

A photograph of a woman with long, curly hair, wearing a dark jacket and a backpack, pushing a blue bicycle onto a train. The train is white with blue accents and has its doors open. Another person is visible inside the train. The image is divided into geometric sections by white lines.

Connecting Pieces of Your World

2013
SUSTAINABILITY
REPORT



Ansaldo STS

A Finmeccanica Company

Ansaldo STS in brief

Ansaldo STS is a technological company listed on the Milan Stock Exchange. It is active in the railway and urban rail transportation system market, designing and supplying traffic management and signalling systems and related services. It designs, builds and manages transportation and signalling systems for freight and passenger railway and urban rail lines. It is a general contractor, system integrator and supplier of large scale turnkey projects around the world.

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Performance indicators

(K€)

	31.12.2013	31.12.2012
FINANCIAL HIGHLIGHTS		
ACQUIRED ORDERS	1,483,587	1,492,346
ORDER BACKLOG	5,601,021	5,683,253
REVENUE	1,256,419	1,247,849
OPERATING PROFIT (EBIT)	118,093	117,073
PROFIT FOR THE YEAR	74,815	75,696
NET WORKING CAPITAL	21,027	(48,147)
NET FINANCIAL POSITION (net cash position)	(260,078)	(301,982)
SOCIAL HIGHLIGHTS		
TOTAL VALUE DISTRIBUTED TO STAKEHOLDERS	1,229,102	1,219,453
VALUE DISTRIBUTED TO EMPLOYEES	309,454	311,988
VALUE DISTRIBUTED TO SUPPLIERS	806,302	802,121
VALUE DISTRIBUTED TO THE COMMUNITY (taxes, donations and sponsorships)	43,902	43,216
VALUE DISTRIBUTED TO LENDERS (shareholders and banks)	69,444	62,128
INVESTMENTS IN RESEARCH AND DEVELOPMENT	32,036	32,260
INVESTMENTS IN TRAINING	2,392	2,069
AVERAGE HOURS OF TRAINING	19.9	18.7
THE ENVIRONMENT, HEALTH AND SAFETY		
GREENHOUSE GASES (tCO2e)	22,705	28,818
ENERGY CONSUMPTION PER HOUR WORKED (kWh/no. of hours)	3.48	3.27
% ENERGY FROM RENEWABLE AND NUCLEAR SOURCES	38%	36%
WASTE PRODUCED PER HOUR WORKED (Kg/no. of hours)	0.06	0.08
% WASTE RECOVERED	68%	48%
INJURY FREQUENCY RATE - production sites	1.21	1.17
INJURY FREQUENCY RATE – offices	0.09	0.34
INJURY SERIOUSNESS RATE - production sites	52.23	72.76
INJURY SERIOUSNESS RATE - offices	1.34	3.61

The Pillars of Sustainability for Ansaldo STS

• INTERNAL SUSTAINABILITY COMMITTEE

Composed of the managers of the main company functions, this committee defines strategic guidelines, commitments and projects for sustainable development and social responsibility. It reports directly to the Chairman and CEO and, through them, to the Board of Directors.

• MATERIALITY

Ansaldo STS defines the content of the Sustainability Report by asking its stakeholders for their opinion on the different aspects to be considered in the report. This enables the company to more genuinely report on sustainability issues that affect its stakeholders' judgements and decisions.

• STAKEHOLDER ENGAGEMENT

Ansaldo STS is committed to understanding the needs and expectations of its people and involving them in projects to develop skills and expertise. It is focused on constantly monitoring its customers' satisfaction and it promotes the company's technological progress by participating in training and research projects in collaboration with universities and institutions, particularly with respect to the safety and energy efficiency of rail transportation systems.

• INTEGRATED ENVIRONMENT, SAFETY AND QUALITY SYSTEM

Ansaldo STS has an integrated management system ("IMS") for the environment, safety and quality, which integrates all group processes in one single structure, enabling the organisation to operate with shared objectives. It has also certified its individual sites in accordance with UNI EN ISO 14001 and OSHAS 18001 standards.

• INNOVATION, SAFETY AND RESPECT FOR THE ENVIRONMENT IN PRODUCTS AND SOLUTIONS

Ansaldo STS has invested approximately Euro 32 million in each of the past two years in research and development to supply its customers and end users with cutting edge products and solutions, very best railway and urban rail transportation system design and construction methods and procedures to increase safety and reduce their direct and indirect environmental impact.

• FIGHT AGAINST CLIMATE CHANGE

Ansaldo STS reports on direct and indirect greenhouse gas emissions (Scope I, II and III) in accordance with the GHG protocol¹, undertaking to decrease these emissions, in part through people mobility policies, plans to cut energy consumption and improve efficiency, use energy from renewable sources and manage waste effectively.

• WORKERS' HEALTH AND SAFETY

Promoting the health and safety of its workers is a strategic commitment for Ansaldo STS. The company also tracks "near misses" – which are accidents without consequences resulting from undesired or unexpected situations, which could potentially harm people or things – to identify the appropriate solutions before a real accident happens.

• SUPPLY CHAIN SUSTAINABILITY

Ansaldo STS is committed to defining, sharing and implementing a sustainability roadmap for its supply chain to promote a sustainable business culture with its suppliers. This will progressively improve the economic, environmental and social impact (labour and safety practices, respect for human rights and the development of local communities) along the supply chain.

• SUSTAINABILITY COMMUNICATIONS AND DISCUSSION

This is the fifth year that Ansaldo STS has prepared the Sustainability Report in accordance with the Global Reporting Initiative guidelines and with certification by an independent auditor. Ansaldo STS has signed the Global Compact and is a founding sponsor of the Global Compact Network Italian Foundation. It also participates in the Carbon Disclosure Project and is on UNIFE's Sustainable Transport Committee.

A section of its website is dedicated to sustainability, where it publishes a navigable integrated review of its report, supplementing information on operating, social and environmental management.

1. The Greenhouse Gas Protocol (GHG) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

Letter from the Chairman and CEO



Sergio De Luca
Chairman, Ansaldo STS S.p.A.

We would like to take this opportunity to address everyone who interacts and works with Ansaldo STS every day: the millions of passengers who transit safely using our railway and metro transportation technologies, our customers, our shareholders, our men and women workers, institutions, our partners and the communities and associations with which we operate and collaborate and which continuously motivate us and provide us with invaluable recommendations.

Ansaldo STS management and all its employees are committed to achieving strategic objectives for profitable growth and ensure that they are in synergy with our sustainability values, respect for the environment and quality of life.

This mission is described in our charter of values, which represents who we are and reminds us why customers choose us, why our workers are so committed to our company and that we are “upstanding” people who do things the “right” way, working together to innovate and meet the needs of our valued customers.

This is why we have begun publishing a report called the integrated review on the Ansaldo STS website. The report highlights the close ties between economic, social and environmental aspects.

In accordance with the G4 guidelines of the Global Reporting Initiative, we aim to genuinely consider our stakeholders’ expectations and this is why Ansaldo STS’ sustainability committee has conducted a materiality analysis.

We are always striving to improve and this is why we have started comparing our stakeholders’ opinion of Ansaldo STS’ performance in these aspects with our own opinion of the same. Accordingly, not only

is Ansaldo STS’ 2013 sustainability report dedicated to our stakeholders, but it is written with and for them.

Ansaldo STS’ presence on the world’s leading markets ensures that we have the necessary solutions for customers and the various local companies seeking the benefits of technologies that improve the safety and efficiency of railway and metro transportation.

For the first time, Ansaldo STS has devoted a section of this document to a local business that is particularly sensitive to sustainability issues, Australia, in which the best practices and local characteristics of a key domestic Ansaldo STS company are described.

In macro terms, Ansaldo STS’ market is sound and shows, at global level, annual growth rates in the range of 2% to 3%. Key market drivers remain positive: growing global trade and rising traffic, urbanisation processes, environmental concerns and growth in emerging markets, infrastructures and intermodal

transport. An even more significant increase can be seen in emerging markets, while there are significant opportunities in the US and Australia as well. Ansaldo STS boasts strong roots on markets in industrialised countries, is well positioned on emerging markets and meets global demand by drawing on its demonstrated skills and expertise in delivering on time and on budget.

In this highly competitive scenario, the standardisation of certain products and innovation are crucial elements which management knows how to manage.

Ansaldo STS’ business model is sound and validated by its leadership, making it possible to successfully offer global and integrated railway and metro transportation solutions for passengers and freight.

2013 presented changes and developments that led the company to focus increasingly on boosting growth, innovating its products and consolidating its experience and expertise.

It was another year in which we upheld our commitment to roll out automated metro lines, like those in Milan and Brescia, and to complete work that enabled us to activate the Ankara and Mumbai metro lines in early 2014.

We also met our commitments in the signalling segment, delivering version 2.5.3 of the ERTMS (the ESTER project) in Sweden and the central device on the Turin-Padua line.

Moreover, we achieved our objectives in terms of acquiring important, strategic orders, like the Saudi

contract in Riyadh for the new metro (line 3) and the first contract for new Tramwave® technology in the China, for the city of Zhuhai.

This demonstrates how Ansaldo STS is a company of value, and what is more, as demonstrated every day by our people, it is a company founded on values. These values represent who we are and explain why customers choose us and our products. They guide us in the development of our abilities and they help us grow.

Our values run alongside the “high speed” track that we are on, with enthusiasm and dedication, as we translate them, every day, into real action.

These actions are aimed at growth, keeping a close focus on customers, innovating and excelling, and we are aware that none of our objectives can be achieved by one person alone, but only by a group of people, including you, our stakeholders.

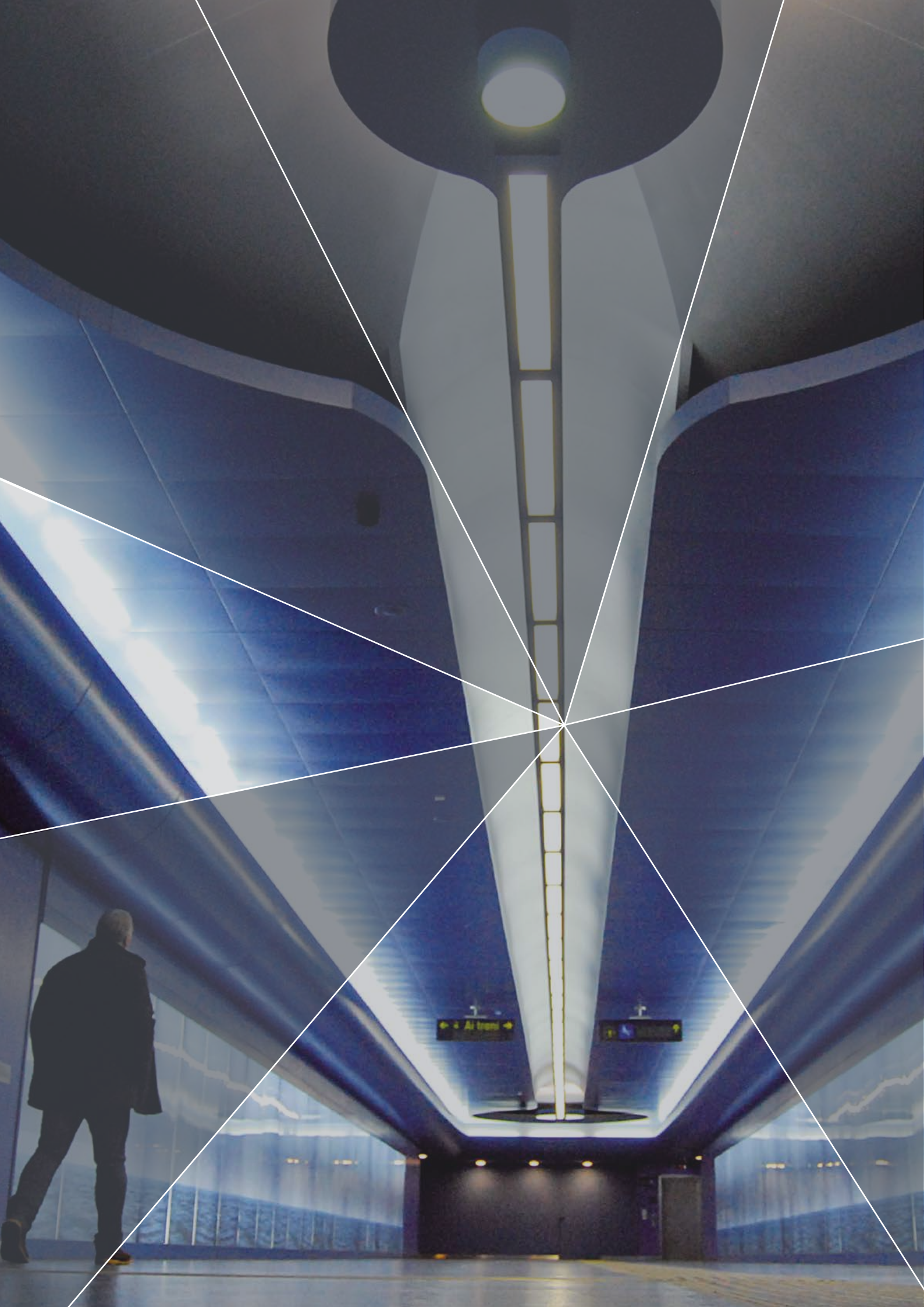
We would like thank everyone, Ansaldo STS’ workers and families, for having demonstrated their ability to achieve results, responding to the challenges of change by calling them opportunities.



Stefano Siragusa
CEO, Ansaldo STS S.p.A.

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Company Profile

Business lines

Ansaldo STS around the world

Main projects acquired in 2013

Company history

Company Profile

Ansaldo STS operates in the high speed and conventional *Railway Transportation and Urban Rail Transportation* (automated and traditional underground and light rail systems) sectors.

With over 4,100 people and a global presence, Ansaldo STS is an international leader in the **Signalling sector** and in the construction of **Integrated Transportation Solutions**. For both Railways/Mass Transit carrying passengers and Freight transportation, it designs, builds, plans and implements signalling systems and components to manage and control railway and metro traffic.

Ansaldo STS considers the social, economic, logistics, architectural, environmental and structural context of each project that it handles, planning, designing and building signalling and railway and metro transport systems that provide the best possible combination of safety, efficiency and return on investment.



Business lines

HIGH SPEED 	MAIN LINES 	SUB-URBAN 	CONVENTIONAL METRO
DRIVERLESS UTO METRO 	TRAMWAVE® (CATENARY FREE) 	LIGHT RAIL 	FREIGHT

System Integration activities

Ansaldo STS develops, designs, tests, installs, manages, maintains and provides training on the automation and safety of control systems and equipment for railway and urban passenger transportation and the transportation of freight:

- Interoperability signalling systems: ERTMS/ETCS (Railway)
- Communication-Based Train Control: CBTC (Metro)
- Train control systems: ATC / ATP / ATO
- Computer-Based Interlocking (CBI)
- Centralised Traffic Control (CTC)
- Land and line components
- Support and operating systems
- Integrated safety solutions

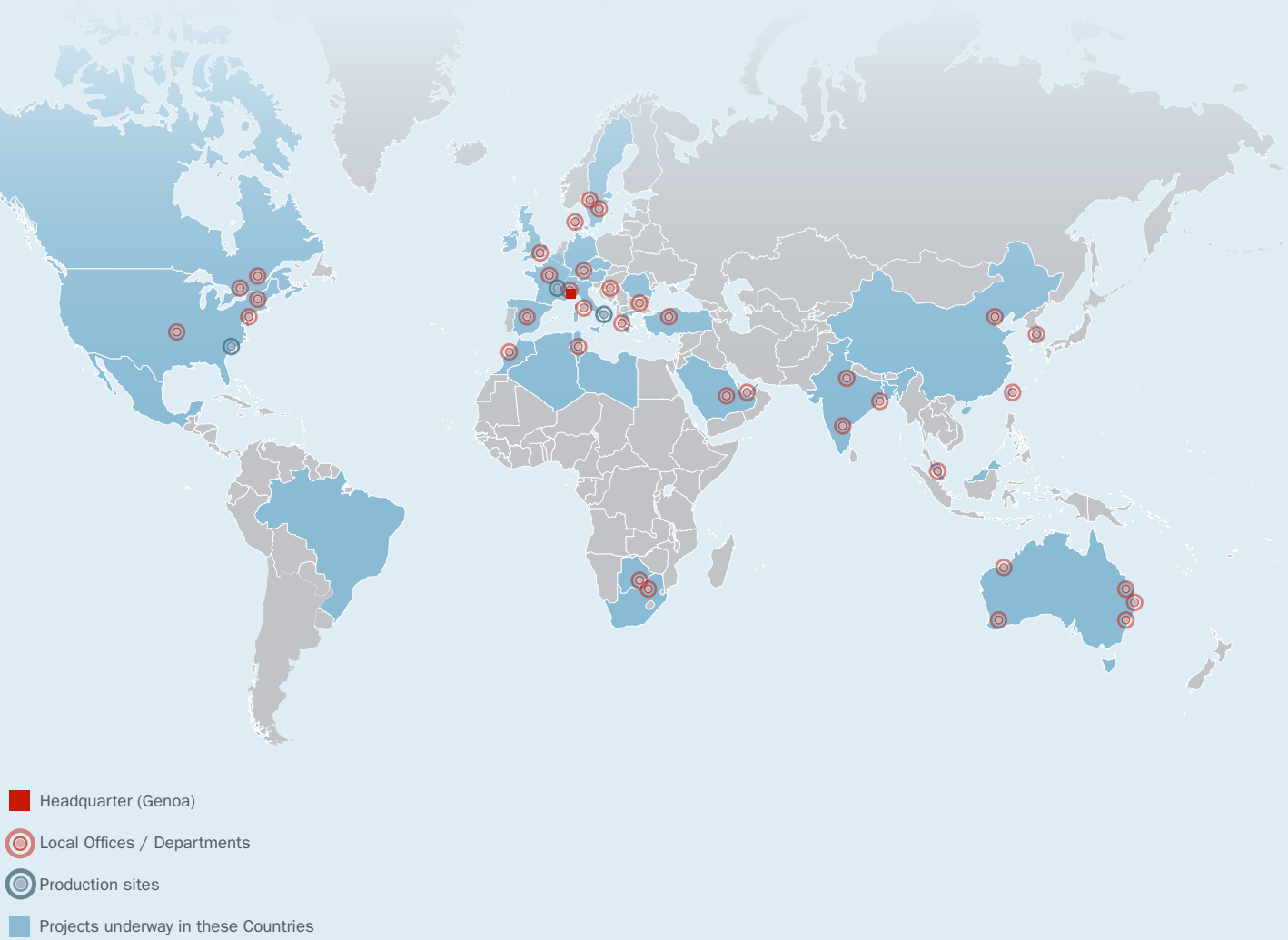
CONTRACTUAL CAPABILITIES

- Contracting for Design & Construction
- Project Financing
- Public Private Partnerships (PPP)
- Build, Operate and Transfer (BOT)
- Design, Build, Operate and Maintain (DBOM)

Ansaldo STS around the world

Ansaldo STS, headquartered in Genoa, has four main operating companies: Italy-based Ansaldo STS S.p.A. with sites in Genoa, Naples, Piossasco (TO) and Tito Scalco (PZ); US-based Ansaldo STS USA, with sites in Pittsburgh (Pennsylvania) and Batesburg (South Carolina); France-based Ansaldo STS France, with sites in Riom and Les Ulis; and Australia-based Ansaldo STS Australia, with sites in Brisbane and Perth.

Ansaldo STS also owns operating entities in Germany, Sweden, Finland, the UK, Spain, China, India, Malaysia, South Africa and Botswana as well as many permanent establishments and partnerships in other countries such as South Korea and Turkey.



COMPANY	EMPLOYEES	
	2013	2012
ASTS ITALY	1,545	1,532
ASTS FRANCE	734	622
ASTS USA	742	769
ASTS APAC	1,040	1,003
ASTS CHINA	67	65
Total	4,128	3,991

GEOGRAPHICAL AREAS	REVENUE (€'000)		ORDERS (€'000)	
	2013	2012	2013	2012
Italy	352,069	445,450	230,394	287,214
Rest of Europe	284,357	251,249	312,180	208,279
North America	140,437	123,448	145,587	205,951
Asia Pacific	424,377	385,151	180,645	704,699
Rest of the world	55,179	42,551	614,781	86,203
Total	1,256,419	1,247,849	1,483,587	1,492,346

LOCATIONS	COMPANY
Central and Eastern Europe and the Middle East	
Italy, Naples	Ansaldo STS S.p.A.
Italy, Genoa – registered office	Ansaldo STS S.p.A.
Italy, Piossasco (TO)	Ansaldo STS S.p.A.
Italy, Tito Scalco (PZ)	Ansaldo STS S.p.A.
Denmark, Copenhagen	Ansaldo STS S.p.A.
Romania, Bucharest	Ansaldo STS S.p.A.
Greece, Thessaloniki	Ansaldo STS S.p.A.
Turkey, Ankara	Ansaldo STS S.p.A.
Germany, Munich	Ansaldo STS Deutschland GmbH
Arab Emirates, Abu Dhabi	Ansaldo STS S.p.A.
Saudi Arabia, Riyadh	Ansaldo STS S.p.A.
Western Europe and Africa	
France, Les Ulis	Ansaldo STS France S.A.
France, Riom	Ansaldo STS France S.A.
UK, London	Ansaldo STS UK Ltd.
Spain, Madrid	Ansaldo STS Espana S.A.U.
Sweden, Solna	Ansaldo STS Sweden AB
Sweden, Johanneshov	Ansaldo STS Sweden AB
Sweden, Torsby	Ansaldo STS Sweden AB
Morocco, Rabat	Ansaldo STS France S.A.
Tunisia, Tunis	Ansaldo STS S.p.A.
Botswana, Gaborone	Ansaldo STS South Africa PTY Ltd.
South Africa, Johannesburg	Ansaldo STS South Africa PTY Ltd.
The Americas	
US, Pittsburgh (2 office sites)	Ansaldo STS USA Inc.
US, Batesburg	Ansaldo STS USA Inc.
US, Hawaii	Ansaldo Honolulu JV
US, Rockville	Ansaldo STS USA Inc.
US, Kansas City (Lenexa)	Ansaldo STS USA Inc.
Canada, Toronto	Ansaldo STS Canada Inc.
Canada, Kingston	Ansaldo STS Canada Inc.
Asia Pacific	
Australia, Brisbane	Ansaldo STS Australia PTY Ltd.
Australia, Perth	Ansaldo STS Australia PTY Ltd.
Australia, Belmont	Ansaldo STS Australia PTY Ltd.
Australia, Canningvale	Ansaldo STS Australia PTY Ltd.
Australia, Karratha	Ansaldo STS Australia PTY Ltd.
Australia, Sydney	Ansaldo STS Australia PTY Ltd.
Australia, Newcastle	Ansaldo STS Australia PTY Ltd.
South Korea, Daejeon	Ansaldo STS France S.A.
India, Bangalore	Ansaldo STS Transportation Systems India Private Ltd
India, Kolkata	Ansaldo STS Transportation Systems India Private Ltd
India, Delhi	Ansaldo STS Transportation Systems India Private Ltd
Malaysia, Kuala Lumpur	Ansaldo STS Malaysia SDN BHD
Taiwan, Taipei	Ansaldo STS S.p.A.
China, Beijing	Ansaldo STS Beijing Ltd.
China, Shanghai	Ansaldo STS USA Inc.
China, Hong Kong	Ansaldo STS Hong Kong, Ltd.

Main projects acquired in 2013

Country	Project	Customer	Value (M€)
Saudi Arabia*	Metro Riyadh – package 2	ADA	511.3
Italy, France, US, China, UK and Sweden	Components, Services and Maintenance	Various	141.4
Denmark*	Copenhagen – M1/M2 O&M three years	Metroselskabet	135.4
Australia*	Rio Tinto – implementation of RAFA orders	Rio Tinto	58.6
Morocco	AV Marocco (Tangiers – Kenitra)	ONCF	57.9
Italy*	Rome Metro Line C – extension of T3	Roma Metropolitane	52.9
Italy*	Milan Metro Line 4 (rider agreement)	Milan Municipality Authorities	47.4
Algeria	ERTMS Oued Tlelat – Tlemcem	Condotte	40.0
Spain	AV Madrid – Llerida Maintenance 2013–2015	ADIF	26.9
China*	Zhuhai – TramWave® stage 1	JV CNR/GRC	26.0
Denmark*	Copenhagen – O&M order change	Metroselskabet	25.4
US	Washington DC – WMATA Dulles corridor	WMATA	21.6
US	Los Angeles Crenshaw / Green line	LACTMA	19.6
US*	Honolulu – order change	HART	19.4
Italy	SCMT / others CTC – sundry contracts & order changes	RFI	18.3
Turkey	Metro Ankara – order change	DLH	17.4
US	New York – Long Island LIRR Speonk/Montauk section	LIRR	15.4

(*) Orders acquired by the Transportation Solutions business unit in 2013, the remaining orders were acquired by the Signalling business unit.



Company history

1880

Ansaldo e C. is founded for the construction and maintenance of railway equipment. At the turn of the century, the company begins building boats. Production stretched from the port of Genoa towards Sampierdarena and Sestri Ponente, and the company employed more than 10,000 people.



1935

Ansaldo & C. is rescued by the Bank of Italy after the war and the collapse of 1929. The crisis ends with the establishment of IRI (Istituto per la Ricostruzione Industriale, Italian Institute for Industrial Reconstruction) which takes control of Ansaldo and sells it to Finmeccanica in 1948.

1988

Ansaldo Trasporti acquires 100% of Union Switch & Signal (US&S), now Ansaldo STS USA, a leading signalling system company. In 1989, it acquires 49% of CSEE Transport, formerly known as Compagnie de Signaux pour Chemins de Fer, headquartered in Paris.



1995

Through US&S, it first enters the Australian market and then the Asia Pacific. In 1997, US&S Australia becomes the regional headquarters.

In 1996, Ansaldo Trasporti creates Ansaldo Signal NV in which all activities of Ansaldo, Union Switch & Signal and CSEE (of which it acquires the remaining 51%) are concentrated. The company is listed on the NASDAQ and remains so until 2000.



2006

In 2006, a special purpose entity - Ansaldo STS - acquires all Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari shares from Finmeccanica. At the end of March 2006, Ansaldo STS is admitted to the STAR segment of the Milan Stock Exchange.



2010-11

- **2010:** After Genoa and Naples, the year ends with the acquisition of the Copenhagen contract to build the Cityringen.
- **2011:** Ansaldo STS arrives in Hawaii by signing a very important contract worth a total of US\$1,344 million for the technology and supply of vehicles for the new driverless urban rail in Honolulu. The contract entails the design, construction, operation and maintenance of Honolulu's new line, stretching roughly 32 kilometres long and stopping at 21 stations.

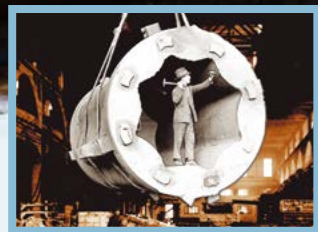
2013

With the awarding of the contract by His Highness and Governor of Riyadh, Ansaldo STS will handle the technological part of the longest line - over 40 km - of the new Riyadh metro in Saudi Arabia, confirming that the company is increasingly renowned for its solutions and experience in the development of metro lines around the world. In the field of innovation, in 2013, research projects become fruitful with the first contract for a tram powering solution catenary free called Tramwave® in the city of Zhuhai (China).



1853

Gio. Ansaldo e C. is founded in Genoa. At the time, Ansaldo was already synonymous with excellence in Genovese industry.



1904

Ferdinando Maria Perrone acquires Ansaldo. In a few years, the company grows to own the production sites, encompassing iron and steel processing, foundries and military production sites, employing approximately 17,000 employees in Genoa alone. In 1918 Ansaldo reaches a record of 80,000 employees.

1980

Finmeccanica and Ansaldo jointly create Ansaldo Trasporti (ATR), which operates as a company/prime contractor active in the integrated system segment and is listed on the Milan Stock Exchange in 1986.

1990

Ansaldo Trasporti enters the Northern market by acquiring the transportation division of Standard Radio & Telephon (SRT). The new company is named Ansaldo Trasporti Signal System AB (ATSS). In 1993, Ansaldo Trasporti lists US&S on the NASDAQ.

2001

Ansaldo Trasporti transfers its systems integration business unit to Ansaldo Trasporti Sistemi Ferroviari, a new company created in 2000. Ansaldo Trasporti is delisted and merged into Finmeccanica. Finmeccanica now owns 100% of both Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari.

2007-09

- **2007:** Ansaldo STS develops the first Vital Positive Train Control™ system for the railway network in Alaska.
- **2008:** the first ERTMS line in India is rolled out, supplied and delivered.
- **2009:** the new tram powering solution catenary free called Tramwave® is presented for the first time at the trade fair UITP.



2012

In Australia, Ansaldo STS' signalling solution is hailed as a revolutionary technological innovation at global level. Indeed, the centralised interlocking and automatic train protection (ATP) system uses satellite positioning.



Ansaldo STS Corporate Social Responsibility

Internal Sustainability Committee

Materiality analysis

Ethics and integrity

Stakeholder engagement

Product innovation, safety and liability

Corporate governance

Organisational structure

Ansaldo STS Corporate Social Responsibility

Ansaldo STS boasts a widespread presence in international markets, with operations in many contexts and different stakeholders, making the management of relationships between Ansaldo STS and its stakeholders of the utmost importance. Stakeholders include any party - people, groups, companies, institutions that are public or private, Italian or foreign, with a direct interest in the company's activities.

Legal compliance, transparency and upstanding conduct in operations and trust and cooperation with stakeholders are the ethical principles to which Ansaldo STS aspires to effectively and loyally compete on markets, improve customer satisfaction, increase value for shareholders and develop the skills and professional growth of its human resources. The company's socially responsible conduct leads to its focus on **Sustainable development**, which for Ansaldo STS is two-fold:

- it is tied to the achievement of the company's mission, which is to develop railway and urban rail

transportation systems and create increasingly sophisticated products and solutions that are safe and environmentally-friendly;

- it is based on the ways in which the company pursues its mission: Ansaldo STS has a corporate governance model, an internal control and risk management system and an integrated environment, safety and quality management system and it has established an Internal Sustainability Committee, enabling it to continue on a sustainable growth path and ensure that each member of its staff acts in accordance with a culture of responsibility.

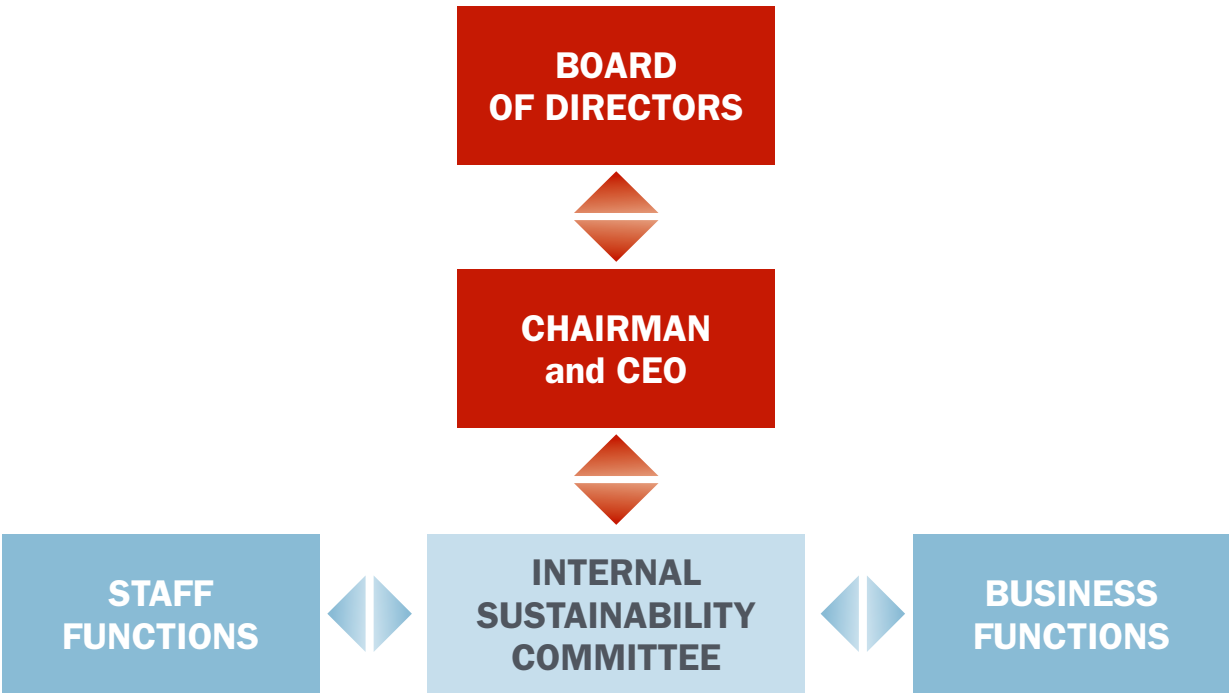


Internal Sustainability Committee

In 2011, Ansaldo STS set up the Internal Sustainability Committee (also referred to as the "Committee"), made up of the managers of the main company functions. The Committee's mission is to define the company's strategic guidelines for sustainable development and the promotion of social responsibility initiatives and see that they are implemented. The Internal Sustainability Committee reports directly to the Chairman and CEO of Ansaldo STS and collaborates and coordinates with the company's organisational units.

The Committee is responsible for:

- the assessment of social and environmental risks that concern the company's operations and evaluating the related performance;
- the definition and monitoring of the sustainability programme, made up of financial, social and environmental objectives;
- the implementation of the relevant codes and rules of social and environmental conduct defined by the company (code of ethics and HSE procedures and policies) or relating to international standards (Global Reporting Initiative, the Global Compact, the Carbon Disclosure Project, etc.);
- the definition and coordination of listening to, discussing with and involving stakeholders: sharing results and the steps to be taken;
- the definition and implementation of an internal and external sustainability communications plan.



In 2013, the Internal Sustainability Committee met to:

- plan and perform the materiality analysis, which entailed an internal survey to define the strategic level of the aspects that characterise Ansaldo STS' sustainable development and an external investigation to involve the various categories of stakeholders and understand how they prioritise these aspects;
- define and discuss the 2013 reporting project with the following objectives:
 - improve the level of application of the Global Reporting Initiative G3.1 guidelines;
 - confirm the Global Compact and participation in the Carbon Disclosure Project;
 - improve internal and external sustainability communications;
 - participate in the Global Compact Network Italy projects;
 - explore the sustainability of Ansaldo STS Australia's business in a specific section of the report.

Materiality analysis

Materiality measures the threshold over which an aspect or indicator is significant and should therefore be considered in the report. To identify this threshold, Ansaldo STS has adopted the principles and methodologies set out in the Global Reporting Initiative guidelines (G4).

Identification of relevant aspects

The Internal Sustainability Committee’s first step was to carefully select the most significant aspects for Ansaldo STS’ sustainability (these were aspects and issues that had already been identified in previous years. Indeed, this is now the fifth year in which Ansaldo STS reports on its sustainability performance) considering a combination of internal and external factors, such as mission, values, company strategies, risk assessment activities, integrated quality management system, safety and the environment, climate change strategy and research and development aimed at creating increasingly safe and environmentally-friendly products and solutions. In addition, Ansaldo STS has considered the indications included in the Global Reporting Initiative, the Global Compact and the Carbon Disclosure Project, as well as the aspects emphasised by rating agencies, which include ESG (environment, social and governance) criteria in their ratings and initiatives in progress in the railway transportation sector.

Impact on Ansaldo STS’ performance

The next step was to score the various aspects according to their strategic importance (priority) based on the following criteria:

- probability and seriousness of the impact that could arise from the aspect considered;
- impact that the aspect could have on the company’s performance;
- possibility of gaining competitive edge.

The members of the Internal Sustainability Committee filled out a scorecard with three ranges: low (from 0 to 3), medium (from 4 to 7) and high (from 8 to 10).

ASSESSMENT OF IMPACT ON ANSALDO STS’ PERFORMANCE	AVERAGE
Customers satisfaction	9.5
Creation of economic and financial value	9.2
Product innovation	9.0
Anti-corruption and prevention of corporate crimes	8.8
Occupational health and safety	8.5
Quality of governance	8.3
People training and development	8.2
People care	8.1
Respect for local communities	7.8
Stakeholder engagement	7.7
Respect for human rights	7.7
Social and environmental risk management	7.6
Integrated Management System for the environment, safety and quality	7.6
Diversity and equal opportunity	7.6
Supply chain monitoring (environmental, labour practices, human rights assessment)	7.4
Reduction of the use of materials; use of renewable or recycled materials	6.4
Mitigation of environmental impact of products and services	6.3
Reduction of energy consumption	6.2
Management of waste and effluent	5.2
Monitoring and mitigation of GHG (greenhouse gas)	4.9
Efficient use of water resources	4.9
Protection of biodiversity	4.8
AVERAGE	7.3
STANDARD DEVIATION	1.4

Impact on stakeholders’ opinions and choices

The third step of the materiality analysis involved the various categories of stakeholders in order to determine the impact that the aspects considered could have on their opinions and choices. Ansaldo STS asked its stakeholders, on the basis of their knowledge of the company and its dynamics and considering their sensitivity, to prioritise each aspect, using the same scoring system as the company (internal perspective analysis). To gain a more complete picture of stakeholders’ viewpoints, the questionnaire prompted stakeholders to indicate any aspects that had not been considered. The panel of external stakeholders was selected to represent the different categories, including all countries where the company is present (in accordance with the completeness criterion).

ASSESSMENT OF IMPACT ON STAKEHOLDERS’ OPINIONS AND CHOICES	AVERAGE
Anti-corruption and prevention of corporate crimes	8.8
Occupational health and safety	8.8
Customers satisfaction	8.7
Respect for human rights	8.6
Quality of governance	8.5
Product innovation	8.5
Respect for local communities	8.5
Supply chain monitoring (environmental, labour practices, human rights assessment)	8.5
Creation of economic and financial value	8.5
Social and environmental risk management	8.5
Integrated Management System for the environment, safety and quality	8.4
Stakeholder engagement	8.1
People care	8.1
People training and development	8.0
Diversity and equal opportunity	7.8
Reduction of energy consumption	7.5
Mitigation of environmental impact of products and services	7.4
Monitoring and mitigation of GHG (greenhouse gas)	7.3
Reduction of the use of materials; use of renewable or recycled materials	7.2
Management of waste and effluent	6.8
Efficient use of water resources	6.7
Protection of biodiversity	6.5
AVERAGE	8.0
STANDARD DEVIATION	0.7

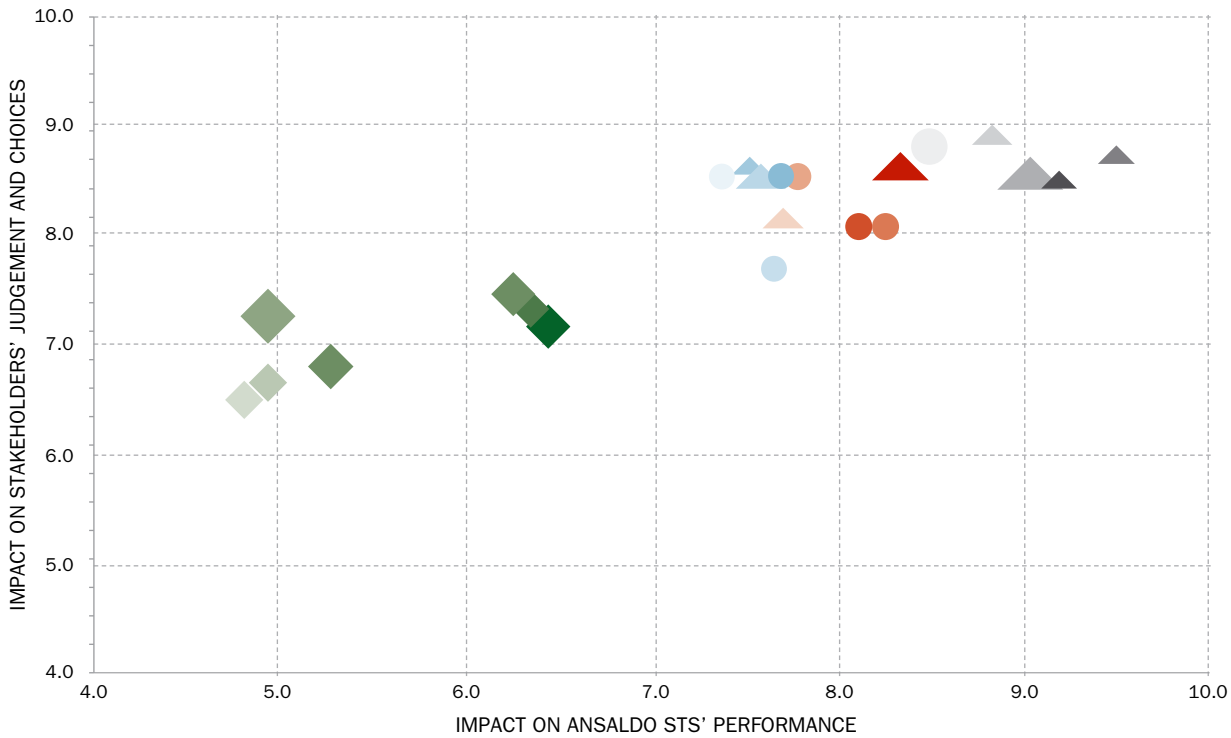
Analysis of results

The first item noted is how the internal assessment of impact on Ansaldo STS’ performance is substantially in line with the external assessment of the impact on stakeholders’ opinions and choices. Overall, the average scores given to the various aspects is high for both: the average score that Ansaldo STS management gives is 7.3, while the average score that the various stakeholders give is 8. The aspects with the highest variability of responses (larger dot) are those that are considered relatively less important.

Based on Ansaldo STS’ internal scoring, customer satisfaction, ability to create economic/financial value, product innovation, the effectiveness of the anti-corruption policy, health and safety in the workplace, the quality of governance and personnel training and development have the greatest impact on performance. Not far behind, are respect for human rights and local communities, aspects relating to environmental impact and ethical control of the supply chain. The protection of biodiversity, the efficient use of water and monitoring and controlling greenhouse gases are considered less significant on performance. The latter is due to the company’s perception that it already contributes to cutting greenhouse gases given the type of business it performs.

Stakeholders’ opinions and choices with respect to Ansaldo STS depend on the effectiveness of its anti-corruption policy, focus on workers’ health and safety, the company’s ability to satisfy customers, respect for human rights and local communities, product innovation and ethical control of the supply chain. Not far behind, are training, development and care for human resources and equal opportunities. Environmental issues are farther off. As with the internal analysis, the less significant aspects are protection of biodiversity and the efficient use of water.

Materiality Matrix



- ECONOMIC ASPECTS AND GOVERNANCE**
- Customer satisfaction
 - Creation of economic and financial value
 - Product innovation
 - Anti-corruption and prevention of corporate crimes
 - Quality of governance
 - Stakeholder engagement
 - Social and environmental risk management
 - Integrated Management System for the environment, safety and quality
- SOCIAL ASPECTS**
- Occupational health and safety
 - People training and development
 - People care
 - Respect for local communities
 - Respect for human rights
 - Diversity and equal opportunity
 - Supply chain monitoring (environmental, labor practice, human right assessment)

- ENVIRONMENTAL ASPECTS**
- Reduction of the use of materials; using of renewable or recycled materials
 - Mitigation of environmental impact of product and services
 - Reduction of energy consumption
 - Management of waste and effluent
 - Monitoring and mitigation of GHG (greenhouse gas)
 - Efficient use of water resources
 - Protection of biodiversity

Other suggestions from stakeholders

Suggestions received from the stakeholders involved in the materiality analysis include emphasising the relationship between sustainable development and the company's medium/long-term results to a greater extent in the report, with better clarification of personnel's involvement in the achievement of these objectives.

Ethics and integrity

Considering its history and vocation, the Ansaldo STS Group has always based its business development on the creation of safe, efficient, reliable and environmentally-friendly railway and metro transportation systems and solutions, placing its full focus on the people these systems and solutions serve, who live in increasingly complex contexts with increasingly complex lifestyles.

MISSION

Ansaldo STS combines experience and human, financial and technological resources to provide innovative solutions in the design and construction of equipment and systems for conventional and high speed railway lines and urban rail network signalling and automation for both passengers and freight.

Our commitment to sustainable development can be seen in the countries in which we operate, across five continents, through the widespread application of our business vision, focus on environmental and social issues, and how we foster a collaborative environment and respect for local cultures through our work. The more we make sustainable long-term decisions, the better interaction between our company, society and the environment will be, and this approach gives us a competitive edge.

CORE VALUES

To achieve its objectives and grow and maintain its sector leadership, Ansaldo STS, bases its operations on solid, unwavering ethical values and principles. Everyone in the organisation around the world is required to uphold this culture and make the same commitment to ethical conduct, embracing the company's principles and values.

Ansaldo STS' values and those on which it has based its business are:

Focus on customers - Ansaldo STS exists because of its customers, insofar as the company is able to understand and meet their requirements and expectations, helping them resolve any related problems.

Innovation and excellence - Understanding, studying and developing solutions to improve responses to customers and market offers lie at the centre of Ansaldo STS' activities, in which work is constantly focused on providing customers with innovative and excellent products that incorporate the basis of the company's competitiveness on the market.

People - Customer satisfaction and the development of new products depend on the abilities of the professionals working to achieve them, Ansaldo STS' employees. This is why Ansaldo STS is a company founded on people. Everyone in the company's organisation works to make Ansaldo STS a good place to work, where people learn, achieve

and celebrate success: a place you'd recommend to a friend.

Team spirit - None of these operating objectives can be achieved by one person alone. The company's professionals are capable and eager to work together with their colleagues in a single, integrated organisation, capable of making the most of their different cultures and professional training. This team spirit can also be found in managers who ensure cooperation and the growth of the company culture, while achieving established objectives and the company's mission.

Integrity - If people are to work together effectively, mutual trust must be fostered, and this is only possible if everyone works and acts in a way that is transparent, loyal, honest and proper. Similarly, customers must have the absolute certainty that integrity is a fundamental value for Ansaldo STS, and that this value is reflected in its products, through the utmost care and attention to safety.

CODE OF ETHICS

The code of ethics clarifies the commitments and responsibilities that guide the company’s business and activities, requiring compliance by anyone involved in any way with Ansaldo STS.

The code of ethics is available on the company’s web site. It is a key element of the internal control system, and compliance with it enables Ansaldo STS and the group companies to prevent certain irregularities or illegal acts prohibited by the regulations of the various countries where Ansaldo STS operates, particularly Legislative decree no. 231/01 in Italy.

The code of ethics was formally adopted for the group companies by resolution of the respective boards of directors or equivalent management bodies. It was shared with all group personnel using the same methods as those applied by the parent Ansaldo STS.

In addition, a code of ethics control body was set up within each group company to promote the implementation of the code of ethics. A specific information channel for the code of ethics was also created, and can be used to report any conduct that is inconsistent with the principles of the code of ethics by sending an email. The reports are sent and managed in accordance with a group procedure.

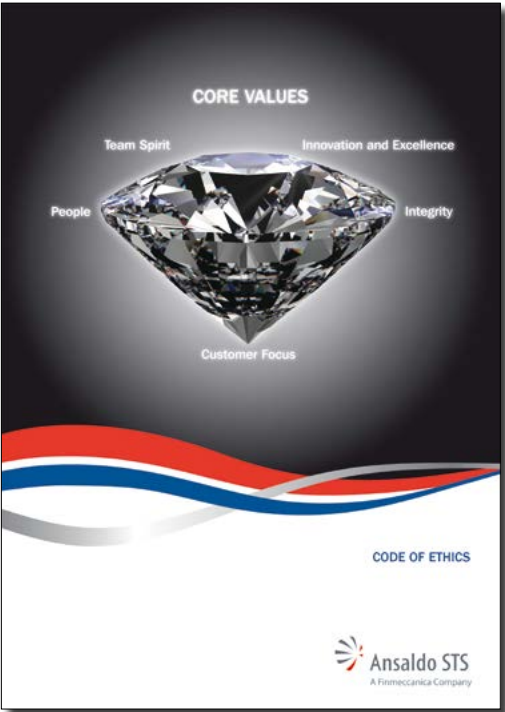
2013 reports – One report was received in 2013 concerning Ansaldo STS Australia. The report related to a prospective transaction in potential conflict of interest with an employee. The code of ethics control body did not believe that there effectively was a conflict of interests. In any case, the reported transaction was not performed.

