letter d) of the Market Regulation, introducing more strict criteria for the composition of the Board of Directors of subsidiaries subject to direction and coordination by another company, either Italian or foreign, with shares listed on regulated markets. In particular, pursuant to such provision (i) the Board of Directors must be formed for the majority by independent directors and (ii) the Internal Control Committee and the Remuneration Committee must be exclusively formed by independent directors. Pursuant to the transient rules under resolution no. 17221 of March 12, 2010, the Company must conform to the new Art. 37 of the Market Regulation starting from the first meeting called after October 1, 2010 for the renewal of the corporate bodies (it is pointed out that the ordinary Meeting convened on April 4, 2011 in first call and on April 5, 2011 in second call has in its agenda, among other items, the renewal of the Board of Directors).

4.1.2 CURRENT COMPOSITION

After setting the number of board members at nine, the Meeting of April 1, 2008 appointed the Board currently in office by confirming as Directors of the Company the outgoing Board Members, namely Mr. Alessandro Pansa, Mr. Sergio De Luca, Mr. Sante Roberti, Mr. Maurizio Cereda, Mr. Gerlando Genuardi, Mr. Francesco Lalli and Mr. Attilio Salvetti, and also appointing two new Directors, Mr. Gregorio Gitti and Mr. Eugenio Pinto; concurrently, it appointed Mr. Alessandro Pansa as Chairman of the Board of Directors. On April 1, 2008, the Board then appointed Mr. Sergio De Luca as Managing Director and Mr. Sante Roberti as Deputy Chairman of the Board of Directors.

The current Board of Directors, which shall remain in office until the ordinary Meeting convened on April 4, 2011 in first call and on April 5, 2011 in second call is therefore

comprised of 9 members: 2 executive members, as defined by the Code, and 7 non-executive members, 5 of whom are independent.

| Name | Office |
|-------------------|-------------------|
| Alessandro Pansa | Chairman |
| Sante Roberti | Deputy-Chairman |
| Sergio De Luca | Managing Director |
| Maurizio Cereda | Independent |
| Gerlando Genuardi | Independent |
| Gregorio Gitti | Independent |
| Francesco Lalli | Non-executive |
| Eugenio Pinto | Independent |
| Attilio Salvetti | Independent |

The Directors Alessandro Pansa, Sergio De Luca, Gerlando Genuardi, Francesco Lalli, Sante Roberti and Attilio Salvetti were taken from the majority list submitted by Finmeccanica Società per Azioni, which held a participation interest equal to 40.065% of the company capital.

The Directors Maurizio Cereda, Gregorio Gitti and Eugenio Pinto were taken from the minority list submitted by the companies Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and Fintecna S.p.A., which, together, held a participation interest equal 5.099% in the company capital.

Here-below is reported the information on the personal and professional characteristics of each member of the Board of Directors.

ALESSANDRO PANSA – CHAIRMAN.

Was born in Mortara (Pavia) on June 22, 1962. Graduated in Political Economy at the Business University L. Bocconi of Milan, was a Senior Partner of Vitale Borghesi & C from 1993 to 1999 and a Managing Director and Partner of Lazard from 1999 to 2001. Is a board member in Borsa Italiana S.p.A. and Feltrinelli S.p.A. and a professor of Finance at the Luiss University of Rome.

Since October 2004, he has been a co-Chief Executive Officer of Finmeccanica Società per Azioni (in charge of the finance, management and control, strategies and M&A, legal, tax and corporate, investor relations, research departments), where he entered in 2001 holding the role of *Chief Financial Officer*.

SANTE ROBERTI – DEPUTY-CHAIRMAN.

Was born in Sant'Antimo (Naples) on June 18, 1941. Graduated in Electronic Engineering at the University of Naples, started his professional career as a Director of the Company Eternit. In 1979 he entered in Gruppo Ansaldo holding, in time, various positions and undertaking responsibilities as Central Supply Manager at Italtetra S.p.A, Operating Service Manager at Ansaldo Energia S.p.A., Operating Manager of the Boiler Business Unit at Ansaldo Energia S.p.A., Business Head at Ansaldo Termosud S.p.A., Chairman and Managing Director at Ansaldo Coemsa S.A., in Brazil. At present, he is the Chairman of the Consortium Company Pegaso a r.l., of Metro 5 S.p.A., of the Railway Consortium S. Giorgio-Volla, of the Railway Consortium S. Giorgio – Volla Due, of the Vesuviano Railway Consortium, as well as Deputy Chairman of the Businessmen Association of Naples and of the Consortia IRICAV UNO and IRICAV DUE; also, he is a member of the Board of Directors of Union Switch & Signal Inc., of

the joint-stock consortium company Metro C. From June 2001 to June 2006 he held the office of Managing Director at Ansaldo Trasporti – Sistemi Ferroviari S.p.A., of which he was Chairman until December 2008.

SERGIO DE LUCA.

Was born in Zungoli (Avellino) on September 3, 1950. Graduated in Electrotechnical Engineering at the Polytechnic University of Turin, started collaborating with the Finmeccanica group in 1975 at Ansaldo – Società Generale Elettromeccanica. Since 1981, he has operated within Ansaldo Trasporti, and in particular in the Signalling Department. In 1996, following the conversion of Ansaldo Trasporti into a three-Department Company (Vehicles, Systems, Signalling), he entered Ansaldo Segnalamento Ferroviario, of which he became the Managing Director in 1998; from 2006 to the end of 2008 (date of the incorporation into Ansaldo STS) he was also the Managing Director of Ansaldo Trasporti Sistemi Ferroviari. Since 2007, Mr. De Luca has been the Managing Director of Ansaldo STS S.p.A.. Mr. De Luca is the author of scientific publications and has carried out teaching and research activities at the Polytechnic University of Turin.

MAURIZIO CEREDA.

Was born in Milan on January 7, 1964. Graduated in Business University at the Business University Luigi Bocconi of Milan. For three years, he served at Rasfin S.p.A., SIM of the Ras Group, and then in 1992 he became a member of the financial service of Mediobanca S.p.A.. A Manager at Mediobanca S.p.A. since 1999, he was made head of the Equity Capital Markets area in 2000 and, in the same year, he was promoted central Manager of the Institute. In 2003 he became a co-manager of the Corporate Finance area and in 2006, with the appointment as Central Manager, he undertook full responsibility for the Corporate Finance area as well as for the Coverage Large Corporate structure.

In 2007 he was appointed Deputy Chief Executive Manager and management advisor of Mediobanca and in 2008 he became a director of Mediobanca.

GERLANDO GENUARDI.

Was born in Palermo on March 29, 1948. Graduated in Economic Sciences at the University of Palermo, in 1980 he joined the European Investment Bank (“EIB”) where he held the office of Personnel Manager from 1995 to 2000; from 2000 to 2003 he was an Executive Director at the European Bank for Reconstruction and Development (“EBRD”) and Chairman of the Budget and Administrative Affairs Committee established within the same (2001 - 2002). Once back at the EIB, from 2003 to 2007 he was vested with the office of Deputy Chairman and member of the Management Committee, Person in Charge of budget and planning policies and Person in Charge of Financing Facilities in Italy, Greece, Cyprus, Malta and Western Balkans as well as of Structured Finance Facility operations. From October 2006 to August 2007 he held the role of governor of the EBRD in representation of the EBI. In September 2007 he was given the title of honorary vice-president of the EBI.

GREGORIO GITTI.

Was born in Brescia on June 21 1964, is an ordinary professor of Private Law at the Law Faculty of the University of Milan. A founding member of the Pavesi Gitti Verzoni Law Firm of Milan, he is the author of several law publications in matter of obligations, contracts, banks, financial markets and Independent Authorities. He is a Board Member of Edison S.p.A.; a Board Member of Sabaf S.p.A.; the Chairman of the Board of Directors of Metalcam S.p.A.

FRANCESCO LALLI.

Was born in Campobasso on March 27, 1955. Graduated in Law at the *Università degli Studi* of Rome, from 1983 to 1984 he was an Official of the Ministry of Work and Social Security, from 1984 to 1989 he held various offices within the General Division of Business Affairs of the Ministry of State Holdings; from 1989 to 2005 he served at the Office of Relations with Institutions and Legal Studies in AERITALIA - Società Aeronautica Italiana S.p.A. (which became Alenia Aeronautica S.p.A. in 1990), where he was in charge of the Division of Development of National Programs (1995 – 1996); appointed as Manager in 1996, he was in charge of the Division of Support to National Programs (1996 – 1999), of the Division of National Financing Programs (1999 – 2002) and was later appointed as Institutional Relations Manager. Since April 2005, he has been Institutional Relations Manager at Finmeccanica Società per Azioni.

EUGENIO PINTO.

Was born in Taranto on September 20, 1959. He lives in Rome and works at national level. He graduated with honours in Economy and Business at the Sapienza University of Rome, has been registered in the Register of Chartered Accountants for the district of the Court of Rome since 1986 and is also entered in the Register of Auditors of Accounts (Ministerial Decree of Apr. 12, 1995, published in the Official Journal no. 31 bis of Apr. 21, 1995). He is a professor with tenure of Business Economy at the Economics Faculty of the Luiss-Guido Carli University and a member of the Scientific Committee of the Cirsfid – Inter-Department Centre of research in Law History, Philosophy and Sociology and Legal Computing Science at the University of Bologna. He has written several publications on economic-business subjects and has concurred, within the Euro Committee established with the Ministry of Economy, to draft the decree to legislate and the legislative decrees aimed at regulating the introduction of the Euro currency in Italy. He was a member, for the period 2002-2008, of the Executive Committee of the OIC - Organismo Italiano Contabilità (Italian Accounting Body). At present he is, *inter alia*, a Non Executive Independent Director of Astaldi S.p.A. as well as a member of a few advisory committees, the Chairman of the Board of Auditors of Bulgari S.p.A. and an Auditor of Toro S.p.A.

ATTILIO SALVETTI.

Was born in La Spezia on May 22, 1939. Graduated in Aerospace Engineering at the University of Pisa, and since 1975 he has been Ordinary Professor of Aerospace Construction at the same University. He has carried out research, particularly on aerospace structures, methods for the design of aircraft and space vehicles, aircraft dynamics and control. He is the author of several scientific publications, has been vested for over 20 years with the office of supervisor of research activities at the Aerospace Engineering Department of the University of Pisa in sectors such as Structures and Materials, Flight Dynamics and Control, and has directed many coordinated researches both at national and at international level. He participates in scientific committees of industries and research centres and is currently a member of the “*Applied Vehicle Technology Panel*” of the *Nato Research and Technology Agency*. He is also a member of the Committee for the Aerospace Industry Development at the Ministry for Economic Development and was in the past a member of the Board of Directors of the Space Agency and coordinator of the Space Engineering work team of ASI.

4.1.3 ROLE AND DUTIES

The management of the Company is exclusively vested in the Board of Directors, which takes all necessary actions for the achievement of the corporate purpose.

The Board of Directors Regulation, approved on January 29, 2007 and subsequently amended on November 26, 2010 in order to implement the changes implied by the adoption of the new

Procedure for Related-Party transactions, has defined the tasks and roles of the administrative body, specifying that the Board of Directors:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group controlled by the same, the corporate governance system of the Company and the Group structure;
- approves the Transactions of Greater Importance, as identified in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party Regulation;
- evaluates, on an annual basis, the adequacy of the general organisational, administrative and accounting structure of the Company, of the Group and of the subsidiaries having strategic importance as prepared by the Managing Director, with particular regard to the adequacy, effectiveness and actual operation of the internal control system and to the handling of conflicts of interest;
- confers and revokes delegations to the Managing Director, except for the matters exclusively reserved for the Board under Art. 2381 of the Italian Civil Code, as well as in relation to the provisions of the Articles of Association, defining the relevant limits and manner of exercise;
- defines, after examining the proposals of the Remuneration Committee and hearing the opinion of the Board of Statutory Auditors pursuant to Art. 2389, 3rd subsection of the It. Civil Code, the remuneration and legal treatment of the Managing Director, through the Remuneration Committee, which has been specially delegated for such purpose, as well as of the other directors vested with particular offices, including participation in the Committees established by the Board of Directors. Also, it defines, unless the Meeting has already done so, the allocation of the overall remuneration to which the Board members are entitled;
- evaluates the general company performance, taking into account, in particular, the information received from the delegated bodies, as well as comparing, on a periodical basis, the results achieved with those planned;
- examines and approves in advance the operations of the Company and of its subsidiaries, when such operations have a significant strategic, economic or financial importance for the same Company, focusing the attention in particular on the situations in which one or several Directors have an interest of their own or on behalf of third parties and, in general, on related-party transactions; for such purpose, it sets out the general criteria to identify the transactions of significant importance;
- makes, at least once a year, an evaluation of the size, composition and operation of the same Board and of its committees and expresses directions, where appropriate, on the kind of professional experts it would be deemed appropriate to include in the Board;
- provides information, in its corporate governance report, on the performance of the above-listed tasks and, in particular, on the number of meetings of the Board held during the year and on the relevant attendance percentage of each director.

