

Ansaldo STS A Hitachi Group Company

**REPORT OF THE
BOARD OF DIRECTORS
ON THE CORPORATE GOVERNANCE SYSTEM
AND ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE
FOR LISTED COMPANIES
FOR THE FINANCIAL YEAR 2017
(PREPARED PURSUANT TO ARTICLE 123-BIS OF THE CONSOLIDATION ACT ON FINANCE TUF)**

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**Approved by the Board of Directors of Ansaldo STS S.p.A.
on 14 March 2018**

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GLOSSARY

Ansaldo STS	Ansaldo STS S.p.A.
Code, or Corporate Governance Code	Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Board	Board of Directors of Ansaldo STS
Financial Year	Financial year 2017
Group	Ansaldo STS and its subsidiaries pursuant to Article 93 of the TUF (TUF)
Rules of the Market Instructions	Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A.
Rules of the Market	Rules of the Market organised and managed by Borsa Italiana S.p.A.
Issuers Regulation	Regulation issued by Consob by Resolution no. 11971 of May 14 1999 relating to issuers, as subsequently amended and integrated
Markets Regulation	Regulation issued by Consob by Resolution no. 20249 of 28 December 2017 relating to markets.
Related-Party Regulation	Regulation issued by Consob by Resolution no. 17221 of March 12 2010 regarding related-party transactions, as subsequently amended and supplemented
Report	This corporate governance and ownership structure report prepared pursuant to Articles 123- <i>bis</i> of the TUF
Company	Ansaldo STS S.p.A.
TUF	Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented

1. ISSUER'S PROFILE

The organisation of Ansaldo STS, founded on the traditional corporate model, conforms to the provisions on listed issuers and is structured as follows.

1.1 COMPANY ORGANISATION

- **GENERAL SHAREHOLDERS' MEETING.** Has the authority to resolve, in ordinary and extraordinary sessions, on the matters reserved to it by the law or by the Company's By-laws.
- **BOARD OF DIRECTORS.** Is vested with full powers for the management of the Company, with the authority to take all appropriate actions to achieve the corporate purposes, excluding any actions which are reserved - by the law or by the By-laws - to the General Meeting.
- **BOARD OF STATUTORY AUDITORS.** It has the task of supervising:
 - in compliance with the law and with the By-laws;
 - in compliance with the principles of sound management;
 - the adequacy of the corporate organisational structure for matters under its responsibility, of the Internal Control System and of the Administrative and Accounting System, ensuring that the latter system accurately represents the operating management;
 - the methods used to implement the corporate governance rules as prescribed by codes of conduct prepared by companies that manage regulated markets or by trade associations, with which the Company declares compliance in the information it discloses to the public;
 - the adequacy of the Company instructions to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF;
 - the financial reporting process;
 - the effectiveness of the Internal Control, Internal Control and Risk Management Systems;
 - the statutory audit of the annual accounts and consolidated accounts;
 - the independence of the statutory auditor or the statutory auditing firm, particularly as concerns the provision of non-auditing services to the Company;
 - compliance of the Company's procedures for related-party transactions with the principles indicated in the Related-Party Regulation, as well as their implementation and reports to the General Meeting pursuant to Article 153 of the TUF.
- **INDEPENDENT STATUTORY AUDITING FIRM.** The accounts are legally audited by a specialised company entered in the register of statutory auditors, appointed for this purpose by the Shareholders' Meeting, on a justified proposal submitted by the Board of Statutory Auditors. The company entrusted with the statutory audit of the Ansaldo STS accounts is performing a similar task for the parent company Hitachi Rail Italy Investments S.r.l. and in almost all of Ansaldo STS' subsidiaries.

1.2 COMPANY OBJECTIVES AND MISSION

Ansaldo STS intends to maintain and reinforce its position as a primary international player 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 mission strictly to further its objective of creating value for its Shareholders.

2. INFORMATION ON THE OWNERSHIP STRUCTURE AT 14 MARCH 2018

2.1 STRUCTURE OF THE COMPANY'S SHARE CAPITAL

Amount in Euro of the share capital subscribed and paid in:

- EUR 100,000,000.00 fully paid in

Classes of shares that comprise the Company's share capital:

- 200,000,000 ordinary shares for a value of EUR 0.50 each.

	No. of Shares	% of the share capital	Listed (specify the markets) / not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote at ordinary and extraordinary general meetings, right to dividends and capital refund in case of liquidation
Multiple-voting Shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Other	-	-	-	-

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

It should be noted, finally, that the incentive plans adopted by the Company do not involve capital increases.

2.2 RESTRICTIONS ON TRANSFER OF SECURITIES

No restrictions of any kind apply to the transfer of Ansaldo STS securities at the date of this Report.

2.3 SIGNIFICANT INVESTMENTS IN THE CAPITAL

Based on the records in the Shareholders' Register and taking into account the notices received in accordance with Article 120 of the TUF and other information obtained, at the date of the Report, the following shareholders directly or indirectly own Company shares amounting to more than 3% of the Company's share capital:

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	50.772%	50.772%
UBS GROUP AG	UBS AG UBS ASSET	5.034% ⁽¹⁾	5.034% ⁽¹⁾

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
	MANAGEMENT TRUST COMPANY		
SINGER PAUL E. (in his capacity as <i>General Partner</i> of The Liverpool Limited Partnership and Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL L.P.	25.665% ⁽²⁾	25.665% ⁽²⁾

Please note that, on the basis of the holdings submitted for the General Meeting held on 11 May 2017, Litespeed Management LLC / Litespeed Master Fund LTD holds no. 7,532,322 ordinary shares, equal to 3.77% of the share capital.

- 1) UBS Group AG made known to the Company pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 119 of the Issuers Regulation of holding 5.043% of the Company's share capital.
- 2) Shareholding made known to the Company on 8 November 2017, pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 117 of the Issuers Regulation. It must be noted that on 8 November 2017, Mr. Paul E. Singer, who is directly and indirectly general partner of the limited partnership Elliott International LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers Regulation, of holding 31.794% of the Company's share capital.

2.4 SECURITIES THAT GRANT SPECIAL RIGHTS

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

2.5 EMPLOYEE SHARE OWNERSHIP: PROCEDURE FOR EXERCISING VOTING RIGHTS

The incentive plans adopted by the Company do not permit voting rights attached to the shares to be exercised by persons other than the plan beneficiaries. For further information on these plans, see the reports drafted pursuant to Article 84-*bis* of the Issuers Regulation on the company website <http://www.ansaldo-sts.com/en/documents/informative-document>.

2.6 RESTRICTIONS ON THE RIGHT TO VOTE

At the date of the Report, there are no restrictions or mandatory terms for exercising the right to vote. Nor are there any financial rights associated with securities, which are separate from the possession thereof.

2.7 SHAREHOLDERS' AGREEMENTS

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

2.8 CHANGE OF CONTROL CLAUSES AND PROVISIONS OF THE BY-LAWS RELATING TO IPO (INITIAL PUBLIC OFFERING)

Following the merger by incorporation of Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo STS, the Company took over all rights and obligations of the merged companies. In particular, Ansaldo STS took over the Concession Agreement for the realisation 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 terminate the concession.

The By-laws of Ansaldo STS have no provision derogating from the passivity rule under Article 104, paragraphs 1 and 1-*bis*, of the TUF, nor do they have provisions applying the neutralisation rules under Article 104-*bis*, paragraphs 2 and 3, of the TUF.

2.9 DELEGATIONS OF AUTHORITY TO INCREASE THE COMPANY'S SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

On the date of this Report no mandate has been given to the Board of Directors to carry out share capital increases pursuant to Article 2443 of the Civil Code nor may the Board issue participatory financial instruments.

On 11 May 2017 the Shareholders' Meeting authorized the purchase of own shares pursuant to Article 2357 of the Civil Code up to the maximum amount of no. 300,000 ordinary shares by the deadline of 18 months. The own shares acquired were fully allocated to the Company's Chief Executive Officer and Managers, executing the share incentive plans approved by it. At the date of this Report, therefore, Ansaldo STS S.p.A. does not own ordinary shares of the Company.

2.10 MANAGEMENT AND COORDINATION ACTIVITIES

Ansaldo STS is subject to management and coordination by Hitachi Ltd. pursuant to Article 2497 of the Civil Code, as established by the Board on 21 December 2015.

2.11 INDEMNITY OF DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF THE RELATIONSHIP FOLLOWING A TAKEOVER BID

For more information on the directors' compensation and on the effects of termination provided for by the incentive plans adopted by the Company, please see the Remuneration Report, prepared in accordance with article 123-ter of the TUF and 84-quater of the Issuers Regulation, and made available to the public on the Company website <http://www.ansaldo-sts.com/en/documents/report-remuneration-2> and with the other methods provided for by law.

2.12 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY-LAWS

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 Corporate Governance Code provisions. Board of Directors. Appointment and Replacement*").

The clauses of the By-laws regulating the amendments to the By-laws do not contain any different provisions from the ones set out by the applicable laws.

Furthermore, in accordance with the provisions of Article 2365 of the Civil Code, the Company's By-laws entrust the Company Board of Directors with adopting resolutions to ensure their compliance with any legal provisions.

3. GOVERNANCE STRUCTURE OF ANSALDO STS

3.1 INTRODUCTION

By resolution of the Board of Directors meeting held on 19 December 2006, Ansaldo STS endorsed the Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana S.p.A. in March 2006.

Subsequently, on 18 December 2012, the Board of Directors of Ansaldo STS resolved to conform to the principles included in the Corporate Governance Code approved by the Corporate Governance Committee in December 2011, and to align its corporate governance system to the new provisions of the Code.

Lastly, in July 2015, the Corporate Governance Committee of Borsa Italiana S.p.A. adopted a new version of the Corporate Governance Code to which, moreover, the system of Corporate Governance Ansaldo STS already seemed to be substantially aligned.

The Code is available on the Borsa Italiana S.p.A. website at the following address: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/code2015.en.pdf>.

The primary purpose of the Corporate Governance System adopted by the Company is the creation of a shareholder value, as the Company is aware of the importance of transparency for the decisions made by the Company and for their formation, and of the necessity to prepare an effective Internal Control and Risk Management 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.

Neither the Company nor those of its subsidiaries that have strategic importance are subjected to non-Italian laws that influence Ansaldo STS' Corporate Governance structure.

3.2 MAIN GOVERNANCE INSTRUMENTS

Here below are the main governance instruments that the Company has adopted, also in compliance with the most recent laws and regulations, with the Code provisions and with national and international best practices:

- By-laws
- Code of Ethics
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01
- General Meeting Regulation
- Board of Directors Regulation
- Control and Risk Committee Regulation
- Nomination and Remuneration Committee Regulation
- Executive Committee Regulation
- Related-party transactions - Procedure adopted pursuant to Article 4 of the Related-Party Regulation
- Procedure for the management and communication of inside information of importance for the institution and update of the Insider List
- Internal Dealing Code

These documents are available to the public on the Company's website at <http://www.ansaldo-sts.com/en/governance/governance-system>.

4. INFORMATION ON IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

4.1 BOARD OF DIRECTORS

4.1.1 APPOINTMENT AND REPLACEMENT

The Company is managed by a Board of Directors consisting of no less than seven and no more than thirteen members. On each occasion, before electing the members, the General Meeting shall define the number of Board members within the aforesaid limits.

Directors are appointed for no more than three financial years and may be re-elected pursuant to Article 2383 of the Civil Code.

The directors are appointed by the Ordinary General Meeting on the basis of list voting. Lists may be submitted by shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (equal to 1% of Ansaldo STS share capital for both

the financial year 2016 and the financial year 2017) or, failing that, represent at least 2.5% of the shares with voting rights at the Ordinary Shareholders' Meeting.

Without prejudice to the other publication obligations under the Issuers Regulation, the lists submitted by the shareholders must be deposited at the Company's 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 ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by virtue of an authorised intermediary giving notice in accordance with current legislation.

Each list shall include two candidates, endowed with the independence requirements set out by the law, or more as required by the law, indicated separately and one of whom shall appear at the top of the actual list.

In addition, the lists that have a number of candidates equal to or greater than three must include candidates of different gender, as provided for in the notice of call of the Meeting, so as to ensure that the new Board of Directors is composed of members of the less represented gender, in accordance with applicable regulations. In case of a fraction, the number shall be rounded up to the higher unit.

Subject to the above provisions, the notice of call for the Ordinary General Meeting convened for 13 May 2016 on the sole call, where one of the items on the agenda is the appointment of the Board of Directors, provided that, in the lists for the appointment of the members of the Board of Directors, at least a third of the candidates should belong to the less represented gender and at least one of the candidates belonging to the less represented gender should be placed in the first two places in the list.

If the aforesaid 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's By-laws expressly provide that each shareholder is entitled to submit or concur to submit one list only, that each candidate can be presented in one list only. Failure to comply with these requirements shall result in the candidate being declared ineligible. Furthermore, each eligible voter can vote for one list only. Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's By-laws for their respective offices.

According to the Company's By-laws, in addition to the integrity requirements set forth under the applicable laws and regulations (or any similar requirements according to equivalent provisions of other rules and regulations), to be appointed as directors, candidates must also possess certain professional skills indicated in the By-laws.

In particular, candidates cannot be appointed to the office of director of the Company and, if appointed, shall cease from office if they have less than a total of three years' experience in:

- management or control activities or executive duties in corporations endowed with a share capital of no less than two million Euro; or
- professional activities or teaching in universities as a tenured professor of legal, economic, financial and technical-scientific subjects strictly connected with the Company business; or
- managerial duties in public authorities or public administrations operating in the credit, financial and insurance sectors or, in any case, in sectors strictly connected with the company business.

This experience may be assessed 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 Article 144-octies, paragraph 1, of the Issuers Regulation. The Board of Directors shall make sure each of its members is in possession of the aforesaid requirements.

The directors shall be appointed as follows: (i) two thirds of the directors to be appointed shall be taken from the list that has obtained the majority of votes expressed by eligible voters (any fraction being rounded-down to the nearest whole number), in the progressive order in which they appear on the same list; (ii) the remaining directors shall be taken from the other lists in accordance with the criteria and procedures indicated in the By-laws (see Article 16.3, letter b) of the By-laws); (iii) if, following the procedure described above, the minimum number of independent directors required by law has not been appointed, then the criteria and procedures specified in the By-laws must be followed (see Article 16.3, letter c) of the By-laws); (iv) if the application of the above procedure does not permit compliance with the rules in force relating to gender balance, then the criteria and procedures specified in the By-laws must be followed (see Article 16.3, letter c-bis) of the By-laws).

In the event that only one list or no list is submitted, the Meeting shall adopt a resolution with the majorities required under law, and in any event so as to ensure the presence of the minimum number of independent directors required by applicable rules and to ensure compliance with the rules in force relating to gender balance.

If one or more Directors cease from office during the financial year, and on condition that the majority be always formed of Directors appointed by the Meeting, the provisions of Article 2386 of the Civil Code shall apply, in compliance with the replacement criteria indicated in the Company's By-laws (see Articles 16.5, 16.6 and 16.7 of the By-laws), and so as to ensure compliance on the regulations in force concerning gender balance.

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

The Meeting shall elect the Chairman of the Board of Directors; if the Meeting fails to do so, the Chairman shall be elected by the Board itself. The Board may also elect a Vice Chairman, who shall replace the Chairman in cases of absence or impediment.

Please note that Article 16, paragraph 1, letter d) of the Markets Regulation, provides for stricter 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 that provision the majority of the Board of Directors must consist of independent directors.

Similarly, Article 16, paragraph 1, letter d) of the Markets Regulation, provides for stricter criteria also for the internal committees of the Board of Directors established in compliance with the Corporate Governance Code –i.e. in the case of this Company, the Control and Risk Committee and the Nomination and Remuneration Committee - within companies subject to direction and coordination by another company and they must consist of independent directors only.

SUCCESSION PLANNING

During the years 2013 and 2014, the Nomination and Remuneration Committee – whilst carrying out the appointment conferred by the Board of Directors that was in office at such time – conducted, with the help of the competent company officers and an external consultant specifically appointed for such purpose, inquiries in relation to the Ansaldo STS executive directors' Succession Plan.

At the meeting held on 25 March 2014, the Board of Directors, taking note of the work done by the Committee, pursuant to Article 5.C.2 of the Corporate Governance Code, decided, in view of the imminent expiry of the appointment of said Board and the ensuing reappointment of both the Board and Internal Committees (including the Nomination and Remuneration Committee), to postpone the approval of the Plan for Succession of Executive Directors to a later date (i.e. after the reappointment of the new Nomination and Remuneration Committee and the Board of Directors, so to make its own independent evaluation of said Plan).

Following the renewal of the Board and Internal Committees in November 2015, Nomination and Remuneration Committee commenced on 15 February 2016 drafting the Company's executive director's succession plan.

Following the further nomination made by the Shareholders' Meeting on 13 May 2016, the Board of Directors has not as yet assessed the possibility of adopting these plans, nor have any proposals to that effect been submitted by the Nominations and Remuneration Committee.

4.1.2 CURRENT COMPOSITION

The Company's Board of Directors was appointed by the Ordinary Shareholders' Meeting held on 13 May 2016 for the financial years 2016–2018. In particular, the Shareholders' Meeting appointed the following people as directors of Ansaldo STS: Alistair Dormer (Chairman), Katherine Jane Mingay, Andrew Thomas Barr, Giuseppe Bivona, Rosa Cipriotti, Mario Garraffo, Alberto de Benedictis, Fabio Labruna and Katharine Rosalind Painter.

Two lists were submitted to the Shareholders' Meeting held on 13 May 2016 for the appointment of directors.

In particular, the directors Alistair Dormer, Alberto de Benedictis, Andrew Thomas Barr, Mario Garraffo, Katherine Jane Mingay and Katharine Rosalind Painter were drawn from the majority list submitted by Hitachi Rail Italy Investments S.r.l. (which then held an interest equal to 50.772% of the share capital). This list obtained a number of votes equal to 63.078% of the voting capital.

The directors Giuseppe Bivona, Rosa Cipriotti and Fabio Labruna were drawn from the list submitted jointly by the minority shareholders Elliott Associates L.P., Elliott International L.P. and The Liverpool Limited Partnership (jointly, the "Funds") which, overall, held an interest equal to 20.587% in the share capital. This list obtained a number of votes equal to 36.851% of the voting capital.

Following the appointment of the new directors, on 16 May 2016 the Board of Directors appointed Ms. Katherine Jane Mingay as Vice Chairman of the Board of Directors. At that same meeting, the Board of Directors also appointed Mr. Francesco Gianni as Secretary of the Board.

During the course of the meeting held on 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Chief Executive Officer and General Manager of Ansaldo STS S.p.A.

Following that, on 21 October 2016, Ms. Katherine Jane Mingay resigned from her position as Vice Chairman of Ansaldo STS with immediate effect. During the course of the meeting held on 28 October 2016, the Board of Directors appointed Mr. Alberto de Benedictis as the new Vice Chairman of the Board of Directors, replacing Ms. Katherine Jane Mingay.

