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Hitachi Rail STS

CONSOLIDATED
NON-FINANCIAL STATEMENT of
HITACHI RAIL STS
(formerly ANSALDO STS)
AT 31 MARCH 2019
prepared in accordance with Italian Legislative Decree 254/2016

INDEX

METHODOLOGY AND REPORTING CRITERIA

Following the Public Purchase Offer presented by Hitachi, Ansaldo STS became a company of the Hitachi group and was withdrawn from the Italian Stock Exchange on 30 January 2019. On 31 January 2019, with extraordinary shareholders' meetings, the Company resolved to change the company name which, starting from 1 April 2019, is Hitachi Rail STS SpA. The rebranding process involved not only the parent company but all the STS's subsidiaries. This document therefore refers to Hitachi Rail STS (formerly Ansaldo STS), also called STS.

The exit from the stock market, in conjunction with the decision to move the end of the financial year to 31 March – to align to the Japanese parent company - released Ansaldo STS from the obligation to produce a Consolidated Non-Financial Statement as the company no longer fits the criteria of a public interest entity pursuant to Article 16, paragraph 1 of Italian Legislative Decree no. 39 of 27 January 2010.

In order to ensure continuity with the previous year, however, the company has chosen to produce this statement voluntarily, according to the provisions of Article 7 of **Italian Legislative Decree no. 254 of 30 December 2016** (Decree 254), thus demonstrating the importance that non-financial information has played and still plays for the company, which also has published a Sustainability Report since 2009.

This consolidated **Non-Financial Statement** (NFS) at 31 March 2019 was therefore prepared in accordance to the above mentioned Decree, in order to ensure a deep understanding of Hitachi Rail STS's activities, performances, results and its impacts on environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery, considering the specific activities and characteristics of the company.

This NFS is a separate document to the Report on Operations and is to be considered as a supplement to, and the completion of, the same. It is approved by the Board of Directors of Hitachi Rail STS SpA on **29 May 2019**.

The NFS is subject to assurance by an independent company, EY SpA (also appointed to conduct the audit of the Financial Statements of Hitachi Rail STS), according to the provisions of Article 7, paragraph 3 of Decree 254, according to the methods currently provided for by law. The verification activities were carried out according to the procedures indicated in the "Independent Auditors' Report", included at the end of this document.

The Consolidated Non-Financial Statement is available on the website of Hitachi Rail STS.

REPORTING SCOPE

The information detailed in this NFS refers to the companies included within the line-by-line consolidation scope. The environmental data that in the 2017 NFS extended only to the most significant sites (representing 91% of STS's workforce) has been recalculated to include the entire scope of consolidation.

REPORTING STANDARDS

The reporting standards adopted by Hitachi Rail STS to prepare this NFS are the GRI Sustainability Reporting Standards issued in 2016 by GRI - Global Reporting Initiative. In particular, following the Standard GRI 101: Foundation, paragraph 3, this document includes the references to the Reporting Standard listed below ("GRI-referenced").

GRI STANDARDS	GRI Disclosures	Description
GRI 102 - General Disclosure	GRI 102-1	Name of the Organisation
	GRI 102-2	Activities, brands, products and services
	GRI 102-4	Location of operations
	GRI 102-8	Information on employees and other workers
	GRI 102-15	Key impacts, risks, and opportunities
	GRI 102-43	Approach to stakeholder engagement
	GRI 102-47	List of material topics
	GRI 102-55	GRI content index
GRI 103 - Management Approach 2016	GRI 103-2	The management approach and its components
GRI 205 - Anti-corruption	GRI 205-3	Confirmed incidents of corruption and actions taken
GRI 302 – Energy	GRI 302-1	Energy consumption within the organisation
	GRI 302-3	Energy intensity
	GRI 302-4	Reduction of energy consumption
GRI 303 – Water	GRI 303-1	Water withdrawal by source
GRI 305 – Emissions	GRI 305-1	Direct (Scope 1) GHG emissions
	GRI 305-2	Energy indirect (Scope 2) GHG emissions
	GRI 305-4	GHG emissions intensity
GRI 306 - Effluents and waste	GRI 306-2	Waste by type and disposal method
GRI 308 - Supplier Environmental Assessment	GRI 308-1	New suppliers that were screened using environmental criteria
GRI 401 – Employment	GRI 401-1	New employee hires and employee turnover
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 402 - Labour management relations	GRI 402-1	Minimum notice periods regarding operational changes
GRI 403 - Occupational Health and Safety	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
GRI 404 - Training and Education	GRI 404-1	Average hours of training per year per employee
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs
GRI 405 - Diversity and equal opportunity	GRI 405-1	Diversity of governance bodies and employees
GRI 412 - Human Rights Assessment	GRI 412-2	Employee training on human rights policies or procedures
GRI 416 - Customer Health and Safety	GRI 416-1	Assessment of the health and safety impacts of product and service categories

The cross-references to the pages where the GRI Standards are disclosed ("GRI Content Index") is available in the Appendix of this document.

Due to the change to the closure date of the financial year to 31 March 2019, the data provided refers to that defined for the preparation of the Consolidated Financial Statements, i.e. figures are reported, with regard to cumulative data – by analogy with figures such as Income Statement – at a time span of 15 months (2017 + first quarter 2018 and 2018 + first quarter 2019), and, with regard to precise data – by analogy with figures such as Statement of Financial Position – jointly showing values referring to the new closing date of the financial year, 31/03, together with the values referring to 31/12 comparable with statements from previous years.

Following this approach, this document presents data for the 2017-2018 biennium only.

REPORTING PROCESS AND CALCULATION CRITERIA

To define the topics to be covered in this NFS, Hitachi Rail STS involved the Internal Sustainability Committee (see the "Sustainability Governance" paragraph herein), which is also responsible for preparing the Sustainability Report, whose tenth edition will be published this year. The level of relevance assigned to the different topics was defined according to a well-established analysis process (see the "Material topics for our business" paragraph herein). Relevant KPI calculation criteria are shown in specific footnotes.

HITACHI RAIL STS COMPANY PROFILE, ACTIVITIES AND STRATEGY

Hitachi Rail STS is active around the world as a contractor and supplier of turnkey services and solutions and builds large projects for railway and mass transit systems for passengers and freight.

In addition to being known for its turnkey projects for large metro lines, Hitachi Rail STS boasts significant long-term experience in the high-speed sector as a supplier and integrator of all the sub-systems: interoperable signalling systems, telecommunications, electric power supply, on-board equipment and integration, electrification and wayside equipment.

The Company has always focused on the development of new high-value solutions and innovative services. As well as the turnkey technologies at the heart of its current business, Hitachi Rail STS intends to apply the most innovative digital technologies to its product portfolio and installed base to offer the best possible service. This approach to digital innovation will be increasingly directed towards the management and maintenance of rail infrastructures.

OUR MISSION

Hitachi Rail 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 mass transit rail network signalling and automation for passengers and freight.

The more we make sustainable long-term decisions, the better the interaction between our company, society and the environment will be. This approach is part of our competitive edge.

OUR VALUES

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

Hitachi Rail STS's values, and those on which it has based its business are:

- **CUSTOMER FOCUS**

  Our technologies safely move millions of people every day. This drives Hitachi Rail STS to do its best to increase and maintain high excellence services for rail transport users. Because of its customers, Hitachi Rail STS is able to understand and meet their needs with advanced solutions to their specific requirements.

- **INNOVATION AND EXCELLENCE**

  Understanding, studying and developing solutions to improve the response to customers and the range of solutions on the market are at the centre of Hitachi Rail STS's business. This constant work-focused approach aimed at providing innovative and high-performance products is the basis of the Company's competitive advantage on the market.

- **PEOPLE**

  Customer satisfaction and the development of new products depend on the abilities of the professionals working to achieve them, Hitachi Rail STS's employees. This is why Hitachi Rail STS is a company founded on people. Everyone in our organisation is committed to making Hitachi Rail STS a positive environment and place to work, where people learn, achieve and celebrate success. Hitachi Rail STS always prioritises its people and their safety.

- **TEAM SPIRIT**

  None of these operating objectives can be achieved by one person alone. The company's employees work 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. Hitachi Rail STS strongly encourages attainment of its people's aspirations through team objectives.

- **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 Hitachi Rail STS, and that this value is reflected in its products, through the utmost care and attention to safety.

BUSINESS LINES

The different Companies that constitute Hitachi Rail STS carry out activities in the fields of traffic management, train control, signalling systems production and maintenance services, aiming towards constant efficiency and safety over time for both customers and end users.

High Speed	Computer based interlocking
Main Lines and Freight	Metros and Tramways
Planning, Supervision & Traffic Control	Equipment & Components
Operation and maintenance	

As a part of the Hitachi group, Hitachi Rail STS further integrates the technological offer into various projects and solutions, bringing a real competitive advantage, with economically and technologically innovative solutions for our customers.

Hitachi Rail STS, as part of Hitachi Rail's business, develops rail (and metropolitan) traffic management systems with an integrated vision and approach: from the production of the single component to passenger comfort, including the management and maintenance of the infrastructure.

Building on its proven experiences, the multiple systems successfully installed, and its extensive supply of turnkey systems, Hitachi Rail STS is able to develop a complete range of services related to the railway sector.

The complementarity of the products and services, along with the distribution of production facilities and development sites will allow to increasingly consolidate our company's presence in existing markets and increase its effectiveness in the new markets.

STRATEGY

Hitachi Rail STS is committed to maintaining and developing a set of distinctive abilities and expertise to create value and guarantee long-lasting company growth over time. This commitment can be seen in the Company's four strategic directions:

1. ORGANIC GROWTH: to leverage its current strong position in geographical areas and business lines to achieve better results than the reference market.

2. NON-ORGANIC GROWTH: to define strategic partnerships and evaluate investments that are instrumental to the Company's growth in specific geographic areas and/or business sectors.

3. ORGANISATIONAL ALIGNMENT: to adapt the operating model in accordance with business requirements and its future developments.

4. EFFICIENCY AND EFFECTIVENESS: to optimise the product platforms in line with future technological trends, and continue to work on the continuous improvement process in order to strengthen its competitive position and ensure excellence in the execution of projects.

BUSINESS MODEL

Hitachi Rail STS's abilities and organisation fully meet the need to innovate in order to boost transportation efficiency and safety and reduce its environmental impact.

Indeed, Hitachi Rail STS is 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 on 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.

Hitachi Rail STS's business model is customer-based, and enables it to forge fruitful, long-lasting relationships at global level.

- TECHNOLOGICAL LEADERSHIP FOR SAFETY AND ENVIRONMENTAL MATTERS
  Hitachi Rail STS offers integrated solutions based on technological leadership in terms of safety and environment and has a strong position of technical leadership in certain market segments (ERTMS, CBTC, driverless, urban transport, high speed, etc.).

- PREFERENTIAL PARTNERSHIPS WITH ROLLING STOCK SUPPLIES
  Hitachi Rail STS has a consolidated partnership with Hitachi Rail SpA (formerly known as Hitachi Rail Italy). However, the Company is capable of adapting to any rolling stock supplier and is flexible in the design and construction of the chosen solution.

- **SOLID ROOTS AND GROWTH WHEREVER THE DEMAND IS**
  A long-standing technological leader in the west, thanks to continuous investments in research and development, the Company also operates on emerging markets.

- **A PARTNER THROUGHOUT THE CUSTOMER'S ENTIRE VALUE CHAIN**
  Hitachi Rail STS is a leading supplier of cutting-edge integrated transportation solutions, combining traditional and non-traditional technologies and operation and maintenance services.

- **SERVING THE CUSTOMER'S FUTURE NEEDS**
  Hitachi Rail STS can meet the new requirements of markets, such as driverless freight transportation, and the introduction and integration of highly secure and digital technology.

- **GLOBAL ORGANISATION**
  Over 4,300 professionals offer global research, expertise, experience, know-how and best practices wherever the market needs them.

Evolution of the business model

Hitachi Rail STS evolves its business model based on its vision of the future, as well as benefiting from being part of the Hitachi group, enabling it to pursue its growth objectives. At the start of 2018 the Company embarked on a journey of transformation, focusing on new technologies and acquiring skills, enabling it to develop additional specific expertise and adapt its business model to the evolving trends in the transport and mobility sector.
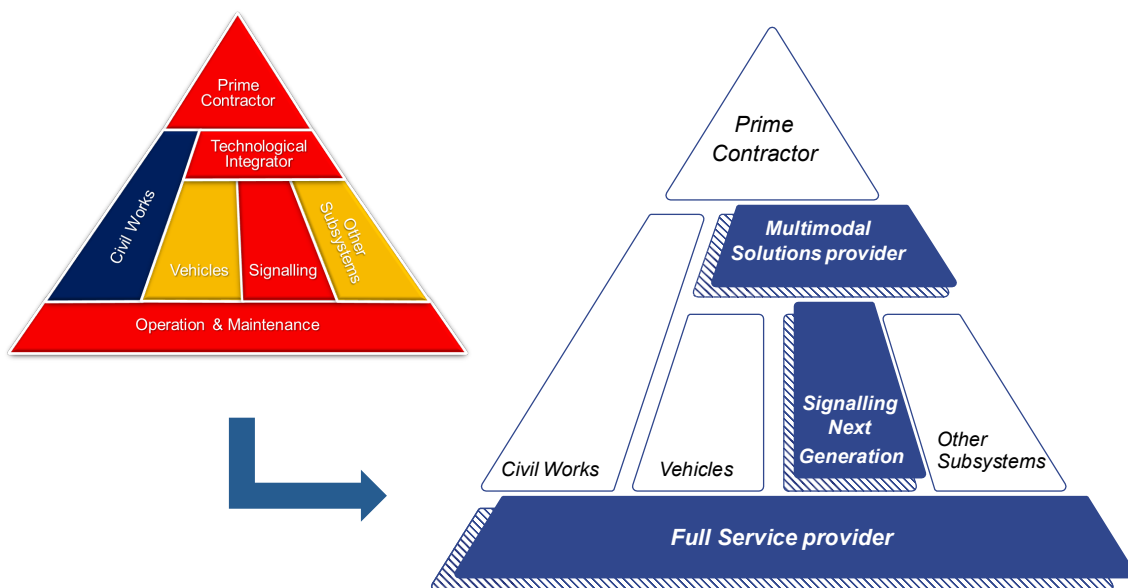
- **Signalling** is evolving to the **Next Generation** according to the leading technologies of the future (ERTMS / CBTC / Satellite), including highly innovative solutions designed for the management and maintenance of rail transportation infrastructure.

- The turnkey approach is being developed, Public Private Partnership funding schemes are being implemented and solutions are being integrated with new digital technologies - *Multi-modal Solutions provider*.

- The approach to O&M activities is becoming more structured, evolving to provide a full service - *Full Service provider*

By evolving its business model Hitachi Rail STS aims to ensure continuous growth, operating in the context of an increasingly competitive future scenario and pursuing sustainable growth and profitability that require the development of collaborations and partnerships.

Hitachi Rail STS is supported in this ambitious endeavour by the Hitachi group, benefiting from its global presence, strong financial position, expertise and preferential access to the most important enabling technologies, such as rolling stock and digital platforms.