The Board of Directors of November 26, 2010, without prejudice to the provisions of the law and of the Articles of Association, reserved the following matters to its own exclusive competence:

- definition of the company strategic and organisational lines, including approval of plans, programs and budgets;
- approval of investments, both tangible and intangible, not mandatory and of an amount exceeding Euro 500,000;

- approval of the Transactions of Greater Importance, as identified in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party Regulation;
- acquisition and assignment of investments and shares in other companies, either already existent or newly-formed, even through the exercise or waiver of rights of option, contribution, usufruct, pledge and any other act of disposal, including within joint ventures, or subjection of the same investments to liens;
- assignment, contribution, lease, usufruct and any other act of disposal or subjection to liens with respect to the business or to business branches; acquisition, lease, usufruct of the business or of business branches of other companies;
- operations on the capital, formation, conversion, listing in the Stock Exchange, merger, split-up, winding-up, stipulation of shareholders' agreements, relevant to direct subsidiaries;
- appointment of Directors and Auditors in direct subsidiaries, excluding non-executive directors within the Group;
- medium and long-term financial credit and debit transactions, excluding transactions for covering exchange risks relevant to orders;
- grant of securities, including guarantees and mortgages, except for the provisions of item 24 of the powers of the Managing Directors (i.e. the power to grant guarantees and counter-securities in favour of banks or insurance companies for customs operations, for the participation in tenders, for works to be carried out, for the good performance of supplies to be made by the Company and its subsidiaries or affiliated companies, in Italy or abroad, within the limits set for transactions, to which the issue of such securities is accessory; issue securities and guarantees in the interest of subsidiaries up to the maximum amount of Euro 150,000,000);
- purchase, exchange and sale of real properties, as well as agreements, involving real properties, exceeding nine years duration;
- submission of offers and stipulation of supply contracts for an amount exceeding Euro 150,000,000 (one hundred and fifty million) or, however, implying high commitments or risks, including orders with value added (EVA) lower than 5% of the total revenue;
- stipulation of consulting agreements of continuous nature exceeding one year duration or the amount of 150,000 Euro;
- recruitment, promotion and dismissal of Managers directly reporting to the Chairperson of the Board of Directors or to the Managing Director;
- prior authorisation to subsidiaries to stipulate transactions of significant strategic, economic, patrimonial or financial importance for the same company; the submission of offers and the stipulation of supply contracts by subsidiaries are expressly included among such transactions when the same (i) are of an amount exceeding Euro 150,000,000 (one hundred and fifty million) or (ii) imply high commitments or risks, including orders with value added (EVA) lower than 5% of the total revenue.

During the Financial Year, the Board of Directors has, *inter alia*:

- examined the 2010 Budget and the multi-year Strategic Plan 2011 – 2014. Such documents were approved by the Board at the meeting of January 27, 2010; subsequently, on the basis of the new commercial, economic and financial forecasts for the year 2010, the Board of Directors, at the meeting of July 27, 2010 approved the update of the Budget for the year. In January 2011, moreover, the Board of Directors approved the Budget 2011 and the multi-year Strategic Plan 2012-2015;

- on January 27, 2010 and then on January 26, 2011 (i) examined and favourably evaluated the governance structure already adopted by the Company, considering suitable the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries, with particular regard to the internal control system and the handling of conflicts of interest; (ii) acknowledged the updated map of risks relevant to the issuer and its subsidiaries as well as the measures adopted to manage and/or reduce such risks, considering the same to have been correctly identified, managed and monitored for the purposes of a sound and proper management of the business, and therefore giving a favourable opinion on the suitability, effectiveness and actual operation of the internal control system adopted by the Company with respect to the business characteristics;
- after the appointment of the directors for the years 2008-2010 – i.e. on April 1, 2008 – evaluated, in light of the statements provided by each interested person, the existence of relations that might be or appear such as to affect the autonomy of judgment of the independent directors, pursuant to the provisions of the applicable laws and regulations as well as in accordance with Art. 3 of the Code and of the Instructions to the Stock Market Regulation. Subsequently, at the meetings held, respectively, on January 22, 2009, January 27, 2010 and November 26, 2010 the Board, on the basis of the documentation submitted by each independent director, as well as of the information available to the Company, verified that they still had the said independence requirements;
- verified, that the Company was still, at March 1, 2010, in the conditions indicated by Articles 36 and 37 of the Market Regulation;
- approved, after a prior favourable evaluation of the Internal Control Committee, the update of the Organisation, Management and Control Model as per Legislative Decree no. 231/2001 and the new Code of Ethics of the Company, in order to conform it both to the new organisation of the Ansaldo STS Group, and to the new criminal offences under Legislative Decree no. 231/2001;
- approved the new bylaws of the Supervisory Body in order to make it more consistent with the new Organisation, Management and Control Model as per Legislative Decree 231/2001;
- verified the compliance with the administrative and accounting procedures under Law 262/2005;
- on January 27, 2010 and November 26, 2010, verified the compliance by the members of the Board with the Internal Regulation aimed at regulating the limits to the accumulation of positions held in management and/or control bodies in other listed companies or financial, bank, insurance companies or big companies, identified as those companies, other than those indicated before, with an annual revenue amount equal to or exceeding the amount resulting from the consolidated accounts of Ansaldo STS;
- evaluated the general company performance by comparing the results achieved and those planned upon approval of the quarterly and half-yearly reports and of the financial statements;
- approved in advance all subsidiaries' transactions having particular strategic, economic, patrimonial and/or financial importance;
- acknowledged that, at January 27, 2010 and at November 26, 2010, no directors had communicated any activity carried out in competition with the Company; in this regard, it is specified that the Meeting has not authorised in advance generalised exceptions to the competition ban under Art. 2390 of the Italian Civil Code;

- approved, on November 26, 2010, pursuant to Art. 2391-*bis* of the Italian Civil Code and art. 4, subsections 1 and 3, of the Related-Party Regulation, the Procedure regarding related-party transactions of the Company, obtaining, on the same date, the favourable opinion of the Board of Auditors with respect to the compliance of such Procedure with the principles set out by the Related-Party Regulation;
- approved, on November 26, 2010 the necessary amendments to the articles of association to conform the same to the mandatory provisions introduced by Legislative Decree no. 27/2010 on shareholders' rights.

For more information on the actions of the Board of Directors relating to the internal control system, see Part 4, paragraph 4.3 (*"Information on the implementation of the provisions of the Self-Discipline Code. Board of Directors. Internal Control System"*).

4.1.4 EXECUTIVE DIRECTORS: CHAIRMAN AND MANAGING DIRECTOR

The Board of Directors may entrust some of its tasks to an executive committee or to the Chairman and/or to others of its members, by appointing one or more Managing Directors. The delegated bodies may in turn, within the tasks entrusted to them, delegate single acts or categories of acts to employees of the Company or to third parties, with the authority to sub-delegate.

At the date of the Report, the Board of Directors had not appointed an executive committee.

Chairman of the Board of Directors

Save for the case of impediment, the Chairman of the Board of Directors shall call the Board meetings, coordinate the relevant activities and direct the development of such meetings, ensuring that the Board Members are suitably and timely informed, so as to allow the same Board to have the necessary knowledge of the matters submitted to it.

The Chairman has not received any particular delegation from the Board and has therefore no executive role within the Company. Nonetheless, he is considered executive, pursuant to the Code provisions, as he is a co-Chief Executive Officer at Finmeccanica Società per Azioni, the company that exercises the activity of direction and coordination on Ansaldo STS.

Deputy-Chairman of the Board of Directors

The Deputy Chairman has not received any particular delegation from the Board and has therefore no executive role within the Company.

Managing Director

The Board of Directors has conferred on the Managing Director, together with the legal representation of the Company before any judicial or administrative authorities and before third parties, the following powers to be exercised with single signature:

- direct and manage the corporate business in accordance with the guidelines and directives of the Board of Directors;
- perform all acts included in the ordinary management of the Company;
- implement the resolutions of the Board of Directors, carrying out all acts, even of extraordinary management, deliberated by the same Board;
- entrust the managers of the company, by separate acts and in consistency with the organisational structure of the same company, with appropriate powers of signature, in accordance with the functions and positions attributed to each of them.

The above does not prejudice the exclusive competence reserved to the Board of Directors for the Transactions of Greater Importance, as identified in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party Regulation.

Pursuant to the Articles of Association, the Managing Director reports to the Board of Directors and to the Board of Auditors at least on a quarterly basis and however on occasion of the meetings of same board, on the activity carried out, on the general company performance and on the business outlook, as well as on the transactions of greater economic, financial and patrimonial importance, or however of particular relevance due to their entity or characteristics, carried out by the Company and its subsidiaries; in particular, the Managing Director shall report on the transactions in which he may have an interest, either on his own behalf or on behalf of third parties, as well as on any Related-party transactions of Greater or of Lesser Importance (as defined in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party regulation). Information shall be given, as a rule, in concurrence with the approval of the periodical accounting situations (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations) by the Board of Directors.

Such communication may be made on occasion of the board meetings or in writing.

It is to be pointed out that, in 2010, such information has been actually given by the Managing Director to the Board of Directors and to the Board of Statutory Auditors on a half-yearly basis and, as a rule, in concurrence with the approval of the periodical accounting situations (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations) by the Board of Directors.

4.1.5 NON-EXECUTIVE DIRECTORS

The Board consists, for the largest part, of non-executive members (without operating and/or functional delegations within the company) such as to ensure, thanks to their number and authority, that their opinion may have significant weight in the adoption of decisions by the board.

Non-executive Directors bring their specific expertise in the board discussions, so as to encourage an examination of the issues to be dealt with from different points of view, and a consequent adoption of well-thought out, sensible decisions in line with the interest of the company.

Except for the Managing Director and the Chairman, the other 7 members of the Board are all non-executive.

4.1.6 INDEPENDENT DIRECTORS

In compliance with the Code provisions, the Board, after the appointment of the Directors – i.e. on April 1, 2008 – evaluated, in light of the statements provided by each interested person, or however available to the Company, the existence of relations that might be or appear such as to affect the autonomy of judgment of the independent Directors. The results of such evaluation were made known to the market through a press release on April 1, 2008.

Subsequently, on January 27, 2010 and November 26, 2010 the Board, on the basis of the documentation submitted by each independent Director, verified that they still had the said independence requirements under the applicable laws and regulations as well as in compliance with Art. 3 of the Code and with the Stock Market Regulation Instructions. In making such evaluations, the Board followed all criteria required by the Code.

Concurrently with the verifications of the Board, the Board of Statutory Auditors, on the basis of the statements made by the Directors and having taken into account the Board evaluations, certified that the assessment criteria and procedures adopted by the same Board to evaluate the independence of its own members had been correctly applied.

The independent Directors met on September 20, 2010. The main operating issue of such meeting regarded the new rules on related-party transactions, and in particular the role vested in the Independent Directors by the Related Party Regulation.

It should be noted that there are not the conditions which, pursuant to the Code, would require the appointment of a *lead independent Director*, considering that the Chairman of the Board of Directors is not the chief executive officer in charge of the corporate management, nor does he own a controlling interest in the Company.

4.1.7 OTHER OFFICES OF DIRECTOR OR AUDITOR HELD BY THE BOARD MEMBERS OF ANSALDO STS

On February 14, 2007, the Board of Directors of the Company approved an internal regulation aimed at setting out limits for the accumulation of positions of Director or Auditor for the Directors of Ansaldo STS.

Pursuant to such internal regulation, the Directors of Ansaldo STS shall accept the office when they consider that they will be able to devote the necessary time to the diligent fulfilment of their duties, also taking into account the number of positions held in management and control bodies in (i) companies with shares listed in regulated markets, even foreign (“Listed Companies”); (ii) companies, even foreign, with shares not listed in regulated markets, that carry out financial, banking or insurance services or that have an annual revenue amount equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS (“Not Listed Companies”).

The positions held by each Director of Ansaldo STS in the management and/or control bodies of other Listed Companies and/or Not Listed Companies should have a total “weight” not exceeding 15.

In this regard, the mentioned internal regulation, in line with the national and international best practice, considers differently, for the purpose of calculating the maximum number of offices of Director or Auditor deemed to be compatible with an effective fulfilment of the assignment as Director of the Company, the positions of executive and non-executive Directors, regardless, on the other hand, of the participation of the board members in the committees established within the same Board.

In calculating the positions, no account shall be taken of those held in Listed Companies or Not Listed Companies holding Ansaldo STS or controlled (either directly or indirectly) or invested in by Ansaldo STS.

The Board of Directors of Ansaldo STS shall have the authority to grant exceptions, even temporary, allowing the Directors to hold offices in management and control bodies of other Listed Companies and Not Listed Companies which, taken together, exceed the maximum weight of 15.

The Directors shall promptly inform Ansaldo STS of any change in the offices they hold in other Listed Companies and/or Not Listed Companies, indicating the average monthly commitment they require.

The current composition of the Board of Directors of Ansaldo STS complies with the above general criteria.

On today’s date, we point out that only five Directors hold positions in other listed companies or in financial, banking or insurance companies or large companies, these latter being companies, other than those indicated above, that have an annual revenue amount equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS. The table below indicates the offices held by each Director in companies as described above:

| Director | Office held | Company |
|------------------|---|----------------------------|
| Alessandro Pansa | Director | Feltrinelli editore S.p.A. |
| | Director | Borsa Italiana S.p.A. |
| Maurizio Cereda | Director | Mediobanca S.p.A. |
| | Director | Enervit S.p.A. |
| Gregorio Gitti | Chairman of the Board of Directors | Metalcam S.p.A. |
| | Independent Director | Edison S.p.A. |
| | Director and member of the Internal Control Committee | Sabaf S.p.A. |
| Francesco Lalli | Director | Alenia Aeronautica S.p.A. |
| Eugenio Pinto | Auditor | Alleanza Toro S.p.A. |
| | Chairman of the Board of Statutory Auditors | Eni Adfin S.p.A. |
| | Chairman of the Board of Statutory Auditors | Stogit S.p.A. |
| | Chairman of the Board of Statutory Auditors | Bulgari S.p.A. |
| | Independent Director and member of the Internal Control Committee and of the Remuneration Committee | Astaldi S.p.A. |

Except for Alenia Aeronautica S.p.A., none of the companies listed above belongs to the Group of which Ansaldo STS is a holding company or a member.