Please note that the Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against Mr. Giuseppe Bivona who, on that account, was dismissed from office with immediate effect. At that same meeting, the Shareholders' Meeting appointed Mr. Michele Alberto Fabiano Crisostomo as a new Company director replacing Mr. Giuseppe Bivona. Mr. Crisostomo would remain in office up to expiry of the Board's current term of office.

Pursuant to paragraph 4.1.1. above, the current Board of Directors is mostly composed of independent directors: in particular, the directors Alberto de Benedictis, Mario Garraffo, Katharine Rosalind Painter, Michele Alberto Fabiano Crisostomo, Rosa Cipriotti and Fabio Labruna are independent directors (for the assessment of independence made by the Board, see paragraph 4.1.6 below entitled "Independent Directors"). In the same way, the internal committees, of the same composition were established only with the favourable vote of the Hitachi appointed directors and, pursuant to the Corporate Governance Code, are composed solely of independent directors.

The tables below show the composition of the Board of Directors.

Current composition of the Board of Directors (until the approval of the 2018 financial statement).

Name	Office
Alistair Dormer ⁽¹⁾	Chairman
Alberto de Benedictis ⁽²⁾	Independent Director and Vice Chairman
Andrew Thomas Barr	Chief Executive Officer – General Manager - Executive Director
Rosa Cipriotti	Independent Director
Michele Alberto Fabiano Crisostomo ⁽³⁾	Independent Director
Mario Garraffo	Independent Director
Fabio Labruna	Independent Director
Katherine Jane Mingay	Non-Executive Director
Katharine Rosalind Painter	Independent Director

¹Mr. Alistair Dormer, Chairman of the Board of Directors, is deemed to be an executive director on account of the positions held in the Hitachi Group although he has not received any delegation by the Board and, therefore, is not performing any executive role within the Company.

²Appointed Vice Chairman of the Company's Board of Directors on 28 October 2016, replacing Ms. Katherine Jane Mingay.

³ The Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against Mr. Bivona – a director appointed by the Company's Ordinary Shareholders' Meeting held on 13 May 2016 – who, on that account, was dismissed from office. The Shareholders' Meeting appointed Mr. Michele Alberto Fabiano Crisostomo as a Company director, replacing the director Mr. Bivona, who declared that he satisfied the requirements of independent stipulated by the Code.

Of the current directors, 2 are executive directors as defined in the Code and 7 are non-executive directors (of whom 6 are independent directors).

* * *

Information about the personal and professional characteristics of each member of the Board of Directors is reported here below.

ALISTAIR DORMER - CHAIRMAN

Alistair Dormer is Global CEO for the rail sector and is at the helm of the Hitachi group companies, which are active throughout the world in the railway sector. Hitachi Ltd. is one of the leading companies in the supply of railway systems, with centres in Japan, China, Southeast Asia, the United Kingdom, the European Union and South America.

Before becoming the Global CEO for the rail sector on 1 April 2014, Alistair had already been Chairman of Hitachi Rail Europe Ltd. He joined the Hitachi group in 2003 and drove the market entry and business expansion of Hitachi Rail Europe Ltd's business activities. Among other things, mention must be made of the success achieved with the contracts for the production of Class 395 and Class 465 trains. More recently, he directed the consortium Agility Trains (which is a consortium formed between Hitachi and John Leng), which

was awarded and completed contracts in the framework of the Intercity Express Programme (IEP) ensuring that the Hitachi Rail Europe Ltd. companies entered the ETCS (European Train Control System) market.

ALBERTO DE BENEDICTIS – VICE CHAIRMAN

Alberto de Benedictis, born in Rome on 17 May 1952, graduated in Economics and Commerce from the “Università La Sapienza” of Rome.

From 1977 to 1981, he was assistant Executive Director of The World Bank.

From 1981 to 1995, he held the position of US Representative for Finmeccanica North America.

From 1996 to 2005, he worked for Finmeccanica Corporate Italia. In particular, up to 2002, he held the position of Senior Vice President, Strategic Finance and Acquisitions and Mergers, i.e. he was responsible for the development of Finmeccanica’s new strategy in Aerospace and Defence, carrying out a major reorganization of the Group’s investment and corporate recapitalization portfolio.

From 2002 to 2005, he held the position of Senior Vice President, Business Development, i.e. he was responsible for the Finmeccanica Group’s strategic acquisitions, managing to develop a position on the US defence market and consolidate the Group’s positioning in the UK.

From 2006 to 2015, he was Chief Executive Officer of Finmeccanica UK.

At the moment Mr. de Benedictis is Chairman of the Protection and Security Advisory Group, European Commission, Horizon 2020, Secure Societas Programme.

ANDREW THOMAS BARR – CHIEF EXECUTIVE OFFICER

Andrew Thomas Barr, born in 1973, graduated with honours in Production Technology and Management at Brunel University. He is a member of the Institution of Mechanical Engineers.

In 1990, he began his career with London Underground Limited and also held positions with the British Rail operator GNER, before joining Bombardier Transportation UK Ltd.

From 2002 to 2005, he worked for Strategic Rail Authority, of the UK Government, as Rolling Stock Managing Engineer. He then worked at Hitachi Rail Europe Ltd., holding positions as Senior Vice President of Head of Projects, Operations and Maintenance and as Head of Maintenance Delivery.

Before joining Ansaldo STS, he worked for Hitachi as Deputy Managing Director and Chief Operating Officer and was a member of the board of Hitachi Rail Europe Ltd. and of Agility Trains.

He is currently General Manager of Ansaldo STS.

ROSA CIPRIOTTI

Rosa Cipriotti, born on 14 December 1974, graduated with honours in Economics and Commerce from the “Università La Sapienza” of Rome and in 2015 attended the Executive Master “General Management Program” at Harvard Business School in Boston.

She held executive positions in the Nomura Group, at Lehman Brothers Italy and at Lehman Brothers London and from 2014 to date she has worked as an independent consultant for Italian groups in extraordinary transactions.

From 2015 to 2017, she has been a member of the Board of Directors and a Member of the Risk Committee of Arca Fondi SGR.

From 2016 to 2017 she has been a non-executive director and member of Nominations Committee of Banco Popolare di Vicenza S.p.A.

Currently she is member of the Board of Directors of Prelios Credit Servicing and Prelios Group.

She is also a member of the Internal Control and Risks Committee (CCIR) of PRELIOS S.p.A. She is a professional with more than 15 years’ experience in the financial and strategic consultancy sector. She also has significant international experience, particularly within the scope of financial institutions and the private equity sector.

MICHELE ALBERTO FABIANO CRISOSTOMO

Michele Alberto Fabiano Crisostomo, born on 20 January 1972, graduated with honours in Law from the “Università di Bari” and qualified as a lawyer in 1997. In 1996, he obtained a scholarship to undertake further

training at Essex University (UK) and in 1997 he carried out supervisory duties in relation to banks and investment companies for the Commissione Nazionale per le Società e la Borsa [*Italian Securities and Exchange Commission*] (Consob), Intermediaries Division.

From 1998 to 2009, he worked for the law firm Clifford Chance, at its offices in Milan and London, as an Associate and subsequently as a Partner. He is currently working for the law firm Riolo Calderaro Crisostomo e Associati, of which he has been a founder partner since 2009.

From November 2017 he is also member of the Investors Committee at the Italian Recovery Fund.

Michele Crisostomo is an expert in banking, insurance and financial regulations, derivatives transactions, capital markets and rules on listed companies. He is the author of many publications and has participated in conventions as reporter on banking and financial matters. He is constantly committed to updating and investigating the profession and is publicly mentioned among the top lawyers in Italy in the capital market and financial regulation sector.

MARIO GARRAFFO

Mario Garraffo, born on 2 August 1937, graduated in economics from the “Università Commerciale Luigi Bocconi”. From 1960 to 1970 he held the position of Controller and Development Director at La Centrale Finanziaria Generale, which is a company active in the public utilities (communications and energy) field. From 1970 to 1980 he served as Investment Director at IFI (Gruppo Agnelli). From 1980 to 1985 he was also CEO of IFIL and from 1985 to 1993 he was Chairman of IFI INTERNATIONAL (today EXOR). From 1993 to 1998 he was Chief Executive Officer of Lazard Italy until its acquisition by Vitale Borghesi & Co. in 1998.

Commencing from such date, he covered for two years the position of Chief Executive Officer of UNIM – Unione Immobiliare, and was subsequently Chairman of General Electric Italy (2000-2004) and Senior Advisor at General Electric Europe (2004-2007). Between 2005 and 2008 he was also an independent Director of Terna S.p.A. and Pirelli & C. S.p.A. Since 2014 he has been an Independent Director, Chairman of the Remuneration Committee of Recordati S.p.A. From the beginning of 2015 to the present date he has held the position of independent director and member of the Capital Investment Committee of Quadrivio SGR.

Mario Garraffo was a member of the Board of the Johns Hopkins University in Baltimore and the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna. From 1995 to 2006 he was Chairman of the Alumni Bocconi University and he is a member of the Board of Directors of the Javotte Bocconi Women's Foundation.

FABIO LABRUNA

Fabio Labruna, born in Naples on 21 October 1968, graduated with honours in Case Law from the “Università degli studi di Napoli Federico II” and completed his training by following a Master’s Degree in European Legal Studies (LLM) at the College of Europe in Bruges.

From 1993 to 2006, he worked for the law firms Baker e McKenzie, Gianni Origoni Grippo & Partners, Skadden Arps Slate Meagher & Flom and finally once again at Gianni Origoni Grippo & Partners, of which he has been a partner since 2002. Since 2006 he has been a founder partner of the law firm LMS, which mainly deals with legal matters relating to financial markets and extraordinary finance transactions of listed and unlisted companies.

From 2007 to 2008, he was a member of the Supervisory Committee of Kamps AG and, from 2009 to 2010, he was an independent Director of Prysmian S.p.A.

From 2013 to 2017 was an independent director of Acomea Sgr and, from 2014 to 2017 he was a non-executive director of Agrinvest BL S.r.L. Currently he is non-executive director of Sparco S.p.A.

KATHERINE JANE MINGAY

Katherine Jane Mingay, born on 26 September 1965, graduated from Cambridge University and obtained an MBA from the London Business School.

From 1987 to 2003, she held corporate finance roles in the investment banks Goldman Sachs and UBS and, from 2003 to 2013, was a Director in the UK Department of Transport, where she formed and led an in-house corporate finance team.

Since 2013, she has been a Senior Advisor of Cambridge Economics Policy Associates, which deals with economic and financial policy in the infrastructure sector and, since 2014, she has been a non-executive Director of Mutual Energy and a Senior Advisor to Horizon Nuclear Power, a subsidiary of Hitachi. Katherine Mingay has over 25 years' experience in the field of corporate finance in the infrastructure and transport sector, in both the public and the private sectors.

KATHARINE ROSALIND PAINTER

Katharine Rosalind Painter, born on 19 March 1960, obtained a BA (honours) in Chemistry and an MA from Jesus College, Oxford University, obtained a DPhil in Theoretical Chemistry from Linacre College, Oxford University and an MBA from Cranfield University.

From 1983 to 1989, she was at Esso Petroleum, in part dealing with Finance and Corporate Planning. Kathie then worked for Schrodgers and, following its takeover by Citigroup, for Citigroup with a focus on Energy and Infrastructure Finance. She was a Director at Schrodgers and, between 1996 to 1998 was responsible for the Project Finance team in South-East Asia. At Citigroup she was a Managing Director, Head of the Infrastructure Advisory Group to 2004, Co-Regional Head of Infrastructure & Energy Finance for Europe, Middle East and Africa to 2005, and Head of Government Infrastructure as part of the Global Infrastructure Group to 2008.

From 2008 to 2010, she held the position of Managing Director at Alinda Capital Partners, based in Europe. Since 2010, she has been a Senior Advisor to Newstate Partners and, since 2012, she has been a non-executive Director, Member of the Control and Risk Committee and Member of the Projects Review Committee of InfraCo Africa Limited.

She is also independent director at "Crossrail 2 (London) Programme Board" and director of "Finance Sub-Panel".

DIVERSITY POLICIES

The diversity policies adopted by the Company deal with the gender composition for both the members of the Board of Directors and the Statutory Auditors. In fact, according to the By-laws at least a third of the members of the Administration and Control bodies should belong to the least represented gender pursuant to Art. 147-ter paragraph 1-ter of the TUF and according to the current legislation on gender balance. To this end, specific procedures are carried out for the draft of the slates for the appointment of the members belonging to the Boards, as well as specific criteria for the appointment of these members, in compliance with the observance of the representation of the least represented gender within the Board of Directors and the Board of Statutory Auditors. The Company did not adopt additional diversity policies because the current composition of the Board of Directors and the Board of Statutory Auditors seems to be properly diversified with regard to the age, the professional career, independence and representation of minorities, as represented in this report and in the *curricula* of the members.

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

On 14 February 2007, the Company's Board of Directors approved an Internal Regulation ("*Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A.*") aimed at setting out limits to the number of director or Auditor positions that Ansaldo STS board members could hold. On 16 December 2013 the Board of Directors, after receiving the favourable opinion of the Nomination and Remuneration Committee, resolved to make the necessary changes to said Internal Regulation in order to align it with the provisions of application criterion 1.C.3 of the Corporate Governance Code.

In particular, the changes introduced will ensure that, in calculating the "weight" of the offices held by the non-executive directors of Ansaldo STS in other companies, account is also taken of increased commitment associated with the possible participation of the aforementioned directors in committees within the Board of Directors of Ansaldo STS.

Moreover, given the *ratio* of the rules relating to the accumulation of offices, and the various commitments normally expected of directors who are also members of committees established within the administrative bodies of other Listed and/or Non-Listed Companies (as defined below), it has been clarified that in calculating the total "weight" of the offices held by the Directors of Ansaldo STS in other companies, account should be taken also of any possible participation in those committees.

Therefore, pursuant to the Internal Regulation in force, Ansaldo STS directors shall accept the office when they consider they will be able to devote the necessary time to diligent fulfilment of their duties, also taking into account the number of positions held in management and control bodies in (i) Italian and foreign companies with shares listed on regulated markets ("**Listed Companies**"); (ii) Italian and foreign companies with shares not listed on regulated markets, which carry out financial, banking or insurance services or that have an annual revenue equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS ("**Non-Listed Companies**").

The positions held by each director of Ansaldo STS in the administrative and/or control bodies of other Listed Companies and/or Non-Listed Companies should have a total "weight" not exceeding 15, also taking into account the possible participation in committees established within the Board of Directors (and/or the administrative bodies of non-traditional systems) in other Listed and/or Non-Listed Companies.

This Internal Regulation to date requires - for the purpose of calculating the maximum number of positions as director or Auditor deemed to be compatible with effective fulfilment of the appointment as Company director – a different assessment of the offices of executive and non-executive director, to take account - for non-executive directors only - also of the offices held by the latter in one or more Committees established within the Board of Directors of Ansaldo STS.

In these calculations, no account is taken of positions held in Listed Companies or Non-Listed Companies that control or are controlled (either directly or indirectly) or invested in by Ansaldo STS.

The Board of Directors of Ansaldo STS has the authority to grant temporary and permanent exceptions, allowing the directors to hold offices in administrative and control bodies of other Listed Companies and Non-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 Non-Listed Companies, indicating the average monthly commitment these positions require.

As of 27 February 2018, the current composition of the Company's Board of Directors complied with the above general criteria, as the self-evaluation process showed.

The Internal Regulation "*Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A.*" is accessible on the Company's web page http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/policy_sul_cumulo_degli_incarichi.pdf.

At the date of approval of the Report, please note that 4 Directors held positions in other listed companies or in financial, banking or insurance companies or large companies, the latter being companies, other than those indicated above, with an annual revenue 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 the aforementioned companies:

Director	Office held	Company
Rosa Cipriotti	Non-executive Director	PRELIOS S.p.A.
	Non-executive Director	PRECS S.p.A (Prelios Credit Servicing)

	Member of the CCIR	PRELIOS S.p.A
Mario Garraffo	Independent Director – Chairman of the “Remuneration Committee”	Recordati S.p.A.
	Independent Director	Quadrivio Sgr
Alistair Dormer	Chairman of the Board of Directors	Hitachi Rail Europe Limited
Fabio Labruna	Non-executive Director	Sparco S.p.A.

INDUCTION PROGRAMME

On 26 October 2016, a specific “induction” session was organized for the Company Auditors and Directors, aimed at providing them with adequate knowledge of the sector of activity in which Ansaldo STS operates, the business dynamics and their development, the principles of correct risk management and the reference legislative and self-regulatory framework.

In particular, a meeting was organized at the Company offices during which the management and organization mechanisms of the business and of the business sector in which it operates were illustrated and many existing contracts and projects were analysed.

During financial year 2017, a specific “induction” session was organized for the new Statutory Auditors appointed by the Shareholders’ meeting held on 11 May 2017, also regarding legal topics related to the specific activity of the Company, as explained below.

During the current financial year, general “induction” sessions on business and relevant topics are in progress, for both the members of the Board of Directors and the Board of Statutory Auditors.

4.1.3 ROLE AND DUTIES

The Board of Directors has exclusive responsibility for the Company’s management and takes all necessary actions to achieve the corporate purpose.