In 2013, Ansaldo STS Australia’s code of ethics control body was asked to interpret the application of the code in relation to third parties’ offers of gifts to employees.

Training on the code of ethics

Ansaldo STS relentlessly promotes and fosters awareness of the code of ethics, related protocols and updates, as well as knowledge of the areas of activities in the various functions with responsibilities, hierarchical relationships, duties and training. It informs employees on the code of ethics and related protocols first by distributing specific documentation to all employees and workers collaborating with the company in any way, and requires, when the material is delivered, that they sign a statement certifying that they have read the documentation received.

In addition, company personnel can, at any time, ask supervisors for guidance and clarifications on the content of the code of ethics, protocols and duties assigned to them. When new employees are hired and/or contracted, Ansaldo STS immediately gives them the information necessary for adequate knowledge of the code of ethics and protocols, with particular respect to those that concern them specifically.



GLOBAL COMPACT

With confirmation of its participation in the network, Ansaldo STS continues to strive to make the Global Compact and its principles an integral part of its strategy.

Principles of the Global Compact	Ansaldo STS
HUMAN RIGHTS	
1. Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none">• Code of ethics and training• Declaration of respect for human rights
2. Businesses should make sure they are not complicit in human rights abuses	<ul style="list-style-type: none">• Personnel management policy• Fair remuneration• Company climate and improvement measures• Internationalisation and multi-cultural management• Worker health and safety policy• Product liability• Ethical control of the supply chain
LABOUR	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none">• Code of ethics and training• Labour policy declaration
4. Businesses should uphold the elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none">• Remuneration and incentives• Fair remuneration
5. Businesses should uphold the effective abolition of child labour	<ul style="list-style-type: none">• People Care – Employee initiatives• Personnel management, recruitment and hiring policy
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none">• Training and development• Trade unions• Company climate and improvement measures• Litigation management• Ethical control of the supply chain
ENVIRONMENT	
7. Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none">• Environmental policy and management system• Environmental certification and registration
8. Businesses should undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none">• HSE training• Taking a prudent approach
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none">• Carbon management system (Scope I, II and III emission measurement)• Participation in the Carbon Disclosure Project• Measurement and control of environmental impact (energy consumption, greenhouse gas emissions, water resources and waste)• Commitment to improve performance• Product innovation to reduce environmental impact• Italian and EU research projects for railway transportation safety and to reduce its environmental impact
ANTI-CORRUPTION	
10. Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none">• Code of ethics and training• Organisational, management and control model pursuant to Legislative decree no. 231/2001• Procedural system applied by all Ansaldo STS companies

2. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/asts_cod_etico_italiano.pdf



Human rights³

Ansaldo STS upholds and promotes human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all - regardless of race, nationality, political creed, religion, gender, age, minority status, disability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and each employee. (Code of ethics).

Labour⁴

Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labour agreements, company agreements and current regulations.

Over the course of employment, training is a crucial lever to make the most of human resources and update their skills to the market context, thereby expanding upon the abilities and knowledge of each employee, in line with the company's values. Ansaldo STS also applies a policy based on the recognition of one's merits and equal opportunities. Ansaldo STS' internationalisation process has also consolidated work experience abroad, thereby enabling people to share their different experiences and foster the value of multiculturalism.

Ansaldo STS guarantees that its workers are free to join trade unions, and sees that its relationships with the unions are cooperative and friendly in which workers may report their opinions to Human Resources directly or via delegates.

Child labour

Ansaldo STS does not allow and does not tolerate employment situations that violate current regulations on child labour, women's labour and immigration. This also applies to its external contractors, suppliers and business partners.

Forced labour

Ansaldo STS carefully monitors the risk of forced labour. In addition, the company requires its contractors and sub-contractors to guarantee the same in order to contribute to the abolition of such illegal practices.

Environment⁵

Ansaldo STS' commitment to sustainable development translates into guaranteeing quality of life, continuous access to natural resources and avoiding permanent damage to the environment.

Protecting the environment is part of Ansaldo STS' social responsibility. This is a key element in its business strategy, with the aim of promoting long-term growth in the company's value. The optimisation and development of its processes and organisational structure are central to this strategy: the aim is to produce in the safest possible way, using the least possible quantity of resources.

Integrated management system

Ansaldo STS has implemented an integrated management system ("IMS") for the environment, safety and quality, which integrates all group processes in one single complete structure, enabling the organisation to operate as a single unit with shared objectives.

At central level, global policies and procedures have been established to ensure controlled management of processes and activities relating to safety in the workplace and environmental protection. On this basis, and where there are specific legislative requirements, each legal entity has established local guidelines to ensure compliance with the requirements applicable to its processes.

All company bodies are required to closely comply with the principles of the environmental management system, and they are actively involved in preparing and updating it. Ansaldo STS is currently completing the certification process for its sites under UNI EN ISO 14001 and OSHAS 18001 standards.

Development and extension of environmentally-friendly technologies

Ansaldo STS is constantly committed to providing its customers and end users (passengers and freight) with the best and safest products, using the best design methodologies and procedures and the best existing building methods and processes, in line with its commitment to reduce energy consumption and its direct and indirect impact on the environment.

Ansaldo STS also promotes technological and managerial training through partnerships with universities, specifically in terms of information communication technology, sustainability and the health and safety of transportation systems.

The Group actively participates in research projects co-financed by Italian and EU institutions on how to improve safety, energy efficiency, environmental impact, sustainable mobility and the interoperability of transportation systems.

Anti-corruption and the prevention of corporate crimes

Ansaldo STS has adopted the organisational, management and control model (the "Model") pursuant to Legislative decree no. 231/2001, which deals with, inter alia, corruption against the public administration and among people. The Model has been adopted in the Group's pre-existing Italian companies (which merged into the parent in 2009) since the introduction of Legislative decree no. 231/2001.

Ansaldo STS S.p.A.'s employees are required to comply with the Model and the procedures, which specify the operating methods of the various company processes. These procedures relate, in particular, to the following:

- advisors and sales representatives;
- sponsorships, publicity campaigns and contributions to associations and bodies;
- conferral of advisory engagements and professional services;
- gifts, hospitality, facilitating payments and entertainment expenses;
- M&As (mergers and acquisitions).

These procedures have been adopted in line with Finmeccanica's initiatives to strengthen the internal control system, concerning, in particular, corruption and corporate crimes.

Specifically, the procedure for advisors and sales representatives was subsequently updated to include and better define due diligence activities. In order to verify that it is effectively applied, various audits were also performed. In the event of acts of corruption (which has never occurred in the Group thus far), Ansaldo STS would respond with the disciplinary sanction provided for by the Model, which also includes dismissal without notice.

The main risk areas, including direct risks and the areas that could potentially facilitate acts of corruption, subject to the requirements of the Model, are the sales area, contract management, sites, administration, finance and control, HR and soft loans.

3. Ansaldo STS acts in accordance with the UN's Universal Declaration of Human Rights, the UN's International Convention on Civil and Political Rights, the International Convention on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights, the ILO's Fundamental Conventions (nos. 29, 87, 98, 100, 105, 111, 138 and 182), the Declaration on Fundamental Principles and Rights at Work, the UN's Convention on the Rights of Children, the ILO's Conventions nos. 107 and 169 on the Rights of Indigenous and Tribal Populations, the European Convention on the Rights of Man and the OECD's guidelines for multinational corporations.

4. See: Human resources

5. See section: Environment, health and safety.

To ensure all employees are completely familiar with the Model, they receive reports when it is updated.

Employees working in the areas at risk of these crimes being committed, along with the company’s managers and junior managers participate in e-learning training when the organisational, management and control model and legislation are updated pursuant to Legislative decree no. 231/2011. These people also sign periodic statements of compliance with the Model and, where applicable, statements describing the most significant relationships with representatives of the public administration.

Global Compact Network Italy Foundation

Global Compact Network Italy (GCNI) was founded in 2002 to contribute to the development of the “Global Pact”⁶ in Italy. In June 2013, the GCNI created the **Global Compact Network Italy Foundation**, with Ansaldo STS as a founding member and sponsor, along with 17 other organisations, private companies, universities and research institutes, non-profit foundations and civil society organisations. Ansaldo STS participates in the work groups organised as part of the Italian network.

The GCNI Foundation’s mission is to spread awareness of the UNGC⁷, encouraging an increase in membership throughout Italy and promoting, with increasing seriousness and credibility, a corporate sustainability commitment by the participating Italian companies and organisations and their partners. In addition to its domestic commitments, the Foundation plans to play an active role in the definition and implementation of growth strategies and the consolidation of the UNGC on a regional and international scale.

Stakeholder engagement

Ansaldo STS’ social responsibility translates into the focus that the company has on upholding the quality of relationships with its stakeholders, defining specific policies in this respect in order to make the company capable of understanding their needs and expectations.

In 2013, the main engagement activities with stakeholders were:

- The **materiality analysis** through which Ansaldo STS was able to understand the priorities that its stakeholders give to the aspects reported upon and through which it has better defined the content of the Sustainability Report.
- **Customer satisfaction** surveys.
- The **Global Employee Survey**, which gives a reliable picture of the perceptions and needs of the company’s entire population, enabling it to identify potential areas for improvement.
- **Personnel involvement** initiatives carried out through different projects:
 - **Global Talent**, a specific training and development project for Ansaldo STS talent;
 - the **360° Assessment for executives**, entailing the assessment of each manager by a group of peers, which contributed to the acceptance of a feedback culture;
 - **Future Leaders**, a programme aimed at recruiting and training 20 talented professionals already involved in strategic projects for the company;
 - **internationalisation activities**, including a specific survey of all employees who, in recent years, have had significant international relocation experiences. This survey highlighted how positive these experiences were considering the skills acquired and increased focus on multi-culturalism.
- **Investor relations** activities.
- **Research projects** with Italian and EU institutions.
- Agreements and **partnerships with universities**.



Customer Satisfaction

A specific team handles Customer Satisfaction (“CS”) activities. This team is made up of the managers of the various functions: Strategy, Quality & Improvement, Railways & Mass Transit and Freight, RAMS (Reliability, Availability, Maintainability and Safety) and Operations. Customer Satisfaction activities consist of the various stages and are carried out using different tools to monitor customer satisfaction and the progress of projects until their completion. These tools include:

- **Customer Satisfaction Monthly Meetings:** monthly meetings via videoconferencing, to discuss CS activities and reach decisions on the steps to be taken.
- **Customer Satisfaction Monthly Reports:** monthly reports prepared with the support of the managers on critical projects. To date, 22 critical projects have been mapped. The Project Manager is responsible for reporting on critical points (in terms of planning, quality and costs) and the related mitigation action. A statistical analysis on the development of these critical points is attached to the report.
- **Customer Satisfaction Survey:** a series of one-on-one interviews with top representatives of a sample of customers. This survey begins with a letter signed by the CEO of Ansaldo STS sent to the customer’s CEO. It is conducted using a specific questionnaire. Since the end of 2012, six interviews have been conducted (Spain railways, Swedish railways, Italian railways, Hyundai-Rotem, British railways and a customer in Taipei). Customer feedback is sent after any corrective action has been defined and performed following an evaluation of the questionnaires.

6. The United Nations Global Compact vision is to promote the creation of a more inclusive and sustainable global economy.
7. United Nations Global Compact.

- **Post Commissioning Reports:** reports included in the methodology defined by the Customer Satisfaction Team for the RAMS analysis of certain large projects.
- **Complaints Management:** the Project Managers are responsible for recording customer complaints, which are sent each quarter to the Customer Satisfaction Coordinator, until the complaint is resolved. The Customer Satisfaction Team checks and records all information and, twice a year, prepares a global analysis. This analysis is used as the basis to calculate the “customer complaint” KPI.
- **Customer Satisfaction of Project Teams:** customer satisfaction is evaluated for each key project considering the following main aspects: contract value, project duration/delay, service quality and product quality. The Regional BU managers gather the results of these surveys from the Project Managers. Finally, the Customer Satisfaction Team checks the global results and their consistency with expectations.
- **Customer Satisfaction Reports:** reports prepared half-yearly by the Customer Satisfaction Leader. These reports summarise Customer Satisfaction activities in the period (customer satisfaction of the Project Teams, complaints analysis and focus on various projects) and are sent to the company's senior management. They are included in the Organisational and Process Management Review.

Based on the **Customer Satisfaction Survey** and direct interviews with customers in 2013, the average scores comparing Ansaldo STS products with competitors (the range of scores goes from 1, extremely unsatisfied, to 10, extremely satisfied) are given below.

Ansaldo STS products from a technical point of view	7.6
Best competitor products technically	7.0
Ansaldo STS products cost/value	7.1
Best competitor cost/value	6.0

Copenhagen Metro Customer Satisfaction

Ansaldo STS was awarded the contract to operate and maintain the Copenhagen metro until the end of 2018. The current contract was agreed in January 2010 following a European tender. The contract remuneration is indexed to service availability, punctuality and the results of customer satisfaction surveys. Customer satisfaction is of vital importance to the metro, both in terms of maintaining existing customers and attracting new ones. Accordingly, Metroselskabet, Ansaldo STS and Metro Service devote considerable attention to customer feedback.

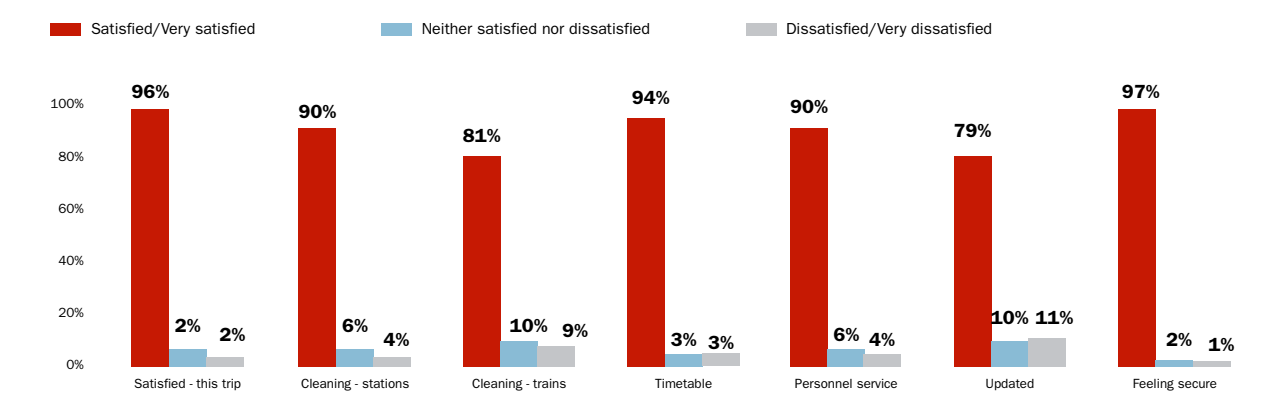
Various tools are used to understand Danish metro passengers’ needs and expectations, including quarterly customer satisfaction surveys.

In 2012, for the third year in a row, the Copenhagen metro was named the world’s best automated metro. This award was given at the “Metrorail” conference of leading experts in metro systems around the world. A key element in the selection of the awardees is the high level of control and customer satisfaction.

Since the metro was launched (in 2002), customer satisfaction with Metroselskabet has been carefully monitored through surveys conducted by an independent entity. However, only after the M1 and M2 lines were completed, were customer satisfaction results included in contractual agreements. Metroselskabet and Ansaldo STS continue to analyse and report on the survey results, which are published quarterly.

In 2013, passengers numbered around 60 million. Investigations were performed on a sample of approximately 4,500 users whose satisfaction is regularly monitored in accordance with the following aspects: Satisfaction with the journey, Cleanliness of the stations, Cleanliness of the trains, Timeliness, Service quality, Updating of information and Safety.

Each of these performance aspects is directly assessed by passengers and then compared with specific, predefined targets. The summarised results of the 2013 survey are given below.



Global Employee Survey

In 2013, another climate survey was launched to gain an understanding of how satisfied and motivated people are and to obtain feedback on the effectiveness of managers. These activities are part of Ansaldo STS’ periodic internal communication action plan, which sets the following objectives:

- continue to involve the organisation because every employee’s viewpoint is important;
- evaluate the progress made in terms of cultural and organisational change;
- gather information on HR processes and services.

The questionnaire was distributed to all Ansaldo STS employees in four languages (English, Italian, French and Spanish), guaranteed that they would remain anonymous, and was supported by communications campaigns including posters, online banners, e-mails from the CEO and local promotional activities in different office sites.

The high rate of participation (66% of respondents, up 10% on the previous survey) provided a reliable view of the perceptions and needs of everyone within the company, and identified improvement areas for certain aspects.

STRENGTHS

- Over 75% of the company population agrees with the following aspects:
- Employees have a common vision and sense of the mission that inspires them gives them a clear idea of their objectives, fosters loyalty and pride in being part of the company;
 - Employees interact well with the Group as a whole and with the local group companies;
 - Employees are aware that their cooperation is necessary in order to do their work, they trust their peers and do their best for the company, working as a team;
 - Employees appreciate company communications received on the Intranet and via global e-mails.

IMPROVEMENT OPPORTUNITIES

- Aspects for improvement included:
- Relationship between performance, rewards and recognition to be emphasised;
 - Efficiency of cooperation between the departments and business to be improved;
 - Implementation of tools and processes that can increase the clarity and efficiency of communications to be boosted.

The company has defined an improvement action plan with clear objectives, deadlines and development methods, and has implemented the plan using in house communication tools.

Certain areas of improvement have been included in work projects commissioned to young company talent with the aim of involving them in company change and promoting innovative ideas that are more in line with the sensibilities of new generations.

ACTION UNDERWAY

- **SALARY REVIEW TOOL:** to give a complete, global vision of all resources in the job family to best balance remuneration between the functions;
- **Ansaldo STS 360° ASSESSMENT:** to create opportunities for employees to rate executives and managers according to their respect for company values and skills;
- **PROJECT TEAM PDP INPUT:** to require the Project Managers and Functional Managers to collaborate to include project objectives as an integral part of the overall PDP assessment of their resources;
- **HR PRACTICE DAY:** an in house communication initiative to familiarise employees with the processes and tools available to them.

Product innovation, safety and liability

Ansaldo STS has always devoted ongoing attention to research and development, in order to identify and create innovative technical solutions and develop products of the very highest quality to operate internationally on markets that are undergoing rapid technological evolution.

Ansaldo STS’ innovation governance model involves all its companies and combines strategies, technologies, products, resources and markets so that research and development arises out of the excellent, distinctive expertise found within the company and the needs of its customers.

Main products conceived and undergoing development

Over the years, Ansaldo STS has conceived and developed products that have pushed it to a leadership position in the Signalling Systems and Railway and Urban Rail Transportation Sectors.

OTP - Optimizing Traffic Planner™

OTP is an innovative traffic management and railway handling system that redirects traffic in real time to increase speed and optimise vehicle movement, identifying the shortest and most efficient paths for trains. The OTP system can substantially increase network capacity, reducing operating costs at the same time.

ATC (Automatic Train Control) and ATP (Automatic Train Protection) systems

These are automatic train speed control systems in line with ERTMS (European Rail Traffic Management System) standards. They enable operators to control the safe movement of trains on railway lines, while continuously monitoring their position, maintaining safe distances and compliance with speed limits. The ATC system also includes a driverless function with various degrees of automation.

CBTC – Communication-Based Train Control

CBTC is a two-directional, radio-based train distancing communications system between land and train. It is in line with international standards (IEEE 1474.1.2.3) and offers the utmost operating flexibility, complete interoperability on metro lines managed by different systems/technology operators.

The control systems installed on board find the vehicle’s position and adjust vehicle movement within the authorised limits (MAL = Movement Authority Limit). Each vehicle’s position is updated and reported continuously to the Area Controller on land. The Area Controller can update each vehicle’s MAL, knowing the position of the previous vehicle going in the same direction. This tool makes it possible to set a “mobile block”, which safely and significantly shortens the amount of time between two consecutive trains on the same platform, increasing the transportation system’s overall capacity. Communications between the control systems located in an adjacent area where the vehicles are sorted and on board the vehicles, makes it possible to safely manage time between vehicles and line capacity.

Ansaldo STS has already installed and fully rolled out this technology on the Paris metro line 3 and, in China, on lines 1 and 2 of the Chengdu metro and on line 1 on the Zhengzhou metro. It is currently designing and, in some cases, installing this technology on projects including the Ankara metro, the Stockholm metro’s Red Line, the Taipei

metro’s Circular Line, the Milan metro’s Line 4, the Copenhagen metro’s Cityringen and the Riyadh metro (the last two will be driverless), along with another six metro lines in China, in the cities of Shenyang, X’ian, HangZhou and Dalian.

Wayside platform

Since the late nineties, Ansaldo STS has implemented requirements for a platform open to standard protocols, including on the following lines: TVM Lyon-Marseilles (1999), ERTMS Rome-Naples (2005), Turin-Milan (2006), Milan-Bologna (2008), Zheng-Xi (2010), Madrid-Lleida (2011), Cambrian (2011), Poříčany-Kolin (2011), Haparandabanan (2013), the CBTC lines in Chengdu (2011), Shenyang (2012), the Ankara metro (2014) and the conventional Turin-Padu lines (2014). Ansaldo STS has implemented the interlocking system known as WSP (Wayside Standard Platform), which is capable of managing a greater number of terminal operations and train connections using a smaller number of basic parts and integrating safety, diagnostics and traffic management functions in one central control station, poised to become the best response to the increasingly sophisticated demands of the railway and metro market.

TRAMWAVE®

This is a power system for trams that run on ground lines, powered only in a specific segment under the vehicle. The system promotes the protection of historic city centres, as it eliminates conventional overhead electric lines. The concept behind this innovative tram system and the excellent results achieved in the wake of testing have generated enormous interest among urban planners in countries looking for safe, ecological and low-environmental impact public transit solutions. In November 2013, a contract was signed with the Chinese company CNR Z for the supply of 17 km of TramWave® lines to build a new tram system in the city of Zhuhai in southeast China. The contract also provides for the installation of the related systems for the reception, diagnostics and power. This contract has made it possible for Ansaldo STS to build the first catenary free tramway and begin the technology transfer process.

Satellite signalling

For the first time in railway history, Ansaldo STS has used satellites to manage safe train travel. In March 2012, Ansaldo STS signed the **3InSat** contract with ESA (European Space Agency) to develop and validate new safe geo-localisation and satellite telecommunications platforms to be used for ERTMS-ETCS railway signalling systems. Ansaldo STS is the head of an industrial consortium that includes the participation of, inter alia, RFI and DLR (Germany’s space agency), which, together with ASI (Italy’s space agency) are the greatest contributors to the European satellite localisation system, GALILEO. Ansaldo STS’ solution constitutes a technological innovation of global importance. It will use geo-localisation satellite technology instead of conventional train localisation systems, which require electronic devices installed along the railway line, thereby reducing costs and environmental impact.

Products and solutions safety and environmental friendliness

Ansaldo STS’ unwavering commitment to providing its customers and end users (passengers and freight) with the best products and system solutions, the use of the best design methodologies and procedures and the best existing construction methods and processes contributes to increasing safety and reducing direct and indirect impact on the environment.

Reducing energy consumption

Two important innovations introduced by Ansaldo STS in signalling systems for train control relate to the use of public telecommunications networks and GPS - Global Positioning Satellite - technology. The use of these new control systems replaces track equipment, which required greater energy consumption. These systems will be especially used on low-traffic lines in Europe, which make up about 50% of the total network length. The use of public telecommunications networks will reduce energy consumption by roughly 72 KW per day per km, while the introduction of GPS technologies will entail savings of 5 KW per day per km. Based on these estimates, total CO₂ savings will be approximately 60 kg per day per km on the line.

Reducing raw materials consumption

The use of powerful technological platforms integrating several functions in the same subsystem enable Ansaldo STS to reduce the size of equipment and their connectors, using simple and effective systems for scheduling, testing and roll-out.

In addition, the search for increasingly standardised design associates innovation with reduced use of parts.

Ecodesign

Partly in response to certain new contracts (the MPM-10 train control system project in Montreal), Ansaldo STS is paying greater attention to studying ecodesign aspects, including to meet customers’ environmental standards, such as:

- Analysis of conformity with REACH – Registration, Evaluation and Authorisation of Chemicals (an integrated registration, evaluation, authorisation and restriction system for chemicals established in the EU);
- Analysis of the re-usability and recyclability of materials;
- Life cycle assessment (LCA)⁸.

The methodological approach entails a comparison of processes, materials and products in order to evaluate whether choices are ecologically compatible. The design stage, along with an analysis of costs and quality level, makes it possible to identify critical points in the life cycle. The analysis process is carried out using software and considering the applicable legislative requirements and UNI ISO 14040 standards.

LED technology

For the past few years, Ansaldo STS has been producing LED-based traffic lights at the Tito Scalo and Batesburg sites. This innovation has a positive impact on energy consumption, the management of maintenance and the disposal of maintenance material.

Reliable and efficient hourly traffic

The tools that Ansaldo STS has designed and produced enable operators to create more efficient timetables for trains running on railway infrastructures, establishing, in particular, which places are the best for stops, junctions and passing, and determining travel times to minimise waiting times and fuel consumption. These tools make it possible to prevent and supply pro-active measures to combat traffic caused by train delays, scheduled and non-scheduled maintenance, natural disasters and personnel shifts. This support technology is also used to significantly cut down on fuel by increasing the average speed of trains, concurrently reducing the waste of fuel for acceleration closely followed by braking due to temporary slowdowns or signals to stop.

Reliability of solutions

The reliability of solutions is also due to the use of redundant platforms that provide fault tolerant configurations, i.e., those that can continue to function even when certain sections present faults. This type of approach was successfully applied in Italian high speed railways, where specific systems have been developed for the diagnostics and control of electrical substations. These tools make it possible to plan “preventive maintenance” on lines, i.e., to monitor all substations and report when one of them is at risk of faults. In this way, greater environmental sustainability is assured, with the resulting reduced consumption of spare parts and lower risk of service interruptions on the line due to faults.

Safer spaces for customers and end users

Ansaldo STS offers passengers safe and controlled areas by equipping network vehicles with sensors that constantly monitor railway areas, and operate around the clock.

Product liability

Ansaldo STS has implemented RAMS activities to ensure that the products, applications and systems that it develops and delivers are:

- safe, in accordance with domestic and international standards applicable to railway systems;
- reliable, in accordance with customers’ requirements and its own internal quality standards.

These activities are performed on all Ansaldo STS projects in which safety and reliability are relevant, which constitute over 90% of total company activities.

Safety and reliability are achieved through hazard analysis, a structured process in line with sector standards. It begins with the identification of hazards based on previous experience, the assessment of specifications for the process stages and hazard workshops during which experts from Ansaldo STS and customers discuss the various issues. Potential hazards are then included in a hazard log, which is constantly updated during the life cycle of the project. For each hazard mapped, the log also includes the mitigation measures, activities to check that they were effectively implemented and an assessment of the residual hazard. The residual hazard level is assessed and accepted only if it is below the limits established by standards and customer requirements.

The main safety standards are those issued by CENELEC - European Committee for Electrotechnical Standardisation. Specifically, relevant standards are:

- CEI 50126 on RAMS applicable to rail transportation;
- CEI 50128 on software security;
- CEI 50129 on electronic device safety;
- CEI 50159 on railway communications security.

Recording and assessment of non-conformances and accidents to improve safety

Any non-conformances with safety specifications during the development, testing and roll-out, is carefully analysed and recorded. In general, no conduct of this type is tolerated and requires a review and change (hardware or software) in the element that does not meet the technical specifications provided for.

In general, Ansaldo STS gathers two types of data to assess the reliability of its products: data on parts (fault charts), beginning with the assistance requests sent to the Service unit and data on systems affecting the key service parameters (frequency of trains, skipped runs, delays, etc.). Data on parts are analysed to identify the most defective parts and alternative solutions are sought to improve performance, while for data on systems, the delay logs are analysed to determine the causes.

Investments in research and development and intellectual property rights

In 2013, total expenditure for **research and development** by the *Signalling and Transportation Solutions* business units was Euro 34.8 million (31 December 2012: Euro 35.3 million), with income generated from grants and services of approximately Euro 2.8 million (2012: Euro 3.0 million).

Ansaldo STS carefully safeguards its intellectual property, requiring, inter alia, the filing of patents and the registration of trademarks. At year end, it held 76 patents and 43 registered trademarks. It has filed applications for an additional 19 patents which are currently under evaluation.

8. Life Cycle Assessment (“LCA”) is a methodology that evaluates a series of interactions that a product or service has with the environment, considering its entire life cycle, which includes pre-production (including the extraction and production of materials), production, distribution, use (including reuse and maintenance), recycling and final disposal. The LCA procedure is standardised at international level by ISO 14040 and 14044 (International Organization for Standardization).

Corporate governance⁹

Ansaldo STS adopts a corporate governance system that is based on the highest business management transparency and fair practice standards. This corporate governance system is compliant with the provisions of law and with the regulatory provisions of CONSOB and Borsa Italiana. It is also in line with the contents of the code of conduct for listed companies adopted by Borsa Italiana S.p.A. - which Ansaldo STS has implemented - and the international best practices. The corporate governance system is aimed at maximising value for shareholders, monitoring business risks, transparency with the market and reconciling the interests of all shareholders, with particular attention to smaller shareholders.

Ansaldo STS' corporate governance system is based on a traditional model, and includes:

- shareholders' meetings;
- the board of directors, which includes the following committees:
 - the risk and control committee;
 - the appointments and remuneration committee;
- the board of statutory auditors;
- the independent auditors.

The company's main corporate governance tools at present are listed below:

- by laws;
- code of ethics;
- organisational, management and control model pursuant to Legislative decree no. 231/01;
- shareholders' meeting regulations;
- board of directors' regulations;
- risk and control committee regulations;
- appointments and remuneration committee regulations;
- related party transactions - procedure adopted pursuant to article 4 of Consob regulation no. 17221 of 12 March 2010;
- procedure for the handling of privileged information;
- internal dealing code of conduct.

BOARD OF DIRECTORS

Ansaldo STS' board of directors has the widest powers for the management of the company, with the power to take any and all suitable action to achieve the company purpose, except for those reserved for the shareholders.

The current board of directors was appointed by the shareholders during the ordinary meeting held on 5 April 2011, and the term of office will expire on the date of the shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2013.

On 5 March 2013, Alessandro Pansa informed the board of directors and the Chairman of the board of statutory auditors that he would be resigning from the offices of Chairman and member of the board of directors of Ansaldo STS S.p.A., with effect from the end of the shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2012.

To replace Mr. Pansa, during the ordinary meeting on 6 May 2013, the shareholders of Ansaldo STS appointed Luigi Calabria as the new Chairman and member of the board of directors. His term of office as director will end along with that of the other directors, i.e., with the shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2013.

With respect to the composition of the board of directors, during the board meeting held on 11 December 2013, Sergio De Luca informed the board of directors and Chairman of the board of statutory auditors that he would resign from the offices of CEO and Director responsible for the internal control and risk management system, as well as company manager, with effect from 1 January 2014 for all the positions. His resignation was given due to his appointment as General Manager of *Operations* from 1 January 2014 at the parent Finmeccanica S.p.A..

Also on 11 December 2013, Luigi Calabria announced he would resign from the office of Chairman of the company's board of directors with effect from 1 January 2014. Furthermore, Deputy Chairman Grasso resigned from the offices of Deputy Chairman and Director, also with effect from 1 January 2014.

In the light of the above, after having consulted with the board of statutory auditors, the board of directors co-opted, pursuant to article 2386.1 of the Italian Civil Code, Stefano Siragusa as new member of the board of directors and appointed him CEO and General Manager with effect from 1 January 2014.

During the same meeting, Mr. Siragusa was also appointed Director responsible for the internal control and risk management system.

Stefano Siragusa's term of office will end along with that of the other directors, i.e., with the shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2013.

Finally, on 11 December 2013, the board of directors appointed (i) Mr. De Luca Chairman of the company's board of directors, replacing Luigi Calabria, and (ii) Luigi Calabria Deputy Chairman of the company's board of directors, replacing Giancarlo Grasso. These appointments took effect from 1 January 2014.

9. For additional details, reference should be made to the "Directors' report on the corporate governance system and the implementation of the code of conduct for listed companies" for 2013.

The following table illustrates the composition of the board of directors in 2013.

BOARD OF DIRECTORS												Risk And Control Committee	Appointments And Remuneration Committee
Office	Members	In office since	In office until	List (M/m) *	Non-Exec. exec.	Indep. under the Code	Indep. under the Cons. fin. act	(%) **	Number of other offices ***	****	**	****	**
Chairman	ALESSANDRO PANSA	5 April 2011 ⁽¹⁾	6 May 2013 ⁽⁶⁾	M	X ⁽¹¹⁾	-	-	100	3	-	-	-	-
Chairman	LUIGI CALABRIA	6 May 2013	Shareholders' meeting approving the 2013 financial statements ⁽⁷⁾	.(9)	-	X	-	100	4	-	-	-	-
Deputy Chairman	GIANCARLO GRASSO	5 April 2011	31 December 2013 ⁽⁸⁾	M	-	X	-	91.66	1	-	-	-	-
CEO	SERGIO DE LUCA	5 April 2011 ⁽²⁾	31 December 2013 ⁽⁸⁾	M	X	-	-	100	-	-	-	-	-
Director	GIOVANNI CAVALLINI	5 April 2011	Shareholders' meeting approving the 2013 financial statements	m	-	X	X	100	3	-	-	X	100
Director	MAURIZIO CEREDA	5 April 2011 ⁽³⁾	Shareholders' meeting approving the 2013 financial statements	m	-	X	X	91.66	2	X	100	Chair-man	100
Director	PAOLA GIRDINIO	5 April 2011	Shareholders' meeting approving the 2013 financial statements	M	-	X	X	100	-	X	100	-	-
Director	BRUNO PAVESI	7 May 2012 ⁽⁴⁾	Shareholders' meeting approving the 2013 financial statements	-(10)	-	X	X	91.66	-	-	-	X	100
Director	TATIANA RIZZANTE	5 April 2011	Shareholders' meeting approving the 2013 financial statements	m	-	X	X	83.33	2	-	-	-	-
Director	ATTILIO SALVETTI	5 April 2011 ⁽⁵⁾	Shareholders' meeting approving the 2013 financial statements	M	-	X	X	100	-	Chair-man	100	-	-

(1) Appointed for his first term of office on 21 November 2005 and subsequently confirmed by the shareholders on 1 April 2008.
 (2) Co-opted by the board of directors pursuant to article 2386 of the Italian Civil Code on 14 June 2007 and subsequently confirmed by the shareholders on 1 April 2008. On 11 December 2013, Mr. De Luca resigned from the office of CEO and was appointed Chairman of the board of directors with effect from 1 January 2014.
 (3) Appointed for his first term of office on 14 June 2006 and subsequently confirmed by the shareholders on 1 April 2008.
 (4) Co-opted by the board of directors on 30 March 2012, replacing Director Filippo Milone, and subsequently confirmed by the shareholders on 7 May 2012.
 (5) Appointed for his first term of office on 24 March 2006 and subsequently confirmed by the shareholders on 1 April 2008.
 (6) Mr. Pansa was member and Chairman of the board of directors until 6 May 2013.
 (7) Mr. Calabria was appointed by the shareholders on 6 May 2013 as member and Chairman of the board of directors, replacing Mr. Pansa. On 11 December 2013, Mr. Calabria stepped down from the office of Chairman with effect from 1 January 2014.
 (8) On 11 December 2013, Mr. Grasso resigned from the office of member and Deputy Chairman of the board of directors with effect from 1 January 2014.
 (9) Mr. Calabria is not on any of the lists presented for the shareholders' appointment of the board of directors on 5 April 2011.
 (10) Mr. Pavesi is not on any of the lists presented for the shareholders' appointment of the board of directors on 5 April 2011.

NOTE
 * This column indicates M/m, showing whether the member was elected from a majority (M) or minority (m) list.
 ** This column indicates the percentage of director participation in board and committee meetings respectively during the period considered (no. of meetings attended/no. of meetings held during the term of office).
 *** This column indicates the number of offices of director or statutory auditor that the person holds in other companies listed on regulated markets, including those abroad, in financial, banking, insurance or significantly large companies. These companies are listed for each director in paragraph 4.1.7 of this report ("Other offices of director or statutory auditor held by Ansaldo STS directors").
 **** This column shows an "X" if the board member is on the committee.

BOARD OF DIRECTORS BY AGE AND GENDER	MEN	WOMEN
< 40	-	-
40-50	1	1
51-60	2	1
> 60	3	

Appointment of the board of directors

The company is managed by a board of directors consisting of at least seven and not more than 13 members. Before electing the board each time, the shareholders decide what the number of members will be within this range. The directors are appointed for a period of time not exceeding three years and can be re-elected pursuant to article 2383 of the Italian Civil Code.

In line with the amendments to the Consolidated finance act introduced by Law no. 120 of 12 July 2011, the current by laws – following the most recent changes made by the shareholders at the extraordinary meeting of 6 May 2013 – provide for mechanisms to ensure a balance of men and women on the boards of directors and statutory auditors, which will be applied upon the first three renewals of the board of statutory auditors after one year following the date when the aforementioned law takes effect (i.e. after 12 August 2012).

The directors are appointed by the shareholders during an ordinary meeting by voting for lists.

Each list must include two candidates who meet the independence requirements provided for by law, indicating them separately and placing one at the top of the list.

Furthermore, lists with a number of candidates equal to or more than three must include candidates of different genders, in accordance with the notice of call of the shareholders' meeting, so that the new board of directors is comprised of members of the least represented gender, in accordance with current legislation. In the event of fractions, the number is rounded up. If these obligations are not met, the list is considered as not having been submitted.

In order to ensure the effective participation of non-controlling owners in corporate management and the transparency of the selection and appointment process for directors, the by laws explicitly enable each shareholder to submit or participate in the submission of one list only, that each candidate can be presented in one list only or will be considered ineligible and that each rightful voter can vote for one list only.

The shareholders elect the Chairman of the board of directors, selecting the Chairman from among the members of the board. If the shareholders do not elect the Chairman, the Chairman is elected by the board itself. The board can also elect a Deputy Chairman, replacing the Chairman when the Chairman is absent or unable to chair the board.

For additional information on the appointment of the board of directors during the ordinary shareholders' meeting of 5 April 2011, reference should be made to the following page on the company's website¹⁰.

Directors' requirements and duties

Under the by laws, in order to take office as director, one must not only meet the requirements of honourableness provided for by current legislative and regulatory provisions (or any similar requirements established by equivalent provisions), but must also meet the specific requirements of professionalism indicated in the by laws.

In particular, candidates may not be appointed director of the company, and if they have been appointed, their term of office is considered immediately terminated, if they do not have at least three years of overall experience in the following:

- administration or supervision activities or managerial duties with companies with a share capital of at least €2 million;
- professional activities or university teaching as a full professor of legal, economic, financial or technical/scientific subjects closely related to the company's business activity; or
- senior management functions with public bodies or administrations active in the credit, financial and insurance sectors or, in any case, in industries which are closely related to the company's business activity.

This experience can be assessed on the basis of the candidates' curriculum vitae, which should contain exhaustive information on the personal and professional characteristics of each candidate and be available to the public, along

10. <http://www.ansaldo-sts.com/it/governance/consiglio-amministrazione/nomina>

with each list pursuant to article 144-octies.1 for the Issuers Regulation. The board of directors verifies that these requirements are met by each of its members.

Non executive directors

The board of directors is mainly comprised of non executive members (who have not been assigned any operating powers and/or management functions within the company) to guarantee, given the number of such directors and their degree of authority, that their judgment significantly influences board decisions.

Non executive directors bring their specific expertise to the table in board discussions, to support the examination of the matters considered from a different perspective and to encourage the adoption of well-pondered resolutions, in line with the company's interests. At present all members, except for the CEO and Chairman, are non executive.

Independence of directors

In the implementation of the provisions of the Code, following the appointment of the directors, i.e. after 5 April 2011, and on the basis of the statements made by each and available to the company, the board of directors has evaluated whether the independent directors are party to any relationships that could, or that could appear to, jeopardise their independent judgment. The findings of this evaluation were disclosed to the market in a press release on 5 April 2011. Subsequently, on 13 December 2011, 18 December 2012 and 16 December 2013, on the basis of the documentation submitted by each independent director, the board reviewed whether they still met the independence requirements provided for by the current legislative and regulatory provisions and pursuant to article 3 of the Code. In their review, the board applied all Code criteria. At the same time, on the basis of the statements made by the directors and considering the board's findings, the board of statutory auditors certified the board's evaluation of the independence of its members in accordance with the criteria. The independent directors met on 4 November 2013. The main purpose of the meeting was to examine the relationship between the Transportation Sector strategies of Finmeccanica, which manages and coordinates Ansaldo STS, and the company's strategic plan.

Board of directors activities and assessment of its functioning

In 2013, the board held 12 meetings. Any absences were duly justified. Twelve meetings are already scheduled for 2014. Since the start of 2014, the board met on 29 January 2014, 20 February 2014 and 7 March 2014.

The average length of the board's meetings in 2013 was approximately three hours.

The meetings of the board of directors saw the participation, depending on the items on the agenda, of the Chief Financial Officer, the Internal Audit Manager, the company's Risk Manager, the Corporate Affairs & Group Insurance Manager and, upon the Chairman's recommendation, other company managers, in order to provide suitable details on the items on the agenda.

In 2013, the secretary of the company's board of directors participated in board meetings and the Corporate Affairs & Group Insurance function manager, the lawyer Grazia Guazzi, participated in all board meetings in that role.

In accordance with the by laws, the board of directors meets whenever the Chairman, or another member in his place, deems it necessary, or upon the written request of the majority of board members.

In 2013, Ansaldo STS' board of directors conducted the third evaluation of the board and committees of its mandate, which was the eighth time the board's evaluation process was carried out.

The evaluation process was carried out in accordance with the recommendations of article 1.C.1.g) of the Borsa Italiana's Code of Conduct for listed companies, and in line with international best practices. For 2013, the board decided to draw on the professional assistance of an advisory company that has not had any current or recent professional or business relationships with Ansaldo STS, based on the belief that the assistance of an external, independent and specialised advisory company can encourage better discussion with directors and offer other best practice perspectives.

The evaluation was carried out through a series of personal interviews with each board member, the Chairman of the board of statutory auditors and the Secretary of the board of directors, as well as by participating in several meetings of the board of directors and those of its internal committees. In addition, the minutes of the meetings of the board and its committees in 2013 and early 2014 were analysed. Furthermore, the evaluation entailed comparison with Italian and foreign companies with similar ownership structures to Ansaldo STS.

The advisory company shared the directors' positive opinion of the functioning of the board and its committees, in accordance high standards of professionalism, and confirmed the high level of compliance with the guidelines of the Code of Conduct, in application of international corporate governance best practices.

COMMITTEES

In order to increase the efficiency and effectiveness of the work of the board of directors, the risk and control committee and the appointments and remuneration committee have been established within the board and in accordance with the criteria of the code of conduct that the company has implemented.

In this respect, following the approval of the new Code of Conduct in December 2011, the company approved the adoption of the principles in the updated Code, thereby updating its corporate governance system to meet the new provisions.

Specifically, on 18 December 2012, the company decided, *inter alia*: (i) to set up an appointments committee, grouping it together with the previously established remuneration committee and naming the new committee - vested with the dual function - the "appointments and remuneration committee", approving its regulation; and (ii) modifying and redefining the duties and functions of the different parties involved in the company's internal control and risk management system, also aligning their names with the new code of conduct. In this context, in particular, the board named the internal control committee the "risk and control committee" and approved its regulation.

Risk and control committee

The risk and control committee currently in office is comprised of three directors, who are all executive and independent. They are the directors Attilio Salvetti (Chairman), Maurizio Cereda and Paola Girdinio. The committee, initially appointed by the board of directors on 5 April 2011, was confirmed by the board on 18 December 2012 when the committee adopted the new Code of Conduct. Pursuant to the Code, at the time of the appointment, the board of directors examined the accounting and financial experience of the committee's Chairman, Attilio Salvetti, and the members Maurizio Cereda and Paola Girdinio, and deemed adequate Maurizio Cereda's experience.

The committee meetings are managed by an internal regulation which was last modified by the board on 18 December 2012, in accordance with the new Code of Conduct dated December 2011. The regulation, in its updated version, is available on the company's website¹¹.

The risk and control committee has advisory, proposal and preliminary preparation functions on behalf of the board of directors, mainly in relation to the definition of guidelines for the internal control and risk management system and the periodic evaluation of the adequacy and effective functioning of the organisational structure of such system.

Specifically, the committee is responsible for verifying the functioning and adequacy of the internal control and risk management system, as well as the effective compliance with procedures and internal directives adopted to both ensure sound and efficient management and identify, prevent and manage, insofar as possible, financial, operational and fraud risks to the detriment of the company.

Appointments and remuneration committee

In accordance with the provisions of article 37 of the market regulation, all members of the appointments and remuneration committee are non executive and independent.

The members of the committee initially appointed by the board of directors on 5 April 2011 (which at the time was required to act as the remuneration committee only) were the non executive and independent directors Maurizio Cereda (Chairman), Giovanni Cavallini and Filippo Giuseppe Maria Milone.

11. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadpage/7_regolamento_comitato_controllo_e_rischi_clean.pdf

In accordance with article 6.P.3 of the Code of Conduct, when the committee members were appointed, the company's board of directors verified and certified that the directors Maurizio Cereda and Giovanni Cavallini had accounting and financial expertise and experience.

Following the resignation of Filippo Milone, who was replaced by the independent director Bruno Pavesi, the latter was also appointed to the committee when he was first co-opted on 30 March 2012 and later, being confirmed by the shareholders on 7 May 2012, he was appointed by the board of directors on 23 May 2012.

After Bruno Pavesi's appointment, the committee's members are Maurizio Cereda (Chairman), Giovanni Cavallini and Bruno Pavesi. This composition was last confirmed by the board of directors on 18 December 2012, when the appointments committee was set up and integrated with the pre-existing remuneration committee.

At present, the appointments and remuneration committee is therefore composed of the independent directors Maurizio Cereda (Chairman), Giovanni Cavallini and Bruno Pavesi.

The committee's activities are managed by a regulation in line with the code of conduct. The board approved the regulation on 29 January 2007 and it was later modified on 12 May 2008, 5 March 2012 and 16 December 2012.

The regulation is available on the company's website¹².

With respect to the code of conduct committee's functions for both its role in the appointment of directors and remuneration, reference should be made respectively to articles 5 and 6 of the code, which can be found on the Borsa Italiana S.p.A. website¹³.

Directors' remuneration

Information on the remuneration of key managers is given in the remuneration report, which is prepared pursuant to articles 123-¹⁴ ter of the Consolidated finance act and 84-quater of the Issuers' regulation, published on the company's web site and made available to the public in the other ways provided for by current legislation. On 5 March 2013, the company's board of directors, with the prior approval of the appointments and remuneration committee, approved the company's remuneration policy for 2013 and Ansaldo STS' remuneration report, prepared pursuant to article 123-ter of the Consolidated finance act. The first section of the report illustrates the company's remuneration policy and the procedures followed to adopt and implement this policy and it was therefore put to a non-binding vote by the shareholders on 6 May 2013, in accordance with article 123-ter.6. The shareholders approved the report.