4.1.8. DOCUMENTS AND REPORTING TO THE BOARD OF DIRECTORS

The Chairman of the Board of Directors shall ensure that the Directors are suitably and promptly informed, so as to allow the same Board to have the necessary knowledge of the matters submitted to it for examination.

Pursuant to the Board of Directors Regulation, the supporting documents for the Board meetings shall be sent to each Director and each Statutory Auditor on the same date on which such meeting is called, if viable, and however within three days before the date fixed for the meeting, except for the cases of urgency, in which the documents shall be made available as soon as possible. If the Chairman deems it appropriate in relation to the contents of the issue and of the relevant resolution, the informative documents may be directly supplied at the meeting, notifying the Directors and auditors thereof; the same however may, if they wish, access the information available at the company registered office in the days immediately preceding the meeting.

4.1.9 BOARD MEETINGS – FREQUENCY OF THE MEETINGS OF THE BOARD OF DIRECTORS

The table below indicates the number of meetings of the Board of Directors as well as the attendance rate of each Director:

| Members | No. of Meetings | Presence |
|-------------------|-----------------|----------|
| Alessandro Pansa | 12 | 12/12 |
| Sante Roberti | 12 | 10/12 |
| Sergio De Luca | 12 | 12/12 |
| Maurizio Cereda | 12 | 10/12 |
| Gerlando Genuardi | 12 | 12/12 |
| Gregorio Gitti | 12 | 11/12 |
| Francesco Lalli | 12 | 12/12 |
| Eugenio Pinto | 12 | 11/12 |
| Attilio Salvetti | 12 | 12/12 |

In 2010, the Board of Directors held 12 meetings. Each absence was duly justified. For 2011, 13 meetings are planned, of which, at the date of this Report, 3 have already been held, taking into account also the March 1 meeting.

The Board of Directors meets, pursuant to the Articles of Association, whenever the Chairman or his/her substitute deems it necessary, or on a written request of the majority of its members. The Board of Directors may also be called by each member of the Board of Statutory Auditors.

4.1.10 EVALUATION OF THE OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors makes, at least once a year, an evaluation of the size, composition and operation of the same Board and of its Committees and expresses directions, where appropriate, on the kind of professional experts it would be deemed appropriate to include in the Board.

In order to promote the best actions that may allow to the Board of Directors to carry out its duties in the most efficient and effective manner, the Board has resolved to work out, starting from the year 2008, an evaluation of the same Board and of its Committees, based not only on the opinion expressed by the Board members, but also on the opinion of a consulting company specialising in the field (so-called “*Board Performance Evaluation*”).

From the evaluations made in 2008 the operation, size and composition of the Board Members of the Company resulted to comply with the principles and application guidelines of the Self-Discipline Code of Borsa Italiana and with the Italian and international best practices.

In 2009 the Board, with a view to testing various methodological approaches and verifying that the favourable opinions expressed in the past were actually objective, resolved to give continuity to the evaluation process undertaken, and decided to make another evaluation of the same Board, but entrusting the relevant assignment to another consulting company specialising in the field.

The evaluation process was developed through: (i) a specific questionnaire and individual interviews made with each Director as well as with the Chairman of the Board of Statutory Auditors and the General Secretary and Secretary of the Board; (ii) the analysis of the minutes and of the relevant documentation of the meetings of the Board of Directors and of its Committees; (iii) the analysis of the “way of working” of the Board and of the Committees by attending some of their meetings; (iv) the analysis of the indications and comments emerged; (v) the discussion in the Board of the main results and consequent follow up.

The procedures utilised were compared with the best practices adopted by the most important Italian and foreign companies.

The evaluation concerned:

- the size and composition of the Board and of the Committees (specifically, the adequacy of the number of independent Directors and of the fields of expertise represented in the Board and in the Committees, as well as the possible establishment of new committees);
- the way of operating of the Board and of the Committees (specifically, the presence and attendance of Directors, the frequency and duration of meetings, the comprehensibility of the agenda and of the informative documents available to Directors, the manner in which meetings are conducted and the possibility to discuss the strategies during such meetings, the completeness of the recording of the discussions intervened).

From the investigation, performed by comparing the main critical factors found, at international level, by the entity in charge of the evaluation on hundreds of Boards of Directors, a substantially positive situation emerged in the Board of Directors of Ansaldo STS.

In particular, the *Board Performance Evaluation* – the results of which were submitted to the Board for evaluation at the meeting of March 29, 2010, showed that the Board of Directors is “largely compliant with the Self-Discipline Code, and its operation is favourably compared with the international scenario”.

In particular, the following aspects were underlined by the Board Members as areas of excellence:

- a positive internal climate that favours dialogue, also thanks to the very good integration between the Chairman and the Chief Executive Officer;
- a dialectical, constructive approach of the Independent Directors both in the Board and in the Committees, with a high level of integration with the management of Ansaldo STS;
- information and presentations, which are clear and timely even on the most delicate issues, and practical operating meetings.

The Directors have expressed their wish and intent to make efforts towards a further improvement of the good operating performance reached.

On November 2, 2010, the Board resolved to repeat the Board Performance Evaluation conferring the relevant assignment, as in 2009, to the consulting company specialising in the field *Egon Zehnder International* (EZI).

According to the present assignment, a Board Review is to be conducted with the same methods as those of last year, comprised of a series of personal interviews with each member of the Board of Directors, with the Chairman of the Board of Statutory Auditors and with the Board Secretary, as well as of the participation in one or more meetings of the Board and of the Remuneration and the Internal Control Committees. In addition, the minutes of the Board and of the Committees relevant to the meetings held in 2010 will be analysed. The evaluation will also be based on the comparison with Italian companies that have a Shareholder composition similar to Ansaldo STS, by availing of the considerable experience gained by EZI both in Italy and abroad. The new project will be adapted to the specific recommendations and to the results of last year, also through a modification of the base questionnaire, which will be simplified in the areas of lesser importance for the Company and integrated with a section devoted to the Board dynamics on the base of the Team Effectiveness Review (TER) method.

The delivery of the final report is expected within the first quarter of 2011.

4.1.11 REMUNERATION OF THE DIRECTORS

A significant portion of the remuneration of the executive Director is linked to the achievement of specific performance targets of the Company. In fact, to date, the Chief Executive Officer, as a Director entrusted with delegations of the company, is entitled, apart from the fixed remuneration, to:

- a *management by objectives* (“MBO”) plan on an annual basis (to which the managers of the Ansaldo STS Group are also entitled);
- an additional compensation (*Long Term Incentive Plan*) relevant to an incentive plan on a three-year (*rolling*) basis pegged to certain economic/managerial parameters;

The Chief Executive Officer has been also included among the beneficiaries of the free share allocation plan 2008-2010, which provided for the attribution of Ansaldo STS shares on an annual basis, with delivery of the same deferred to the expiration of each year included in the period of validity of the plan, upon achievement of certain performance targets. The document containing detailed information on such plan, pursuant to Art. 84-*bis* of the Issuers’ Regulation, is available on the site of the Company http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/reports/informazioni_per_azionisti/Documento_Informativo_SGP_14_03_2008.pdf. In this regard, we point out that the Board has proposed to the ordinary Meeting of the Shareholders convened on April 4, 2011 in first call and on April 5, 2011 a new plan for the free allocation of Ansaldo STS shares, which would include, among its beneficiaries, the Chief Executive Officer of the Company and certain managers considered to be key resources of Ansaldo STS and/or of the Group companies. According to the plan, the allocation of the shares will be subject to certain conditions precedent, represented by the performance targets to be defined by the Board of Directors, after hearing the Remuneration Committee, among the following: EVA (Economic Value Added), Free Operating Cash Flow and performance of Ansaldo’s shares in comparison with the FTSE *All Share* Index performance. The definition of the number of shares to be allocated to each beneficiary, including the Chief Executive Officer, shall be made by the Board of Directors after hearing the Remuneration Committee. Considering that the issue of the remuneration of executive Directors is being defined by regulation (particularly as regards companies listed in the Star segment), the plan will have one year duration, in order to allow the Company to conform, already from 2012, to the regulation provisions to be issued. The informative document containing detailed information on the plan, pursuant to Art. 84-*bis* of the Issuers’ Regulation, is available on the site of the Company, <http://www.ansaldo-sts.com>.

The remuneration of non-executive Directors, on the other hand, is not linked to the economic results achieved by the Company. Such Directors, in fact, do not benefit from the mentioned share incentive plans, but from the remuneration owed to the Members of the Board of Directors as defined by the Meeting of Ansaldo STS S.p.A.. Those non-executive Directors who are not also members of either or both of the internal committees of the Board of Directors of the Company (Internal Control Committee and Remuneration Committee), moreover, receive an additional compensation defined by the same Board. Such compensations are paid *pro rata temporis* for their term of office. For completeness, we point out that Mr. Alessandro Pansa and Mr. Francesco Lalli have renounced the fees owed to the same, respectively as Chairman of the Board of Directors and as Director and Member of the Remuneration committee, in favour of the Company. For detailed information on the compensations paid, at any title and in any form, even by subsidiaries, to each member of the Board of Directors, as well as to the Chief Executive Officer, where appointed, see the specific table included in the Notes to the Accounts to the Financial Statements, available on the site of the Company at the address <http://www.ansaldo-sts.com/AnsaldoSTS/IT/Corporate/InvestorRelations/infoShareholders/index.sdo>

4.3 COMMITTEES

In order to improve the efficacy and effectiveness of the works of the Board of Directors, the Internal Control Committee and the Remuneration Committee have been established within the same.

Considering that the current 'list' voting system ensures a transparent appointment procedure and a balanced composition of the Board and guarantees, in particular, the presence of a suitable number of independent Directors, the Board of Directors has not deemed necessary to establish, within the same, a committee for proposals of appointment to the office of Director.

4.2.1 INTERNAL CONTROL COMMITTEE

The Internal Control Committee currently in office was appointed by the ordinary Meeting of the Shareholders on April 1, 2008, which increased the number of its members from three to four Board Members, all non-executive and independent, namely: Maurizio Cereda, Gregorio Gitti, Eugenio Pinto and Attilio Salvetti.

Pursuant to the Code, on June 20, 2008 the Board of Directors certified the suitable experience in accounting and financial matters both of the Chairman of the Committee, Mr. Gregorio Gitti, and of its members, Mr. Maurizio Cereda and Mr. Eugenio Pinto.

The activities of the Committee are governed by a Regulation, in line with the Code provisions, approved by the Board on January 29, 2007, amended on April 1, 2008 and subsequently on November 26, 2010. In fact, it became necessary during the year to modify the attributions of the Committee in order to take into account the changes introduced by Legislative Decree no. 39 of January 27, 2010 ("*implementation of the directive 2006/43/EC on Statutory audits of annual accounts and consolidated accounts, which has amended the directives 78/660/EEC and 83/349/CEE, and has abrogated the directive 84/253/EEC*"), which entrusts the Board of Statutory Auditors with supervising, *inter alia*, the statutory audit of annual accounts and consolidated accounts and the independence of the statutory auditor or audit firm, particularly as regards the performance of services other than audit to the entity subject to the statutory audit of accounts. The updated version of the Regulation is available on the Internet Site of the Company at the address http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/Codici_Interni/Regolamento_Comitato_per_il_Controllo_Interno_.pdf

The main activity of the Internal Control Committee is to assist the Board of Directors with advice, proposals and preparation of proceedings in relation to the activities carried out for the definition of the guidelines of the internal control system and for the periodical assessment of the adequacy and actual operation of the organisational structure relevant to the internal control system.

In particular, the Committee is in charge of verifying the levels of functionality and adequacy of the internal control system as well as the actual compliance with the internal procedures and guidelines adopted, both to ensure a sound and effective management and to identify, prevent and manage, to the extent possible, risks of financial and operating nature and frauds against the Company.

The specific duties of the Committee include, for example and without limitation, the following:

- assist the Board of Directors in the duties entrusted to this latter by the Code in matters of internal control;
- examine the workplan prepared by the Internal Control Manager as well as the periodical reports of the same;

- evaluate, together with the manager in charge of drafting the corporate accounting documents and with the auditors, the adequacy of the accounting principles usable and their consistency for the purposes of the compilation of the consolidated financial statements;
- on request of the executive Director in charge, express opinions on specific aspects relating to the identification of the main corporate risks and the planning, implementation and management of the internal control system;
- report to the Board of Directors, at least every six months, on occasion of the meetings called to approve the draft financial statements and the half-yearly report, on the activity carried out and on the adequacy of the internal control system, providing its own evaluations in that regard;
- carry out any other duties as may be assigned by the Board of Directors;
- carry out the duties of the Related-Party Transaction Committee mentioned in the procedure for related party-transactions pursuant to the Related Party Regulation, paragraph 4, and exercise the relevant authorities.