The Board of Directors Rules, initially approved on 29 January 2007, was subsequently amended in order to implement the changes deriving from the adoption of the new Procedure for Related-Party transactions. On 30 January 2017, the Board Rules were further amended with the double purpose of: (i) introducing the modifications as a result of the Corporate Governance Code adherence as updated in July 2015; and (ii) adapting them with regard to the powers attributed to the delegated bodies following the formation of the Company’s Executive Committee on 28 October 2016. For purposes of precise compliance with the provisions of the aforesaid Regulation, and in line with applicable laws and regulations, the Board of Directors, specifically:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group it

directs, and periodically monitors its implementation;

- defines the Company's corporate governance system and the Group's structure;
- defines the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all risks that may assume significance from the viewpoint of sustainability of the Company's activities in the medium/long term;
- assesses, on an annual basis, the adequacy of the general organisational, administrative and accounting structure of the Company, of the Group and of the strategically relevant subsidiaries;
- evaluates the general company performance, taking the information received by the delegated bodies into particular consideration and periodically comparing the results achieved with the planned results;
- defines the Internal Control and Risk Management System guidelines ("**SCIGR**"), in order to correctly identify and measure the main risks affecting the Company and its subsidiaries and to determine the extent to which these risks are compatible with managing the company consistently with its strategic objectives;
- evaluates, on at least an annual basis, whether the SCIGR is adequate considering the company's features, the risk profile it has chosen, and its effectiveness;
- identifies within its members one or more Directors in charge of setting up and maintaining an effective Internal Control and Risk Management System (the "**Director in Charge of the Internal Control and Risk Management System**");
- appoints the Control and Risks Committee composed of at least three Directors possessing the independence requirements mandated by the Code;
- on a proposal of the Director responsible for the SCIGR, and favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors, the Board of Directors: (i) appoints and revokes the Head of Internal Audit; (ii) ensures that he/she has the necessary resources to perform its duties; (iii) defines his/her remuneration consistently with the company's policies;
- approves, on at least an annual basis, the work plan drafted by the Head of Internal Audit, after having consulted the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System;
- evaluates, after consulting with the Board of Statutory Auditors, the results presented by the independent statutory auditors in any recommendation letter and in the report detailing key issues arising from the statutory audit;
- ensures that the Director in charge of drafting the company's accounting documents has adequate means and powers to perform his/her duties and that all administrative and accounting procedures are complied with;
- adopts the Organisational Management and Control Model drafted in accordance with Legislative Decree No. 231/2001 and approves any further amendments or updates;
- appoints and revokes the members of the Surveillance Body in compliance with the Organisational Management and Control model pursuant to Legislative Decree No. 231/2001;
- without prejudice to the matters reserved for the Board of Directors pursuant to Article 2381 of the Civil Code, and to the provisions of the By-laws, delegates and revokes powers to the Chief Executive Officer, determining his limits and terms of exercise thereof;
- after having examined the proposals of the Nomination and Remuneration Committee and, having consulted the Board of Statutory Auditors pursuant to Article 2389, paragraph 3 of the Civil Code, determines the remuneration and regulations applicable to the Chief Executive Officer. If the Shareholders' Meeting fails to do so, determines the allocation of the global remuneration due to the

members of the Board;

- approves the transactions of the Company and of its subsidiaries whenever these transactions are strategically, economically or financially relevant for the Company. For this purpose, it determines the general criteria for identifying significantly relevant transactions;
- performs, on at least an annual basis, an assessment on the performance of the Board and of its committees as well as on their dimension and composition, taking into account elements such as the professional skills and experience (including managerial experience and gender) of its members and their seniority in the office;
- provides information, in the Corporate Management Report: (i) on its composition, stating whether each member is executive, non-executive or independent as well as his/her role within the Board, his/her main professional characteristics and the seniority from his/her first appointment; (ii) on the implementation of Article 1.C.1 of the Corporate Governance Code and, in particular, on the number and average duration of the board meetings held during the financial year as well as on the attendance figures of each director; (iii) on the modes of performance of the above evaluation procedure;
- describes, in the report on corporate governance, the main features of the Internal Control and Risk Management System, giving an evaluation of its adequacy;
- to ensure the correct management of corporate information, upon the proposal of the Chief Executive Officer or of the Chairman of the Board of Directors, adopts a procedure for the internal management and external communication of documents and information concerning the Company, with specific reference to privileged information.

Without prejudice to the provisions of the law and of the By-laws, the Board of Directors at its meeting held on 28 October 2016, following the formation of the Executive Committee, reserved the following matters to its own exclusive competence:

- defining the strategic and organisational directions, including the approval of plans, programs and budgets;
- approving investments, whether on tangible or intangible assets, if (i) such investments are not mandatory and (ii) provided that their value is higher than EUR 500,000;
- approving Significant Transactions as identified in the Related Party Transactions Procedure approved by the Company pursuant to the Related Parties Regulation;
- acquiring and selling shareholdings and interests in other companies whether existing or to be incorporated, also by exercising or waiving option rights, contributions, usufruct, pledges and any other act of disposal even within the framework of joint ventures or of transactions establishing encumbrances on such interests;
- transferring, contributing, leasing, granting usufruct on and any other act of disposal or transaction establishing encumbrances to other company's assets or part thereof; acquisition, leasing, usufruct of companies' assets or part thereof;
- capital transactions, setting up, transforming, listing in the stock market, merger, demerger, winding-up, entering into shareholders' agreements concerning subsidiaries directly controlled by the Company;
- appointing Directors and Auditors in directly controlled subsidiaries, except for non-executive directors within the Group;
- medium to long term active and passive financial transactions, except for those operations aimed at hedging exchange risks concerning certain orders;
- granting guarantees, including bonds and mortgages (without prejudice to the powers of the Chief Executive Officer and the Executive Committee);
- purchasing, exchanging and selling real estate, as well as any contract concerning real estate with a term longer than nine years;
- submission offers and entering into supply contracts where the value is higher than EUR 350,000,000 (three hundred and fifty million) or that otherwise imply serious commitments or risks;

- entering into permanent consulting agreements amounting to more than EUR 300,000;
- hiring, appointing, promoting and revoking Managers reserved by the law or the By-laws to the Board of Directors, as well as the head of the Internal Audit function, which so provides upon Director in charge of the Internal Control and Risk Management System so proposing;
- granting prior authorisation to the subsidiaries to perform transactions that are strategically, economically and financially relevant for the company; these transactions include the presentation of offers and signing of supply contracts by the subsidiaries; (i) with a value higher than EUR 150,000,000 (one hundred fifty million), or (ii) which imply serious commitments or risks.

During the Financial year 2017, the Board of Directors, *inter alia*:

- on 27 February 2017, after consultation with the Control and Risk Committee - (i) acknowledged the updated mapping of risks relating to the Company and its subsidiaries and the measures adopted to manage and/or mitigate such risks, considering these risks to have been properly identified, measured, managed and monitored and to be consistent with a business management that is in line with its strategic objectives; (ii) considered that the Ansaldo STS Internal Control and Risk Management System was adequate to the nature and characteristics of the Company and the risk profile thereof; (iii) positively assessed the governance structure adopted by the Company, considering the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries to be satisfactory, with particular reference to the Internal Control and Risk Management System;
- on 24 March 2017 approved - subject to the opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors and the Director responsible for the Internal Control and Risk Management System - the audit plan prepared by the Head of Internal Audit for the year 2017;
- on 27 February 2017 verified the existence, for the Company, of the conditions under Articles 15-16 of the Markets Regulation with reference to the financial year 2016. Such certification regarding financial year 2017 was issued on 14 March 2018;
- on 9 February 2017, approved the Budget Plan 2017-2021, while on 27 February 2018 approved the Budget Plan 2018- 2022;
- verified in compliance with the administrative and accounting procedures provided for under Law No. 262/2005;
- verified, on 15 June 2017, on the basis of the documentation submitted by the individual independent directors, and on the basis of the information made available to the Company, that it satisfied the requirements of independence provided for under the legal and regulatory provisions and pursuant to Article 3 of the Code and the Rules of the Market Instructions;
- rated the overall operating performance (by comparing the results achieved with those planned when approving the quarterly and half-yearly financial reports and the financial statement);
- verified the Board Member's compliance with the Rules of Procedure with which the Board of Directors had defined the maximum number of posts that could be covered by the Company's Directors;
- approved in advance all the transactions performed by the Company and its subsidiaries of particular strategic, economic, asset and/or financial significance.

For more information about the actions of the Board of Directors relating to the Internal Control and Risk Management System, see Part 4, paragraph 4.3 ("*Information on the implementation of the provisions of the Corporate Governance Code. Board of Directors. Internal control and risk management system*").

4.1.4 DELEGATED BODIES

The Board of Directors may delegate some of its tasks to an executive committee or to the Chairman and/or to other members of the Board, appointing one or more Chief Executive Officers. As part of the tasks entrusted to them, the delegated bodies may in turn delegate single acts or categories of acts to employees of the Company and to third parties, with the authority to sub-delegate.

Chairman of the Board of Directors

Except for the case of impediment, the Chairman of the Board of Directors shall call the Board meetings, coordinate the relative activities and chair these meetings, ensuring that the Board Members are suitably and promptly informed, to give the Board adequate knowledge to act on the matters submitted to it.

The office of Chairman of the Board of Directors is held by Mr. Alistair Dormer, who was appointed by the Company's shareholders on 2 November 2015 and subsequently confirmed in office by the Shareholders' Meeting held on 13 May 2016.

Mr. Alistair Dormer in his capacity as Chairman of the Board of Directors, did not receive any special delegation from the Board, apart from the powers relating to the legal representation and company signature conferred pursuant to Article 25.1 of the By-laws. Therefore, he does not perform a specific role in preparing business strategies. However, he is deemed to have an executive role pursuant to the provisions of the Corporate Governance Code by virtue of the positions held in the Hitachi Group.

Vice-Chairman of the Board of Directors

The Vice Chairman in office, Mr. Alberto de Benedictis, who was appointed Director on 13 May 2016 and Vice Chairman of the Board of Directors on 28 October 2016, has not received any particular delegation from the Board and therefore has no executive role within the Company, apart from the powers relating to the legal representation and company signature conferred pursuant to Article 25.1 of the Company's By-laws, in the event of the absence or impediment of the Chairman of the Board of Directors.

Chief Executive Officer

On 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as Chief Executive Officer and General Manager, conferring on him specific managerial powers. Subsequently, on 28 October 2016, at the time of appointing the Executive Committee, the Board of Directors altered the powers of the Chief Executive Officer, in order to render the powers conferred on those delegated bodies consistent and therefore, along with the power of legal representation of the Company before all courts of law and administrative authorities and before third parties, the Chief Executive Officer was attributed the following powers to be exercised with single signature:

- to direct and manage the corporate business in accordance with the guidelines and directives of the Board of Directors;
- to perform all actions that fall within the Company's ordinary management;
- to implement the resolutions of the Board of Directors, performing all actions of ordinary and extraordinary management decided by the same Board.

By way of example and not expressly, and without prejudice to the competence of the Executive Committee (*Bid Committee*) as well as reservation of sole competence attributed to the Board of Directors for Transactions of Greater Significance as well, referred to in the Related-Party Transactions Procedure approved by the Company pursuant to the Related Parties Regulation, such powers include the following:

1. To represent the Company before any ordinary or special judicial, administrative or tax authority, at any level and in any location, and therefore even in the office of the Council of State or in the event of an appeal against or action to set aside a judgment, with powers to sign petitions and appeals for any reason, lodging and supporting actions, both administrative and judicial, to obtain knowledge and on execution and also bankruptcy proceedings, arrangements with creditors and suspensions, carrying out the relevant formalities and therefore also issuing powers of attorney and special mandates for lawyers, lawyers vested with general and special powers for legal proceedings and to elect domicile, and to appoint special lawyers to represent the Company in court.
2. To settle any dispute, accept or reject proposed arrangements, reach settlements and refer to arbitrators, including mediators, any dispute, either based on an arbitration clause or based on separate deeds of arbitration, appointing arbitrators and carrying out all relevant formalities relating to the resulting arbitration

proceedings.

3. To submit and refer to oaths, submit and respond to interrogations or questioning, even on forgery, join criminal proceedings as a civil party seeking damage and elect domicile.

4. To appoint and dismiss representatives, sales agents in general and operators; confer and revoke mandates ad *negotia* for sales.

5. To accept bank credit and overdraft facilities.

6. To issue and accept liabilities on bills of exchange of any kind.

7. To perform any short-term financial sale or purchase transactions, including the discounting of bills signed by the Company itself, carry-over transactions at any bank, including the issuing institute, assuming undertakings and carrying out the necessary formalities, as requested; perform exchange risk hedging transactions relating to orders.

8. To perform bill discounting transactions signed by third parties, endorse and receipt bank cheques, promissory notes, certificates of credit, bills of exchange and postal orders payable at credit institutions, post and telegraph offices and at any natural or legal person in general.

9. To issue bank and giro cheques on current accounts held by the Company, even overdrawn.

10. To hire, suspend and dismiss managerial and non-managerial personnel, save as provided for by point 13 of the Powers of the Board of Directors; change the conditions of employment of employees.

11. To represent the Company before organizations in the category and unions and before any institution, association or consortium.

12. To represent the Company at Shareholders' Meetings of entities in which it has interests, units, shares or holdings, exercising any right relating to the shares, interests or units themselves.

13. To issue payroll extracts and certificates concerning personnel, both for social security, insurance or mutual institutions and for other entities or individuals; ensure the observance of measures the Company is required to take such as tax substitute measures, with the power, *inter alia*, to sign declarations, certifications or any other deed or certificate stipulated by the legislation in force on the subject, for the purposes of such measures.

14. To sign letters for the crediting and debiting of current accounts.

15. To acquire and grant contracts for the execution of works and supplies of any kind, arranging the relevant contracts, participating, where appropriate, in public and private bidding and appointing special representatives, if necessary, to participate in the relevant tenders and bidding.

16. To arrange, amend and terminate, for and on behalf of the company, contracts for the purchase, exchange and sale of materials, products, machinery and plant and, in general, any other contract on movable property, even if registered, the Company being bound by all rights and obligations deriving therefrom.

17. To arrange, amend and terminate, for and on behalf of the Company, any contract or agreement relating to original works, trademarks, drawings, patents, models and any other similar works; contracts relating to immovable property for a period not exceeding nine years; and consortium, rental, transportation, insurance, mediation, agency, deposit or credit transfer contracts.

18. To arrange, amend and terminate, for and on behalf of the Company, contracts for the establishment of joint ventures.

19. To establish, register and renew mortgages and liens borne by third parties in favour of the Company, consent to mortgage cancellations and restrictions borne by third parties in favour of the Company owing to the termination and reduction of liabilities; waive mortgages or mortgage substitutes, even on a legal basis and perform any other mortgage transaction, always borne by third parties in favour of the Company and therefore payment transactions, releasing the competent real estate register custodians from any liability.

20. To arrange, for and on behalf of and in the interests of the Company, the collection, release and withdrawal of all sums and all securities howsoever payable thereto by anyone, such as the State Administrations, the Regions, Municipalities and Provinces, Cassa Depositi e Prestiti, the State Provincial Treasuries, the Revenue Agencies, Consortia and credit institutions, always including the issue and subsequently the collection of mandates already issued or to be issued in the future, without any time limitation, in favour of the Company, for any amount of capital or interest payable to the latter by the aforesaid administrations or by the aforesaid offices and institutes, whether in settlement of the deposits made by the Company itself or for any other reason.

To issue in the Company's name the corresponding declarations of receipt and discharge and in general any declarations requested at the time of performance of individual measures, including those of exemption of the aforesaid offices, administrations and institutes from any liability in that respect.

21. To collect securities, parcels, packages and letters, including registered and guaranteed items, as well as ordinary postal and money orders, and appoint special representatives for that purpose.

22. To carry out any actions and transactions in respect of rail, customs, post and telegraph offices and in respect of any public or private transportation office in general, with the power to issue the necessary receipts and declarations of discharge and to grant liens and releases.

23. To represent the Company in carrying out all measures relating to import and export, temporary import and export, re-import and re-export transactions.

24. To grant guarantees and counter guarantees in favour of banks or insurance institutes for customs transactions, for participating in tenders, for works to be executed, for the correct execution of supplies to be provided by the Company and its subsidiaries or companies in which it has an interest, in Italy or abroad, within the limits stipulated for the transactions for which the issue of the aforesaid guarantees is accessory; issue guarantees in the interests of subsidiary companies up to a maximum amount of EUR150,000,000 (one hundred and fifty million).

25. To acquire at third parties, State administrations, banks and credit institutions, loans in any form relating to Company credits arising from the export of goods and services and the execution of works abroad.

26. To take any measures and assume any initiatives, with the fullest powers, to ensure full compliance of the activities with the provisions of the law, regulations, ordinances, orders and instructions of any international, community, national or local authority.

27. To sign, amend and supplement requests to participate in tenders, including the relevant documentation, for the submission and execution of research and development projects; in the event of an award, to sign the relevant contracts with the financing entities, acquire/grant the relevant loans and take any measures and assume any initiatives, with the fullest powers to guarantee observance of the procedures stipulated by the tenders, including, merely by way of example, the establishment of new entities or legal persons established for that purpose.

28. Within the limits of the powers conferred, to delegate appropriate signatory powers to managers, to be exercised in the name and on behalf of the Company for the performance of the assignments and tasks entrusted to them, and to issue special mandates to Company employees and also to third parties, authorising them to perform certain operations, or categories of operations, on behalf of the company, with the use of the corporate signature.

The Chief Executive Officer reports to the Board of Directors and to the Board of Statutory Auditors at least on a quarterly basis and in any case during meetings of that board. This Report covers the activities carried out, the general company performance and the business outlook, as well as significant economic, financial and equity transactions, or in any case, transactions carried out by the Company and by its subsidiaries that are particularly important due to their entity or characteristics; in particular, the Chief Executive Officer shall report on the transactions in which she/he may have an interest, either on his/her own behalf or on behalf of third parties, as well as on any Significant or Less Significant Related-Party Transactions (as defined in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party Regulation).

As a rule, information shall be given when the Board of Directors approves the periodical accounting situations (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations). This communication may be made during board meetings or in writing.

The Chief Executive Officer also reports to the Board of Directors at least on a quarterly basis on transactions falling within the competence of the Executive Committee and on any conflicts of interest affecting its members or related parties with regard to transactions performed in that respect.

In 2017, this information was actually given by the Chief Executive Officer to the Board of Directors and to the Board of Statutory Auditors on a quarterly basis and, as a rule, when the Board of Directors approved the periodical accounting statements (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations).

Furthermore, at the date of this Report, the Company's Chief Executive Officer, Mr. Andrew Thomas Barr, being as such the figure principally responsible for the management of the Company, does not hold any office as director of another issuer not belonging to the same group of which a director of Ansaldo STS S.p.A. is the Chief Executive Officer.

Executive Committee

On 28 October 2016, the Board of Directors resolved by a majority (with the vote against cast by Mr. Giuseppe Bivona, Ms. Rosa Cipriotti and Mr. Fabio Labruna) to form an Executive Committee (known as the "Bid Committee"), on which the following powers were conferred:

- (i) to acquire contracts for the execution of works and supplies of any kind, arranging the relevant contracts, participating, where appropriate, in public and private bidding and appointing special representatives, if necessary, to participate in the relevant tenders and bidding, for individual transactions with a value not exceeding EUR 150,000,000, and up to a limit of EUR 350,000,000 again for individual transactions and solely for the purpose of the Company's work;
- (ii) with regard to the transactions referred to in point (i) above, to grant guarantees and counter guarantees in favour of banks or insurance institutes to participate in tenders, for works to be executed, for the correct execution of the supplies to be provided by the Company and its subsidiaries or companies in which it has an interest, in Italy or abroad, within the limits stipulated for transactions for which the issue of the aforesaid guarantees is accessory, if for an amount exceeding EUR 150,000,000, and up to a limit of EUR 350,000,000 again for individual transactions and solely for the purpose of the Company's work;
- (iii) to arrange ongoing service contracts (consultancy, technical, etc.) for a period of more than one year or for a value exceeding EUR 150,000, in any event up to a limit of EUR 300,000 per individual contract.

During the same meeting held on 28 October 2016, the Board of Directors also amended the powers attributed to the Chief Executive Officer Mr. Andrew Thomas Barr during the meeting held on 24 May 2016 and the sole competences of the Board in order to coordinate them with the powers conferred on the Executive Committee.