SUSTAINABILITY WITHIN HITACHI RAIL STS

Hitachi Rail STS considers the social, economic, logistical, architectural, environmental and structural context of each project it handles, by planning, designing and building signalling and railway and mass transit systems that provide the best possible combination of safety, efficiency and return on investment.

On 25 September 2015, the United Nations approved the Global Sustainable Development Agenda and 17 Sustainable Development Goals (SDGs), broken down into 169 targets to be met by 2030.

Innovation and sustainability are key aspects for the rail industry. Consequently, the Company has incorporated the Sustainable Development Goals of the UN's 2030 Agenda into its activities, identifying **four goals** in particular to which to contribute directly:

Through its core business, Hitachi Rail STS is able to contribute principally to **Goal 9 "Industry, innovation and industry"**, designing systems and solutions with a high degree of sustainability over time, and **Goal 11 "Sustainable cities and communities"**, providing efficient and reliable services through inclusive projects.

The Company has also committed to **Goal 4 "Quality education"**, providing support for school education, professional training programmes and the development of professionals and future leaders, as well as **Goal 12 "Responsible consumption and production"** through the efficient use of natural resources, predictive maintenance activities and the progressive application of the principles of the circular economy.

Through these objectives and with a general vision of the other goals of the 2030 Agenda, Hitachi Rail STS pursues **social innovation** and develops products and solutions that contribute to sustainable growth and to improve the quality of life.

2018/19 Corporate Social Responsibility Plan

The behaviour of an organisation that contributes to sustainable development is grown out of a shared and concrete commitment to Corporate Social Responsibility (CSR), that Hitachi Rail STS considers a crucial element to improve its performance, enhance its reputation, increase its ability to attract talent and strengthen its relationships with customers, business partners, suppliers and local communities. In January 2018 the company adopted a development plan for Corporate Social Responsibility matters. The aim of the plan is to:

- improve its internal culture;

- stimulate proposals and ideas from the bottom up, to achieve shared business and social objectives;

- increase the company's social participation and commitment so that it stands out as an influencer in its field.

THE MATERIAL TOPICS OF THE BUSINESS

The materiality analysis is the methodology by which the relevance of sustainability issues is defined. The most recent analysis was conducted by Hitachi Rail STS in early 2018 and no need to update it in this reporting cycle was recognised. Internally, the Sustainability Committee assessed the level of importance of the various issues in relation to the company's performance and to the possibility of improving its reputation and competitive advantage, taking into account the associated risks. Externally, through a broad initiative to engage different categories of stakeholders (82), Hitachi Rail STS identified the level to which these issues could influence their opinions and decisions.

The overall level of materiality originates from the intersection of the two analyses – internal and external - and is shown in the following matrix.
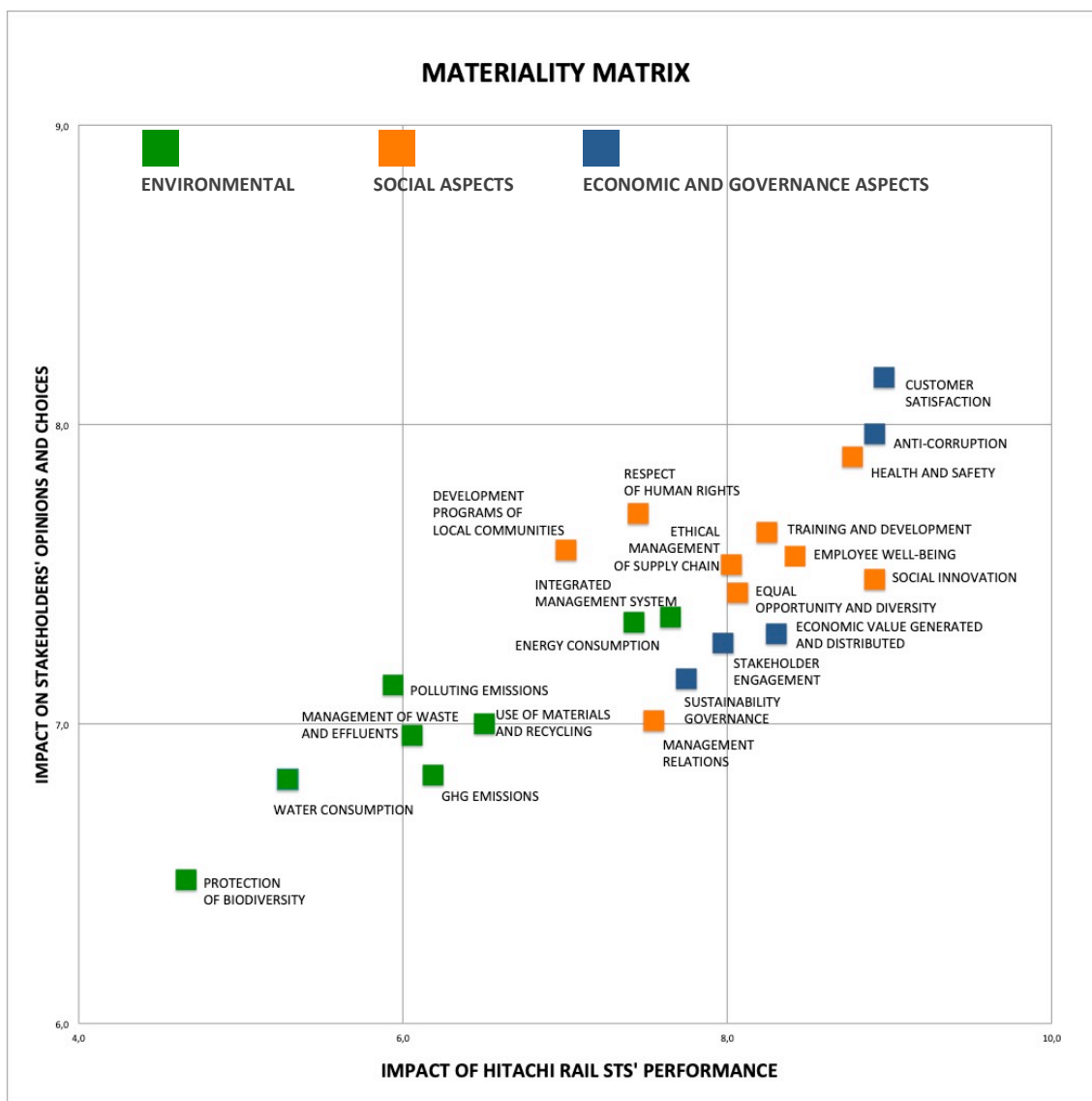
In order to comply with the provisions of Italian Legislative Decree no. 254/16, the following topics were selected from the materiality analysis and associated with the scope of the Decree for reporting purposes.

LEGISLATIVE DECREE no. 254 SUBJECTS	MATERIAL TOPICS CONSIDERED
ENVIRONMENT HEALTH AND SAFETY	HEALTH AND SAFETY
	ENERGY CONSUMPTION
	GHG EMISSIONS
	WATER CONSUMPTION
	MANAGEMENT OF WASTE AND EFFLUENT
HUMAN RESOURCES MANAGEMENT	EQUAL OPPORTUNITY AND DIVERSITY
	MANAGEMENT RELATIONS
	EMPLOYEE WELL-BEING
	TRAINING AND DEVELOPMENT
SOCIAL ASPECTS	CUSTOMER SATISFACTION
	SOCIAL INNOVATION
	ETHICAL MANAGEMENT OF SUPPLY CHAIN
PROTECTION OF HUMAN RIGHTS	RESPECTS OF HUMAN RIGHTS
ANTI-CORRUPTION	ANTI-CORRUPTION

ENTERPRISE RISK MANAGEMENT AND LEGISLATIVE DECREE no. 254 SUBJECTS

Enterprise Risk Management (ERM)[2] is one of the key aspects of the Corporate Governance system and involves all organisational levels with different roles and responsibilities. The aim of ERM is to:

• increase the awareness of business risks by identifying, measuring and monitoring risks;

• improve the sustainability of business performance through risk prioritisation and mitigation strategies;

• ensure transparency and strengthen the company's reputation by spreading the culture of risk, monitoring and compliance.

Risk Assessment[3] is an essential element of the ERM framework and contributes to defining business strategies by identifying and managing potential risk events that are likely to affect the actual achievement of business goals and results. Risk Assessment also includes the preparation of action plans whose implementation is subject to ongoing monitoring and quarterly reporting.

In accordance with the European standard ISO 31000:2009, the Enterprise Risk Management model has been updated in order to face the opportunities that can derive from a favourable situation to the achievement of an expected result, determined by considering as a reference the company's strategic plan and the sustainability report.

The following table shows the link between the scopes of Legislative Decree 254 and the categories and sub-categories of risks/opportunities identified by the ERM.

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[2] The Enterprise Risk Management approach takes into account Article 7 of the Corporate Governance Code of the Italian Stock Exchange for listed companies and complies with the principles of standard ISO 31000: 2009

[3] The Risk Assessment process adopted by Hitachi Rail STS is performed according to the international framework of the "Enterprise Risk Management" from the "Committee of Sponsoring Organisations of the Treadway Commission" (COSO report).

LEGISLATIVE DECREE no. 254 SUBJECTS	ENTERPRISE RISK MANAGEMENT	
	CATEGORY	SUB-CATEGORY
ENVIRONMENT, HEALTH AND SAFETY	HSE	HSE awareness
		OHS and Environmental non Compliance
	STRATEGIC	Process Improvement
	BUSINESS CONTINUITY	Business Interruption
		Crisis management
		Technical standards evolution
HUMAN RESOURCES MANAGEMENT	RESOURCES	Resources allocation
SOCIAL ASPECTS	DELIVERY	Customer satisfaction
	SUBCONTRACT	Supplier qualification
ANTI-CORRUPTION	LEGAL	Export Compliance
HUMAN RIGHTS	HSE	OHS and Environmental non Compliance

Currently the risk of human rights violation is assessed by the ERM framework within the "OHS and Environmental non Compliance" sub-category.

A description of the **sub-category** risks and the mitigation measures put into place is provided below.

ENVIRONMENT, HEALTH AND SAFETY

- **HSE awareness**
  Possible extra-costs risk, in the tendering phase, concerning health, safety and environment (HSE) with particular regards to emerging countries (with "low standards") and partners who do not have the same levels of care adopted by Hitachi Rail STS.

  RISK MITIGATION MEASURES
  Hitachi Rail STS has adopted an integrated system of rules and procedures in compliance with the requirements and local and global certifications (ISO 14001, OHSAS 18001, Organisational and Management Model pursuant to Italian Legislative Decree no. 231/01, Code of Ethics). The company is also committed to improving ECO design aspects by reducing environmental impacts in product design to exploit new business opportunities and, through the communication of these aspects, in order to enhance its reputation.

- **OHS (Occupational, Health and Safety) and Environmental non Compliance:**
  Possible risks of non compliance by the company or its subcontractors to occupational health and safety and environmental regulations. Possibility of accidents resulting in suspension of works, reputational harm, delays and sanctions.

  RISK MITIGATION MEASURES
  The Company has adopted an integrated system of rules and procedures, in compliance with the requirements and local and global certifications (ISO 14001, OHSAS 18001, Organisational and Management Model pursuant to Italian Legislative Decree no. 231/01, Code of Ethics), and uses local advisors to ensure compliance with current legislation, identify any legislative changes to be implemented, and gather information regarding critical situations.

- **Process Improvement**
  Opportunities to reduce the electricity consumption of the lighting systems for Italian sites, with consequent environmental benefits.

  RISK MITIGATION MEASURES
  At the Italian sites a new smart lighting system was installed, with state-of-the-art Wireless and DALI technology that automatically adjusts the brightness of the lamps on the basis of the actual intensity of natural light measured by sensors installed in each room.

- **Business interruption:**
  Possible risks of catastrophic events (natural disasters, epidemics and communicable diseases, work conflicts, strikes, terrorism and political changes) that could have an impact on IT systems and services with consequent business interruption.

  RISK MITIGATION MEASURES
  A crisis management system with specific recovery plans has been launched, with dedicated procedures and the collection of data on critical areas.

- **Crisis management**
  Possible issues related to the health and safety of workers caused by the worsening of the geopolitical situation of at-risk countries where the company operates, caused by natural disasters, accidents, conflicts, and terrorism.

  RISK MITIGATION MEASURES
  A structured communications process has been defined in the case of crisis management, in the context of Business Continuity.

- **Technical standards evolution**
  Risks of non-compliance of the Integrated Management System with international standards such as IRIS or CENELEC EN 50128, which could result in lost opportunities, customer dissatisfaction and sanctions.

  RISK MITIGATION MEASURES
  To mitigate this risk the technical standards and their evolution is constantly monitored, while compliance with certifications is continually assessed.

HUMAN RESOURCES MANAGEMENT

- **Resources allocation**
  Possible risk of late development of the necessary skills for the company's strategic needs.

  RISK MITIGATION MEASURES
  Training programmes are underway to acquire and develop the specific critical skills needed to guarantee business continuity.

SOCIAL ASPECTS

- **Customer satisfaction**
  Risk of not being able to respond to feedback from customers, thus impacting their satisfaction level.

RISK MITIGATION MEASURES
Information regarding customer satisfaction is collected periodically and analysed to identify mitigation measures. Opportunities to improve the process of collecting data and managing the lessons learned.

- **Supplier qualification**
Risk of inadequate evaluations of the technical and financial reliability of suppliers due to the lack of preliminary analysis related to the information collected by the project teams.

RISK MITIGATION MEASURES
System of procedures aimed at suppliers qualification and monitoring.

ANTI-CORRUPTION

- **Export Compliance**
Risk of late implementation of the export control regulation; possible critical issues related to the application of an anti-corruption plan able to meet the different regulatory requirements at the local level worldwide.

RISK MITIGATION MEASURES
An organisational structure was defined to manage compliance in action, taking into account local regulations. An "Export Compliance Manual" was produced and the relative training activities are ongoing.

HUMAN RIGHTS

- **OHS (Occupational, Health and Safety) and Environmental non Compliance:**
Possible risks of non-compliance, by the company or its subcontractors, with human and employment rights. Possibility of accidents resulting in reputational harm and sanctions.

RISK MITIGATION MEASURES
Hitachi Rail STS has implemented a specific online training course to provide updates on the Code of Ethics. The course also aims to promote the Hitachi group Codes of Conduct that include, inter alia, the Hitachi group Human Rights Policy, whose application envisages the identification of potential infringements to human rights by employees or persons connected to the value chain of Hitachi, and the implementation of measures to prevent such infringements.

SUSTAINABILITY GOVERNANCE

In 2011, Hitachi Rail STS set up the Internal Sustainability Committee (also referred to as the "Committee"), made up of the managers of the company's main departments. 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 CEO and General Manager of Hitachi Rail STS and collaborates and coordinates with the company's organisational units.

The Committee is responsible for:

• assessment of social and environmental risks that concern the company's operations and evaluating the related performance;

• definition and monitoring of the sustainability program, made up of financial, social and environmental objectives;

• implementation of the relevant codes and rules of social and environmental conduct defined internally by the Company (code of ethics and EHS procedures and policies) or relating to international standards (Global Reporting Initiative, Global Compact, Carbon Disclosure Project, etc.);

• definition and coordination of listening to, discussing with and involving stakeholders: sharing results and the steps to be taken;

• definition and implementation of an internal and external sustainability communication plan.