Within its activity, during the Financial Year the Committee:

- evaluated the potential risk exposure of the company, identified by the Chief Executive Officer with the support of the Internal Control Manager, and the measures adopted by the management to prevent, monitor and control such risks;
- examined, together with the Internal Control Manager, the most significant elements observed, the justifications and the difficulties, if any, met during its activity;
- examined and verified the adequacy of the organisational, administrative and accounting structure of Ansaldo STS and of its subsidiaries, with particular regard to the internal control system and the handling of conflicts of interest;
- examined the Organisation, Management and Control Model update approved by the Board of Directors, pursuant to Legislative Decree no. 231/01, on July 6, 2010;
- examined the progress of certain significant job orders;
- examined the audit plan of the Group for 2010, verifying the main results thereof;
- approved the audit plan for 2011;
- started the verifications that are its responsibility with regard to the process of formation of the Interim Management Report, the Half-Yearly Financial Report and the Financial Statements, also through meetings with the audit company, and informing the Board of the results of such verifications and of any recommendations;
- verified the adequacy and the actual application of the accounting principles used and their consistency for the purposes of the compilation of the consolidated financial statements;
- examined the results of the activities carried out by the Company in order to verify the fulfilment of the requirements under Law 262/2005.

From January 1, 2010 to the date of this Report, the Internal Control Committee reported to the Board on January 27, 2010, March 1, 2010, May 27, 2010, July 6, 2010, July 27, 2010, November 2, 2010, January 26 and March 1, 2011.

The Committee meets at least every six months (in concurrence with the approval by the Board of Directors of the Financial Statements and the Half-Yearly Financial Report). The table below indicates the number of meetings of the Internal Control Committee during the Financial Year as well as the attendance of each member:

| Members | No. of Meetings | Presence |
|---------------------------|-----------------|----------|
| Gregorio Gitti (Chairman) | 7 | 6/7 |
| Maurizio Cereda | 7 | 6/7 |
| Eugenio Pinto | 7 | 6/7 |
| Attilio Salvetti | 7 | 7/7 |

The meetings of the Committee were attended by the Board of Statutory Auditors, the Chief Executive Officer as executive Director in charge of supervising the functionality of the internal control system, the General Secretary of the Company and the Internal Control Manager. The *chief financial officer* and the *risk manager* of the Company also participated, and sometimes the Supervisory Body of the Company as well.

The Internal Control Committee meetings were regularly recorded in minutes.

During the Financial Year, the Committee was able to access all information and corporate functions as required for the performance of its duties.

The Committee has a suitable budget of its own for the performance of the duties entrusted to it. Moreover, pursuant to art. 4 of the Committee Regulation, the Committee may avail of the collaboration both of internal employees and of external professionals for the performance of its duties.

4.2.2 REMUNERATION COMMITTEE

The Remuneration Committee, appointed on April 1, 2008, consists of three non-executive Directors, two of whom are independent: Mr. Maurizio Cereda, Mr. Gerlando Genuardi and Mr. Francesco Lalli.

The activities of the Committee are governed by a Regulation, in line with the Code provisions, approved by the Board on January 29, 2007 and subsequently amended on May 12, 2008. Such Regulation is available on the Company Internet site at the address http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/Codici_Interni/Regolamento_Comitato_per_la_Remuneration_.pdf

In particular, the Committee is entrusted with the following duties:

- on a delegation by the Board of Directors, propose the remuneration and legal treatment of the Chief Executive Officer, after hearing the opinion of the Board of Statutory Auditors, where required under Art. 2389 of the Italian Civil Code, within the scope and the limits of the regulation of the employment relationship, if any, also with regard to the relevant establishment, remuneration adjustments, termination, even under a settlement agreement, and definition of obligations following the termination of such relationship;
- evaluate the proposals of the Chief Executive Officer relevant to the general remuneration and incentive criteria, as well as to the management development systems and plans, for the key resources of the Group and the Directors entrusted with powers of the Group companies;
- assist the Company top management in the definition of the best policy for handling the managerial resources of the Group;
- evaluate the proposals of the company top management for the introduction or modification of share incentive plans or plans for the allocation of shares to Directors and managers of the Company and of the companies of the Group to be submitted to the Board of Directors;

- prepare, for approval by the Board, the remuneration plans based on the allocation of shares or options for the purchase of shares of the Company to the benefit of Directors and managers of the Company and of the companies of the Group;
- carry out the duties reserved to the same for the management of the Stock Grant Plans as set out by the relevant Regulations;
- propose the regulations to implement the remuneration plans as well as the separate management of the share incentive plans.

During the Financial Year, the Remuneration Committee exercised a role of support to the Board of Directors and the Human Resources & Organization Department of ASTS on certain priority issues in the examination of the management systems of the Company and the relevant variable remuneration plans.

More exactly, the Committee:

- within the medium/long term incentive system of the Group, favourably evaluated and approved the proposal of the Human Resources & Organization Department of the company regarding the Long Term Incentive Plan for the three years 2010-2012;
- examined and favourably considered the MBO Program for the year 2010 for the management of the Group and expressly approved the MBO for the Chief Executive Officer;
- examined and approved: (i) the proposal of the Human Resources & Organization Department of the Company with respect to the Stock Grant Plan 2010-2012 intended for managers and middle-ranking managers of the Group who participate in specific and well-identified projects for the pursuit of strategic objectives of the same Group; (ii) the Regulation of the said Stock Grant Plan 2010-2012;
- examined the development and the results of the Stock Grant Plan 2008-2010 for the year 2009;
- examined the development and the results for 2009 of the LTIPs, 2007-2009, 2008-2010, 2009-2011;
- expressly provided for the adjustment of the rights assigned in 2010 pursuant to the share plans named *Stock Grant Plan 2008-2010* and *Stock Grant Plan 2010-2012* following the operation of increase of the company capital without consideration, resolved by the Meeting of the Shareholders on April 23, 2010;
- expressly provided for the attribution of the economic benefit deriving to the Chief Executive Officer from the *Long Term Incentive Plan* and the *Stock Grant Plan*;
- expressly provided for the attribution of the economic benefit deriving to the Chief Executive Officer from the MBO program;
- examined and approved the proposal for adjustment of the remuneration relevant to the Chief Executive Officer.

During the Financial Year, the Committee was able to access all information and corporate functions as required for the performance of its duties.

The Committee reports to the Board of Directors at least every six months. From January 1, 2010 to the date of this Report, the Committee reported to the Board on January 27, 2010, March 1, 2010, May 27, 2010, July 27, 2010, September 20, 2010, February 18, 2010 and March 1, 2011.

The Remuneration Committee meets on a periodical basis for the performance of the functions and duties entrusted to it. The table below indicates the number of meetings of the Remuneration Committee during the Financial Year as well as the attendance rate of each member:

| Members | No. of Meetings | Presence |
|----------------------------|-----------------|----------|
| Maurizio Cereda (Chairman) | 5 | 5/5 |
| Gerlando Genuardi | 5 | 5/5 |
| Francesco Lalli | 5 | 5/5 |

The meetings of the Remuneration Committee were also attended by the Chairman of the Board of Statutory Auditors, and sometimes by the Statutory Auditors, the General Secretary of the Company and, pursuant to the provisions of art. 1.4 of the Committee regulation, the Human Resources & Organization Department Manager and the *deputy* of the relevant function.

The Remuneration Committee meetings were regularly recorded in minutes.

The Committee has a suitable *budget* of its own for the performance of the duties entrusted to it. Moreover, pursuant to art. 4 of the Committee Regulation, the Committee may avail of the collaboration both of internal employees and of external professionals for the performance of its duties.

4.4 INTERNAL CONTROL SYSTEM

4.3.1. ESSENTIAL ELEMENTS OF THE INTERNAL CONTROL SYSTEM

The Board of Directors, with the assistance of the Internal Control Committee and the executive Director entrusted with supervising the operability of the internal control system, defines the internal control system guidelines, so that the main risks regarding the Company and its subsidiaries may be correctly identified, as well as suitably measured, handled and monitored, also defining criteria of compatibility of such risks with a sound and correct management of the company.

Moreover, at the meeting of April 1, 2008, the Board of Directors, with the assistance of the Internal Control Committee, appointed the Chief Executive Officer as the executive Director entrusted with supervising the operability of the internal control system; also, on a proposal of this latter and after hearing the Internal Control System Committee, it appointed, at the meeting of May 12, 2008 and effective on June 1, 2008, the Internal Audit function manager, Mr. Mauro Giganti as Person in Charge of the internal control.

The internal control system is the whole of rules, procedures and organisational structures aimed at permitting, through a suitable process of identification, measurement, handling and monitoring of the main risks, a sound and correct conduction of the business, consistent with the set objectives.

The essential elements of the internal control system may be described with reference to the following components:

a) Internal environment: forms the essential identity of an organisation, determines the ways in which the risk is considered and dealt with by the people who operate in the business. In this regard, it is noted that:

- Ansaldo STS has defined a set of rules for the governance of the group through specific procedures;
- the Company has a Code of Ethics for the Group updated on the basis of the evolutions of the organisational and business structure; as regards Ansaldo STS, specific conduct

standards have been enunciated in the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, according to the requirements set out by the provisions of the same;

- powers and responsibilities are defined in the corporate procedures in compliance with the principle of segregation of the duties considered incompatible;
- the management of human resources conforms to principles of transparency, promotion of dignity, health, freedom and equality of workers and competence development.

b) Risk management, in the following elements: definition of objectives, identification of events, risk assessment, risk response.

The Group avails of risk management processes with regard to offers and projects, financial risks, as well as to corporate processes, monitored and updated in relation to the business targets. In 2010, the evaluation of the risks associated with the business processes was updated, by carrying out a specific risk assessment activity and making reference to the Enterprise Risk Management method of the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO report).

c) Control activities: may be defined as the policies and procedures that ensure to the management that the risk responses are carried out. In this regard, it is noted that:

- periodical “*management reviews*” are conducted on the offers and the progress of projects and the overall corporate performance. The company management verifies, moreover, that the objectives of the processes managed be achieved;
- there are policies and procedures, including computer ones, that define the control activities.

d) Information and communication: the relevant information must be identified, gathered and spread in a form and according to a time schedule allowing everyone to correctly fulfil their own duties. In this regard it is noted that information:

- is managed through IT systems constantly monitored with regard to the efficacy and effectiveness and updated according to the business needs;
- is spread at various levels according to the business objectives and needs, including through specific IT instruments.

e) Monitoring: the internal control system is to be monitored by evaluating the presence and uninterrupted operation of its members over time. In this regard, it is noted that:

- there are specific corporate functions that carry out periodical monitoring of the internal control system, such as the process, quality and systems function and the Internal Audit function. The Manager in charge of the compilation of accounting and corporate documents carries out periodical monitoring on the processes feeding the financial information;
- the improvement actions identified further to such monitoring are subject to evaluation by the management and to specific monitoring.

On the basis of the representations of the Chairman of the Internal Control Committee, during the year 2010, at the meeting of January 27, 2010, the Board of Directors considered the organisational, administrative and accounting structure of the Company and of its most important subsidiaries as effective and actually operative. Such evaluation was then confirmed at the meeting of January 26, 2011.

For the purposes of the above evaluation, the Internal Control Committee examined, in particular:

- the outcome of the risk assessment activity;
- the outcome of the assessments carried out by the Risk Management function on the projects pursuant to a workplan previously examined;
- the outcome of the audit activities conducted by the Internal Audit function, pursuant to an audit plan previously examined;
- the outcome of the meetings with the audit company and the Supervisory Body on the Organisation, Management and Control Model with respect to the profiles as per Legislative Decree no. 231/2001.

The executive Director in charge of supervising the internal control system function submitted to the examination of the Board of Directors, at the meeting of January 26, 2011, the update of the corporate risk map, which identifies the principal risks relevant to the Company and its subsidiaries, as well as the measures adopted for the management and/or reduction of said risks.

At the same time the Board, further to the examination of the above information, as well as of the periodical reports received from the persons in charge of supervising the internal control system, and after hearing the Internal Control Committee, considered that the risks relevant to the Company have been correctly identified, handled and monitored for the purposes of a sound and correct business management.

The Board therefore considered the internal control system adopted by the Company and by the Group to be adequate, effective and actually operating with respect to the business characteristics.

4.3.2 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS EXISTING IN RELATION TO THE FINANCIAL REPORTING PROCESS

The risk management system relevant to the financial reporting process should not be considered separately from the corresponding internal control system, as they are element of the same control and risk management system which is, in turn, part of the overall control system aimed at the identification, handling and monitoring of the corporate risks in general.

Such system is intended to ensure the ends of trustworthiness, accuracy, reliability and timeliness of the financial reporting. The same has been defined in consistency with the generally accepted *frameworks* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* – COSO Report, integrated, as regards IT aspects, by the *Control Objectives for Information Technology* – COBIT.

4.3.2.1. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS EXISTING IN RELATION TO THE FINANCIAL REPORTING PROCESS

Administrative-accounting procedures imply the analysis of the risk that errors, either intentional or not, may occur in the processes leading to the formation of the financial reporting. Therefore, for the definition of such system, the risk areas are identified and evaluated, in which events might occur such as to endanger the achievement of the financial reporting reliability.

On the basis of the identification and evaluation of risk areas, the components of the internal control system in relation to the financial reporting have been analysed through

- a synthetic overall analysis regarding the main companies of the Group, and particularly the control components relevant to the financial reporting reliability;
- an analysis for each operating process, relevant to financial statements entries being significant for financial reporting purposes, through a correlation matrix between targets identified on the process activities and the controls associated therewith.

The system developed includes the following macro-stages for the most important companies of the Group:

- identification and assessment of risks
- assessment of the adequacy of control activities;
- verification of the operability of the control system;
- monitoring and evolution of the control system.