The Executive Committee is composed of the Chairman Mr. Alistair Dormer, the Chief Executive Officer Mr. Andrew Thomas Barr and the Board Member Ms. Katherine Jane Mingay.

The Executive Committee, through the Chief Executive Officer, reports to the Board of Directors at least on a quarterly basis on the transactions within its competence and on any conflicts of interest affecting its members or related parties in transactions relating thereto.

During financial year 2017 the Committee met 10 times, with an average duration of 23 minutes and it examined the following topics:

- Tender promoted for the renewal of the onboard systems of the entire Norwegian fleet;
- Consultancy agreement with PricewaterHouse Coopers in order to control and assess the compliance with Danish pay and work conditions applied by the ASAL Consortium of which Ansaldo STS is member;
- Tender promoted for the design, supply, installation and commissioning of electromechanical systems of the Metro Panama Line 3 monorail system;

- Consultancy agreement with Pirola Pennuto Zei & Associati Tax firm, relating to tax issues;
- Tender promoted for the execution of the onboard system with regard to the construction of the Light Rail in Copenhagen;
- Consultancy agreement with Ashurst LLP law firm, Deloitte and Gideon Franklin Limited, for an assessment related to a potential acquisition;
- Consultancy agreement with Caiazza Donnini Pappalardo & Associati law firm, for legal and corporate assistance;
- Consultancy agreement with PricewaterHouse Coopers, for an analysis of the market in which Ansaldo STS operates.

All the absences were justified.

No. 6 Committee meetings are planned for the current financial year.

The table below shows the number of the meetings held by the Executive Committee and the attendances of the members for the financial year 2017:

Members	Attendances / No of Meetings	% Attendances
Alistair Dormer	8/10	80%
Andrew Thomas Barr	10/10	100%
Katherine Mingay	10/10	100%

4.1.5 NON-EXECUTIVE DIRECTORS

The Board consists, for the most part, of non-executive members (without operational and/or management delegations within the company) whose number and authority shall ensure that their opinion carries significant weight in the adoption of board decisions.

Non-executive Directors bring their specific expertise to 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, rational decisions in line with the interests of the company.

At the date of this Report, the Chief Executive Officer and the Chairman are qualified as executive administrators, under criterion 2.C.1 of the Corporate Governance Code, for the reasons indicated above, whereas the other members of the Board are all non-executive.

In particular, the Board member Ms. Katherine Jane Mingay, while being a member of the Bid Committee, cannot be classified as an executive director, pursuant to application criterion 2.C.1 of the Code, as the Company has appointed a Chief Executive Officer, to which have been conferred the management powers previously indicated. Therefore, the Board Member Ms. Katherine Jane Mingay cannot be deemed to be systematically involved in the current management of the Company.

Similarly, Mr. de Benedictis, Vice Chairman of the Board of Directors, cannot be classified as an executive director, pursuant to application criterion 2.C.1 of the Code, as he does not hold managerial powers but only holds delegated powers.

4.1.6 INDEPENDENT DIRECTORS

The current Board of Directors, appointed at the Shareholders' Meeting held on 16 May 2016, is composed of 6 independent directors and, more specifically, the Directors Giuseppe Bivona (replaced, following his revocation, by Mr. Michele Alberto Fabiano Crisostomo), Rosa Cipriotti, Alberto de Benedictis, Mario Garraffo, Fabio Labruna and Katharine Rosalind Painter.

These directors, when the lists were submitted, undertook, on declaring that they met the independence requirements, to promptly give the Board of Directors notice of any changes to such declaration.

The Board of Statutory Auditors on 10 June 2016, following the appointment of the Board of Directors (and on 9 February 2017 as far as Michele Alberto Fabiano Crisostomo is concerned) – on the basis of the declarations of the directors and having acknowledged the evaluations of the Board – verified the correct application of the criteria and the assessment procedures adopted by the Board in order to evaluate the independence of its members.

The Board on 15 June 2017 carried out the annual control pursuant to Article 3.P.2 of the Corporate Governance Code regarding the existence of the requirements of independence pursuant to Article 148, section 3, of the TUF (applicable to directors pursuant to Article 147-ter, section 4, of the TUF), Article 16, section 1, letter d) of the Market Regulation and Article 3.C.1 of the Corporate Governance Code in respect of the Directors Rosa Cipriotti, Alberto de Benedictis, Michele Alberto Fabiano Crisostomo, Fabio Labruna, Katharine Rosalind Painter and Mario Garraffo.

In checking the requirements of independence of the Directors, the Board, in light of the statements provided by each person concerned, or the information otherwise available to the Company, assessed the existence of any relations that might be or appear to affect the independent judgement of the independent directors. The results of this assessment were made known to the market through a press release issued on 15 June 2017.

During the financial year 2017, no meetings of the Company's independent Directors were planned as the need did not arise.

4.1.7 LEAD INDEPENDENT DIRECTOR

It should be noted that the conditions which, pursuant to the Code, require the establishment of the role of lead independent director are absent, given that the Chairman of the Board of Directors does not act as the figure principally responsible for the management of the Company (Chief Executive Officer) and does not have a controlling interest in the Company.

4.1.8 DOCUMENTATION AND REPORTING TO THE BOARD OF DIRECTORS

The Chairman of the Board of Directors makes sure that the Board Members are suitably and promptly informed, so that the Board has the necessary knowledge of the matters submitted to it for examination.

The Chairman makes sure that enough time is spent on the items on the agenda for constructive debate and encourages the directors to actively contribute during the meetings.

Based on the Rules of the Board of Directors, directors may participate in meetings remotely, by teleconference or by videoconference, provided they notify it to the Secretary of the Board in advance and all participants can be identified and are able to follow the discussion and participate in dealing with the items, and can view any documentation distributed during the course of the meeting in real time.

Pursuant to the Board of Directors Rules, the supporting documents for the Board meetings shall be sent to each Director and each Auditor on the same date that the meeting is called, if viable, and in any case within three days before the date fixed for the meeting, except for urgent cases, when the documents shall be made available as soon as possible. The periods indicated therein were normally observed for convening Board meetings during the financial year 2017.

If the Chairman deems it appropriate in relation to the contents of the item under discussion and of the relative resolution, the informative documents may be directly provided at the meeting, notifying the directors and auditors thereof; however, if they wish, the directors and auditors may access the information available at the company registered office in the days immediately preceding the meeting; this circumstance never arose during the 2017 financial year.

4.1.9 BOARD MEETINGS – FREQUENCY OF THE BOARD OF DIRECTORS MEETINGS

During the year 2017, the Board of Directors held 13 meetings. The average duration of the meetings of the Company's Board of Directors during the financial year 2017 was approximately three hours and twenty minutes.

All absences were justified.

The table below shows the number of Board of Directors meetings held in 2017, as well as the attendance rate for each director:

Board of Directors currently in office

Members	Attendance/N o. of Meetings	Attendance %
Alistair Dormer	11/13	84.61%
Alberto de Benedictis	13/13	100%
Andrew Thomas Barr	13/13	100%
Rosa Cipriotti	12/13	92.30%
Michele Alberto Fabiano Crisostomo ¹	13/13	100%
Mario Garraffo	9/13	69.23%
Fabio Labruna	12/13	92.30%
Katherine Mingay	13/13	100%
Katharine Rosalind Painter	13/13	100%

⁽¹⁾ The Company's Ordinary Shareholders' Meeting held on 19 January 2017 appointed Mr. Michele Alberto Fabiano Crisostomo as a Board Member of Ansaldo STS S.p.A., replacing Mr. Giuseppe Bivona who, pursuant to Article 2393 of the Civil Code, had been revoked from the office of Board Member of the Company.

For 2018, no. 6 meetings have already been planned. Since early 2018, the Board of Directors have met on 24 January 2018 and 27 February 2018.

The Board Meetings were attended, depending on the items indicated on the agenda, by the Company's Chief Financial Officer, the Internal Audit Manager, the Company's HR & Organization Manager and, upon being invited by the Chairman, other Company Managers, with a view to providing the appropriate information on the agenda items. The Secretary of the Company's Board of Directors and the General Counsel also attended all the Board Meetings.

Pursuant to the By-laws, the Board of Directors meets whenever the Chairman or his/her substitute deems it necessary, or on written request of the majority of its members.

Any of the Auditors may also call a Board of Directors meeting.

4.1.10 ASSESSMENT OF THE OPERATION OF THE BOARD OF DIRECTORS

The Corporate Governance Code for the listed companies states that, pursuant to Criterion 1.C.1, letter g, the Board of Directors conducts an annual assessment of the functioning, the size and the composition of the Board and its Committees.

During the meeting held on 28 July 2017, the Board of Directors carried out some evaluations regarding the assignment to an external company for the conduction of a "board evaluation performance", in order to share the approach to be adopted.

Such assignment has been conferred to Spencer Stuart, an external consultancy company

4.1.11 REMUNERATION OF DIRECTORS, GENERAL MANAGER AND OF MANAGERS WITH STRATEGIC RESPONSIBILITIES

The information relative to the remuneration of directors, of the General Manager and of Managers with Strategic Responsibilities is contained in the remuneration report drafted pursuant to articles 123-ter of the TUF and 84-quater of the Issuers Regulation, available to the public on the Company's website <http://www.ansaldo-sts.com/en/documents/report-remuneration-2> and in other ways required by applicable laws.

On 24 March 2017, the Company's Board of Directors, subject to the approval of the Nomination and Remuneration Committee, approved the Company's remunerations policy for the financial year 2017 and the Ansaldo STS remuneration report, prepared pursuant to Article 123-ter of the TUF. The first section of this report, containing a description of the remuneration policy adopted by the Company and of the procedures used to adopt and implement such policy, was then submitted - pursuant to paragraph 6 of Article 123-ter - to the non-binding vote of the General Meeting held on 11 May 2017. The Meeting voted favour thereof.

It must also be pointed out that in compliance with the provisions of Article 123-ter, paragraph 6 of the TUF, the Ordinary General Meeting to be called to approve the 2017 financial statements will also be called to vote in favour of or against the resolution on the first section of the remuneration report, according to the provisions set forth in Article 123-ter, paragraph 3 of the TUF, approved by the Board of Directors, upon the Nomination and Remuneration Committee so proposing, explaining the remuneration policy applicable to members of administrative bodies, General Manager and Managers with Strategic Responsibilities for the financial year 2018, as well as the procedures utilised to adopt and implement that policy.

With regard to the remuneration of the directors of Ansaldo STS for the year 2017, see Section Two of the remuneration report, available on the Company's website at <http://www.ansaldo-sts.com/en/documents/report-remuneration-2>.

The incentive mechanisms for the Internal Audit Manager and the Manager in Charge of drafting the company's accounting documents are in line with their respective assignments.

4.2 COMMITTEES

The Control and Risk Committee and the Nomination and Remuneration Committee have been established within the Board of Directors and in compliance with the principles and criteria of the Corporate Governance Code to which the Company adheres, in order to make the conduct of the Board's business more efficient and effective.

After the approval of the Corporate Governance Code in December 2011, the Company resolved to adopt the principles contained in such new edition of the Code, conforming its own governance system to the new self-discipline provisions.

On 18 December 2012 the Company resolved, among other things, to: i) set up a Nomination committee, merging it with the already established Remuneration Committee and naming the new committee - vested with a dual function - "Nomination and Remuneration Committee", and approving its regulation and ii) amend and redefine the tasks and duties of the various individuals and subjects involved in the Company's internal control and risks management system, by approving the Regulation of the Control and Risk Committee.

The decision to bring together into a single committee the functions of the Nomination and the Remuneration Committee, was reached after having taken into account: i) the size of the Board of Directors, ii) the organisational needs thereof, also with a view to boosting the efficiency of its operations and its committees, iii) the close correlation between the tasks that had already been assigned to the Company's Remuneration Committee and those that had been attributed by the Corporate Governance Code to the Nomination and Remuneration Committee. In making its assessment, the Board of Directors also took into account the already suitable composition of the said Remuneration Committee, in terms of the independence and expertise of its members. It must be pointed out that this choice still allows the objectives set out in the Code for each committee to be achieved and the Nomination and Remuneration Committee to fulfil the requirements of both committees.

4.2.1 NOMINATION AND REMUNERATION COMMITTEE

Pursuant to the provisions of Article 16, letter d), of the Markets Regulation, the Nomination and Remuneration Committee is entirely composed of non-executive, independent directors, and namely Katharine Rosalind Painter (Chairman), Alberto de Benedictis and Mario Garraffo, appointed by the Board of Directors on 16 May 2016.

Pursuant to Article 6, paragraph 3 of the Corporate Governance Code, in appointing the members of the Committee, the Board of Directors of the Company verified and certified that the Directors Katharine Rosalind Painter and Alberto de Benedictis have at least one of the requirements (knowledgeable and experienced in accounting and financial matters). As far as the director Mario Garraffo is concerned, please note that such verification was made, with positive result, during the first meeting of the Board, following its establishment held on 24 May 2016.

The activities of the Committee are governed by Rules, in line with the Corporate Governance Code provisions, approved by the Board on 29 January 2007 and lastly amended on 18 December 2012.

These Rules are available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/5_regolamento_comitato_nomine_e_remunerazione_en_2.pdf

In particular, as regards the Committee's role in terms of appointing Directors pursuant to Article 5 of the Corporate Governance Code, the Committee has the main task of performing the following functions:

- submitting opinions to the Board of Directors regarding the dimension and composition of the same Board and expressing recommendations regarding the professional positions that it may be deemed appropriate to bring onto the Board, as well as on the issues mentioned in Criteria 1.C.3 (maximum number of positions as director and auditor) and 1.C.4, (exceptions to the non-competition clause) of the Corporate Governance Code;
- submitting to the Board of Directors candidates for the office of director in cases of co-option, where it is necessary to replace independent directors;
- on an assignment from the Board of Directors, carrying out the background preparation to prepare the succession plan for executive directors;

On the other hand, as the Remuneration Committee, pursuant to Article 6 of the Corporate Governance Code, the Committee has the task of performing the following functions:

- submitting proposals to the Board of Directors on the remuneration policy for directors and for any Managers with Strategic Responsibilities;
- making periodical assessments of the adequacy, overall consistency and actual implementation of the remuneration policy mentioned in the point above, availing itself - in relation to Managers with Strategic Responsibilities - of the information provided by the Chief Executive Officer, and submitting proposals in this matter to the Board of Directors, where appropriate;
- submitting proposals or giving opinions to the Board of Directors on the remuneration of executive directors and of any other directors holding particular offices as well as on the performance targets linked to the variable part of such remuneration, monitoring the implementation of the decisions taken by the Board itself and verifying the actual achievement of the performance targets;
- evaluating the proposals of the Chief Executive Officer relevant to the general remuneration and incentive policy, as well as to the management development systems and plans, for the key resources of the Group and the directors vested with powers of the Group companies;
- assisting the Company top management in defining the best policy for handling the managerial resources of the Group;
- proposing share-based compensation plans in favour of Directors and Managers of the Company and of the other companies of the Group and the relevant implementing regulations, carrying out the tasks reserved to it for the management of the plans adopted by the Company case by case;
- reporting the way it exercises its tasks to the Company's shareholders.

The directors shall not participate in the Committee Meetings, in which proposals are submitted to the Board regarding their remuneration.

During the Financial Year, in performing its functions as Remuneration Committee, it exercised a role of support to the Board of Directors and the Human Resources & Organization Department of Ansaldo STS on

certain priority issues in the examination of the Company's management systems and the relevant variable remuneration plans.

More specifically, the Committee:

- defined the guidelines for the determination of the remuneration policy of the Ansaldo STS Group and subsequently approved the remuneration policy of the Ansaldo STS Group for financial year 2017;
- approved the Remuneration Report pursuant to Article 123-ter of the TUF, submitted to Board of Directors and, therefore, the General Meeting held on 11 May 2017;
- examined the development and results of the 2016 MBO Plan, establishing the amount to be paid to the Chief Executive Officer and to the Managers with Strategic Responsibilities, who are beneficiaries of the plan and were in office during the course of 2016;
- positively evaluated Management's MBO 2017 Plan and approved the MBO 2017 Plan for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- reviewed the development and results of the Stock Grant Plan 2014-2016 for the year 2016;
- examined and defined the Stock Grant Plan 2017-2019;
- examined the development and results, for the year 2016, of the 2014-2016, 2015-2017 and 2016-2018 Long Term Incentive Plans for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- examined and approved the 2017-2019 Long Term Incentive Plan for the Chief Executive Officer and the Managers with Strategic Responsibilities;
- evaluated and expressed its favourable opinion on the appointment of Mr. Renato Gallo as Chief Financial Officer;
- identified new Managers with Strategic Responsibilities of the Company.

For more information about the resolutions passed by the Nomination and Remuneration Committee regarding the Chief Executive Officer's, General Manager's and Managers with Strategic Responsibilities' remuneration, please refer to the Remuneration Report made available to the public on the Company's website <http://www.ansaldo-sts.com/en/documents/report-remuneration-2> as well as in any other manner provided for under the law.

In carrying out its duties, the Committee was able to access all the corporate functions and information necessary for the performance of their duties.

The Committee reports to the Board of Directors at least every six months and meets periodically in order to perform the functions and duties assigned to it.

During 2017, the Committee met on 27 January 2017, 23 February 2017, 27 February 2017, 17 March 2017, 23 March 2017, 27 April 2017, 14 June 2017, 27 July 2017 and 13 December 2017.

In 2018, no. 6 meetings have been planned. Up until the date of approval of this Report, the Committee met on 23 January 2018, 26 February 2018 and 13 March 2018.

The Committee's work is coordinated by the Chairman of the Committee, Ms. Katharine Rosalind Painter.

The average duration of the meetings of the Nomination and Remuneration Committee during the financial year 2017 was of approximately two hours.

The following table indicates the number of meetings held by the Committee, as well as the attendance rate of the individual members:

Nomination and Remuneration Committee currently in office

Members	Attendance/No. of Meetings	Attendance %
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Katharine Rosalind Painter (Chairman)	9/9	100%
Alberto de Benedictis	9/9	100%
Mario Garraffo	7/9	77.77%

The meetings of the Nomination and Remuneration Committee were also attended by the Chairman of the Board of Statutory Auditors and by the Statutory Auditors and also - pursuant to the provisions of Article 1.4 of the Committee rules - the current Human Resources & Organization Manager. The Company's General Counsel, Mr. Filippo Corsi, also attended the Committee meetings, in the capacity of Secretary thereof.

The tables below show the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings:

Members of the Statutory Auditors in office from 11 May 2017

Actual Statutory Auditors	Attendance/No. of Meetings	Attendance %
Antonio Zecca (Chairman)	2/3	66.6%
Giovanni Naccarato	3/3	100%
Alessandra Stabilini	2/3	66.6%

Members of the Statutory Auditors in office from 1 January 2017 to 11 May 2017

Actual Statutory Auditors	Attendance/No. of Meetings	Attendance %
Giacinto Sarubbi (Chairman)	6/6	100%
Renato Righetti	6/6	100%
Maria Enrica Spinardi	5/6	83.3%

The Committee meetings were regularly recorded in minutes and, during the first useful meeting of the Board of Directors, the relevant information was provided.