Furthermore, on 20 February 2014, upon the proposal of the appointments and remuneration committee, the board of directors approved the remuneration policy for 2014.

The 2014 remuneration policy is substantially the same as the 2013 remuneration policy, with only the following changes:

- it now considers the creation of the position of General Manager in the company's organisational chart and the assignment of this office to the CEO;
- in line with the proposed resolution to be submitted for the shareholders' approval during the meeting scheduled for 15 April 2014, there is a provision for the CEO's remuneration pursuant to article 2389.3 of the Italian Civil Code to be determined in accordance with the provisions of article 23-bis of Law no. 201/2011 on the reduction in the fees of directors with duties in listed companies controlled by public administrations. Moreover, the company had already implemented this adjustment when the CEO and General Manager, Mr. Siragusa, was appointed with effect from 1 January 2014;
- except in cases of dismissal for just cause or voluntary resignation, an end-of-office indemnity and/or non-renewal indemnity equal to not more than 24 months of total remuneration, considering the various circumstances, is provided for the offices of CEO and General Manager.

Furthermore, on 20 February 2014, considering the opinion of the appointments and remuneration committee, the board of directors also provided for a new identification of key managers, determining that they are the company's Chief Operating Officer and the managers of the "mass transit and railway" and "freight" activities. Accordingly, they are also included in the remuneration policy approved by the board.

Finally, on 7 March 2014, the board of directors approved, with the prior approval of the appointments and remuneration committee, the remuneration report pursuant to article 123-ter of the Consolidated finance act. In accordance with the aforementioned article 123-ter.6 of the Consolidated finance act, at the ordinary shareholders' meeting to be called to approve the draft financial statements at 31 December 2013, the shareholders will be asked to express their favourable or unfavourable opinion on the first section of the remuneration report, provided for by article 123-ter.3, illustrating the remuneration policy for members of the board of directors and key managers for 2014 and the procedures followed to adopt and implement the policy.

With respect to the remuneration of Ansaldo STS' directors for 2013, reference should be made to the second section of the remuneration report approved by the board of directors on 7 March 2014, available on the company's web site¹⁵.

The incentive systems for the Internal Audit Manager and the manager responsible for financial reporting are consistent with the duties assigned to them.

BOARD OF STATUTORY AUDITORS

The statutory auditors are appointed by the shareholders during an ordinary meeting by voting for lists.

In line with the amendments to the Consolidated finance act introduced by Law no. 120 of 12 July 2011, the current by laws – following the most recent changes made by the shareholders at the extraordinary meeting of 6 May 2013 – provide for mechanisms to ensure a balance of men and women on the boards of directors and statutory auditors, which will be applied upon the first three renewals of the board of statutory auditors after one year following the date when the aforementioned law takes effect (i.e. after 12 August 2012).

As with the presentation of lists of candidates for the appointment of members of the board of directors, if a list of candidates for the office of statutory auditor is not submitted within the above term, the lists will be considered as not having been submitted.

The lists include the names of one or more candidates, and their number may not exceed the number of members to be elected. Each candidate can be presented in one list only or will be considered ineligible.

Lists are divided into two sections: one for candidates for the office of standing statutory auditor and one for candidates for the office of substitute statutory auditor. The first candidate in each section must be registered with the roll of certified auditors and have at least three years of experience in the performance of legally-required audits.

Furthermore, the lists that, considering both sections, include a number of candidates equal to or greater than three must also include, for both the first two candidates on the list for standing statutory auditors and the first two candidates on the list for the replacement statutory auditors, candidates of different genders.

The Chairman of the board of statutory auditors appointed is the standing statutory auditor elected by the minority, unless only one list is voted for or no list is submitted. In these cases, the shareholders appoint the Chairman of the board of statutory auditors according to the legal majorities.

The agenda for the ordinary shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2013 will include, inter alia, the appointment of the board of statutory auditors for the 2014-2016 three-year period.

12. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/5_regolamento_comitato_nomine_e_remunerazione_clean.pdf
13. http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codicecorpgov2011clean_pdf.htm.
14. <http://www.ansaldo-sts.com/it/governance/assemblea-azionisti/assemblea-azionisti-2014>

15. <http://www.ansaldo-sts.com/it/governance/assemblea-azionisti/assemblea-azionisti-2014>

To date, the company’s board of statutory auditors consists of three standing statutory auditors and two substitute statutory auditors. It was appointed by the shareholders on 5 April 2011, in accordance with the by laws in effect at that time.

The statutory auditors currently in office are Giacinto Sarubbi, Renato Righetti and Massimo Scotton.

During the year, the board held 15 meetings. It held three meetings between the start of 2014 to the date of this report.

The following table provides information on the attendance of each statutory auditor at the meetings of the board of statutory auditors and the board of directors in 2013:

Members	Board of statutory auditors attendance	Board of directors attendance
Giacinto Sarubbi	15/15	12/12
Renato Righetti	14/15	11/12
Massimo Scotton	13/15	11/12

The board of statutory auditors is responsible for monitoring:

- compliance with the law and by laws;
- compliance with the policies of correct administration;
- the adequacy of the company’s organisational structure in the areas for which it is responsible, the adequacy of the internal control system and the administrative/accounting system, and the latter’s reliability in correctly reflecting operations;
- the actual implementation method of the corporate governance rules established by the codes of conduct prepared by the companies that manage regulated markets or trade associations, with which the company is required to comply through public disclosure;
- the adequacy of the company’s instructions to its subsidiaries pursuant to article 114.2 of the Consolidated finance act;
- the financial disclosure process;
- the efficiency of internal control, internal audit and risk management systems;
- the legally-required audit of the annual separate and consolidated financial statements;
- the independence of the independent auditors or independent audit company, particularly with respect to the provision of non-audit services to the company;
- the compliance of the company’s related party-transaction procedures with the policies of the related-party regulation and their compliance, reporting to the shareholders in this respect pursuant to article 153 of the Consolidated finance act.

Internal control and risk management system

Ansaldo STS’ internal control and risk management system provide for the involvement of the following officers:

- Board of directors;
- Director responsible for the internal control and risk management system;
- Risk and control committee;
- Internal Audit Manager;
- Manager in charge of financial reporting pursuant to Law no. 262/2005;
- Supervisory body set up in implementation of Legislative decree no. 231 of 8 June 2001;
- Board of statutory auditors.

With the assistance of the risk and control committee and also on the basis of the activities of the director responsible for the internal control and risk management system, the board of directors defines guidelines for this system, so that the main risks to which the company is exposed are correctly identified and adequately measured, managed and monitored. It also determines the degree of compatibility of such risks with business management in line with the strategic objectives identified. In addition, within the scope of the definition of strategic business and financial plans, the board of directors defines the nature and level of risks, in accordance with the issuer’s strategic objectives. The methodological approach taken to evaluate and manage the internal control and risk management system refers to the internationally recognised Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report).

In order to ensure that the conduct of all those operating on the company’s behalf or in its interests is always consistent with the principles of correctness and transparency in business dealings and company activities, Ansaldo STS has adopted an organisational, management and control model (the “Model”) in line with the requirements of Legislative decree no. 231/01 and the guidelines issued by Confindustria, Italy’s main organisation representing Italian manufacturing and service companies. The code of ethics is an integral part of this Model. The company has also set up a supervisory body to monitor application of the Model.

The model was last updated by resolution of the board of directors on 26 June 2013 to reflect the changes introduced by Law no. 190 of 6 November 2012 (also known as the anti-corruption law), which, in particular, adds corruption among people, the illicit inducement to give or promise gifts to the list of crimes covered and the hiring of non-citizens illegally in the country to the list of crimes covered by Legislative decree no. 109 of 16 July 2012. The Model is available on the company’s web site.

Ansaldo STS S.p.A.’s supervisory body has several members, including two external members, one of whom serves as Chairman, and both of whom were selected among academics and professionals with demonstrated expertise and experience in legal, economic and financial issues, as well as one internal member who is the interim Corporate Affairs Managers. The board of directors approved the current composition of the supervisory body on 6 May 2013, providing for the presence of two external members to further accentuate the board’s independence and autonomy.

Any conduct contrasting with the ethical principles described in the code of ethics or the indications in the organisational, management and control model pursuant to Legislative decree no. 231/01 can be anonymously reported to the supervisory body, which evaluates the reports in accordance with the relevant company procedure currently in place. In this respect, in 2013, no reports were made and no sanctions were imposed following violations pursuant to Legislative decree no. 231/01.

Organisational structure

Ansaldo STS boasts an integrated, global organisation capable of providing an adequate response to demand for standardised solutions in the railway transportation market and, in particular, the signalling technology market.

It has four key pillars:

Business Driven	Organisation focused on business
Strategic centre	Strategic management model founded on a strong, centralised guide
Efficient	Industrialisation of the executive methods and globalisation of R&D activities to develop a standard product portfolio
Global	Global management of the procurement process

and is based on the coexistence of:

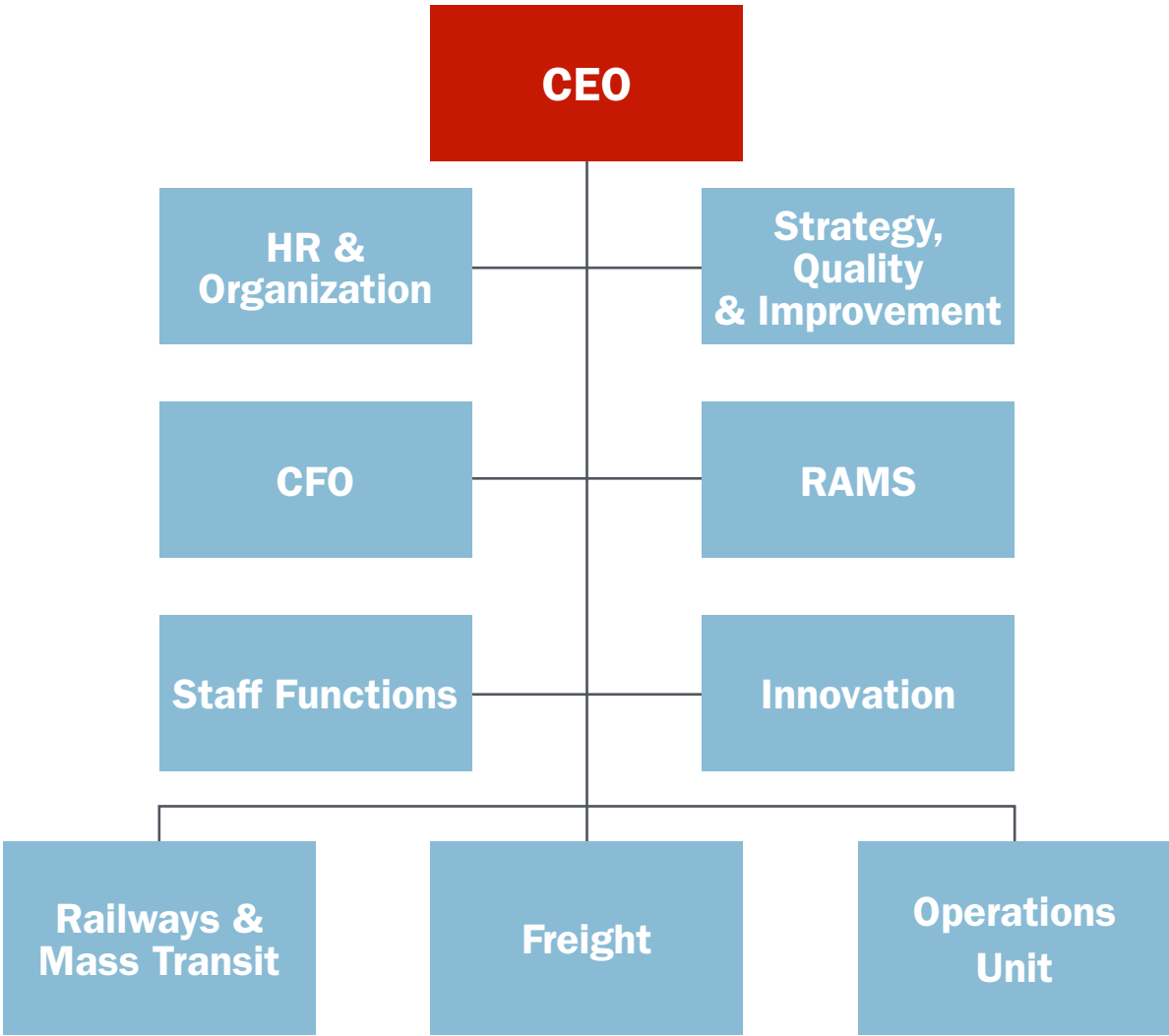
- **organisation:** organisational units with specific professional areas of expertise;
- **team-based organisation:** functional teams that aim to achieve an objective in order to ensure the effective and efficient functioning of the main business processes: offer, execution, development and innovation.

Organisation

Over the past few years, the market has become increasingly dynamic and competitive, seeing a progressive consolidation of market leaders of ever larger sizes through mergers and acquisitions involving companies in the sector. This trend, along with the need to update to competitive pressure on prices and the standardisation of products and technical solutions, has led Ansaldo STS to decide to revise its organisation to further improve efficiency and effectiveness.

- The following are the main elements underpinning the organisational review in September 2013:
- clear organisational identification of a strategic unit directly reporting to the CEO with responsibility for defining strategic guidelines relating to business development and management of the product/technical solution portfolio on Ansaldo STS' markets;
 - identification and organisational segregation of business/project management from the technical performance of projects;
 - identification and clear segregation of the businesses that currently characterise Ansaldo STS' offer: Railway/ Mass Transit and freight transportation;
 - clear organisational identification of a unit directly reporting to the CEO with direct responsibility for safety/RAMS ("Reliability, Availability, Maintainability & Safety");
 - Human Resources (HR & Organisation Unit), Administration, Finance and Control (CFO Unit) and Staff Functions increasingly focused on generating value by acting as business partners to facilitate and support the achievement of the company's short, medium and long-term objectives.

Accordingly, the main structure consists of the following organisational units directly reporting to the CEO:



Railways & Mass Transit and Freight

- They are responsible for managing the performance of both projects and sales activities at global level, in line with the centrally-defined strategic guidelines.
- They are organised by market areas referred to as regions. Each region covers a geographical area in which Ansaldo STS currently has projects underway.
- They have a central organisational unit responsible for performing or coordinating the bidding activities in the individual regions.
- They perform sales activities for business expansion/development on markets not yet covered (new geographies) by implementing the strategic guidelines defined by the central Strategy, Quality & Improvement unit.

The Operations unit

is responsible for:

- developing and managing the product/platform/application portfolio by implementing the strategic guidelines defined by the central Strategy, Quality & Improvement unit;
- identifying and implementing efficiency-improvement activities and programmes, which, in line with the Group's strategic guidelines, ensure continuous improvement in the efficiency and effectiveness of the implementation and development of technical products/solutions;
- providing the business management with all parts, systems and services to optimise procurement and production times and costs;
- managing technical resources;
- ensuring the implementation of shared processes, procedures and tools;
- ensuring the capitalisation and exchange of knowledge.

Team-based organisation

Collaboration, management of work groups and a process-based approach are key factors in the successful implementation of the business strategy, as no single organisational unit has all the necessary levers to achieve business targets.

The organisational structure defines structured, formalised teams that operate in key processes: the Bidding Team, the Project Team, the Development Team and the Innovation Team.

The teams are created with the assignment of people from the relevant operating units who have the necessary skills for the projects. The teams work as levers in the management of interdependencies, interfaces and conflict, and ensure coordination between units. The aim is to ensure a deep focus on customers, efficiency and standardisation of processes and flexibility. Each team is led by a Team Manager with ultimate responsibility for the team's output and coordinates the team's resources.

Depending on the scope of the work and the requirements, the hierarchical function or centre managers select team members. Each team member is assigned a specific job and responsibility for identifying the required resources. Once they have joined a team, the members answer to the team manager with respect to deadlines, costs and the quality of the output.





The environment, health and safety

Environmental policy

Integrated management system

Environmental training

Climate change

The Carbon Management System

Carbon disclosure project (CDP)

Environmental performance

Health and safety

The environment, health and safety

Ansaldo STS is aware of the fact that carrying out its business in social, environmental and cultural contexts that often differ widely requires a commitment to pursue the common goal of sustainable economic development in terms of the direct consequences that its business could have and its spheres of influence.

Environmental policy

Ansaldo STS’ environmental policy is based on the application of UNI EN ISO 14001:2004 requirements and those of other relevant international standards, total compliance with applicable domestic and international legislation, developing a programme focused on the continuous improvement of environmental standards. The policy is shared with all Ansaldo STS personnel and all concerned parties online and via the company intranet.

Internally, in line with its mission, Ansaldo STS involves all personnel in the reduction and control of the environmental impact of its business, by clearly defining objectives and accountability. In this way, Ansaldo STS aims to be recognised as one of the best companies for the safeguarding and protection of the environment.

Ansaldo STS undertakes to:

- sustainably manage natural resources and energy, enhancing their use and devoting specific attention to reducing waste;
- improve its activities to reduce its overall environmental impact in terms of greenhouse gas emissions;
- comply with the legal requirements applicable to its processes by formalising procedures that foster awareness of the relevant legislative framework;
- prevent environmental pollution;
- identify significant direct and indirect environmental aspects for its office and work sites to control and monitor their impact on the environment;
- involve and update personnel, suppliers and subcontractors on environmental issues;
- improve environmental performance by achieving benchmarks and objectives that are increasingly ambitious, in line with technological developments in the sector and the budget;
- define indicators to facilitate performance monitoring;
- begin open dialogue with the public authorities, communities and the public to understand real environmental impact and collaborate on updating environmental regulations;
- prepare the annual Sustainability Report, as the essential tool for informing and communicating steps taken and planned to protect ecosystems and minimise environmental impact in both qualitative and quantitative terms.

Integrated management system

Ansaldo STS has implemented an integrated management system (IMS) for the environment, safety and quality, establishing corporate policies and global procedures to ensure the controlled management of processes and activities relating to safety in the workplace and environmental protection. Each company subsequently established, on the basis of legislative requirements and corporate policies and procedures, local environmental and safety policies, undertaking to achieve the following objectives:

- ensure compliance with legal requirements applicable to their processes in the various countries in which the subsidiaries are required to operate, by formalising procedures that facilitate awareness of the relevant legislative framework;
- identify direct and indirect environmental aspects to reduce and control not only their impact on the environment but that of their suppliers and partners as well;
- define key indicators to facilitate performance monitoring.

With Ansaldo STS’ adoption of the organisational model pursuant to Legislative decree no. 231/01, the Model’s principles have been integrated in the environmental management system, for the purpose of identifying the actual operating solutions that could be applied. The convergence elements for the organisational model’s application to the management system are:

- the definition of roles, duties and responsibilities within the scope of activities for office and work sites;
- the definition of methods to identify environmental aspects and risks for the health and safety in relation to activities, products and services;
- the definition of procedures and instructions for environmental and/or safety aspects that fall within the scope of application of Legislative decree no. 231/01.

At 31 December 2013, all 22 production and office sites have received quality certification, 17 of which for health and safety and 20 for the environment, and one production site (Tito) is EMAS registered (Eco Management and Audit Scheme). By 2014-15, Ansaldo STS plans to expand ISO 14001 and OHSAS 18001 certification to all the main legal entities that have not yet been certified.

COUNTRY	NON-PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
UNITED KINGDOM	Bravington House	yes	yes	yes
FRANCE	Les Ulis	yes	yes	yes
SPAIN	Madrid	yes	yes	yes
SWEDEN	Solna	yes	yes	yes
ITALY	Genoa	yes	yes	yes
	Naples	yes	yes	yes
	Piossasco	yes	yes	yes
US	Pittsburgh	yes	yes	2014
	Brisbane	yes	yes	yes
	Kolkata	yes	yes	yes
	Noida	yes	yes	yes
	Bangalore	yes	yes	yes
	Karratha	yes	yes	yes
	Kuala Lumpur Office	yes	2015	2015
	Kuala Lumpur Factory	yes	2015	2015
	Newcastle	yes	yes	yes
	Perth	yes	yes	yes
	Sydney	yes	yes	yes
	Ontario – Canada	yes	yes	2014
COUNTRY	PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
US	Batesburg	yes	yes	2014
FRANCE	Riom	yes	yes	yes
ITALY	Tito	yes	yes+EMAS	yes

Scope of application of the environmental management system

The environmental management system that the Ansaldo STS companies have adopted is applied to the following:

- **PRODUCTION SITES** for the manufacturing of products to be used in safety, control and monitoring systems supplied by Ansaldo STS.
- **OFFICES** (non-production sites) mainly for signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection;
- **WORK SITES.** *Ansaldo STS’ direct activities at work sites relate to management and coordination, surveillance and control of production, commissioning and roll-out of plant and delivery to the customer. With respect to environmental issues as a result of such activities, Ansaldo STS operates in accordance with an environmental site management procedure, based on an initial environmental analysis of the work to be performed at the site, prepared and agreed with the subcontractors. Following initial analyses, a monitoring plan is prepared to continuously ensure legal compliance and that all opportunities are taken to limit the environmental impact that the opening of any site inevitably entails.*

The environmental management system takes into account both **direct impact**, i.e., the impact of Ansaldo STS companies’ operations, and **indirect impact**, i.e., impact associated with purchasing, design and product supply processes.

DIRECT ENVIRONMENTAL IMPACT

The following areas have been defined on which to take action:

- **building and company structure management:** this management is increasingly performed in order to combine ongoing improvement in workers’ operating comfort with the efficient use of natural resources. To minimise the negative environmental impact, the company seeks to reduce **electricity and water consumption** and **more efficiency management of waste**, with an increase in the separation of waste.
- **company travel management.** Ansaldo STS’ travel policy provides for the containment of trips by increasing the use of videoconferencing and teleconferencing, e-learning courses and privileging the use of public or collective transportation (company shuttles and car pooling).

INDIRECT ENVIRONMENTAL IMPACT

The following areas have been defined on which to take action:

- **procurement economy:** to ensure the integrity of supply chains, Ansaldo STS provides for operational mechanism (such as penalties applied to violations that, as a maximum, can entail the cancellation of contracts) to ensure compliance with applicable regulations concerning safety and health in the workplace and the protection of the environment, as well as Ansaldo STS’ ethical principles, by its suppliers and their procurement chains.
- **product ecology:** to encourage its customers’ adoption of ecologically sustainable practices, Ansaldo STS is constantly committed to providing the best and safest products and the best system solutions, using the best design methodologies and procedures and the best possible manufacturing methods and processes, in line with its aim of reducing energy consumption and environmental impact.

Environmental training

Ansaldo STS’ environmental training path has been implemented with the cooperation of training needs managers (TNMs). This initiative is aimed at identifying resources who can serve as contacts for Human Resources in the definition of specific training/development plans for their operational structures, in order to facilitate the understanding of the specific needs of each operational unit and make it possible to define projects that more accurately target their actual needs. TNM is distinguished by its concept of “Community”, which translates into encouraging the creation of a network to reduce geographical distances.

In 2013, Ansaldo STS carried out training and information sessions to draw attention to:

- the procedures and requirements of the environmental management system;
- the significant, real or potential environmental impact of activities and the environmental benefits of improving individual performance;
- the roles and responsibilities needed to achieve compliance with the environmental policy and the procedures and requirements of the environmental management system, including preparing for emergency situations and response capacity;
- the potential consequences of not complying with the operating procedures specified.

The training sessions are held by personnel competent in the relevant field. The specialised technical focus of the training demonstrates Ansaldo STS’ aim of targeting, in particular, operating positions involving duties and activities that are potentially critical in terms of the environment. In 2013, 1,494 hours of training were provided, up 44% from 2012.

ENVIRONMENTAL TRAINING	2013	2012	CHANGE
Total hours of environmental training	1,494	1,041	+ 44%

HSE WEB COMMUNITY

Ansaldo STS participates in **HSE WEB Community**, Finmeccanica’s website for all HSE contacts within the group companies. The “*Environment Library*” and “*Health And Safety Library*” sections of the website include documentation, guidelines, best practices, case studies, technical and regulatory presentations on the environment and health and safety. Each quarter, Ansaldo STS participates in the periodic operating meetings organised by Finmeccanica. These meetings constitute an essential element in the sharing of group guidelines, best practices, for the development of synergies between Ansaldo STS’ companies and to introduce technologically innovative, process and contractual elements, with specific regard to:

- the management of environmental aspects: In 2013 Ansaldo STS published and distributed the following guidelines: waste management, atmospheric emission management on the FNM group’s websites, water management, management of fluorinated greenhouse gases on the FNM group’s websites, CO₂ and climate change, environmental disaster management, hazardous material management, asbestos risk management, assessment of the condition of asbestos roofs and, for risk assessment, AEE guidelines and underground tank guidelines;
- Legislative updates on the environment and court of cassation judgments.

INTRANET - ENVIRONMENT, HEALTH AND SAFETY

How We Work is the Intranet section that includes HSE disclosures, broken down into three parts: International Standards And Requirements, Global HSE Documentation and Local HSE Documentation.

The first part relates to international standards and requirements, while the second contains all the documentation (procedures, instructions, manuals, formats and templates) applicable around the world with an impact on the environment, health and safety. The third part, Local HSE Documentation, is in turn broken further down by company, as it gathers legislation and documentation (relating to the system and other aspects) applicable at local level only.

The HSE Coordinator guarantees that content is consistent and compliant with Ansaldo STS requirements and constantly interfaces with the HSE Manager of each individual company.

At present, certain countries have implemented certified management systems. The aim for 2013 is to implement information on all Ansaldo STS legal entities.

Climate change

Ansaldo STS sees climate change mainly as an opportunity. As part of this approach, Ansaldo STS analyses the potential impact of its strategic climate change decisions in the short, medium and long-term, in order to find opportunities for developing the business and improving its efficiency and identify risks in respect of which it must take adequate mitigation measures.

To this end, it has identified certain situations of particular focus and stimulus in relation to climate change:

- 1. **Climate change** – The increased frequency and seriousness of catastrophes entail a careful search for efficient and safe solutions to a potential increase in operating costs.
- 2. **Changes in legislation and/or standards** – This is a strategic lever in the long-term, and it relates to both the business model and revenue flows. Over the next few years, we expect changes in local or domestic energy efficiency requirements to push for new solutions throughout this sector.
- 3. **Greater awareness of climate change issues** – This increases the impact on customers' and consumers' behaviour, driving up demand for the design and implementation of eco-friendly transportation solutions, with an impact on reputation as well, given the ability of players in this field to take measures that limit the effects of climate change or efficiently respond to widespread public concerns.

In short, opportunities are created by the necessary abilities to react, plan and implement for:

- Greater market competitiveness: new behaviour, due to greater focus on environmental issues, could require Ansaldo STS to develop new products, processes or innovative approaches, which could create growth opportunities and boost business efficiency
- Greater sensitivity in the management of climate change
- Better financial returns

Commitment to fighting climate change

Ansaldo STS is committed to progressively reducing CO2 emissions in all of its processes. Its activities and initiatives to combat climate change are part of the environmental management system that Ansaldo STS has established at global level, developing a carbon management strategy based on the following principles:

- global approach: developing mechanisms that encompass the commitment of all Ansaldo STS sites;
- reasonable and feasible long-term objectives: it is crucial to establish a clear and realistic vision of the steps to be taken;
- support to the development of technologies: developing advanced technological solutions.

This strategy focuses mainly on three spheres of influence:

- in house activities and direct emissions from its sites (Scope 1 emissions);
- electricity suppliers and their operating emissions due to Ansaldo STS' activities (Scope 2 emissions);
- Ansaldo STS' supply chain and the emissions resulting from the production and delivery of goods and services (Scope 3 emissions).

The Carbon Management System

Since 2011, Ansaldo STS has implemented and renewed its commitment to reduce the greenhouse gas emissions produced directly and indirectly in the performance of its activities by applying the carbon management system (CMS), a system that enables it to monitor the carbon emission improvement process. This entails a planning, implementation and measurement process for emission reduction goals. An efficient carbon management policy will enable the company to reduce emissions, decrease consumption and reduce energy costs, thereby improving its budget, with the possibility of investing the savings in other areas.

The CMS has been developed in line with the relevant international standards. This system enables the company to perform:

- analyses of actual emissions produced;
- monitoring and reporting on emissions by type (Scope I, Scope II and Scope III);
- comparisons between historical data and forward-looking analyses;
- an assessment of the impact of products, in terms of emissions over their entire life cycle;
- economic/environmental analyses in relation to current regulations on emission reduction to determine assets' potential value at risk;
- the measurement of the effectiveness of emission reduction projects;
- communications on Ansaldo STS' emission reduction performance with the concerned parties, media, investors, rating agencies and other organisations.

Direct and indirect greenhouse gas emissions (GHG)

Ansaldo STS has decided to report direct and indirect emissions in accordance with the GHG protocol.

The protocol provides for the breakdown of emissions into three separate scopes:

Scope 1 – Emissions from the direct combustion of fossil fuels acquired for heating, the production of electrical and thermal energy and to fuel transportation vehicles. The sources of Scope 1 emissions are generally owned and controlled directly by the organisation.

Scope 2 – Emissions from the production of electrical energy imported and consumed by the organisation for electrical devices, heating and lighting inside buildings. The importers are directly responsible for the emissions generated by the supplier to produce the electrical energy required.

Scope 3 – Emissions other than indirect GHG emissions arising from energy consumption, which are due to the activities of an organisation but derive from GHG sources that are owned or controlled by other organisations. They include emissions from business travel, goods used, employee transit, etc. The limits of this Scope are agreed by the organisation, and Scope 3 generally only requires the inclusion of emissions that the organisation can quantify and influence.



Activities carried out to reduce the direct and indirect production of GHG

Within its team, Ansaldo STS has appointed a Carbon Manager, an Energy Manager and a Water Manager responsible for providing information and carrying out activities and projects with respect to energy savings at all the company's operating sites.

Travel Policy

Ansaldo STS' initiatives to improve employee travel include optimising travel paths, using carpooling and car sharing and promoting the use of public transportation and more sustainable means through its travel policy.

One of the effects of the travel policy can be measured by the considerable reduction in air travel, for both short, but especially long hauls, in 2013.

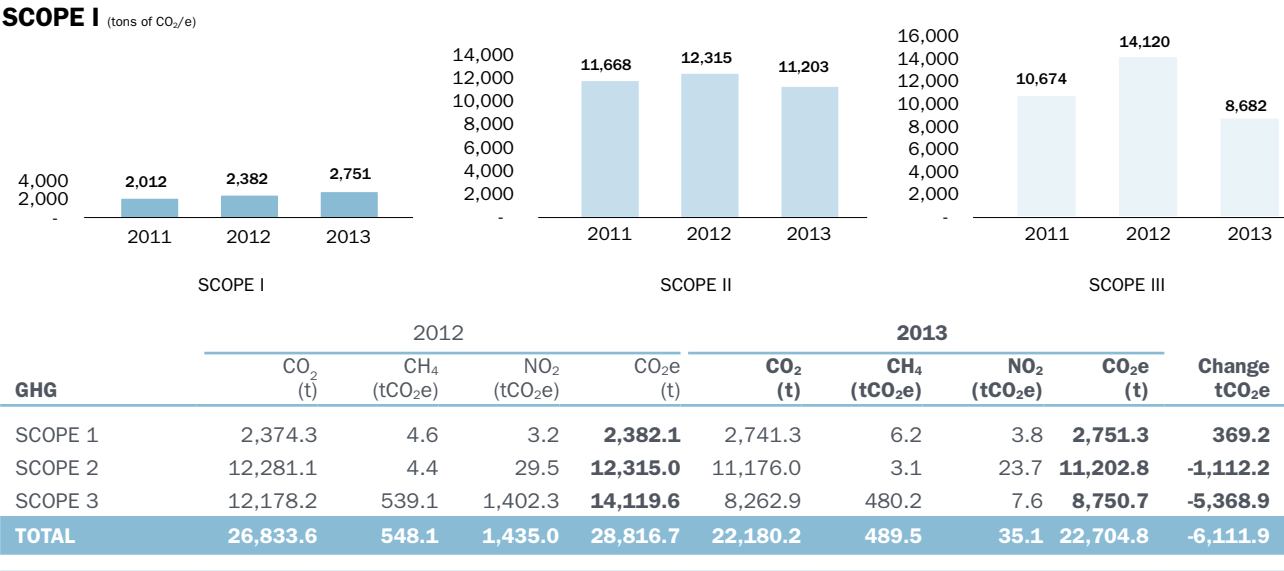
EMPLOYEES' FLIGHTS	2013	2012	2011
SHORT HAUL FLIGHTS (km)	20,426,543	22,018,810	40,198,773
LONG HAUL FLIGHTS (km)	26,776,605	44,099,355	25,378,957
TOTAL	47,203,148	66,118,165	65,577,730

Over the years, Ansaldo has implemented energy efficiency projects that have contributed to reducing energy consumption by nearly 20% in the period considered. Below are examples of steps taken by Ansaldo to reduce energy consumption:

- installation of energy-efficient lightning systems and the related electrical systems;
- increase in the energy efficiency of air conditioning and air treatment systems;
- elimination of or reduction in the use of transformers and air compressors;
- revision of the automated building management system to delay when the lighting system and air conditioning turns on in the morning and anticipate it in the evening;
- improvement in the data center's energy efficiency;
- affixing of signs to remind personnel to turn off lights, laptop computers and devices that consume energy;
- reduction in the number of vehicles used by the company;
- reduction in the total volume of waste sent to landfills by encouraging the use of low impact substances promoting the reduction, recovery and recycling of waste.

Results

The policies and initiatives described in 2013 have produced a reduction in the production of greenhouse gases mainly indirect (Scope 3). Overall, the production has increased from 28,817 tonnes to 22,705 tonnes of CO₂e which corresponds to a reduction of 6,112 tonnes of CO₂e.



In particular, Scope 2 emissions decreased by 1,112 tonnes of CO₂e and Scope 3 emissions by 5,369 tonnes.

The following table details the emissions recorded.

Greenhouse Gas	2012				2013				Change CO ₂ e (t)
	CO ₂ (t)	CH ₄ (t)	NO ₂ (t)	CO ₂ e (t)	CO ₂ (t)	CH ₄ (t)	NO ₂ (t)	CO ₂ e (t)	
SCOPE 1									
Natural gas	1,406.6	0.025	0.003	1,408	1,584.7	0.141	0.003	1,589	181
Fuel oil for cars, lorries and forklifts	749.7	0.030	0.006	752	1,017.0	0.137	0.008	1,022	270
Fuel oil for the production of energy and/or heat	86.2	0.003	0.001	87	82.5	0.011	0.001	83	-4
Petrol for cars, lorries and forklifts	124.1	0.005	0.001	125	50.4	0.007	0.000	51	-74
GPL to produce energy	7.7	0.000	0.000	8	6.6	0.001		7	-1
Fuel oil	-	0.153	-	3	-	-	-	-	-3
TOTAL	2,374.3	0.064	0.010	2,382	2,741.3	0.297	0.012	2,751	369
SCOPE 2									
Electrical energy consumption	12,280.7	0.212	0.095	12,315	11,176.1	0.146	0.076	11,203	-1,112
TOTAL	12,280.7	0.212	0.095	12,315	11,176.1	0.146	0.076	11,203	-1,112
SCOPE 3									
Emissions from employee flights	7,675.6	-	-	7,676	5,012.2			5,012	-2,663
Emissions from the transport of freight by roads	2,372.5	0.019	0.014	2,377	1,166.7	0.014	0.011	1,170	-1,207
Emissions from company cars under long term lease	1,201.4	0.002	0.004	1,203	987.7	0.004	0.004	989	-214
Emissions from the transport of cargo by sea	117.0	0.900	4.503	1,532	295.9	0.025	0.009	299	-1,233
Non-hazardous waste disposed of	-	15.376	-	323	-	11.803	-	248	-75
Emissions from company cars under short-term lease	230.5	0.000	0.001	231	242.9	0.000	0.001	243	12
Total iron and steel consumption	191.8	0.286	-	198	193.4	0.289	-	199	2
Natural gas	52.7	5.097	-	160	59.4	5.743	-	180	20
Fuel oil for cars, lorries and forklifts	51.6	2.178	-	97	69.9	2.951	-	132	35
Total paper consumption	142.6	-	-	143	109.8	-	-	110	-33
Emissions from the transport of cargo by air	105.9	0.000	0.001	106	85.0	0.000	0.000	85	-21
Total paper/cardboard packaging consumption	18.5	0.976	-	39	24.7	1.302	-	52	13
Fuel oil for the production of energy and/or heat	5.9	0.251	-	11	5.7	0.240	-	11	0
Hazardous waste disposed of	-	0.196	-	4	-	0.333	-	7	3
Petrol for cars, lorries and forklifts	9.1	0.383	-	17	3.7	0.156	-	7	-10
Incinerated waste	0.0	-	-	0	3.4	0.000	-	3	3
Total petrochemical consumption	1.7	0.008	-	2	1.7	0.008	-	2	0
Metallic recycled waste	1.4	-	-	1	0.9			1	-1
TOTAL	12,178.2	25.674	4.523	14,120	8,262.9	22.867	0.024	8,751	-5,369

In Scope 3, there was a 2,663 tonnes decrease in CO₂e (-35%) resulting from emissions from employee flights, a 1,207 tonnes decrease in CO₂e (-51%) in relation to the transport of freight by roads, a 214 tonnes reduction in CO₂e (-18%) due to the decreased use of company cars and a 1,232 tonnes reduction in CO₂e (-80%) due to the decrease in emissions arising from the transport of cargo by sea.

Carbon disclosure project (CDP)

Climate change is one of the most important sustainable development issues that countries face. This is why the United Nations Climate Change Framework Convention and Kyoto Protocols were signed, defining international guidelines to contrast this global phenomenon.

To publicly disclose its commitment to environmental sustainability, and with respect to the reduction of GHG emissions in particular, in 2011, Ansaldo STS signed the Carbon Disclosure Project, an international initiative supported by 655 institutional investors to gather information from leading companies worldwide on their emissions.

In 2011, the first year in which it participated in the CDP, Ansaldo STS scored 79/100, placing it among the top 10 companies for its commitment to environmental protection and the reduction of its impact on climate change, as demonstrated by the Accenture report for the CDP. This report specifically analysed answers on the basis of two parameters: the quality of information used to transparently disclose their policies on emissions (disclosures) and the quality of initiatives aimed at managing climate change (performance).

In 2012, the second year in which it participated in the CDP, Ansaldo STS scored 73/100.

In 2013, the third year in which it participated, Ansaldo STS **scored 76/100 for disclosures, with a performance grade of B (the highest being an A)**, improving its ranking on 2012 (73/100 disclosure score and D performance), ranking among the high scorers.

These scores were disclosed at the meeting held for the presentation of the Italy 100 Report 2013 in Milan, which discloses trends and developments in the monitoring and measurement of greenhouse gas emissions.

Environmental performance

The scope of the report considered to process environmental, health and safety performance comprises the 17 production and office sites of Ansaldo STS’ subsidiaries (Pittsburgh, Genoa, Brisbane, Les Ulis, Bangalore, Solna, Batesburg, Naples, Karratha, Riom, Kolkata, Kuala Lumpur, Piossasco, Newcastle, Noida, Tito Scalò and Perth)¹⁶: they are production and office sites with ten or more employees.

PRODUCTION SITES

There are sites in Tito Scalò, Italy, **Riom**, France and **Batesburg**, US, where electro-mechanical parts and electronic devices are produced to be used in railway safety, control and monitoring systems. Site activities include mechanical processing, the treatment of metallic and non-metallic materials, thermal treatments, superficial treatments and applying glue and resins.

They cover a total surface area of 203,330 square metres (Tito Scalò: 40,000 sqm, 21% of which covered; Riom: 17,000 sqm, 30% of which covered; Batesburg: 146,329 sqm, 13% of which covered). Employees total 381 (-15.7%) (126 in Batesburg, 133 in Tito Scalò and 122 in Riom). In 2013, they worked a total of approximately 658,610 hours (-29.7%) (262,000 hours in Batesburg, 238,552 hours in Tito Scalò and 158,058 hours in Riom).

OFFICE SITES

There are 14 non-production sites where activities mainly consist of signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection.

In geographical terms, the non-production sites are located in the following places:

- three in Italy: Genoa, Piossasco (Turin) and Naples;
- two in Europe: Les Ulis (France) and Solna - Stockholm (Sweden);
- one in the US: Pittsburgh;

- eight in Asia Pacific: Brisbane, Perth, Karratha (specific site to support the local customer’s site) and Newcastle (Australia); Kuala Lumpur (Malaysia); Bangalore, Noida and Kolkata (India).

Non-production sites cover a total surface area of 161,121 square metres, with 3,505 workers (+9.4%), for a total number of hours worked in 2013 of 6,716,634 -3.9%).

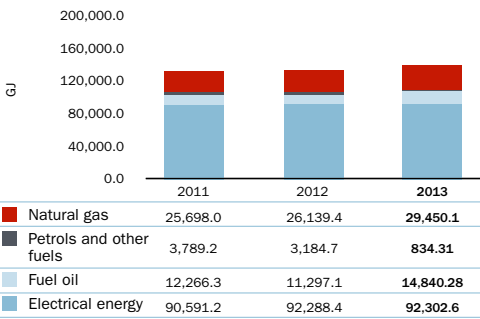
None of the 17 Ansaldo STS sites is subject to the IPPC (Integrated Pollution Prevention and Control) directive. The Batesburg and the Tito sites are located in an area that is included in the list of contaminated sites of national interest.

Energy consumption

Energy consumption is an environmental aspect that is assessed and measured at all Ansaldo STS sites and when the environmental aspects of sites and the construction of civil and technological works are analysed. To meet its production and operating requirements, in 2013, Ansaldo STS consumed a total of 137,427.28 GJ of energy (+3% compared to 2012). This consumption may be broken down as follows: electricity from the grid: 67%, natural gas: 21%, fuel oil to produce energy and for fuel vehicle traction: 11%, petrol and other fuels: 0.61%.

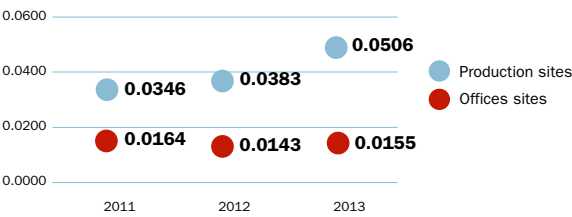
	PRODUCTION SITES			OFFICE SITES		
	2013	2012	2011	2013	2012	2011
Electricity (kWh)	7,913,398.0	7,640,153.0	7,912,208.0	17,726,216.7	17,995,517.5	17,252,010.4
Electricity (GJ)	28,488.2	27,504.6	28,483.9	63,814.4	64,783.9	62,107.2
Natural gas (Nm3)	126,594.8	136,625.4	162,053.8	714,114.9	609,573.6	571,545.6
Natural gas (GJ)	4,434.6	4,786.0	5,676.7	25,015.4	21,353.4	20,021.2
Petrol and other fuels (t)	8.4	8.9	6.9	10.6	64.0	79.8
Petrol and other fuels (GJ)	368.9	386.8	302.9	465.4	2,797.9	3,486.3
Fuel oil (t)	1.0	1.0	1.4	347.2	102.8	286.4
Fuel oil (GJ)	42.6	43.5	60.5	14,797.6	4,380.6	12,205.8
TOTAL (GJ)	33,335.0	32,720.8	34,524.0	104,092.8	93,315.8	97,820.6

Total energy consumption (GJ)

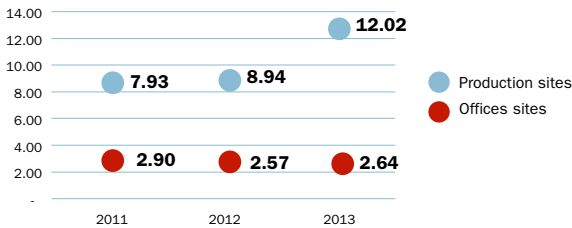


In absolute terms, 79% of total energy consumption is due to the 14 office sites and 21% to the three production sites. At the latter sites, energy consumption has increased by 1.9% on 2012 due to greater electricity consumption (+3.6%) and despite the reduction in the consumption of natural gas (-7.3%), diesel (-3.6%) and petrol and other fuels (-4.7%). The office sites have seen a greater increase in energy consumption (+12%), despite the reduction in the consumption of electricity (1.5%), due to the increase in the consumption of natural gas, diesel, petrol and other fuels.

KPI - total energy consumption per hour worked (GJ/no. of hours)



KPI - Electrical energy consumption per hour worked (kWh/no. of hours)



16. Since 2012, the non-production site in Sydney was eliminated from the scope of the report as it did not have more than 10 employees in 2013, 10 being the threshold above which sites are considered material for environmental purposes and are therefore considered in the measurement of impact.

The trend in the performance indicator **total energy consumption per hour worked** shows an increase at both the production sites (+32%) and the office sites (+8%). At the production sites this is due to the slight increase in energy consumption (+4%), combined with a substantial decrease in hours worked (-23%), while at the office sites there was a slight increase in energy consumption (+4%) and a decrease in hours worked (-4%)

Electricity consumption per hour worked is nearly constant at office sites (+3%), where the slight decrease in hours worked is offset by the slight decrease in the consumption of electricity (-1.5%). However, it is up at the production sites (+34%), since the consumption of electricity rose slightly (+3.6%) but, as noted above, the number of hours worked decreased considerably.

Energy efficiency

Ansaldo STS is currently implementing a project to reduce its energy use at its Italian sites in Genoa, Piossasco (Turin), Naples and Tito Scalo (Potenza) by 20% by 2015. The project was launched in 2010 with an analysis of energy consumption (electrical energy and gas for heating) in recent years and a future projection that showed an increase. As a result, the need arose to contain and reduce consumption and, consequently, reduce GHG emissions (CO2 in particular).

The types of steps to be taken as part of this project provide, for the Turin site, the replacement of much of the energy infrastructure which is obsolete (pipes, valves, lighting, etc.), while for the Genoa, Tito and Naples sites, the approach will focus more on rationalising consumption (less lighting in offices, including when personnel is not present, turning off PCs and displays when they are not being used, etc.) on the basis of actual needs, with the replacement of certain plant with energy-saving oriented systems only where the former are obsolete.

Estimated costs range from €200 thousand to €300 thousand per year for five consecutive years, considering investments making up roughly 70% to build plant that is equivalent to that which will need to be replaced, while the remaining 30% relates to the actual cost of the energy saving project. This expenditure is expected to generate economic and environmental benefits, the former including the possibility of obtaining financing for the renewal of plant under EU directives to reduce GHG. In addition, these investments will generate average energy savings prudently estimated to be 4% per year, making it possible to achieve the 20% target in five years.

As part of this ambitious project, significant projects have been carried out at the Piossasco site to improve energy consumption.

IMPROVEMENTS AT THE PIOSSASCO SITE

Analysing the impact of thermal/system improvements in 2013 in terms of energy requirements and effectiveness in reducing consumption, we see that they relate to the insulation of the building, the installation of transparent film and the airdraulic distribution rehaul.

Roof insulation – The office building roof was re-insulated. This project will generate energy savings of 6.8% in 2014, entailing a decrease of roughly 21,300 m3 of natural gas per year (based on 2013 volumes).

Window insulation – The transparent surfaces in the office building at the Piossasco site were covered with transparent film to generate electricity savings in the refrigeration unit of 4.8%, entailing a decrease in consumption of roughly 8,100 kWh per year.

Aidraulic distribution rehaul on the first floor (offices) – Significantly decreasing dispersion, the project to replace the air conditioning ducts, along with the installation of adjustment shutters for better airdraulic distribution and a consequent improvement in ambient comfort, will reduce energy consumption by 6.8%.

Renewable energies

Ansaldo STS has acquired electrical energy consumption certificates for its Italian sites under the Renewable Energy Certificate System (RECS) for 2013. RECS certificates represent 1 MWh, and attest to the use of energy from renewable sources, which include, as defined by EU directive no. 2009/28: wind, solar, aerothermal, geothermal, ocean, hydraulic, waste-to-energy, landfill gas, residual gas from purification processes and biogas. The quantity acquired for 2013 amounts to 6,787 MWh.