Identification and assessment of risks

The identification of risks is made in relation to the financial statements assertions (existence and materialisation, completeness, rights and obligations, evaluation and registration, presentation and reporting) and other control objectives such as, for example, compliance with the authorisation limits, segregation of incompatible tasks, controls on physical safety and on the existence of assets, documentation and traceability of transactions.

Assessment of the adequacy of control activities

On the basis of the risk assessment, specific control activities are identified, which can be divided into two categories:

- controls applicable to the entire corporate organisation (Group/Company) which, being common across the entire organisation to be evaluated, represent structural elements of the internal control system on financial reporting (so-called "*Entity Level Control*");
- controls specific to each process ("*Process Level Control*").

At Group/company level, controls of a "pervasive" type have been identified, that is controls that characterise the company in its entirety, such as: attribution of responsibilities, powers, tasks, general controls on IT systems, segregation of incompatible tasks.

At process level, the controls identified are of a "specific" type, such as: verifications based on documentation supporting the correct recording in the accounts, regular release of authorisations, implementation of account reconciliations and controls of consistency.

Process level controls may be of "*preventive*" type, aimed at preventing undesired events or results, or of "*detective*" type, aimed at discovering, *a posteriori*, undesired events or results. In addition, such controls may be "manual" or "automatic", these latter being, for ex., the application controls referring to technical and parametric features of the IT systems in support of the business.

Specific control activities are carried out both with respect to routine processes developed during the year and to non-routine processes mainly put in place on occasion of sub-annual and annual closures of accounts. Even extraordinary operations are subject to specific control procedures involving the appropriate management levels.

Control procedures, particularly regarding routine processes, are largely based on the SAP software system. The quality of input and output data is verified on the basis of the degree of importance of the information and of the software system updates.

As regards consolidated reporting, it should be noted that specific consolidation procedures exist, updated in relation to the business needs and monitored by the structures in charge within the administrative function. Consolidated information is received by the various companies of the group and processed through the Hyperion application.

Verification of the operability of the control system

In order to verify and ensure the operability of the internal control system on financial reporting, specific monitoring activities are to be performed both by the persons in charge of the processes

(so-called “*process owners*”) and by independent third parties with respect to the operability of the processes (*Internal Audit*).

Monitoring and evolution of the control system

In order to permit suitable monitoring of the system, the “design” of its components is subject to systematic assessment and, at any rate, whenever significant events occur. The operability of the controls indicated by the procedures for verification of the administrative-accounting system is assessed every six months through specific testing activities.

Any deficiencies either in the design or in the operability of the controls are notified to the *process owners* and to the Manager in Charge of drafting the corporate accounting documents in order to plan remedial actions, the actual implementation of which is then subjected to verification.

The Manager in Charge of drafting the corporate accounting documents, together with the Chief Executive Officer, provides the certificate under Art. 154-*bis*, subsection 5 of the TUF.

4.3.3 MANAGER IN CHARGE OF SUPERVISING THE INTERNAL CONTROL SYSTEM OPERABILITY

The person in charge of supervising the internal control system operability is the Chief Executive Officer, Mr. Sergio De Luca, as resolved by the Board of Directors at the meeting of April 1, 2008, who implements the guidelines defined by the Board, providing for the design, implementation and management of the internal control system.

The Director in charge of supervising the internal control system operability, with the support of the Internal Control Manager:

- proceeded to identify the main corporate risks, taking into account the characteristics of the business conducted by the Company and its subsidiaries, submitting them to the Board for examination on a periodical basis;
- proceeded to the planning, implementation and management of the internal control system, constantly verifying the relevant overall adequacy, efficacy and effectiveness;
- took actions to conform such system to the dynamics of the operating conditions and of the legal and regulatory scenario.

4.3.4 INTERNAL CONTROL MANAGER

At the meeting of May 12, 2008, the Board of Directors, on a proposal of the Director in charge of supervising the internal control system operability, and after hearing the opinion of the Internal Control Committee, appointed Mr. Mauro Giganti, Internal Audit function Manager, as Internal Control Manager, with effect from June 1, 2008.

The Internal Control Manager is responsible for verifying that the internal control system be always adequate, fully operative and working.

The Internal Control Manager, who reports to the Chairman, does not report to the operating area managers, including the administration and finance area, has direct access to all useful information and has the availability of all appropriate means to carry out his assignment; he reports on his activity, on a periodical basis, to the Chairman, the Internal Control Committee, the Board of Statutory Auditors and the executive Director in charge of supervising the internal control system operability.

In particular, in 2010, the Internal Control Manager:

- constantly verified that the internal control system was adequate, operative and working properly;
- reported to the executive Director in charge of supervising the internal control system operability, to the Internal Control Committee and to the Board of Statutory Auditors on

the methods, according to which the risk management is conducted, as well as on the compliance with the risk reduction plans;

- in light of the evaluation of the risk map and of the general activity of monitoring of the internal control system, expressed a favourable opinion on the suitability of the internal control system to reduce overall risk to an acceptable level.

4.3.5. ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

In relation to the enactment of Legislative Decree no. 231 of June 8, 2001 and subsequent amendments and additions, which has introduced a specific corporate liability regime for certain classes of criminal offences, the Company has adopted measures, in accordance with the provisions of the same Decree, suitable to avoid being charged with such liability, by establishing specific protocols and supervision systems aimed at preventing certain types of offences.

For such purpose, the Company has adopted, by resolution of the Board of Directors dated June 27, 2006, the Organisation, Management and Control Model pursuant to Legislative Decree 231/01, which was then amended, following legal and organisational changes, by the Board resolutions of November 11, 2008, March 6, 2009 and, lastly, July 6, 2010. At the same meeting of July 6, 2010, the Board of Directors also approved an amendment to the Code of Ethics, adopted by the Board resolution of June 27, 2006 and then updated by the resolution of November 11, 2008. The Organisation Model has been drafted in accordance with the Guidelines of Confindustria.

The update made in 2010 to the Organisation, Management and Control Model became necessary in consequence of a new organisation set up at the beginning of 2010, as well as to take into account the offences introduced by the last amendment to Legislative Decree 231/01 (by Laws no. 94 of July 15, 2009, no. 99 of July 23, 2009 and no. 116 of August 3, 2009), namely: organised crime; counterfeiting of coins, legal tender, revenue stamps and identification signs or marks; offences against industry and trade; inducement not to make statements or to make false statements to judicial authorities; copyright offences.

The revision of the Code of Ethics in 2010, on the other hand, was to meet the need to conform the same to the updated Model and to avail of a Code of Ethics easier to be used and understood at international level, in the context of the new organisation adopted by Ansaldo STS.

The current Model is comprised of a general part and five special parts.

The general part essentially focuses on the Supervisory Body (hereinafter S.B.) and on the information flows to be transmitted to the same, as well as on the reporting, by the same S.B., to the corporate bodies; on personnel training, on the diffusion of the Model within the company and outside and on the disciplinary system for the case of non-compliance with the Model prescriptions.

The special parts, relevant to the various offences described in the decree, which might, in theory, apply to the Company, are the following: (i) offences against the Public Administration, (ii) corporate and market abuse offences, (iii) occupational health offences, (iv) receiving and 'laundering' or using stolen goods, money or other things from an illegal source, (v) computer-related offences and illegal processing of data. The special parts of the Model list the risk areas for the relevant type of offence, refer to the specific decisional protocols in force and the relevant rules of conduct for those who operate in such areas and define the monitoring procedures in that regard.

Annexes and integral part of Ansaldo STS's Organisational Model are:

- Code of Ethics;

- organisational structure of Ansaldo STS;
- subdivision of powers and delegation system;
- Evidence file indicating the relations with Public Administrations;
- Periodical statement of compliance with the Model and regarding the delegation powers and the signature limits;
- list of relevant persons in the meaning of the “Internal Dealing Code”.

The Organisation, Management and Control Model under Legislative Decree 231/2001 and the Code of Ethics are available on the company website at the address <http://www.ansaldo-sts.com/AnsaldoSTS/IT/Corporate/InvestorRelations/CorporateGovernance/internalcode/index.sdo>.

As regards the provisions of Art. 6 of the mentioned Decree, on June 27, 2006 the Board resolved to establish a Supervisory Body as a collective body. In particular, such body is formed at the moment by a non-executive independent Director, Mr. Eugenio Pinto (Chairman), as well as by the Managers, for the time being, of the Corporate Business Function, Ms. Grazia Guazzi, and of the Internal Audit Function, Mr. Mauro Giganti.

The tasks, activities and operation of such Body are governed by the specific Bylaws approved by the Board of Directors on October 24, 2006 and updated on July 6, 2010. At the same board meetings, moreover, the Board of Directors took due note of the Regulation and of the subsequent update thereof. The main amendments brought in 2010 to the previous version of the Bylaws regard a greater detail of the Body tasks in consistency with the latest update of the Model.

The S.B. transmits to the Board of Directors, on a half-yearly basis, a written report regarding the implementation and actual operation of the Organisation, Management and Control Model.

The S.B. has a suitable *budget* of its own for the performance of the duties entrusted to it.

The S.B. autonomously approves, on a yearly basis, its own supervision plan, which includes both activities of verification of the Model adequacy and of compliance with the same Model.

4.3.6. MANAGER IN CHARGE OF DRAFTING THE CORPORATE ACCOUNTING DOCUMENTS

Considering the favourable opinion given by the Board of Directors, and having verified the satisfaction of the professional requirements under the Company Articles of Association, the Board of Directors has appointed, until the date of expiration of the term of office of the same Board, Mr. Alberto Milvio, Chief Financial Officer of the Company, as Manager in charge of drafting the corporate accounting documents pursuant to Art. 154-*bis* TUF and subsequent amendments.

It should be noted that, pursuant to Art. 23 of the Company Articles of Association, such appointment is the responsibility of the Board, after obtaining the mandatory opinion of the Board of Statutory Auditors. The same provision of the Articles of Association also states that the Manager in Charge must have gained at least three years experience in the exercise of:

- a) management or control activities or executive duties in corporations endowed with a company capital not lower than two million Euro; or
- b) professional activities or teaching in universities as a professor with tenure of legal, economic, financial and technical-scientific subjects strictly relating to the Company business and to the tasks, which the Manager in Charge is to carry out; or
- c) managerial duties in public authorities or public administrations operating in the credit, financial and insurance sectors or, however, in sectors strictly connected with the Company business.

The Manager in Charge, in accordance with the provisions of the applicable laws, has set up proper administrative and accounting procedures for the compilation of the annual financial statements and the consolidated financial statements, as well as of any other communication of financial nature.

In addition, the Manager in Charge, together with the Chief Executive Officer, certified, by a specific report annexed to the annual financial statements, the consolidated financial statements and the half-yearly financial report: (i) the adequacy and actual implementation of the administrative and accounting procedures as indicated above for the period to which such accounting documents refer; (ii) the compliance of the contents of such documents with the international accounting standards that apply within the European Unit pursuant to the (EC) Regulation no. 1606/2002 of the European Parliament and the Council, dated July 19, 2002; (iii) the consistency of the same documents with the data resulting from the accounting books and records and their suitability to provide an accurate and correct representation of the equity, economic and financial situation of the Company and of the whole of the companies included in the consolidation; (iv) that the Directors' report accompanying the annual financial statements and the consolidated financial statements contains a reliable analysis of the performance and of the operating results, as well as of the situation of the Company and of the whole of the companies included in the consolidation, together with a description of the main risks and uncertainties to which these latter are exposed; (v) that the interim management report included in the half-yearly management report contains a reliable analysis of the information under subsection 4 of Art. 154-ter of the TUF.

4.3.7. AUDIT COMPANY

The audit of the accounts is carried out by PricewaterhouseCoopers S.p.A., an audit company entered in the special register under Art. 161 of TUF, appointed by the Ordinary Meeting of the Shareholders on February 24, 2006, after obtaining the favourable opinion of the Board of Statutory Auditors. Such assignment, originally conferred for the years 2006-2011, was extended by the Ordinary Meeting on May 22, 2007, pursuant to Art. 159 of the TUF, on a justified proposal of the Board of Statutory Auditors, to the years 2012, 2013 and 2014.

4.3.8. REQUIREMENTS UNDER ARTICLES 36 AND 37 OF THE MARKET REGULATION

In March 2010, the Board of Directors of the Company verified the compliance of Ansaldo STS with the rules set out by the Consob in Articles 36 and 37 of the Market Regulation in matters of (i) conditions for the listing of parent companies of companies established and operating under laws of non-member Countries of the European Union ("extra-EU foreign subsidiaries") and of (ii) conditions preventing the listing of subsidiaries subject to direction and coordination by other companies.