The Committee has its own budget that adequately covers the performance of the duties entrusted to it and that has been determined for the year 2017 in EUR 30,000.00. Such budget was also confirmed, upon the Nomination and Remuneration Committee so proposing by the Board of Directors for financial year 2018. Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and external consultants, at the Company's expense, for the performance of its duties.

4.2.2 CONTROL AND RISK COMMITTEE

The Control and Risk Committee in office consists of three directors, all of whom are non-executive and independent. Its members are the Directors Alberto de Benedictis (Chairman), Mario Garraffo and Katharine

Rosalind Painter, appointed by the Board of Directors on 16 May 2016. Pursuant to the Code, in appointing the Committee members, the Board of Directors examined the accounting and financial experience of the Committee Chairman, and of its members.

The Committee activities are governed by its own Rules, most recently amended by the Board meeting of 18 December 2012. The rules also comply with the amendments made to the Corporate Governance Code in July 2015.

The updated version of the Rules is available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/7_regolamento_comitato_controllo_e_rischi_en_0.pdf.

The Control and Risk Committee operates to assist the Board of Directors with advice, proposals and preliminary briefs in relation primarily to defining the guidelines of the Internal Control and Risk Management System (“**SCIGR**”) and for the periodic assessment of the adequacy and actual operation of the organisational structure relevant to that system.

In particular, the Committee is in charge of verifying the levels of functionality and adequacy of the SCIGR as well as actual compliance with the internal procedures and guidelines adopted, both to ensure sound and effective management and as far as possible, to identify, prevent and manage financial and operating risks and fraud having an impact on the Company.

The Control and Risk Committee shall carry out all duties assigned to it by the Corporate Governance Code, and in particular it shall:

- support, with appropriate background preparation, the assessments and resolutions of the Board of Directors relative to:
 - the Internal Control and Risk Management System and
 - the approval of interim financial reports;
- express its favourable opinion to the Board of Directors with regard to:
 - defining the guidelines of the internal control and risk management system, so that the main risks inherent in the Company and in its subsidiaries are correctly identified and suitably measured, handled and monitored, and in defining the extent to which such risks are compatible with a business management that is consistent with the set strategic goals;
 - assessing, at least on a yearly basis, the adequacy of the internal control and risk management system in relation to the business features and the risk profile undertaken, as well as to its effectiveness;
 - approving, at least on a yearly basis, the work plan prepared by the Internal Audit Manager;
 - describing, within the Corporate Governance Report, of the main features of the internal control and risk management system, and providing an assessment of its adequacy;
 - assessing the results reported by the statutory auditor in its letter of suggestions, if any, and in the report on the fundamental issues that emerged during the statutory audit;
- express its favourable opinion to the Board of Directors with regard to:
 - the appointment and revocation of the Internal Audit Manager;
 - whether this latter is endowed with suitable resources to carry out his duties;
 - whether the remuneration of the Internal Audit Manager is defined in keeping with corporate policy;
- evaluate, together with the Manager in charge of drafting the corporate accounting documents and after consulting the statutory auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purposes of preparing the consolidated financial statements;

- express opinions on specific aspects relating to the identification of the main business risks;
- examine the interim reports concerning the assessment of the internal control and risk management system and the reports of major importance prepared by the Internal Audit function;
- examine, with the assistance of the Risk Manager, the trend of the main job orders and of the relevant risks, based on the summaries of such job orders, asking the Risk Manager for details about projects of major significance and critical points;
- monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Function;
- ask the Internal Audit Function, where it is deemed necessary or advisable, to carry out audits on specific operating areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- report to the Board of Directors on the activity carried out and on the adequacy of the internal control and risk management system at least every six months, upon approval of the half-yearly and the yearly financial report;
- evaluate the notices given by the Director in charge of the Internal Control and Risk Management System, relating to problems and critical points of the Company's internal control and risk management system, and take appropriate actions;
- support, with an adequate examination, the assessments and decisions of the Board of Directors on the management of risks deriving from prejudicial facts brought to the knowledge of the Board itself;
- carry out any other duties that the Board of Directors may assign to it.

In addition, the Control and Risk Committee carries out the duties of the Related-Party Transaction Committee mentioned in the procedure for related party-transactions adopted pursuant to Article 4 of the Related Parties Regulation, and exercises the relevant powers.

In carrying out the duties entrusted to it, the Control and Risk Committee may examine and discuss the most significant findings, justifications given and any difficulties encountered during its activity with management and with the Internal Audit Manager; it may also avail itself of the assistance of both Company employees and of external consultants, as long as they are duly bound by the necessary confidentiality restrictions.

The Control and Risk Committee shall promptly share any relevant information for the performance of its tasks with the other Company bodies and functions that carry out significant tasks in connection with internal control and risk management.

As part of its activity, during 2017, the Committee, among other things:

- examined the report for the second half of 2016 and the report for the first half of 2017 prepared by the Head of the Internal Audit function and assessed favourably the adequacy, efficiency and effectiveness of the Company's Internal Control and Risk Management System with respect to the characteristics and the risk profile thereof;
- examined the 2017 Audit Plan, expressing a positive opinion thereon and submitting it to the Board of Directors for its approval;
- examined the performance of certain significant orders;
- conducted the inspections coming within its remit in respect of the Financial Statement for the year 2016, the Interim Financial Reports and the Half-Year Report, and also met with the external auditors and informed the Board of the results of these inspections, making any recommendations as well as observations about the effectiveness of the Internal Control and Risk Management System;
- checked the adequacy and appropriateness of the accounting principles that are being used and their uniformity for the purpose of preparing the Consolidated Financial Statements for the year 2016, the Quarterly Financial Reports and the Half-Year Report;

- examined the Company's results in order to verify the fulfilment of the requirements provided for under Law No. 262/2005.

During the first months of 2018 the Committee also:

- examined the periodic reports for the year 2017 prepared by the Head of the Internal Audit, and gave a positive assessment of the adequacy, efficiency and actual operation of the Internal Control and Risk Management System of the Company in relation to its nature and characteristics and to the assumed risk profile;
- examined the progress of the Group's Audit Plan for 2017, verifying the key results of the last half-year;
- examined 2018 Audit Plan, positively evaluating it and submitting it to the approval of the Board;
- conducted the verifications it was called to carry out with reference to the process of preparing the Financial Statements for the year 2017. To this end, met with the independent auditing firm and informed the Board of the results of such verifications and of any recommendations, and of any issue encountered with reference to the effectiveness of the Internal Control and Risk Management System;
- verified the adequacy and the correctness of the accounting principles used and their consistency for the purposes of preparing the 2017 consolidated financial statements;
- examined the results of the activities carried out by the Company in order to verify the performance of the provisions of Law 262/2005;
- examined the progress of certain significant job orders;

During 2017, the Committee met on 24 February, 8 March, 23 March, 27 April, 29 May, 14 June, 27 July, 30 October and 13 December.

No. 6 meetings have so far been scheduled for 2018. Until the date of approval of this Report, the Committee has met on 23 January, 26 February and 13 March 2018.

The Committee meets at least every six months (in concurrence with Board of Directors approval of the Financial Statements and the Half-Yearly Financial Report). The Committee business is coordinated by its Chairman, Mr Alberto de Benedictis.

In 2017, the Company's Control and Risk Committee meetings lasted an average of three hours.

The table below shows the number of meetings of the Control and Risk Committee held during 2017, as well as the attendance rate for each member:

Control and Risks Committee in office

Members	Attendance/No. of Meetings	Attendance %
Alberto de Benedictis (Chairman)	9/9	100%
Mario Garraffo	8/9	88.8%
Katharine Painter	9/9	100%

The Committee meetings were attended by the Board of Statutory Auditors, the Chief Executive Officer as Director in charge of the Internal Control and Risk Management System and the Internal Audit Manager. The Company's Risk Manager and Chief Financial Officer also attended, and on invitation of the Chairman of the Committee, other Company Managers to provide whatever detailed information was required relevant to the items on the agenda.

Please note that during 2017, the Committee meetings were attended by the Company's General Counsel, Mr. Filippo Corsi, in the capacity of Secretary of the Committee.

The table below shows the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings held during the 2017 financial year:

Board of Statutory Auditors in office as of 11 May 2017

Members	Attendance/No of Meetings	Attendance %
Antonio Zecca (Chairman)	5/5	100%
Giovanni Naccarato	5/5	100%
Alessandra Stabilini	4/5	80%

Board of Statutory Auditors in office from 1 January 2017 to 11 May 2017

Members	Attendance/No of Meetings	Attendance %
Giacinto Sarubbi (Chairman)	4/4	100%
Renato Righetti	4/4	100%
Maria Enrica Spinardi	4/4	100%

The Control and Risk Committee meetings were regularly recorded in minutes and, during the first useful meeting of the Board of Directors, the relevant information was provided.

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

The Committee has its own budget to cover the performance of the duties entrusted to it, which has been fixed for the financial year 2017 in EUR 30,000.00. With regard to 2018, the budget has been confirmed in EUR 30,000.00 unless any further requirements arise.

Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and of external consultants, at the Company's expense, for the performance of its duties.

4.3 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

4.3.1 ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With the assistance of the Control and Risk Committee and also through the activity of the Director in charge of the Internal Control and Risk Management System, the Board of Directors has defined the guidelines of that system, so that the main risks inherent in the Company and its subsidiaries are correctly identified, as well as suitably measured, handled and monitored, also defining how compatible such risks are with business management that is consistent with the set strategic goals. As part of the definition of the strategic, industrial and financial plans, the Board of Directors has also defined the nature and level of risk compatible with the Company's strategic goals, in terms of sustainability and taking into account the most recent sustainability report approved by the Board of Directors on 28 July 2017.

The Internal Control and Risk Management System is the set of rules, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of the principal risks. Such system is integrated into the more general corporate organisational and governance structures adopted by the

issuer and takes into account Italian and international models of reference and existing best practice. The Internal Control and Risk Management System helps the business to be run in keeping with the company goals defined by the Board of Directors, encouraging aware decision-making. It helps to guarantee protection of the corporate assets, the efficiency and effectiveness of the company processes in addition to the reliability of financial information and compliance with laws and regulations, as well as with the Company's By-laws and internal procedures.

The Internal Control and Risk Management System reduces - but cannot eliminate - the risk of incorrect decisions, human error, fraudulent breach of the control systems, unforeseeable occurrences as well as risk intrinsic to exercising the business activity. The Internal Control and Risk Management System therefore provides reasonable but not absolute assurance that there are no obstacles to the Company and its subsidiaries achieving their business targets or to the ordinary and legitimate performance of its activities, arising from circumstances that could be reasonably predicted.

The Company's Internal Control and Risk Management System, in line with international best practice, consists of the following elements:

a) Internal environment. This is the set of standards, processes and structures that are the basis for implementing the Internal Control and Risk Management system. For these purposes:

- Ansaldo STS has defined a set of rules for governance of the group through specific procedures;
- the Company has a Code of Ethics for the Group updated on the basis of developments in the organisational and business structure; as regards Ansaldo STS, specific standards of conduct have been put forward 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 separating incompatible duties;
- human resources management conforms to principles of transparency, promotion of dignity, health, freedom and equality of workers and development of competences.

b) Risk management. This is a dynamic and interactive process which identifies and analyses the risks that could prevent the Company from achieving its business goals and allowing it to determine how it can manage those risks.

The Group has in place risk management processes with regard to offers and projects, as well as to corporate processes; these processes are monitored and updated in relation to the business targets. The management process for business process risks refers to the Enterprise Risk Management methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report).

c) Control activities. These consist in carrying out those actions foreseen under the Company policies and procedures - which ensure that the risk is mitigated. In this regard it is noted that:

- periodic "management reviews" are conducted on the offers and the progress of projects and of the overall corporate performance. Moreover, the company management verifies that the targets of the processes are implemented;
- computerised and non-computerised policies and procedures are used to define the control activities. Ansaldo STS has put into place procedures relating to sensitive areas such as consultants and business promoters, sponsorships, consultancy, free gifts, accommodation expenses and entertainment expenses.

d) Information and communication. The information that enables everyone to correctly perform their own duties with a view to achieving the objectives and performing the control activities must be appropriately communicated. In this regard, please note that information:

- is managed through IT systems constantly monitored with regard to efficiency and effectiveness and updated according to business needs;

- is disseminated at various levels according to business goals and needs, including through specific IT tools.
- e) Monitoring. The internal control and risk management system is to be monitored by assessing the operations and presence of the people who make it up over time. In this regard, note that:
- specific corporate functions carry out periodic monitoring of the Internal Control and Risk Management System, including the strategy, quality and process improvement function, and the Internal Audit function. The Manager in charge of preparing the accounting and corporate documents periodically monitors the processes providing the financial information;
 - the improvement actions identified further to such monitoring are subject to management assessment and to specific monitoring.

Based on the representations made by the Chairman of the Control and Risk Committee during the meeting of the Board of Directors held on 14 March 2018, the said Board, after having consulted the Board of Statutory Auditors, assessed the Internal Control and Risk Management System adopted by the Company to be adequate and effective in relation to the nature and characteristics of the enterprise and its risk profile, as well in relation to the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries (which have a strategic importance).

For the purposes of the above assessment, during the financial year, the Control and Risks 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 previously examined work plan;
- the outcome of the audit activities conducted by the Internal Audit function, pursuant to a previously examined audit plan;
- the outcome of the meetings with the independent auditing firm;
- the reports of the Surveillance Body on the Organisation, Management and Control Model regarding the aspects pursuant to Legislative Decree no. 231/2001.

During the meeting that took place on 14 March 2018, the Chairman of the Control and Risk Committee also reported to the Board of Directors on the examination and assessment of the updated map of the risks inherent in the Company and its subsidiaries, prepared by the Director in charge of the Internal Control and Risk Management system, identifying the relevant risk reduction plans. At the same meeting, after the Board also examined the information above, it decided that the risks inherent in the Company and its subsidiaries are correctly identified, measured, managed and monitored and that they are compatible with Company management that is in line with its strategic goals. For the purpose of making its assessment, the Board of Directors also took into account, at the Board Meeting held on 14 March 2018, all the risks that could be significant in view of sustaining the Company's activities in the medium to long term.

4.3.2 DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Internal Control and Risk Management System on financial reporting is part of the Internal Control and Risk Management System.

The system is defined as the set of activities aimed at identifying and evaluating the cases in which the fact that an action or event occurs, or does not occur, may hinder, either totally or in part, the achievement of the targets of credibility, accuracy, reliability and timeliness of financial reporting. It ensures that the administrative/accounting procedures adopted and their implementation are suitable to ensure the reliability and timeliness of financial reporting, in accordance with the reference accounting standards.

The Internal Control and Risk Management System on financial reporting has been defined in keeping 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.

This system includes a component defined on the basis of a fraud risk assessment for the management of fraud risks. It consists of a set of controls to offset the risk of fraud in the financial reporting processes, subject to periodic monitoring.

The administrative and accounting procedures imply the analysis of the risk that errors, whether intentional or not, may occur in the processes leading to the development of the financial reporting. Therefore, to define such system, the risk areas where there is a possible occurrence of events that could endanger financial reporting reliability are identified and assessed.

On the basis of the identification and assessment of risk areas, the components of the Internal Control System in relation to the financial reporting have been analysed through:

- a brief overall analysis regarding the main companies of the Group, and particularly the control components relevant to financial reporting reliability;
- an analysis of each operating process, relevant to significant financial statement items for financial reporting purposes, through a correlated matrix between targets identified for the process activities and the controls associated therewith.

The system has been developed in the following macro-stages for key companies in the Group:

- a. Identification and assessment of risks. Risk is identified 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 compliance with the authorisation limits, separation of incompatible tasks, controls on physical safety and on the existence of assets, documentation and traceability of transactions. The identification of risk also includes risks of fraudulent activity, to be understood as intentional acts capable of generating a false economic/balance-sheet/financial representation in the financial statements or of diverting the Company's assets.
- b. Assessment of adequacy of controls. Based on the risk assessment, specific risk-mitigation controls are identified which can be distinguished into the following macro-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" or Company Level Control");
 - specific process-level controls (so-called "Process Level Control");
 - checks relating to the operation and management of information systems (so-called "IT General Control").
- c. Verification of the Internal Control and Risk Management System functionality. In order to verify and ensure the functionality of the internal control system on financial reporting, specific monitoring activities are to be performed both by the people in charge of the processes (so-called "process owners") and by independent third parties with respect to the operability of the processes (Internal Audit). The controls that are subject to monitoring include controls for the prevention of fraud risk.
- d. Monitoring and evolution of the control system. In order to ensure that the system is adequately monitored, the "design" of its components is subject to systematic assessment which is undertaken, in all cases, whenever significant events occur. Specific tests are carried out every six months to assess the operability of the controls indicated by the administrative and accounting system supervision procedures.

The process owners and the Manager in Charge of drafting the corporate accounting documents are notified of any deficiencies either in the design or in the operability of the controls so they can plan remedial action, with regular follow-up to make sure such actions have been implemented.

The Manager in Charge of drafting the corporate accounting documents, together with the Chief Executive Officer, provide the certification under Article 154-*bis*, paragraph 5 of the TUF.

Ansaldo STS, being subject to the management and coordination of Hitachi Ltd, is also subject to “Japan’s Financial Instruments and Exchange Law” (so-called “J-SOX”) concerning the operation of the system of internal control over financial information. The relevant monitoring and control activities are carried out periodically.

4.3.3 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 24 May 2016, the Board of Directors appointed Mr. Andrew Thomas Barr as the Director in charge of the Internal Control and Risk Management System.

The Director in charge of the Internal Control and Risk Management System identifies the main business risks, implements the guidelines defined by the Board of Directors and makes sure the Internal Control and Risk Management system is adapted accordingly, promptly reporting to the Control and Risk Committee and/or the Board any problems and critical issues that emerge in the performance of his actions or that in any case come to his notice.

The director in charge of the Internal Control and Risk Management System can request the Internal Audit function to look at specific operating areas and verify whether the internal rules and procedures are being observed when Company business is being conducted, provided that the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Statutory Auditor is given notice thereof.

The Director in charge of the Internal Control and Risk Management System:

- identified the main business risks, taking into account the characteristics of the business conducted by the Company and its subsidiaries, periodically submitting them to the Board for examination;
- implemented the guidelines defined by the Board of Directors, supervising the planning, completion and management of the Internal Control and Risk Management System and constantly making sure it was adequate and effective;
- took actions to adapt such system to the dynamics of the operating conditions and of the legislative and regulatory scenario.

4.3.4 HEAD OF INTERNAL AUDIT

The Head of Internal Audit verifies the operability and suitability of the Internal Control and Risk Management System - both on an ongoing basis and in relation to specific needs - in compliance with international standards; this is done through an audit plan approved by the Board of Directors, after hearing the opinion of the Control and Risk Committee, based on a structured process of analysing and identifying the main risks and attributing an order of priority thereto.