The Board of Directors' involvement

In the current governance of the issues relating to sustainability, the Board of Directors is involved in approving the consolidated Non-Financial Statement (NFS) and the Sustainability Report while the CEO and General Manager approve the sustainability program, i.e., the action plan to be implemented, the targets to be achieved and the reporting activities.

STAKEHOLDER RELATIONS

In this NFS, Hitachi Rail STS has strived to express the different methods by which it interacts with its stakeholders, distinguishing between:

▪ **opportunities for information**: one-directional communications from the company to its stakeholders;

▪ **opportunities for consultation/dialogue**: where the company asks stakeholders for their opinions (e.g. through surveys, questionnaires, focus groups) or holds permanent feedback forums;

▪ **partnerships**: specific projects implemented and/or managed jointly with stakeholders.

The description aims to provide a clear understanding of the margins for improvement in the methods of stakeholder engagement, **aiming to progressively intensify dialogue and partnership opportunities to create shared value**.

STAKEHOLDERS	OPPORTUNITIES FOR INFORMATION	CONSULTATION/ DIALOGUE	PARTNERSHIPS
CUSTOMERS	• Periodic project meetings; • Meetings between customers and senior and Top Management; • Participation in trade fairs, conferences and launch ceremonies; • Communications through social media.	• Customer satisfaction survey; • Hazard workshop to assess the safety of products and solutions; • Open day to collect end user feedback.	• Joint Venture Agreements.
HUMAN RESOURCES	• Communications relating to company performance, the delivery of major projects and new order acquisitions.	• Climate analysis through the launch of an annual global survey; • Manager appraisals by groups of "peers" (360° for executives); • Recruitment and development programmes; • Coaching sessions for international work groups (Project "team effectiveness").	• Partnership with the Faculty of Electrical Engineering at the University of Genoa, with membership of the careers guidance committee. The foundations have been laid for a study grant scheme aimed at promoting the study of engineering and investing in new graduates; • Partnership with the Department of Civil, Construction and Environmental Engineering at "La Sapienza" University of Rome with regard to the Level II Masters in "Engineering of Rail Infrastructures and Systems".
SUPPLIERS	• Requests for information, references, catalogues, etc.	• Calls for technical and financial tenders; negotiations; • Online sustainability survey (TenP of the Global Compact Network Italy Foundation).	• Medium/long-term supply agreements.
LENDING INSTITUTIONS	• Invitations to take part in deals; • Disclosure and presentation of project data.	• Meetings to present projects and their specifications; • Negotiation of guarantee tests and pricing.	• Partnership for guarantees regarding the calls for O&M Riyadh Metro and O&M Riyadh Princess Noura, Ring 3 Copenhagen, Tel Aviv Red Line, Mumbai Line 3 and Florence Hub; • Partnership and beauty contest for guarantees relative to the newly acquired projects: Framework ERTMS Germany, Transitio Mälab Sweden and IRICAV 2; • Partnership to negotiate new credit letter.
INVESTORS/ ANALYSTS LENDERS	• Roadshow; • Conference; • Video Conference.	• Roadshow; • Conference; • Video Conference.	
NATIONAL AND EU PUBLIC INSTITUTIONS	• Corporate communications (news section on website, press releases, etc.).	• Consultations on research project partnerships.	• Collaborative research projects.
LOCAL AUTHORITIES /PUBLIC ADMINISTRATION	• Periodic corporate communications.	• Charity Day.	
LOCAL COMMUNITIES	• Communication of project status to communities (in collaboration with local institutions).	• Participation in stakeholder committees in the region; • Rail user satisfaction surveys.	• Participation in local community development projects.
INDUSTRY ASSOCIATIONS	• Corporate communications (news section on website, press releases, etc.).	• Consultations on research project partnerships.	• Collaborative research projects.
MEDIA	• Periodic corporate communications.	• Consultations to provide information on specific issues.	
DIGITAL USERS/ SOCIAL NETWORK	• Periodic corporate communications.	• Continuous communication and constant updates online.	• Partnerships with social networks to develop online communications and relations.

ENVIRONMENT, HEALTH AND SAFETY

In the management of its activities, Hitachi Rail STS abides by principles of environmental ethics and attention to the physical security and health of workers, which constitute strategic aspects for the company, towards which it is committed to pursue continuous improvement objectives.

The company's choices are therefore not limited to complying with the law, but aim towards the achievement of high standards of prevention and control through the adoption of specific policies and the promotion of virtuous behaviour by its collaborators and stakeholders.

In this way, Hitachi Rail STS aims to be recognised among the best companies for the protection of the environment and the Health and Safety of the employees.

To this end, STS has adopted an environmental policy based on the application of the requirements of the UNI EN ISO 14001: 2015 standard, a travel policy and a policy on occupational health and safety based on the application of the requirements of the OHSAS 18001:2007 standard and other international standards as specified hereinafter.

INTEGRATED MANAGEMENT SYSTEM

Hitachi Rail STS acts in full compliance with current legislation, in compliance with the Code of Ethics, the Organisation and Management Model relating to Italian Legislative Decree no. 231/01, the Policies and all regulations on Health, Safety and Environment (HSE), pursuing a sustainable management of environmental issues related to its services in all its business areas.

Hitachi Rail STS has considered it strategic to include its Quality, Safety, and Environment System (IMS - Integrated Management System) within its governance framework and, in particular, to create strategic synergies with the Internal Auditing and Risk Management system: the Integrated Management System is thus considered a reference architecture to integrate systems and to implement principles and values within the organisation.

The Integrated Management System has been established at the corporate level, by implementing global policies and procedures in order to guarantee a controlled management of processes. In this context, the assessment of business risks and their proper management requires the correct identification of the processes and their interpretation from a systemic perspective.

Subsequently, each company established local environmental and safety policies, on the basis of the local legislative requirements and the corporate policies and procedures.

All the production sites and offices listed in the tables below have been certified for quality (ISO 9001), health and safety (OHSAS 18001 and AS/ZNS 4801:01 for Australia) and for environmental management (ISO 14001). The Tito Scalo production site also has the EMAS Registration (Eco Management and Audit Scheme).

COUNTRY	PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
USA	Batesburg	☑	☑	☑
FRANCE	Riom	☑	☑	☑
ITALY	Tito Scalo	☑	☑ + EMAS	☑

COUNTRY		OFFICES (NON-PRODUCTION SITES)	ISO 9001	ISO 14001	OHSAS 18001
EUROPE	UNITED KINGDOM	London	☑	☑	☑
	FRANCE	Les Ulis	☑	☑	☑
	SPAIN	Madrid	☑	☑	☑
		Zaragoza	☑	☑	☑
	SWEDEN	Stockholm	☑	☑	☑
	DENMARK	Copenhagen	☑	☑	☑
	ITALY	Genoa	☑	☑	☑
		Naples	☑	☑	☑
		Piossasco	☑	☑	☑
SAUDI ARABIA		Riyadh	☑	☑	☑
PERU		Lima	☑	☑	☑
TAIWAN		Taipei	☑	☑	☑
MALAYSIA		Kuala Lumpur	☑	☑	☑
USA		Pittsburgh	☑	☑	☑
AUSTRALIA		Brisbane	☑	☑	AS/ZNS 4801:01
		Newcastle	☑	☑	AS/ZNS 4801:01
		Perth	☑	☑	AS/ZNS 4801:01
		Sidney	☑	☑	AS/ZNS 4801:01
		Karratha	☑	☑	AS/ZNS 4801:01
INDIA		Kolkata	☑	☑	☑
		Noida	☑	☑	☑
		Bangalore	☑	☑	☑
CANADA		Toronto	☑	☑	☑

The 3 production sites and the 23 offices listed in the tables above represent, in terms of employees, around 91% of the entire STS which is composed of a total of 3 production sites and 29 offices.

HEALTH AND SAFETY

Hitachi Rail STS is very mindful of the health and safety of all its employees and of their safety while travelling for work purposes. Therefore, it has implemented a specific policy for business travels and has adopted initiatives to promote employee welfare in workplaces. The **Travel Security** policy was implemented to minimise the exposure of its international business travellers and assignees to medical and security risks. Its objectives are:

- to identify, manage and reduce all current and emerging risks related to working abroad, in accordance with the provisions of the Consolidated Safety Act and Italian Legislative Decree 231/01;

- to inform and train workers about potential risks in carrying out work abroad;

- to develop appropriate countermeasures to continuously monitor and manage accepted risks;

- to require each employee to comply with the risk mitigation measures set by Hitachi Rail STS;

- to ensure access to adequate assistance in the event of medical and safety emergencies for all international business travellers and assignees of Hitachi Rail STS;

- to maintain awareness of the risk levels for travel health and safety in the countries where Hitachi Rail STS sends its travellers.

The **Health and Safety policy** is based on the application of the requirements of relevant standards, namely OHSAS 18001:2007, and other international standards, in compliance with national and international regulations. Hitachi Rail STS develops a plan focused on continuously improving health and safety standards.

For Health and Safety, Hitachi Rail 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 Hitachi Rail 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 employee 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 information activities for all employees in order to make them more aware of the risks related to their activities;

- continue developing activities to spread a culture of safety with all suppliers and concerned parties.

This policy is shared with all Hitachi Rail STS personnel and all stakeholders online and via the company intranet.

The initiatives adopted by Hitachi Rail STS to promote employee welfare in the workplace are:

- adequate risk assessment (e.g. analysis and monitoring of working activities, including the nature of the work, equipment, workspaces, personal and collective protective measures, technical infrastructure and contractual issues, both for internal and contracted tasks)

- implementation of a higher level of welfare in the workplace through targeted initiatives, workshops and training programmes.

In 2018, a survey was launched in Italy aimed at assessing the risk of work-related stress, identifying the main critical areas and implementing specific measures and solutions in collaboration with trade union organisations.

ACTIVITIES AND RESULTS

Health and safety performance indicators are monitored and analysed over time, and used to set objectives by breaking them down by risk factor and location.

Safety is therefore a vital element for Hitachi Rail STS and a value for all workers, as they contribute every day to the safety for end users as concerns our products and services.

INJURIES	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
No. injuries sustained by STS employees (>1 day of absence, excluding commuting injuries)	21	7	27	20	4	24
Injury frequency index (per million of hours worked)	3.11	3.68	3.12	3.01	2.25	2.85
Injury severity index (per thousand of hours worked)	0.11	0.08	0.10	0.06	0.02	0.05

The severity index has fallen consistently with a reduction of 47.8% in 2018 compared to 2017, due to the halving of the number of days lost; the trend suggests a further reduction when comparing the data of the first quarter of the year with the equivalent period of last year.

In order to acquire the information needed to improve injury frequency and severity rates, in accordance with the Health and Safety Policy, Hitachi Rail STS also tracks the so-called near misses (accidents without consequences that arise out of undesired or unforeseen situations that could have put people at risk), in order to gather and analyse data and information and identify potential solutions in advance.

The main initiatives that have been carried out in this respect include:

- implementation of the procedure to manage accidents and near misses at the global level: Hitachi Rail 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 to meet legal requirements relating to Health, Safety and Hygiene in the workplace;

- implementation of quarterly EHS reporting to monitor and gather main information on the performance of activities carried out in relation to the application of SGS/SGA. These reports are prepared by all HSE officers at work sites;

- safety meetings for all main work sites.

In July 2018 the **HSE Excellence Design Sprint** project was launched. All HSE Managers took part in the project, aiming to:

- define a Global Framework of HSE culture, based on the leading Best Practices and Lessons Learned in various geographic areas and projects, ensuring alignment with the highest HSE standards;

- increasing awareness and understanding of HSE topics, innovating the methods of transferring content, improving expected standards of conduct and engaging all employees.

Three initiatives have been identified and will be applied at corporate level:

1. HSE ROLES AND RESPONSIBILITIES: definition of leadership programmes.

2. HSE COMPETENCE: implementation of an HSE Competence and Training Portal integrated into the Corporate Academy portal.

3. HSE PERFORMANCE: definition of dashboards to monitor HSE KPIs.

Following the pilot projects, these initiatives will be developed in 2019 and 2020.

As regards initiatives at local level, the obtaining of the environmental and safety certification in China and the implementation in Australia of the Safety Leadership Excellence (LEADSAFE) training and information programme for senior management have been selected.

Health and safety committee

Hitachi Rail STS holds "meetings" pursuant to Article 35 of Italian Legislative Decree no. 81/08, in which the Employer (or a representative), the Prevention and Protection Service Manager, a Company Physician, the Safety Officer and the Workers' Safety Representative participate. These meetings are called at least once a year and represent 100% of employees of the Italian companies of the STS, to which Legislative Decree 81/08 applies.

HITACHI RAIL STS'S COMMITMENT TO THE ENVIRONMENT

In recent years, Hitachi Rail STS has undertaken its path towards sustainability in the belief that acting in respect of environmental values leads to the creation of lasting value for the company.

In its commitment to sustainable development, special attention is given to ensuring the quality of life, the protection of natural resources, the safeguarding and protection of the environment and the adoption of the principles and values of environmental sustainability.

In order to actively and responsibly contribute to combating the challenges posed by climate change, Hitachi Rail STS complies with the current regulations and also applies best practices to achieve better results, continuously improving its environmental management in an economically effective way.

To this end, Hitachi Rail STS has developed an approach based on the preventive analysis of the impacts of its operations on the environment and the constant monitoring of consumption and waste. This approach has allowed the company to identify "environmental improvement" areas and to intervene with specific measures that address, in particular:

- energy efficiency, through tailored initiatives aimed at optimising office lighting by installing low power systems and building insulation systems to reduce the need for heating;

- personnel's awareness initiatives on environmental protection, encouraging them to adopt an environmentally-conscious behaviour in order to save energy, aiming towards continuous improvement.

ENVIRONMENTAL POLICY

In the context in which it operates and in the light of its operations, the main environmental risks for Hitachi Rail STS may derive from uncertainties and changes to the legislative framework as well as adverse environmental conditions, such as natural disasters or extreme weather events. These events may have negative impacts for STS's operation and, therefore, its economic, equity and financial position, as well as having repercussions for its image and reputation.

Hitachi Rail STS has adopted a certified Environmental Management System that responds to international standard UNI EN ISO 14001. In this regard, the transition process has commenced to adopt the new 2015 version of the standard, which focuses greater attention to new concepts such as context analysis, Life Cycle Perspective and systemic risk assessment. The

system comprises a series of internal environmental management regulations aimed at ensuring the prompt identification of the most significant environmental impacts and the adoption of the most effective management and mitigation measures through a structured service monitoring system.

In the context of its Environmental Management System, Hitachi Rail STS has adopted an Environmental Policy that places attention to the safeguarding of the environment at the heart of its management and development strategies, with a constant and targeted commitment to preventing pollution and pursuing continuous improvements in its environmental services.

The policy is shared with all Hitachi Rail STS personnel and all stakeholders online and via the company intranet.

The key principles of Hitachi Rail STS's environmental policy are:

- protect the environment by preventing impacts;

- improve and foster the environmental characteristics of products and services;

- create value for the company;

- satisfy and go beyond the legal obligations of compliance and voluntary commitments.