In particular, it was confirmed, with respect to the verifications carried out in 2010, that:

- in application of the parameters of significance as per Art. 36, subsection 2, of the Market Regulation, the following extra EU foreign subsidiaries have been identified: Ansaldo STS USA Inc., Ansaldo STS Australia Pty Ltd. and Ansaldo STS Transportation System India Pvt Ltd;
- the Balance Sheet and the Income Statement for 2010 of all companies mentioned above will be made available to the public by the Company within the dates indicated by the law (in accordance with the provisions of Art. 36, subsection 1, letter a) of the Market Regulation);
- the articles of association, the composition and the powers of the corporate bodies of all companies mentioned above have been acquired by Ansaldo STS and will be kept at the disposal of the Consob, in their updated version, if this latter should make a specific request

of exhibition for purposes of supervision (in accordance with the provisions of Art. 36, subsection 1, letter b) of the Market Regulation);

- all companies indicated above: (i) supply the Company auditor with the information required by this latter in order to carry out the audit of the annual and sub-annual accounts of Ansaldo STS (in accordance with the provisions of Art. 36, subsection 1, letter c), item (i), of the Market Regulation); (ii) have an administrative-accounting system suitable to transmit to the management and to the auditor of the Company, on a regular basis, the necessary economic, equity and financial data for the compilation of the consolidated financial statements of Ansaldo STS (in accordance with the provisions of Art. 36, subsection 1, letter c), item (ii) of the Market Regulation);
- the publication requirements under Art. 2497-*bis* of the Italian Civil Code have been complied with (in accordance with the provisions of Art. 37, subsection 1, letter a), of the Market Regulation);
- the Company has autonomous capacity to negotiate with customers and suppliers (in accordance with the provisions of Art. 37, subsection 1, letter b) of the Market Regulation);
- the Company has no cash pooling relationship with Finmeccanica or other companies of the group it belongs to (in accordance with the provisions of Art. 37, subsection 1, letter c) of the Market Regulation);
- the Company has a number of independent Directors such as to ensure that their opinion has a significant weight in taking the Board resolutions (in accordance with the joint provisions of the previous formulation of Art. 37, subsection 1, letter d), of the Market Regulation and of item IV.2 of the Consob resolution no. 17221 of March 12, 2010).

In light of the above, the Board of Directors has certified the existence of the conditions under Articles 36 and 37 of the Market Regulation (in accordance with Art. 2.6.2, subsections 12 and 13, of the Stock Market Regulation).

4.5 RELATED-PARTY TRANSACTIONS

The Procedure regarding related-party transactions (the “Procedure”) was approved by unanimous vote by the Board of Directors of the Company on November 26, 2010, upon the favourable opinion unanimously expressed by the Procedure Committee, pursuant to Art. 2391-*bis* of the It. Civil Code and Art. 4, subsections 1 and 3, of the Consob Regulation on related-party transactions adopted by resolution no. 17221 of March 12, 2010 and subsequently amended by resolution no. 17389 of June 23, 2010 (the “Regulation”). On the same date, the Board of Statutory Auditors of the Company confirmed the compliance of such Procedure with the principles indicated in the Regulation;

The Procedure, available on the Internet site of the Company, is aimed at defining the rules, methods and principles to ensure the transparency and the substantial and procedural correctness of the related-party transactions conducted by the Company, either directly or through subsidiaries.

4.4.1 RELATED-PARTY TRANSACTIONS OF GREATER IMPORTANCE - PREPARATION AND APPROVAL

Pursuant to the provisions of art. 8 of the Regulation and of art. 6.2 of the Procedure, except for Transactions of Greater Importance for which the Meeting is responsible, or to be authorised by the same, the Board of Directors of the Company is competent to deliberate the approval of Transactions of Greater Importance, upon a mandatory justified favourable opinion of the Committee for Related-Party Transactions (which, pursuant to the Procedure, coincides with the Internal Control Committee established in accordance with principle 8, subs. 4 of the Code), provided that a timely, complete and suitable information flow has

been previously received on the characteristics of the Transaction, which the Company intends to carry out.

The Committee for Related-Party Transactions, even through one or more of its members delegated for such purpose, must be involved during the negotiations and during the preparatory stage. The Committee, or the member delegated by the same, is entitled to ask for information and to formulate observations to the delegated bodies and the persons in charge of carrying out the negotiations or the preparatory stage.

Once the preparatory stage is completed, the Committee for Related-Party Transactions, after receiving the final data and information relevant to the Transaction, will express - in due time to allow the competent body to take a resolution in that regard - a justified mandatory opinion on whether it is in the interest of the Company to perform the Transaction of Greater Importance as well as on the advantage and substantial correctness of the relevant terms.

The Committee for Related-Party Transactions may, if it so deems necessary or appropriate for the issue of the mentioned opinion, avail of the advice of one or more independent experts chosen by the same.

If the Related-Party Committee has expressed a prior justified contrary opinion to the performance of a Transaction of Greater Importance, or a conditioned or qualified opinion, the Board of Directors of the Company may: (i) approve the Transaction of Greater Importance after conforming entirely to the censures formulated by the Committee for Related-Party Transactions, or, as an alternative, (ii) approve the Transaction of Greater Importance notwithstanding the contrary opinion of, or however without taking into account the observations formulated by, the Committee, on condition that the performance of such Transaction is authorised by the Meeting or, lastly (iii) not approve the Transaction of Greater Importance and therefore abstain from carrying out the same.

In relation to Transactions of Greater Importance for which the Meeting is responsible or, however, that are to be authorised by the same, pursuant to Art. 2364, subsection 5, no. 1, It. Civil Code, during the negotiations, the preparatory stage and the stage of approval of the proposed resolution to be submitted to the Meeting, the above rules shall apply, *mutatis mutandis*.

If the Board of Directors intends to submit to the Meeting a Transaction of Greater Importance notwithstanding a contrary opinion of, or however without taking into account the observations formulated by, the Committee for Related-Party Transactions, the Transaction shall not be carried out if the majority of the non-related voting Shareholders vote against such Transaction, provided, though, that the non-related Shareholders present at the Meeting represent at least 10% of the share capital entitled to vote.

Without prejudice to the information obligations under Articles 5 and 6 of the Regulation, the Chief Executive Officer supplies the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Transactions of Greater Importance.

4.4.2 RELATED-PARTY TRANSACTIONS OF LESSER IMPORTANCE - PREPARATION AND APPROVAL

The body competent to deliberate approves the Transactions of Lesser Importance after obtaining a prior, justified opinion – not binding – from the Committee for Related-Party Transactions and after receiving from the Corporate Affairs and Group Insurances Function

a timely, complete and suitable information flow on the characteristics of the Transaction, which the Company intends to carry out.

The Committee for Related-Party Transactions, after receiving the complete and final information relevant to the Transaction of Lesser Importance, which the Company intends to carry out, will express - in due time to allow the competent body to take a resolution in that regard - a justified opinion, not binding, on whether it is in the interest of the Company to perform the Transaction, as well as on the advantage and substantial correctness of the relevant terms.

The Committee for Related-Party Transactions may, if it so deems necessary or appropriate for the issue of the mentioned non-binding opinion, avail of the advice of one or more independent experts chosen by the same.

In relation to Transactions of Lesser Importance for which the Meeting is responsible or, however, that are to be authorised by the same, pursuant to Art. 2364, subsection 1, no. 5, It. Civil Code, during the preparatory stage and the stage of approval of the proposed resolution to be submitted to the Meeting, the above rules shall apply, *mutatis mutandis*.

Without prejudice to the information obligations under Articles 5, subsection 8, and 6 of the Regulation:

- (i) the Chief Executive Officer supplies the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Transactions of Lesser Importance;
- (ii) save for the provisions of Art. 114, subsection 1, of the Consolidation Act on Finance, within fifteen days of the end of each quarter of the Financial Year the Company puts at the disposal of the public a document containing the indication of the other party, the subject matter and the consideration of the Transactions of Lesser Importance approved during the relevant quarter notwithstanding a contrary opinion of the Committee for Related-Party Transactions, as well as of the reasons for which such opinion was not accepted.

4.4.3 TRANSACTIONS CARRIED OUT THROUGH SUBSIDIARIES

Transactions carried out through subsidiaries are to be subjected to a prior, non-binding opinion of the Committee for Related-Party Transactions, which is to give its opinion in due time to allow the competent body to authorise, examine or evaluate the Transaction.

4.4.4 EXEMPT TRANSACTIONS

The Procedure rules do not apply to Transactions of Small Amount (i.e. of an amount not exceeding Euro 150,000.00 when the Related Party is a natural person or not exceeding Euro 1,000,000.00 when the Related Party is a legal person).

In addition, without prejudice to the obligations of periodical accounting information under Art. 5, subsection 8 of the Regulation, where applicable, the Procedure does not apply to the following Transactions:

- (a) Transactions relevant to compensation plans based on financial instruments approved by the Meeting pursuant to Art. 114-*bis* of the TUF, and all relevant implementing operations;
- (b) resolutions regarding the remuneration of Directors vested with particular offices, other than those under Art. 13, subsection 1 of the Regulation, as well as of the other managers with strategic responsibilities, provided that the requirements under Art. 13 of the Regulation are met;

- (c) Ordinary Transactions stipulated at the same conditions as those normally applied to non-related parties for transactions of similar nature, entity and risks, or based on regulated tariffs or imposed prices, or applied to persons, with which the Company is bound under law to stipulate a fixed consideration, without prejudice to the obligation to comply with the provisions on information as per Art. 13 of the Regulation;
- (d) Urgent transactions not included in the responsibilities of the Meeting, and that are not to be authorised by the same, on condition that the requirements under Art. 13 of the Regulation are met;
- (e) Transactions with or between companies controlled by the Company, even together with others, as well as Transactions with affiliates of the Company, if there are no Significant Interests of other Related Parties of the Company in the subsidiaries or affiliates that are parties to such Transaction.

Such cases of exemption apply, *mutatis mutandis*, even to Transactions carried out through subsidiaries. As regards, specifically, the exemption for Ordinary Transactions, what matters for the purposes of the evaluation of the ordinary nature of the Transaction is the activity carried out by the subsidiary, except for the case that such subsidiary is a special purpose vehicle established just to carry out such Transaction, in which case the verification of the ordinary nature should also be conducted with regard to at least one of the activities carried out by the ASTS Group.

4.6 BOARD OF STATUTORY AUDITORS.

4.5.1 APPOINTMENT

The appointment of auditors is made by the ordinary Meeting by the ‘list’ system.

The current provisions of the Articles of Associations, updated on November 26 following the enactment of the provisions of Legislative Decree no. 27 of January 27, 2010, which implemented the EU directive so-called “*Shareholders’ Rights*”, requires that the lists be deposited at the company registered office and made available to the public in accordance with the applicable laws.

Similarly to the presentation of lists of candidates to the office of members of the Board of Directors, if the lists of candidates to the office of Auditor are not deposited within the above terms, the lists shall be considered as not submitted.

Lists may be submitted only by Shareholders who, either alone or together with other Shareholders, own the shareholding indicated in compliance with the provisions of the Consob regulation (equal, for the year 2011, to 2.0% of the company capital of Ansaldo STS). Each Shareholder may submit or concur to submit one list only, and vote only one list. Any Shareholders belonging to the same group or being parties to a Shareholders’ agreement concerning shares of the Company shall not submit or vote more than one list, even by proxy or through trust companies.

In order to prove the ownership of the number of shares required for the submission of the lists, the Shareholders shall deposit at the company registered office, within the deadlines indicated by the applicable provisions, the specific certificate proving the ownership of the number of shares represented.

The lists shall indicate the names of one or more candidates, however not exceeding the number of the members to be elected. Each candidate shall be nominated in one list only, on pain of ineligibility.

The lists shall be divided in two sections: one for candidates to the office of Statutory Auditor and the other one for candidates to the office of Deputy Auditor. The first of the candidates of each section must be entered in the Register of Auditors of accounts and must have exercised the activity of legal audit of accounts for no less than three years.

Statements shall be filed together with such list, without prejudice to the provisions of the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, the non-existence of any reasons for ineligibility and incompatibility, as well as the existence of the requirements set out by the applicable laws and the Company Articles of Association.

The Statutory Auditors shall be appointed as follows:

- two Statutory Auditors and one Deputy Auditor shall be drawn from the list that has obtained the majority of votes, in the progressive order in which they appear in the relevant sections of the same list;
- the remaining Statutory Auditor and the remaining Deputy Auditor shall be drawn from the other lists, with the same methods indicated for the appointment of the Board of Directors by Art. 16.3, letter b) of the Articles of Association; for such purpose, the votes obtained by each section of such other lists shall be divided by one. The quotients thus obtained shall be progressively assigned to the candidates of each section of each list, according to the order respectively indicated by the same lists. The quotients thus assigned to the candidates of each section of the various lists shall then be ranked in a single list in decreasing order. For each section, those who have obtained the highest quotients shall be elected.

In the event that (i) only one list is submitted, or (ii) no list is submitted, or (iii) it is not a case of renewal of the entire Board of Statutory Auditors, the Meeting shall adopt a resolution with the majority required by law and without following the procedure indicated above, but however in such manner as to ensure a composition of the Board of Statutory Auditors complying with the provisions of Art. 1, subsection 1 of the Decree of the Minister of Justice No. 162 of March 30, 2000.

If more than one candidate receives the same quotient, the candidate of the list, which has not elected any Auditor yet, or has elected the lowest number of Auditors shall be elected.

If none of such lists has elected an Auditor yet, or all of them have elected the same number of Auditors, the candidate elected shall be, within such lists, the candidate of the one that has obtained the highest number of votes. In case of equal list votes, and always provided that the quotient is equal, a new vote shall be taken by the whole Meeting, and the candidate elected shall be the one that obtains the simple majority of votes.

In case of replacement of an Auditor taken from the list that obtained the highest number of votes, the Deputy Auditor taken from the same list shall take over; in case of replacement of the Auditor taken from the other lists, the Deputy Auditor appointed by the methods under art. 16.3, letter b) shall take over. The Meeting mentioned by Art. 2401, subsection 1 of the It. Civil Code shall proceed to the replacement in accordance with the principle of mandatory representation of minorities.