By acquiring and subsequently cancelling the certificates (the latter entails the withdrawal of the certificate from the market), Ansaldo STS demonstrates its commitment to environmental sustainability through its willingness to pay the positive difference with the price of electricity from conventional sources.

The Solna and Les Ulis sites acquire energy on the grid from renewable or nuclear sources.

ELECTRICAL ENERGY FROM RENEWABLE RESOURCES	2011	2012	2013
Italian sites – Electricity from renewable sources (kWh)	5,809,662	6,195,980	6,787,000
Electricity acquired on the grid from renewable and/or nuclear sources (kWh)	3,497,332	3,044,437	2,984,782
Total electrical energy consumed (kWh)	25,164,218	25,637,682	25,639,615
% of electrical energy from renewable resources out of the total	37%	36%	38%

Consumption of materials

Ansaldo STS is aware of the contribution that each company can give to safeguarding the world’s resources by adopting policies to reduce the intensive use of raw materials, an objective promulgated by the OECD Council and in the sustainability strategies of many nations.

MATERIALS	2011	2012	2013
Iron and steel [t]	102.51	104.33	105.23
Copper [t]	21.32	20.87	22.68
Lubricant oil [t]	0.05	0.05	0.05
Paper / cardboard packaging used [t]	47.954	44.354	59.19
Paper [t]	192.681	109.66	84.46

RECYCLED MATERIALS	2011	2012	2013
Paper [t]	236.35	2.28	129.27
Plastic [t]	0.42	0.02	0.03
Wood [t]	24.56	-	36.29
Metal [t]	98.97	-	88.09

To explore the issue of raw material consumption, in 2013, Ansaldo STS began analysing its supplies, and, specifically, “Direct materials”, which it divided into two different types: “Racks and Cabinets” and “Cables”. These make up 4% and 3% of Ansaldo STS’ expenditure, respectively. The company acquires finished products in these categories from third party suppliers only. Accordingly, to calculate the quantity of raw materials contained in the products, they must be broken down and subject to rather complicated estimates. For example, to estimate the amount of copper in the total cables purchased, first, all optical fibre and aluminium cables must be excluded. Next, low voltage cables must be separated from medium and high voltage cables (as the latter have many more non-copper parts). Other variables to consider are sections – just to give one example of many of these instances, two medium voltage cables, for 35 sqmm and 240 sqmm sections, respectively, present significantly different quantities of copper, but nearly equal non-copper parts – and the type of screening and reinforcement.

Beyond issues arising from estimates, Ansaldo STS is pushing for standardised design, which will reduce the use of these types of parts.

Air emissions

Atmospheric emissions mainly relate to the production sites and only some of the sites (Les Ulis – France, Pittsburgh – US, Naples and Piossasco – Italy).

AIR EMISSIONS	PRODUCTION SITES		
	2011	2012	2013
NOx (Kg)	192.73	239.30	221.73
CO (Kg)	96.37	119.65	110.87
VOC - Volatile organic compounds (Kg)	737.50	789.15	1,021.53
Volatile inorganic compounds (Kg)	0.10	0.51	0.10
Heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni)(Kg)	0.10	0.10	0.10
Particulates (Kg)	0.90	1.80	1.70

The Tito Scalo and Batesburg sites must monitor emissions of volatile organic compounds, volatile inorganic compounds and heavy metals deriving from their production processes. CO and NOx emissions mainly derive from thermal energy plant equipped with effective filters to reduce pollutants. The emissions are measured directly in the chimneys.

Data on particulates relate to the Tito Scalo site and concern emissions from the production and handling of goods. The decrease in the welding of circuit boards which are now bought already completed have led to a decrease over time.

AIR EMISSIONS	OFFICE SITES		
	2011	2012	2013
SO ₂ (Kg)	180,60	164,51	157,28
NOx (Kg)	1,282.51	1,324.03	1,495.86
CO (Kg)	519,72	551,31	642,10

Water management

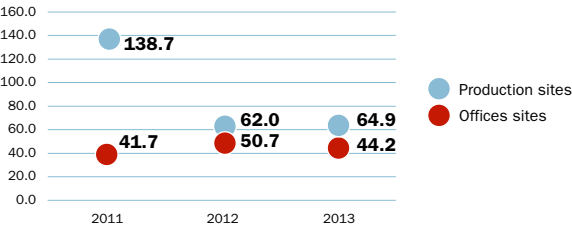
The sustainable management of site water where it is withdrawn, used and disposed of encourages the maintenance and improvement of water use efficiency, ensuring less waste and reduced environmental impact. Ansaldo STS manages water resources with particular attention and over the years it has carried out initiatives to save water, including the installation of photocell faucets in Italy, projects to recover rainwater at the Riom site (France) and projects to replace the cooling towers with “dry” systems.

Ansaldo STS applies the “Water management guidelines” that Finmeccanica has formalised and applied to all companies with the aim of defining the methods to be followed by the group’s Italian companies for the sustainable management of water at their office and production sites.

Ansaldo STS’ water procurement sources include aqueducts and water tables where water is drawn through wells.

WITHDRAWAL OF WATER	PRODUCTION SITES			OFFICE SITES		
	2011	2012	2013	2011	2012	2013
Water drawn from aqueducts (m³/year)	77,388	27,344	24,715	96,528	122,070	113,125
Water drawn from wells (m³/year)	-	-	-	40,393	40,220	41,854
Other sources of procurement (m³/year)	-	-	-	78	74	83
TOTAL	77,388	27,344		136,999	162,364	155,062

KPI - Water withdrawal per employee (cubic metres)



Water is mainly for civil use. Water consumption at the sites in Tito Scalo (Italy), Riom (France) and Batesburg (US) is very low.

WASTEWATER	PRODUCTION SITES			OFFICE SITES		
	2011	2012	2013	2011	2012	2013
Volume of domestic or similar waste water (m³/year)	64,360	14,405	12,198	60,645	113,819	109,181
Volume of industrial waste water (m³/year)	11,830	10,764	12,517	-	-	0
TOTAL	76,190	25,169	24,715	60,645	113,819	109,181

The waste water produced at the sites can be classified, on the basis of its use upstream from disposal, as domestic (or similar) and industrial. All Ansaldo STS sites produce waste water that can be exclusively classified as domestic or similar, except for the Tito site. The Naples site uses an organic waste water treatment system. The sites use authorised disposal points.

2013 WATER REPORT	PRODUCTION SITES	OFFICE SITES
Total incoming water [m³]	28,769	154,979
Total water used [m³]	24,714	109,174
DIFFERENCE [m³]	4,055	45,753

The difference in the office sites is mainly due to the use of water for gardens and cleaning and because of evaporation.

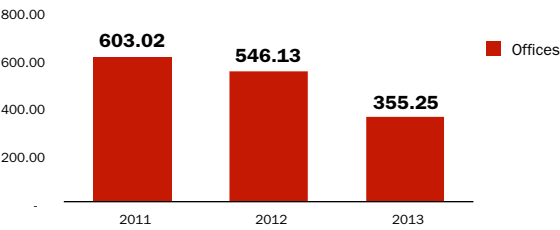
Waste production and management

The production of waste is an environmental aspect that is assessed and measured at all Ansaldo STS sites and work sites and when the environmental aspects of work sites and the construction of civil and technological works are analysed.

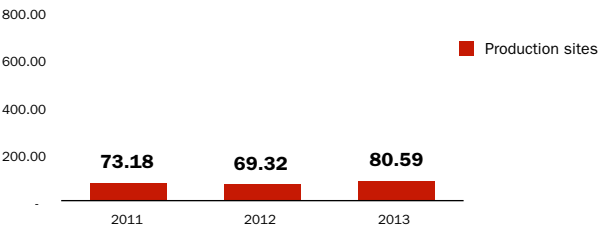
All Ansaldo STS sites have waste collection areas depending on the type of waste and site layout.

WASTE	PRODUCTION SITES			OFFICE SITES		
	2011	2012	2013	2011	2012	2013
Hazardous (t)	11.00	5.88	7.65	11.14	10.38	12.41
% recovered	17%	47%	24%	66%	91%	97%
% disposed of	83%	53%	76%	34%	9%	3%
Non-hazardous (t)	62.18	63.44	73.84	591.88	535.75	396.50
% recovered	93%	83%	76%	51%	43%	57%
% disposed of	7%	17%	24%	49%	57%	43%
TOTAL WASTE (t)	73.18	69.32	81.48	603.02	546.13	408.91
% recovered	75%	80%	71%	51%	44%	58%
% disposed of	25%	20%	29%	49%	56%	42%

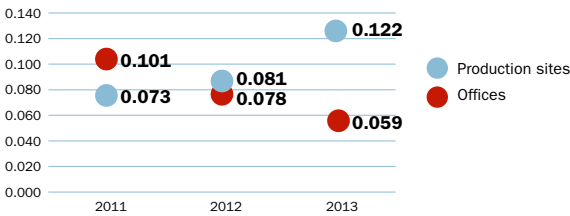
OFFICES - Total waste (t)



PRODUCTION SITES - Total waste (t)



KPI - Kg. of waste produced per hour worked



In 2013, there was a sharp decrease in the total kg of waste produced by office sites and the kg produced per hour worked.

Hazardous materials

There are no hazardous materials pursuant to Legislative decree no. 344/99 and subsequent modifications and integrations at Ansaldo STS' sites. Substances harmful to the ozone layer are present at the Piossasco site (0.13 tonnes) and the Batesburg site (0.09 tonnes).The Riom production site also has hazardous materials (0.15 tonnes) and raw materials (0.05t) classified as R50 (highly toxic for water organisms), substances (0.01t) and raw materials (0.05t) classified as R51 (toxic for water organisms) and substances (0.16t) and raw materials (0.05t) classified as R53 (can provoke long-term negative effects on water habitats).

Reclamation

In May 2012, the DHEC (Department of Health and Environmental Control) sent Ansaldo STS, at the Batesburg site, its approval for the work plan proposed by ERM, an advisory company it had contacted for this purpose, and which had presented a proposal for the treatment of the soil and underground water near the site area. The approved work plan provides for:

- the installation of eight permanent wells for the drawing of samples;
- a soil and underground sampling campaign in the area surrounding the Ansaldo STS site;
- surveying with gas in the underground water to check the concentration of VOC in the site's production area.

The plan began being implemented in 2013.

Noise

Noise levels at all Ansaldo STS sites are always low and exterior and interior noise is monitored at the frequencies provided for by current legislation to monitor compliance with the applicable thresholds. When Ansaldo STS is the main contractor, during coordination and security activities, it can ask subcontractors for updates on the performance of measurements to monitor that the thresholds are not violated.

Non-conformances and environmental complaints

In 2013, there were 16 environmental incidents at Ansaldo STS, without any damage or injuries and there was no involvement of hazardous materials, one at the Les Ulis site (water leak repaired the same day), two at the Riom production site (loss of 340 cubic metres of water and loss of 2 Kg of air conditioning gas) and 13 at the Karratha site (mainly small plumbing issues and small leaks of oil or diesel).

There were two near misses at Karratha as well.

There were no environmental complaints from outside the company. There were no violations of environmental standards detected by external control bodies and there were no environmentally critical system faults.

In 2013, Ansaldo STS performed 20 in house environmental audits (four at the three production sites and 16 at office sites), 16 external environmental audits (six at the three production sites and 10 at office sites).

Health and safety

In terms of safety management, Ansaldo STS has defined a management system integrating all its processes in one complete structure enabling the organisation to operate as a single unit with shared objectives and the global application of safety standards.

Ansaldo STS' health and safety management system enables it to define the process operating methods used to achieve compliance with the legislation framework and verify adequacy and compliance. These methods also require Ansaldo STS to use local advisors with the necessary expertise on the legislative and regulatory framework in the relevant country.

By participating in the **HSE WEB Community**, Finmeccanica's website for all HSE contacts within the group companies, Ansaldo STS takes part in scheduled meetings to share group guidelines and best practices, develop synergies between the companies, applying these policies to company procedures, which it shares with all personnel on the company intranet.

The health and safety policy

Ansaldo STS' health and safety in the workplace policy is based on the application of the requirements of relevant standards, namely OHSAS 18001:2007, and other international standards, in total compliance with national and international regulations. Ansaldo STS develops a plan focused on continuously improving health and safety standards.

For health and safety, Ansaldo STS undertakes to:

- ensure and maintain a safe and healthy workplace environment and prevent injuries, illnesses or damage to the health of employees, suppliers, customers and visitors;
- extend OHSAS 18001 certification to all Ansaldo STS sites, continuously improving the effectiveness of the health and safety in the workplace management system;
- continuously improve the aforementioned management systems' performance, not only with respect to the prevention of injuries and work-related illnesses, but also in terms of more general employees' wellbeing;
- adopt risk assessment criteria for all dangers relating to work activities which, in compliance with national and international legislation, also consider best practices;
- increase the training and updating of all employees in order to make them increasingly aware of the risks related to their activities;
- continue developing activities to spread a culture of safety with all suppliers and concerned parties.

The policy is shared with all Ansaldo STS personnel and all concerned parties online and via the company intranet.

Training

The company promotes, shares and consolidates a culture of health and safety throughout its organisation through training to increase everyone's awareness of risks and encourage responsible conduct.

As such Ansaldo STS promotes training and refresher activities to develop employees' expertise.

In 2013, for Italy, an ambitious training project was developed in collaboration with Fondimpresa, significantly increasing the hours of training per employee. (Fondimpresa is a public organisation that funds corporate training).

Overall, at the sites specified in this analysis, 26.586 training hours were provided in 2013 (+56% on 2012), accounting for 32% of total training hours.

HEALTH AND SAFETY TRAINING	PRODUCTION SITES			OFFICE SITES		
	2011	2012	2013	2011	2012	2013
Total hours of health and safety training	1,243	1,299	2,492	12,038	15,778	24,094
Total hours of training	6,106	7,531	6,148	64,157	62,875	76,129
Safety training as % of the total	20.4%	17.2%	41%	18.8%	25.1%	32%

Health and safety performance

As stated in its policy, Ansaldo STS considers safeguarding health and preventing any kind of work-related accident, injury or illness as key values.

Heath and safety performance indicators are analysed with respect to their historical trends, in order to set new objectives to be achieved, breaking them down by risk factor and location.

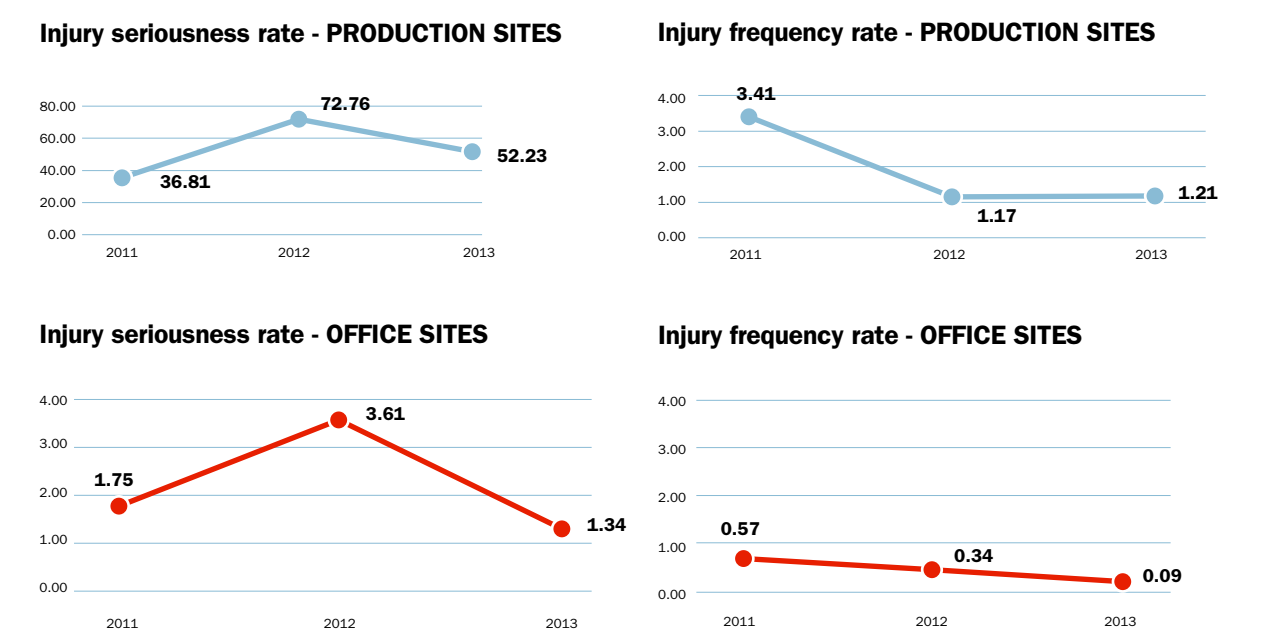
Safety is therefore a strategic must for Ansaldo STS in terms of its mission, and also as a value that must be guaranteed to all employees who contribute daily to ensuring it for end users as well.

Overall, in 2013, there were seven injuries (compared to 17 in 2012), including three at office sites and four at production sites (excluding injuries during travel). Four of these led the employee concerned to miss more than three days of work (two at office sites and two at production sites).

The days of missed work due to injuries totalled 45 at office sites and 172 at production sites.

Data on the frequency and seriousness of injuries show that these values are extremely low when compared to the construction sector (for example, Italy has a frequency rate of approximately 50 and a seriousness rate of 8.5).

Injury frequency and seriousness indicators are reported below:



The data therefore show low injury frequency and seriousness rates. In order to acquire information that is helpful in improving performance, in accordance with the health and safety policy, Ansaldo STS also tracks near misses (incidents without consequences that arise out of undesired or unexpected situations that could have put people at risk), in order to gather and analyse data and information and identify potential solutions in advance.

Main initiatives:

- Implementation of the procedure to manage accidents and near misses at global level: Ansaldo STS has created a procedure to provide information on how to correctly manage events entailing injuries, accidents and near misses. This procedure is a valid prevention and information management tool for statistical purposes, to identify the causes of an accident and meet legal requirements relating to health, safety and hygiene in the workplace.
- Implementation of quarterly HSE reporting to monitor and gather main information on the performance of the activities performed in relation to the application of SGS/SGA. These reports are prepared by all HSE officers at the work sites;
- Safety meetings for all the main sites.

COSILAVOROSICURO

Ansaldo STS confirmed its participation in COSILAVOROSICURO (a consortium for workers’ health and safety in the workplace) again in 2013 as part of the steering committee. This project also awards members for virtuous conduct through CoSiLa certification issued at the end of each year (Ansaldo STS received the award for two consecutive years, 2010 and 2011).

Furthermore, the main aim of this project is to provide Ansaldo STS with a series of operating tools and simplified procedures to ensure total compliance with legal obligations.





Costs and investments for the environment, health and safety

In 2013, Ansaldo STS incurred environmental costs to treat and dispose of waste water and recover and dispose of waste.

Environmental investments mainly entailed the rehaul of the air conditioning system and the updating of the sewage grid in Piossasco and repairing the roof insulation at the Riom site.

Safety investments mainly related to the rehaul of the fire detection system and the installation of the sound system at the Piossasco site, as well as the fire prevention system and equipment at the Les Ulis site.

ENVIRONMENTAL COSTS (€ units)	2013	2012
Total cost for the treatment and disposal of domestic and similar water	21,239	19,501
Total cost for the treatment and disposal of industrial water	5,758	7,176
TOTAL WASTE WATER COSTS	26,997	26,677
Costs to produce, treat, recovery and dispose of toxic and non-toxic waste	74,537	105,783
Waste production taxes	266,977	329,518
TOTAL WASTE COSTS	341,514	435,301
Environmental reclamation costs	248,168	149,866
TOTAL RECLAMATION COSTS	248,168	149,866
TOTAL ENVIRONMENTAL COSTS	616,679	611,844

SAFETY AND ENVIRONMENT INVESTMENTS (€ units)	2013	2012
Safety investments	338,841	235,937
Environment investments	586,729	217,730
TOTAL INVESTMENTS	925,570	453,667



Our people

Human resource management policy

Recruitment and hiring

Training and development

Remuneration and incentive systems

People care

Trade unions

In house communications

Our people

Human resources are crucial to the company’s existence and a critical factor if it is to compete successfully in the market. Honesty, loyalty, aptitude, professionalism and technical preparation are therefore determining factors in achieving Ansaldo STS’ objectives and are required of its employees, directors, statutory auditors and workers of all kinds.

Human resource management policy

Ansaldo STS offers equal opportunities beginning with the recruitment process, ensuring equal treatment considering individual skills and abilities. Over the course of employment, Ansaldo STS undertakes to create and maintain the necessary conditions to further expand upon employees’ abilities and expertise on an equal opportunity basis, through a policy based on the recognition of merits and equal opportunities and providing for specific refresher and specialisation courses.

This is why employees are required to cultivate and draw on new expertise, abilities and knowledge, while

managers and function heads must devote utmost attention to enhancing and growing the professionalism of their workers.

In the pursuit of company objectives, workers must be aware that ethics are of crucial interest to the company and that, accordingly, no conduct is tolerated that, although it may appear in the abstract to benefit Ansaldo STS, is in violation of the law, current regulations, the organisational, management and control model or the code of ethics.

Headcount

At year end, Ansaldo STS’ headcount is 4,128, as follows¹⁷:

REGION	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Central and Eastern Europe and the Middle East	1,268	277	1,545	37.4%	1,257	275	1,532	38.4%
Western Europe	580	154	734	17.8%	471	151	622	15.6%
America	553	189	742	18.0%	561	208	769	19.3%
Asia Pacific	876	164	1,040	25.2%	845	158	1,003	25.1%
China	42	25	67	1.6%	43	22	65	1.6%
TOTAL	3,319	809	4,128	100.0%	3,177	814	3,991	100.0%

The headcount increased by 137 on 2012 (+142 men and -5 women), corresponding to a 3.4% increase since the start of the year. This increase was mainly seen in Western Europe (+112 employees), Asia Pacific (+37 employees), Central and Eastern and the Middle East (+13 employees) and China (+2 employees). In America, on the other hand, there was a decrease of 27 employees.

17. The regions are defined as follows:
• Central and Eastern Europe and the Middle East: Italy, Denmark, Finland, Germany, the Netherlands, Romania, Czech Republic, Tu-nisia, Turkey and Greece.
• Western Europe: France, UK, Ireland, Spain, Portugal and Sweden.
• America: US and Canada.
• Asia Pacific: Australia, Malaysia, Taiwan, South Africa, India and Botswana.
• China: China, Hong Kong and South Korea.

The percentage of women remains steady at around 20%, peaking at 37% in China and 25% in America.

CONTRACT TYPES	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Employees with openended contracts	3,210	789	3,999	96.9%	3,107	788	3,895	97.6%
Employees with fixed-term contracts	109	20	129	3.1%	70	26	96	2.4%
TOTAL	3,319	809	4,128	100.0%	3,177	814	3,991	100.0%
OTHER CONTRACT TYPES ¹⁸								
Temporary staff	53	32	85	62.5%	69	37	106	27.2%
Contract workers	14	1	15	11.0%	29	1	30	7.7%
Work experience	9	11	20	14.7%	8	13	21	5.4%
Other types	13	3	16	11.8%	188	45	233	59.7%
TOTAL	89	47	136	100.0%	294	96	390	100.0%

The importance that Ansaldo STS gives to the stability of employment contracts is demonstrated by the fact that it has hired 96.9% of its employees under openended contracts. Furthermore, as the number of employees has increased (+137), the use of other contract types has fallen (-254).

The breakdown of the group’s workers by professional level is as follows:

CATEGORIES	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Executives (Managers)	92	8	100	2.4%	94	7	101	2.5%
Junior managers	395	65	460	11.2%	405	60	465	11.7%
White collars	2,399	681	3,080	74.6%	2,338	672	3,010	75.4%
Blue collars	433	55	488	11.8%	340	75	415	10.4%
TOTAL	3,319	809	4,128	100.0%	3,177	814	3,991	100.0%

The breakdown of the various categories is nearly unchanged with respect to 2012. There was a slight decrease in the percentage of white collars (from 75.4% to 74.6%) and a slight increase in blue collars (from 10.4% to 11.8%). In absolute terms, compared to 2012, there was an increase in the number of blue collars (+73) and white collars (+70), with a slight decrease in junior managers (-5) and one fewer manager.

An analysis by gender shows a percentage increase in women managers (from 6.9% to 8.0%) and junior managers (from 12.9% to 14.1%), with a slight decrease in women white collars (from 22.3% to 22.1%) and a further reduction in women blue collars (from 18.1% to 11.3%).

18. This information is given in accordance with an approach that more closely corresponds with Italian and European legislation. Information on non-European countries has been adjusted for classification in the same types considering contractual similarities.

The breakdown of the group's workers by education level is as follows:

DEGREE/DIPLOMA ¹⁹	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Technical High school	970	42	1,012	24.5%	811	42	853	21.4%
Other High School	262	222	484	11.7%	283	247	530	13.3%
Technical graduated	1,634	275	1,909	46.3%	1,642	257	1,899	47.6%
Other graduated	290	211	501	12.1%	319	206	525	13.2%
Other education	163	59	222	5.4%	122	62	184	4.6%
TOTAL	3,319	809	4,128	100.0%	3,177	814	3,991	100.0%

In general, the average age of employees is 41, both for men and women, which is in line with the previous year. A comparison with 2012 shows that the increase in the number of workers most related to employees under 40 years of age 40 years (+123 employees), while for those over 41 years of age, the increase was less substantial (+14 employees). In relative and percentage terms, employees under 30 remain steady, whereas the 30 to 35 age bracket rose (+0.6%), along with the 36 to 40 age bracket (+0.7%), while the number of employees aged 46 to 50 fell (-0.6%) and over 50 years (-0.4%).

AGE	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
< 30	485	113	598	14.5%	457	119	576	14.4%
30-35	662	164	826	20.0%	610	165	775	19.4%
36-40	517	144	661	16.0%	483	128	611	15.3%
41-45	379	90	469	11.4%	377	90	467	11.7%
46-50	389	102	491	11.9%	393	101	494	12.4%
>50	887	196	1,083	26.2%	857	211	1,068	26.8%
TOTAL	3,319	809	4,128	100.0%	3,177	814	3,991	100.0%

An analysis by gender specifically shows an increase in the absolute number of women aged 36 to 40 (+16 employees) and a decrease in those over 50 (-15). The breakdown of the group's workers by seniority is as follows:

COMPANY SENIORITY	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
< 5 years	1,217	281	1,498	36.3%	1,217	303	1,520	38.1%
5-10 years	939	247	1,186	28.7%	924	231	1,155	28.9%
11-15 years	381	93	474	11.5%	284	79	363	9.1%
16-20 years	116	28	144	3.5%	107	44	151	3.8%
20-25 years	171	44	215	5.2%	198	45	243	6.1%
> 25 years	495	116	611	14.8%	447	112	559	14.0%
TOTAL	3,319	809	4,128	100.00%	3,177	814	3,991	100.0%

19. The relevant framework, compared with Italy's, is: Technical Graduates – university graduates with technical degrees (mainly engineering.); Other Graduates – university graduates with non-technical degrees (humanities, for example); Technical High School – high school graduates with technical studies (electrical studies, for example); Other High School – high school graduates with non-technical studies (classical studies, for example); Other education – not finished high school (middle school degrees, for example).

Average company seniority is 11.5 years (with an average of 11.5 years for men and 11.4 years for women), slightly longer than in 2012 (11.2 years). There was a slight percentage decrease in the number of employees with the company for fewer than five years (-1.8%) and a quiet increase in those with the company from 11 to 15 years (+2.4%).

Ansaldo STS grants – provided that it is compatible with technical and organisational requirements - part-time positions. In this respect, in 2013, there were 91 part-time workers, showing an increase on the previous year. This number includes 80 women, with the percentage of part-time women out of all workers rising from 9.6% in 2012 to 9.9% in 2013.

PART TIME out of total employees by geographical area	2013				2012			
	MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Central and Eastern Europe and the Middle East	0	28	28	1.8%	0	25	25	1.6%
Western Europe	5	37	42	5.7%	5	36	41	6.7%
America	4	4	8	1.1%		4	4	0.5%
Asia Pacific	2	11	13	1.2%	2	13	15	1.5%
China	0	0	0	0.0%	0	0	0	0.0%
TOTAL	11	80	91	2.2%	7	78	85	2.1%

Of the total 4,128 employees, 65.0% work within the Signalling and Transportation Solutions business units, while 24.1% are part of the Standard Platforms & Products (SPP) unit and the remaining 10.9% are staff members. In addition, they are distributed as follows by function:

FUNCTION		2013				2012			
		MEN	WOMEN	Total	% of total	MEN	WOMEN	Total	% of total
Business Unit: - Signalling - Transportation Solutions	Sales & Business Development	89	29	118	2.9%	93	31	124	3.1%
	PM	180	61	241	5.8%	185	63	248	6.2%
	Engineering	967	157	1,124	27.2%	1,013	164	1,177	29.5%
	Construct. & Commiss.	420	18	438	10.6%	386	18	404	10.1%
	Operat.& Mainten.	285	11	296	7.2%	196	9	205	5.1%
	RAMS	103	22	125	3.0%	84	16	100	2.5%
	Other	268	72	340	8.2%	181	47	228	5.7%
TOTAL		2,312	370	2,682	65.0%	2,138	348	2,486	62.2%
Standard Platforms & Products (SPP)	Supply Chain	328	152	480	11.6%	347	172	519	13.0%
	Development	348	66	414	10.0%	358	77	435	10.9%
	RAMS	60	20	80	1.9%	59	17	76	1.9%
	Other	14	9	23	0.6%	15	10	25	0.6%
TOTAL		750	247	997	24.1%	779	276	1,055	26.5%
Staff	Administration, Finance and Control	69	82	151	3.7%	67	79	146	3.7%
	General reception	19	17	36	0.9%	17	21	38	0.9%
	Human Resources & Org.	30	29	59	1.4%	24	39	63	1.6%
	Risk manag. & Project Contr.	3	1	4	0.1%	3	0	3	0.1%
	Processes, Quality and Systems	66	21	87	2.1%	73	16	89	2.2%
	HSE & Facility	33	25	58	1.4%	45	22	67	1.7%
	Other	36	18	54	1.3%	31	13	44	1.1%
TOTAL		256	193	449	10.9%	260	466	450	11.3%
TOTAL		3,318	810	4,128	100.0%	3,177	814	3,991	100.0%

The following tables illustrate the employee turnover rate within the Group:

TURNOVER	TOTAL 2012	BALANCE 2012		Increases		Decreases		BALANCE 2013		TOTAL 2013
		MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
Central and Eastern Europe and the Middle East	1,532	1,257	275	41	9	30	7	1,268	277	1,545
Western Europe	622	471	151	145	12	36	9	580	154	734
America	769	561	208	57	14	65	33	553	189	742
Asia Pacific	1,003	845	158	274	64	243	58	876	164	1,040
China	65	43	22	2	3	3	0	42	25	67
TOTAL	3,991	3,177	814	519	102	377	107	3,319	809	4,128

TURNOVER %	BALANCE % 2012		Increases ²⁰		Decreases ²¹		BALANCE % 2013	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Central and Eastern Europe and the Middle East	82.0%	18.0%	3.3%	3.3%	2.4%	2.5%	82.1%	17.9%
Western Europe	75.7%	24.3%	30.8%	7.9%	7.6%	6.0%	79.0%	21.0%
America	73.0%	27.0%	10.2%	6.7%	11.6%	15.9%	74.5%	25.5%
Asia Pacific	84.2%	15.8%	32.4%	40.5%	28.8%	36.7%	84.2%	15.8%
China	66.2%	33.8%	4.7%	13.6%	7.0%	0.0%	62.7%	37.3%
TOTAL	79.6%	20.4%	16.3%	12.5%	11.9%	13.1%	80.4%	19.6%

TURNOVER BY AGE BRACKET	TOTAL 2012	BALANCE 2012		Increases		Decreases		BALANCE 2013		TOTAL 2013
		MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
< 30	576	457	119	106	25	62	19	501	125	626
30-50	2,347	1,863	484	368	73	225	53	2,006	504	2,510
>50	1,068	857	211	45	4	90	35	812	180	992
TOTAL	3,991	3,177	814	519	102	377	107	3,319	809	4,128



20. (Incoming in 2013/opening headcount) x 100
21. (Outgoing in 2013/closing headcount) x 100.

Recruitment and hiring

Ansaldo STS is equipped with a global recruiting procedure enabling it to supervise the vetting process and keep one single worldwide database. This means that it only needs to use employment and head hunting agencies on a residual basis. Universities, with which it has forged many partnerships, are a preferential channel for Ansaldo STS in the recruitment and hiring of personnel.

Ansaldo STS prefers to hire workers who are local residents when filling local jobs. For example, when projects will provide for many years of maintenance activities after roll-out (Operation & Maintenance), nearly 100% of personnel are local.

On the other hand, given the internationalisation of Ansaldo STS’ activities and business, personnel, including senior management, are hired on the basis of the specific skills required for the role, regardless of where they are from.

Throughout Ansaldo STS, during 2013, the following employment contracts were signed (not including the personnel of Ansaldo STS’ joint venture in the Asia Pacific): five managers, 10 junior managers, 315 white collars and 79 blue collars.

HIRING	2013			2012		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Executives (Managers)	5	0	5	3	0	3
Junior managers	8	2	10	12	3	15
White collars	262	53	315	284	73	357
Blue collars	75	4	79	18	1	19
TOTAL	350	59	409	317	77	394

The following table illustrates the number of new hires broken down by gender, area of geographical origin and age:

HIRING 2013	Central and Eastern Europe and the Middle East		Western Europe		America		Asia Pacific		China		Total		Break-downs
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
< 30	14	2	35	4	16	6	33	10	1	2	99	24	30%
30 – 39	18	5	63	4	19	4	40	8	0	1	140	22	39%
40 – 49	8	2	31	1	8	4	23	2	1	0	71	9	20%
> 50	1		6	0	14	0	19	4	0	0	40	4	11%
TOTAL	41	9	135	9	57	14	115	24	2	3	350	59	100%

Training and development

Market scenarios, which have significantly changed in the past two years, see Ansaldo STS facing commercial, technological and managerial challenges that require organisational and management measures capable of refocusing the company culture, adjusting its professional system and updating distinctive expertise.

In this context, professional, managerial and specialised training is, and will continue to be, an increasingly crucial lever now and in the years to come in the development of human resources to update their skills to these market scenarios. These objectives have been met by pursuing the continuous improvement of training quality standards.

The underlying approach is the translation of the company’s strategic targets into consistent operating methodologies, through the development of core skills on one hand (which are necessary to monitor work activities) and, on the other hand, by emphasising the development of compliance with distinctive ethics from a managerial standpoint.

Training, carried out in line with Finmeccanica initiatives, is developed through projects in four main areas:

- regulatory training;
- language training;
- managerial training;
- technical-specialised training.

These types of training are transversal, which is to say that they include different targets, especially in the areas of regulatory compliance and specific updates for both the general company and individual functions, in order to develop specialised expertise.

Ansaldo STS also offers specific training courses to certain groups of employees, such as senior managers, growing junior managers or young people with talent, ensuring paths that will help them develop in their career or expand upon the skills needed to meet the responsibilities of their job.

Overall, in 2013, a total of 82,277 hours of training was provided, compared to 74,737 in 2012 (+10.8%), broken down as follows by type of training.

% HOURS OF TRAINING BY TYPE	2013	2012
Technical-specialised training	28%	46%
Managerial training	27%	10%
HSE, Quality, Ethical aspects	24%	10%
Language training	9%	20%
Mandatory/institutional training	9%	5%
Refresher training	1%	7%
Other	2%	2%

Ansaldo STS prioritises technical/specialised training, in line with its mission, although this type of training is down in 2012 as a percentage. Managerial training has increased, along with training on the environment, health, safety, quality and ethics.

Average annual hours of training by employee category are shown below:

AVERAGE HOURS OF TRAINING PER YEAR	2013	2102
Executives (Managers)	12.5	7.7
Junior managers	25.3	13.3
White collars	20.3	19.3
Blue collars	13.9	23.1
Average hours per year per employee	19.9	18.7

Average hours by region and gender in 2013 are illustrated below:

	Central and Eastern Europe and the Middle East		Western Europe		America		Asia Pacific		China		Total	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
2013	25.5	18.5	25.1	21.5	6.5	5.4	20.5	17.4	24.3	20.5	20.9	15.8

In 2013, nearly Euro 2.4 million was invested in training. Demonstrating Ansaldo STS’ commitment to training, the table below shows the constant growth in these investments: +15.6% on 2012, following growth of +16.3% in 2012 compared to 2011.

INVESTMENT IN TRAINING (€ units)	2013					
	Central and Eastern Europe and the Middle East	Western Europe	America	Asia Pacific	China	TOTAL
Managerial training	616,122	145,396	255,437	284,336	43,812	1,345,103
Technical-specialist training	226,694	202,929	243,286	92,912	5,673	771,494
Language training	47,355	79,658	3,550	1,860	1,667	134,090
HSE, Quality, Ethical aspect	17,128	49,662	2,223	13,369	-	82,382
Mandatory/institutional training	-	38,717	-	8,784	-	47,501
Refresher training	-	-	-	6,220	-	6,220
Other	-	5,308	-	-	-	5,308
TOTAL	907,299	521,670	504,496	407,481	51,152	2,392,098

Performance assessment is a key tool in managing the development of human resources. Ansaldo STS has implemented a global, structured and consistent process at international level called PDP (Performance Development Project), which it launched for the first time in 2010, and which provides for the assignment of performance and development targets and their assessment for all Ansaldo STS personnel. The process consists of three phases:

- phase 1 - planning: this relates to the formalised assignment of targets linked to business and/or individual performance indicators and professional development indicators;
- phase 2 - coaching: this phase involves the continuous monitoring of performance by the employee’s direct supervisor;
- phase 3 - review: this is the final assessment phase in which all the employee’s assessments are combined (self-assessment, direct supervisor’s assessment and those of other people selected from within the organisation for a more comprehensive vision of individual performance).

Over the past three years, this process has been extended to all group companies and has been consolidated in terms of management and development practices. The process now covers over 95% of the company’s headcount, a significant result, as it lays a sound foundation for a more objective and structured definition of the development paths and ways in which to reward employees. In particular, after the integration of the global job system, implemented in 2012, PDP became an even more complete development tool, as the assessment of abilities and skills performed concurrently with the performance assessment, makes it possible to define individual targets and growth paths that are effectively in line with expectations for the position.

Career progress, the identification of talent and compensation are harmonised in the integrated performance/ability assessment system, in which merit is the true factor for the qualification of professional development. In 2012, PDP was introduced in the executive assessment process as well. There are some 100 executives around the world and they have been assigned not only challenging performance targets in connection with business priorities for the current year, managed through the MBO incentive process, but position-holding targets as well, taken from the roles and mandates outlined for each managerial position.

Furthermore, the 360° assessment process was introduced and completed in 2013 for executives with respect to certain abilities considered crucial for the leadership style of Ansaldo STS’ managers. This innovation was launched and completed in April 2013. All executives participating in the programme was able to receive feedback from managers, peers and direct colleagues and to identify in a structured way their strengths and areas for improvement. The use of this more structured, challenging approach in the assessment of managers is considered one of the tools to strengthen a managerial culture more focused on putting into practice the soft skills that the company values, such as team spirit, people management skills, change management skills and international cooperation. By encompassing managers in the PDP-based assessment and development process, the system is consistent throughout all levels of the organisation.

Internationalisation and multiculturalism

2013 was an important year for the consolidation of international mobility for people and relationships, not only in terms of knowledge and skills, but considering the composition of personnel at the various Ansaldo STS sites around the world. People involved in training sessions on internationalisation and multiculturalism nearly doubled in 2013 from 307 to 578.

Both change management and the need to efficiently monitor the management and implementation of projects continued to support the international internal mobility processes, which reached out to all company functions. For example, in Arab countries, they are taking on great importance for new projects and new opportunities, which means that preparing and organising the organisation to ensure the presence of qualified personnel has increasingly become a priority.

REGION	2013	
	Workforce abroad	Countries
Central, Eastern Europe & Middle East	68	China (1), Denmark (6), Russia (1), Australia (14), Turkey (14), Saudi Arabia (3), Taiwan (5), US (8), India (3), Greece (4), UAE (5) and France (4)
Western Europe & North Africa	6	Italy (1), UAE (1), S. Korea (2), Sweden (1), Turkey (1)
America	7	Italy (3), S. Korea (1), France (1), Denmark (1), India (1)
Asia Pacific	7	Italy (2), Malaysia (4), Botswana (1)
China	3	Italy (1)
TOTAL	91	91

The new and permanent presence of non-local personnel in certain group companies constitutes tangible evidence of the internationalisation process that Ansaldo STS is pursuing and is an ongoing challenge to maintaining and developing a global, multi-cultural work environment.

REGION	2013		Total non-local personnel
	Local personnel	Non-local personnel	
Central, Eastern Europe & Middle East	1,516	1 (Albania), 1 (US), 1 (Bosnia), 1 (Great Britain), 1 (Ecuador), 1 (Egypt), 2 (Germany), 1 (Jordan), 2 (India), 1 (Israel), 5 (Italy), 1 (Malaysia), 2 (Morocco), 1 (Mexico), 1 (Moldavia), 1 (Pakistan), 2 (Romania), 1 (Spain), 2 (Tunisia), 1 (Hungary)	29
Western Europe & North Africa	691	2 (Algeria), 1 (Germany), 1 (Belgium), 5 (China), 1 (Congo), 1 (Korea), 1 (Denmark), 1 (Spain), 7 (France), 1 (Guinea), 4 (Italy), 1 (Lebanon), 3 (Morocco), 1 (Mexico), 5 (Portugal), 3 (Russia), 3 (Tunisia), 2 (Cameroon)	43
America	742		0
Asia Pacific	933	37 (UK), 3 (Thailand), 8 (Australia), 20 (India), 3 (France), 2 (Iran), 23 (Italy), 3 (Malaysia), 1 (Brazil), 2 (Netherlands), 1 (Fiji), 1 (Philippines), 2 (Ireland), 1 (Sri Lanka)	107
China	66	1 (Italy)	1
TOTAL	3,948		180

- Important new aspects of the personnel internationalisation process include:
- focus on governing the integration process in the various countries, beginning with the management of job opportunities on a global scale;
 - the launch of a system that monitors connections between personnel development and international experiences, particularly recurring or long-term mobility experiences;
 - a survey conducted with the involvement of people who have had significant international mobility experiences, which showed how positive these experiences were considering the skills acquired and the development of multiculturalism;
 - the preparation of a management system for repatriation at the end of experiences abroad which, in addition to contributing to the effective resolution of personal logistics needs, provides the company, managers and relocated people with adequate, preventive tools for the fruitful reintegration of repatriating employees in their home country jobs. In any case, this system will require management action before the people are relocated abroad, along with general satisfaction monitoring during the time spend abroad, in order to make the international experience successful.

- To govern the thorny internationalisation process, Ansaldo STS has continued taking steps to support it, in the wake of those commented in previous years:
- the redefinition of a global international mobility policy in order to gather information on new needs and focus on repatriation;
 - the development of constructive relationships between HR specialists to support the internationalisation process, thereby transversally strengthening the establishment of an HR International Mobility Team;
 - the maintenance of operating tools to support both the use of company intranet, to spread information and company practices, and the disclosure of internal communications using advanced, widespread computer and video-telephone technologies;
 - the maintenance of integrated activities with H&S and Security to ensure that working conditions abroad are suitable; ongoing collaboration with Administration for accounting and tax issues.

Future leaders project

The future leaders project launched in 2012 is the result of Ansaldo STS’ aim to create a new generation of managers who will go on to fill senior management positions. Twenty top talents were recruited for the project after a rigorous, structured internal assessment process involving 500 resources who applied of their own initiative.

The main challenge for these 20 future leaders was to tackle highly strategic projects for the company. Indeed, they were given specific management and coordination responsibilities for these projects, which were defined with clear, challenging objectives on which a rigorous monitoring and feedback process was based.

The 20 future leaders were assessed through mentorship, which involved quarterly check-ups on the progress of the assigned projects and the degree of involvement and motivation achieved. Each future leader was assigned a mentor from among the company's global senior executive team and this enabled them to work on the development of managerial skills as well (leadership, communication, strategic vision, etc.), thereby creating constructive dialogue between different generations of leaders.

The future leaders project is undoubtedly a successful driver in the creation of an integrated and global team of future managers: the fact that they are from different places (future leaders are from all the main sites where Ansaldo STS operates around the world) and their diverse professional experience lay the foundation for a stronger community of leaders with a deeply international mindset , and their commitment and participation will be increasingly required to manage the challenges of change and organisational complexities both in house and outside the Group.

The future leaders project will continue in 2014 with a new slant: certain candidates have already been given even greater responsibilities, in line with the signs of change and the new direction being taken through the development of a new managerial culture within Ansaldo STS.

Again in the project's second year, business school training, mentorships and ongoing performance monitoring will continue to be used to strengthen and solidify the development of a new generation of Ansaldo STS leaders.

Managerial training has also been strengthened in the MBA programme with two leading international business schools (Bocconi and Wharton), entailing participation in three different modules for each year of the programme (2013-2014).

Remuneration and incentive systems

Ansaldo STS manages labour relations with its employees in compliance with legislation in the various countries in which it operates. Below is a brief summary of the main legislation/regulations.

ITALY

Employment is regulated by the Constitution, Italian Civil Code and special laws, as well as by the national labour agreements and EU laws. Ansaldo STS applies the national labour agreement for the metal-mechanic industry and the national labour agreement for managers of companies that produce goods and services, which establish minimum standard remunerative/regulatory terms for all contractual categories. In addition, Ansaldo STS applies supplementary company agreements (except for managers), which it agrees with the trade unions. These agreements provide for more favourable terms for employees.

UNITED STATES

There are no national labour agreements governing employment. Each employee individually negotiates the terms of employment. However, there are supervisory and protection bodies:

- EEOC - Equal Employment Opportunity Commission. This federal commission ensures equal opportunities in labour (no discrimination on the basis of religion, sex, age, disability, etc.);
- FLSA - Fair Labor Standard Act. This is a federal act that sets the standard for child labour, overtime and minimum wages. These aspects are also regulated by each individual state, in accordance with the specific requirements of each. All labour regulations are reported to employees by posters hung in visible areas.

FRANCE

There are national labour agreements with trade unions ("Convention Collective") and agreements at company level. The "Convention Collective" establishes minimum wages for each category and the main terms of employment (responsibility levels, trial periods, required notice, etc.). The employment terms set forth in individual contracts



may be more favourable to employees but not less favourable than those defined under general labour legislation. In addition, French law requires annual negotiations with the trade unions on remuneration, contractual term, equal opportunities with respect to gender, the disabled, training and development. French law also enforces respect for human rights, equal opportunities, child labour restrictions, freedom of association and the protection of privacy.

SPAIN

Spain also has national labour agreements with trade unions that are applicable to all workers at national level and at regional level as well. The employment terms set forth in individual contracts may be more favourable to employees but not less favourable than those defined under general labour legislation. Spanish law is particularly specific with respect to that already established by constitution in terms of equal opportunities and non-discrimination in the workplace, freedom of association, trade union representation, the protection against child labour and maternity benefits, with specific benefits for working mothers.

AUSTRALIA

Remuneration and incentives are regulated in Australia by national employment standards (NES) relating to minimum wages, work hours and general terms of employment. Employees whose work is assessed using the global job system and who receive Hay grades of under 12 are remunerated in line with the national labour agreement. This agreement, which was ratified by the Italian labour court, provides for annual wage adjustments when they are negotiated (currently 4%). In the second half of 2012, a new company agreement (2013-2015) was negotiated with the trade unions. This agreement will introduce a new remuneration and classification system based on abilities and in line with the master agreement for national industry. In addition to that provided for by the agreement, remuneration will be increased on the basis of individual performance defined in the annual revision process.