THE FOUR STRATEGIC OBJECTIVES

1. Application of Environmental Management Systems inspired by the principle of ongoing improvement and recognised at the international level, as well as definition of environmental indices in order to measure the environmental performance of the entire Organisation.

2. Reporting to the citizens, institutions and other stakeholders on the management and environmental results of the company by publishing a Sustainability Report and giving open access to the key environmental parameters. Furthermore, communication with the analysts and participation in various Sustainability indices.

3. Promotion of sustainable environmental practices with suppliers, contractors and customers by using supplier qualification criteria based on the environmental performance of the activities carried out on Hitachi Rail STS's behalf, by passing on the Environmental Policy, by arranging updating/training meetings on the important environmental aspects at the time works are started, explaining how the impacts generated are to be managed.

4. Satisfy the legal obligations of compliance and voluntary commitments by ensuring that the activities are carried out in compliance with said obligations and commitments, by assessing their fulfilment and by correcting any non-conformities.

EcoVadis

EcoVadis is a company that aims to improve the environmental and social practices of businesses by leveraging the influence of the global logistics chain. It has defined a methodology to assess Corporate Social Responsibility through the analysis of policies, their implementation and the results achieved. The assessment focuses on 21 topics divided into four categories: Environment, Employment and Human Rights, Ethics, Sustainable procurement.

Hitachi Rail STS undertakes this assessment on an annual basis and in 2018 confirmed its Gold Medal award and increased its rating by 6 percentage points (from 63/100 to 69/100).

As well as recognising the company's vision and efforts in the field of CSR, the certification also helps customers to achieve their sustainability and environmental targets.

REDUCTION OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Hitachi Rail STS sees climate change as an opportunity. As part of this approach, the company analyses the possible impacts of its strategic decisions to reduce greenhouse gas emissions over a short, medium and long term, in order to identify business development opportunities, improve efficiency and reduce any risks.

The commitment of Hitachi Rail STS to contribute to fighting climate change is reflected in the environmental policy which identifies the areas of intervention and the selected specific indicators and related targets to achieve.

Actions to reduce greenhouse gas emissions are part of the environmental management system that Hitachi Rail STS has established at a global level, defining a carbon management strategy based on the following principles:

- global approach: the development of mechanisms to increase commitment in all offices and production sites;

- reasonable and feasible long-term objectives: the establishment of a clear and realistic vision of the steps to be taken;

- support for the development of technologies: the development of advanced technological solutions.

 This strategy focuses mainly on three spheres of influence:

- in-house activities and direct emissions from Hitachi Rail STS's own sites;

- electrical energy suppliers and their operating emissions related to Hitachi Rail STS's activities;

- Hitachi Rail STS's supply chain and the emissions resulting from the production and delivery of goods and services.

In order to establish an improvement strategy, the company reports direct and indirect greenhouse gas emissions, as envisaged by the *GHG Protocol*[4], committing to reduce them through:

- policies on the mobility of people and goods;

- programmes for reducing consumption and improving energy efficiency;

- use of renewable energy sources;

- waste management.

RISKS RELATED TO CLIMATE CHANGE

For Hitachi Rail STS, the risks associated with climate change are economic and regulatory in nature, with possible repercussions on image and reputation. Indeed, the company is engaged in offering more sustainable solutions by adopting low-carbon technologies that ensure real savings on fuel use.

Moreover, the company has formalised a Business Continuity Plan to guarantee the continuity of its activities.

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

CARBON MANAGEMENT SYSTEM

Since 2011, Hitachi Rail STS has implemented and renewed its commitment to reduce the greenhouse gas (GHG) emissions produced directly and indirectly in the performance of its activities by applying the Carbon Management System (CMS), a system that enables the company 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 the bottom line, with the possibility of investing the savings.

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;

- 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 impact 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;

- communication on Hitachi Rail STS's emission reduction performance to the stakeholders, including media, investors, rating agencies and other organisations.

Within its organisation, Hitachi Rail STS has appointed an Energy Manager that is responsible for providing guidance and carrying out activities and projects with respect to energy savings at all company operating sites.

Carbon Disclosure Project (CDP)

The significance of the issue of climate change for Hitachi Rail STS is confirmed through its completion of the Investor Carbon Disclosure Project (CDP) questionnaire for the eighth consecutive year.

Consolidating the carbon management strategy entails defining a total emission reduction target. The CDP Italy 100 Climate Change Report for 2018, prepared by First Carbon Solutions, includes a detailed analysis of Italy's largest listed companies (in terms of stock market capitalisation) on the basis of two parameters:

- disclosure - the quality of the information they use for transparent emissions disclosures;

- performance - the quality of their climate change management initiatives.

In 2018, the assigned score came from a percentage including both parameters mentioned. Hitachi Rail STS achieved a score of C, with A being the best possible score, in the Industrial sector, which corresponds to the judgement **Awareness**.

ACTIVITIES AND RESULTS[5]

Between 31/03/2018 (15 months) and 31/03/2019 (15 months), on the whole, the direct and indirect emissions of greenhouse gases - the latter calculated with the use of average emission factors relating to the energy mixes of the different countries where the company is present (location based approach) - passed from 14,686.8 tCO2e to 14,113.6 tCO2e with a reduction of 573.3 tCO2e (-3.9%). This result was determined in particular by a decrease in indirect emissions resulting from lower consumption of electricity and district heating.

GHG EMISSIONS	UoM	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Emissions due to energy production (natural gas and diesel)	tCO2e	1,806.0	899.5	2,705.5	1,818.4	967.9	2,786.3
Emissions due to transport (cars, lorries and forklifts)	tCO2e	857.3	169.9	1,027.2	692.9	238.1	931.0
Direct emissions due to energy production and transport **Total scope 1**	tCO2e	**2,663.2**	**1,069.4**	**3,732.7**	**2,511.3**	**1,206.0**	**3,717.3**
Emissions due to electricity consumption (location based) and district heating **Total scope 2**	tCO2	**8,856.4**	**2,097.8**	**10,954.1**	**8,355.7**	**2,040.5**	**10,396.3**
Emissions due to electricity consumption (market based) and district heating **Total scope 2**	tCO2	7,649.9	1,782.6	9,432.4	7,147.1	1,730.2	8,877.3
Total direct and indirect emissions (scope 1+2 location based)	tCO2e	**11,519.6**	**3,167.2**	**14,686.8**	**10,867.0**	**3,246.6**	**14,113.6**
Total direct and indirect emissions (scope 1+2 market based)	tCO2e	**10,313.1**	**2,852.0**	**13,165.1**	**9,658.4**	**2,936.2**	**12,594.6**
GHG emission intensity scope 1	tCO2e/mln of € revenues	1.957	3.358	2.223	1.748	4.082	2.146
GHG emission intensity scope 2 (location based)	tCO2e/mln of € revenues	6.507	6.586	6.522	5.814	6.906	6.001
GHG emission intensity scope 2 (market based)	tCO2e/mln of € revenues	5.434	5.209	5.391	4.828	5.430	4.931
GHG emission intensity total (scope 1+2 location based)	tCO2e/mln of € revenues	**8.464**	**9.944**	**8.745**	**7.562**	**10.988**	**8.146**
GHG emission intensity total (scope 1+2 market based)	tCO2e/mln of € revenues	7.391	8.567	7.614	6.576	9.511	7.076

According to the market-based approach, that involves the use of emission factors defined on a contractual basis with the electricity supplier (and if not available, the residual mixes or

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[5] The emission factors used for the calculation of CO2 emissions are as follows:
• Direct Emissions scope 1: DEFRA – Department for Environment Food & Rural Affairs (Gov. UK)
• Indirect emissions scope 2 (location based): Terna - Confronti internazionali 2016
• Indirect emissions scope 2 (market based): AIB - European Residual Mixes 2017 and Green-e Energy Residual Mix Emissions Rates (2018); the location based factor was used for countries for which a residual mix was not available.

secondly the national energy mixes), STS's overall emissions at 31/03/2019 (15 months) are 1,518.9 tCO2e lower (-10.8%), also due to the certified electricity supply from renewable sources in Sweden and Italy.

The total GHG emission intensity (location based), which measures tons of CO2e per € million of revenue, at 31/03/2019 (15 months) has decreased by 6,8% compared to 31/03/2018 (15 months). This result is the effect of both the decrease of emissions in absolute value and the increase of revenues (+3.2%).

GHG Emission Intensity
TOTAL SCOPE (1+2 location based)
(tCO2e/mln € of revenues)

	31.03.18 (15 months)	31.03.19 (15 months)
GHG emission intensity total scope 1+2	8.745	8.146
GHG emission intensity scope 2 - location based	6.522	6.001
GHG emission intensity scope 1	2.223	2.146
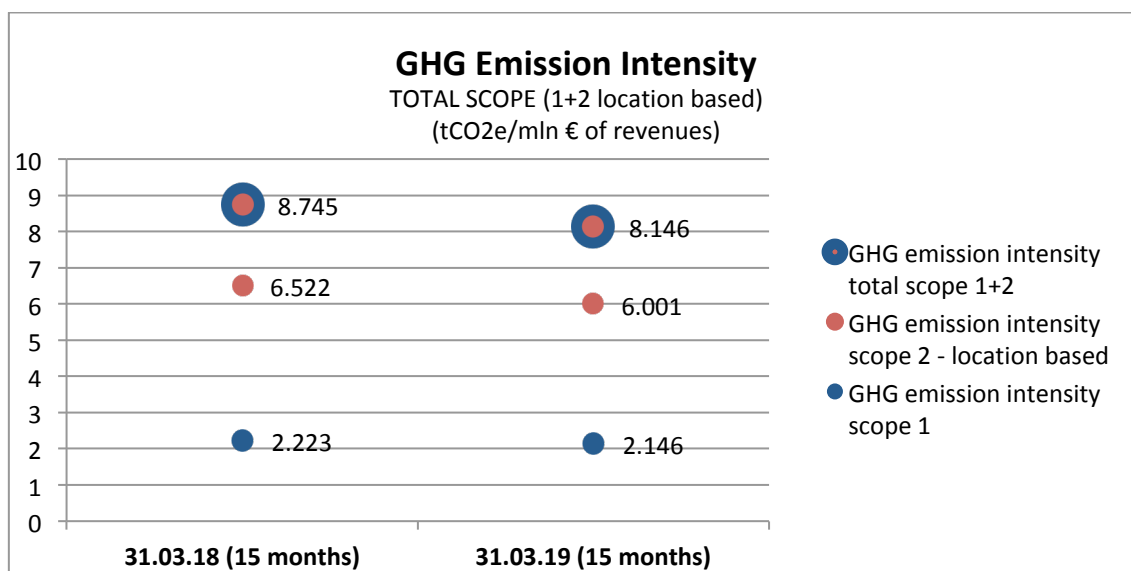
ENERGY CONSUMPTION

The majority of the energy used is electricity, for lighting, plants operation and building temperature control.

Hitachi Rail STS uses fossil fuels, mainly natural gas, and district heating to heat the workplaces.

In order to reduce electricity consumption, the company carries out constant works on its real estate assets, to increase their eco-efficiency. Energy-saving lighting and heating/cooling technologies are used as much as possible, such as:

- LED lighting systems;
- building envelopes and thermal insulation for windows and doors;
- direct-expansion heating/cooling systems (heat pumps);
- presence detectors or clocks/timers to control the on and off switching of the systems;
- improvement in the data centre's energy efficiency;
- affixing of signs to remind personnel about energy saving projects, such as turning off lights, laptop computers and devices that consume energy;
- reduction in the number of vehicles used by the company.

In 2017, in order to further reduce electricity consumption at the Genoa and Tito Scalo sites, a new smart lighting system was installed, with state-of-the-art Wireless and DALI technology

that adjusts the brightness of the lamps on the basis of the actual intensity of natural light measured by sensors installed in each room.

ENERGY CONSUMPTION TREND

At 31/03/2019 (15 months), total energy consumption amount to 168,971 GJ, with a reduction of 3.5% compared to 31/03/2018 (15 months).

Total energy consumption (GJ)
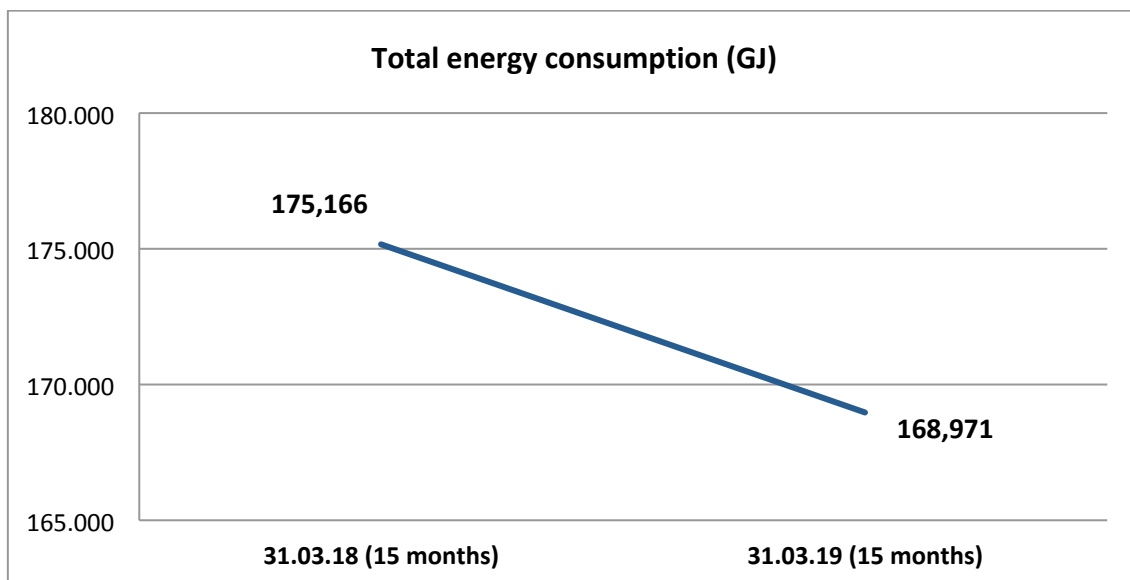
This result was determined by a reduction, in absolute terms, of electricity consumption (-5.0%), petrol and LPG (-6.9%), district heating (-11.4%) and diesel (-0.3%), in the face of an increase of 2.8% of natural gas.