The Board of Directors on 27 February 2018, on the proposal of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors and the Head of Internal Control and Management System, approved the working plan for 2018 drafted by the Head of Internal Audit.

The Head of Internal Audit is not responsible for any operational area and is directly responsible to the Board of Directors. The Head of Internal Audit has also access to any information required to carry out the assignment.

On 15 March 2016, following the resignation of Mr. Mauro Giganti from his position as Head of Internal Audit, with effect from 1 April 2016, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, awarded a mandate for the Internal Audit to the company Protiviti Srl, appointing Mr. Giacomo Galli, Managing Director and Country Leader of the said company as Head of Internal Audit.

Note also that following the renewal of the Board of Directors, as appointed by the Shareholders' Meeting on 13 May 2016, on the proposal of the Director In Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, on 24 May 2016, the Board of Directors resolved to confirm the mandate of Protiviti Srl as the entity in charge of the internal audit office, confirming Mr. Giacomo Galli, Managing Director and Country Leader of the said company, as Head of Internal Audit.

On 24 March 2017, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, extended the mandate granted to Protiviti Srl, which was initially scheduled to expire on 30 March 2017, until 30 September 2017.

On 28 July 2017, the Board of Directors of Ansaldo STS, on the proposal of the Director in Charge of the Internal Control and Risk Management System, following the approval of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, appointed Mr. Andrea Crespi as the new Head of Internal Audit, with effect as of 1 October 2017, establishing his remuneration in line with company policy and ensured that the latter is given adequate resources to carry out his responsibilities. In particular, the financial resources made available to the Internal Audit for the year 2017 amounted to about EUR 667,000.00.

During the financial year, the Head of Internal Audit:

- Reported on his work to the Director in Charge of the Internal Control and Risk Management System, the Control and Risks Committee and the Board of Statutory Auditors;
- verified the operability and suitability of the Internal Control and Risk Management System and the reliability of the IT systems, including the accounts recording systems, as part of the 2016 and 2017 audit plans, the results of which were submitted to the Control and Risks Committee at its meetings of 24 February and 27 July 2017;
- participated directly, or through persons mandated by him, in periodic meetings of the Supervisory Board pursuant to Legislative Decree 231/2001.

The Head of Internal Audit also prepared his own periodic reports - for the year 2017 - on his activities, on the procedures used to conduct risk management and on compliance with the risk reduction plans. These reports were examined by the Control and Risk Committee at its meetings on 27 July 2017 and 13 March 2018. These periodic reports contain an assessment of the suitability of the internal control and risk management system and were transmitted to the Chairman of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the Internal Control and Risk Management System.

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

Following the entry into force of Legislative Decree no. 231 of 8 June 2001, as amended, which 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 the possibility of being charged with such liability, by establishing specific protocols and supervision systems aimed at preventing certain types of offences.

For such purpose, by resolution of the Board of Directors on 27 June 2006, the Company adopted the Organisation, Management and Control Model pursuant to Legislative Decree 231/01, which was then updated, following legislative and organisational changes, by Board resolutions of 11 November 2008, 6 March 2009, 6 July 2010, 28 June 2012, 26 June 2013, 16 December 2014, 25 February 2016, 27 February 2017 and, most recently, on 28 July 2017.

The update of 28 July 2017 was mainly undertaken to bring Special Part B1, dedicated to "Private Bribery" into line with the new provisions introduced by Legislative Decree No. 38/2017, which (i) introduced a new Article 2635-*bis* to the Italian Civil Code, which punishes the instigation of corruption between private individuals, (ii) extended the category of punishable entities and conduct by which a corrupt agreement could be reached,

and (iii) amended paragraph 6 of Article 2635 of the Italian Civil Code on seizure with the addition of the words “or offered” to the expression “given or promised benefits”.

The Company also adopted the Code of Ethics by resolution of the Board of Directors on 27 June 2006; the Code of Ethics was then amended by the resolutions of 11 November 2008, 6 July 2010 and 28 June 2012.

The Model is comprised of a general part and twelve special sections.

The general part essentially focuses on the Surveillance Body (“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 inside and outside the company and on the disciplinary system for the case of non-compliance with the Model prescriptions.

The special sections, relevant to the various offences described in the decree, which might in theory apply to the Company, are as follows: (i) offences to the detriment of the Public Administration, (ii) offences committed for terrorism-related purposes or for the purpose of subverting democracy; (iii) corporate and market abuse offences, (iv) corruption between private parties, (v) negligent homicide and grievous bodily harm committed in violation of occupational health and safety rules, (vi) offences of employing third-country nationals whose stay is illegal, and reducing to or maintaining in slavery or servitude (vii) offences of receiving stolen goods, money laundering and using money, goods or other property of illicit origin and self-laundering; (viii) computer-related offences and unlawful processing of data as well as infringement of copyright, (ix) organised crime offences, (x) offences relating to breach of environmental regulations, (xi) crimes of obstruction of justice, (xii) crimes against industry and commerce and crimes of counterfeiting money, public credit cards, revenue stamps and identification instruments or signs of recognition. The special sections of the Model list the relevant risk areas for the type of offence, refer to the specific decision-making protocols in force and the relevant rules of conduct for anyone operating in the aforesaid areas and define the related monitoring procedures.

Annexes and integral parts of Ansaldo STS's Organisation Model are:

- the Code of Ethics;
- the organisational structure of Ansaldo STS;
- the subdivision of powers and delegation system;
- Evidence file indicating relations with Public Administrations;
- Periodic statement relating to compliance with the Model and with the powers of attorney and the limits of signatory powers;
- list of significant parties under the "Internal Dealing Code";
- list of procedures referred to in the special parts of the Model.

The Organisation, Management and Control Model pursuant to the Legislative Decree No. 231/2001 and the Code of Ethics are available on the company website at the address <http://www.ansaldo-sts.com/en/governance/governance-system>.

In relation to the provisions of Article 6 of the mentioned Decree, on 27 June 2006 the Board resolved to establish a multiple-member Surveillance Body (S.B.). The tasks, activities and operation of this body are governed by specific bylaws approved by the Board of Directors on 24 October 2006 and last amended on 6 May 2013. The S.B. also has an internal regulation, brought to the attention of the Board of Directors on 6 July 2010.

In particular, the Surveillance Body bylaws - most recently modified on 6 May 2013 - provide that its term of office is three years and that it must be comprised of three members, chosen as follows: (i) two members from outside the Company having the relevant expertise and experience necessary for the position, so as to further enhance the independence of the S.B., and (ii) an internal company figure identified as the current *pro tempore* Corporate Affairs Manager.

The Board of Directors meeting of 6 May, 2013 - in order to align the composition of the S.B. to the new statutory provisions - appointed two new members of the S.B. to replace two members who resigned: their names were drawn from outside the Company and they are academics and professionals with proven expertise and experience in the legal, economic and financial fields, and it also confirmed the *pro tempore* Corporate Affairs Manager of the Company as a member of the S.B.

In this regard it must be noted that, following the resignation of the Company's *pro tempore* Corporate Affairs Head, the Company's Board of Directors, appointed Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer, on 21 December 2015, as an internal member of the SB who replaced the former SB member.

On 16 May 2016, following expiry of the three-year term of office conferred on the S.B., the Company's Board of Directors confirmed all members of the S.B. already appointed for a further three years.

In particular, this body - following the resolution passed by the said Board of Directors - is currently composed of the lawyer Ms. Nicoletta Garaventa, an external member entrusted with the office of Chairman of the S.B. by Mr. Alberto Quagli, an external member and by Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer.

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

The S.B. has its own budget amounting to EUR 40,000.00 for 2017 that adequately covers the performance of the duties entrusted to it. Such budget has, furthermore, been confirmed for the year 2018.

The S.B. independently approves, on a yearly basis, its own supervision plan, which includes both actions to verify Model adequacy and actions of compliance with the same Model.

4.3.6 INDEPENDENT AUDITING FIRM

The independent statutory auditing firm KPMG S.p.A. ("KPMG"), appointed by the Ordinary Shareholders' Meeting held on 7 May 2012 for the financial years 2012-2020, resigned, on 14 November 2016, from the task of auditor of Ansaldo STS. KPMG believed that it had to resign from the position since, following the acquisition of control of Ansaldo STS by the Hitachi Group, it might find itself in a situation capable of jeopardizing its independence pursuant to Article 5, section 1, letter f), of Ministerial Decree 261/2012.

During the course of the meeting held on 24 November 2016, the Board of Directors therefore convened the Ordinary Shareholders' Meeting to assign the new statutory audit task.

On 19 January 2017, the Company's Shareholders' Meeting therefore assigned the audit task to the independent auditing firm Ernst & Young S.p.A. for the financial years 2016-2024.

4.3.7 MANAGER IN CHARGE OF DRAFTING THE CORPORATE ACCOUNTING DOCUMENTS

In accordance with Article 154-*bis* of the TUF, Article 23.2 of the Company's By-laws states that the Board of Directors is to appoint a Manager in Charge of drafting the corporate accounting documents, after hearing the binding opinion of the Board of Statutory Auditors. The same provision in 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 with a share capital of no less than two million Euro, or
- b) professional activities or university professorship with tenure in law, economics, finance or technical and scientific subjects strictly pertaining to the company's business and to the functions which the Manager in Charge is to carry out, or
- c) managerial duties in public organisations operating in the field of credit, finance and insurance or, in any case, in sectors strictly connected with the company's field of business.

Following the resignation of Mr. Roberto Carassai, the Chief Financial Officer and Manager responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF on 19 October 2016, Mr.

Carassai signed an agreement with the Company for the termination of his employment with effect from 28 February 2017.

Subsequently, on 27 February 2017, the Board of Directors appointed Mr. Renato Gallo, following the approval of the Board of Statutory Auditors, as the Manager in Charge of drafting the corporate accounting documents pursuant to Article 154-*bis* of the TUF, and as interim Chief Financial Officer of the Company as of 1 March 2017. Subsequently, on 28 March 2017, Mr. Gallo's appointment as Chief Financial Officer of Ansaldo STS was confirmed.

The manager in charge, to be able to perform the task assigned, has the power to access and request any information considered relevant within the scope both of the Company and of the subsidiary companies or companies in which it has an interest, and to make use of the other Departments/Functions of the Company and of the Group or the respective resources, for the activities within their competence and to promote the adoption of business procedures or guidelines, in respect of the Group companies as well.

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

The Manager in Charge together with the Chief Executive Officer also attested as follows - in a special report annexed to the 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 Union pursuant to the (EC) Regulation no. 1606/2002 of the European Parliament and the Board, dated 19 July 2002; (iii) the consistency of the same documents with the data resulting from the accounting books and records and their suitability to provide an true and accurate representation of the equity, economic and financial position of the Company and of all 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 position of the Company and of all 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 director's report included in the half-yearly management report contains a reliable analysis of the information under paragraph 4 of Article 154-*ter* of the TUF.

4.3.8 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company's Internal Control and Risk Management System involves the following subjects:

- the Board of Directors;
- one or more Directors in charge of setting up and maintaining an effective Internal Control and Risk Management System;
- the Control and Risk Committee;
- the Internal Audit Manager;
- the other company positions and functions with specific duties relating to internal control and risk management, including in particular, (i) the Risk Management function, (ii) the Manager in Charge of drafting the corporate accounting documents and (iii) the Surveillance Body set up under Legislative Decree No. 231/2001 ("S.B.");
- the Board of Statutory Auditors, also in its role as the internal control and audit committee.

In order to ensure adequate coordination of the various parties involved in the internal control and risk management system, the Company has put in place an information flow system that guarantees timely sharing of information.

4.3.9 REQUIREMENTS UNDER ARTICLES 15 AND 16 OF THE MARKETS REGULATION

With reference to the 2017 financial year, both the Board of Statutory Auditors and the Board of Directors of the Company verified compliance by Ansaldo STS with the rules set out by Consob in Articles 15 and 16 of the Markets 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 ("non-EU foreign subsidiaries") and of (ii) conditions preventing the listing of subsidiaries subject to direction and coordination by other companies.

In particular, with respect to the verifications carried out in the financial year, and, most recently, in early 2018, the following is confirmed:

- in application of the parameters of significance referred to in the current Article 15, paragraph 2, of the Markets Regulation, the identification of the following non-EU foreign subsidiaries: Ansaldo STS USA Inc., Ansaldo STS Australia Pty Ltd;
- the Balance Sheet and the Income Statement for 2017 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 Article 15, paragraph 1, letter a) of the Markets Regulation);
- Ansaldo STS has obtained the By-laws, the composition and the powers of the corporate bodies of all companies mentioned above and the updated versions of these documents will be kept at the disposal of Consob, if it specifically requests them to be exhibited for supervision purposes (in accordance with the provisions of Article 15, paragraph 1, letter b) of the Markets Regulation);
- all the companies indicated above: (I) provide the Company auditor with the information required by the latter to carry out the audit of the annual and interim accounts of Ansaldo STS (in accordance with the provisions of Article 15, paragraph 1, letter c), item (II), of the Markets Regulation); (ii) have an administrative and accounting system that can regularly transmit to Company management and auditor the necessary economic, equity and financial data to prepare the consolidated financial statements of Ansaldo STS (in accordance with the provisions of Article 15, paragraph 1, letter c), item (ii) of the Markets Regulation);
- compliance with the publication requirements under Article 2497-*bis* of the Civil Code (in accordance with the provisions of Article 16, paragraph 1, letter a), of the Markets Regulation);
- the Company can independently negotiate with customers and suppliers (in accordance with the provisions of Article 16, paragraph 1, letter b) of the Markets Regulation);
- the Company has no cash pooling relationship with the company that manages and coordinates it or with other companies of the group it belongs to (in accordance with the provisions of Article 16, paragraph 1, letter c) of the Markets Regulation);
- the Control and Risk Committee and the Nomination and Remuneration Committee are composed only of Independent Directors (in accordance with the provisions of Article 16, paragraph 1, letter d) of the Markets Regulation).
- the Board of Directors consists of a majority of Independent Directors (in accordance with the provisions of Article 16, paragraph 1, letter d) of the Markets Regulation).

In light of the above, the Board of Directors has certified compliance with the conditions under articles 15 and 16 of the Markets Regulation (pursuant to Article 2.6.2, paragraphs 10 and 11, of the Stock Markets Regulation).

4.4. RELATED-PARTY TRANSACTIONS

The Board of Directors of the Company unanimously approved the Procedure regarding related-party transactions (the "Procedure") on 26 November 2010, upon the favourable opinion unanimously expressed by the Procedures Committee, pursuant to Article 2391-*bis* of the Civil Code and Article 4, paragraphs 1 and 3, of the Regulation on related-party transactions. On the same date, the Company's Board of Statutory Auditors confirmed compliance of the aforesaid Procedure with the principles indicated in the Regulation.

Three years after the approval of the Procedure, the Board of Directors on 4 November 2013, in accordance with the recommendations of Consob in its communication No. DEM/10078683 of 24 September 2010 relating to related-party transactions in line with the provisions of Article 13.1 of the Procedure, assessed the adequacy of the Procedure. In particular the Board, after obtaining the approval of the Procedures Committee, assessed the Procedure to be adequate and considered that no substantial amendment thereof was required.

In accordance with the aforesaid Consob recommendation, at the time of the three-yearly assessment of the Procedure, on 24 November 2016 the Board assigned to Protiviti Srl the task of preparing a document concerning transactions involving Ansaldo STS and the Hitachi Group companies. In such meeting the Board resolved to assess the suitability of the Procedure as soon as Protiviti Srl concluded its assignment, i.e. on 28 July 2017.

The Procedure, available on the Company's website http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/procedura_parti_correlate_eng.pdf 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 SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL

Pursuant to the provisions of Article 8 of the Regulation and Article 6.2 of the Procedure, except for Significant Related-Party Transactions (as defined in the Procedure adopted by the Company) for which the General Meeting is responsible, or that it must authorise, the Company Board of Directors is competent to authorise Significant Related-Party Transactions, subject to the binding and justified favourable opinion of the Committee for Related-Party Transactions (which, pursuant to the Procedure, coincides with the Control and Risk Committee - established in accordance with the Corporate Governance Code), subject to receipt of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out.

Even if it is through one or more of its members delegated for such purpose, the Committee for Related-Party Transactions must be involved during negotiations and during the background preparation stage. The Committee, or its delegated member, is entitled to ask for information and to formulate observations to the delegated bodies and the people in charge of carrying out the negotiations or the background preparation.

Once the background preparation is completed, after receiving the final data and information relevant to the Transaction, the Committee for Related-Party Transactions, will express - in time to allow the responsible body to reach a decision - a binding, justified opinion on the benefits to the Company of performing the Significant Transaction and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said opinion, choosing persons with proven skills and expertise on matters of interest. The costs and expenses relating to consultancy services provided by the said experts are borne by the Company.

If the Related-Party Transactions Committee has expressed a prior justified opinion opposing a Significant Transaction, or if it has expressed a conditional opinion or recommendations, the Board of Directors of the Company may: (i) approve the Significant Transaction subject to adopting all the recommendations made by the Committee for Related-Party Transactions, or alternatively, (ii) approve the Significant Transaction despite the negative opinion of the Committee, or without otherwise taking into account its recommendations, on condition that the Transaction is authorised by the General Meeting or lastly, (iii) not approve the Significant Transaction and therefore not proceed with it.

In relation to Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the negotiation, background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply.

If the Board of Directors intends to submit a Significant Transaction to the General Meeting despite the negative opinion or without otherwise taking into account the recommendations made by the Committee for Related-Party Transactions, the Transaction shall not be carried out if the majority of non-related voting shareholders vote against the Transaction, on condition, however, that the non-related shareholders present at the Meeting represent at least 10% of the voting share capital.

Without prejudice to the information required under Articles 5 and 6 of the Regulation, the Chief Executive Officer shall provide the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Significant Transactions.

4.4.2 LESS SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL

Subject to the justified and non-binding opinion of the Committee for Related-Party Transactions and subject to receipt from the Corporate Affairs office of the General Counsel & Compliance function of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out, the body responsible for decision-making shall approve Less Significant Transactions (as defined in the Procedure adopted by the Company).

After receiving full and final data and information relevant to the Transaction the Company intends to carry out, the Committee for Related-Party Transactions will express - in time for the responsible body to reach a decision - a non-binding, justified opinion on the benefits to the Company of performing the Transaction, and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said non-binding opinion, among persons of proven professionalism and expertise on matters of interest. The costs and expenses of the consultancy services provided by the experts will be borne by the Company.

In relation to Less Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply *mutatis mutandis*.

Without prejudice to the information required under Article 5, paragraph 8, and article 6 of the Regulation:

- (i) the Chief Executive Officer provides the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Less Significant Transactions;
- (ii) without prejudice to the provisions of Article 114, paragraph 1, of the TUF (and also today based on Article 17 of EU Regulation 596/2014), within fifteen days of the end of each financial year quarter, the Company makes available to the public a document specifying the other party, the subject-matter and the amount associated with the Less Significant Transactions approved during that quarter despite the negative opinion of the Committee for Related-Party Transactions, in addition to the reasons why it decided to disregard that opinion.