INDIA, MALAYSIA, BOTSWANA

All employment agreements are individual. However, the above procedures provide for the application of minimum standards at group level in these countries as well. Accordingly, tools such as market benchmarks and salary reviews are also applied in these countries, using the same criteria as that for Australia. Ansaldo STS therefore ensures its employees receive remuneration and benefits that are comparable with those offered by the best companies in these countries.

CHINA

There are no national labour agreements. Each employee individually negotiates the terms of employment. In China, there is the Labour Law of the People’s Republic of China and the Constitution of the PR of China, which ensure the freedom of association, equal opportunities, etc.. In October 2011, the Chinese government published new labour market regulations which will also apply to foreigners working in China (including, for example, the introduction of social security contributions).

Fair remuneration

Ansaldo STS manages employment relationships with its employees in accordance with the laws in place in the various countries where it operates. It also periodically weights the most significant positions in the organisation with the support of a company specialised in this field and compares the remuneration of the employees holding such positions on a weighted basis, against the market benchmarks. If the remuneration is not in line with the market (and, obviously, if the employees have received positive performance assessments), their remuneration is adjusted.

Ansaldo STS can establish higher levels of remuneration than general market brackets for positions that are particularly critical and important or to limit the risk of employees leaving the company, with a resulting loss of expertise.

In 2011, roughly 200 positions around the world were weighted, also considering the results of the GJS (Global Job System)²² project. This evaluation continued in 2012, with some fine-tuning to take into account the organisational developments of the year. In 2012, considering that described above and the financial and economic situation, remuneration was adjusted less than in the past.

In 2013, in addition to the periodic assessments of positions, Ansaldo STS extended the weighting to lower levels of its organisation as well, using the results of the GJS project, which involved approximately 3,000 of the company’s human resources. This made it possible to create a tool useful in the global assessment of the consistency between the responsibilities an remuneration, without distinguishing by country, sex, culture, etc., in accordance with the company’s values, which protect and promote the equal treatment of people with all their differences. In 2012, the GJS was updated slightly to meet business requirements and in line with the continuous development of competencies.

The following table illustrates gross average remuneration of Ansaldo STS Group broken down by category and gender:

2013	Central and Eastern Europe and the Middle East (K€)		Western Europe (K€)		America (K\$ USA)		Asia Pacific (K\$ AUS)		China (K Renmimbi)	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Executives (Managers)	121	83	114	111	190	-	209	190	-	-
Junior managers	52	50	77	80	131	120	129	111	1,786	1,786
White collars	37	35	47	41	87	69	86	65	12,598	7,086
Blue collars	27	27	23	21	46	36	64	31	-	-

22. The global job system is the backbone of Ansaldo STS’ system of roles and expertise. This project is the result of the need to map the entire system of roles, expertise and skills in the group’s new organisation, in a structured, consistent and global manner. It is helping support the transition from a constellation of companies to a single, integrated and global business. The project output for each professional family will be: a map of the jobs in place (Family Backbone); a detail of responsibilities, mission, expertise and skills for each job (Work Levels); a model of organisational conduct that applies to all professional families (Competency Model); a dictionary of specific technical skills for each professional family (Skill Dictionary); the identification of structured career paths within each professional family; and the assignment of a work level to all Ansaldo STS employees.

The following table illustrates the ratio of women’s gross average remuneration compared to men’s, broken down by category and region:

2013	Central and Eastern Europe and the Middle East	Western Europe	America	Asia Pacific	China
	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN
Executives (Managers)	69%	97%	-	91%	-
Junior managers	96%	96%	92%	86%	100%
White collars	95%	87%	79%	76%	56%
Blue collars	100%	91%	78%	48%	-

The following table illustrates the ratio of the highest paid employees’ remuneration to the median remuneration of all other employees in the different regions:

HIGHEST REMUNERATION AS A RATIO TO MEDIAN REMUNERATION	2013	2012
Central and Eastern Europe and the Middle East	6.3	6.5
Western Europe	4.0	4.2
America	3.1	3.4
Asia Pacific	2.6	2.4

Performance based incentive systems

Performance based incentive systems are mainly linked to the management by objectives (MBO) process or specific performance indicators (KPI) for strategic projects entailing bonuses upon their successful conclusion. Managers, junior managers in key positions for the business and strategic project team personnel are included in these programmes. The bonuses, which are calculated as a percentage of gross annual remuneration, vary depending on the responsibilities held.

The rest of personnel, when included in structured performance management systems (see page 100), receive more limited bonuses if their performance is rated high. In accordance with regulations for listed companies, Ansaldo STS has a remuneration committee set up by resolution of the board of directors of Ansaldo STS (see page 32), which meets periodically with the participation of the head of Human Resources. The committee is responsible for:

- proposing the financial/regulatory package for the CEO and key managers. To this end, the committee relies on market studies performed by specialised companies which provide appropriate benchmarking;
- evaluating the CEO’s proposals on general remuneration and incentive criteria for company management.

The committee has also analysed and approved a document, which is usually updated each year, prepared by Human Resources, positioning all company management in a performance/potential matrix in order to consider, for the purposes of determining remuneration, whether the person can be replaced, used in other positions, etc.

Fixed and variable incentive systems are therefore defined in line with the position held, considering the specific position and the individual manager’s positioning in this matrix. Similar assessments are performed for people who are eligible for the stock grant plan (medium/long-term plan).

The following table compares the number of managers included in the incentive system at the end of the two years considered:

2013	Central and Eastern Europe and the Middle East		Western Europe		America		Asia Pacific		China	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
STOCK GRANTS	38	5	7	1	5	0	2	0	0	0
STOCK OPTION PLAN	8	2	0	0	0	0	1	0	0	0
CASH (long-term)	2	0	1	0	0	0	0	0	0	0

People Care

The “People Care” concept is very extensive for Ansaldo STS and applies to workers’ well-being as both professionals and individuals. The basic concept is linked to the “Total Reward” strategy, based on tangibles and intangibles, to improve personal satisfaction. It is no coincidence that “People” is one of the company’s five emblematic values in its identity: people are at the very heart of the organisation, and this demonstrates the company’s focus on making the work place an environment where they can gain experience, develop competencies, forge relationships and find motivation continuously.

Ansaldo STS’ focus on people can be first seen in the way it guarantees a comfortable and motivational work environment by actively supporting, through the corporate processes in place, relationships between managers and employees and relationships between colleagues. Furthermore, there are various services available in different countries for employees and, sometimes, their families as well.

Flexible schedules, agreements with shopping and sports centres, benefits like health insurance (for certain categories of employees) and mobile phones, as well as family days and employee scholarships are some of the advantages that Ansaldo STS already offers its employees. Other initiatives for employees will be developed in the years to come to foster a sense of belonging to the company and motivate employees. Beginning in 2013 a health care policy will be extended to all employees on a gradual basis.

Employee initiatives

Ansaldo STS follows an extensive policy to manage initiatives that support employees. This policy includes a series of benefits that are allocated and used on the basis of employees’ professional position and the social and cultural customs in their respective countries. Below are a list and brief description of the main benefits and initiatives supporting employees under the company’s policy:

Company health insurance

Ansaldo STS Italy offers its employees supplementary health insurance in addition to that provided for by the healthcare systems in the various countries where its employees live. These policies cover myriad medical needs (e.g. specialist examinations, hospitalisation, medical services, etc.) and vary according to each employee’s professional position (senior and junior managers, white and blue collars have different limits of indemnity). Employees may decide whether to take out these additional policies, and, should they decide to do so, a monthly contribution is withheld from their payslips to cover part of the cost, while the company bears the residual amount.

Medical check-ups

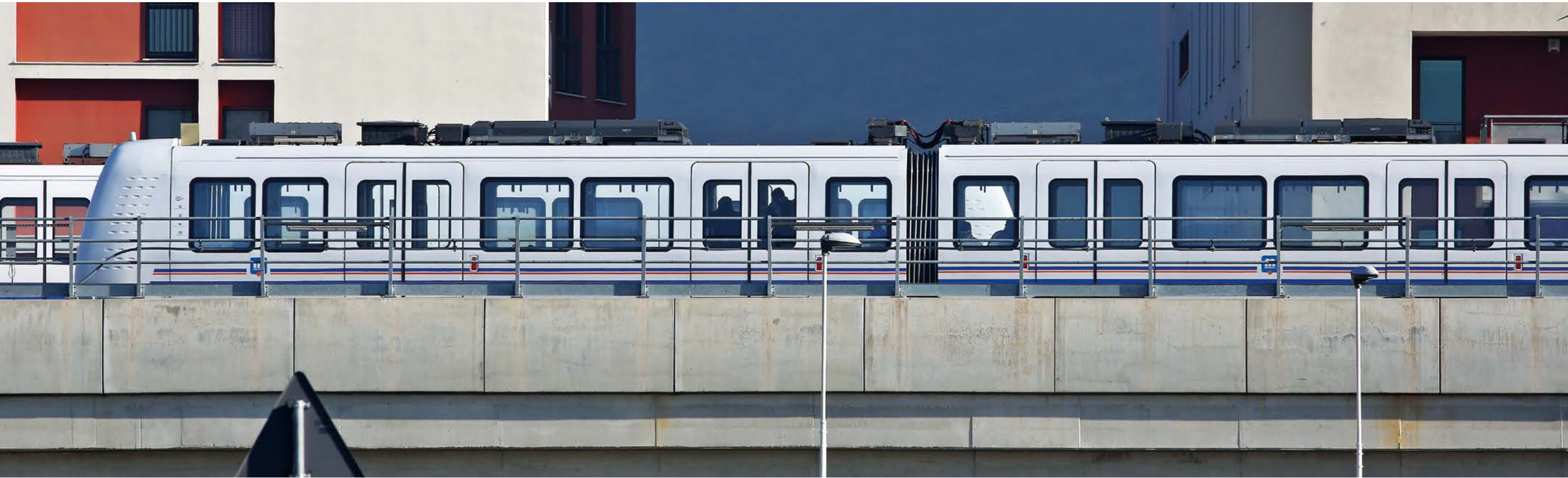
Ansaldo STS Italy offers managers the chance to have an annual medical check-up with the full cost covered by the company. In China, these check-ups are offered to all employees, while there is no such benefit for employees in Australia, France or the US. In Spain, the annual medical check-up is legally required for all employees. Spanish employees may refuse to have the check-up only when their position does not entail health risks.

Company accident insurance

Ansaldo STS Italy offers its employees insurance for work and non-work related accidents under an accident insurance policy covering accidents both in the work place and outside the work place, for all employees, seven days a week, 24 hours a day. The cost of this policy, which covers all employees, is fully covered by the company. The same policy is offered in France, Australia and China, where it is offered to all white collars. It is not offered in the US, as this kind of coverage is included in the company life insurance policy.

Travel abroad insurance (e.g. Europe Assistance)

In Italy, France, Australia and the US, Ansaldo STS offers an accident insurance policy covering any accidents or first aid medical care (as well as luggage and personal item coverage) to employees working abroad (either on a business trip or under secondment). The costs of this policy are fully covered by the company. Ansaldo STS China has also begun offering this policy.



Salary continuance insurance

Ansaldo STS Australia offers employees who work more than 15 hours per week salary continuance insurance. The policy provides for the assignment of 75% of their income for a maximum of two years if the employee is unable to work due to illness or injury.

Company life insurance

Ansaldo STS offers its employees a life insurance policy and fully covers the costs of this policy. In France, the policy includes insurance covering staff during times of illness, along with a life insurance policy for all employees. This policy is offered to Ansaldo STS managers in Italy and Spain, managers and all full-time employees in the US (company life insurance, accidental death & dismemberment & LTD insurance). It is also offered in France, but not in China or Australia.

Company cars

Ansaldo STS offers employees company cars (with a policy that is similar to a lease). The car may be used for personal reasons as well, i.e. it may be used by employees, as well as by their family members or close friends, after notifying the company. Employees pay a monthly contribution and the company pays the remaining amount. Company cars may be assigned to managers and junior managers with high profiles in Italy and Spain, and to managers in the US. They are also offered in France, Australia and China. In Italy, the company has signed an agreement so that all employees can purchase the company cars when they are replaced at advantageous prices.

Fuel allowance

Ansaldo STS offers employees a fuel allowance up to an annual limit, which may be used for car refuelling. The company covers the cost of this benefit, which may be assigned to managers in Italy. It is also offered in France and Australia but not in Spain, the US or China.

Company housing

Ansaldo STS offers housing to employees seconded in the medium to long-term. The cost of the housing is fully covered by the company.

Professional membership allowance

Ansaldo STS offers its employees the possibility to join professional associations (e.g. the register of engineers) and fully covers registration costs. This benefit is offered to Ansaldo STS Italy managers, all US and Australian employees, but not Ansaldo STS France (where the benefits are granted on a case-by-case basis). In China, the company refunds engineers and managers for the registration costs if they have been approved by HR.

Corporate credit cards and bank agreements

Ansaldo STS Italy offers employees the possibility to obtain corporate credit cards linked to the employee's bank account but at special terms agreed by Ansaldo STS and the bank. The credit cards available to Ansaldo STS employees are Visa and American Express. The costs of Visa cards are fully covered by the company, whereas employees contribute to a small portion of the costs charged by American Express. Ansaldo STS also offers its Italian employees the possibility to open current accounts under special terms with selected banks. Furthermore, bank branches and ATMs are located at some of the main offices of Ansaldo STS, making it easier and more efficient for employees to make use of main banking services. These arrangements are also in place in the US, but not China. In Spain, France and Australia, credit cards are linked to the employees' bank accounts and only offered to people who travel frequently for work to cover expense notes only.

Canteen and break area service

Ansaldo STS Italy, France and US provide a canteen service at all the main offices (e.g.: Genoa, Pittsburgh, Les Ulis, Tito, etc.). In Italy, employees contribute to the canteen costs through deductions in payslips, whereas in the other countries, they pay directly when using the canteen services. This service is provided under special terms which are regulated by agreements between Ansaldo STS and the companies that run the canteens.

Recreation centres

Ansaldo STS Italy employees have set up recreation centres, referred to as "CRAL". These are a form of free association of workers and are structured as separate entities from the company. Employees who join the CRALs pay a fee deducted from their payslip. CRAL members may participate in a number of activities (sports or other) and take advantage of discounts at partnering shops (bookshops, opticians, etc.). No such agreements are in place in France, the US or Australia.

Sports initiatives

Ansaldo STS Italy offers employees the chance to participate in Finmeccanica group initiatives, such as the football tournament and skiing competitions organised by the employees of the different group companies on an annual basis. Ansaldo STS also provides its Italian employees with the opportunity to participate in motorcycle gatherings. Similar initiatives are in place in the US and France, but not in China or Australia. Moreover, in the US, a gym was created within the company building, fully equipped and free of charge for all employees. In China, an agreement was entered into for employees to play in a badminton tournament.

Transportation agreements

Ansaldo STS has signed a number of agreements with transport operators (e.g. the "consorzio unico Campania", the French railways, etc.). Employees may purchase travel passes at the special rates negotiated by Ansaldo STS. In China, there are special discount travel agreements agreed with American Express or for specific international airfare.

Travel Tracker: safe travel

Ansaldo STS' expansion on markets and its current organisational model require the presence of its resources in many different countries, which often present challenging safety conditions and weak healthcare and welfare systems. In order to mitigate critical issues arising from travel and relocation abroad, at all sites, Ansaldo STS is implementing a system to ensure adequate protection from outside events. In this context, in order to prevent and remedy any issues, the company is equipped with a tool called the "TravelTracker (TT)", provided by International SOS, which makes it possible to track planned travel in real time. As soon as an employee confirms his or her travel booking through the Ansaldo STS travel agency, International SOS gathers the information and enables company personnel responsible for this activity to quickly identify those in areas presenting high risk of critical situations for the health and safety of people. International SOS, interfacing directly with Ansaldo STS, manages this database. Additional TravelTracker (TT) services include:

- Personal Travel Locator (PTL): personnel travelling can input travel that they have not booked through the travel agency or their long-term secondments, loading their bookings and those of their family members: the travel details will be automatically uploaded from the TravelTracker (TT) database which ensures that the service functions.
- Automated Travel Advisory (ATA): when tickets are booked for the selected destinations, in accordance with parameters established by Ansaldo STS, travellers receive an automated travel advisory on the destination country via e-mail, containing information on public and personal safety, health conditions, car driving, vaccinations and illnesses, food and water recommendations, local culture and conduct in the work place, holidays and demographics.

Furthermore, employees may register with International SOS (www.internationalsos.com), a service that provides alerts on countries of interest selected at the time of registration. The International SOS Alarm Center Paris, a call centre, is available for any reason.

Pension plan

Ansaldo STS manages pension plans for its employees in accordance with the laws in place in the various countries where it operates.

ITALY

In Italy, Ansaldo STS offers its employees a pension fund through the “Cometa” Fund, the National Supplementary Pension Fund for workers in the “Metal-mechanical and plant installation industry”, set up to provide workers in this industry with greater pension coverage than that offered by the mandatory social security plan. When they join the Cometa fund, workers sign the application form and create an individual position, transferring employees’ leaving entitlement, an individual entitlement required by Legislative decree no. 252/2005, to which the employer is required to add a contribution under the aforementioned decree. When they retire, employees may choose how to receive the Cometa annuity:

- immediate life annuity: i.e., immediate payment of a life annuity for the policyholder’s entire life;
- immediate certain annuity and life annuity: i.e., immediate payment of certain annuity for five or ten years, followed a life annuity until death;
- immediate reversible annuity: i.e., immediate payment of a life annuity until death, subsequently reversible (60% or 100%) to another person until death.

AUSTRALIA

In Australia, the pension fund is referred to as superannuation, a sum of money set aside during the life of an employee, starting from the beginning of employment, to cover the future pension. Ansaldo STS pays contributions to the pension funds on behalf of its employees, and such contributions are calculated as a percentage of the annual fixed remuneration (the percentage defined by the Australian tax authorities is currently 9%). The company makes pension fund payments directly to the providers selected by employees. Employees are encouraged to increase the contributions to their pension funds, including with incentives in the form of government grants. Temporary residents who have left Australia may request payment of their superannuation.

INDIA

Pension fund: contributions to the pension fund are equal to 12% of the base remuneration of the employee to which a further 12% must be added, paid by Ansaldo STS. These contributions are deposited in the employees’ account with the relevant pension fund and returned to the employee upon retirement, through monthly pension payments, plus accrued interest.

15% of employees’ base remuneration is deposited with the Life Insurance Corporation of India through the Superannuation Trust Fund. This amount accrues interest and, upon retirement, employees may elect to receive a pension, the amount of which varies on the basis of the different terms of payment.

MALAYSIA

In Malaysia, pension plans are offered through an employee pension fund (EPF) set up with employees’ contributions by deducting them from their monthly remuneration (at least 11%) and the employer’s contributions (at least 12%). Both portions are accrued over the term of service of each employee. This system was not affected by the introduction of the minimum retirement age, because workers can contribute until the maximum age of 70. Even foreigners working in Malaysia may contribute to the fund on a voluntary basis, but the employer’s minimum obligation is for only 5 Renminbi per month, unless it decides otherwise. In this respect, foreigners may revoke their entire contribution upon termination of employment and their return to their home country. This fund has paid 4% to 5% in the past few years.

SPAIN

In Spain, all employees have a supplementary pension fund called “Plan de Previsión Social Empresarial” (PPSE), which is the same as normal pension funds and is subject to Spanish law. This is an important social benefit and reflects a company decision to take care of its employees. Contributions to the PPSE are paid by the company only and not by the employees. The amount of the contributions is established in a way that ensures a minimum contribution for all the employees, also considering each employee’s base remuneration. For example, in 2012, the annual contribution paid by Ansaldo STS Spain to the PPSE was equal to Euro 44,362.

FRANCE

France has various pension systems depending on the classification of workers in the national labour agreement. There is nothing specific for Ansaldo STS France. In the French system, pension benefits are funded directly with the contributions of the employees and employers through basic systems (CNAVTS) and complementary combinations (AGIRC ARCCO).

US

Ansaldo STS USA offers a retirement benefit plan for which workers are directly responsible for managing their investments in the plan. Ansaldo STS does not have a segregated account to guarantee the related funds. For each employee, 2% is deducted from remuneration regardless of whether they contribute to any of the pension funds. Furthermore, if the employees defer any payments, Ansaldo STS pays 100% of the first \$250 and 50% of the subsequent 6% of the deferral. This type of pension plan is very different from traditional plans.

Disabled employees

The policies for the inclusion of disabled people in the headcount fall within the framework of a programme defined at European level with respect to social inclusion policies. In Italy, the integration of disabled citizens or citizens belonging to protected categories is subject to Law no. 68 of 12 March 1999, which first recognised the dignity and social value of the disabled by effectively including them in the labour market. Having abandoned the concept of the “mandatory” hiring practices that were provided for by the previous law (Law no. 482/1968), Law no. 68/99 introduced the key concept of “targeted” employment, defined in article 2 as “a set of technical and support tools which make it possible to adequately assess disabled people in their work abilities and to recruit them for the most suitable position, by analysing positions, forms of support, positive actions and solutions to issues related to environments, tools and interpersonal relations in the daily place of work and contact”.

In order to comply with the provisions of Law no. 68/99, companies are required to hire a certain percentage defined by the same law of employees categorised as “protected”. Specifically, in Italy the legally-required percentage of disabled people for Ansaldo STS’ size, is 7%. In 2013, following agreements implemented in 2012, Ansaldo STS hired three protected-category resources.

2013 ²³	Central and Eastern Europe and the Middle East		Western Europe	
	MEN	WOMEN	MEN	WOMEN
People with disabilities	41	16	3	5

Parental leave

In total, 60 people used parental leave in 2013, and 63 returned to work in 2013 after their period of leave. The following table illustrates these figures broken down by region and separating men and women.

PARENTAL LEAVE	Central and Eastern Europe and the Middle East		Western Europe		America		Asia Pacific		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Number of employees who took parental leave	2	13	10	12	0	6	6	11	18	42
Number of employees who returned to work after their period of leave	1	20	9	10	0	6	6	11	16	47
Number of employees who returned to work after parental leave and who were still employed 12 months after returning to work	2	18	16	6	0	6	0	1	18	31

In addition, 49 people (18 men and 31 women) who, in 2013, twelve months after returning to work after their parental leave, were still employed by the company.

23. This figure is not available for Asia Pacific, and the company has not hired any disabled people in China. Information on the disabled cannot be gathered in the United States.

Trade unions

The type of relationship that Ansaldo STS maintains with its employees presents an extremely low rate of trade union disputes. This context allows for the resolution of any issues with employees through a direct employee-company relationship, with scarce use of intervention by trade unions. The only strikes declared have been due to general political/trade union issues, which have nothing to do with the company. Ansaldo STS’ system for trade unions is based on levels of participation, given the fact that the company has various operating sites scattered throughout Italy and abroad:

- 1. Strategic observation;
- 2. National coordination.

STRATEGIC OBSERVATION

In order to analyse the market scenario and the competitive positioning of the business areas of Ansaldo STS, a strategic observatory has been established, made up of six members selected by the trade unions (three national secretaries and three national coordination members), along with the company’s top management. The observatory meets annually (usually within the first quarter), and within the context of its activities, company management provides appropriate information on:

- company strategies;
- main organisational changes;
- trend in employment.

The observatory may also meet at the request of one of the members if, during the year, any significant changes occur with respect to the issues discussed in the annual meetings.

NATIONAL COORDINATION

The national coordination for the FIM, FIOM and UILM trade unions at the local representation units was established for the purpose of ensuring the trade unions are adequately informed of issues relating to technological, organisational and production changes, horizontal mobility, investment and employment programmes, professional training projects and production decentralisation policies. The national coordination, which entails the participation of a maximum of 15 trade union representatives in the local representation units of the different company offices, is a party at national level for the negotiation of integrative level 2 contracts and any restructuring or reorganisation processes. Finally, a trade union relationship system is in place with the individual local trade union representation units at the production sites, for specific issues pertaining to the individual sites.

In Italy, data on trade unions may be gathered from the trade union dues deducted from payslips. There is no such deduction abroad and therefore Ansaldo STS is not able to record any specific data. Ansaldo STS employees have joined the following trade unions: FIOM-CGIL (with nine union delegates), FIM-CISL (with eight union delegates), UILM-UIL (with four union delegates), CIISA and UGL Metalmeccanici (no delegates). Again in 9, the percentage of workers who had joined a trade union was slightly under 33% of the total headcount, while 100% of the trade union members can be broken down as follows:

FIOM: 43.50%, FIM: 29.48%, UILM: 26.60%, UGL: 0.21% and CIISA: 0.21%

SPAIN

Trade unions relationships at Ansaldo STS Spain are calm and friendly. To express their opinions, workers may contact, either directly or through the personnel delegates, Human Resources, thereby enriching the direct relationship between the company and its employees. The system of trade union relationships at Ansaldo STS Spain is based on the following:

- STRATEGIC LINES - information on corporate trends, organisational changes and, in short, company procedures and policies are provided by Ansaldo STS and consequently adopted and applied also in Spain;
- NATIONAL COORDINATION - the structure of Ansaldo STS Spain includes personnel delegates who represent the CC.OO and UGT trade unions (which are the largest trade unions in Spain). In Spain, the trade union meetings are held very often with all personnel representatives to reach general agreements.

FRANCE

Each month, in France, personnel delegates may present individual or collective issues to their employers, in relation to the application of the law, regulations and collective agreements. Employees may also, either individually or with the assistance of delegates, submit their requests directly to Human Resources.

The French trade union system is defined by specific and extensive regulations, the key points of which are the following:

- personnel delegates are elected every three years by employees. Their role is to manage individual or collective complaints related to remuneration, work conditions, the application of the labour law, health and safety;
- monthly meetings with employers who are required to respond to all requests;
- a factory board is elected every three years by employees. It is informed and consulted on issues related to the organisation (new organisations, new technologies, etc.), employment (staff, temporary workers, subcontracts, work-loads, etc.), company strategies, business and related results, training, health and safety;
- monthly meetings with the legal representative of the company;
- committees on training, welfare benefits, etc.;
- trade union delegates are appointed by the trade unions. Their job is to represent the trade unions, organising within the company and negotiating company agreements.

The main trade unions in France are: CGT, CFDT, CFE-CGC, all members of which may be broken down as follows: CGT 55.76%, CFDT 16.58%, CFE-CGC 18.73% and Other 8.93%.

AUSTRALIA

Relationships with trade unions in Australia were extremely positive in the last year, with substantial discussion in preparation of the new three-year Enterprise Bargaining Agreement.

A key result of this process has been greater communication with employees, generating more feedback and participation in improvements, with a positive environment in which expectations are heard.

There were no disputes with trade unions, strikes or complaints to the labour court during the year. Ansaldo STS’ ongoing commitment to involving its employees through active communication and discussion mechanisms is expected to prevent these issues from arising in the future.



Personnel covered by national labour agreements

The total number of employees covered by national labour agreements, where this type of trade union negotiation is applicable, is shown below:

2013	Central and Eastern Europe and the Middle East		Western Europe		Asia Pacific	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Executives (Managers)			14	1		
Junior managers	272	43	70	9		
White collars	881	222	390	124		
Blue collars	51	6	93	20	37	2
TOTAL	1,204	271	567	154	37	2

In Asia-Pacific, the total number of employees covered by national labour agreements is minimal, due to the company's continued efforts to invest in a fair work environment with respect to the market. America and China are not included in the table because the data are not meaningful, as there are no national labour agreements.

Types of agreements

At group level, Ansaldo STS has reached formal agreements with the trade unions in the various countries concerned, as shown in the table. In Central Europe and Western Europe, the agreements relate to, inter alia, work hours, remuneration and health and safety conditions in the workplace. In Australia, the types of agreements are negotiated with the unions, while in Malaysia, there are no formal agreements and employees must only comply with the Employment Act of 1955 (which establishes that the number of hours worked may not exceed 48) and specific Acts enacted by the government with respect to health and safety.

Prior notice in the event of organisational changes

The adjustment of the organisational structure, along with the operating procedures that support it, is an ongoing and continuously evolving process that meets the similarly ongoing and continuously evolving scenario on markets where Ansaldo STS operates. In the event of particularly significant organisational changes, specific communications initiatives target broad categories of employees to explain the reasons for the changes. Furthermore, in Italy, the currently applicable national labour agreement provides for a specific meeting to inform the trade unions of decisions that have a material impact on labour organisation. A similar procedure is provided for in France, requiring a mandatory document to be sent to the work council explaining the reasons for the organisational change, followed by a meeting with work council representatives no later than 15 days after the document is sent.

In house communications

In house communications continue to play a strategic role at Ansaldo STS. All main communications tools are now well consolidated (the Intranet, company screens, continuous message flows and videos), to involve employees in regular reporting on business development and company strategy.

- In particular, in 2013, in house communications campaigns were launched for two specific events:
- announcement of the strategic plan: meetings involved all Ansaldo STS managers at all sites around the world, who then forwarded the information received to their operating teams.
 - announcement of the new organisation: downstream from the launch of the new organisation, several international communications sessions have been held to explore the new structure's content, involving not only all managers, but also young talent and future leaders.

Climate survey

In 2013, another climate survey was also launched as part of Ansaldo STS' periodic action plan for in house communications. The high rate of participation (over 60% of respondents) painted a reliable picture of the entire company population's perceptions and needs, making it possible to identify improvement areas in various directions (see the section on *Stakeholder engagement*).





Supply Chain

Types of purchases

Supply chain sustainability policy

Vetting and eligibility of suppliers

Contractual tools

Monitoring

Supply Chain

Ansaldo STS considers the entire supply chain management process a critical factor for the success of its business. Strategic procurement management requires a broad vision of the process along the entire value chain, from the definition of product specifications and service to delivery. Ansaldo STS’ management method is inter-functional and provides for the involvement and approval of all bodies concerned by the overall logistics, each for as far as it is concerned.

Types of purchases

2013 ORDERS BY GEOGRAPHICAL ORIGIN (€)

	Italy/EU	Asia Pacific	South America	North America	Non-EU/ Middle East	Other	TOTAL
Materials	109,991,796	32,589,238	-	45,202,381	222,884	628,331	188,634,630
Services	59,282,465	32,707,548	587,323	12,410,041	249,853	1751025	106,988,255
Business services	71,273,494	16,058,797	1,817,581	16,868,623	756,566	160,001	106,935,062
Turnkey projects and subcontracts	96,629,319	68,900,809	-	4,095,419	56,601	-	169,682,148
TOTAL	337,177,074	150,256,392	2,404,904	78,576,464	1,285,904	2,539,357	572,240,095

In terms of volume and composition, 2013 purchases are in line with forecasts. Most of the differences compared to 2012 are mainly due to trends in North America for the following reasons:

- the peak in the 2012 portfolio in North America was mainly due to purchase orders issued for systems and installations for the Honolulu, SEPTA and Toronto metro projects. On the other hand, 2013 order volumes fully reflect the normal parts market trend, which is the core of Ansaldo STS’ business in North America.

Infragroup orders and orders issued exclusively for internal administrative use were not considered (e.g. recharging of consortium costs, etc.).

Commodities	Expense category	2013 TOTAL (€ units)	%	2012 TOTAL (€ units)	%
Packages&Subcontracts					
	Systems Installation*	74,640,206	13.0%	75,494,195	11.3%
	Telecommunication system	27,862,173	4.9%	58,928,364	8.8%
	Station Auxiliary system	21,676,214	3.8%	23,696,937	3.6%
	Power Supply and PS Equipment	18,763,910	3.3%	22,645,923	3.4%
	Supervision and Control system	10,762,140	1.9%	10,206,835	1.5%
	Depot equipment and tool	5,367,853	0.9%	7,437,770	1.1%
	Signalling system	3,985,352	0.7%	3,136,000	0.5%
	Civil works	2,036,505	0.3%	5,324,099	0.8%
	Permanent Way	2,325,119	0.4%		-
	Other packages and apparatus	1,609,510	0.3%	3,648,200	0.5%
	Other on-site subcontract **	653,167	0.1%	4,216,691	0.6%
	System Commissioning	-	-	5,320,351	0.8%
	Onsite maintenance activities	-	-	2,316,145	0.3%
		169,682,159	29.6%	222,371,510	33.2%
Direct materials					
	PCBA	48,547,221	8.5%	49,686,823	7.4%
	Mechanical and Plastic Part	23,773,185	4.2%	31,556,282	4.7%
	Wayside equipment	21,722,172	3.8%	30,077,803	4.5%
	Cables	20,184,832	3.5%	19,592,622	2.9%
	Racks and Cabinets	19,081,762	3.3%	19,100,106	2.9%
	Industrial PC and tool	19,759,732	3.5%	18,341,684	2.7%
	Onboard equipment	16,717,327	2.9%	8,439,305	1.3%
	Electromechanic components	9,603,393	1.7%	9,371,563	1.4%
	Other materials	9,245,006	1.6%	15,417,153	2.3%
		188,634,630	33.0%	201,583,341	30.1%
Indirect service					
	Facility management & HSE services	34,664,810	6.1%	29,060,375	4.3%
	Temporary Work & Other personnel services	24,033,757	4.2%	43,251,611	6.5%
	Professional Service	14,305,882	2.5%	23,037,986	3.4%
	ICT service	17,273,303	3.0%	18,853,618	2.8%
	Logistics services	8,237,680	1.4%	8,689,781	1.3%
	Other indirect services	4,084,837	0.7%	9,212,924	1.4%
	Travel	4,387,986	0.8%	3,808,744	0.6%
		106,988,255	18.7%	135,915,039	20.3%
Business service					
	Engineering	47,424,250	8.3%	30,452,269	4.6%
	Development	36,075,382	6.3%	29,133,838	4.4%
	Rams & Certification	23,435,430	4.1%	49,854,405	7.4%
		106,935,062	18.7%	109,440,512	16.4%
Total		572,240,096	100.0%	669,310,402	100.0%

* Systems Installation (hereinafter “Installation”) includes the following expenses: On-site maintenance activities; Other on-site activities support; Other subcontract; Systems commissioning; Systems installation; Test activities support; V&V support activities and On-site maintenance activities.

** Other on-site subcontract in 2013 includes: Security services, Building maintenance.

Supply chain sustainability policy

Ansaldo STS has conducted an initial mapping of its supply chain with respect to compliance with *ESG (Environmental, Social and Governance)* criteria. Indeed, the standard purchase order model includes general supply conditions, compliance with the code of ethics and, when vetting new suppliers, Ansaldo STS gathers information on their compliance with quality, hygiene, health and safety in the workplace standards and their environmental policies, by requiring ISO 9001, ISO 14001 and OHSAS 18001 certification (see *Vetting and eligibility of suppliers*). Ansaldo STS applies these characteristics as preferential requisites and they are considered in the supplier’s eligibility score.

The mapping showed:

Number of suppliers in the register by direct and indirect product types (2010-2013)	6,600
Total active suppliers (with orders issued in 2013)	3,391
Number of suppliers covering 80% of the value of 2012 orders	308
Qualified suppliers in 2013 (Classes A and B)	198
<i>of which:</i>	
<i>ISO 14001 certified suppliers</i>	38
<i>OHSAS18001 certified suppliers</i>	19

Mapping is the first step in the definition of the specific sustainability policy for the supply chain. The main guidelines of this policy for 2013 are:

- inclusion of a contact person to specifically handle issues relating to sustainability in the supply chain;
- audit activities on site suppliers, including a review of sustainability performance, with technical controls on products for suppliers of materials;
- collaboration between Ansaldo STS and suppliers in product design;
- activities to inform suppliers on sustainability issues;
- the extension of annual monitoring activities to suppliers classified in the A category (until 2012, this was limited to the management of non-conformities).

The geographical breakdown proposed to represent orders also meets a classification criterion based on how critical and risky the area of origin of the supplies is, in terms of violation of human rights, level of criminality and attention to ecologically sustainable practices.

Vetting and eligibility of suppliers

Supplier vetting and the process for the purchase of assets, goods and services are carried out in accordance with the principles of the code of ethics and internal quality procedures, as well as in accordance with current environmental, health and safety regulations. In the management of relationships with suppliers and sub-contractors, as for all business and financial dealings of any kind, Ansaldo STS requires its counterparties to conduct themselves in accordance with the principles of loyalty, fairness, transparency, efficiency and legal compliance.

To this end, supplier and sub-contractors are vetted on the basis of objective, transparent and documentable evaluation criteria, in accordance with the principles of the code of ethics and all procedures provided for by specific protocols, in writing and in line with the current hierarchical structure. They are vetted exclusively on the basis of objective criteria, such as quality, suitability, price, professionalism, expertise, efficiency and adequate guarantees in terms of the fairness of the supplier, service provider or advisor.

Suppliers and service providers

Relationships are based on the correct management of supplies in terms of quality, cost-effectiveness, ability to meet delivery times and compliance with the requirements for goods purchased.

The discussion of information and/or critical issues in relation to the construction of plant and, more in general, the performance of the project as a whole, is limited with suppliers of materials and providers of services. Rather, the aim with these parties is to sign medium to long-term agreements with suppliers of business-critical materials, such as circuit boards and racks and cabinets, so that they can act as genuine partners in the supply chain.

Packages/subcontracts

Purchasing a package refers to the assignment of a turnkey plant that will correctly integrate with all the other technology comprising the entire project. In this case, the assignee is not considered a mere supplier, but a bona fide partner, and must inevitably form an integral part of all stages in the performance of the entire project, from the preliminary design to the final commissioning stages. Therefore, these contractors work alongside all Ansaldo STS’ bodies (PM, Engineering, Quality, Logistics and Construction) throughout the entire process and, in view of achieving the fairness and transparency described above, they are updated on the progress of the other technologies, any critical issues with respect to the project, and are invited to the meetings held with other contractors and the end customer.

The vetting process

The supplier vetting and assessment process entails the following stages, in accordance with the procedures established for the management of this process.



Ansaldo STS’ Procurement function vets potential suppliers of materials, service providers and, in particular, suppliers of packages/subcontractors, with the support of other company functions (Engineering, Administration and Finance, Legal Affairs, Quality, HSE and Construction). Throughout the entire assessment process, Ansaldo STS verifies that suppliers meet requirements in order to approve them and include them in the list of eligible suppliers that may be used for the issue of purchase orders. Depending on the importance of the product types, the assessment methods used range from a simple analysis of the documents requested of and received from the supplier to the preparation of assessment reports following an inspection of the supplier’s site. The following functions may request the inspection:

- the Procurement function, for a more reliable assessment of strategic suppliers;
- other functions when they do not have enough information;
- the Quality function when the assessment of the supplier’s organisational system, quality management system or overall capabilities is not sufficient considering the type and importance of supply. The assessment team examines the various business areas depending on the type of purchase (materials, services, packages, etc.), on the basis of the required processes (design, supply, assembly, etc.) and, finally, on the basis of their importance.

Eligibility criteria

Drawing on the technical and specialised expertise of the concerned company bodies, the Procurement function assesses potential suppliers according to highly detailed requirements that fall under the following categories:

- financial situation and results;
- management, sales and logistics organisation;
- production potential;

- whether it has quality management systems certified by accredited bodies;
- whether it has environmental management systems and health and safety management systems certified by accredited bodies;
- its willingness to be inspected;
- whether it has been endorsed by the RFI (Italian Railway Network) or other bodies;
- the identification and traceability of production lots.

Since 2012, the part of the eligibility process entailing the gathering of the above subset of information has been extended to the bidding procedure as well, with the consequent advantage of shorting the time needed to complete the process once the supplier has been selected.

In view of continuous improvement, the eligibility process also includes two new key aspects. The first relates to the fine-tuning of the process, while the second is organisational in nature.

In 2013, the “A-B-C classification” of suppliers was updated the aim (which was achieved) of streamlining the eligibility process and making it more efficient. Supplier vetting activities, including inspections, are indeed concentrated and intensified only for suppliers considered “strategic”, i.e., classified as A and, only in particular cases and/or upon specific request, are inspections conducted on class B suppliers. Class C suppliers are subject to shorter and more streamlined eligibility, based mainly on the verification of documents. The objectivity of this classification is ensured by the association of the product group in relation to which the supplier’s eligibility is being assessed.

The second improvement is tied to the organisation of the Supply Chain unit. In order to strengthen its structure with respect to the qualification, management and monitoring of suppliers, in 2012, the Supply Chain created the TQVO (Total Quality Vendor Office) , which was fully rolled out in 2013 and has led to significant improvements in the qualification and monitoring of suppliers.

Indeed, roughly 85 audits were performed on the most important and qualified suppliers, in addition to the 200 new suppliers of 2013.

Contractual tools

Ansaldo STS uses various supporting contracts, depending on the goods and services purchased from a given supplier.

For the product categories relating to basic services, such as ICT (Information & Communication Technology), the supply of energy, global services and logistics (outsourcing of warehouses and transport contracts), Ansaldo STS uses framework agreements defined at Finmeccanica group level (Finmeccanica Group Services).

For standard materials and services, all initiatives favouring long-term arrangements are preferred (framework agreements, partnerships, memoranda of understanding, etc.) with vetted suppliers, and periodic controls on the suppliers’ processes are performed, in addition to scrupulous checks of supplies to monitor suppliers’ ethical conduct, adequacy, reliability and timeliness.

For specific materials and services for projects, Ansaldo STS uses purchase orders. The standard order includes a summary of the general supply terms, legal requirements – with specific reference to the protection of workers and the protection of personal data – and a notice of compliance with the code of ethics.

The order includes a description of the characteristics and requirements, quantities and delivery times for the materials and services, and may also refer to specific documents clarifying the technical specifications for more complex devices.

For turnkey packages and contracts, Ansaldo STS agrees ad hoc contracts whereby the contractors undertake, through their organisation, using the necessary means and with management at their own risk, the construction of the relevant plant or service. The most important articles in these contracts unambiguously define:

- the scope of the work;
- a list of all contractual documentation;
- the consideration;

- the supplier’s obligations and charges;
- legal requirements;
- terms of payment;
- how variations will be managed;
- penalties for non-performance;
- guarantees (sureties) and insurance required;
- how disputes will be managed.

Furthermore, all contractual documentation is attached to the contract. This documentation normally consists of the main contract (that agreed by Ansaldo STS with the customer), the technical documents defining the scope of the work in detail, detailed project plans, Ansaldo STS’ code of ethics, legally-required documents (safety and coordination plan and facsimile of workers’ protection statements), etc.

Monitoring

Suppliers are constantly monitored through contact between them and the Ansaldo STS functions with which they operate (Procurement, PM, Engineering, Quality and Supply Chain Quality, Logistics and Construction). At least once a year, personnel working with suppliers participates in a vendor rating process that takes into account the suppliers’ conduct and performance in the supplies ordered, in order to update the suppliers’ assessment and establish whether they will remain in the list of Ansaldo STS suppliers. Scores are given in four main areas: Quality, Timeliness, Flexibility and Charges. Each partial score is considered in the calculation of the weighted average of the various company bodies. On the basis of these scores, a report is prepared on the quality of suppliers and, using the right weighted average formulas, each supplier is rated. This monitoring system is ongoing and the results are assessed quarterly. The parameters considered are:

- Price (calculated as the variation in the cost of the product);
- Quality (calculated as the percentage of faults);
- On-time delivery.

In particular, in 2013, vendor rating played a central role in the TQVO’s activities.

In January, assessments began to be carried out using a specific management tool (SUDA) for all suppliers. In May, assessments began on individual purchase orders.

In this way, requests were sent to internal stakeholders asking them to rate 1,236 suppliers. The rate of valid responses received was satisfactory, but not yet excellent. This will require greater steps in 2014 to sensitise management. Nevertheless, there were only six cases with unsatisfactory ratings and action plans have been prepared to improve the performance of those within the scope of the TQVO team’s activities.

“External Cost Efficiency (ECE)” Project

As a natural development and extension of the RT150 project, in 2013, Ansaldo STS kicked off the ECE project to optimise overall supply costs. This project has entailed the selection of certain macro expense categories considered strategic to cut back. For each macro category, specific efficiency opportunities have been identified in a detailed manner, and their implementation should enable Ansaldo STS to achieve medium and long-term results. Already in 2013, greater efficiency of €26.2 million was created.

This project, led by the procurement office and supported by Ansaldo STS management, has required the cooperation of various functions around the world, making it possible to promote and consolidate these best practices in external cost management throughout the entire organisation.



Community

Research projects with Italian and EU public institutions

Trade associations

Partnerships with universities: technological and managerial training

Media relations

Ansaldo STS and the community

Community

Ansaldo STS encourages social progress in the communities where it operates, promoting technological and managerial training through partnerships with universities, particularly with respect to information communication technology, the health and safety of transportation systems and sustainability. It actively participates in research projects co-financed by Italian and EU institutions on how to improve safety, energy efficiency, environmental impact, sustainable mobility and the interoperability of transportation systems.

In addition, Ansaldo STS funds humanitarian initiatives for people affected by natural disasters and by supporting non-profit associations and medical centres specialised in services and care for people suffering from serious illnesses.

Ansaldo STS is equipped with a procedure for *Sponsorships, advertising initiatives and contributions to associations and bodies*. The purpose of the procedure is to establish the general policies, scope of application, roles and responsibilities in connection with decisions and expenses incurred to this end. Particular attention must be paid to the party receiving the consideration for the sponsorship or publicity or the association or body receiving the contribution, which:

- must have the necessary ability to perform the initiative;
 - must not present conditions of incompatibility or conflict of interests, in terms of family relationships or personal or professional relationships;
 - must not have been found guilty of crimes or been fined by national or international authorities;
- must not be a resident or be based in countries with privileged tax systems, as defined by the tax legislation applicable to the company, unless it is a resident or based in a country with a privileged tax system that is the same in which the initiative is to be carried out, in any case in accordance with application regulations.

Research projects with Italian and EU public institutions

Ansaldo STS participates in research projects funded by the Ministry of Education, Universities and Research, the Ministry for Economic Development, the Ministry of the Environment and the European Commission.

It also participates in the Liguria Region’s “Technologically Integrated Intelligent Systems” district with other Finmeccanica companies in the region and with the Campania Region as president of DATTILO (High-Tech Transport and Logistics District) and the TOPIN laboratory (Innovative Optical-electronic Technologies).

Ansaldo STS received grants of €2.1 million (2012: €2.5 million) for signalling research projects, with total actual costs of €33.3 million (2012: €33.1 million).

- It is involved in the following projects in relation to PON (national operating programme) tenders:
- **SICURFER** – to develop and test technologies for railway infrastructure monitoring to improve safety and security levels.
 - **DIGITAL PATTERN DEVELOPMENT** - to develop simulation systems to support the design and production of systems and parts for road and rail transportation. Activities began in the first few months of 2012, were carried on throughout 2013 and are slated for completion in 2014.
 - **VERO (Virtual Engineering for Railways and Automotive)** to support the construction of simulators for the optimal dimensioning of signalling systems. The project was launched in the last few months of 2013 and will be carried out in 2014 and the first half of 2015.

Projects receiving European funding concern infrastructure monitoring (ALARP, RESTRAIL and MAXBE), safety (CESAR and EXCROSS) and security (PROTECTRAIL, SECUR-ED and EXCETERA).

In 2013, development activities continued on the satellite positioning system, also in accordance with the contract with the European Space Agency. The Critical Design Review and Design Qualification Review (the GSM/GPS lab test, Vodafone M2M tests & EURORADIO over IP and DQR LDS) milestones were passed.

Ansaldo STS received grants of €0.7 million (2012: €0.5 million) for transportation solution research projects, with total actual costs of €1.5 million (2012: €2.2 million).