Total energy consumptions (GJ)
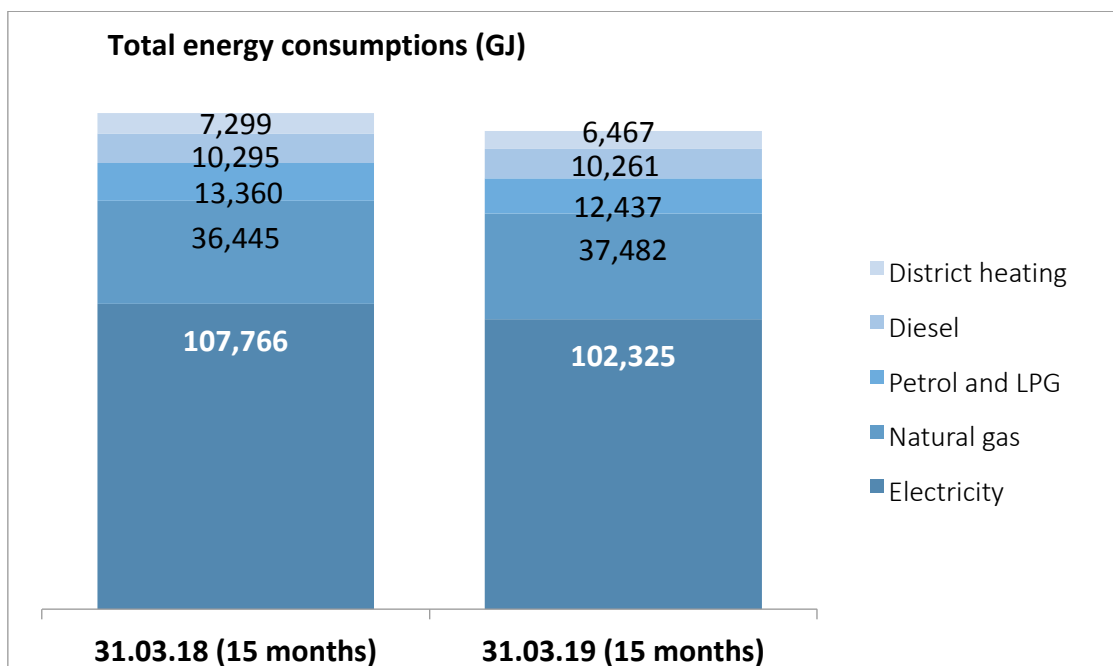
The following tables illustrate the energy consumption trend at production and office sites.

ENERGY CONSUMPTION Production Sites	31.12.17[6]	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Electricity (GJ)	25,948.4	5,800.3	31,748.7	23,676.2	5,426.4	29,102.6
Natural gas (GJ)	4,116.7	2,019.1	6,135.8	4,091.1	2,484.0	6,575.1
Diesel (GJ)	72.9	0.0	72.9	0.0	0.0	0.0
District heating (GJ)	0.0	0.0	0.0	0.0	0.0	0.0
Petrol and LPG (GJ)	117.5	31.4	148.9	223.7	12.5	236.2
TOTAL [GJ]	30,255.5	7,850.8	38,106.3	27,991.0	7,922.8	35,913.8

ENERGY CONSUMPTION Office sites	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Electricity (GJ)	61,724.4	14,293.1	76,017.5	58,682.7	14,539.7	73,222.3
Natural gas (GJ)	19,224.5	11,085.0	30,309.5	19,130.5	11,776.0	30,906.5
Diesel (GJ)	7,955.1	2,267.2	10,222.3	7,991.2	2,269.7	10,260.9
District heating (GJ)	4,910.4	2,388.6	7,299.0	4,035.6	2,431.7	6,467.3
Petrol and LPG (GJ)	10,994.7	2,216.2	13,210.9	8,876.9	3,323.7	12,200.6
TOTAL [GJ]	104,809.1	32,250.1	137,059.2	98,716.9	34,340.7	133,057.7

In absolute terms, about 79% of total energy consumption is due to the 29 office sites and 21% to the 3 production sites.

The **Energy intensity** performance indicator showed a reduction of 1.0% due to the more than proportional reduction of energy consumption (-3.5%) compared to the decrease of hours worked (-2.5%).

ENERGY INTENSITY
Total Energy Consumption per hour worked
(GJ/no. hours)

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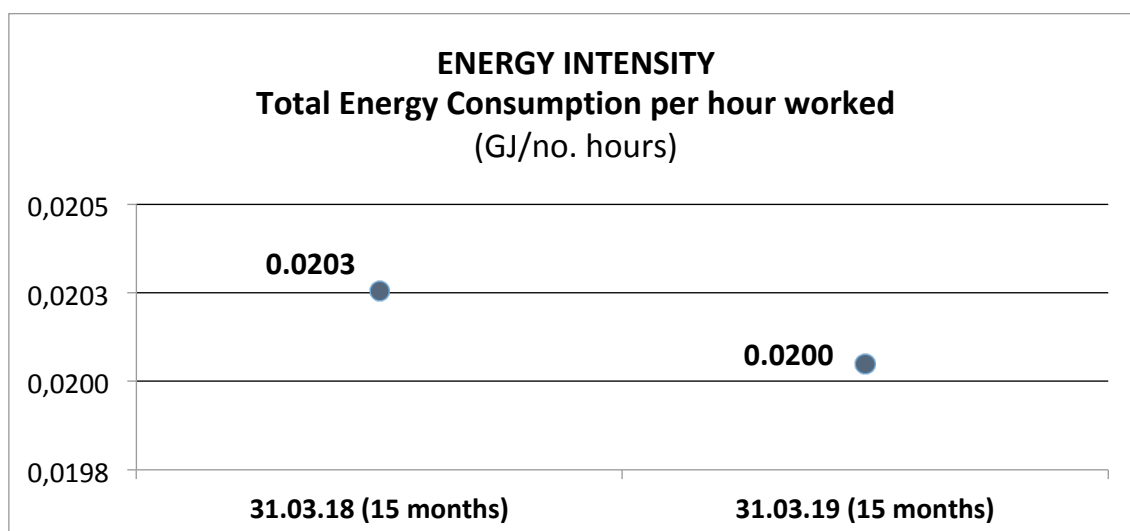
[6] The 2017 data differ from those published in the 2017 NON-FINANCIAL STATEMENT due to some refinements in the calculation methodology

Considering only electricity consumption, the **electricity consumption per hour worked** performance indicator showed a 2.6% reduction.

KPI - Electricity consumption per hour worked
(kWh/no. hours)

	31.03.18 (15 months)	31.03.19 (15 months)
	3.462	3.373
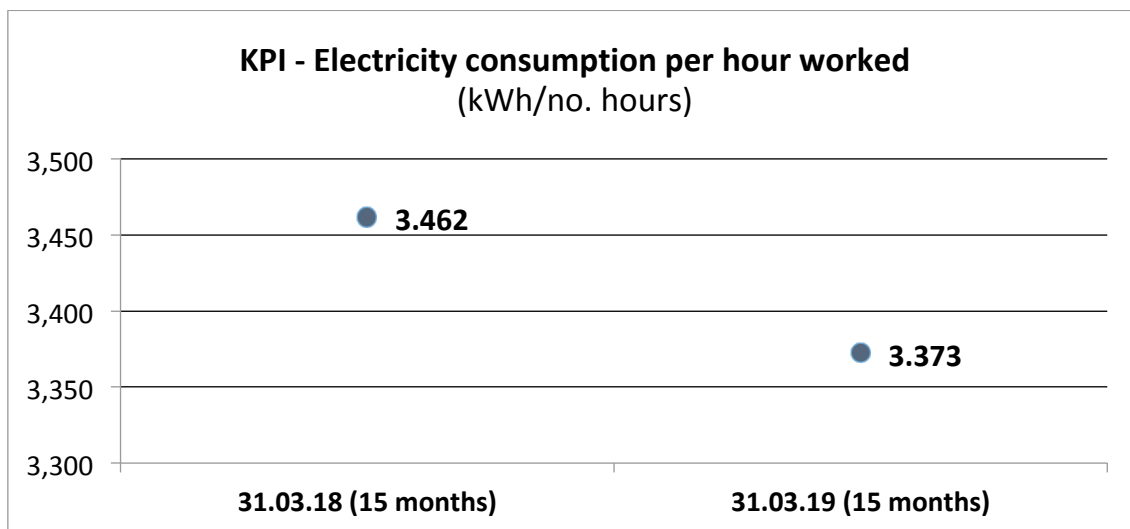
RENEWABLE ENERGIES

Hitachi Rail STS requests the cancellation of GO certificates (Guarantee of Origin), an electronic certification attesting the renewable origin of the electricity power sources used, for its Italian production site and offices.

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

In addition, the Solna site uses a mix of totally renewable energy (wind, water and biomass).

ELECTRICITY FROM RENEWABLE SOURCES (KWh)	31.12.17[7]	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19[8] (3 months)	31.03.19 (15 months)
Energy from renewable sources	7,151,428	1,431,581	8,583,009	5,726,324	1,477,165	7,203,489
% renewable sources of total	29.4%	25.6%	28.7%	25.0%	26.6%	25.3%

WATER MANAGEMENT

The sustainable management of site water during withdrawal, use and disposal encourages water use efficiency maintenance and improvement, ensuring less waste of the resource and reduced environmental impact. The water is mainly used for sanitary purposes and for the operation and cooling of air conditioning systems; only in some locations it is also used for watering the green areas. Hitachi Rail STS's water withdrawal sources include aqueducts and water tables where water is drawn through wells.

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[7] The 2017 data differ from those published in the 2017 NON-FINANCIAL STATEMENT since they are no longer estimated but detected by electronic certificates.
[8] The attainment of the electronic certificates is pending. Therefore the 31.03.19 *(3 month)* data was estimated.

To reduce water consumption, Hitachi Rail STS has installed devices that mix water and air or, alternatively, installed photocells or timed controls that effectively control the water flow, in order to minimise the waste of the resource.

Rainwater recovery projects at the Riom plant in France and the replacement of cooling towers with "dry" systems also contribute to sustainable water management.

WITHDRAWAL OF WATER Production Sites	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Water drawn from aqueducts (m3/year)	11,530.1	1,207.9	12,738.0	10,178.3	3,695.2	13,873.5
Water drawn from wells (m3/year)	0,0	0,0	0,0	0.0	0.0	0.0
TOTAL (m3/year)	11,530.1	1,207.9	12,738.0	10,178.3	3,695.2	13,873.5

WITHDRAWAL OF WATER Office sites	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Water drawn from aqueducts (m3/year)	156,076.2	34,418.6	190,494.8	180,889.3	36,232.8	217,122.0
Water drawn from wells (m3/year)	9,128.0	583.0	9,711.0	4,661.5	533.1	5,194.6
TOTAL (m3/year)	165,204.2	35,001.6	200,205.8	185,550.8	36,765.8	222,316.6

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

The **water consumption per employee** index shows an increase of 8.3%, due to the more than proportional growth of water withdrawal (+10.9%) compared to the growth in the number of employees (+2.4%).

KPI - Water withdrawal per employee (m3)

31.03.18 (15 months): 50.58
31.03.19 (15 months): 54.78
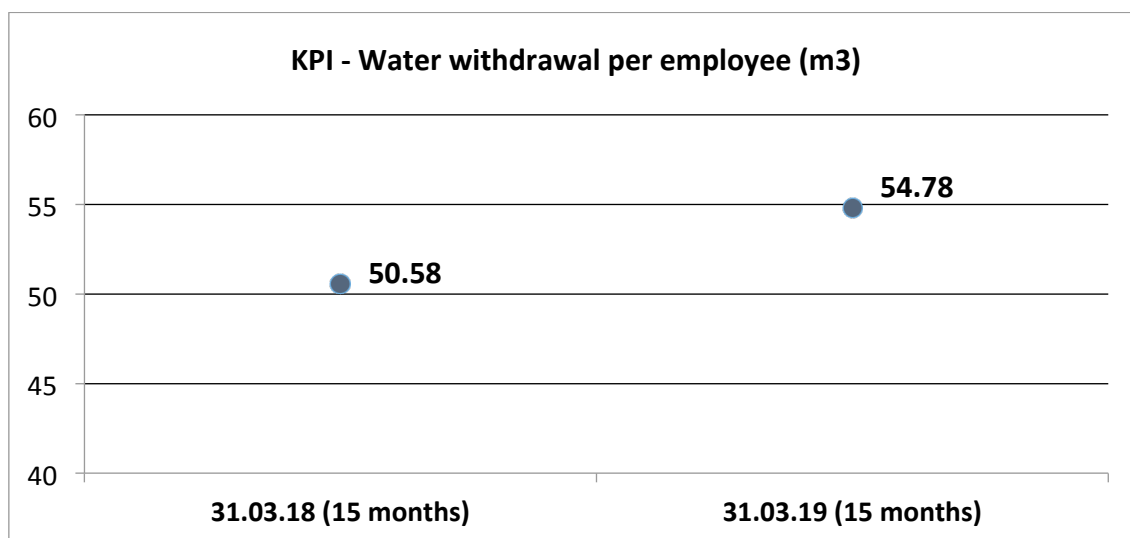
MANAGEMENT OF WASTE AND WASTEWATER

The production of waste is an environmental aspect that is assessed and measured at all Hitachi Rail STS sites as well as worksites, when the company analyses the potential environmental impacts of its work sites and of its civil and technological works.

Hitachi Rail STS's policy is to reinforce waste prevention and initiatives for the re-use, recycling and recovery of waste. All its sites have waste collection areas based on the type of waste and site layout. External specialist companies collect and process the hazardous and non-hazardous waste.

The most prominent waste in production sites is related to paper, cardboard and wood packaging, metal and out of order equipment.

WASTE PRODUCTION Production Sites	31.12.17[9]	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Hazardous (t)	14.86	1.94	16.80	12.07	2.94	15.00
% recovered	65%	5%	59%	57%	29%	51%
% disposed of	35%	95%	41%	43%	71%	49%
Non-hazardous (t)	73.44	39.35	112.79	205.66	45.31	250.97
% recovered	56%	59%	57%	55%	41%	53%
% disposed of	44%	41%	43%	45%	59%	47%
TOTAL WASTE (t)	**88.30**	**41.29**	**129.59**	**217.73**	**48.25**	**265.97**
% recovered	**58%**	**57%**	**57%**	**55%**	**40%**	**53%**
% disposed of	**42%**	**43%**	**43%**	**45%**	**60%**	**47%**

WASTE PRODUCTION Office sites	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Hazardous (t)	15.17	4.38	19.54	14.95	4.98	19.94
% recovered	57%	26%	50%	46%	70%	52%
% disposed of	43%	74%	50%	54%	30%	48%
Non-hazardous (t)	814.51	262.08	1,076.59	918.83	199.78	1,118.62
% recovered	68%	71%	69%	71%	71%	71%
% disposed of	32%	29%	31%	29%	29%	29%
TOTAL WASTE (t)	**829.67**	**266.46**	**1,096.13**	**933.79**	**204.77**	**1,138.55**
% recovered	**68%**	**70%**	**69%**	**70%**	**71%**	**71%**
% disposed of	**32%**	**30%**	**31%**	**30%**	**29%**	**29%**

WASTEWATER

The wastewater produced at the sites can be classified, on the basis of its use upstream from disposal, as domestic (or similar) and industrial.

All Hitachi Rail STS sites produce wastewater that can be exclusively classified as domestic or similar, except for the Tito site. All the domestic or similar wastewater is discharged into the sewers. The Naples site uses an organic wastewater treatment system.

The sites use authorised disposal points. The Batesburg and the Tito Scalo sites' points are monitored.

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[9] The 2017 data differ from those published in the 2017 NON-FINANCIAL STATEMENT due to some refinements in the calculation methodology

HUMAN RESOURCES MANAGEMENT

Although a formalised human resources management policy is currently not available, Hitachi Rail STS practices specific policies in order to monitor the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

In the course of the year the Human Resources & Organisation Department principally focused on supporting the business in the implementation of the new strategic plan launched in early 2018. In this regard, the department directed the corporate reorganisation process as part of the *Ansaldo Next* project.