4.4.3 TRANSACTIONS CARRIED OUT THROUGH SUBSIDIARIES

Transactions carried out through subsidiaries must be submitted for the prior, non-binding opinion of the Committee for Related-Party Transactions, which shall issue its opinion in time to allow the responsible body to authorise, examine or assess the Transaction.

4.4.4 EXEMPT TRANSACTIONS

The terms of the Procedure do not apply to Transactions for Small Amounts (i.e. for no more than EUR 150,000.00 when the Related Party is a natural person or no more than EUR 1,000,000.00 when the Related Party is a legal person).

Without prejudice to the periodic financial reporting obligations under Article 5, paragraph 8 of the Regulation, the Procedure does not apply to the following Transactions, where applicable:

- (a) Transactions relevant to share-based compensation plans approved by the Meeting pursuant to Article 114-*bis* of the TUF, and all relevant implementing operations;
- (b) resolutions relating to the remuneration of directors vested with particular positions, other than those referred to in Article 13, paragraph 1 of the Regulation, as well as other Managers with Strategic Responsibilities, on condition of compliance with the requirements under Article 13 of the Regulation;
- (c) Regular Transactions concluded under the same conditions as those normally adopted for non-related parties for transactions of a corresponding nature, size and risk, or based on regulatory tariffs or imposed prices, or adopted for persons with whom the Company is legally obliged to agree to a specific fixed amount, without prejudice to the obligation to comply with the information requirements as per Article 13 of the Regulation;
- (d) urgent Transactions which do not fall within the remit of the General Meeting or are not required to be authorised thereby, on condition of compliance with the requirements under Article 13 of the Regulation;
- (e) Transactions with or between companies individually or jointly controlled by the Company, as well as Transactions with associates of the Company, if other Related Parties of the Company have no Significant Interest in the subsidiaries or associates that are parties to such Transaction.

Such cases of exemption also apply, *mutatis mutandis*, to Transactions carried out through subsidiaries. With regard in particular to the exemption for Regular Transactions, the activity carried out by the subsidiary is used to assess the regular nature of the Transaction, except where such subsidiary is a special purpose vehicle established to perform the Transaction, in which case the regularity must be verified with regard to at least one of the activities carried out by the Ansaldo STS Group.

4.5. BOARD OF STATUTORY AUDITORS

4.5.1. APPOINTMENT

The General Meeting elects, through list voting, the Board of Statutory Auditors, which consists of three Statutory Auditors and determines the Statutory Auditors' remuneration. The General Meeting also elects three alternate Statutory Auditors.

As provided for the submissions of lists of candidates to the Board of Directors, if the lists of candidates for the office of Auditors are not submitted by the above terms, the lists shall be considered as not submitted.

Lists may only be submitted by Shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (for the financial year 2017, equal to 1% of the Ansaldo STS share capital). Each Shareholder may submit or contribute to submitting only one list and can vote for only one list. Shareholders belonging to the same group or being party to a shareholders' agreement concerning shares in the Company cannot submit or vote for more than one list, even through intermediaries or trust companies.

In order to prove ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by giving notice through an authorised intermediary, pursuant to the applicable legislation that is in force at any given time.

The lists must include the name of one or more candidates (provided that their number shall not be greater than the members to be elected). Each candidate can be only in one list. Failure to comply with this provision shall result in the candidate not being eligible.

The lists are divided in two sections: one for candidates as Standing Member and the other for candidates as Alternate Member. The first candidate of each section must be registered in the Register of Statutory Auditors and have performed statutory audits for no less than three years.

Furthermore the lists that, considering both sections, have three or more candidates must include, in the first two places of the Standing Auditors section and of the Alternate Auditors section, candidates of different gender.

Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's By-laws for their respective offices.

Auditors shall be elected as follows:

- Two Standing Auditors and two Alternate Auditors shall be taken from the list that has obtained the majority of votes expressed by eligible voters, based on the progressive order they are on the list;
- The remaining Standing Auditor and Alternate Auditors shall be taken from the other lists according to the same rules for the appointment of members of the Board of Directors under Article 16.3, letter b) of the By-laws; for this purpose, the votes obtained by each section of the other lists are divided by one. The results so obtained are allocated to the candidates of each section of each list, according to the order provided therein. The quotients allocated to the candidates of each section of the lists are placed in a single decreasing ranking. Those who have obtained the highest quotient in each section are elected.

In the event that (i) only one list or (ii) no list is submitted or (iii) outside the cases of renewal of the entire Board of Directors, the Meeting shall adopt a resolution with the majorities required under law without observing the procedure above mentioned, and in any event so as to ensure that the composition of the Board of Statutory Auditors complies with the provisions pursuant to Article 1, paragraph 1 of Ministry of Justice Decree 30 March 2000, no. 162 and with the regulations in force relating to gender balance.

If more candidates have obtained the same quotient, the candidate in the list who has not elected any Auditor or has elected less Auditors shall be elected.

If none of these lists has still elected any Auditor or all of them have elected the same number of Auditors, the candidate of the list that has obtained the highest number of votes shall be elected. In case of equal votes and quotient, a new voting shall be held, electing the candidate by simple majority.

In case of replacement of one of the Auditors taken from the list that has obtained the highest number of votes, the first Alternate Auditor, taken from the same list, shall be appointed; if such replacement does not allow for a composition of the Board of Statutory Auditors in compliance with the regulations in force on gender balance, the second Alternate Auditor, taken from the same list, shall be appointed. In case of replacement of the Auditor taken from the other lists, the Alternate Auditor elected under Article 16.3., letter b) of the Articles of Association shall be appointed.

If this latter mechanism does not ensure compliance with the regulations in force on gender balance, the General Meeting shall be convened without delay to ensure compliance with these regulations. In any case, the General Meeting under Article 2401, paragraph 1 of the Civil Code shall replace the Auditor based on the principle of necessary minority representation and in compliance with the regulations in force on gender balance.

The Chairman of the Board of Statutory Auditors is appointed by the General Meeting and shall be the Standing Auditor elected by the minority, unless only one list was presented or no lists were presented; in this case, the Chairman of the Board of Statutory Auditors shall be appointed by the General Meeting with the majority provided by the law.

4.5.2 COMPOSITION

The Company's current Board of Statutory Auditors was appointed by the Ordinary General meeting on 11 May 2017.

The following table shows the members of the Board of Statutory Auditors in office during 2017.

Current composition of the Board of Statutory Auditors (2017 – 2019)

Members	Office
Antonio Zecca	Chairman
Giovanni Naccarato	Standing Auditor
Alessandra Stabilini	Standing Auditor
Alessandro Speranza	Alternate Auditor
Valeria Galardi	Alternate Auditor
Cristiano Proserpio	Alternate Auditor

Composition of the Board of Statutory Auditors until 11 May 2017

Members	Office
Giacinto Sarubbi	Chairman
Renato Righetti	Standing Auditor
Maria Enrica Spinardi	Standing Auditor
Giorgio Mosci	Alternate Auditor
Daniela Rosina	Alternate Auditor
Fabrizio Riccardo Di Giusto	Alternate Auditor

2 lists were submitted to the General Meeting on 11 May 2017 for the appointment of the Board of Statutory Auditors.

The Standing Auditors Giovanni Naccarato and Alessandra Stabilini, and the Alternate Auditors Alessandro Speranza e Valeria Galardi were taken from the majority list submitted by Hitachi Rail Investments S.r.l, which held a shareholding equal to 50.772% of the share capital, and obtained a number of votes equal to 60.47% of the voting capital.

The Chairman of the Statutory Board of Statutory Auditors, Mr. Antonio Zecca, and the alternate Statutory Auditor Mr. Cristiano Proserpio were taken from the minority list presented jointly by the shareholders Elliott International L.P. and The Liverpool Limited Partnership which together held a shareholding equal to 22.543% of the Company's share capital, whose winning votes amounted to 39.48% of the voting capital. The shareholders who submitted the minority list certified that they have no connection with Hitachi Rail Investments S.r.l., as provided for under Article 144-*quinquies* of the Issuers' Regulation.

The term of office of the members of the Board of Statutory Auditors will expire at the General meeting called to approve the Financial Statements as of 31 December 2019.

The Board of Statutory Auditors verified that the Auditors possess the independence requirements under the applicable law and Article 8.C.1 of the Code, as already represented by the same Auditors upon their appointment. The independence requirements were verified again on 5 July 2017. Moreover, no member of the Board of Statutory Auditors has notified the existence of any interests held, on his/her behalf or on that of third parties, in any of the Company's transactions.

Following the appointment of the new Board of Statutory Auditors during the Shareholders' meeting held on 11 May 2017, on June 2017 a specific "induction" session was organized also regarding legal topics related to the specific activity of the Company. During the current financial year, general "induction" sessions on

business and relevant topics are in progress, for both the members of the Board of Directors and the Board of Statutory Auditors aimed at providing them with adequate knowledge of the sector of activity in which Ansaldo STS operates, the business dynamics and their development, the principles of correct risk management and the reference legislative and self-regulatory framework.

Below you can read the personal and professional information about each member of the Board of Statutory Auditors.

ANTONIO ZECCA

Born in Lecce in 1975, Mr. Antonio Zecca graduated in Economics and Legislation for Business at Bocconi University. Dr Zecca is a Certified Public Accountant and a Statutory Auditor. After a dozen years of experience in Italy and abroad as an executive in the Transaction Service of a 'big four' company, he joined Studio Spada Partners, of which he has been an equity partner since 2013. Mr. Zecca's areas of specialisation are corporate finance and corporate restructuring. He is also a director, liquidator and auditor of commercial, industrial and financial companies.

GIOVANNI NACCARATO

From 1998 to 2015 Mr. Naccarato worked with the Laghi law practice in Rome, providing consultancy in public and private sector company and business unit valuations. He also undertook consultancy work on balance sheets, consolidated financial statements and debt restructuring processes. Since 2016 Mr Naccarato has worked on a freelance basis.

He has been appointed as an expert assessor on sale/contribution transactions involving the business units of companies listed on regulated markets. He has acted and continues to act as a consultant, certifier and assistant in insolvency proceedings for leading Italian Groups. On the date of 1 January 2018 he holds the following positions: General Director of Ospedale Israelitico in Rome, Director of Gybe Srl, member of the Board of directors of Properties Italia S.p.A and Effective Auditor of Yoox Group S.p.A.

ALESSANDRA STABILINI

Ms. Stabilini is a graduate in law from Milan University (1995). She holds a Master of Laws (LL.M) from the University of Chicago (2000). She undertook doctoral research in Business Law at Bocconi University (2003) and has been a researcher in commercial law at the University of Milan (since 2004, subsequently confirmed in the role in 2007). Between 2011 and 2016 she was professor of International Corporate Governance at Milan University. Since 2016 she has been Associate Professor of Corporate Interest, Corporate Social Responsibility and Financial Reporting at the University of Milan, and in 2001 she qualified as a lawyer. She worked as counsel to the NCTM law firm between 2011 and 2015, and has been an equity partner in the firm since 2015. She has held and continues to hold various positions as statutory auditor and independent director in listed and unlisted companies. She has held and continues to hold mandates granted by the Bank of Italy in crisis proceedings involving financial intermediaries. She is Vice President of NED Community, an association of non-executive and independent directors.

ALESSANDRO SPERANZA

Mr. Speranza graduated from the "La Sapienza" University of Rome in 2000, and has been a Certified Public Accountant since 2005. Since 2006 he has been listed on the register of Statutory Auditors. He began his career in the auditing company Pricewaterhouse Coopers S.p.a. in 2001. Mr. Speranza is an expert in questions of taxation of complex corporate transactions, including those of an international nature, with reverse mergers between companies from different European and non-European countries.

He also specialises in management control, treasury, strategic planning, tax planning, design and implementation of extraordinary finance transactions and company valuations, the implementation of joint ventures, change management and the development of systems and functional procedures for corporate

reorganisation, mergers & acquisitions, budgeting and reporting, credit evaluation, risk management and corporate crises.

VALERIA GALARDI

Ms. Galardi graduated in Economics and Commerce from the “La Sapienza” University of Rome in 2001. She has been listed in the Register of Certified Accountants since 2006 and in the Register of Statutory Auditors since 2007. She has acted as an auditor at companies in various sectors, as well as in public welfare, charitable and non-profit organisations. She has served as statutory or alternate auditor in various companies.

CRISTIANO PROSERPIO

A graduate in Economics and Commerce from the Catholic Sacred Heart University of Milan, and since 2003 listed in the Professional Register of Chartered Accountants of Milan and in the Register of Auditors. Since January 2007 he has been a partner of Spada Partners law firm (formerly Studio Spadacini Associazione Professionale). He specialises in corporate and financial consultancy with a focus on mergers & acquisitions, financial restructurings, business plans, company valuations and appraisals. He has held and continues to hold office as standing auditor or chairman of the board of statutory auditors in numerous listed and unlisted companies in the industrial and financial sectors.

DIVERSITY POLICIES

The diversity policies adopted by the Company deal with the gender composition for both the members of the Board of Directors and the Statutory Auditors. In fact, according to the By-laws at least a third of the members of the Administration and Control bodies should belong to the least represented gender pursuant to Art. 147-ter paragraph 1-ter of the TUF and according to the current legislation on gender balance. To this end, specific procedures are carried out for the draft of the slates for the appointment of the members belonging to the Boards, as well as specific criteria for the appointment of these members, in compliance with the observance of the representation of the least represented gender within the Board of Directors and the Board of Statutory Auditors. The Company did not adopt additional diversity policies because the current composition of the Board of Directors and the Board of Statutory Auditors seems to be properly diversified with regard to the age, the professional career, independence and representation of minorities, as represented in this report and in the curricula of the members.

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

18 meetings were held during the Financial Year.

In 2017, the meetings of the Board of Statutory Auditors of Ansaldo STS lasted on average for about three hours.

11 meetings have been planned for 2018. During 2017 the Board of Statutory Auditors met on 4 January, 18 January, 9 February, 24 February, 28 February, 23 March, 27 March, 29 March, 18 April, 27 April, 27 June, 5 July, 28 July, 12 October, 22 October, 13 November, 14 December and 15 December.

Since early 2018 to the date of this Report, the Board of Statutory Auditors have met on 25 January and 14 February 2018.

The table below reports the data concerning the attendance rates of each Auditor at the meetings of Auditors, as well as at the meetings of the Board of Directors held in 2017:

Any absences are duly justified.

Board of Statutory Auditors Currently in Office

Members	Board of Statutory Auditors		Board of Directors	
	Attendance / Nr. of meetings	Attendance %	Attendance / Nr. of meetings	Attendance %
Antonio Zecca (Chairman)	8/8	100%	8/8	100%
Giovanni Naccarato	8/8	100%	8/8	100%
Alessandra Stabilini	8/8	100%	6/8	75%

Board of Statutory Auditors in office between 1 January and 11 May 2017

Members	Board of Statutory Auditors		Board of Directors	
	Attendance / Nr. of meetings	Attendance %	Attendance / Nr. of meetings	Attendance %
Giacinto Sarubbi (Chairman)	10/10	100%	5/5	100%
Renato Righetti	10/10	100%	5/5	100%
Maria Enrica Spinardi	9/10	90%	4/5	80%

4.5.4 ROLE AND DUTIES

Pursuant to Legislative Decree no. 39 of 27 January 2010 (*“implementation of Board Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Board Directives 78/660/EEC and 83/349/EEC and repealing Board Directive 84/253/EEC”*), the Board of Statutory Auditors shall supervise, *inter alia*, the statutory audit of annual accounts and consolidated accounts and the independence of the audit firm, particularly with respect to the performance of services other than audit to the entity that is subject to the statutory audit of accounts as well.

In particular, in carrying out its activity, the Board: (i) supervised the independence of the auditing firm, verifying both compliance with the relevant legal provisions, as well as the nature and entity of the services, other than audits, provided to the same Company and its subsidiaries by the auditing firm and the entities belonging to its network; (ii) coordinated with the Internal Audit department and with the Control and Risk Committee for the performance of its activity through specific meetings; (iii) at the meetings held on 24 February 2017 and 14 December 2017, the Board adopted the reports on the quarterly audits carried out by the auditing firm pursuant to Article 19 of Legislative Decree No. 39/2010, aimed at ascertaining that the corporate accounts were regularly kept and the management events were duly entered in the accounting records.

Following the appointment of the Board of Directors on the basis of the statements made by the Directors and having taken into account the evaluations of the Board, the Board of Statutory Auditors certified, at the meeting held on 10 June 2016, that the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its own members were correctly applied. Such certificate was issued, moreover, on 9 February 2017 in connection with the criteria and procedures adopted by the Board of Directors for assessing the independence of Mr. Michele Alberto Fabiano Crisostomo, appointed by the Ordinary Shareholders’ Meeting held on 19 January 2017.

4.6 PROCESSING OF CONFIDENTIAL INFORMATION

4.6.1 PRIVILEGED AND CONFIDENTIAL INFORMATION PROCEDURE AND ESTABLISHMENT OF THE RELEVANT LIST

Following the entry into force, on 3 July 2016, of Regulation (EU) No. 596/2014 (*“MAR”*) on market abuse, the Company, pursuant to Article 18 of the MAR and in accordance with the technical rules on implementation,

i) drew up a suitable List of persons having access to privileged information (“List”) and ii) updated the procedures on privileged and confidential information.

Subsequently, following the publication of the Guidelines issued by Consob in October 2017 on the “Management of Consob on the “Management of privileged information” (No. 1/2017) it was necessary to amend the “Procedure for the management and disclosure of privileged and important information to establish and update the “Insider List” kept by the company.

In particular, on 15 December 2017, the Board of Directors of the company approved the adoption of the new procedure, which implemented the main amendments to the Guidelines, particularly with respect to so-called “relevant” information, i.e. information that consists of an initial stage of what could potentially become price sensitive, and therefore privileged, information.

Moreover, it should be noted that, as indicated by Consob, the corporate offices within which significant and privileged information may arise have been identified in order to hold the said offices responsible for the proper management of the said information.

Finally, not that as of 3 July 2016, in compliance with applicable legislation, the company has adopted an IT tool as required for the correct keeping of the “Insiders” register, and therefore the List is in line with the applicable legislation.

The person in charge of keeping the List is the acting Manager responsible for Corporate Affairs of Ansaldo STS who, in case of absence or impediment, is replaced by an employee belonging to the Corporate Affairs office of the Company’s General Counsel & Compliance function, identified by the Manager himself.

The current procedure is available on the Company’s website http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/procedura_mar_gennaio_2018_eng.pdf.