- The following are funded research projects underway:
- SITRAM: the project funded by the Ministry for Economic Development (“MISE”) for the 2015 industrial tender was completed. It provided for the study and testing of advanced technological solutions for the catenary free capture of energy (TramWave®), to increase the efficiency of the energy cycle and to improve safety. In this context, a modular solution to power tramways without catenaries, called TramWave® , was developed and industrialised. A 600-metre section of the Naples-Poggioreale tramway line was equipped with the system and pre-roll-out tests were conducted to verify the system’s functioning and safety, with success. These tests are preliminary to obtaining authorisation from the Ministry of Transport to roll the system out. At the end of 2013, the Ministry gave its technical approval.
 - The main aspects of energy efficiency in railway transportation systems constitute a topic that has been dealt with through various projects: SFERE, funded by the Ministry of Research, with the aim of studying the benefits of using supercapacitors installed on the ground for tramway systems, OSIRIS, funded by the European Commission, to study solutions using low enthalpy sources to reduce the consumption of auxiliary metro systems, and MERLIN, to design powering architectures and software systems to optimise main line energy flows.
 - The MBAT project, funded by JU Artemis (a public-private body that provides European Commission funding for embedded system innovation) and the Ministry of Research. The aim of this project is to develop tools for the development and testing of embedded systems with an impact on railway system safety and availability. In 2013, the project saw the completion of most specification activities, in view of the construction and testing of technological demonstrators, which will lead to the project’s conclusion in 2014.

Trade associations

Ansaldo STS actively participates in UNIFE projects (association of European railway builders), UNISIG (association of European railway signalling companies) and UITP (international public transportation association), ANIE (National Federation of Electrotechnical and Electronic Companies), AICQ (Italian Association for a Quality Culture), the Italian partner of EFQM (European Foundation for Quality Management), Cosila (consortium for safety in the workplace) and Unione degli Industriali/Confindustria (Industrialists' Union/Italy's main organisation representing Italian manufacturing and service companies), in Naples and Genoa, specifically.

In the scope of UNIFE, Ansaldo STS collaborates to promote the extension of the use of railway transportation through the implementation of technological standards (ERTMS and TSI) and by proposing European research projects to improve safety, energy efficiency and environmental protection in the field of railway transportation. Specifically, with this project, proposed by the railway JTI SHIFT2RAIL, Ansaldo STS aims to reduce emissions, for a modal shift in transportation, in line with that indicated in the transportation white book published by the EU Commission.

Furthermore, also as part of UNIFE, Ansaldo STS is on the **Sustainable Transport Committee**, which aims to define a common, consistent and effective consensus in the railway industry with respect to environmental issues and, particularly, energy efficiency (reliable standards to measure energy consumption), the evaluation of the life cycle as one of the main criteria in the decision-making process, eco-procurement and noise- and emission-reduction.



Partnerships with universities: technological and managerial training

In the 2012-2013 academic year, along with the Ferrovie dello Stato group (Italian railways), AnsaldoBreda, Roma Metropolitane and Bombardier Transportation Italy S.p.A., Ansaldo STS participated in the Level II University Master programme in Infrastructural and Railway System Engineering with the La Sapienza University of Rome. The aim of the master programme was to train top level engineers in the railway transportation sector.

Another significant initiative has been ITS “special technology schools”, which are post-secondary school technical training programmes that last two years. They are managed by private foundations specifically set up in Italy for this purpose. Finmeccanica took part in the ITS project approved by the Ministry of Education and Universities, participating in seven foundations with the involvement of another eight Finmeccanica group companies, including Ansaldo STS. Specifically, the ITS in which Ansaldo STS took part relates to the railway sector. The training course began in mid-October 2011 and will end in the first few months of 2013 (after work experience at Ansaldo STS and companies in its chain). There are 24 classroom participants. The course is based at “Il Villaggio dei ragazzi” in Maddaloni (CE).

Ansaldo STS is also a partner in the Genoa-based ISICT, an institute of higher learning for studies in Information and Communication Technologies in the form of a consortium set up by the University of Genoa and companies, institutions and bodies throughout the Liguria region. The aim is to promote excellent training in the field of Information and Communication Technology.

Ansaldo STS participates in the institute's projects as part of the decision-making bodies and by collaborating in student training by providing teachers. Furthermore, Ansaldo STS organises annual conferences on cyber security, in collaboration with the Engineering department of the University of Genoa, particularly for students and businesses in the area. Ansaldo STS also participates in workshops with students who have completed high school or who are graduating from university, held by the university in concert with leading companies in the region. During these workshops, the company listens to young university students' needs and aspirations and then presents, together with the various participating companies, specific details on their companies and provides more general information on university choices and potential employment opportunities.

AGREEMENTS WITH UNIVERSITIES

Ansaldo STS has framework agreements in place with Italian universities in Genoa, Turin, Rome and the Basilicata region, relating to a number of three year PhD partnership programmes, annual or bi-annual research agreements and many graduate theses and work experience programmes.

In 2012, these agreements enabled the company to organise ad hoc seminars at the University of Genoa. The seminars saw the direct participation of various company managers, who discussed various engineering issues that are of vital importance to Ansaldo STS, including electric traction. The company increasingly promotes the use of tools such as these types of seminars, with the shared aim of offering training to young resources working specifically in areas that are directly applicable to the company's projects. Ansaldo STS also has a framework agreement in place with the German university in Dresden, an institution with particular expertise in railway signalling. Furthermore, it has partnerships with the Universities of Rome and Milan.

Finally, Ansaldo STS continues to intensify the forging of fruitful and long-term relationships with international universities in countries that are strategic for the company's future. An example of this commitment is the US, where Ansaldo STS has pursued important training initiatives, including:

- participating in several academic career fairs;
- participating in the Computer Science Day at the University of Pittsburgh;
- promoting meetings and interviews with students at local university campuses;
- promoting job offers and internships through universities;
- hiring interns and apprentices.

Media relations

- In its communication activities, Ansaldo STS mainly targets sector leaders:
- national press agencies that handle general news (e.g., ANSA, ADN-Kronos and AGI) and press agencies specialised in business news (e.g., Radiocor, Mf Dow Jones and Reuters), as well as the international press specialised in business news (Reuters International, Dow Jones and Bloomberg);
 - dailies (e.g., Il Sole 24 Ore, MF and Italia Oggi);
 - periodicals (e.g., Milan Finanza, Corriere Economia, Repubblica Affari&Finanza and Il Mondo);
 - the radio (Radio 24);
 - television (Class CNBC);
 - online media;
 - blogs, such as letters to investors and similar posts.

It has also extensively developed relationships with online eco-business news outlets (e.g., IlSole24Ore.com, Soldionline.it and Finanza.com).

It enjoys ongoing and fruitful relationships with local business and general media outlets in which it has sites (particularly Genoa and Naples) or where it carries out projects, such as Rome, Milan and Brescia.

Finally, in 2013, Ansaldo STS conducted an analysis and evaluation to learn what the main trade publications are in each geographical area. It revised and forged relationships with leading international publications in the railway transportation/railway signalling sector, such as the Railway Gazette International, International Railway Journal and Eurailmag. This analysis led to a more accurate and efficient definition of the 2014 advertising plan, in coordination with business expo activities and advertising via digital channels.

RELATIONSHIP MANAGEMENT

Ansaldo STS develops its relationships with the media by focusing utmost attention on the quality of information, which must always meet requirements of transparency, timeliness, absolute truthfulness, complete ease of use and widespread distribution. These characteristics enable Ansaldo STS to base its communications on the constant symmetry of information to all media outlets, also considering the fact that the company is listed on the stock market. Relationships with journalists are managed at several levels: from the highest, with directors and deputy directors of publications, to middle range, with head editors and senior editors, to writers. Indeed, relationships must be forged across the board for constant support with respect to issues relating to Ansaldo STS' business.

QUALITY OF EXTERNAL COMMUNICATIONS

All Ansaldo STS information that is shared with the market and that can be defined as price sensitive (i.e., that could materially affect the share's price on the stock market and that is disclosed via Borsa Italiana's NIS - Network Information System) is subject to a standard procedure that puts Ansaldo STS' Investor Relations and internal communication functions in close contact with an external communication agency. All disclosures to the media are therefore discussed, checked and approved before being sent out, through an ongoing, scrupulous control process that involves, each for as far as it is concerned, the functions mentioned above. Ansaldo STS' external communication function and the external communication agency discuss all contact with the press, from pro-active contact to follow-ups on market reports, so that the necessary consistency of information is ensured with respect to all Ansaldo STS' media relationships. Ultimate authorisation is always with the Managing Director and CEO.



Digital communication

The company website

In 2011, Ansaldo STS extensively revised its website, updating the graphics and adding new sections and functions. This project led the company to win the “KVD Webranking Best Improver 2011” award, ranking 26th among the 101 leading companies listed on the stock exchange (it ranked 40th in 2010).

In 2012, continuing with the care and attention that it had already devoted in 2011, but with new objectives and identifying other improvement areas, such as digital communication and social media, Ansaldo STS achieved the same kind of success, winning the prestigious KVD Webranking Best Improver award for 2012 (ranking 14th), with the awards ceremony in 2013.

In 2013, as part of the KVD Webranking Best Improver award, on the basis of the 20 super-sectors to which the ICB (industry classification benchmark) standard applies, Ansaldo STS won **first place for the industrial sector and Italy**. Out of the most transparent Italian industrial companies, Ansaldo STS received a score of 56.5 points, compared to the Italian average of 37.3 points and the European average of 47.8 points.

During the second half of 2013, many aspects were further revised and improved as part of an ongoing change approach, in line with the language speed typical of the web. In particular, Ansaldo STS developed the website’s functional and editorial side by adopting a corporate message platform. New elements include a general online archive containing all available company documentation, a new search engine supported with automatic suggestions, all financial schedules available directly in HTML (in addition to Excel schedules), the interactive KPI tool, email alerts, events reminders and interactive animation.

2012 Integrated Review

A navigable version of the report was published on the website for the first time, named the **2012 Integrated Review**. It is the first step towards an integrated view of financial, social and environmental management.

This is a new tool for the public demonstrating how much sustainability is a part of Ansaldo STS’ day-to-day work, and an increasingly key element for pursuing dialogue with stakeholders, so they have adequate tools to read about and understand the company.

Other digital communication channels

In the second half of 2013 new initiatives were kicked off to develop currently existing digital communication channels, improve their content and format and communication functions, as well as facilitate dialogue outside the company.

The company application for Ipads is now available to the public and another application is being developed for commercial use to spread and promote brochures and documents on Ansaldo STS’ business activities.

In the same period, the English language version of the website and Wikipedia pages were fully revised.

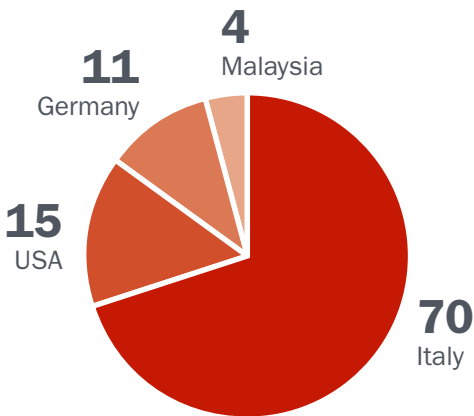
Communications channels were developed and updated via social media, in line with the sector approach and creating more ongoing interactive communications with the general public.

For every industry expo or conference in which Ansaldo STS participates, articles describing or commenting on the events are written and published, including via social media, and the documentation presented is also included, inviting people to follow Ansaldo STS.

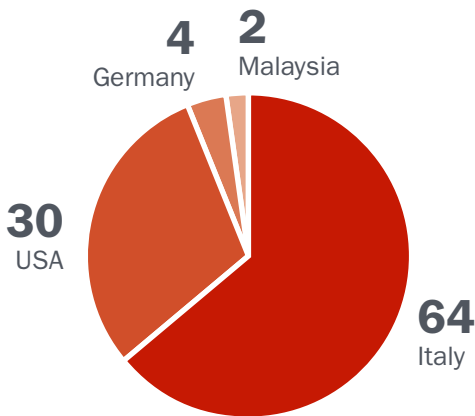
Ansaldo STS and the community

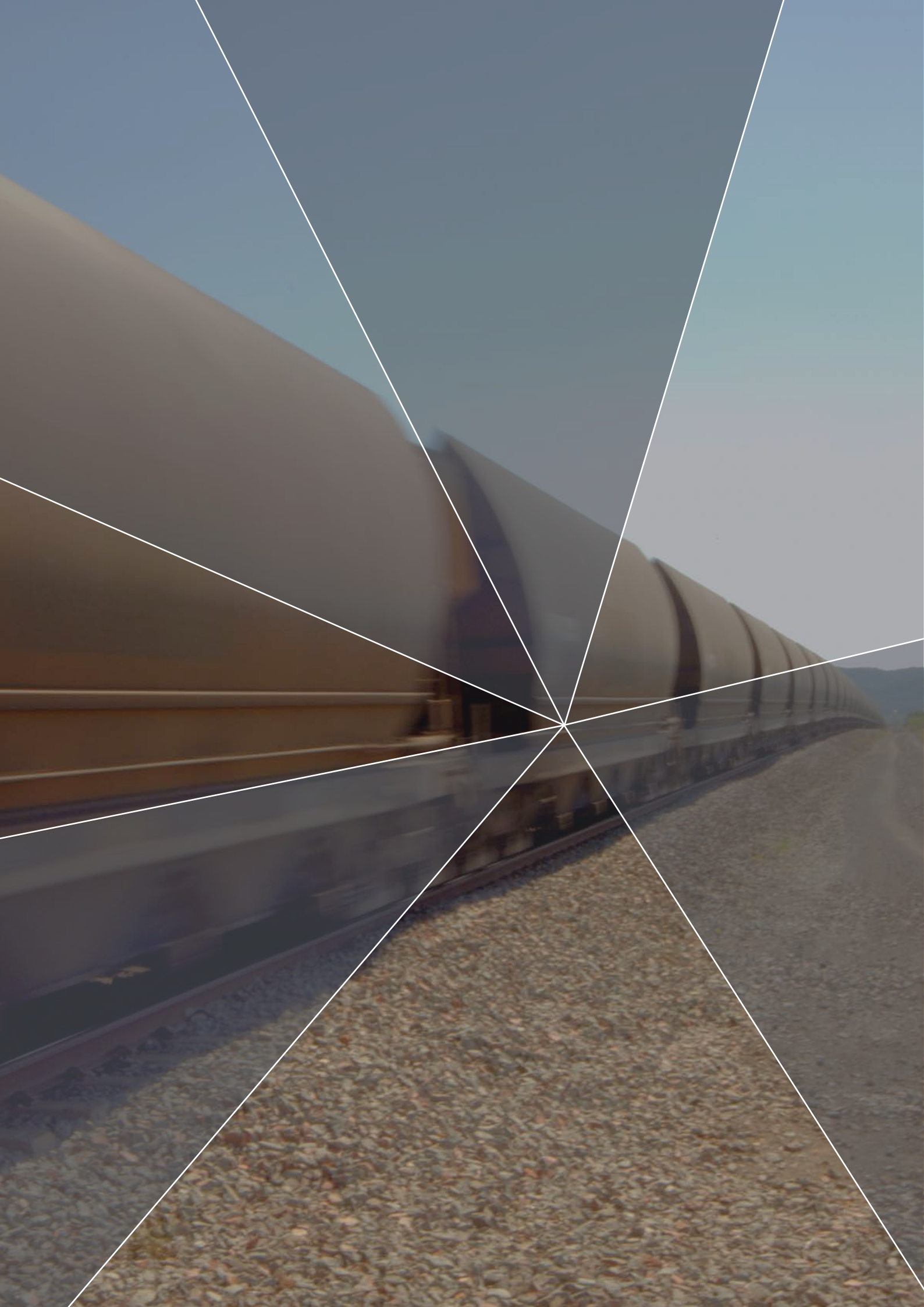
Each year sees Ansaldo STS committed in various charitable events to fund cultural and humanitarian initiatives. In 2013, total donations and sponsorships to cultural bodies, organisations and industry expos, amounted to roughly €370 thousand, as shown below by geographical segment:

DONATIONS BY GEOGRAPHICAL SEGMENT (%)



SPONSORSHIPS BY GEOGRAPHICAL SEGMENT (%)





Sustainability of the Australian business

Materiality

Ansaldo STS in Australia

Corporate governance

Our people

Health and safety

The Environment

Community

Sustainability of the Australian business

Ansaldo STS Australia is active in sustainable, low environmental impact transportation, and sustainability is an integral part of its business plans and decision-making processes.

The company’s core business is to develop and deliver solutions that improve the safety, efficiency, reliability and environmental performance of Australia’s passenger and freight rail transportation.

The sustainable products, systems and solutions that the company develops and delivers to its customers – the owners and operators of Australia's rail networks – play a crucial role in enabling them to meet their sustainability targets.

The way in which Ansaldo STS Australia conducts its business and the related financial, economic, social and environmental impact are strategic priorities in ensuring the company’s sustainability and competitiveness.

Materiality

In accordance with the Global Reporting Initiative (GRI) guidelines, Ansaldo STS Australia has performed a materiality analysis to identify the aspects of sustainability that are more important to stakeholders and to the company's business. It considered the following aspects in this analysis:

<ul style="list-style-type: none">• Internal points of view <p>To gain a better understanding of which environmental, social and governance issues are relevant to the business in Australia, the company conducted a series of interviews with management.</p>	<ul style="list-style-type: none">• External points of view <p>It also performed a media analysis, reviewed the Ansaldo STS (Group) sustainability reports and those published by other leaders in the same sector, along with the G4 Sustainability Reporting Guidelines.</p>
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The result of this process enabled it to define the content of the first chapter in this report on the Group’s sustainability in Australia.

Towards greater transparency

To increase the transparency of sustainability reporting in the future, Ansaldo STS Australia plans to conduct a detailed materiality analysis, which will include in depth interviews with its external stakeholders, such as non-government organisations, suppliers, customers, shareholders and the media.

This will enable it to more accurately evaluate the impact that sustainable development issues have on the company and on the environment, encouraging compliance with related policies and commitments.

Ansaldo STS in Australia

Ansaldo STS (formerly *Union Switch & Signal*) has been active in Australia since 1995, and currently employs a total of 537 people at the Brisbane, Sydney, Newcastle, Perth and Karratha sites.

The company’s core business is to develop and deliver solutions that improve the safety, efficiency, reliability and environmental performance of Australia’s passenger and freight rail transportation.

Demand from the resources sector has reached unprecedented levels, boosted by improvements in terms of efficiency and ambitious expansion objectives. In response to this demand, Ansaldo STS Australia has developed and currently delivers advanced technologies, such as train management systems that encourage the automation of railways for heavy transport and signalling and telecommunication systems that use satellite positioning technologies to reduce reliance on infrastructures and maintenance. These technologies will generate direct improvements in terms of safety and efficiency.

Additionally, the rapid and sustained population growth in Australia’s capital cities and surrounding areas, as well as in its major regional centres, has led to an ongoing rise in the number of projects to increase capacity and expand passenger railway transportation. Ansaldo STS has continued to contribute to these significant passenger railway transportation projects.

Corporate Governance

Ansaldo STS Australia is committed to operating and conducting its activities in line with ethical, sustainable and transparent practices. The company’s employees work in accordance with its code of ethics and core values and use the global integrated management system (IMS)²⁴ in their operations. The IMS ensures the appropriate execution of all operations.

Our values

Standards of conduct are based on values like customer focus, innovation and excellence, focus on people, team spirit and integrity. Policies and the code of conduct reinforce the upholding of these values, which is fundamental for the achievement of company objectives, the attainment of market success and the management of relationships with stakeholders.

Code of ethics

Ansaldo STS’ code of ethics serves as the foundation for employees’ conduct and is aligned with the company’s values. A supervisory body monitors the management and application of the code of ethics within the company. The body's members include

the Country Representative for Australia, the Deputy Chairman of the Internal Control Body and the Legal Affairs Officers for Australia.

With respect to the requirements set forth by the business rules in the code of ethics, during the board meeting held on 23 October 2012, Ansaldo STS Australia’s supervisory body provided the board of directors with an annual report on the issues dealt with in 2013.

All employees can consult the code of ethics on the company’s website, and a copy of the code is provided to all newly hired employees as part of Ansaldo STS Australia’s initial training programme²⁵.

24. Integrated Management System.
25. Induction Program.

Board of directors

Ansaldo STS Australia Pty Ltd is the Ansaldo STS Group’s sub-holding company in Australia. It is managed by a national board of directors whose powers and responsibilities are those envisaged by article 248A of the *Corporations Act* of 2001 (Australia).

The Country Representative for Australia, Lyle K. Jackson, is one of the seven members of the board of directors and, among his other functions, is responsible for representing the company at the shareholders’ meetings of the companies in which Ansaldo STS Australia holds an interest, professional association meetings and in all legal, administrative and tax matters.

The Country Representative for Australia also has overall responsibility for Ansaldo STS Australia’s compliance with the company’s social responsibility policies and their implementation, with the Environment, Health and Safety, HR and External Communications divisions responsible for the day-to-day execution of these policies under guidance.

Ansaldo STS Australia’s board of directors meets at least four times a year, and the meetings are scheduled considering the meeting schedule of Ansaldo STS S.p.A.’s board of directors. In 2013, the Australian board held four meetings.

Ansaldo STS Australia’s board of directors (2013)

Directors

Lyle K Jackson

Michele Fracchiolla

Emmanuel Viollet

Giuseppe Gaudiello

Christian Andi

Filippo Corsi

Ajith Perera



Our people

Our employees’ abilities, commitment and innovative way of thinking are crucial to our company’s success. We support, encourage and motivate our personnel to improve their abilities and skills through a global performance development programme. The forging of fruitful in house relationships and an environment of mutual respect are key aspects of the way we work at Ansaldo STS Australia.

Ansaldo STS Australia’s 537 employees bring various levels of expertise and diverse experience to their work. To retain employees and increase its ability to attract new talent, the company has developed a global HR policy that encourages continuous learning, strengthens leadership skills and promotes cooperation between colleagues, customers and the community.

Recruitment and development

In a job market like Australia’s, where demand is extremely competitive, especially in the fields of engineering, which make up 41% of the Australian workforce, Ansaldo STS Australia has demonstrated its ability to attract and retain highly skilled and competent people.

The social media is also used for recruitment, making it possible to expand the national ‘Ansaldo STS Takes you places’ recruitment campaign.

Global Employee Survey

Australia’s participation in Ansaldo STS’ annual global employee satisfaction survey is steady, with 325 employees, equal to 60% of all workers (compared to 61% in 2012).

The results show that the company has progressed in a number of areas – particularly communication with employees – and indicates other possible areas for improvement, in which the company will focus systematically until the next Global Survey.

Building our workplace culture

The ability to create an environment in which competent, highly productive personnel are happy, motivated and fulfilled is an essential factor in the HR strategy.

The company has continued to promote the widespread application of the company’s values of focusing on customers, innovation and excellence, team spirit and integrity, ensuring that they remain highly visible in the workplace.

By implementing managers’ and employees’ observations, Ansaldo STS Australia has developed a new initial training programme, which aims to help new employees understand the organisation and the way in which it works. The training programme consists of a series of modules and an employee handbook, a complete guide to support employees by facilitating them in filling their new role, while also giving them a general idea of Ansaldo STS Australia’s business model.

To support the ongoing commitment to provide training on workplace culture in Australia, certain videos on this subject have been included on the e-learning site. The videos are aimed at helping people who have just arrived in Australia, gain a better understanding of the local culture and customs.

Celebrating diversity

Ansaldo STS believes that diversity of employees strengthens the quality of decision-making processes and is part of the accountability system.

The company recognises that local communities constitute an invaluable source of skills and aspiring workers and, where appropriate, it seeks to recruit local candidates to develop abilities within the local communities in the areas in which it operates.

This commitment is not only important in terms of social justice, but it is also a significant strategy for attracting and retaining personnel. To this end, Ansaldo STS Australia plans to continue to develop social networks and partnerships and intends to eliminate obstacles to career advancement for women, aiming to encourage diversity within the workforce.

Remuneration and incentives

People, their performance and the quality of their work are a crucial part of the company’s success. Remuneration and incentives for Ansaldo STS Australia employees are regulated both by national labour standards, which include work hours and general labour conditions, and by the market, in order to maintain its competitive edge.

Employee awards and recognition

Ansaldo STS Australia aims to celebrate the success and recognise its employees’ commitment. Indeed, each year, personnel are invited to participate in the “Finmeccanica Innovation Award”, which consists of a general competition open to all Finmeccanica group companies, for the presentation of innovative ideas relating to process improvement, product value enhancement and service opportunities.

In Australia, the company rewards employees for their ongoing efforts and loyalty and during the year, a new loyalty award programme was launched to recognise employees who have worked with Ansaldo STS for five or more years. To date, a total of 179 employees have received recognition for their contribution to the company.

Additionally, each year, Ansaldo STS Australia employees receive two extra paid holidays – called Ansaldo Days. One Ansaldo Day is an additional holiday during the Christmas season and the other is determined by local administration on the basis of production requirements.

Strengthening communications

To make it easier for employees to access the policies, guidelines and modules they need, an HR bulletin board for Australia has been added to the global Intranet. The website also gives employees direct access to the Ansaldo STS Australia Human Resources Hotline – an email system created to ensure that personnel receive responses to their questions on HR management issues within one business day.

Health and wellbeing

Ansaldo STS Australia encourages everyone to contribute to protecting their health in the workplace. In 2013, flu vaccines were offered again at no charge to employees. The Employee Assistance plan gives all employees and their closest family members free access to counselling services.

Financial security

To assist employees a free insurance policy is available to all employees who work over 15 hours a week, guaranteeing that they will receive their salary if they are unable to work (because of illness or injury). In addition, a salary package is available for employees hired on an open-ended basis.

Pension

In accordance with legal regulations, in Australia, employers pay contributions to the pension funds where their employees are registered. If employees opt to participate in Ansaldo STS Australia’s pension fund, Asgard, they may also receive free information and advice from an external provider.

TRADE UNIONS

In 2013, a new Enterprise Bargaining Agreement was successfully signed. In all, 7.26% of Ansaldo STS Australia personnel is employed under this agreement.

Learning and development

To support a training-oriented approach, each year, managers are asked to analyse the learning needs of each employee. These needs, are then checked, analysed and met by the internal training function, the Ansaldo STS Academy.

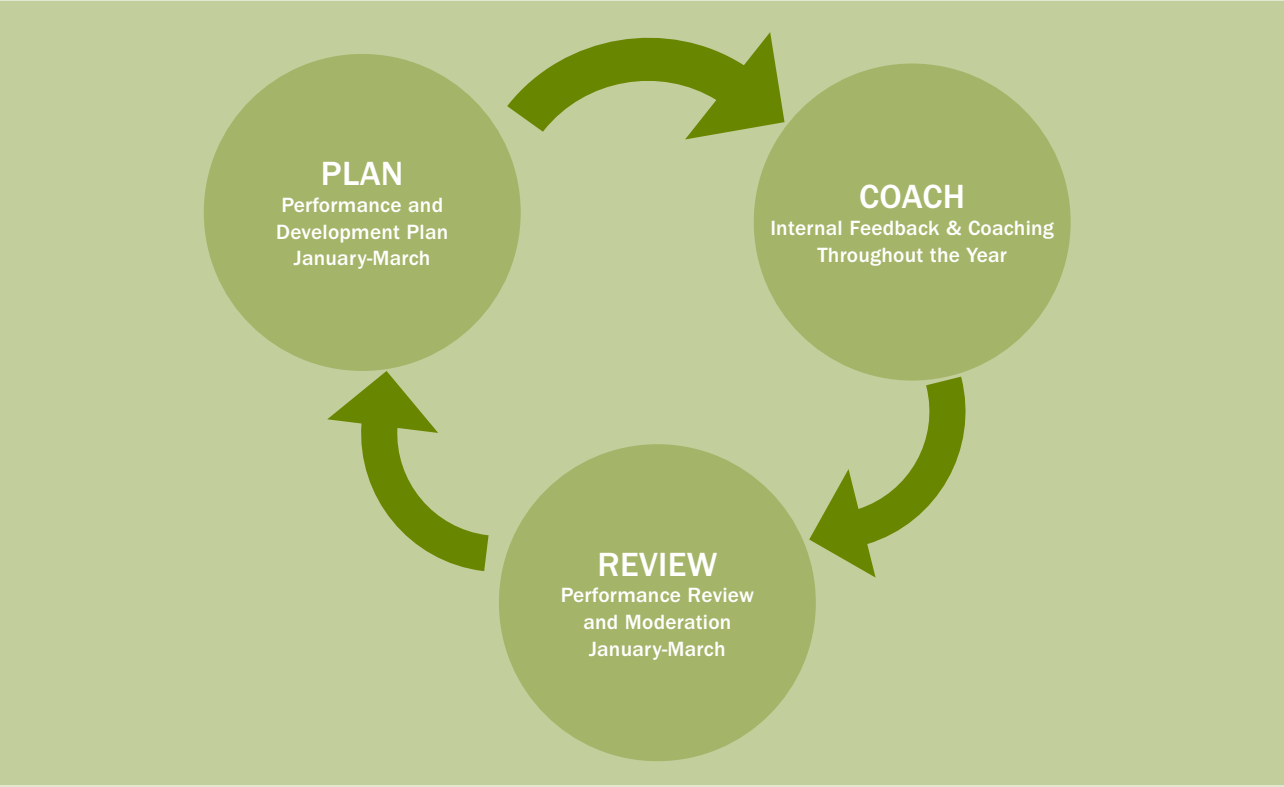
It offers a series of personalised online learning and company training opportunities and classroom courses and has continued to support employees’ learning and development needs throughout 2013.

To ensure that all Ansaldo STS Australia employees were aware of the legislative changes regarding bullying and harrassment that took effect on 1 January 2014, all staff took an updated course.

Integrated human resource development model

The company uses an integrated human resource development model that focuses on managing and developing employees to create value for employees and the company.

As part of the People Development Process (PDP), managers and their employees meet at least once a year to clarify performance targets, review performance and results and form an opinion on required development, personal aspirations and career plans.



There are three levels of responsibility for learning and development within Ansaldo STS Australia:

- **Executives** are responsible for establishing employee competency and checking training needs for each member of their work group. Training needs are identified during employee performance reviews;
- **Employees** are encouraged to actively seek formal and informal training opportunities;
- the **Ansaldo STS Academy** offers advice on training courses and information on aspects in connection with development and learning. It also coordinates, monitors and assesses training offers.

The global learning site (available on the Intranet) strengthens this process and provides employees and managers with access to available training courses, while also giving them the chance to request specific courses, if required under the agreed development plan.

Ansaldo STS Australia employees

Ansaldo STS Australia employees

SITE	2013			2012		
	Men	Women	Total	Men	Women	Total
Brisbane	90	35	125	104	39	143
Sydney	7	3	10	32	3	35
Newcastle	27	2	29	55	17	72
Perth	250	45	295	241	43	284
Karratha	68	10	78	49	7	56
TOTAL	442	95	537	481	109	590

Employee turnover

	2013	2012
	26%	27%

Women

SITE	2013	2012
	Women	Women
Brisbane	28%	27%
Sydney	30%	9%
Newcastle	7%	24%
Perth	15%	15%
Karratha	13%	13%
TOTAL	18%	19%

Employees by age

Age	2013			2012		
	Men	Women	Total	Men	Women	Total
< 30	45	20	65	61	26	87
30-35	128	23	151	128	28	156
36-40	56	14	70	59	11	70
41-45	58	8	66	75	11	86
46-50	59	14	73	60	11	71
>50	96	16	112	98	22	120
TOTAL	442	95	537	481	109	590

Employees by professional level

Categories	2013			2012		
	Men	Women	Total	Men	Women	Total
Senior Executives	4	1	5	3	1	4
Junior managers	13	2	15	18	2	20
White collars	378	90	468	406	104	510
Blue collars	47	2	49	54	2	56
TOTAL	442	95	537	481	109	590

Hired employees	2013			2012		
	Men	Women	Total	Men	Women	Total
Under open-ended contracts	436	91	527	474	107	581
Under fixed-term contracts	6	4	10	7	2	9
TOTAL			537			590

Employees by education level

University/Secondary school graduates	2013			2012		
	Men	Women	Total	Men	Women	Total
Technical institute graduates	49	3	52	61	6	67
Other secondary school graduates	13	17	30	23	26	49
University graduates in technical fields	240	31	271	251	31	282
Other graduates	67	23	90	75	22	97
Other types of education	73	21	94	71	24	95
TOTAL	442	95	537	481	109	590

Commitments for the future

- **Employee satisfaction**
Gaining a more accurate vision and clearer understanding of Ansaldo STS Australia employees’ level of satisfaction by gathering and analysing their specific responses to the global employee satisfaction survey.

- **Workplace culture**
An online version of the initial training programme is being developed for new employees to include the workplace culture in Australia.

Deadline

2014

2014

Health and safety

The health and safety of our employees is integral part of our sustainable business practices, as we are working to develop and deliver solutions to improve the safety, efficiency, reliability and environmental performance of Australia’s passenger and freight railway transportation networks.

In 2013, a safety record was set, considering that out of the 1,159,016 hours worked by Ansaldo STS employees, no days of work were missed due to injury. This demonstrates the effectiveness of the company’s rigorous approach to risk management, the strength of the environment, health and safety management systems of and an internal culture that values safety.

To enable the Board of Directors to fulfill their obligations health safety and environmental legislation, each quarter, the board of directors is provided with a report on Ansaldo STS Australia’s health, safety and environmental (HSE) performance.

This report details all significant HSE incidents/hazards and risks/aspects and impacts which have occurred during the three-month reporting period, along with HSE performance against lead and lag indicators, resource status and legal updates.

Workplace safety

Ansaldo STS Australia’s philosophy is “Safety First”. We believe that health and safety is a shared responsibility and that all employees play a role in creating and maintaining a safe work environment.

In 2013, no work hours were lost due to injuries, out of the 1,159,016 hours worked by Ansaldo STS employees. The average recordable injury frequency rate for 2013 was 15.53, compared to 11.66 in 2012.

Health and safety management

In Australia, occupational health and safety (OHS)²⁶ and environmental management are regulated by the laws of each state and territory, and all states, excluding Victoria and Western Australia, operate under the national *Work Health and Safety Act* of 2011.

Accordingly, Ansaldo STS Australia is subject to particularly strict obligations to ensure that the company and those involved in its operations are not exposed to risk and that no harm is caused to the environment as a result of its activities.

The company’s environmental, health, safety and environmental management system (HSEMS)²⁷ is crucial for the correct management of environmental obligations and OHS and integrates the requirements of:

- ISO 9001- quality management systems;
- ISO 14001- environmental management systems;
- OHSAS 18001- OHS management systems;
- AS/NZS 4801- OHS management systems (for Australia only).

To evaluate the HSEMS effectiveness and ensure that it is implemented at all sites, an annual HSE audit schedule is established. In 2013, it was 87.5% completed, with 21 audits completed out of 24 planned.

Furthermore, in the year, a series of external audits was carried out. In January 2013, an audit conducted by *Workplace Health and Safety Queensland* did not note any non-conformities. Following audits by *Lloyd’s Register Quality Assurance*, the company successfully received the renewal and three-year registration with OHSAS 18001 - OHS management systems – and AS/NZS 4801 - OHS management systems.



In November and December 2013, Ansaldo STS Australia’s HSEMS was audited by our customer Rio Tinto. The implementation of the HSEMS was audited at our project site, without any non-conformities being noted.

Building a sound safety culture

While safety and environmental performance is a shared responsibility, the company places high expectations in its managers to model safe behaviour, which is fundamental for creating an effective HSEMS culture.

26. Occupational Health and Safety.
27. Health, Safety and Environmental Management System.

Ansaldo STS Australia:

- requires everyone to “walk the talk”;
- believes that safety is an integral part of day-to-day activities;
- requires no one to ignore a safety issue which they have identified.

During the year, the HSE bulletin continued to be produced and distributed. It is a key tool in sharing HSE principles and announcing new initiatives.

The *HSE Share* and *First Move Forward* initiatives were introduced in the year to make personnel aware of the ongoing importance of always focusing on safety first.

HSE Share is a simple but important initiative whereby managers and employees are asked, at the start of every meeting, to share an observation, suggestion, anecdote or idea about how to improve performance in terms of health, safety or the environment.

The *First Movement Forward* initiative aims to eliminate incidents which occur as a result of reversing vehicles, encouraging personnel to reverse park their vehicles and, accordingly, ensuring that the first movement of their vehicle when they leave the workplace is going forward. *First Movement Forward* has been widely adopted and is currently a regular practice at the offices and work sites of Ansaldo STS Australia.

To build on the health and safety awariness and knowledge of our employees, all were required to complete our new Health, Safety and Environment (HSE) Induction program during the year²⁸.

The five-module program covers:

1. Global HSE system and local HSEM system;
2. Risk management (Hazard/Aspect Identification, Risk/Impact Assessment and the implementation of controls);
3. Emergency Response;
4. HSE Forms;
5. Site Induction (specific Hazards and Controls which apply to the relevant site/project).

By December 2013, the HSE induction programme has been succesfully integrated into the new employee induction program and more than 70% of employees have successfully completed the programme.

Health and wellbeing

Ansaldo STS Australia is committed to the health, wellbeing and safety of its personnel, as it is aware that the ability to create a healthy and safe workplace that motivates healthy, happy people is fundamental for employee productivity.

Legislative health standards apply to the following HSEMS areas:

- Railway workers health requirements
- Health surveillance/monitoring
- Hygiene
- Drug and alcohol abuse
- Fatigue
- Workplace stress factors

In October, a mental health week promotional campaign was launched. Using posters, pamphlets, toolbox talks and briefings, the aim was to raise employee awareness of the importance of caring for one’s mental health and letting them know where to seek help should the need arise.

To support employees in this and many other issues, consultancy and support are available through our employee assistance program (EAP).

Risk management

Ansaldo STS Australia aims to eliminate and minimise risk, as far as reasonably practicable to prevent injuries and illnesses for employees and those who may be impacted by our activities and operations.

Our Customers and contractors are committed to promoting the health and safety of personnel and workplaces, and closely cooperate to ensure that risks are identified and mitigate before work begins.

During the year, the company focused on training employees to identify, assess and control the risks related to permanent sites and projects and to ensure that everyone understands that they play an active role in maintaining a safe workplace.

To ensure the health and safety of our people, every site and project is evaluated prior to the commencement of work, so that foreseeable hazards can be identified and appropriate operational controls that will lower their residual risk to an acceptable level can be implemented.

The company reviews the contractual documentation and its contractors’ management plan to ensure that it complys with Ansaldo STS Australia’s HSE procedures and policies and that these, in turn, meet the requirements of the client, principal or contractors who manage the site.

Ansaldo STS Australia’s Project Management Team organises a risk management workshop to analyse and evaluate any risks that may impact to the project site and its activities, in order to ensure that adequate control measures are established and implemented before the work begins. Adverse weather conditions, such as high temperatures, cyclones and flooding, along with the dangers of long distance road travel, affect many sites throughout Australia. Ansaldo STS has strict controls in place to manage these hazards and risks.

After work begins, risks are monitored and assessed for the entire duration of the project to ensure that the control measures remain effective. The results of inspections and audits undertaken by internal or external bodies are reviewed and used to further improve HSE performance.

If, at any stage of the work, the safety of Ansaldo STS personnel is believed to be at risk, work is suspended and the issue is taken to the appropriate team of managers to ensure that the appropriate controls are implemented before work resumes.

The *HSE Check-Safe Activity Planner* is one of the HSE tools that make up Ansaldo STS’ HSEMS. *Check-Safe* is a plan of activities based on scheduled checklists or specific HSE activities for a given workplace or defined work group. It is a mandatory requirement for all sites and a very effective way of evaluating the safe conditions and recording evidence of HSE actions and activities that have been carried out. It deeply strengthens the conviction that each Ansaldo STS workplace must be checked regularly and that inspections must be recorded in order to maintain the safety of all the places in which we work.

Investigations performed following a series of musculoskeletal injuries affecting employees in permanent workplaces demonstrate that one of the contributing factors was the presence of office chairs that were not up to safety standards. Accordingly, steps were taken to replace them with new office chairs that meet safety standards. This replacement process began at the Brisbane site and will be completed in 2014 when all necessary office chairs at the Perth offices are replaced.

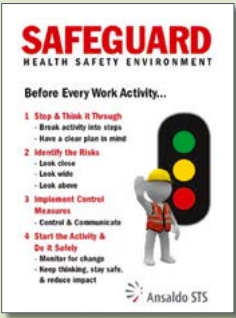
28. Health, Safety and Environment

Risk safeguarding

During the year, the *Safe Guard Pocket Risk Manager* was introduced. It is a useful, pocket size handbook for immediate risk assessments, in accordance with Ansaldo STS risk management procedures.

Employees can use the handbook:

- as a reference tool in the event of doubts as to the presence of risks related to a work activity;
- to rapidly and simply assess risks in connection with external hazards (that may vary) at the various sites, when similar work is performed that is already covered by a generic risk management process;
- to plan tasks in places where job safety and environmental analyses (JSEAs)²⁹ are used, as every situation is different and Safe Guard focuses on task planning;
- to ensure the identification of new and different hazards, and appropriate control measures are taken before work begins;
- to obtain information on HSE to update, when necessary, JSEA and other risk management processes.



Commitments for the future	Deadline
<ul style="list-style-type: none">• Performance reporting Increase the HSEMS' alignment with the company's strategies, policies, objectives and targets to strengthen the transparency and accuracy of HSE reporting.	2014
<ul style="list-style-type: none">• Risk management Traffic management plans will be introduced at all sites to more effectively manage interaction between plant and pedestrians, and contractor and supplier assessments will be simplified.	2014
<ul style="list-style-type: none">• Continuous improvement Develop and introduce "Safe Operational Controls" for our activities	2014
<ul style="list-style-type: none">• Management training and expertise Train all managers and supervisors to an adequate level to ensure that they fully understand their accountability and responsibilities with regard to HSE. In 2014, 100% of managers and supervisors to will have completed their HSE training.	2014

29. Job Safety and Environmental Analyses.

The Environment

ISO 14001 certification

Following the successful integration of environmental change in the Health, Safety and Environmental Management System in the year, Ansaldo STS Australia obtained ISO 14001 certification from *Lloyd's Register Quality Assurance*.

The new Health, Safety and Environmental Management System (HSEMS)³⁰ has improved Ansaldo STS Australia's compliance with legislative requirements and also strengthened the measures to improve monitoring and environmental performance.

Environmental management system

In the HSEMS, environmental management is integrated with health and safety management. The approach to managing environmental aspects and impacts is risk based, which simplifies it and ensures that environmental management is part of day-to-day activities. The HSEMS incorporates aspect and impact management into an integrated Health, Safety and Environment (HSE) Risk Register which identifies, assesses and controls health and safety risks and environmental impacts for every site (permanent and project) and operations conducted there.

Ansaldo STS Australia operations and activities are aligned with the regulated environmental requirements of the state in which they are performed. They also comply with the requirements of our clients and main contractors, many of whom operate in the mining sector.

Ansaldo STS Australia recognises that environmental compliance on its part and by its contractors is essential in allowing customers to achieve their social responsibility objectives and targets.

Ansaldo STS Australia always adopts the highest environmental management standards and is required to report and consult with other parties (including clients and contractors) to identify the environmental aspects and impacts of a site and the related activities, and to manage them through the appropriate controls. For each project, HSE personnel evaluate the contractual documentation and related management plan to ensure that the procedures and related documentation meet the requirements of the client and the main contractor managing the site.

Forming an integral part of effective environmental management is Ansaldo STS Australia's specific commitment to meeting the contractual obligations and protocols provided, including with regard to customers' relationships with indigenous people. The physical and spiritual connection of indigenous Australians to the land is recognised, and the importance of their culture, heritage and traditional rights is upheld.

Our procedures/plans and controls are aimed at eliminating or minimising environmental risk, including any impact on fauna and flora, discharges into water, atmospheric emissions, land pollution, waste disposal, vibration reduction, acoustic and visual pollution and interference with architecture and other cultural sensibilities.

In order to increase employees' environmental awareness, environmental management has been integrated in the new HSE induction programme.

Greenhouse Gas Emissions

Ansaldo STS Australia is committed to accurately measuring and reporting data on greenhouse gas (GHG)³¹ emissions. The policies, objectives and targets have been designed to reduce GHG emissions in all Australian operations and activities and to enable customers to accurately refer to the *National Greenhouse and Energy Reporting Scheme* (NGERS). Where provided for by contract, Ansaldo STS provides its customers with NGERS reports as part of the monitoring project.

30. Environment, Health and Safety Management System.

31. Greenhouse Gas

In order to increase the transparency of data on GHG emissions in the year to come, Ansaldo STS Australia will expand its policy to include specific emission reduction targets. The measures to be taken will include:

- alignment of the HSEMS with the NGERS scheme and ISO 14064.1 requirements for greenhouse gases
 - Specifications and guidance, organisational level, for the quantification and reporting of greenhouse gas emissions and their removal;
- the addition of policies, objectives and targets to reduce GHG emissions arising from Ansaldo STS Australia's operations and activities to the HSE policy;
- training of key personnel responsible for monitoring and measuring performance data in relation to direct and indirect GHG emissions (Scope 1, 2 and 3) with a material impact on the environment;
- development of GHG instructions governing the requirements for data management and gathering and the keeping of a GHG log for Australian operations relating to greenhouse gas emissions;
- analyses of Ansaldo STS Australia operations to identify activities that generate GHG emissions and compare them with the indications in the HSE risk register, for the purpose of identifying the environmental impact of activities and aspects related to GHG emissions.

Possibility of reducing energy consumption

The company recognises that using lower fuel consumption vehicles in its fleet reduces carbon emissions. In 2013, the Fleet Management Team had, where possible, 6-cylinder vehicles leased to Ansaldo STS Australia replaced with 4-cylinder vehicles. Furthermore, recycling containers were positioned at all permanent Ansaldo STS Australia sites to reduce and reuse generic waste otherwise destined for landfill.

The company has identified the following areas as opportunities to improve energy efficiency:

- direct GHG emissions (Scope 1): GHG emissions generated directly from sources that the company owns or controls, such as petrol- or diesel-fuelled systems and vehicles;
- indirect GHG emissions (Scope 2): emissions generated by electricity;
- indirect GHG emissions (Scope 3): GHG emissions resulting from the company's activities but arising from sources that it does not own or control. The inclusion of Scope 3 emission sources entails the requirement of measuring their material and ongoing environmental impact, including as a result of business travel (airplanes, cars and taxis) and the disposal of waste (recycling and landfills);
- water consumption at the permanent sites where Ansaldo STS Australia operates.



2013 GHG ³²	CO ₂ (t)	CH4 (tCO ₂ e)	NO ₂ (tCO ₂ e)	tCO ₂ e
SCOPE 1: Natural gas, Fuel oil for heating and vehicle traction, petro and other fuels	905.8	2.6	2.3	910.9
SCOPE 2: Electricity acquired and consumed	1,399.9	-	-	1,399.9
SCOPE 3: Passenger transportation (air, vehicle), freight transportation (lorry, air, ship), packaging (paper and cardboard), paper consumption, iron and steel, recycled waste, incinerated waste, waste disposed of (toxic and otherwise)	812.4	55.2	0.4	867.9
TOTAL	3,118.0	57.8	2.7	3,178.7

Although we tend to report environmental performance at certain sites, this is not yet standard practice. It will be extended to all Ansaldo STS Australia sites by 2015.

Commitments for the future	Deadline
<ul style="list-style-type: none">• Greenhouse Gas Emissions Increase the transparency of data relating to GHG emissions by including specific emission reduction targets in the HSE policy;	2014
<ul style="list-style-type: none">• Measurement of environmental performance; Introduce performance monitoring and reporting at all Ansaldo STS Australia sites.	2015
<ul style="list-style-type: none">• Energy consumption reduction<ul style="list-style-type: none">- Introduce recycling policies for technological tools that are obsolete or idle, such as mobile phones, desktop phones and the related accessories;- Carry out a recycling programme for batteries at all Ansaldo STS Australia permanent workplaces;- Convert lighting systems in all permanent offices to compact fluorescent solutions that entail energy savings.	2014

32. Reporting scope: Brisbane, Newcastle, Karratha and Perth sites.

Community

Our people live and work in the cities and towns where we operate, and we are aware of the responsibility we have – as employees, customers, suppliers and corporate citizen – within these communities.