The main strategic company objectives of *Ansaldo Next*, in line with the company's Strategic Plan, were as follows:

- strengthening customer focus by making full use of STS's global presence through an approach targeted towards regional markets;

- leveraging the growth opportunities provided by the Operation & Maintenance business and the services based on innovative technologies;

- developing the ability of doing business through better harmonisation of technical departments to ensure greater efficacy and efficiency in the delivery phase.

Consequently, the company's Strategic Plan represented the fundamental input used in the process to revise the STS's organisational structure.

The *Ansaldo Next* programme was implemented through a workstreams approach directed by a Steering Committee (SteerCo) and supported by a Project Management Office, mainly relying on resources internal to the company.

One of the aforementioned workstreams, known as the Localisation of Key Competences, focused on the selection and consequent localisation of strategic skills. In 2018 an analysis was carried out to identify these key skills in order to launch the first pilot project in 2019 and manage its development and localisation through a year-long company investment plan.

In November 2018, a year since its launch, the Talent programme (Talent Development Programme) was concluded. The initiative focused on developing certain key skills such as the management of know-how, networking, collaboration, proactivity and innovation. For the entire duration of the programme, through training and feedback sessions participants were exposed to various training stimuli, predominantly relating to the world of business, economics and technological innovation. One of the programme's primary objectives was to succeed in going beyond its scope of professional competence, in order to seize new ideas and intuitions originating from different backgrounds and professional contexts so as to enable their immediate application both in specific project work activities and in everyday working life. The programme has involved professional people with different levels of experience and technical and managerial skills. A total of 84 hours of training and skills development were devoted to the various initiatives of the programme for junior roles with less working experience, and 108 hours for more senior positions.

One of the most innovative activities was the "shadowing" initiative (where a junior resource shadows a more senior colleague for 24 hours), representing a valuable opportunity for interaction between colleagues from different company departments and geographical areas, aiming to promote positive contamination and team work.

The initiative was characterised by a focus on Project Work. Divided into 12 work groups, the participants were given topics to develop, sparking internal competitiveness aimed at

identifying the best project. The design activities were carried out in close collaboration with the business, which defined the topics and objectives and supported the initiative from the very start of the programme. Other internal representatives (Business Project Referents) were identified, supporting the teams so as to develop projects in line with the company's vision.

Skills development was one of the fundamental elements of the project. Monitoring activities based on assessing skills and verifying the results of the project were implemented in order to track its development. On the last day, the 12 projects were presented to Top Management and assessed to enable the work carried out by the teams to be continued. The content proposed during the project will be published on the company intranet for everyone to access.

During the year the HR department designed a new global rewards system known as the "Strategic Personnel Program". The three-year programme was designed to retain and motivate the employees behind the implementation of the strategy and who manage the activities crucial to ensuring its success. The programme also aimed to provide a career development programme for high performing Middle Managers, providing an intermediate step towards a possible appointment to a senior management position. The Strategic Personnel Program was presented and approved by the Executive Committee of Hitachi Rail STS in July 2018. In November 2018 a pilot version of the project was launched, with the appointment of 14 resources from three countries, approved by the Executive Committee. In 2019, following the end of the reorganisation process, the programme will be fully implemented.

In 2018 the Global Employee Survey aimed at the entire workforce was launched. Participation in the survey was 71%, a slight fall on the 76% response rate recorded in the previous year. Nonetheless, the overall results of Hitachi Rail STS in 2018 demonstrate improvements in each of the twelve categories covered by the questionnaire.

MAIN RISKS RELATED TO HUMAN RESOURCES MANAGEMENT

Hitachi Rail STS offers products and systems characterised by a high technological value, whose production is only possible through the employment of highly specialised human resources, often difficult to attract on the market and thus requiring a long process of local engagement by the project team.

The success of business development plans, especially in new markets, also depends on the ability to attract, retain and develop the skills of human resources, in particular to operate in a global market, as a global company, in complex projects.

To mitigate this risk, Hitachi Rail STS adopts human resources management practices that are strictly correlated with the needs of the business. It benefits from an integrated human resources management and development system, which includes periodic performance reviews and skills development initiatives, to guarantee the professional development of its talents and the best allocation of resources.

EQUAL OPPORTUNITIES AND DIVERSITY

Hitachi Rail STS upholds and promotes equal opportunities for its people and fair treatment for all in every context in which it operates – 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 employee. Hitachi Rail 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. Hitachi Rail STS's internationalisation process has also consolidated work experience abroad, thereby enabling people to share their different experiences and foster the value of multiculturalism.

The Board of Directors and the Board of Statutory Auditors

The following tables illustrate the composition of the Board of Directors and the Board of Statutory Auditors by gender and age.

BOARD OF DIRECTORS	31/12/2017		31/12/2018	
BY AGE AND GENDER	MEN	WOMEN	MEN	WOMEN
40-50	2	1	3	1
51-60	2	2	1	2
> 60	2	-	2	-
TOTAL	6	3	6	3

BOARD OF DIRECTORS	31/03/2018		31/03/2019	
BY AGE AND GENDER	MEN	WOMEN	MEN	WOMEN
40-50	3	1	3	1
51-60	1	2	1	2
> 60	2	-	2	-
TOTAL	6	3	6	3

BOARD OF STATUTORY AUDITORS	31/12/2017		31/12/2018	
BY AGE AND GENDER	MEN	WOMEN	MEN	WOMEN
40-50	2	1	2	1
51-60	-	-	-	-
> 60	-	-	-	-
TOTAL	2	1	2	1

BOARD OF STATUTORY AUDITORS	31/03/2018		31/03/2019	
BY AGE AND GENDER	MEN	WOMEN	MEN	WOMEN
40-50	2	1	2	1
51-60	-	-	-	-
> 60	-	-	-	-
TOTAL	2	1	2	1

Headcount

The following tables show the employees of Hitachi Rail STS, broken down by gender, according to their geographical location, professional category, degree or diploma, age and seniority, contract type, hiring and turnover.

At 31/03/2019, compared to the same period of the previous year, the number of employees increased by 102 (+85 men and +17 women). This is the result of an increase in the number of resources in Central and Eastern Europe and the Middle East (+45), America (+13), Asia Pacific (+56) and China (+3) regions and of a reduction in Western Europe region (-15).

The overall percentage of women out of the total workforce, at 31/03/2019, remains stable to 21.1%.

NUMBER OF COLLABORATORS BY REGION[10]	31/03/2018				31/03/2019			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Central and Eastern Europe and the Middle East	1,498	368	**1,866**	19.7%	1,537	374	**1,911**	19.6%
Western Europe	698	189	**887**	21.3%	685	187	**872**	21.4%
The Americas	555	202	**757**	26.7%	568	202	**770**	26.2%
Asia Pacific	531	105	**636**	16.5%	577	115	**692**	16.6%
China	36	28	**64**	43.8%	36	31	**67**	46.3%
TOTAL	**3,318**	**892**	**4,210**	**21.2%**	**3,403**	**909**	**4,312**	**21.1%**

NUMBER OF COLLABORATORS BY REGION	31/12/2017				31/12/2018			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Central and Eastern Europe and the Middle East	1,495	368	**1,863**	19.8%	1,533	376	**1,909**	19.7%
Western Europe	719	194	**913**	21.2%	684	189	**873**	21.6%
The Americas	556	198	**754**	26.3%	572	205	**777**	26.4%
Asia Pacific	532	103	**635**	16.2%	585	115	**700**	16.4%
China	36	27	**63**	42.9%	37	31	**68**	45.6%
TOTAL	**3,338**	**890**	**4,228**	**21.1%**	**3,411**	**916**	**4,327**	**21.2%**

PROFESSIONAL CATEGORIES	31/03/2018				31/03/2019			
	MEN	WOMEN	Total	% W. on total	MEN	WOMEN	Total	% W. on total
Managers	78	9	87	10.3%	75	7	82	8.5%
Junior managers	368	63	431	14.6%	383	64	447	14.3%
White collars	2,611	747	3,358	22.2%	2,667	760	3,427	22.2%
Blue collars	261	73	334	21.9%	278	78	356	21.9%
TOTAL	**3,318**	**892**	**4,210**	**21.2%**	**3,403**	**909**	**4,312**	**21.1%**

Compared to the previous time frame, at the end of March 2019, the increase in the number of collaborators concerns all professional categories except for Executives (-5).

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[10]The regions are defined as follows: **Central and Eastern Europe and the Middle East**: Italy and Italian branches (Denmark, Turkey, Greece, Taiwan, Honolulu, United Arab Emirates, Saudi Arabia and Peru) and Germany. **Western Europe**: France and the South Korean branch, Morocco, UK, Spain and Sweden. **The Americas**: US and Canada. **Asia Pacific**: Australia, Malaysia, India and Botswana. **China**: China, Hong Kong.

PROFESSIONAL CATEGORIES	31/12/2017				31/12/2018			
	MEN	WOMEN	Total	% W. on total	MEN	WOMEN	Total	% W. on total
Managers	77	9	**86**	10.5%	74	9	83	10.8%
Junior managers	370	64	**434**	14.7%	385	63	448	14.1%
White collars	2,629	745	**3,374**	22.1%	2,676	769	3,445	22.3%
Blue collars	262	72	**334**	21.6%	276	75	351	21.4%
TOTAL	**3,338**	**890**	**4,228**	**21.1%**	**3,411**	**916**	**4,327**	**21.2%**

Gender analysis shows that female workforce at 31/03/2019 compared to 31/03/2018 grew in absolute value – particularly in the age group from 36 to 40 years (+9) and in those over 46 years (+22); it declines in the age group from 30 to 35 years (-16). Male workforce grew overall in the age group over 36 years (+104), reaching the peak in the age group from 41 to 45 years (+52). Under 30 increases by 21 people, of which 17 men and 4 women.

AGE	31/03/2018				31/03/2019			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 30	235	95	**330**	28.8%	252	99	**351**	28.2%
30-35	568	149	**717**	20.8%	532	133	**665**	20.0%
36-40	619	160	**779**	20.5%	644	169	**813**	20.8%
41-45	535	148	**683**	21.7%	587	146	**733**	19.9%
46-50	361	96	**457**	21.0%	387	111	**498**	22.3%
>50	1,000	244	**1,244**	19.6%	1,001	251	**1,252**	20.0%
TOTAL	**3,318**	**892**	**4,210**	**21.2%**	**3,403**	**909**	**4,312**	**21.1%**

AGE	31/12/2017				31/12/2018			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 30	292	105	**397**	26.4%	290	114	**404**	28.2%
30-35	599	153	**752**	20.3%	578	148	**726**	20.4%
36-40	635	167	**801**	20.8%	634	161	**795**	20.3%
41-45	481	139	**620**	22.4%	562	140	**702**	19.9%
46-50	349	88	**437**	20.1%	348	105	**453**	23.2%
>50	982	238	**1,220**	19.5%	999	248	**1,247**	19.9%
TOTAL	**3,338**	**890**	**4,228**	**21.1%**	**3,411**	**916**	**4,327**	**21.2%**

In absolute value, an increase in university graduates with technical degrees and in high school graduates with technical diplomas at 31/03/2019 compared to 31/03/2018 can be noted looking at the workforce breakdown by qualification. In addition, data shows an increase of employees graduated in non-technical studies as a percentage of total, passing from 11.1% to 12.6%.

DEGREE/DIPLOMA[11]	31/03/2018				31/03/2019			
	MEN	WOMEN	Total	% on total	MEN	WOMEN	Total	% on total
Technical High school	899	146	**1,045**	24.8%	920	148	**1,068**	24.8%
Other High School	271	196	**467**	11.1%	271	193	**464**	10.8%
Technical graduated	1,794	309	**2,103**	50.0%	1,799	324	**2,123**	49.2%
Other graduated	270	199	**469**	11.1%	332	210	**542**	12.6%
Other education	84	42	**126**	3.0%	81	34	**115**	2.7%
TOTAL	**3,318**	**892**	**4,210**	**100%**	3,403	909	**4,312**	**100%**

DEGREE/DIPLOMA	31/12/2017				31/12/2018			
	MEN	WOMEN	Total	% on total	MEN	WOMEN	Total	% on total
Technical High school	898	150	**1,048**	24.8%	925	151	**1,076**	24.9%
Other High School	273	196	**469**	11.1%	259	191	**450**	10.4%
Technical graduated	1,811	305	**2,116**	50.0%	1,817	330	**2,147**	49.6%
Other graduated	270	191	**461**	10.9%	313	211	**524**	12.1%
Other education	86	48	**134**	3.2%	97	33	**130**	3.0%
TOTAL	**3,338**	**890**	**4,228**	**100%**	**3,411**	**916**	**4,327**	**100%**

Regarding company seniority, at 31/03/2019 compared to 31/03/2018 an increase in absolute terms of the population with a seniority of less than 5 years (+123 persons) and of seniority between 16 and 20 years (+84 people) can be noted, who also increase their weight in the percentage distribution. This trend applies to both men and women.

COMPANY SENIORITY	31/03/2018				31/03/2019			
	MEN	WOMEN	Total	% on total	MEN	WOMEN	Total	% on total
< 5 years	1,024	303	**1,327**	31.5%	1,120	330	**1,450**	33.6%
5-10 years	753	183	**936**	22.2%	703	161	**864**	20.0%
11-15 years	591	175	**766**	18.2%	569	166	**735**	17.0%
16-20 years	333	83	**416**	9.9%	394	106	**500**	11.6%
21-25 years	116	28	**144**	3.4%	118	21	**139**	3.2%
> 25 years	501	120	**621**	14.8%	499	125	**624**	14.5%
TOTAL	**3,318**	**892**	**4,210**	**100%**	**3,403**	**909**	**4,312**	**100%**

[11]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).

COMPANY SENIORITY	31/12/2017				31/12/2018			
	MEN	WOMEN	Total	% on total	MEN	WOMEN	Total	% on total
< 5 years	1,122	323	**1,445**	34.2%	1,123	328	**1,451**	33.5%
5-10 years	708	177	**885**	20.9%	734	179	**913**	21.1%
11-15 years	636	174	**810**	19.2%	615	174	**789**	18.2%
16-20 years	252	66	**318**	7.5%	334	88	**422**	9.8%
21-25 years	119	31	**150**	3.5%	104	21	**125**	2.9%
> 25 years	501	119	**620**	14.7%	501	126	**627**	14.5%
TOTAL	**3,338**	**890**	**4,228**	**100%**	**3,411**	**916**	**4,327**	**100%**

Contract types

With total workforce increased by 2.4% from 31/03/2018 to 31/03/2019, the percentage of employees with open-ended contracts remains high and stable to 98.1%, proving the importance attributed by Hitachi Rail STS to employment stability.