The Chairperson of the Board of Statutory Auditors is appointed by the Meeting in the person of the Statutory Auditor elected by the minority, except for the case that only one list or no lists are submitted; in such event, the Chairperson of the Board of Statutory Auditors shall be appointed by the Meeting with the majority required by law.

4.5.2 CURRENT COMPOSITION

The Board of Directors in office, appointed by the Meeting of April 1, 2008 is comprised as follows:

| Members | Office |
|-------------------|-------------------|
| Giacinto Sarubbi | Chairman |
| Massimo Scotton | Statutory Auditor |
| Francesca Tripodi | Statutory Auditor |
| Pietro Cerasoli | Deputy Auditor |
| Bruno Borgia | Deputy Auditor |

The Statutory Auditors Massimo Scotton and Francesca Tripodi and the Deputy Auditor Pietro Cerasoli were taken from the majority list submitted by Finmeccanica Società per Azioni, which held a participation interest equal to 40.065% of the company capital.

The Chairman of the Board of Statutory Auditors, Giacinto Sarubbi, and the Deputy Auditor Bruno Borgia were taken from the minority list submitted by Banca Akros S.p.A., Arca S.G.R. S.p.A., Fideuram Investimenti S.G.R. S.p.A., Fideuram Gestions S.A., Interfund Sicav, Eurizon Investimenti S.G.R. S.p.A., Eurizon Capital S.G.R. S.p.A., Eurizon Capital S.A., Kairos Partners S.G.R. S.p.A., Monte Paschi Asset Management S.G.R. S.p.A., which, together, held a participation interest equal to 2.967% of the company capital. The Shareholders who submitted the minority list have certified that they are not associates, in the meaning of Art. 144-*quinquies* of the Issuers' Regulation, with Finmeccanica Società per Azioni.

The term of office of the members of the Board of Statutory Auditors will expire at the date of the Ordinary Meeting called to approve the Financial Statements for the Financial Year 2010.

The Board of Statutory Auditors has verified that the Auditors had the independence requirements under the applicable laws and the Code, as already stated by the same Auditors upon their appointment.

Moreover, no member of the Board of Statutory Auditors has notified the existence of interests owned, on his/her own behalf or on behalf of third parties, in any transactions of the Company.

Here-below is reported the information on the personal and professional characteristics of each member of the Board of Statutory Auditors.

GIACINTO SARUBBI.

Was born in Milan on January 8, 1963, graduated in Economy and Commerce, is qualified for the exercise of the profession, being entered in the Register of Chartered and Expert Accountants of Milan and in the Register of Auditors of Accounts (Ministerial Decree dated Apr. 12, 1995, published in the Official Journal no. 31 bis of Apr. 21, 1995).

He has carried out – both as the owner of a law firm of his own and as partner and Chief Executive Officer of leading international companies dealing in the audit and business consulting fields – activities relating to tax and corporate advice, business organisation and industrial accounting for various corporations, even operating at international level. Since 1995, moreover, he has been registered at the Register of Expert Consultants with the Court of Milan, specialising in "business valuation and accounting expert reports"

As regards professional training, he has taught tax and budget courses and, since the academic year 2007-2008, he has been temporary lecturer at the Business University “L. Bocconi” of Milan.

At present, apart from Ansaldo STS, he is Chairman of the Board of Statutory Auditors, Auditor, Chairman of the Board of Directors and Member of the Board of Directors in other companies, although none of them listed.

MASSIMO SCOTTON.

Was born in Genoa on November 26, 1956, graduated with honours in Economy and Commerce at the *Università degli Studi* of Genoa, is qualified for the exercise of the profession of Chartered Accountant and entered in the Register of Chartered and Expert Accountants for the district of the Court of Genoa since July 13, 1983. He was appointed Auditor of Accounts by Ministerial Decree dated Apr. 12, 1995, published in the Official Journal no. 31 bis of Apr. 21, 1995).

He has experience in the tax and corporate advice sector, as well as in business restructuring and reorganisation. He is the Chairman of the Board of Chartered and Expert Accountants of Genoa; carries out assignments as Court-appointed expert for the assessment of business complexes; is a liquidator in voluntary winding-up procedures as well as a bankruptcy trustee.

At present, apart from Ansaldo STS, he is an Auditor even in other companies, including two listed ones, namely Banca Carige S.p.A. and Boero Bartolomeo S.p.A..

FRANCESCA TRIPODI.

Was born in Rome on May 3, 1972. She has been entered in the register of Chartered Accountants of Rome since Oct. 27, 1997 and was appointed Auditor of accounts by Ministerial Decree Nov. 25, 1999 published in the Official Journal of Dec. 17, 1999.

She has experience in the sector of tax, corporate and business advice, as well as in business restructuring and reorganisation and business criminal law. She is a Member of the consulting commission of the Board of Chartered and Expert Accountants of Rome on Tax Litigation and carries out assignments, within Tax Litigations, as expert appointed by the Judge for Preliminary Investigation and technical advisor of the Prosecutor.

Apart for Ansaldo STS, she is currently an Auditor even in other companies, although none of them listed.

PIETRO CERASOLI.

Was born in Rome on July 3, 1944. Appointed as Auditor of Accounts by Ministerial Decree of Apr. 12, 1995 published in the Official Journal no. 31/bis of Apr. 21, 1995, he served at Finmeccanica Società per Azioni from 1971 in the Inspectorate, Finance and Budget service, later being appointed manager and passing to the Budget, Economy Control and Planning service (1977) of which he was appointed Vice Central Manager in 1989. Retired since 2000. He held the offices of Director, Chairman of the Board of Statutory Auditors and Auditor in invested companies of the Finmeccanica Group. At the moment, he holds offices as chairman of the Board of Directors, Statutory Auditor and Chairman of the Supervisory Body in some companies. At the date of this report, he was not vested with direction or control assignments in any other listed companies.

BRUNO BORGIA.

Was born in Naples on March 21, 1944, graduated in Economics and Commerce at the *Università Cattolica* of Milan. Chartered Accountant and Auditor of accounts, he is a teacher at the *Centro Universitario di Organizzazione Aziendale* (CUOA, University Centre for Business Organisation) as well as a member of the *Osservatorio Legislazione e Mercati* (Legislation and Markets Observatory) at CUOA Finance. A partner of KPMG, he held from 1985 to 2006 the role of manager of the audit of accounts of listed and non-listed companies, both Italian and foreign, as well as the role of Manager of the Industrial Market sector for Italy (1995-2006) and of the Mid Market sector for the Europe, Middle East and Africa area (2002-2006).

At the date of this report, he is an Auditor even in other companies, although none of them listed.

4.5.3. MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND ATTENDANCE RATES AT THE BOARD OF DIRECTORS' MEETINGS

During the Financial Year, 6 meetings were held.

The table below reports the data concerning the presence rates of each Auditor at such meetings of the Board of Statutory Auditors, as well as at the meetings of the Board of Directors held in 2010.

| Members | Presence at the Board of Statutory Auditors' Meetings | No. of Board of Directors' Meetings Attended |
|-------------------|---|--|
| Giacinto Sarubbi | 6/6 | 12/12 |
| Massimo Scotton | 6/6 | 10/12 |
| Francesca Tripodi | 6/6 | 12/12 |

Each absence was duly justified.

4.5.4 ROLE AND DUTIES

During the year, it was necessary to conform the duties of the Board of Statutory Auditors to the amendments introduced by Legislative Decree no. 39 of January 27, 2010 ("*Implementation of directive 2006/43/EC, on statutory audit of annual accounts and consolidated accounts, which has amended the directives 78/660/EEC and 83/349/EEC and has abrogated the directive 84/253/EEC*"). In particular, such provisions entrust the Board of Statutory Auditors, *inter alia*, with supervising the statutory audit on the annual accounts and consolidated accounts and the independence of the statutory auditor or of the statutory audit company, especially as regards the performance of services other than audit in favour of the entity subjected to the statutory audit.

In particular, in carrying out its activity, the Board: (i) supervised the independence of the audit company, verifying both the compliance with the relevant legal provisions, and the nature and entity of the services, other than audit of account, provided to the same Company and its subsidiaries by the audit company and the companies belonging to its network; (ii) coordinated with the internal audit function and the ICC for the performance of its own activity, through specific meetings; (iii) examined the progress status of the reorganisation project of the Ansaldo STS Group; (iv) implemented, at the meetings of October 7, 2010 and January 26, 2011 the reports on the quarterly verifications carried out by the audit company pursuant to Article 19 of Legislative Decree 39/2010 and to the CONSOB Notice no. 23932 of March 29, 1999, aimed at ascertaining that the corporate accounts were regularly kept and the management events were duly entered in the accounting records.

Also, both at the moment of the appointment and on January 22, 2009, January 27, 2010 and November 26, 2010, on the basis of the statements made by the Directors and having taken into account the evaluations of the Board [of Directors], the Board [of Auditors] certified that the assessment criteria and procedures adopted by the same Board [of Directors] to evaluate the independence of its own members were correctly applied. The results of the evaluation carried out at the moment of the appointment have been made known to the market through a press release on April 1, 2008.

4.7 HANDLING OF CONFIDENTIAL INFORMATION

4.6.1 PRIVILEGED INFORMATION REGULATION AND ESTABLISHMENT OF THE REGISTER

The management and processing of privileged information are governed by an Internal Regulation approved by the Board of Directors of the Company on March 24, 2006. Such

regulation is aimed at ensuring the compliance by Ansaldo STS with its obligations as a listed company, regulating:

- the ways in which the “Register of those that have access to privileged information” is kept and updated to the effects and purposes of Art. 115-*bis* of the TUF;
- the information flow between the companies of the Group and Ansaldo STS, with particular regard to the events and circumstances that amount, or might amount, to privileged information in the meaning of Art. 181 of the TUF;
- the management and processing of privileged information as well as the relevant ways of spreading it to the public.

As concerns Ansaldo STS and its subsidiaries, pursuant to the provisions of Art. 152-*bis*, subsection 4, of the Issuers’ Regulation and for the purposes of enhancing processes, a single register (so-called “Group Register”) has been established, directly managed by Ansaldo STS, which therefore fulfils the relevant obligation both for Ansaldo STS and for all of its subsidiaries. The provisions of the Regulation regarding subsidiaries are therefore aimed at regulating the handling of privileged information as well as the requirements to be met by the companies in order to allow Ansaldo STS to acquire in a correct and timely manner the necessary elements for a correct and regular compilation of the Group Register . The General Secretary of the Company has been appointed as person in charge of keeping the Group Register, and his substitute is the Manager of the Corporate Business Function of the Company.

Such Regulation is available on the Internet Site of the Company at the address http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/Codici_Interni/D_02_CG_Informazioni_privilegiate.pdf

4.6.2 INTERNAL DEALING CODE

Within the procedures for the management and transmission of information relating to the Company, on March 24, 2006 the Board of Directors adopted the Code of Conduct for Internal Dealing matters (“Internal Dealing Code”), to regulate the information flows relevant to transactions identified by Consob concerning the shares issued by the Company or other, connected financial instruments (the so-called relevant transactions) and conducted, even by proxy, by the "relevant persons" of the Company or persons "closely related" to the latter, as defined by Art. 152-*sexies* of the Issuers’ Regulation.

The Internal Dealing Code has also indicated certain so-called “*Blocking periods*” during which the relevant persons are expressly forbidden from carrying out relevant transactions.

Such “*Blocking Periods*” are:

- the 15 days preceding the approval by the Board of Directors of the draft Financial Statements, the half-yearly report and the quarterly reports, up to the moment that the press release concerning the resolutions adopted by the Board is disclosed to the market;
- any other periods in which the Board, or in case of urgency the Chairperson of the same and/or the Chief Executive Officer, even separately, decide to ban or restrict the Relevant Transactions.

The Internal Dealing Code is available on the Internet site of the Company at the address http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/Codici_Interni/internal-dealing.pdf.

4.8 SHAREHOLDERS’ MEETING

In calling, planning and managing Shareholders’ Meetings, particular attention is given to encourage maximum attendance on the part of the Shareholders, as well as to ensure the

maximum level of information offered to the same in the circumstance, in compliance with the restrictions and disclosure procedures regarding price sensitive information.

It should be reminded in this regard that the Legislative Decree no. 27 of January 27, 2010 – which has implemented in Italy the directive 2007/36/EC on Shareholders' Rights – has significantly modified the attendance procedures for Shareholders' meetings, introducing new rules on, *inter alia*, the methods and terms for calling the meeting as well as the title to participate and vote therein.

On November 26, 2010, the Company, by a resolution of the Board of Directors taken in accordance with Art. 2365, subsection 2 of the Italian Civil Code, has conformed its own Articles of Association to the mandatory rules given by Legislative Decree no. 27/2010, aimed at enhancing the Shareholder attendance at meetings.

Pursuant to such new provisions, Meetings are called by a meeting notice published on the Company Internet site (www.ansaldo-sts.com) as well as on at least one daily newspaper with national diffusion (this latter requirement being included in the resolution no. 17002 of August 17, 2009).

The Meeting notice must be published at least 30 days before the date of the same meeting, except for meetings called to (i) appoint the members of the corporate bodies, for which a period of 40 days is required; (ii) deliberate defensive measures in case of takeover bid, in which event the period is reduced to 15 days; and (iii) deliberate on the reduction of the share capital and the appointment of the liquidator, for which the period is 21 days. With regard to the convocation of Meetings, we should note that the Legislative Decree 27/2010 has amended Art. 2369, subsection 1 of the Italian Civil Code, permitting that the articles of association of companies which have recourse to the market of risk capital may exclude recourse to subsequent calls by introducing the possibility for meeting to be held in one single call, subject, for ordinary meetings, to the majorities required for the second call and, for extraordinary meetings, to the majorities required for calls subsequent to the second one. In order to simplify the Meeting convocation procedure, the Board of Directors has proposed to the Extraordinary Meeting of the Shareholders convened on April 4, 2011, in first call, and on April 5, 2011 in second call to amend the Articles of Association by providing that – although the meeting is normally held in more than one call – the Board of Directors may decide, if it deems it appropriate, that the meeting be held in one call only.