Working in synergy

Ansaldo STS Australia is currently managing the development and application of a series of railway solutions for customers in the mineral extraction sector, in the remote northwest region of Western Australia.

Its aim is to understand, respect and adhere to the social responsibility, governance and relationships with the stakeholders of these customers, and to work in synergy with them to ensure the achievement of their social responsibility objectives.

Trade associations

Ansaldo STS Australia actively participates in a series of trade and industrial associations. In 2013, it was pleased to support the technical meetings of the Institute of Railway Signalling Engineers (IRSE)³³ held in Adelaide, Perth and Launceston, New Zealand. It is also still a member of the **Australasian Railway Association (ARA) and continues to participate in the Rail Contractors Group (RCG)** to improve regulations applicable to railway contractors operating in Australia.

Community support

During the year, the company supported a series of fundraising activities undertaken by its customers and sponsored several employees in their individual fundraising for organisations such as the *Queensland Institute of Medical Research* and *Kidney Health Australia*.

Ansaldo STS Australia was pleased to be a Silver Partner in the activities planned for the 2013 cultural partnership promoted by the Italian Ambassador - an annual schedule of events to promote Italian art and culture. It also sponsored the Italian Chamber of Commerce and Industry (Queensland Inc.). In its activities aimed at strengthening business relationships and trade between Italy and Australia.

Commitments for the future	Timeline
<ul style="list-style-type: none">• Community Affairs Increase opportunities for staff involvement/participation in company's support of social initiatives.	2014

33. Institution of Railway Signalling Engineers.





Economic performance

The business model

Strategy

Value directly generated and distributed

Customers and the market

Shareholders

Economic performance

Ansaldo STS’ economic sustainability is its strategic answer to the macroeconomic context and transportation market trends, based on a business model that develops distinctive abilities and the necessary skills to boost the company’s competitiveness on markets - growth in human and organisational capital.

Ansaldo STS also recognises the importance of a balanced distribution of value generated by its activities with stakeholders, a value that they have directly or indirectly contributed to generating. By analysing the value distributed, Ansaldo STS highlights the flow of resources to its employees and suppliers of goods services and capital, to the public administration and the communities in which it is present.

Economic sustainability is therefore increasingly tied to social and environmental aspects, both at company level and in terms of market scenarios. Ansaldo STS has evaluated the repercussions on transportation systems that macrotrends involving variables related to the environment, health and safety, demographic growth and economic development in emerging countries and the result is that the global transportation market will shift ever more towards railways that are safe, efficient and capable of meeting growing environmental concerns.

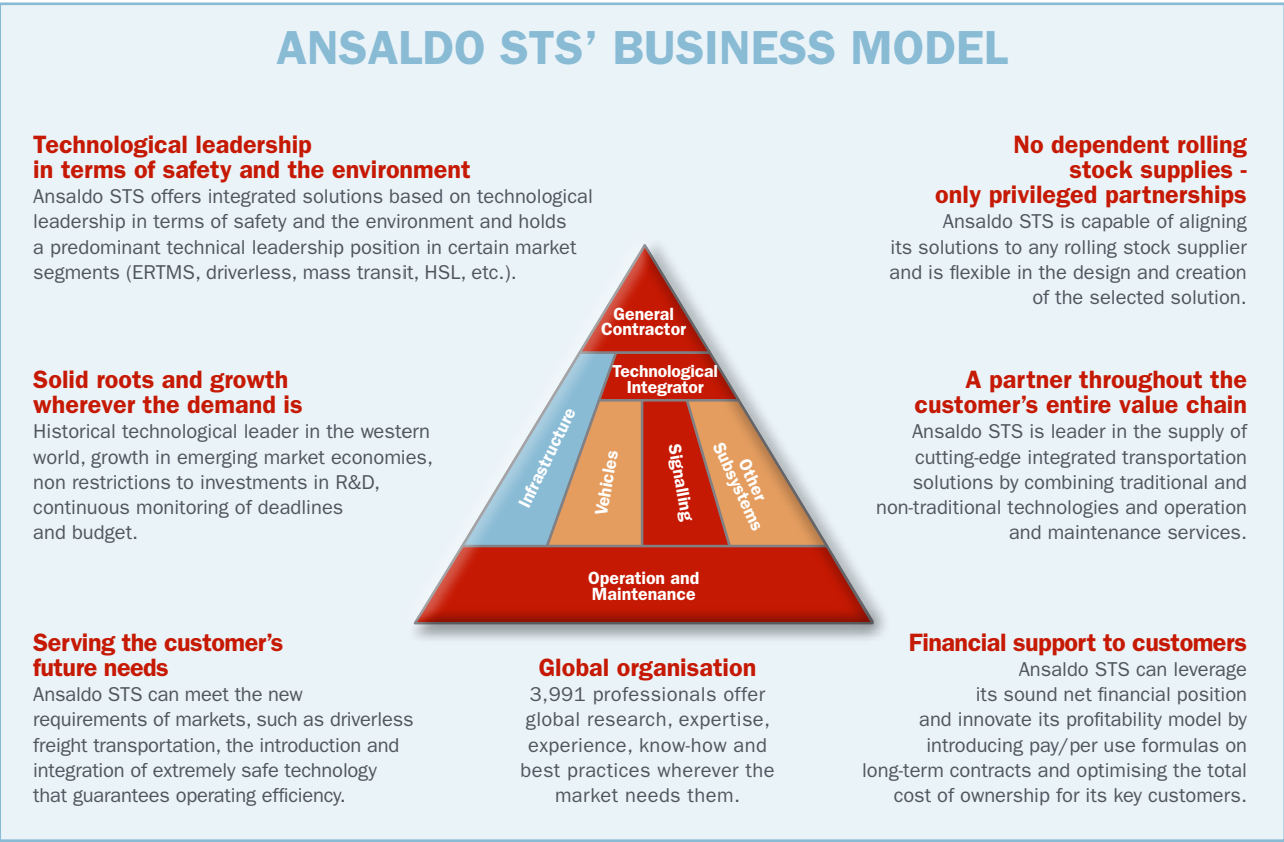
THE MARKET CHARACTERISTICS AND ANSALDO STS’ POSITION

The market and its evolution
Ansaldo STS’ market remains sound and shows global growth rates of around 2% to 3% per annum. The key market drivers remain positive: growth in global trade and growing traffic, urbanisation, environmental concerns, expanding emerging markets, infrastructures and intermodal transport. In part due to urbanisation trends, emerging markets are growing faster than highly industrialised nations, increasing their relative weight. However, there are also sound growth opportunities to be found in the United States and Australia as well in the signalling segment. The result of these trends is a reduction in Western Europe’s weight.
Ansaldo STS’ position
Ansaldo STS boasts solid roots in industrialised countries’ markets and is well positioned in emerging markets. It can meet global demand thanks to its demonstrated skills and expertise in delivering on time and according to budget.
Traditional and emerging technologies
ERTMS, CBTC and driverless technologies are becoming global standards. Focus is now shifting to the technological innovations destined to dominate the market in the next few years, GNSS (Global Navigation Satellite System), used in remote areas that are difficult to reach and where traffic volumes are low.
Ansaldo STS’ position
Ansaldo STS’ product portfolio includes traditional technologies and innovative, high-tech transportation solutions.
Price pressure
Competition pressure continues to intensify between the world’s leading players, triggering a significant reduction in unit prices, mainly in the signalling sector, where Ansaldo STS responds with both innovation and product differentiation, continuously striving to improve its efficiency and effectiveness by creating specific plans.
Ansaldo STS’ position
Ansaldo STS has built its business model around customers, ensuring product flexibility and maintaining competitive prices by standardising products and implementing efficiency-boosting projects.

The business model

Ansaldo STS’ abilities and organisation fully meet the need to innovate to boost transportation efficiency and safety and reduce environmental impact.

Ansaldo STS is, indeed, a company that operates on a global market. It boasts great flexibility in meeting international demand and is open to new markets. It carries out research and development for transportation solutions that focus in particular on the environment and safety. It facilitates the standardisation of solutions, while also developing the ability to create customised products for different customer needs. It has the necessary financial soundness to meet future challenges, lead innovation and make the most of growth opportunities by promoting new projects. Ansaldo STS’ business model is customer based, and enables it to forge fruitful, long-lasting relationships at global level.



Strategy

Ansaldo STS is committed to maintaining and developing a series of distinctive abilities and expertise that create value and guarantee long-lasting company growth over time. This commitment can be seen in the company's three strategic trajectories:

- 1. Selectivity:** focus on markets where it has a strong competitive position.

Ansaldo STS’ growth is the result of a continuous process beginning with its awareness of its positioning and competitive edge, the identification of market opportunities in relation to its competitive levers and their translation into action plans. This process has led to the definition of strategic markets – the domestic market and the areas in which the company has a significant, recognised presence, as well as markets presenting growth opportunities, by focussing on large projects with low overheads.
- 2. Innovation:** focus on innovation as a lever to gain competitive edge for long-term growth.

Ansaldo STS’ innovation strategy to increase turnover is based on improving the products it currently offers customers and differentiating its product portfolio to expand the offer, extending its business model by offering complementary services that meet its customers’ specific needs (management and maintenance activities) and meeting the specific needs of customers given their particular geographical situations (complex areas with low traffic volumes), offering cutting-edge satellite technology solutions.
- 3. Flexibility and efficiency:** maintain its competitive edge by optimising the business model with a focus on the flexibility of the offer and operating efficiency.

Efficiency is one of the strategic levers in which Ansaldo STS invests to bolster its competitive position and ensure excellence in the performance of activities. To pursue these aims, it has launched an improvement programme that covers all company areas and exploits the opportunities arising from its global organisation.

In order to ensure the implementation of all efficiency initiatives, and, in general, all strategic initiatives, Ansaldo STS has developed an **Action Implementation Monitoring (AIM)** system. Through AIM, the following have been defined:

 - the definition process for action and monitoring plans;
 - the governance rules to ensure the frequency of review meetings focused on initiatives and the identification of any corrective action in the event of critical areas;
 - tools to support management of the initiatives.

The contribution that Ansaldo STS expects of AIM is:

 - completeness: having a consistent, updated picture of all initiatives underway;
 - consistency: doing what has been proposed and following up on it until implementation;
 - initiatives explicitly linked to company plans.

The competitive advantages

RAILWAYS AND MASS TRANSIT

Leveraging its success to gain global leadership – Focusing on a sound relationship with customers, to ramp up the adoption of standards and consolidate its presence in key countries; selecting global opportunities to sustain profitable growth, how to get the best relaunch plans and the best of emerging markets.

Leveraging portfolio standardisation – Developing a portfolio of standard platforms that are flexible to meet the specific needs of local customers; leveraging its leadership in R&D to standardise the product portfolio; continuing to focus on investments in R&D; adopting a make or buy policy for components; optimising hardware and platform costs.

Industrialising delivery – Expanding its expertise in deliveries to all customers in accordance with standard criteria; improving the punctuality of deliveries and containment of costs, leveraging the implementation of the best practices developed by the group.

Taking advantage of the sector's sound performance – Strengthening its technological leadership through other maintenance services both in mature and emerging markets and supporting, where possible, the allocation of work by introducing the formula pay/per use for the larger contracts in order to optimise the management of the customer's total cost.

Important projects and technological references – Winning major high-tech projects, including CBTC (Communications Based Train Control), driverless solutions and the punctual delivery of projects in progress in line with budget.

Local activities and global knowledge – Professionalism in the local management of activities is the key to projects that meet commitments assumed, along with having processes and tools to efficiently share the know-how acquired at global level. Agreements and local arrangements with civil partners and key suppliers are also crucial in negotiations and success on various markets.

Financing to exploit sector opportunities – Certain projects require financial packaging (PFI/PPP) with the commitment to assume an equity interest; leveraging the company's financial soundness to support concession projects, which could also give rise to operation and maintenance opportunities.

Multi-disciplinary and interdisciplinary expertise – With its experience in a variety of roles within different projects, Ansaldo STS has expanded its expertise in complementary and transversal areas as well, developing a complete, unique vision of transportation systems over their entire life cycle.

Maximising local content – In its projects, Ansaldo STS tends to maximise the local procurement of materials, services and labour, in order to be increasingly competitive and contribute to the development of local economies, including in emerging countries. Data on the Taipei and Honolulu projects are given below as an example of this approach:

- Taipei local content: roughly 80% of total design and construction costs;
- Honolulu local content: roughly 93% of total design, construction, operating and maintenance costs. This is very high because the project also includes several years of O&M in which local personnel used reaches nearly 100%.

FREIGHT

A specific organisational division – Created with the aim of capturing a global business, by leveraging on the experience that has already been tested considerably at local level in projects like Rio Tinto and Roy Hill.

A dedicated team based in two key geographical segments – Through its solid presence in Australia and the US, traditionally the two most important markets for the freight segment, Ansaldo STS plans to lay the foundation for global expansion of its freight opportunities.

Innovative technological solutions – Given the significance of the solutions developed for Rio Tinto and Roy Hill, two of its most important freight customers, Ansaldo STS is poised to become a leader in this sector and a benchmark for competitors.

Value directly generated and distributed

Ansaldo STS recognises the importance of balancing the distribution of value generated by its activities to stakeholders, the value that they have directly or indirectly contributed to generating.

By analysing distributed value, Ansaldo STS studies the flow of resources directed towards its employees, suppliers, service providers, lenders, the public administration and the communities in which it is present.

VALUE DIRECTLY GENERATED AND DISTRIBUTED (K€)

	2013	2012	2011
Value generated	1,293,935	1,289,800	1,258,279
Revenue	1,256,419	1,247,849	1,211,944
Other revenue	15,766	21,314	19,578
Financial income	21,658	20,637	26,757
Profit from non-current assets held for sale	92	-	-
Value distributed	1,229,102	1,219,453	1,198,803
Operating costs (procurement, services and investments)	806,302	802,121	784,495
Employee remuneration	309,454	311,988	296,560
Shareholder remuneration	28,800	28,000	33,592
Lender remuneration	40,644	34,128	37,827
Public administration remuneration	42,577	41,756	44,818
Donations and sponsorships	1,325	1,460	1,511
Value withheld	64,833	70,347	59,476
Depreciation, amortisation, impairment losses and adjustments	18,818	22,651	20,012
Self-financing	46,015	47,696	39,464

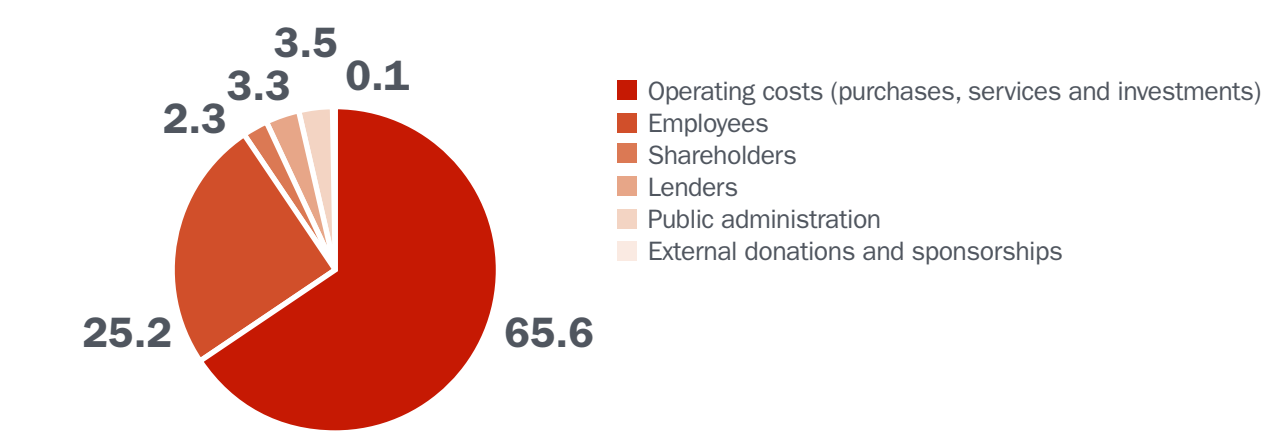
The value generated by the Group reached approximately €1.294 billion, up roughly 0.3% on 2012. The increase is due to the slight growth in revenue from sales and services.

The value withheld by the company amounts to €64.8 million, and mainly consists of amortisation, depreciation, impairment losses and accruals to provisions for risks, along with the self-financing that was generated.

- €1.229 billion was distributed among the following stakeholders:
- most value, or roughly €806.3 million, relates to costs incurred to purchase materials (suppliers), services (contractors and sub-contractors) and other goods;
 - approximately €309.4 million to employees, mainly for wages, salaries, social security and pension contributions and defined contribution plans;

- approximately €42.6 million to the tax authorities and other local bodies for direct and indirect taxes;
- €40.6 million to lenders for interest and commissions, financial expense and operating exchange rate differences;
- €28.8 million to shareholders in the form of dividends³⁴;
- €1.3 million to the community in the form of gifts, external donations and sponsorships (with or without publicity).

2013 - VALUE DISTRIBUTED (%)



Customers and the market

Customer satisfaction is central to Ansaldo STS’ strategy: the ability to understand customers’ needs and expectations and meet them is the top value on which it bases its company culture. In general, each customer has a contact at Ansaldo STS, a specific Project Manager overseeing its contract and responsible for ensuring the customer is satisfied, responding to any issues that might arise over the course of the contract.

The organisation of proposal activities and project management are fundamental to carrying out a project that meets the quality requirements of the products and services offered and in order to provide them according to deadline and budget restrictions. To this end, project management is a vital tool in protecting the interests of Ansaldo STS’ stakeholders, including shareholders, who are mainly focused on the results of the business, and its customers, who want to receive top quality responses according to established schedules in line with the transportation needs of a city or the community at large.

In this area, the most significant development in market dynamics in recent years has entailed the progressive shift from the provision of products and technologies to customers’ demand for transportation solutions that efficiently meet the needs of local and national institutions. This new type of offer requires an ability to work alongside customers, who are increasingly less frequently considered buyers and ever more partners, in the management of a project throughout its entire life cycle, taking action, if necessary, in project financing initiatives as well, and thereby with private sources of funding, and consequent involvement in not only the design and construction, but the subsequent management and maintenance of solutions as well.

Ansaldo STS operates with customers mainly consisting of public institutions on long-term projects. It is therefore affected by myriad external factors such as the macroeconomic scenario and the consequent availability of sources of financing and the need to operate, especially in terms of urban public transportation projects in city centres with many interferences that could impact the steady performance completion of a project.

Clearly, in a context such as this, project management skills and processes are essential for the achievement of the pre-determined objectives and to ensure sustainability with stakeholders. To this end, it is necessary to identify and monitor any uncertainties typical of the business and, more in general, to manage risks. In accordance

34. The most indicative data for the distribution of value would have been dividends on the profit for 2013. However, this figure was not available before the shareholders’ approval of the sustainability report. Indeed, at the same meeting the shareholders are to approve the dividend to be distributed on the profit for 2013. Accordingly, we deem it appropriate to publish equity distributions in the year.

with the policies of Finmeccanica, Ansaldo STS has implemented appropriate life cycle management and risk assessment procedures to monitor project performance by regularly comparing physical and accounting progress and consequently identifying any discrepancies using earned value techniques, with the resulting identification of appropriate action plans aimed at maintaining the objectives of the project.

The risk assessment process provides for the identification of all significant risks already at the bidding stage and their monitoring throughout the entire life cycle of the project, in order to immediately identify potential mitigation actions to be taken. Furthermore, in accordance with international best practices, Ansaldo STS directly collaborates, when required, with customers to manage risks together, thereby minimising their impact, not only in terms of risks for Ansaldo STS, but for the end customer as well, and, accordingly, for all stakeholders. In this respect, Ansaldo STS has created standard procedures that it uses for integrated risk management with end customers.

Control of project operational risks

- To mitigate risks relating to the quality, deadlines and costs of a project, Ansaldo STS:
- adopts risk management processes, both during the bidding and project performance stages, and life cycle management based on the constant comparison of physical progress with accounting progress, in addition to stage review processes;
 - clearly assigns responsibilities to the project manager and project controller;
 - provides for managerial review of project performance (periodic reviews at the various levels of managerial responsibility) and review processes of estimates during bidding;
 - provides for an independent review by the risk management function;
 - constant control, including through suitable performance indicators that measure efficiency and effectiveness and assess the company’s maturity in the risk management process;
 - in accordance with the risk management process, identifies, for each project, specific risk mitigation actions and the suitable contingency plans in the contract quotation.

Additional action is planned to improve the efficiency and effectiveness of control processes and to harmonise these processes, in line with existing best practices, considering the group’s various companies and different levels of expertise among such companies.

Communications with customers

The main purpose of external communications is customer communications and, more generally, market communications, in order to contribute to the creation of value, improving the way in which the Ansaldo STS brand is perceived by the many professionals who participate in decision-making that affects investments and main operating activities.

Customer communications take many shapes and cover many channels. Ansaldo STS Communications aim to always be on time and take advantage of opportunities: to arrive in time and in the right way, when and where the strategy requires, to meet the target customer’s informational needs, in addition to those of other potential stakeholders, such as partners or suppliers.

Digital communications are being increasingly developed, with the management of the websites and initiatives involving social media and institutional sites (such as Wikipedia or industry sites).

Institutional communications target the top management of major national railway companies and the public administrations of urban areas interested in transportation solutions, the operating units of customers responsible for performing contracts, the technical/contractual supervisory bodies appointed by customers or required by local legislation, professional associations in the sector and opinion makers.

The objective of technical/business communication is to inform the various professionals that are most involved in qualification with customers, design, implementation, commissioning, approval, after-sales service, staff training and workers’ safety at the sites.

It pursues these objectives by creating a work community that, by leveraging a sense of belonging, can adjust its response to the market in terms of timing and procedures, by participating in trade fairs, by appearing in specialised publications with institutional and product advertisements, along with articles detailing certain aspects, company publicity on the website, the publication of leaflets and broadcasting of videos for sales and marketing, training of customers’ staff and workers’ safety at the sites.

TRADE FAIRS

The most important trade fairs in which Ansaldo STS participated in 2013:

1. Eurasia Rail (07 – 09 March) Istanbul
2. Metro Rail 2013 (09 – 11 April) Madrid
3. UITP 2013 2013 (27 – 29 May) Geneva
4. Rail Log Korea (12 – 15 June) Pusan (Korea)
5. Railway Interchange (29 Sept. – 02 Oct.) Indianapolis (US)
6. Elmia Nordic Rail (08 – 10 Oct.) Jonkoping (Sweden)
7. CPEXPO (27-29 Oct.) Genoa (Italy)
8. CBTC Word Congress (05 – 07 Nov.) London
9. AusRail 2013 (27 – 29 Nov.) Sydney

For Ansaldo STS, trade fairs, like all conferences and sponsorships not listed here, are one of the most important occasions for company communications and specific sector communications, as they constitute a privileged place for exhibitors and stakeholders (customers) to meet. For the purposes of careful preliminary planning, 12 to nine months before the trade fair, the External Communication and Strategy and Marketing offices establish objectives and, accordingly, the relevant markets. This is one of the many situations demonstrating Ansaldo STS’ dedication to external communications with respect to the market and products. It also provides the opportunity to clarify targets, a key step in establishing the communication strategy and method to be implemented throughout the entire year.

Responsible litigation management

Disputes between Ansaldo STS and its customers are mainly “physiological” in nature, i.e., they mainly relate to financial claims made by Ansaldo STS in the form of retentions for extra costs incurred within the context of works carried out in the performance of projects. If not included in subsequent amendments or riders or defined on amicable terms, the claims submitted from time to time can lead to cases brought before courts or arbitration panels specified in the contract. The number of such cases is always below a physiological average of contracts underway.

- Nevertheless, Ansaldo STS often tends to reach settlement agreements, considering:
- settlement is a normal instrument to resolve disputes arising for retentions;
 - settlements represent an excellent way to improve relations with the customers involved in the relevant disputes, and provide value added, where, as in the case of Ansaldo STS, the customer is usually perceived as a privileged partner with which significant long-term relationships must be established.

To this end, litigation management, as illustrated above, cannot be separated from the principle of considering customers’ economic and business interests in the current political and economic situation. Therefore, the approach adopted by Ansaldo STS is aimed at ensuring success not only in court, but also credit recovery in the short term, which may include conventional debt restructuring agreements with its customers. Currently, Ansaldo STS S.p.A. is involved in 18 civil, administrative court and arbitration cases (as either claimant or respondent), five of which are arbitration proceedings, six of which are legal actions taken against Ansaldo STS, while the remaining 11 relate to actions taken by Ansaldo STS. Specifically, the most significant cases brought against Ansaldo STS S.p.A. are as follows:

- three civil cases and one arbitration case with a total value of over €48 million, for the refund of excess amounts or compensation for damage;
- three administrative cases for the cancellation of approval deeds for work.

- In terms of pending cases, Ansaldo STS S.p.A. is involved in:
- eight civil cases with a total value of roughly €300 million relating to claims for greater charges and sundry damages;
 - three arbitration cases with a total value of over €24 million for the recognition of receivables, greater fees, greater charges and sundry damages.

Litigation involving significant amounts is monitored quarterly in accordance with current procedures, and the flow of communications in place ensures that new updates are immediately known and the related information is reported in order to meet company requirements. With respect to the subsidiaries, in both the Transportation Solutions and Signalling business units, there is no litigation or risks so material that they merit specific note.

The company is involved in one criminal case arising from a claim dated 4 March 2013 following the partial collapse of a building at Via Riviera di Chiaia 72 – Naples, which, allegedly could have been caused by work in progress to build the Arco Mirelli station of the Naples metro line 6. The company holds the work concession for this project, assigned to it by the Naples municipal authorities.

Preliminary investigations are currently underway by the public prosecutor’s office. The reasons for the collapse and liability cannot yet be established. Moreover, Ansaldo STS, has contracted civil works to third parties specialised therein.

According to the legal and insurance experts assisting the company, liability should not be attributed to Ansaldo STS, if not solely for compensation to third parties for damage. However, this risk is covered by a specific third party liability insurance policy.

The quantification of damage is unknown and it will be valued, on an interim basis, when the preliminary investigations are complete.

Reference should be made to the “Litigation” paragraph (pages 53-63) in Ansaldo STS’ 2013 annual report for additional details and information on litigation.

Shareholders

Ansaldo STS is the only company listed on both the Italian Stock Exchange’s main index, the FTSE MIB, for the largest capitalisation companies, and the Star segment, for top companies tat meet specific, binding requirements (liquidity, corporate governance and transparent disclosures). Ansaldo STS’ corporate governance system is focused on maximising value for shareholders, controlling business risks, ensuring transparency to the market and meeting the interests of all shareholders, with particular attention to smaller investors.

Share capital and dividends

Ansaldo STS’ subscribed and paid-in share capital amounts to €90,000,000 at 31 December 2013, consisting of 180,000,000 ordinary shares with a unit value of €0.50. No other categories of shares or financial instruments convertible into or exchangeable with shares have been issued.

During their extraordinary meeting on 23 April 2010, the shareholders approved a share capital increase through a bonus issue of €50,000,000, to be carried out using the entire reserve for capital injections of €47,679,000 and the reserve for goodwill arising on merger for the residual €2,321,000, issuing 100 million new ordinary shares with a nominal amount of €0.50 each. The share capital increase will be carried out by 31 December 2014 in five annual instalments of €10,000,000 each, consisting of 20,000,000 newly issued ordinary shares. On 15 July 2013, the fourth instalment was issued. The shares issued in each instalment are distributed with an allotment ratio for newly issued shares calculated on the basis of outstanding share capital at the date of the increase.

A correct interpretation of the type of transaction has been given in each announcement, in addition to meeting the relevant legal requirements, with considerable emphasis on the methods of the share capital increase and explanations to shareholders/investors, also verifying that the media and other entities can report on the share. Ansaldo STS is managed and coordinated by Finmeccanica S.p.A., pursuant to article 2497 of the Italian Civil Code. In December 2013, based on the records in the shareholders’ register and considering the reports received pursuant to article 120 of the consolidated finance act and other information received, the following investors directly or indirectly hold 2% or more of the company’s shares:

Investor	No. of shares	% held
Finmeccanica S.p.A.	72,117,972	40.066
Altrinsic Global Advisors LLC	3,765 ,600	2.092

Earnings per share and dividend

The company distributed dividends for the first time in 2007 after its stock market listing on 29 March 2006. The distribution policy provides for pay-out of roughly 38% in proportion to the consolidated profit for the year. The company has always met this dividend distribution commitment and in 2013 proposed a dividend of roughly €28.8 million to the shareholders meeting in 2014, corresponding to €0.16 to each of the approximately 180,000,000 dividend-bearing shares.

The 2012 dividend per share, adjusted to consider the fourth bonus issue on 15 July 2013, is €0.16, aligned in the two periods compared.

(€ units)	2013	2012**
Basic and diluted EPS	0.44	0.45
Dividend per share	0.16*	0.16

* As proposed by the shareholders.
** Recalculated following the bonus issue of 15 July 2013.

Investor Relations

Ansaldo STS’ main objective is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information to the market in a timely and transparent manner and ensuring the correct valuation of the company, in line with its business model, strategies and targets.

This is why the Investor Relations function reporting directly to the Chief Financial Officer constantly meets with the financial community to gain an understanding of its information needs and to support top management in communication decisions. The Investor Relations function is responsible for following and monitoring competitors and markets, preparing and internally distributing the results of its research.

Furthermore, each week it prepares the IR News, reporting on important news of the week.

A crucial part of the investors relations activities is that the brokers at leading investment banks cover the share, giving a clear indication of the market’s perception of the company.

Periodically, Ansaldo STS’ Investor Relations function asks brokers covering the Ansaldo STS share to update their forecasts on the financial and performance highlights. It calculates the average figures and sends them to the individual brokers who can compare them with their forecasts. In exchange for this service, Ansaldo STS gains an accurate update of analysts’ perception, which management can reflect upon.

This underscores the attention that Ansaldo STS devotes to considering financial communications a two-way street, in which it is important to gather the market’s perception and suggestions.

In 2013, 13 merchant banks maintained coverage activities.

Dialogue between the company and investors also takes place through participation in meetings organised for brokers, in addition to conferences and roadshows. In 2013, three events were organised in Milan and one was held in Stockholm. During these events, market analyses, policies and the strategies implemented by Ansaldo STS were presented.

In order to reduce costs in 2013, travel days were decreased, opting to use video/teleconferencing and visits to the company offices instead.

Each year, Ansaldo STS organises an Investor Day. This has become an occasion to update the financial community with the aim of facilitating a better valuation and knowledge of Ansaldo STS’ share and sector. For this important event, the most important points of the medium- and long-term strategic plan are presented which, along with actual quarterly data, are the basis for periodic evaluations by analysts and investors. The 2013 Investor Day was held in Milan on 26 March at the Italian Stock Exchange, concurrently with the Star Conference, an important annual event for the financial community.

Transparency and accuracy of information

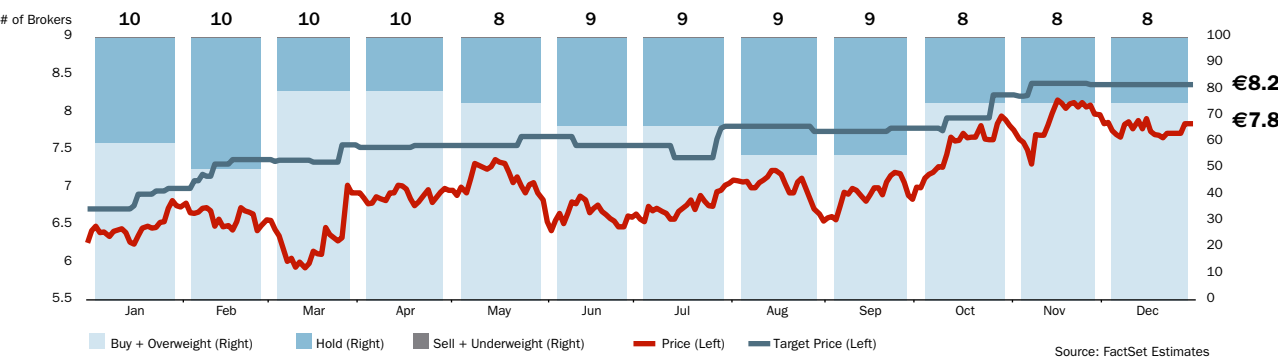
The Investor Relations function also pursues its mission by ensuring total transparency of communications and offering the market all the necessary information for investors to base their decisions on complete, correct and timely information. Accordingly, all the company's communications entail absolute compliance with legislative and regulatory provisions, but are comprehensible, thorough and offer consistent disclosure to all investors. Communications about Ansaldo STS outside the company are made exclusively by functions appointed for this purpose and in accordance with the company procedures aimed at ensuring the truthfulness and correct disclosure of such information.

Share performance and analysts' rating

The official share price in the period from **31 December 2012 to 31 December 2013** went from €6.27 (adjusted for comparative purposes following the fourth instalment of the bonus issue on 15 July 2013) to €7.85, representing a year-on-year increase of around 25.2%.

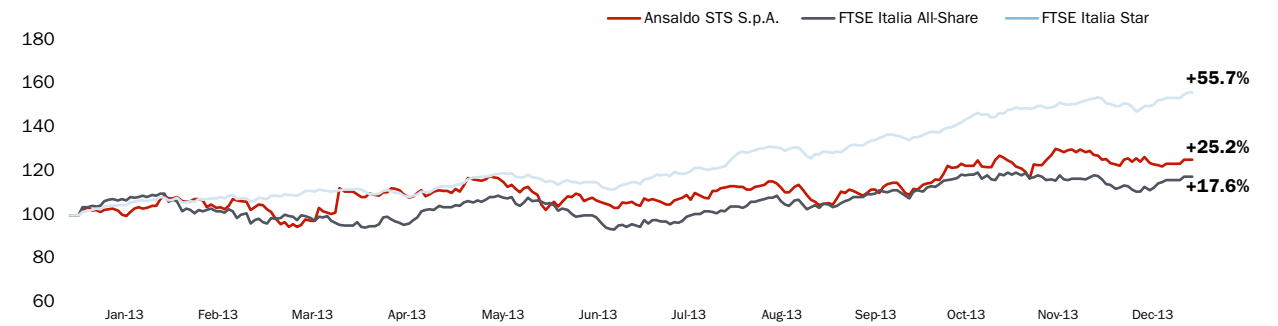
The fourth instalment of the bonus issue was carried out on 15 July 2013 with the issue of a further 20,000,000 new shares, distributed to eligible shareholders in the ratio of one share to every eight held.

The share's high for the year of €8.17 was recorded on 15 November 2013 and its low of €5.93 on 13 March 2013. An average 1,122,868 shares were traded daily in the year.



The share's performance did not follow the reference indices, with the FTSE Italia All-Share up 17.6% in 2013, while the FTSE Italia STAR rose 55.7%. The average of analysts' guide prices at the end of 2013 was €8.20; those of the latter part of the year in particular are similar to the year-end market price.

The market continues to perceive the Ansaldo STS share as defensive and anti-cyclical, and its sector is seen to be undergoing growth in the business; this also reflects management's ability to seize new and important opportunities at international level.



Sustainability commitments

STRATEGY QUALITY AND IMPROVEMENT	
• Extend IRIS (manufacturing and maintenance) certification to the Riom and Batesburg production sites and to the Genoa site (design)	2014
• Define a new architecture for processes and the related system KPIs	2014
• Identify and implement new initiatives for the company's end-to-end transformation, in line with the strategic plan	2014
COMPLIANCE & ETHICS	
• Provide training on the organisational, management and control model, updated by the 26 June 2013 resolution of the board of directors	June 2014
HUMAN RESOURCES	
• Knowledge management and knowledge owners: kick off a knowledge management project to recruit Ansaldo STS' technical talent and knowledge owners to entrust with the task of developing practices and methodologies for spreading a culture of sharing and transferring knowledge	2014
• Project Team Effectiveness: - deep empowerment action for project teams on the main drivers: - organisational visibility of project groups - team building to boost cohesion and team spirit - identification and monitoring of specific KPI to measure team efficiency - development of expertise and conduct of team members	2014
• Target and reward system in line with team success expectations	
THE ENVIRONMENT, HEALTH AND SAFETY	
• Achieve the objectives of the environmental, health and safety plans of ISO 14001 and OHSAS 18001 certified sites	2014
• Achieve the objectives of the environmental, health and safety plans of ISO 14001 and OHSAS 18001 certified sites	2015
• Define eco-design activities to reduce CO ₂ emissions	2014
• Print portable mini-handbooks on the application of company procedures (published on the intranet)	2014
• Reschedule the training and internal information campaign on environmental issues for 2014	2014
• Evaluate the application tools for environmental reporting on offices and sites	2014
• Choose and apply the following initiatives proposed within the scope of the sustainability committee • Creation of an environmental site with news on climate change, energy, water, land, food and waste • Inclusion of a carbon footprint calculator on the Ansaldo STS website • Ad hoc agreements for visits to natural parks, naturalist museums and to purchase green and energy efficient products • Voluntary reforestation projects	2014

SUPPLY CHAIN	
• Define, discuss and implement the medium/long-term supply chain sustainability policy and roadmap	April 2014
• Make assessment tools and tools for sharing rating results more accessible to suppliers and launch a virtuous improvement cycle	2014
• Support stakeholders' focus on the SUDA (Supplier Database) as a generator of internal and external value	2014
• Complete the integration of the general supply terms with sanctions clauses for code of ethics violations and align the terms with regulations and international best practices	July 2014
THE MEDIA AND SUSTAINABILITY COMMUNICATIONS	
• Present and expand the vision of sustainability throughout Ansaldo: organise an event to present the Sustainability Report	2014
• Complete the work begun for the digital media and improve the website	2014
• Consolidate and develop relationships with the domestic and foreign media	2014
COMMUNITY	
• ITALIAN AND EUROPEAN INSTITUTIONS: continue with the Italian and European research projects that are underway to increase safety, security and environmental compatibility and apply for funding by coordinating new project proposals	2014
• UNIVERSITIES: continue contributing to specialised training in the sector by collaborating with leading Italian and foreign universities and contributing scientifically to post-graduate master programmes	2014
• TRADE ASSOCIATIONS: continue to play an active role in trade associations and, in particular, take initiative as part of the UNIFE sustainability committee	2014
• COMMUNITY: continue to support social and cultural initiatives promoted by non-profit associations and institutions	2014

Reporting on commitments

IN 2012 WE SAID...	IN 2013 WE DID...	
STRATEGY QUALITY AND IMPROVEMENT		
<ul style="list-style-type: none">Maintain the UNI EN ISO quality system and certification. Obtain IRIS certification for the Tito production site	<ul style="list-style-type: none">Maintain the UNI EN ISO quality system and certification. Obtain IRIS certification for the Tito production site	✓
<ul style="list-style-type: none">Complete the implementation of the improvement plan, as defined within the scope of the KORU, RT150 and Lean Manufacturing modules under the efficiency programme, as planned	<ul style="list-style-type: none">We completed the implementation of the action plans arising from the efficiency projects, with direct monitoring on the basis of the action implementation monitoring (AIM) system.	✓
<ul style="list-style-type: none">Extend the AIM system to the defined strategic initiatives	<ul style="list-style-type: none">Extend AIM to one hundred strategic initiatives defined in line with the company's strategic plan	✓
<ul style="list-style-type: none">Complete the implementation of the improvement plan based on the 3rd maturity level of the capability maturity model integration model	<ul style="list-style-type: none">The improvement plan was fully implemented	✓
COMPLIANCE & ETHICS		
<ul style="list-style-type: none">Update of the organisational, management and control model	<ul style="list-style-type: none">The Model was updated upon the resolution of the board of directors on 26 June 2013 following the amendments to Legislative decree no. 231/2001 made by Law no. 190 of 6 November 2012 (also known as the anti-corruption law)	✓
<ul style="list-style-type: none">Identify specific types of training on the Group's code of ethics and begin implementing them	<ul style="list-style-type: none">This action needs to be reconsidered. Priority was given to defining training on the aforementioned update of the organisational, management and control model.	—
HUMAN RESOURCES		
<ul style="list-style-type: none">TALENT – Develop specific training paths for employees identified as part of the company's talent management process	<ul style="list-style-type: none">In 2013, the company kicked off a specific training and development project for Ansaldo STS talent. Talented trainees were selected on the basis of a structured nomination and assessment process. These global talents were assigned two different paths in line with professional seniority requisites and company expectations.	✓
<ul style="list-style-type: none">FUTURE LEADERS – The top 20 talents were assigned 20 of the company's strategic projects. The future leaders' growth is supported with high-level managerial training and a structured mentoring process.	<ul style="list-style-type: none">2013 was the first year of future leader training and development, with their involvement in a high-level managerial training programme at the Bocconi (Milan) and Wharton (Philadelphia) business schools. A structured mentoring process also supported each future leader in the development of his or her managerial expertise as a senior executive in the company, and a structured, monitored action plan was discussed during the year. The project was widely appreciated throughout the company and enjoyed a deep commitment by the CEO, who personally followed and guided future leaders in the mentoring process.	✓
<ul style="list-style-type: none">COMPANY CONDUCT IMPROVEMENT PROCESS. Fine-tune the conduct assessment systems to measure the gaps between actual and target levels and identify improvement steps	<ul style="list-style-type: none">In 2013, a 360° assessment process was introduced for all Ansaldo STS executives. In particular, the assessment considered the following areas: team spirit, human capital development, change management and integration and international cooperation, with scores given by peer groups selected for each executive, the managed team and supervisor.	✓

IN 2012 WE SAID...	IN 2013 WE DID...	
THE ENVIRONMENT, HEALTH AND SAFETY		
<ul style="list-style-type: none">Define an audit plan to control significant environmental aspects for the SGA and the organisational model, providing for key roles	<ul style="list-style-type: none">A targeted audit plan was created to control environmental aspects for sites.	✓
<ul style="list-style-type: none">Implementation of a database to analyse the causes of environmental and safety non-conformities and define the steps to be taken	<ul style="list-style-type: none">Still in progress. We are deciding whether to implement a tool to analyse non-conformities at global level.	—
<ul style="list-style-type: none">Reduce CO2 emissions by 32% following the decrease in air travel	<ul style="list-style-type: none">The decrease in air travel reduced CO2 emissions by 35%, as they are down from 7.676 t to 5.012 t.	✓
<ul style="list-style-type: none">Define eco-design activities to reduce CO2 emissions	<ul style="list-style-type: none">Still in progress	—
<ul style="list-style-type: none">Define an audit plan to control significant environmental aspects for the SGA and the organisational model, providing for key roles	<ul style="list-style-type: none">A targeted audit plan was created to control environmental aspects for sites.	✓
SUPPLY CHAIN		
<ul style="list-style-type: none">Implement and maintain a governance and risk management system in the supply chain that is in line with international best practices	<ul style="list-style-type: none">The supply chain's focus on sustainability issues was raised, as we sought to trigger a virtuous sustainability self-assessment cycle with suppliers.The international comparison and alignment process of general contractual terms is presently in progress.	✓
<ul style="list-style-type: none">Define, share and implement the sustainability road map in the supply chain in 2013-2014	<ul style="list-style-type: none">Ansaldo STS' position with respect to super competitors in the management of sustainability activities has been identified in order to achieve the minimum market requirements.	—
<ul style="list-style-type: none">Strengthen the Supply Chain body's structure by including a person specifically responsible for sustainability issues	<ul style="list-style-type: none">A sustainability officer has been identified and assigned a role in Supply Chain Support & Development	✓
<ul style="list-style-type: none">Roll out the SUDA (Supplier Database), which suppliers can access and which makes it possible to: gather and share data on suppliers' status in the eligibility and rating process; gauge the performance of suppliers and share results to create a virtuous cycle of continuous improvement	<ul style="list-style-type: none">The supplier database (SUDA) with a rating system was implemented and training and awareness campaigns were carried out in the year to explain to the main stakeholders how to use the tool.	✓
<ul style="list-style-type: none">Integrate the general supply terms – which currently only require signing and complying with the code of ethics based on the organisational model pursuant to Legislative decree no. 231 – to include clauses establishing the required compliance with environmental protection regulations (Legislative decree no. 121/11)	<ul style="list-style-type: none">The revision is currently underway and also provides for the integration of the general supply and contract terms with sanction clauses for code of ethics violations.	—
<ul style="list-style-type: none">Extend an assessment of ethical aspects to all operating audits, with specific regard to human rights, ethical business dealings, conflicts of interest, corruption and discrimination	<ul style="list-style-type: none">Ethical aspects were assessed, especially with respect to suppliers in the highest risk areas of the world. The systematic nature of the control process will be reconsidered following the definition, discussion and implementation of the medium/long-term supply chain sustainability policy and roadmap.	—
<ul style="list-style-type: none">Ensure Ansaldo STS' participation in external sustainable supply chain work groups in 2013	<ul style="list-style-type: none">In 2013, Ansaldo STS actively participated in the supply chain work group of Global Compact Network Italy (GCNI)	✓

IN 2012 WE SAID...	IN 2013 WE DID...
CUSTOMERS AND THE MARKET	
<ul style="list-style-type: none">• Further developing the Transportation Solutions business unit in new emerging markets	<ul style="list-style-type: none">• The foundation was laid in South America and other emerging markets in Asia for upcoming participation in mass transit tenders. ✓
<ul style="list-style-type: none">• Maintaining global leadership in the driverless metro sector	<ul style="list-style-type: none">• Leadership in this sector was further consolidated though the acquisition of the Riyadh metro contract worth a total of €505 million. ✓
<ul style="list-style-type: none">• Acquire a contract for a tram system without overhead lines in the international market.	<ul style="list-style-type: none">• The first catenary free contract based on TramWave® technology was acquired in China and additional opportunities are expected to follow in this area. ✓
<ul style="list-style-type: none">• Consolidate the Signalling business unit's domestic market position and expand its position on emerging markets.	<ul style="list-style-type: none">• The year saw a sharp increase in competition, due to both the arrival of new market players and the significant reduction in prices in the sector, which partially limited the company from achieving its targets. Therefore, in house programmes were kicked off to boost efficiency, targeting a greater degree of solution and product standardisation and the streamlining of general costs, with the aim of regaining adequate competitive edge. —
<ul style="list-style-type: none">• In the railway sector, strengthen global leadership in ERTMS technology and boost its competitive position in satellite positioning applications	<ul style="list-style-type: none">• Ansaldo STS enjoys world leadership in ERTMS technology, which is the benchmark technology even in non-European countries developing or updating their internal lines. The development of satellite positioning technologies is underway for contracts in place and future opportunities as well, mainly for freight/mining lines and low traffic lines in general. ✓
<ul style="list-style-type: none">• In the urban rail sector, strengthen global leadership in CBTC technology and expand its competitive position in driverless applications	<ul style="list-style-type: none">• The main successes of 2013 using CBTC technology for metro lines were celebrated in China, where work continues to expand the transportation networks in the country's most populous cities and scouting is being carried out worldwide for other opportunities. ✓

IN 2012 WE SAID...	IN 2013 WE DID...
COMMUNITY	
<ul style="list-style-type: none">• MEDIA AND COMMUNICATIONS. Continue the project to make the most of the company's historical archive with the public, through other communication initiatives	<ul style="list-style-type: none">• New contacts were developed and an increasingly effective way to present the company was identified. MEDIA: relationships already in place were managed, even when function heads changed. EVENTS: a communications process was created for each event in which Ansaldo STS participated DIGITAL MEDIA: development activities were planned and commenced and new communications systems were implemented, including through the use of storytelling videos, institutional product presentation videos and company presentations in schools and universities. New channels and contacts were created. ✓ TEAM WORK: the role of teams was consolidated in communications by coordinating the various resources by geographical segment and the different internal functions to increasingly support the product and business
<ul style="list-style-type: none">• UNIVERSITIES: continue contributing to specialised training in the sector by collaborating with leading Italian and foreign universities and contributing scientifically to post-graduate master programmes.	<ul style="list-style-type: none">• The following activities were carried out: 2nd level Master's degree in Engineering in Infrastructures and Railway Systems sponsored by the La Sapienza University of Rome. ITS "special technology schools", post-secondary school technical training programmes. Master agreements with the Universities of Genoa, Turin, Rome, the Basilicata region and Dresden. Close cooperation with the University di Pittsburgh. ✓
<ul style="list-style-type: none">• TRADE ASSOCIATIONS: continue to play an active role in trade associations.	<ul style="list-style-type: none">• In 2013, Ansaldo STS continued to pay an active role in trade associations. In particular, it joined UNIFE's Sustainable Transport Committee. ✓
<ul style="list-style-type: none">• ITALIAN AND EUROPEAN INSTITUTIONS: continue with the Italian and European research projects that are underway to increase safety, security and environmental compatibility and apply for funding by coordinating new project proposals.	<ul style="list-style-type: none">• In 2013, Ansaldo STS participated in the following financed projects: SICUFER, DIGITAL PATTERN DEVELOPMENT, VERO, SFERE, OSIRIS, MELIN, MBAT and SITRAM. In Europe, it participated in a number of infrastructure monitoring projects (ALARP RESTRAIL and MAXBE), safety projects (CESAR and EXCROSS) and security projects (PROTECTRAIL, SECUR-ED and EXCETERA). ✓
<ul style="list-style-type: none">• COMMUNITY: continue to support social and cultural initiatives promoted by non-profit associations and institutions.	<ul style="list-style-type: none">• Again in 2013, Ansaldo STS was involved in various charitable campaigns, funding cultural and humanitarian initiatives. It donated €46,000 in 2013. ✓

Methodological notes

The sustainability report of the Ansaldo STS Group for the year ended 31 December 2013 describes, for the fifth consecutive year, the economic, social and environmental impact of operations. It has been prepared in accordance with the updated Sustainability Reporting Guidelines issued in 2011 (version 3.1) by the GRI (Global Reporting Initiative).