CONTRACT TYPES	31/03/2019										Total
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		
	M	W	M	W	M	W	M	W	M	W	
Employees with open-ended contracts	1,530	370	676	184	568	202	552	110	23	17	**4,232**
Employees with fixed-term contracts	7	4	9	3	-	-	25	5	13	14	**80**
TOTAL	**1,537**	**374**	**685**	**187**	**568**	**202**	**577**	**115**	**36**	**31**	**4,312**

CONTRACT TYPES	31/03/2018										Total
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		
	M	W	M	W	M	W	M	W	M	W	
Employees with open-ended contracts	1,495	363	693	187	555	202	502	96	23	18	**4,134**
Employees with fixed-term contracts	3	5	5	2	-	-	29	9	13	10	**76**
TOTAL	**1,498**	**368**	**698**	**189**	**555**	**202**	**531**	**105**	**36**	**28**	**4,210**

CONTRACT TYPES	31/12/2018										Total
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		
	M	W	M	W	M	W	M	W	M	W	
Employees with open-ended contracts	1,526	373	674	184	572	205	556	109	27	19	**4,245**
Employees with fixed-term contracts	7	3	10	5	-	-	29	6	10	12	**82**
TOTAL	**1,533**	**376**	**684**	**189**	**572**	**205**	**585**	**115**	**37**	**31**	**4,327**

CONTRACT TYPES	31/12/2017										Total
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		
	M	W	M	W	M	W	M	W	M	W	
Employees with open-ended contracts	1,491	363	710	192	556	198	495	93	25	19	**4,142**
Employees with fixed-term contracts	4	5	9	2	-	-	37	10	11	8	**86**
TOTAL	**1,495**	**368**	**719**	**194**	**556**	**198**	**532**	**103**	**36**	**27**	**4,228**

EMPLOYEES FULL TIME AND PART-TIME	31/03/2018			31/03/2019		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Employees full time	3,301	793	**4,094**	3,380	815	**4,195**
Employees part-time	17	99	**116**	23	94	**117**
TOTAL	**3,318**	**892**	**4,210**	**3,403**	**909**	**4,312**

EMPLOYEES FULL TIME AND PART-TIME	31/12/2017			31/12/2018		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Employees full time	3,324	789	**4,113**	3,394	817	**4,211**
Employees part-time	14	101	**115**	17	99	**116**
TOTAL	**3,338**	**890**	**4,228**	**3,411**	**916**	**4,327**

At 31/03/2019, as at 31/03/2018, the percentage of employees with other types of contracts was 2.7%.

OTHER CONTRACT TYPES	31/03/2018			31/03/2019		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Temporary staff	39	18	**57**	36	22	**58**
Contract workers	30	25	**55**	31	25	**56**
Work experience	3	-	**3**	3	-	**3**
TOTAL	**72**	**43**	**115**	**70**	**47**	**117**

OTHER CONTRACT TYPES	31/12/2017			31/12/2018		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Temporary staff	24	18	**42**	36	13	**49**
Contract workers	40	19	**59**	25	17	**42**
Work experience	-	-	**-**	3	-	**3**
TOTAL	**64**	**37**	**101**	**64**	**30**	**94**

New employee hires and employee turnover

In the period of 15 months going from 01/01/2018 to 31/03/2019, 542 people were hired (420 men and 122 women). In particular, 151 new hires belong to the under 30 age group (106 men and 45 women), which represent the 43% of the total employees for this age group.

HIRINGS	31.12.2018										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	17	7	13	9	19	3	41	24	-	1	**90**	**44**	**134**
	24.6%	21.9%	24.5%	40.9%	32.2%	33.3%	38.0%	51.1%	0.0%	25.0%	31.0%	38.6%	33.2%
30-50	91	14	17	8	30	17	91	11	4	6	**233**	**56**	**289**
	9.3%	5.4%	3.7%	7.3%	11.0%	16.5%	23.8%	19.6%	12.5%	23.1%	11.0%	10.1%	10.8%
>50	10	2	1	1	13	2	12	-	-	-	**36**	**5**	**41**
	2.0%	2.4%	0.6%	1.8%	5.4%	2.2%	12.6%	0.0%	0.0%	0.0%	3.6%	2.0%	3.3%
TOTAL	**118**	**23**	**31**	**18**	**62**	**22**	**144**	**35**	**4**	**7**	**359**	**105**	**464**
	7.7%	6.1%	4.5%	9.5%	10.8%	10.7%	24.6%	30.4%	10.8%	22.6%	10.5%	11.5%	10.7%

HIRINGS	31.03.2019 (3 months)										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	5	1	3	-	2	-	6	-	-	-	**16**	**1**	**17**
	9.8%	3.8%	5.9%	0.0%	3.5%	0.0%	6.5%	0.0%	0.0%	0.0%	6.3%	1.0%	4.8%
30-50	14	3	11	2	5	5	8	4	1	-	**39**	**14**	**53**
	1.4%	1.2%	2.3%	1.8%	1.8%	4.9%	2.1%	6.9%	3.2%	0.0%	1.8%	2.5%	2.0%
>50	4	-	-	2	2	-	-	-	-	-	**6**	**2**	**8**
	0.8%	0.0%	0.0%	3.6%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.8%	0.6%
TOTAL	**23**	**4**	**14**	**4**	**9**	**5**	**14**	**4**	**1**	**-**	**61**	**17**	**78**
	1.5%	1.1%	2.0%	2.1%	1.6%	2.5%	2.4%	3.5%	2.8%	0.0%	1.8%	1.9%	1.8%

HIRINGS	31.03.2019 (15 months)										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	22	8	16	9	21	3	47	24	-	1	**106**	**45**	**151**
	43.1%	30.8%	3.3%	50.0%	36.8%	50.0%	51.1%	53.3%	0.0%	25.0%	42.1%	45.5%	43.0%
30-50	105	17	28	10	35	22	99	15	5	6	**272**	**70**	**342**
	10.8%	6.6%	5.8%	8.8%	12.8%	21.4%	25.4%	25.9%	16.1%	23.1%	12.7%	12.5%	12.6%
>50	14	2	1	3	15	2	12	-	-	-	**42**	**7**	**49**
	2.7%	2.2%	0.7%	5.5%	6.3%	2.2%	12.6%	0.0%	0.0%	0.0%	4.2%	2.8%	3.9%
TOTAL	**141**	**27**	**45**	**22**	**71**	**27**	**158**	**39**	**5**	**7**	**420**	**122**	**542**
	9.2%	7.2%	6.6%	11.8%	12.5%	13.4%	27.4%	33.9%	13.9%	22.6%	12.3%	13.4%	12.6%

People who left the company in the same 15-months period at 31/03/2019, in percentage with respect to total workforce for each category, belonged to all age groups, with a slight majority in the under 30 category.

DEPARTURES	31.12.2018										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	4	4	5	4	3	3	14	4	1	-	**27**	**15**	**42**
	5.8%	12.5%	9.4%	18.2%	5.1%	33.3%	13.0%	8.5%	100%	0.0%	9.3%	13.2%	10.4%
30-50	47	12	38	13	25	7	58	20	3	-	**171**	**52**	**223**
	4.8%	4.6%	8.3%	11.8%	9.2%	6.8%	15.2%	35.7%	9.4%	0.0%	8.1%	9.4%	8.3%
>50	29	-	23	-	21	7	15	1	-	-	**88**	**8**	**96**
	5.9%	0.0%	13.5%	0.0%	8.7%	7.5%	15.8%	8.3%	0.0%	0.0%	8.8%	3.2%	7.7%
TOTAL	**80**	**16**	**66**	**17**	**49**	**17**	**87**	**25**	**4**	**-**	**286**	**75**	**361**
	5.2%	4.3%	9.6%	9.0%	8.6%	8.3%	14.9%	21.7%	10.8%	0.0%	8.4%	8.2%	8.3%

DEPARTURES	31.03.2019 (3 months)										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	1	-	2	-	-	2	3	3	-	-	**6**	**5**	**11**
	2.0%	0.0%	3.9%	0.0%	0.0%	33.3%	3.3%	6.7%	0.0%	0.0%	2.4%	5.1%	3.1%
30 - 50	14	3	7	5	5	4	12	2	1	-	**39**	**14**	**53**
	1.4%	1.2%	1.5%	4.4%	1.8%	3.9%	3.1%	3.4%	3.2%	0.0%	1.8%	2.5%	2.0%
>50	6	1	5	1	8	2	3	-	-	-	**22**	**4**	**26**
	1.2%	1.1%	3.3%	1.8%	3.4%	2.2%	3.2%	0.0%	0.0%	0.0%	2.2%	1.6%	2.1%
TOTAL	**21**	**4**	**14**	**6**	**13**	**8**	**18**	**5**	**1**	**-**	**67**	**23**	**90**
	1.4%	1.1%	2.0%	3.2%	2.3%	4.0%	3.1%	4.3%	2.8%	0.0%	2.0%	2.5%	2.1%

DEPARTURES	31.03.2019 (15 months)										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		TOTAL		
	M	W	M	W	M	W	M	W	M	W	M	W	total
< 30	5	4	7	4	3	5	17	7	1	-	**33**	**20**	**53**
	9.8%	15.4%	13.7%	22.2%	5.1%	55.6%	18.5%	15.6%	100%	0.0%	13.1%	20.2%	15.1%
30 - 50	61	15	45	18	30	11	70	22	4	-	**210**	**66**	**276**
	6.3%	5.8%	9.4%	15.8%	11.0%	10.7%	17.9%	37.9%	12.9%	0.0%	9.8%	11.8%	10.2%
>50	35	1	28	1	29	9	18	1	-	-	**110**	**12**	**122**
	6.8%	1.1%	18.4%	1.8%	12.0%	9.7%	18.9%	8.3%	0.0%	0.0%	11.0%	4.8%	9.7%
TOTAL	**101**	**20**	**80**	**23**	**62**	**25**	**105**	**30**	**5**	**-**	**353**	**98**	**451**
	6.6%	5.3%	11.7%	12.3%	10.9%	12.4%	18.2%	26.1%	13.9%	0.0%	10.4%	10.8%	10.5%

Fair remuneration

Hitachi Rail STS manages employment relationships with its employees in accordance with the laws in place in the various countries where it operates. It also periodically weighs 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.

Since 2013, Hitachi Rail STS has extended the weighting to lower levels of its organisation as well, using the results of the Global Job System project, which involved approximately 3,000 of the company's personnel. This made it possible to create a tool useful in the global assessment of the consistency between the responsibilities and remuneration, without distinguishing by country, gender, culture, etc., in accordance with the company's values, which protect and promote the equal treatment of people.

Protected worker categories

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 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 482/1968), Law 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".

Compliance with the provisions of Law 68/99 entails the obligation for companies to hire a specific percentage, determined in that law, of personnel in protected worker categories. In Italy, in particular, the percentage of disabled workers required by law for Hitachi Rail STS S.p.A is 7%. Hitachi Rail STS has reached agreements with the labour centres for the hiring of people in protected worker categories.

EMPLOYEE WELL-BEING: PEOPLE CARE

The "People Care" concept is an extensive one for Hitachi Rail STS and applies to employees' 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 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.

Hitachi Rail STS's focus on people can be first seen in the way it guarantees a comfortable and motivational work environment by actively supporting, through its corporate processes, relationships between managers and employees and relationships between colleagues. Furthermore, there are various support services available in different countries for both full time and part time employees and, in some cases, their families as well.

Flexible schedules, agreements with entertainment and sports centres, benefits like health insurance, Family Open Days, employee scholarships, corporate welfare and celebrations of successful projects are some of the tools used.

One of the points on which Hitachi Rail STS is most committed worldwide is supplementary health care, considered one of the measures most appreciated by its employees. In this regard, the company has developed health care plans in various countries (Australia, USA, Italy). In Italy, starting in 2017, supplementary health care was extended to all employees under the national collective labour agreement, while higher-level care is still available for middle managers and executives.

In Australia, a Health & Wellbeing Committee has been created, which has substantially improved the workers' perception of work-life balance. In addition, due to the strong propensity to travel required of Hitachi Rail STS employees, insurance policies have been taken out to ensure that staff on missions and expatriates receive healthcare treatment comparable with that provided in their country of origin all over the world.

Colleagues who have to travel abroad on business can also use a travel tracker to be constantly informed about any issues related to their travel and their country of destination.

Further corporate investments in people care such as company canteens, corporate credit cards, employee welfare vouchers and recreational clubs are in line with the expectations of employees in their home countries and may therefore vary from region to region.

In Italy, the signing of the second level supplementary contract (see paragraph "Social dialogue") has significantly improved STS's investments in the well-being of its own employees. With a view to ensuring a more positive work-life balance, the concept of flexible work has been expanded and smart working has been implemented for the entire workforce. To further support our colleagues engaged in pursing our mission away from the office, the transfer packages have been reviewed and slightly increased, particularly for overseas travel, using the values provided by relevant external providers as the reference parameters. To better engage and motivate employees towards the achievement of the challenging company goals, the performance bonus has been consolidated and it is now possible for employees to use a proportion of the bonus to purchase welfare services, benefiting from the tax breaks provided for by law.

TRAINING AND DEVELOPMENT

Our approach to the management of training and human resources development is based on translating the company's goals into development paths and management and operating methods consistent with Hitachi Rail STS's business model, by defining development paths that are consistent with the required profiles and developing both core competencies (needed to supervise work activities) and managerial skills aimed at supporting the personnel's full compliance with the STS's distinctive values. Training is developed through projects in four main areas:

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

Hitachi Rail STS also offers specific training courses to many groups of employees, ensuring paths that will help them develop in their career or expand upon the skills needed to meet the responsibilities of their job.

Total training hours increase over all time periods considered.

TRAINING	31.12.17	31.03.18 *(3 months)*	31.03.18 *(15 months)*	31.12.18	31.03.19 *(3 months)*	31.03.19 *(15 months)*
Total training hours – men	76,426	16,010	92,436	91,092	15,121	106,213
Total training hours – women	16,943	4,536	21,479	29,318	5,089	34,407
Total training hours	**93,368**	**20,546**	**113,915**	**120,410**	**20,210**	**140,620**

By looking at the 15-months periods, training hours increase by 23.4% overall (men by +14.9% and women by +60.2%).

The average hours of training per employee (obtained by dividing total training hours within the time period considered by the number of employees at the end of the same period) also increased over the 15 months period across regions (+20.3% overall), for both male and female workforce and for all employees' categories.

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY GENDER AND PROFESSIONAL CATEGORY	31.12.18		31.03.19 *(3 months)*		31.03.19 *(15 months)*	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managers	13.3	20.8	4.5	3.1	17.6	29.8
Junior managers	30.1	33.4	6.1	5.5	36.4	38.4
White collars	27.5	33.7	4.3	6.0	32.0	40.2
Blue collars	17.5	14.4	3.1	1.5	20.4	15.3
Average hours per employee	**27.8**		**4.7**		**32.6**	

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY GENDER AND PROFESSIONAL CATEGORY	31.12.17		31.03.18 (3 months)		31.03.18 (15 months)	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managers	11.6	3.3	4.1	7.2	15.6	10.5
Junior managers	24.1	25.8	7.9	7.5	32.1	33.6
White collars	23.3	19.6	4.8	5.1	28.2	24.6
Blue collars	20.6	9.3	1.3	2.6	21.9	11.7
Average hours per employee	**22.1**		**4.9**		**27.1**	

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY GENDER AND REGION	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
31.12.18	34.6	34.0	29.0	24.3	18.0	17.8	11.9	65.8	26.8	23.5	**26.7**	**32.0**
31.03.19 (3 months)	5.8	5.2	5.0	7.2	3.0	2.3	1.6	5.8	7.0	21.3	**4.4**	**5.6**
31.03.19 (15 months)	40.3	39.4	33.9	31.7	21.1	20.3	13.6	71.6	34.5	44.8	**31.2**	**37.9**
31.12.17	26.2	19.5	31.7	23.6	13.6	17.2	11.7	13.1	18.0	16.3	**22.9**	**19.0**
31.03.18 (3 months)	7.7	8.0	2.8	2.8	3.7	4.1	0.7	1.3	2.7	3.3	**4.8**	**5.1**
31.03.18 (15 months)	33.8	27.5	35.5	27.1	17.4	21.0	12.4	14.2	20.7	19.0	**27.9**	**24.1**

Data show that the rising trend for investments in training is confirmed.