The Meeting may be attended by those, in favour of whom the company has received a notice by a qualified intermediary made on the basis of the accounting records as result at the closing of the seventh accounting day of open market prior to the date set for the meeting in first call. Any credit or debit entries in the accounts subsequent to such date have no effects for the purposes of the entitlement to vote. An assignee who has purchased shares after such date but before the beginning of the Meeting shall be considered absent and therefore entitled, the relevant preconditions are met, both to file an action for annulment of the meeting resolution and to exercise the right of withdrawal.

Those entitled to attend may appoint a substitute, by a written proxy, which may be transmitted to the Company by electronic media, through the proper section of the Internet site of the Company or by certified electronic mail, according to the procedures indicated, case by case, in the meeting notice. The Company keeps at the disposal of the persons entitled a proxy form for representation at each Meeting.

In order to make it easier to gather proxies from Shareholders who are employees of the Company or its subsidiaries and members of Shareholders' associations, and who comply with the requirements under the applicable laws, the Articles of Association state that premises may be made available to the same associations, according to terms and formalities agreed upon, on

a case-by-case basis, with their legal representatives, to be used for the communication and the conduction of activities of collection of proxies.

In addition, it is permitted, unless the Articles of Association provides otherwise, that the company appoint a person, whom the persons entitled to vote may entrust with a proxy with instructions to vote the proposals included in the meeting agenda. In order to further enhance the attendance of Meetings by the persons entitled, Ansaldo STS has not to this date excluded, in its Articles of Association, the appointment of representatives; accordingly, starting from the Meeting called for April 4, 2011, in first call, and April 5, 2011, in second call, the persons entitled may confer the proxy on the representative indicated by the company, at no cost.

Pursuant to the new Art. 127-ter of the TUF, the Shareholders are entitled to ask questions on the items of the agenda even before the Meeting. Questions received before the Meeting must be answered during the same Meeting, at the latest. No answer is necessary when the information requested is already available in the “question and answer” (Q&A) format in the proper section of the Company’s Internet site.

With regard to the conduction of Shareholders’ Meetings, a Meeting Regulation was approved by the same Meeting on December 12, 2005. Such Regulation defines the procedures allowing the orderly and functional proceedings of meetings, ensuring that each Shareholder is enabled to speak on the items of the agenda, and specifying at the same time certain aspects (maximum duration of the interventions; procedure of votes and conduction of the voting operations, etc.) aimed at favouring the correct conduction of the meeting sessions. In particular, it is specified that anyone who intends to speak should apply to the Chairperson or - if so indicated by this latter - to the Secretary - by submitting a written request containing the indication of the subject to which the same refers, after that the items of the agenda have been read. The Meeting Regulation, distributed to all Shareholders at each meeting, is also available on the Company Internet site at the address http://www.ansaldo-sts.com/IT/AnsaldoSTS/private/private_files/Codici_Interni/regolamento-assembleare.pdf

In order to conform the Meeting Regulation to the new provisions on Shareholders’ rights, the Board of Directors has submitted to the ordinary Meeting of the Shareholders convened on April 4, 2011, in first call, and on April 5, 2011 in second call, a proposal for the modification of the same Regulation.

The Board reports to the Meeting on the activity carried out and planned at least on occasion of the approval of the annual financial statements, and at any rate, whenever it so deems appropriate. In order to allow the Shareholders to knowingly take the decisions for which the meeting is competent, the Board publishes detailed reports on each item of the agenda (for those items that are under its responsibility). Such reports are also available on the Internet site of the Company at the address www.ansaldo-sts.com/AnsaldoSTS/IT/Corporate/InvestorRelations/infoShareholders/index.sdo

4.9 INVESTOR RELATIONS

With reference to the importance – emphasised in the Code – to establish a continuous and professional relationship with the generality of the Shareholders and with institutional investors, the specific “*Investor Relations*” corporate function has been set up, headed by a Manager entirely devoted to the relevant activity.

The Function provides, first of all, the key elements for the financial market to view the Company in a perspective more in line with the intrinsic value of the Group activities.

The goal pursued is to develop a transparent and continuous dialogue with the Italian and international financial community, founded on a clear strategic vision of the Company’s businesses and of the relevant development.

The *Investor Relations* Function has regular contacts with the Shareholders and with Analysts, also through the elaboration of Guidances and the careful monitoring of the consensus estimate.

Some events are planned to take place during the year, aimed at improving the knowledge of the Group by the financial market and at presenting its own economic and financial results and their foreseeable development (Economic-financial guidances)

The target is to organise at least two institutional lectures during the year with the Top Management of the Company, preferably on occasion of the publication of the annual and half-yearly results, in line with the best practices which are common among listed companies.

Moreover, road shows are being held in the most important financial centres in Europe and worldwide; in 2010, two lectures were organised: the first on occasion of the publication of the results for 2009 (Milan) and the second one, so-called *Investor conference* (London), to update the market with regard to the strategy, organisation and vision of the business according to Ansaldo STS.

Other road shows have been organised in 19 towns around the world.

In particular, the Investor Conference of December 2010 was the occasion to present the new economic-financial targets for 2012 and 2013. Such event, which was open to the entire financial community worldwide, represented an opportunity to review and reflect on the relevant business sector, with the participation of experts and specialists in the field.

The other events organised by the Investor Relations Function include: conference videos and calls for the financial markets on occasion of the publication of quarterly results and/or important extraordinary transactions; visits to the plants of subsidiaries, normally preceded by a presentation on the company by the Top Management of the same.

The Investor Relations Function Manager is Mr. Andrea Razeto.

Contacts

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Genoa, March 1st, 2011

For the Board of Directors
The Chairman
(Alessandro Pansa)

TABLE 1: INFORMATION OF THE OWNERSHIP STRUCTURES

| STRUCTURE OF THE COMPANY CAPITAL | | | | |
|---|---------------|--------------------------------|--|--|
| | No. of shares | % with respect to the co. cap. | Listed (indicate the markets) / not listed | Rights and obligations |
| Ordinary shares | 120,000,000 | 100 | Listed MTA Star | Right to vote in ordinary and extraordinary meetings, right to dividend and to refund of capital in case of winding-up |
| Limited-voting shares | - | - | - | - |
| Non-voting shares | - | - | - | - |

| OTHER FINANCIAL INSTRUMENTS <i>(implying the right to subscribe newly-issued shares)</i> | | | | |
|--|--|--------------------------------|---|---|
| | Listed (indicate the markets) / not listed | No. of circulating instruments | Class of shares to the service of the conversion/exercise | no. of shares to the service of the conversion/exercise |
| Convertible bonds | - | - | - | - |
| Warrants | - | - | - | - |

| SIGNIFICANT INVESTMENTS IN THE CAPITAL | | | | |
|---|--|-----------------------------|---------------------------|--|
| Declarant | Direct Shareholder | % share on ordinary capital | % share on voting capital | |
| Altrinsic Global Advisors LLC ⁽¹⁾ | Altrinsic Global Advisors LLC ⁽¹⁾ | 2.019% ⁽²⁾ | 2.019% | |
| FINMECCANICA SPA | FINMECCANICA S.p.A. | 40.065% | 40.065% | |
| Scottish Widows Investment Partnership Ltd. | Scottish Widows Investment Partnership Ltd. ⁽¹⁾ | 2.019% | 2.019% | |

⁽¹⁾ shareholding held within collective savings management

⁽²⁾ of which 0.302 % without the right to vote

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

| Board of Directors | | | | | | | | | | | Internal Control Committee | | Remun. Committee | | Appointment Committee, if any | | Executive Committee, if any | | Other Committees, if any | |
|--------------------|-------------------|-----------------|-----------------|-------------|-------|-----------|------------------|-----------------|-------|----------------------------|----------------------------|-----|------------------|-----|-------------------------------|----|-----------------------------|----|--------------------------|----|
| Office | Members | In office since | In office until | List (M/m)* | Exec. | Non-exec. | Indep. from Code | Indep. from TUF | (%)** | Number of other offices*** | **** | ** | **** | ** | **** | ** | **** | ** | **** | ** |
| Chairman | ALESSANDRO PANSÀ | April 1, 2008 | April 4/5 2011 | M | X | - | - | - | 100 | 2 | - | - | - | - | - | - | - | - | - | - |
| Deputy Chairman | SANTE ROBERTI | April 1, 2008 | April 4/5 2011 | M | - | X | - | - | 83 | - | - | - | - | - | - | - | - | - | - | - |
| MD | SERGIO DE LUCA | April 1, 2008 | April 4/5 2011 | M | X | - | - | - | 100 | - | - | - | - | - | - | - | - | - | - | - |
| Director | MAURIZIO CEREDA | April 1, 2008 | April 4/5 2011 | m | - | X | X | X | 83 | 2 | X | 85 | X | 100 | - | - | - | - | - | - |
| Director | GERLANDO GENUARDI | April 1, 2008 | April 4/5 2011 | M | - | X | X | X | 100 | - | - | - | X | 100 | - | - | - | - | - | - |
| Director | GREGORIO GITTI | April 1, 2008 | April 4/5 2011 | m | - | X | X | X | 91 | 3 | Chairman | 85 | - | - | - | - | - | - | - | - |
| Director | FRANCESCO LALLI | April 1, 2008 | April 4/5 2011 | M | - | X | - | - | 100 | - | - | - | X | 100 | - | - | - | - | - | - |
| Director | EUGENIO PINTO | April 1, 2008 | April 4/5 2011 | m | - | X | X | X | 91 | 5 | X | 85 | - | - | - | - | - | - | - | - |
| Director | ATTILIO SALVETTI | April 1, 2008 | April 4/5 2011 | M | - | X | X | X | 100 | - | X | 100 | - | - | - | - | - | - | - | - |

| -----DIRECTORS CEASED DURING THE REFERENCE FINANCIAL YEAR----- | | | | | | | | | | | | | | | | | |
|--|---|--|--|----------------|--|--------------|--|--------------|--|------------|--|------------|--|-------------------------|--|--|--|
| Surname Name | - | | | | | | | | | | | | | | | | |
| Indicate the <i>quorum</i> required for the submission of lists on occasion of the latest appointment: The <i>quorum</i> for the submission of lists at the meeting of April 1, 2008 was equal to 2.5%. | | | | | | | | | | | | | | | | | |
| No. of meetings held during the reference Financial Year: | | | | <i>BOD: 12</i> | | <i>ICC 7</i> | | <i>RC: 5</i> | | <i>AC:</i> | | <i>EC:</i> | | <i>Other Committee:</i> | | | |

NOTES
 *In this column it is indicated M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).
 ** This column indicates the attendance rate of Directors to the meetings, respectively, of the B.o.D. and of the committees (no. of meetings attended/held during the actual period of office of the relevant Director).
 ***This column indicates the number of offices held by the interested person as Director or auditor in other companies listed in regulated markets, even foreign, or in financial, banking or insurance companies or in large companies. The list of such companies is to be annexed to the Report with regard to each Director, specifying whether the company, in which the office is held is or not a member of the Group controlled by the Issuer, or of which the Issuer is part.
 ****In this column, the "X" indicates that the B.o.D. member participates in the committee.

TABLE 3 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

| Board of Statutory Auditors | | | | | | | |
|--|--------------------------|-----------------|-----------------|-------------|------------------------|--------|-----------------------------|
| Office | Members | In office since | In office until | List (M/m)* | Independence from Code | ** (%) | Number of other offices *** |
| Chairman | GIACINTO SARUBBI | April 1, 2008 | April 4/5, 2011 | m | X | 100 | 17 |
| Statutory Auditor | MASSIMO SCOTTON | April 1, 2008 | April 4/5, 2011 | M | X | 100 | 11 |
| Statutory Auditor | FRANCESCA TRIPODI | April 1, 2008 | April 4/5, 2011 | M | X | 100 | 10 |
| Deputy Auditor | PIETRO CERASOLI | April 1, 2008 | April 4/5 2011 | M | X | - | - |
| Deputy Auditor | BRUNO BORGIA | April 1, 2008 | April 4/5 2011 | m | X | - | - |
| -----AUDITORS CEASED DURING THE REFERENCE FINANCIAL YEAR----- | | | | | | | |
| | Surname First name | - | | | | | |
| Indicate the <i>quorum</i> required for the submission of lists on occasion of the latest appointment: The <i>quorum</i> for the submission of lists at the meeting of April 1, 2008 was equal to 2.5%. | | | | | | | |
| Number of meetings held during the reference Financial Year: 6 | | | | | | | |

NOTES

*In this column it is indicated M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column indicates the attendance rate of auditors to the meetings of the B.o.A. (no. of meetings attended/held during the actual period of office of the relevant auditor).

*** This column indicates the number of offices held by the interested person as Director or auditor, that are relevant in the meaning of Art. 148 *bis* of the TUF. The complete list of offices is annexed, pursuant to Art. 144-*quinquiesdecies* of the Issuers' Regulation, to the report on the supervision activity, drafted by the auditors in accordance with Article 153, subsection 1 of the TUF.