The application of these guidelines in the 2013 sustainability report is level A+, as evidenced by the information given in the GRI Content Index.

Materiality – To ensure the balanced and correct reporting of its performance, Ansaldo STS’ Internal Sustainability Committee has conducted a thorough materiality analysis in accordance with the provisions of the G4 version of the GRI guidelines (this is also in view of their application in the forthcoming year). The analysis methodology applied is described in the sustainability report and involved not only the committee members but a panel of stakeholders as well, including customers, suppliers, banks, financial analysts and the community (opinion leaders, advisory firms and universities), considering the countries where the company is present. It was conducted in three stages: 1. Identification of relevant aspects; 2. Analysis of the impact of aspects on the company’s performance; 3. Analysis of the impact on stakeholders’ opinions and choices.

Stakeholder engagement – The application of this principle has led the company to carry out various involvement activities described in the section on *Stakeholder engagement*, in order to define the needs and expectations of each stakeholder category and fine-tune Ansaldo STS’ ability to respond to them. In order to better understand what sustainability aspects are important to stakeholders and how they affect stakeholders’ choices and opinions, the materiality analysis will be repeated in the years to come, with the broadening of the panel of stakeholders involved, so they are increasingly involved in the reporting process.

Sustainability context – In the section on *Ansaldo STS corporate and social responsibility*, we have sought to clearly define how the company interprets its sustainability in terms of the business sector in which it operates. Without losing an overall view, we have tried to describe local initiatives, reporting the peculiarities of the different markets (e.g., by describing the labour market where the company is present in the section *Our people*). The detailed update on sustainability at Ansaldo STS Australia constitutes another step in the contextualisation of this analysis and the definition of initiatives more closely connected to local needs. This will become an increasingly concrete objective given the commitment to the specific materiality analysis of this area.

Completeness – The report has been designed to give stakeholders a complete picture of Ansaldo STS’ activities. The scope of the report refers to the group, as indicated in the 2013 annual report. The issues relating to the environment, health and safety refer to the subsidiaries’ sites that are considered material, i.e., those with more than 10 employees. Changes in the scope of the report in 2013 are specified in the section *scope of the report under Environment, health and safety*. In Asia Pacific, where Ansaldo STS is present through a joint venture, its employees make up 40% of personnel: the figures relating to this region are estimated (calculated considering 40% of total personnel in the region).

Balance – In describing the results of Ansaldo STS’ activities, we have sought to reflect both the positive and negative aspects (e.g., reporting on objectives that were not achieved or that were only partially achieved in 2013, with respect to the commitments made) to give a balanced view of overall performance.

Comparability – To enable stakeholders to analyse changes in the company’s performance, the sustainability report includes comparative data for 2012 and 2013. Where meaningful, the comparative data covers the 2011-2013 three-year period. Income statement figures, expressed in Euro, have been translated at the exchange rates indicated in the 2013 consolidated financial statements. The scope of the data is always indicated (in the text or in a note), along with changes compared to previous years. The structure of the report has undergone certain changes to make it more legible and more in line with the Global Reporting Initiative guidelines. The most significant change in the 2013 edition is the specific chapter dedicated to Ansaldo STS Australia, as specific reporting began and will continue in forthcoming years.

Accuracy – Results and qualitative and quantitative data refer directly to the 2013 consolidated financial statements, while the accuracy of environmental, health and safety data derives from the certified management systems (ISO 14001 and OHSAS 18001) and the use of the Enablon data collection platform which the Finmeccanica group implemented in 2010. Social sustainability data have been mainly extracted from Ansaldo STS’ operating systems. Estimates are explicitly indicated. The conversion rates used for the calculation of GHG emissions are those defined by the Finmeccanica group.

Timeliness – The sustainability report is prepared annually and always published for the shareholders’ meeting. To best meet the informational needs of stakeholders, where material, events that occurred after the year end are also reported.

Clarity – The report has been structured to make the information easily identifiable by stakeholders (more chapters and fewer sub-chapters). The 2013 sustainability report opens with the KPI chart and sustainability pillars and includes eight sections: *Company profile; Corporate social responsibility; Environment, health and safety; Our people; The supply chain; The community; Sustainability of the Australian business; Economic performance*.

This document ends with the *G3.1 Content Index and the Statement of compliance*. The level of detail of information has been chosen in order to make the report comprehensible, accessible and usable by the various stakeholders. The document refers to the company’s website for details on certain matters, with an indication of exactly where the relevant documentation can be found.

Sustainability communications are also particularly well managed and up-to-date on the website.

Reliability – The 2013 sustainability report was prepared to reflect the various categories, considering the countries in which the company operates and has been approved by the board of directors and reviewed by independent experts (KPMG) in accordance with the International Standard on Assurance Engagement (ISAE 3000) of the International Auditing and Assurance Standard Board (IAASB). KPMG was involved in the various stages of the reporting process in order to facilitate its review, in a constructive climate of collaboration.

GRI CONTENT INDEX

GRI code	Indicator	Reported	Cross-reference Direct answer
STANDARD DISCLOSURES PART I: Profile Disclosures			
1 Strategy and analysis			
1.1	Statement of the highest authority on the importance of sustainability for the organisation and its strategy	Fully	Letter from the Chairman and CEO (pages 4-5)
1.2	Main impact, risks and opportunities	Fully	Climate change (page 58) Consolidated financial statements (pages 23-26) <i>The Internal Sustainability Committee has analysed the risks and opportunities of material sustainability aspects (qualitative description, stakeholders concerned, risk management methods by the company and the opportunities created by sound management).</i>
2 Organisation Profile			
2.1	Name of the organisation	Fully	Ansaldo STS in brief (page 1)
2.2	Main brands, products and/or services	Fully	Business lines (page 11); The main products conceived and undergoing development (pages 34-35)
2.3	Operating structure of the organisation	Fully	Ansaldo STS around the world (pages 12-13); Organisational structure (pages 48-50); Methodological notes – completeness (page 139). Ansaldo STS is present in Asia Pacific with a joint venture; 40% of the joint venture’s personnel is hired as employees.
2.4	Location of the organisation’s headquarters	Fully	Ansaldo STS around the world (page 12)
2.5	Countries of operation	Fully	Ansaldo STS around the world (pages 12-13); Main projects (page 14)
2.6	Ownership structure and legal status	Fully	Share capital (page 148). Ansaldo STS is a company limited by shares.
2.7	Markets served	Fully	Company profile (pages 10-14)
2.8	Size of the organisation	Fully	Ansaldo STS around the world (page 12-13); Main projects (page 14); Our people (page 76); Share capital and dividends (page 148); Consolidated financial statements (pages 40-41)
2.9	Significant changes in the reporting period	Fully	<i>There were no material changes in 2013.</i> Environmental performance (page 58); Share capital (pages 147-148)
2.10	Recognition/awards received in the reporting period	Fully	Carbon Disclosure Project (page 62); Digital communication: KV Webranking Best Improver award - first place for industrial sector and the country of Italy (page 116)
3 Report parameters			
3.1	Reporting period	Fully	Methodological notes (page 158);
3.2	Date of publication of the previous sustainability report	Fully	Methodological notes (page 158); <i>The 2012 sustainability report was published in May 2013</i>
3.3	Frequency of reports	Fully	Methodological notes (page 158); <i>annual</i>
3.4	Useful contacts and address for requesting information on the sustainability report	Fully	(page 175)
3.5	Process for the definition of the content of the sustainability report	Fully	Materiality analysis (pages 22-24); Methodological notes (pages 158-159)
3.6	Scope of the sustainability report	Fully	Methodological notes (page 158); Environmental performance (pages 62-63)
3.7	Specific limitation of the objective or scope of the sustainability report	Fully	Methodological notes (page 158); Environmental performance (pages 62-63); Recruitment and hiring (page 81)
3.8	Information on associates	Fully	Ansaldo STS around the world (pages 12-13); Methodological notes (page 158); Environmental performance (pages 62-63); <i>there were no changes that would affect comparability</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
3.9	Techniques used to measure data and the bases for calculations, including the assumptions and techniques underlying estimates applied to calculate indicators and prepare other information in the report	Fully	Methodological notes (pages 158-159); footnotes and table notes
3.10	Changes with respect to the previous sustainability report	Fully	There was no change to the information included in previous reports.
3.11	Significant changes since the previous reporting period	Fully	Methodological notes (page 158); Environmental performance (pages 62-63); <i>there were no material changes in the objectives, scope or measurement methods used in the report since the previous reporting period.</i>
3.12	Table indicating the content of the sustainability report	Fully	Methodological notes (page 158); GRI Content Index (page 160)
3.13	Policies and practices to obtain external assurance on the report	Fully	Independent auditors’ report (page 171); Methodological notes (page 158)
4 Governance, Commitments and Engagement			
4.1	Governance structure of the organisation	Fully	Corporate Governance (pages 38-40, 43-46)
4.2	Indicate whether the Chairman also holds an executive position	Fully	Table (page 40); Non executive directors (page 42)
4.3	Independent and/or Non executive directors	Fully	Table (page 40); Non executive directors (page 42); Independent of directors (page 42)
4.4	Mechanisms available to the shareholders and employees to provide recommendations or directives to the highest corporate governance bodies	Fully	Internal Sustainability Committee (page 21); Materiality analysis (pages 22-24); Appointment of the BoD (page 41); Internal control and risk management system (supervisory body) (page 47); Trade unions – Strategic observation (page 96); <i>Reports to the supervisory body; Reports to the supervisory bodies for the code of ethics at the legal entities; Reports to the Secretary of the BoD (who presents the claims sent to managers from employees during BoD meetings)</i>
4.5	Relationship between remuneration for members of the board of directors, managers and junior managers with the performance of the organisation (including environmental and social performance)	Fully	Directors’ fees (pages 44-45); Performance based incentive systems (page 83). <i>At present, there is no system in place linking remuneration to the company’s environmental performance.</i>
4.6	Activities in place with the board of directors to ensure that no conflicts of interest arise	Fully	Independent of directors (page 42). <i>Report of the board of directors on the Corporate Governance system and the implementation of the code of conduct for listed companies (2013).</i>
4.7	Procedure to determine the qualifications and experience required of members of the board of directors	Fully	Directors’ requirements and duties (pages 41-42)
4.8	Definition of the mission, values, code of conduct and principles prepared within the organisation and relevant for economic, environmental and social performance and the status of their implementation	Fully	Mission, Core Values (page 25); Code of ethics (page 26); Internal Sustainability Committee (page 22); IMS – Integrated Management System for the Environment, Safety and Quality (pages 29 and 55-56); Internal control and risk management system (page 47)
4.9	Board of directors control procedures, the methods of identifying and managing economic, environmental and social performance, including significant risks and opportunities and compliance with international standards, codes of conduct and stated principles	Fully	<i>The Internal Sustainability Committee is responsible for these activities and reports to the Chairman and CEO. In turn, the Chairman and CEO report to the BoD, which approves the Sustainability Report</i>
4.10	Procedures for assessing the performance of the board of directors, specifically in terms of economic, environmental and social performance	Fully	Board of directors activities and assessment of its functioning (pages 37-38). <i>The assessment system for the performance of the BoD does not currently include environmental and social performance aspects.</i>
4.11	Explanation of the organisation’s potential application of the principle (or approach) of prudence	Fully	Product liability (pages 31-32). Ansaldo STS takes a prudent approach to managing environmental, health and safety issues (environmental policy, page 48 – commitment to fighting climate change, page 58 – the health and safety policy, page 66
4.12	Signing or adoption of codes of conduct, principles and forms developed by external bodies/associations in relation to economic, social and environmental performance	Fully	Global Compact (page 27); Fondazione Global Compact Network Italy (page 30); Carbon Disclosure Project (page 62)

GRI code	Indicator	Reported	Cross-reference Direct answer
4.13	Participation in national and international trade associations	Fully	Trade associations (page 112); <i>Ansaldo STS participates in the UNIFEis Sustainable Transport Committee</i>
4.14	List of stakeholders with which the organisation is involved	Fully	Stakeholder engagement (pages 30-31)
4.15	Principles for the identification and selection of main stakeholders with which to undertake involvement activities	Fully	Stakeholder engagement (pages 30-31); <i>Materiality analysis (pages 21-24). Ansaldo STS is open to involving stakeholders through analyses and projects defined by the various functions and discussed by Internal Sustainability Committee.</i>
4.16	Approach to the involvement of stakeholders, specifying the frequency by the type of activities developed and stakeholder group	Fully	Stakeholder engagement (pages 30-31); Customer satisfaction (pages 31-33); Global Employee Survey (pages 33-34); 360° assessment (page 30); Future Leaders project (pages 85-86); Packages/subcontracts (page 105); Research projects (page 111); Partnerships with universities (page 113); Investor Relations (page 149)
4.17	Key issues and critical points that arose in the involvement of stakeholders and organisation's response	Fully	Materiality analysis (pages 22-24); Customer satisfaction (pages 31-33); Global Employee Survey (pages 33-34); 360° assessment (page 84)
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA EC	Disclosure on Management Approach EC		
Aspetti	Economic performance (page 140); Market presence (pages 12-14); Indirect economic impacts (Direct answer EC 6-7-8-9).		
DMA EN	Disclosure on Management Approach EN		
	Environmental, health and safety sustainability <i>With respect to environmental issues related to site activities, Ansaldo STS operates in accordance with an environmental management procedure that begins with an initial environmental analysis at the start of the scheduled work to elaborate and discuss with subcontractors the activities, followed by an environmental monitoring plan to continuously ensure legal compliance and take advantage of all opportunities to limit the environmental impact that a site inevitably entails. An ad hoc environmental reporting system has been implemented for the Rio Tinto site, which will constitute the basis for future applications of this methodology to be used on the next sites as well.</i>		
Aspetti	Materials (page 65); Energy (pages 55, 58, 60-61); Water (pages 64-65); Biodiversity (Direct answer EN 12-14-15); Emissions (page 66), effluents and waste (pages 67-68); Products and services (pages 35-37); Compliance (Direct answer EN28); Transport (page 60); Overall (page 73)		
DMA LA	Disclosure on Management Approach LA		
Aspetti	Employment (pages 28, 81, 90); Labor/management relations (pages 96-98); Occupational health and safety (pages 69, 128-131); Training and education (pages 82-84, 125); Diversity and equal opportunity (pages 28, 76, 95); Equal remuneration for women and men (pages 88-89)		
DMA HR	Disclosure on Management Approach HR		
Aspetti	Investment and procurement practices (Direct answer HR1 e HR2); Non-discrimination (page 28) Freedom of association and collective bargaining (page 28) Child labor (page 28); Prevention of forced and compulsory labor (page 28); Security practices (Direct answer HR8); Indigenous rights (pages 28, 133; Code of ethics page 9); Assessment (Code of ethics page 9, Direct answer HR 11); Remediation (Code of ethics page 13)		
DMA SO	Disclosure on Management Approach SO		
Aspetti	Local communities (Direct answer SO1; EC6); Corruption (pages 29-30); Public policy (Direct answer SO6; Code of ethics p10); Anti-competitive behavior (Code of ethics p.6); Compliance (Code of ethics p.11)		
DMA PR	Disclosure on Management Approach PR		
Aspetti	Customer health and safety (pages 36-36); Product and service labeling (page 37); Marketing communications (non applicabile); Customer privacy (Code of ethics page 11); Compliance (Code of ethics page 11)		
STANDARD DISCLOSURES PART III: Performance Indicators			
EC ECONOMIC			
EC1	Value directly generated and distributed, including revenue, operating expense, employee remuneration, donations and other investments in the community, undistributed earnings, payments to lenders and the following administration	Fully	Value directly generated and distributed (pages 144-145)

GRI code	Indicator	Reported	Cross-reference Direct answer
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Fully	Climate change (page 58). <i>Ansaldo STS is not subject to particular financial risks resulting from climate change, but instead derives opportunities:</i> <i>1. in terms of business development, as it operates in the railway transportation sector and is committed to seeking solutions and products capable of reducing energy consumption (pages 29-31);</i> <i>2. in terms of management, thanks to its commitment to reduce its energy consumption, to incentivise ecologically compatible forms of transportation (car pooling and car sharing) and to reduce air travel and waste production.</i> Estimate (point 1): tied to forecasts of business growth http://www.ansaldo-sts.com/en/investor-relations/strategy/2013-2015-targets Estimate (point 2): Energy efficiency (page 64)
EC3	Coverage of obligations assumed when the pension plan was defined (<i>benefit plan obligations</i>)	Fully	Pension plan (pages 93-95); <i>Reference should be made to the consolidated financial statements for information on post-employment benefits (page 71)</i>
EC4	Significant financing received from the public administration	Fully	Investments in research and development and intellectual property rights (page 37)
EC5	Ratio of standard remuneration of newly-hired employees to local minimum remuneration at the most significant sites	Fully	Fair remuneration (pages 88-89). <i>Ansaldo STS assesses the worldwide consistency of responsibilities and remuneration, without distinguishing between countries, sex, culture, etc., in accordance with the company's values, which protect and promote the equality of all people in all ways. This is why salaries cannot be lower than local minimums, even for the newly hired. By "local" Ansaldo STS means the geographical area where it is based in which the cost of living is consistent.</i>
EC6	Policies, practices and spending percentage concentrated on local suppliers for the most important operating sites	Fully	Types of purchases (page 102); Supply chain sustainability policy (page 104). <i>Ansaldo STS always tends to procure materials, services and labour mostly on local markets, also with the aim to contribute to the development of local economies (e.g.: Taipei project: local content: roughly 80% of design and construction costs; Honolulu project: local content: roughly 93% of design, construction and O&M costs). When the project provides for several years of O&M, nearly 100% of personnel is local.</i>
EC7	Hiring procedures for local personnel where activities are mainly carried out and percentage of top managers hired in the local community	Fully	Recruitment and hiring (page 81); Internationalisation and multi-culturalism (pages 84-85). <i>Ansaldo STS prioritises the hiring of local residents in the communities where it operates (when the project provides for many years of O&M, the use of local personnel reaches nearly 100%). However, considering the internationalisation of its activities and business, personnel, including top management, is hired with a view of the entire world, and on the basis of the specific expertise required</i>
EC8	Development and impact of investments in infrastructures and services provided mainly for "public utility", through commercial commitments, donations of products and services and pro bono work	Fully	Community (page 117). <i>In addition to the donations and sponsorships specified in the paragraph mentioned above, in 2012, Ansaldo STS donated 150 personal computers (out of use) to schools and institutions in Australia and the United States. Ansaldo STS' focus on communities also entails small infrastructural and landscape beautification projects beyond mere reclamation after sites are closed.</i>
EC9	Analysis and description of the main indirect economic impact, considering external influences	Partially	<i>Ansaldo STS' business generates a positive economic impact outside the company given its use of local employees in construction and O&M and its use of local suppliers. Local labour and local suppliers are often provided for (in specified percentages) by the contractual specifications: in this case, Ansaldo STS contributes to the development of the necessary skills.</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
EN ENVIRONMENT			
EN1 CORE	Raw materials used by weight or volume	Partially	Consumption of materials (page 65). <i>This figure is limited to certain components only and will be complete in the next</i>
EN2 CORE	Percentage of materials used that derive from recycled material	Fully	Consumption of materials (page 65); Ecodesign (page 36). <i>The type of acquired supplies, given the specific techniques and technologies, cannot be recycled (unless they are available on the market). Ansaldo STS is conducting an ecodesign study on pilot products in line with environmental requirements involving the analysis of the re-use and recyclability of materials and a Life Cycle Assessment (LCA). The methodological approach provides for a comparison of processes, materials and products to evaluate ecologically compatible choices. The analysis process is performed using software and considering the applicable legislative requirements and UNI ISO 14040 standards. The pilot projects could constitute the basis for future assessments and systematic applications, including with respect to the use of recycled materials.</i>
EN3 CORE	Direct consumption of energy broken down by primary energy source	Fully	Energy consumption (page 63); Renewable energies (page 65)
EN4 CORE	Indirect consumption of energy broken down by primary energy source	Fully	Energy consumption (page 63)
EN5 ADD	Energy savings due to energy conservation and improvements in efficiency	Not reported	Energy efficiency (page 64). <i>Steps taken to reduce energy consumption at the Italian sites in 2013 will generate effects in 2014.</i>
EN6 ADD	Initiatives to provide energy efficient products and services or those based on renewable energies, and consequent reduction in energy requirements as a result of these initiatives	Partially	Product and solution safety and environmental friendliness (pages 35-36); Community – Research projects with Italian and EU public institutions (page 111).
EN7 ADD	Initiatives to reduce indirect energy consumption and results achieved	Fully	Reporting on Scope III GHG emissions (pages 60-61); Travel Policy (page 60). <i>Ansaldo STS' policies with respect to this indicator mainly relate to mobility. The cuts in GHG production in terms of tCO2e (due to the reduction in energy consumption) are appreciable: Employee air travel (-2,663 t), Transportation of goods on roads (-1,207 t), Transportation of cargo by sea (-1,233 t) Car travel (-266 t).The next report will include the assumptions underlying these estimates. The following sites have implemented the following initiatives: Genoa – Company shuttle to the airport; Les Ulis, Riom and Kolkata – car sharing and car pooling; Piossasco – ASTS site - Turin North and South shuttle. To reduce energy needs downstream in relation to Ansaldo STS products, see EN6.</i>
EN8 CORE	Total water drawn by source	Fully	Water resource management (pages 66-67)
EN9 ADD	Water sources significantly affected by the drawing of water	Not reported	Not material. <i>Water is nearly exclusively drawn from aqueducts. The two sites where it is also drawn from wells are Bangalore (India) with 1,851 m3 and Piossasco (Italy) with 40,000 m3 of presumed water drawn solely for irrigation purposes in the grassy areas of the site</i>
EN10 ADD	Percentage and total volume of recycled and reused water	Fully	<i>In general, Ansaldo STS does not have processes or production cycles that reuse water.</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
EN11 Core	Location and size of land owned, leased or managed in protected areas or areas with high levels of biodiversity outside protected areas	Fully	<i>The two sites are near protected areas:</i> <ul style="list-style-type: none">• Les Ulis (France) – total area of 20,000 square metres – 40% offices – 30% roads and car parks – 30% grassy areas – activities: administration, sales, electronic system testing (ISO 14,001). the protected area covers 3,000 m3 in the Parc naturel régional de la Haute Vallée de Chervreuse (http://www.parc-naturel-chevreuse.fr)• Tito Scalo (Pz) – total area of 40,000 square metres – 21% plant, warehouses and offices – 19% roads and car parks – 60% grassy area – activities: manual and automated welding of circuit boards and occasional painting of the same (ISO 14001 and EMAS). It is 4 km) in Pignola (Piacenza) and the RAMSAR area (https://www.wwf.it/pignola.nt) <i>The immateriality of the site's activity with respect to biodiversity is due to the fact that the only biodiversity indicator in the site EMAS is: number of employees abased on surface area</i>
EN12 CORE	Description of the greatest impact of activities, products and services on the biodiversity of protected areas or areas with high levels of biodiversity outside protected areas	Not	Not material. Materiality analysis (page 24). <i>See also EN11. Ansaldo STS's activities do not materially impact biodiversity.</i>
EN13 ADD	Protected or reclaimed habitats	Fully	Reclamation (page 68). <i>To complete the information provided in the report, the surface area affected by the reclamation of the Batesburg site is roughly 6,700 square metres.</i>
EN14 ADD	Strategies, steps taken and future plans to manage the impact on biodiversity	Not	Not material. <i>See EN12</i>
EN15 ADD	Number of species listed in the IUCN red list	Not	Not material. <i>See EN12. Ansaldo STS's activities do not impact protected species.</i>
EN16 CORE	Total direct and indirect emissions of GHG emissions by weight	Fully	Direct and indirect GHG emissions (pages 60-61). <i>Ansaldo STS reports direct and indirecto emissions in accordance with the provisions of the GHG protocol.</i>
EN17 CORE	Other significant indirect emissions of GHG by weight	Fully	Direct and indirect GHG emissions (pages 60-61). <i>Ansaldo STS reports direct and indirecto emissions in accordance with the provisions of the GHG protocol.</i>
EN18 ADD	Initiatives to reduce the emission of GHG and results achieved	Fully	Activities carried out to reduce the direct and indirect production of GHG (page 60); Reporting on commitments made: Environment, health and safety (third bullet point) (page 155). <i>See also EN5 – EN7. Initiatives mainly related to: reduction in consumption and increase in energy efficiency, people mobility and waste management.</i>
EN19 CORE	Emissions of substances that are harmful to ozone by weight	Fully	Hazardous materials (page 68). <i>Ansaldo STS does not emit substances that are harmful to ozone</i>
EN20 CORE	NO, SO, and other significant atmospheric emissions by type and weight	Fully	Air emissions (page 66)
EN21 CORE	Total water drained by quality and destination	Fully	Water resource management (page 67)
EN22 CORE	Total weight of waste by type and disposal method	Fully	Waste production and management (pages 67.68). <i>The next report will provide data on the types and methods of information disposals not managed directly by the company.</i>
EN23 CORE	Total number and volume of significant dumping	Fully	Environmental non-conformities and complaints (pages 68-69). <i>Nothing material to report.</i>
EN24 ADD	Weight of waste classified as hazardous under the Basel Convention (attachments I, II, III and VIII) that is transported, imported, exported or treated and percentage transported abroad	Partially	Waste production and management (page 67); Environmental costs (page 73). <i>Total hazardous waste in 2013 was 20.06 t, equal to 4.3% of total waste (470.34 t). Hazardous waste is treated by external specialised agencies that pick it up directly from the company.</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
EN25 ADD	Identity, size, protection condition and value of biodiversity of marine fauna and flora and related habitats significantly affected by water drainage and dispersion caused by the organisation	Not	Not material. Materiality analysis (page 24). <i>Ansaldo STS' activities do not impact the biodiversity of water fauna and flora or water habitats.</i>
EN26 CORE	Initiatives to mitigate the environmental impact of products and services and level of impact mitigation	Fully	Product and solution safety and environmental friendliness (pages 35-36)
EN27 CORE	Percentage of products sold and related recycled or reused packaging material by category	Partially	Consumption of materials (page 66). <i>The company's uses mixed packaging consisting of paper/cardboard and wood, which is mostly recycled. It was not possible to calculate the percentage of packaging material that is recycled as this information is not managed internally. Ansaldo STS undertakes to provide it in the next report.</i>
EN28 CORE	Value of material fines and number of non-monetary sanctions due to non-compliance with environmental regulations and laws	Fully	In 2013, there were no fines or non-monetary sanctions, no non-compliance with environmental laws and regulations
EN29 ADD	Significant environmental impact of the transportation of products and goods/materials used for the organisation's activities and to move personnel	Partially	Travel policy (page 60); Emissions table (scope 3) (page 61). <i>The energy used to transport goods and people comes from diesel, petrol and jet fuel. People are transported using cars and airplanes. Goods are transported mainly by road, ship and air.</i>
EN30 ADD	Expenditure and investments to protect the environment, broken down by type	Fully	Costs and investments for the environment, health and safety (page 73). <i>Ansaldo STS undertakes to provide investment breakdown by type in the next report</i>
LA,HR,SO,SOCIAL PR			
LA1 CORE	Total number of employees, broken down by category, contract type and location	Partially	Headcount (pages 76-80). <i>Nearly all employees are full-time. The company undertakes to provide in the next report provide a breakdown by Region and gender of full-time employees</i>
LA2 CORE	Total workforce and turnover rate, broken down by age, sex and geographical area	Fully	Headcount (pages 76-80)
LA3 ADD	Full-time employee benefits, but not for part-time employees or those with closed-ended contracts, broken down by the main production sites	Fully	People Care (pages 90-93). <i>The reported benefits refer to employees working under both open-ended and fixed-term contracts, and not include company credit cards.</i>
LA4 CORE	Percentage of employees covered by national labour agreements	Fully	Employees covered by national labour agreements (page 98). <i>To complete the data provided in the report, the total percentage covered is 54.1%.</i>
LA5 CORE	Minimum period of notice for organisational changes, specifying whether such conditions are included in the national labour agreement	Fully	Prior notice in the event of organisational changes (page 98) . <i>The number of weeks of prior notice applied by Ansaldo STS refers to the provisions of the national labour agreement..</i>
LA6 ADD	Percentage of workers represented in the health and safety committee, composed of management and worker representatives, established to control and advise on programmes to protect workers' health and safety	Fully	<i>In 2008, Finmeccanica created a corporate Health and Safety Committee within the central Human Resources function, in which Ansaldo STS, as a group company, participates. The Committee, which meets regularly, is particularly committed to sharing, upholding and spreading all health and safety expertise and experience throughout the Group. The Committee represents a total of 10% workers. Ansaldo STS also holds meetings pursuant to article 35 of Legislative decree no. 81/08, in which the employer (or a representative), the Prevention and Protection Service Manager, Doctor, Safety Officer and Workers' Safety Representative participate. The meeting is called at least once a year and represents 100% of the employees of the Italian group companies to which Legislative decree no. 81/08 applies.</i>

GRI code	Indicator	Reported	Cross-reference Direct answer																																																												
LA7 CORE	Rate of work place injuries, illnesses, days of work lost, absenteeism and total number of deaths, broken down by geographical area	Fully	<p>Health and safety performance (pages 70-71). <i>There were no deaths. Only Ansaldo STS Australia reports first aid injuries (page 113). The rest of the Group reports those with more than three days of work missed. The frequency and seriousness rates of accidents and the occupational illness rate were calculated using the GRI formulas. To complete the data provided in the report, in America and Australia there were no occupational illnesses and no days lost or absent. The other reasons are illustrated in the table below (data on occupational illnesses were gathered in 2013 only; this is why a comparison was not possible):</i></p> <table><tr><th></th><th colspan="2">Central and Eastern Europe and the Middle East</th><th colspan="2">Western Europe</th></tr><tr><th>2013</th><th>MEN</th><th>WOMEN</th><th>MEN</th><th>WOMEN</th></tr><tr><td colspan="5">OCCUPATIONAL ILLNESSES</td></tr><tr><td>Number of cases of occupational illnesses</td><td>-</td><td>-</td><td>6</td><td>1</td></tr><tr><td>Total hours worked</td><td>2,158,715</td><td>414,997</td><td>585,302</td><td>183,970</td></tr><tr><td>Occupational illness rate</td><td>-</td><td>-</td><td>2.05</td><td>1.09</td></tr><tr><td colspan="5">DAYS LOST</td></tr><tr><td>Number of days lost</td><td>4,502</td><td>1,397</td><td>2,454</td><td>1,356</td></tr><tr><td>Total hours worked</td><td>2,158,715</td><td>414,997</td><td>585,302</td><td>183,970</td></tr><tr><td colspan="5">ABSENTEEISM</td></tr><tr><td>Number of days absent</td><td>4,798</td><td>1,474</td><td>2,454</td><td>1,356</td></tr><tr><td>Total work days</td><td>317,000</td><td>69,250</td><td>150,220</td><td>38,500</td></tr></table>		Central and Eastern Europe and the Middle East		Western Europe		2013	MEN	WOMEN	MEN	WOMEN	OCCUPATIONAL ILLNESSES					Number of cases of occupational illnesses	-	-	6	1	Total hours worked	2,158,715	414,997	585,302	183,970	Occupational illness rate	-	-	2.05	1.09	DAYS LOST					Number of days lost	4,502	1,397	2,454	1,356	Total hours worked	2,158,715	414,997	585,302	183,970	ABSENTEEISM					Number of days absent	4,798	1,474	2,454	1,356	Total work days	317,000	69,250	150,220	38,500
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LA8 CORE	Risk education, training, advisory, prevention and control programmes to support workers, their families or the community, with respect to disorders or serious illnesses	Fully	Training (pages 82-83); Travel Tracker: travelling safe at Ansaldo STS (page 93). Safety in the workplace (pages 128-132). <i>Ansaldo STS does not have any workers involved in professional activities with a high incidence or high risk of specific illnesses. There are no education/training, risk prevention/control and care programmes for workers' families or members of the community.</i>																																																												
LA9 ADD	Formal agreements with the unions on health and safety	Fully	<p><i>In most countries in which Ansaldo STS operates, national labour agreements govern workers' health and safety. In Italy, these aspects are included in the national labour agreement. The aspects covered by such agreements relate, inter alia, to the following:</i></p> <ul style="list-style-type: none">• <i>health and safety in the work place risk assessment;</i>• <i>prevention and management of emergencies;</i>• <i>environmental protection;</i>• <i>monitoring of anti-injury data;</i>• <i>proposing new initiatives to update workers on any specific risks and/or issues relating to site environmental impact.</i>																																																												
LA10 CORE	Average annual hours of training per employee, broken down by worker category	Fully	Training and development (page 83)																																																												
LA11 ADD	Programmes to manage skills and promote progressive training/updates to support the continuous employment of employees and manage the final stage of their careers	Fully	Training and development (pages 82-84)																																																												
LA12 ADD	Percentage of employees who regularly receive performance and career development assessments	Fully	Training and development (page 84). <i>95% of employees receive performance and career development assessments.</i>																																																												
LA13 CORE	Breakdown of the company's corporate governance bodies and breakdown of employees by sex, age, protected categories and other indicators	Fully	Board of directors (page 40). Headcount (pages 76-80); Minority groups, the diversity (page 95).																																																												
LA14 CORE	Ratio of men's base remuneration to women's base remuneration for the same category	Fully	Fair remuneration (pages 88-89)																																																												
LA15 CORE	Return to work after parental leave by gender	Partially	Parental leave (page 95). <i>It will be possible to calculate the return rate and retention rate of employees after parental leave, broken down by gender beginning in the next year because the data gathered in 2012 was partial.</i>																																																												

GRI code	Indicator	Reported	Cross-reference Direct answer
HR1 CORE	Percentage and total number of significant investment agreement that include human rights clauses or that are subject to human rights screening	Fully	Code of ethics (page 10). <i>The final evaluation of Ansaldo STS partners considers the code of ethics, in which the company undertakes to abstain from dealings with entities that violate human rights protection and labour regulations and laws. The code of ethics is part of the contractual documentation. Ansaldo STS does not currently perform human rights assessments. By 2014, it will complete the integration of its general terms for supply agreements with clauses providing for sanctions in the event of code of ethics violations.</i>
HR2 CORE	Percentage of main suppliers and subcontractors subject to human rights inspections and action taken	Fully	Supply chain sustainability (page 104); Vetting and eligibility of suppliers (pages 104-106). Sustainability commitments– Supply chain (pounts 1 and 4 page 153); Code of ethics (page 10) <i>Ansaldo STS is committed to defining, discussing and implementing a supply chain sustainability roadmap to promote a sustainable business culture with its suppliers; this will progressively improve the economic, environmental and social impact (labour and safety practices, respect for human rights and development of the local communities) throughout the supply chain. Ansaldo STS does not currently perform human rights assessments. By 2014, it will complete the integration of its general terms for supply agreements with clauses providing for sanctions in the event of code of ethics violations.</i>
HR3 CORE	Total hours of employee training on policies and procedures that relate to all significant human rights issues for the organisation and the percentage of trained workers	Fully	Training and development (page 82); Training on the code of ethics (page 26)
HR4 CORE	Total number of incidents relating to discrimination and measures taken	Fully	<i>In 2013, there were no reports regarding incidents of discriminatory practices or relating to serious breaches of the code of ethics</i> Global Compact – Human rights (page 28) – Labour (page 28). Internationalisation and multiculturalism (pages 84-85). <i>2013 was an important year in terms of the consolidation of the personnel internationalisation process implemented by the company, which is constantly committed to maintaining and developing a global and multicultural work place.</i>
HR5 CORE	Identification of activities in which the freedom to associate and national labour agreements could be exposed to significant risks and measures take to protect these rights	Fully	Global Compact – Labour (page 27). Trade unions (pages 89-91). Supply chain sustainability (pages 94-95). <i>Ansaldo STS has not identified suppliers that violate workers' association rights.</i>
HR6 CORE	Identification of operations at high risk of use of child labour and measures taken to eliminate it	Fully	Global Compact – Labour (page 28). Supply chain sustainability (page 104); Vetting and eligibility of suppliers (page 104-106). Sustainability commitments – Supply chain (points 1 and 4, page 153). <i>Ansaldo STS does not have suppliers or activities believed to present risk of child labour.</i>
HR7 CORE	Activities at high risk of forced labour and measures taken to eliminate it	Fully	Global Compact – Labour (page 28). Supply chain sustainability (pages 104); Vetting and eligibility of suppliers (pages 104-106). Sustainability commitments – Supply chain (points 1 and 4, page 153). <i>Ansaldo STS does not have suppliers or activities believed to present risk of forced labour.</i>
HR8 ADD	Percentage of safety personnel who have received training on procedures and policies on human rights that are relevant for the organisation's activities	Partially	Human resources – Training and development (page 82); <i>Training on the Code of ethics (page 26). Training on human rights at Ansaldo STS is based on knowledge of the content of the code of ethics, which involves the entire group. When new employees are hired and/or new freelancers begin to collaborate, Ansaldo STS immediately provides the necessary information to give them sufficient knowledge of the code of ethics and protocols, with particular regard to those relating to specific skills.</i>
HR9 ADD	Number of violations of local community rights and measures taken	Fully	<i>There were no violations of local communities' rights in 2013.</i>
HR10 CORE	Total number and percentage of operations subject to review or impact assessment on respect for human rights	Partially	<i>Ansaldo STS does not currently perform specific assessments of the impact on human rights, but it complies with legal provisions and national and international regulations in this respect.</i> Supply chain sustainability (page 104); Sustainability commitments – Supply chain (points 1 and 4, page 153).
HR11 CORE	Number of complaints relating to respect for human rights that were addressed and resolved using formal complaint mechanisms	Fully	<i>There were no complaints relating to a lack of respect for human rights by outside stakeholders or internally through reports to the supervisory bodies of the code of ethics in each group company (sent to specific email addresses).</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
S01 CORE	Percentage of operations involving local communities, impact assessment and programme development	Fully	Stakeholder engagement (pages 30-31); Copenhagen metro customer satisfaction (pages 32-33); Agreements with universities (page 113); Community (page 117); Community (page 136). <i>When ASTS holds the concession for the entire rail transportation project, it involves and collaborates with the different types of stakeholders concerned through each stage of the work, from presentation and approval through roll out and/or O&M. As required by the law, it performs environmental impact assessments and assessments of the impact on workers' health.</i>
S02 CORE	Percentage and number of internal divisions monitored for corruption risks	Fully	Anti-corruption and the prevention of corporate crimes (pages 29-30). Risk control and management system (page 47) Community – Procedure for Sponsorships, publicity campaigns and contributions to associations and bodies (page 110). <i>With the extension of the application of the code of ethics to all group companies, all internal divisions at risk are monitored. In the next report, Ansaldo STS will also report on the number of internal audits performed.</i>
S03 CORE	Percentage of workers who have received training on the anti-corruption policies and procedures of the organisation	Fully	Anti-corruption and the prevention of corporate crimes (pages 29-30). <i>Ansaldo STS undertakes to provide data in the next report on the percentage of managers and other non-manager employees operating in activities considered to be at risk who have received training in this respect.</i>
S04 CORE	Steps taken in response to incidents of corruption	Fully	Risk control and management system (page 47) <i>There were no incidents of corruption.</i>
S05 CORE	Positions on public policy, participation in the development of public policies and lobbying	Fully	Trade associations (page 112)
S06 ADD	Total financial contributions and benefits to political parties, politicians and related institutions by country	Fully	<i>"The company does not provide any direct or indirect contributions of any kind to political parties, movements, committees or organisations or their representatives or candidates, except for those due under specific provisions of law" (Code of ethics, page 10)</i>
S07 ADD	Total number of legal cases relating to unfair competition, anti-trust and monopolist practices and related judgements	Fully	<i>There were no incidents in this respect.</i>
S08 CORE	Monetary value of significant sanctions and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	<i>There were no monetary or non-monetary sactions due to non-compliance with laws or erguations in 2013.</i>
S09 CORE	Operations with a significant current or potential negative impact on local communities	Fully	<i>There are no activities with material negative, potential or effective impact on local communities.</i>
S010 CORE	Prevention and mitigation measures implemented for operations with a significant current or potential negative impact on local communities	Not reported	<i>Not applicable since there are no activities with material negative, potential or effective impact on local communities.</i>
PR1 CORE	Stages in the life cycle of products/services whose impact on health and safety is assessed to promote improvement and the percentage of the main categories or products/services subject to such procedures.	Fully	Product liability (page 37). <i>There is a methodology in place to control safety risks, and it is in line with regulations and standards (which are "labelled" on the product) applicable to all products and systems. Reporting on the PR1 indicator is the same as that on the PR3 indicator for Ansaldo STS.</i>
PR2 ADD	Total number of episodes of non-compliance with legislation and non-mandatory codes relating to the impact of products and services on the health and safety of products/services during their life cycle	Fully	Product liability (page 37). <i>For the same reason as above, reporting on the PR2 indicator coincides with that on the PR4 for Ansaldo STS. There were no accidents, consisting of deaths, injuries or damage to infrastructures due to defects in products supplied by Ansaldo STS. None of the minor non-conformities noted internally or by customer complaints entailed sanctions or measures.</i>
PR3 CORE	Type of information on products/services required by procedures relating to information on products and services and labelling	Fully	Product liability (page 37). <i>There is a methodology in place to control safety risks, and it is in line with regulations and standards (which are "labelled" on the product) applicable to all products and systems. Reporting on the PR1 indicator is the same as that on the PR3 indicator for Ansaldo STS.</i>
PR4 ADD	Total number of reports of non-compliance with legislation and non-mandatory codes relating to information on products and services and labelling	Fully	Product liability (page 37). <i>For the same reason as above, reporting on the PR2 indicator coincides with that on the PR4 for Ansaldo STS. There were no accidents, consisting of deaths, injuries or damage to infrastructures due to defects in products supplied by Ansaldo STS. None of the minor non-conformities noted internally or by customer complaints entailed sanctions or measures.</i>

GRI code	Indicator	Reported	Cross-reference Direct answer
PR5 ADD	Customer satisfaction practices, including the results of surveys for customer satisfaction measurement	Fully	Customer satisfaction (pages 31-32); Copenhagen metro customer satisfaction (pages 32-33)
PR6 CORE	Description of policies, procedures, management systems and response mechanisms to comply with standards and non-mandatory codes for advertising and marketing	Not reported	Not applicable <i>Ansaldo STS does not follow advertising and standards and codes due to the type of activity it performs.</i>
PR7 ADD	Total number of infractions of legislation and non-mandatory codes concerning advertising and marketing	Not reported	Not applicable. <i>Ansaldo STS does not follow advertising and standards and codes due to the type of activity it performs.</i>
PR8 ADD	Number of documented reports of the violation of personal data protection rights and the loss of consumers' data	Not reported	<i>There were no complaints.</i>
PR9 CORE	Monetary value of significant sanctions and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	<i>Ansaldo STS has not received any sanction for non-compliance with laws or regulations.</i>



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(Translation from the Italian original which remains the definitive version)

Limited assurance report on the sustainability report

To the board of directors of
Ansaldo STS S.p.A.

- 1

We have reviewed the sustainability report of the Ansaldo STS Group for the year ended 31 December 2013 (the “Group”). The parent’s directors are responsible for the preparation of the sustainability report in accordance with the updated Sustainability Reporting Guidelines issued in 2011 (version 3.1) by GRI - Global Reporting Initiative, as set out in the “Methodological notes” section of the sustainability report. They are also responsible for determining the Group’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.
- 2

We carried out our work in accordance with the criteria established for review engagements by “International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information” (“ISAE 3000”), issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements (the “Code of Ethics for Professional Accountants” issued by the International Federation of Accountants, “IFAC”), including independence requirements, and that we plan and perform the engagement to obtain limited assurance (and, therefore, less assurance than in a reasonable assurance engagement) about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

 - comparing the information and data presented in the “Value directly generated and distributed” section of the sustainability report to the corresponding information and data included in the Group’s consolidated financial statements as at and for the year ended 31 December 2013, on which we issued our report dated 18 March 2014 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:

- interviews and discussions with management personnel of Ansaldo STS S.p.A. and the personnel of Ansaldo STS Australia PTY LTD to gather information on the information technology, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;
- sample-based analysis of documentation supporting the preparation of the sustainability report to obtain evidence of processes, their adequacy and that the internal control system correctly manages data and information in relation to the objectives described in the sustainability report;
- analysing the compliance of the qualitative information included in the sustainability report with the guidelines referred to in section 1 hereof and its overall consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of Ansaldo STS S.p.A. on the compliance of the sustainability report with the guidelines indicated in section 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000 and, therefore, it does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified during an audit.

The sustainability report includes the corresponding information and data of the prior year sustainability report for comparative purposes, with respect to which reference should be made our report dated 10 April 2013.

- 3 Based on the procedures performed, nothing has come to our attention that causes us to believe that the sustainability report for the year ended 31 December 2013 of the Ansaldo STS Group is not prepared, in all material respects, in accordance with the updated Sustainability Reporting Guidelines issued in 2011 (version 3.1) by GRI - Global Reporting Initiative, as set out in the "Methodological notes" section of the sustainability report.

Naples, 4 April 2014

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

DUAL

MEMORY

WIRELESS

ELECTRO

REMIX

WORLD

PASSWORD

INFOTAINMENT

SHAREWARE

FUSION

INTERFACCIA

SERVER

DIGITALE

ENERGY

ELECTRO

WIRELESS

SENSORE

SIN

REMIX

FUSION

INTERFACCIA

STRATEGICO

INMENT

TEKNORGANIC

REMIX

INFOTAINMENT

SOSTENIBILE

Advisors on procedures and reporting:
Studio Badalotti per il Bilancio Sociale S.r.l.

Strategic concept, Graphic design and Realisation:



April 2014

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This Sustainability Report has been prepared
with the contribution and coordination of

© Andrea Razeto -

Vice President

External Communications

 **Ansaldo STS** External Communications Dept.



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