4.6.2 INTERNAL DEALING CODE

As part of the procedures for the management and transmission of information relating to the Company, on 11 July 2016, the Board of Directors adopted the update to the Code of Conduct for Internal Dealing Matters (“**Internal Dealing Code**”), rendered advisable to adapt it to the new provisions introduced by the MAR legislation, the relevant implementing provisions and, in particular, to the new more stringent terms laid down on the disclosure of transactions performed by the relevant party and the relevant public disclosure, and with regard to the extension of the closing period. It is recalled that the Internal Dealing Code aims to regulate the information flow relevant to transactions identified by Consob concerning the shares issued by the Company or other connected financial instruments (known as relevant transactions) and conducted, also by proxy, by the “relevant persons” of the Company or by “persons closely associated” to the latter, as defined by Article 3, points 25 and 26 of the MAR Regulation.

The Internal Dealing Code also contains so-called “Blocking periods” during which it is expressly forbidden for relevant persons to carry out relevant transactions.

Such “Blocking Periods” have been identified as:

- the 30-day period preceding 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 its Chairman and/or the Chief Executive Officer, separately and/or jointly decide to prohibit or restrict the Relevant Transactions.

Finally, note that on 28 July 2017, following the amendment to the applicable law on April 2017 the Board of Directors approved an update to the internal dealing code, in order to implement the provisions of the TUF

and its relevant implementing provisions as contained in Articles 152-*quinquies* et seq. of the Issuers' Regulations.

Note that the main changes to the Code essentially concern:

- reporting obligations applicable to shareholders of at least 10% of the registered capital of the issuer, and in all cases the controlling shareholder;
- the identification of significant persons and their close relatives;
- the identification of operations that must be the subject of such reporting, with an increase of the threshold for exemption from reporting obligations from €5,000 to €20,000.

The Internal Dealing Code is available on the Company website at http://www.ansaldo-sts.com/sites/ansaldosts/files/downloadspage/internal_dealing_eng.pdf.

4.7 GENERAL MEETING

Pursuant to Article 15.3 of the By-laws, the Shareholders' Meeting is held and passes resolutions with the majority laid down by law, save as provided for by Articles 16.3 and 27.2 on the election of company officers. The Company has not issued shares with multiple votes (as indicated in section 2.1 of this Report) and nor are increases in the voting right provided for.

The Shareholders' Meeting passes resolutions on all matters within its competence laid down by law. Moreover, pursuant to Article 15.2, the Shareholders' Meeting has the power to authorize the performance by the Board of Directors of Transactions of Greater Significance with related parties under the terms and conditions laid down in the Procedure on related-party transactions adopted by the Company.

Pursuant to Article 2365, section 2, of the Civil Code, the Company's By-laws has assigned to the Board of Directors competence to pass resolutions on the following matters:

- a) adaptation of the By-laws to the legislative provisions;
- b) merger or demerger of the Company pursuant to Articles 2505, 2505-bis and 2506-ter, final section, of the Civil Code;
- c) reduction in the share capital in the event of the withdrawal of one or more shareholders.

In calling, planning and managing general meetings, particular attention is given to encouraging maximum attendance by the Shareholders, as well as to ensure that they receive as much information as possible in those circumstances, in compliance with the restrictions and disclosure procedures concerning price sensitive information.

General Meetings are called by a meeting notice published on the Company's website (www.ansaldo-sts.com) as well as by means of a summarised version in at least one national daily newspaper.

The notice of call must be published at least 30 days before the date of such meeting, except for meetings called to (i) appoint members of the corporate bodies, for which a period of 40 days is required; (ii) resolve on defensive measures in case of an initial public offer, in which case the period is reduced to 15 days; and (iii) resolve on the reduction of the share capital and the appointment of the liquidator, in which case the term is of 21 days.

The ordinary General Meeting shall be called at least once a year to approve the financial statements, within 120 days of the end of the financial year, or within 180 days if the Company must prepare consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require. Ordinary and extraordinary meetings are normally held in a single call. However, if the Board of Directors deems it appropriate and specifically indicates so in the meeting notice, it may decide to hold separate meetings.

The Meeting may be attended by those, in favour of whom the company has received notification from a qualified intermediary attesting the ownership of the shares based on the accounting records at the close of

trading of the seventh market trading day prior to the date of first notice of the Meeting. Any debit and credit entries recorded after that date shall give no voting entitlements. An assignee who has purchased shares after such date but before the beginning of the Meeting shall be considered absent and therefore entitled, if the relevant conditions are met, both to file an action for annulment of the meeting resolution and to exercise the right of withdrawal.

Those entitled to participate and vote in the Meeting may appoint a representative by proxy conferred in writing or by electronic means pursuant to Article 21, subsection 2 of Legislative Decree no. 82 of 7 March 2005.

The proxy may be transmitted to the Company by electronic media, using the specific section in the Company website or by certified electronic mail, according to the procedures indicated, case by case, in the meeting notice. The Company keeps a proxy form for representation at each Meeting at the disposal of the persons entitled.

In order to make it easier to collect proxies from Shareholders who are employees of the Company or its subsidiaries and members of Shareholders' associations who comply with the requirements under the applicable laws, the By-laws states that premises may be made available to such associations, according to the terms and formalities arranged with their legal representatives on a case-by-case basis, to be used for providing information about the proxies and collecting them.

Moreover, pursuant to Article 135-*undecies* TUF, for each General Meeting, the Company appoints a party, the so-called "appointed representative", that people entitled to vote may entrust with a proxy, at no cost to them, including voting instructions for all items on the agenda. In this regard, in fact, in order to further encourage attendance at Meetings, Ansaldo STS decided not to exclude in the By-laws, under the same Article 135-*undecies* TUF, the appointment of the representative.

Pursuant to the new Article 127-*ter* TUF, the shareholders are entitled to ask questions on the items of the agenda even before the Meeting. Questions received before the Meeting shall be answered during the same at the latest. The notice of call includes the deadline by which the Company must receive the questions asked before the meeting. This deadline may not be earlier than three days before the date of the single or first meeting convened, or no earlier than five days if the Meeting notice states that the Company must answer any questions it receives before the General Meeting. In that case, answers shall be given at least two days before the meeting, also published in a specific section of the Company's website. If the relevant information relating to a question is already available in the "FAQ" section of the Company's website or if the answer has been published on its website, the answer is considered to be given. The answers provided on paper at the disposal of all those entitled to vote at the start of the actual Meeting are considered as being given during the Meeting.

As to the regulations governing Meeting proceedings, at the Meeting of 12 December 2005 the Shareholders approved a Meeting Regulation, subsequently amended at the Ordinary General meeting on 5 April 2011 in order to align it with the new provisions of the law and the By-laws regarding the right of shareholders introduced by Legislative Decree No. 27/2010. Such Regulation defines the procedures allowing the orderly and functional proceedings of meetings, ensuring that each shareholder is able to speak on items on the agenda, and at the same time specifying certain aspects (maximum duration of the speeches; voting procedure and conduction of voting operations, etc.) aimed at making sure the meeting business is conducted correctly. In particular, it is specified that anyone who wishes to speak shall request permission from the Chairman or – if indicated by the Chairman– from the Secretary, by submitting a written request indicating which item the request refers to, after the items on the agenda have been read out. All shareholders receive a copy of the Regulations for General meetings at each meeting, and they are also available on the Company's website at http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/asts_regulations_shareholders_meetings_eng_0.pdf.

The Board reports to the General 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 on the agenda (for those items that are under its responsibility). Such reports are also available on the Company website at <http://www.ansaldo-sts.com/en/governance/shareholders-meeting/documents-meeting>.

No. 6 out of 9 directors attended the Shareholders' Meetings held on 19 January 2017 and 11 May 2017.

Except as described in paragraph 2.3 above, there were no significant changes during 2017 in the market capitalisation of the shares or in the composition of its shareholding.

4.8 INVESTOR RELATIONS

In order to establish an ongoing and professional relationship with most of the Shareholders and the institutional investors, as recommended by the Code, a specific "Investor Relations" corporate department has been set up.

The department reports directly to the Chief Financial Officer and, since 1 June 2013, is headed by Mr. Roberto Corsanego.

Investor Relations has ongoing relations with the financial community in order to understand its needs for information and to support top management in their communication strategy.

The primary goal is to keep up ongoing communications with the Italian and international financial community, providing prompt and transparent sensitive market information and guaranteeing a correct rating of the Company.

Several surveys addressed to interlocutors have confirmed the overall positive impression of the work of the Investor Relations team, recognised as the primary point of reference between the Company and the financial community. The outstanding knowledge of the market, of the business model and the Company's strengths and weaknesses, shown by the Manager of Investor Relations during meetings, was also appreciated.

The office is recognized for its creativity, availability and quality of the information material produced.

Financial analysts are considered to be the main stakeholders, since they are essential for understanding the Company's environment, its business and the strategic line adopted by the Management.

Hedging of shares remained substantially unchanged compared to the previous year, being provided by 10 investment banks; in particular, only 5 of those became actively involved following the conclusion of the takeover bid by Hitachi for the capital of Ansaldo STS and the entry into the shareholding structure of the American fund Elliott, while the other 5, although not officially waiving hedging, maintained a more distant approach, awaiting future developments.

Some business banks provide periodic sector-related research and analysis on competitors, which the Investor Relations Department collects, studies and disseminates internally, along with the official communications from the market.

On a quarterly basis before the release of the financial results, the IR office requests brokers, who hedge the Company stock, for the last update of their forecasts for the Company's main economic/financial indicators, calculating the average values thereof.

This means for the Company that it has an accurate update on the "sell side" analysts' perception, which Management discusses and reflects on.

Since 2014, the Investor Relations Department, while maintaining unchanged its staff and the intrinsic quality of its activities, has with a view to supporting the Management, taken over the task of monitoring and analysing the market and the competitive scenario.

In addition to the usual daily focus on market "rumours" and the weekly distribution of the information thus collected, the office has the task of conducting an in-depth analysis and giving regularly updates on competitors' progress, the markets and the main fields of study.

The Company has acquired specific instruments in compliance with statutory provisions for the dissemination, storage and filing of regulated information; the website, which contains a section dedicated to all “Investor Relations” matters, remains the main tool for disseminating financial information to stakeholders.

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4.9 CONSIDERATIONS ON THE LETTER DATED 13 DECEMBER 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations contained in the letter dated 13 December 2017 of the Chairman of the Corporate Governance Committee, received when the 2017 self-evaluation process was concluded, will be shared during 2018 and, in particular, will be analysed on the occasion of the 2018 self-evaluation process.

For the Board of Directors

The Chairman

(Alistair Dormer)

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURES

STRUCTURE OF THE COMPANY'S SHARE CAPITAL				
	No. Of shares	% with respect to the share cap.	Listed (indicate the markets)/not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote in ordinary and extraordinary meetings, right to dividend and to refund of capital in case of liquidation
Multiple-voting shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Others	-	-	-	-
OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly-issued shares)				
	Listed (indicate the markets)/not listed	No. of circulating instruments	Class of shares at the service of conversion/exercise	No. of shares at the service of conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-
SIGNIFICANT INVESTMENTS IN THE CAPITAL				
Declarant	Direct Shareholder	% Share of Ordinary Capital	% Share of Voting Capital	
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	50.772%	50.772%	
UBS GROUP AG	UBS AG UBS ASSET MANAGEMENT TRUST COMPANY	5.034% ⁽¹⁾	5.034% ⁽¹⁾	
SINGER PAUL E. (in his capacity of General Partner of The Liverpool Limited Partnership e Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL L.P.	25.665% ⁽²⁾	25.665%	

Please note that, on the basis of the holdings submitted for the General Meeting held on 11 May 2017, Litespeed Management LLC / Litespeed Master Fund LTD holds no. 7,532,322 ordinary shares, equal to 3.77% of the share capital.

(1) USB Group AG has communicated to the company, pursuant to art. 120 of TUF and to art. 119 of Issuers Regulation, a total long position corresponding at 5,043% of the Company's share capital.

(2) Shareholding made known to the Company on 8 November 2017, pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 117 of the Issuers Regulation. It must be noted that on 8 November 2017, Mr. Paul E. Singer, who is directly and indirectly general partner of the limited partnership Elliott International LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers Regulation, of holding 31.794% of the Company's share capital.

TABLE 2: BOARD OF DIRECTORS AND INTERNAL COMMITTEES STRUCTURE IN 2017

Board of Directors													Control and Risk Committee		Nomin & Remun. Committee		Executive Committee, if any		Other Committee, if any	
Office	Members	Year Of Birth	Date of First Appointment *	In office since	In office until	List (M/m) **	Exec.	Non-exec.	Indep. According to Code	Indep. According to TUF	Number of the office ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)
Chairman	ALISTAIR DORMER	1963	2 November 2015	2 November 2015	General Meeting approving 2018 Financial Statement	M	X ⁽¹⁾	-	-	-	1	11/13	-	-	-	-	P	8/10	-	-
Vice Chairman	ALBERTO DE BENEDICTIS	1952	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	X	X	-	13/13	P	9/9	M	9/9	-	-	-	-
CEO • ◊	ANDREW BARR	1973	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	X	-	-	-	-	13/13	-	-	-	-	M	10/10	-	-
Director	ROSA CIPRIOTTI	1974	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	m	-	X	X	X	3	12/13	-	-	-	-	-	-	-	-
Director	MICHELE ALBERTO FABIANO CRISOSTOMO (2)	1972	19 January 2017	19 January 2017	General Meeting approving 2018 Financial Statement	m	-	X	X	X	-	13/13	-	-	-	-	-	-	-	-
Director	MARIO GARRAFFO	1937	25	13 May	General	M	-	X	X	X	2	9/13	M	8/9	M	7/9	-	-	-	-

			November 2015 ⁽³⁾	2016	Meeting approving 2018 Financial Statement																
Director	FABIO LABRUNA	1968	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	m	-	X	X	X	1	12/13	-	-	-	-	-	-	-	-	-
Director	KATHERINE MINGAY	1965	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	-	-	-	13/13	-	-	-	-	M	10/10	-	-	
Director	KATHARINE ROSALIND PAINTER	1960	13 May 2016	13 May 2016	General Meeting approving 2018 Financial Statement	M	-	X	X	X	-	13/13	M	9/9	P	9/9	-	-	-	-	

DIRECTORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR IN QUESTION																			
Office	Members	Year of Birth	Date of First Appointment *	In office from	In office until	List (M/m) **	Exec.	Non-exec.	Indep. according to Code	Indep according to TUF	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)
Director	GIUSEPPE BIVONA	1964	13 May 2016	13 May 2016	19 January 2017	m	-	X	X	X	-	-	-	-	-	-	-	-	-
No. of meetings held during the year in question:				Board of Directors: 13				Risk Control Committee: 9		Nomination and Remuneration Committee: 9		Executive Committee: 10			Other Committee: N.A.				
Quorum required for the presentation of lists by minority shareholders for the election of one or more members (pursuant to Article 147-ter of the TUF): The quorum established by Consob for the presentation of the lists to the General Meeting held on 13 May 2016 was 1%. This quorum was confirmed by Consob for 2018.																			

(1) Mr. Alistair Dormer, as Chairman of the Board of Directors is considered - even if he did not receive any specific delegation from the Board and, therefore, does not perform any executive role within the Company – an executive director by virtue of the positions held in the Hitachi Group.

(2) The Ordinary Shareholders' Meeting held on 19 January 2017 resolved to bring a corporate liability action pursuant to Article 2393 of the Civil Code against the engineer Mr Bivona who, on that account, was dismissed from office and his replacement, the lawyer Michele Alberto Fabiano Crisostomo, was appointed.

(3) Co-opted by the Company's Board of Directors at the Board Meeting held on 25 November 2015, in order to replace Mr. Ryoichi Hirayanagi. Co-opted by the Board of Directors.

NOTES

The symbols listed below must be entered in the "Office" column:

• This symbol indicates the Director in charge of the internal control and risk management system.

◊ This symbol indicates the principal officer of the issuer's management (Chief Executive Officer or CEO).

* The date of first appointment of each director shall mean the date on which the said director was appointed for the first time (ever) in the Issuer's Board of Directors.

** This column indicates M/m depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).

*** This column indicates the number of offices held by the relevant person as Director or Auditor in other companies listed in domestic and foreign regulated markets, or in financial, banking or insurance companies or in large companies. In the report on corporate governance, the positions are indicated in full. As regards Directors who resigned during the year in question, the indicated assignments must be construed as referring to the date of termination.

(*) This column indicates the attendance rate of Directors in the meetings, respectively of the Board of Directors and the Committees (no. of meetings attended/held during the actual period of office of the relevant director).

(**) This column shows the status of the Director within the Committee: "P": President; "M": member

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of Birth	Date of First Appointment*	In office since	In office until	List **	Indep. Code	Attendance of Board of Statutory Auditors' Meetings ***	N. other appointments ****
Chairman	ANTONIO ZECCA	1975	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	m	X	8/8	-
Standing Auditor	GIOVANNI NACCARATO	1972	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	8/8	1
Standing Auditor	ALESSANDRA STABILINI	1970	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	8/8	5
Alternate Auditor	ALESSANDRO SPERANZA	1976	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	N.A	-
Alternate Auditor	VALERIA GALARDI	1977	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	M	X	N.A	-

Alternate Auditor	CRISTIANO PROSERPIO	1975	11 May 2017	11 May 2017	General Meeting approving 2019 Financial Statement	m	X	N.A	-
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TABLE 4: AUDITORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR IN QUESTION

Board of Statutory Auditors									
Office	Members	Year of Birth	Date of First Appointment*	In office since	In office until	List **	Indep. Code	Attendance of Board of Statutory Auditors' Meetings ***	N. other appointments ****
Chairman	GIACINTO SARUBBI	1963	1 April 2008	15 April 2014	General Meeting approving 2016 Financial Statement	m	X	10/10	9
Standing Auditor	RENATO RIGHETTI	1946	5 April 2011	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	10/10	-
Standing Auditor	MARIA ENRICA SPINARDI	1960	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	9/10	-
Alternate Auditor	GIORGIO MOSCI	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	-

Alternate Auditor	DANIELA ROSINA	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	-
Alternate Auditor	FABRIZIO RICCARDO DI GIUSTO	1966	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	m	X	N.A	-
Number of meetings held during the financial year in question: 18									
Quorum required for the presentation of lists by minority shareholders for the election of one or more members (pursuant to Article 148 of the TUF): The quorum established by Consob for the presentation of the lists to the General Meeting held on 11 May 2017 was 1%. This quorum was confirmed by Consob for 2018.									

NOTE

* The date of first appointment of each Statutory Auditor will mean the date on which the said auditor was appointed for the first time (ever) in the Issuer's Board of Statutory Auditors.

** This column shows the slate from which each auditor was elected: "M": Majority List; "m": minority list.

*** This column indicates the attendance rate of Statutory Auditors in the Board of Statutory Auditors' meetings (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 relevant person as Director or Statutory Auditor pursuant to Article 148-bis TUF and relevant implementing provisions contained in the Consob Issuer's Regulations. The complete list of appointments is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.