Hitachi Rail STS has indeed updated its corporate talent management and development model in order to ensure that these high development potential profiles can access a path that focusses on increasing key skills such as innovation and knowledge of current business developments as well as the new technological trends and services required by the constantly evolving digital market.

Hitachi Rail STS also monitors the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

The selection involves opening several channels aimed at identifying the best candidates for the open position. Hitachi Rail STS offers candidates the possibility to apply for a position via our website. In addition, the company employs leading personnel recruitment providers to identify people with greater skills. Lastly, Hitachi Rail STS has opened a LinkedIn page and uses the recruiter profile to make targeted selections. Agreements have also been entered into with universities for the scouting of recent graduates and we now have consolidated contacts within the main business schools to carry out internships and training periods.

All employees that are hired at Hitachi Rail STS are included in the company's organisational structure, and receive a job title and a structured induction course. Every year, the company initiates the Performance Development Plan (PDP), the skills assessment (Global Job System)

and salary review processes. These processes, launched simultaneously in all Hitachi Rail STS regions, facilitate the professional growth of employees.

The company also provides processes that are aimed at the highest levels of the company's workforce, which are subject to a comprehensive assessment process and receive variable incentives (so-called MBO) and/or other benefits.

In 2017, throughout Hitachi Rail STS worldwide, 367 resources participated in the programme, compared with 318 in 2018.

Over the past two years, and in line with the empowerment programmes, the PDP has been fine-tuned further so that not only department heads are rated, but also Project Managers (PMs) and Project Engineers (PEs).

The performance evaluation system

Performance assessment is a key tool in managing the development of human resources. Hitachi Rail STS has implemented a global, structured and consistent process at international level called Performance Development Plan (PDP), which it launched in 2010, and which assigns and assesses performance and development targets for all Hitachi Rail STS personnel. The entire process is managed online, to significantly reduce the use of printed paper, and consists of three phases:

- phase 1 - planning: relates to the formalised assignment of targets linked to business and/or individual performance indicators and professional development indicators;

- phase 2 - coaching: involves the continuous monitoring of performance by the employee's direct supervisor and mentor;

- phase 3 - review: the final assessment phase in which all the employee's ratings are combined (self-assessment, direct supervisor's assessment and those of other people selected from within the organisation for a more comprehensive outlook of individual performance).

The process now covers over 95% of the company's headcount. The result is significant, as it lays a sound foundation for a more objective and structured definition of the development paths and ways in which to reward all Hitachi Rail STS employees worldwide. In particular, after the integration of the Global Job System, 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.

As part of the Ansaldo NEXT programme, and in particular the activities of the PTE (Project Team Empowerment) workstream, an analysis of the current Performance Development Plan (PDP) was conducted, leading to the identification of certain areas/measures for improvement which will be implemented in the course of 2019.

SOCIAL DIALOGUE

The relaxed relationship that Hitachi Rail STS maintains with its employees is reflected in an extremely low rate of trade union disputes. This context often leads to the resolution of any issues with employees internally, with scarce recourse to intervention by trade unions, which, in any case, act in an environment of general cooperation. The only strikes declared have been due to general political and trade union issues, which have nothing to do with the company.

At the group level, Hitachi Rail 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, labour relations are extremely positive and the next 3-year company contract is due to be negotiated soon.

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.

In Italy, Hitachi Rail STS's system for trade unions is based on two levels of participation, given the fact that the company has various operating sites scattered throughout Italy:

1. Strategic Observatory; 2. National Coordination.

On 18 December 2018, after a year of negotiations with trade unions, the second level supplementary contract was signed for the 2019-2021 three-year period. The agreement was signed by trade union representatives after being approved by a large majority in a referendum of company employees. The agreement provides for improvements in various areas covered by the national labour contract and introduced - for the first time in Italy - flexible working methods and the possibility to allocate part of the performance bonus to corporate welfare.

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.

The system of trade union relationships at Hitachi Rail STS Spain is based on the following:

1. strategic lines; 2. national coordination

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

NUMBER OF EMPLOYEES COVERED BY NATIONAL LABOUR AGREEMENTS at 31.03.2019	Central and Eastern Europe and the Middle East		Western Europe		Asia Pacific	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managers	54	6	11	-	-	-
Junior managers	316	53	49	7	-	-
White collars	1,129	308	540	154	-	-
Blue collars	38	6	61	20	10	-
TOTAL	1,537	373	661	181	10	-

The percentage of employees covered by national labour agreements in Central and Eastern Europe and the Middle East is 100%, while in Western Europe it is 97%. The percentage is minimal in the Asia Pacific due to Hitachi Rail STS's ongoing efforts to invest in a fair work environment with respect to the market. In the Americas and China regions the socio-economic context requires no national labour agreements.

At STS level, employees covered by national labour agreements are 64% of total workforce.

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 in markets where Hitachi Rail 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. Although not having an obligation related to the number of weeks of notice, the company issues, on average every six months, the organisational chart that specifies inclusion and classification of each employee.

Furthermore, in Italy, the currently applicable national labour agreement requires 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.

SOCIAL ASPECTS

Customer satisfaction, social innovation and ethical management of supplies are among the most relevant issues for the company in terms of social aspects, relative to the ability to increase the company's reputation and competitive advantage and being able to influence the judgement and choices of its stakeholders.

As of the present day, no specific policies have been formalised on these issues, but the company practices certain policies that result in consolidated practices and management procedures effective for the whole STS.

CUSTOMER SATISFACTION

Customer satisfaction is central to Hitachi Rail STS's 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 Hitachi Rail STS, a specific Project Manager overseeing the relevant contract.

The Project Manager is responsible for ensuring the customer is satisfied, responding to any issues that might arise over the course of the contract.

The organisation of Bidding activities and Project Management is 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, the objective of Project Management is to protect the interests of Hitachi Rail STS's stakeholders, including shareholders, who are mainly focused on the results of the business, and its customers, who want to receive top quality solutions 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 turn-key transportation solutions that efficiently meet the needs of local and national institutions. This new type of offer requires the capability of helping our customers, who are increasingly considered less as buyers and more as partners, to manage a project throughout its entire life cycle.

The management of Customer Satisfaction

Customer Satisfaction (hereafter also "CS") activities are handled by a specific team, composed of the managers of the various departments: Safety, Health Environment, Quality & IT, *EMEA Business Unit, Americas & APAC Business Unit, Operation & Maintenance Business Unit* and *Technology*.

Customer Satisfaction activities consist of various stages and are carried out using different tools to accurately monitor the customer satisfaction level and the progress of projects until their completion. These tools include:

- *Customer Satisfaction Monthly Meeting*: monthly meetings via videoconferencing, to discuss CS activities and reach decisions on the steps to be taken.

- *Customer Satisfaction Quarterly Reports*: quarterly reports prepared with the support of the Business Unit managers on projects that are critical to Customer Satisfaction. 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. It is carried out using a specific questionnaire.

CUSTOMER SATISFACTION SURVEY	31.12.17	31.03.18 *(3 months)*	31.03.18 *(15 months)*	31.12.18	31.03.19 *(3 months)*	31.03.19 *(15 months)*
Number of customer satisfaction surveys completed	7	9	16	15	5	20

- **Complaints Management**: the Project Managers are responsible for recording customers' 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**, whereby customer satisfaction is evaluated for each key project considering the following main aspects: costs, planning, service quality and product quality. The Regional BU Managers gather the results of these surveys from the Project Managers. Finally, the CS Team checks the global results and their consistency with expectations.

- *Customer Satisfaction Reports*: reports prepared half-yearly by the Customer Satisfaction Process Owner. These reports summarise CS activities in the period (CS of the Project Teams, complaints analysis and focus on various projects) and are sent to the company's Top Management. They are included in the Management Review.

Control of project operational risks and project opportunities

Among actions to mitigate risks and increase opportunities linked to the quality, timing and costs of projects, note:

- adoption of Project Risk Management processes, both during the bidding and project performance stages, to minimise the consequences of negative events and maximise the impact of positive events, through constant monitoring of risks, mitigation and opportunities;

- clear assignment of responsibilities to the Project Manager, Project Controller and project team;

- periodic review of the project and of estimates during bidding;

- periodic monitoring and reporting of key projects by the Risk Management function;

- independent review of key projects by the Risk Management department.

SOCIAL INNOVATION

NEW TECHNOLOGIES TO IMPROVE THE PERFORMANCE, RELIABILITY, SAFETY AND ENVIRONMENTAL IMPACT OF OUR PRODUCTS AND SOLUTIONS.

Hitachi Rail 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, safety and environmental standards.

Hitachi Rail STS operates daily with the aim of improving quality of life by designing new transport systems which, every day, safely carry millions of people and freight while fully respecting the environment and fostering energy efficiency, by developing increasingly compact and energy-efficiency hardware, integrated in increasingly advanced solutions and able to respond to the new frontiers of community needs, the search for new green technologies and above all trying to rationalise consumption while avoiding waste.

Today the Hitachi Rail STS team within the Hitachi group can further develop its innovative approach, also by tapping the group's references in the field of Big Data and the Internet of Things. It is now possible to combine a range of technologies to create integrated solutions that lead to new performance and services offered.

At Hitachi Rail STS, "Innovation" also means participating in research projects funded by the European Commission, the Ministry of Education, Universities and Research, the Ministry for Economic Development and the Ministry of the Environment.

Research and development costs recorded directly to profit or loss, net of grants, are shown in the following table:

RESEARCH AND DEVELOPMENT	31.12.17	31.03.18 *(3 months)*	31.03.18 *(15 months)*	31.12.18	31.03.19 *(3 months)*	31.03.19 *(15 months)*
Costs recognised to profit or loss (€ million)	41.3	11.1	52.4	43.9	10.5	54.4

At 31.12.2018, costs rose by 6.3% compared to the previous year. Considering the cumulative data at 31.03.19 (15 months), a 3.8% increase compared to the similar period at 31.03.18 was recorded.

Product and solution safety and reliability

Hitachi Rail STS ensures that it develops and delivers products, applications and systems that are: safe, in compliance with Italian and international laws applicable to railway systems and reliable, compliant with its customers' needs and its internal quality standards. It achieves this through RAMS (Reliability, Availability, Maintainability & Safety) activities.

These activities are performed on all Hitachi Rail 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 various processes stages and hazard workshops during which experts from Hitachi Rail STS and from the customer discuss the various issues. Potential risks are then included in a hazard log, which is constantly updated over 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 Electro technical Standardisation. Specifically, relevant standards are:

- CEI 50126 on RAMS applicable to the railway field;

- CEI 50128 on software security;

- CEI 50129 on electronic device safety;

- CEI 50159 on railway communications security.

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 is successfully applied worldwide to critical user systems (HS lines, major stations or rail hubs, automatic mass transit systems).

Furthermore, thanks to specific diagnostic and monitoring tools, it is often possible to plan "preventive maintenance" on lines, i.e., monitoring all subsystems and reporting when one of them is at risk of faults. In this way, greater environmental sustainability is ensured, with the resulting reduced consumption of spare parts and lower risk of service interruptions on the line due to faults.

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

Any non-conformities with safety specifications during the development, testing and, obviously, roll-out, are 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 required technical specifications.

In general, Hitachi Rail 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, all service interruptions are analysed to determine the causes.

ETHICAL MANAGEMENT OF SUPPLIES

Hitachi Rail STS has drawn up new criteria to assess and monitor its suppliers and to define a new action plan to assist them improve their sustainability given the increasing importance of the Supply Chain's social and environmental aspects.

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 subcontractors, as for all business and financial dealings of any kind, Hitachi Rail STS requires its counterparties to conduct themselves in accordance with the principles of loyalty, fairness, transparency, efficiency and legal compliance.

To this end, suppliers and subcontractors 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.

To increase the integration and better management of the suppliers in the Supply Chain, a new Supply Chain Quality Unit has been created, comprised of three bodies: "Supplier Qualification & Monitoring", "Quality control" and "Incoming Inspection". In addition, Hitachi Rail STS has specified that the qualification process is interdisciplinary and based on opinions of several units involved therein, under the guidance of the new bodies. In this regard, the Technical, Procurement, Quality and EHS units are involved.

Along with the introduction of the new Unit and the Supplier Qualification and Monitoring body, a cloud-based certification platform has been implemented, standardising and centralising the management of the supplier certification process and related documentation in a single database.

This represents the first step in a broader plan to digitalise the global procurement process, wherein the certification and monitoring of suppliers is an integral and essential part to ensuring a modern and efficient process.

The digitalisation of this process has led to greater levels of control, as well as further developing the data management methods in a much broader way, in view of the recent improvements to the system to monitor the activities of certified suppliers.

The supplier questionnaire was also consolidated, focusing on the following HSE aspects:

- introduction of a safety management system compliant with the BS OHSAS 18001 standard;

- introduction of an environmental management system compliant with the UNI EN ISO 14001:2007 standard;

- introduction of sustainability procedures/programmes;

- application of the legislative requirements to comply with the REACH/ROHS/RAEE regulations;

- collection of data about accidents, non-compliance, training and emergencies,

The questionnaire is sent to all new suppliers during the qualification phase.

Supply Chain Mapping

Hitachi Rail STS conducts a mapping of its supply chain with respect to compliance with Environmental, Social and Governance (ESG) criteria. Indeed, the standard purchase order model includes general supply conditions, compliance with the Code of Ethics and, when vetting new suppliers, Hitachi Rail 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. Hitachi Rail STS applies these characteristics as preferential requisites and they are considered in the supplier's eligibility score.

The mapping showed:

SUPPLIER MAPPING	31.12.17	31.03.18 (3 months)	31.03.18 (15 months)	31.12.18	31.03.19 (3 months)	31.03.19 (15 months)
Number of suppliers in the register by direct and indirect product types (on the date indicated)	16,146	16,351	16,351	16,998	17,171	17,171
Total active suppliers (with order issued during the period)	3,321	1,890	3,550	3,496	1,865	3,667
Number of suppliers covering 80% of the value of orders in the period	136	126	145	204	171	221
New qualified suppliers (Classes A and B)	311	75	386	225	24	249
of which						
ISO 14001 certified suppliers	*42*	*7*	*49*	*28*	*2*	*30*
OHSAS 18001 certified suppliers	*37*	*6*	*43*	*23*	*3*	*26*

The mapping of the supplier base, enabled by its digitalisation and centralised management at global level, marks yet another step towards the definition of a specific Supply Chain sustainability policy. The main guidelines to be reviewed and developed compared to those defined in 2017 are:

- audit activities on site suppliers, including a review of sustainability performance, with technical controls on products for suppliers of materials;

- continuous improvements in the collaboration between Hitachi Rail STS and its suppliers in the context of product design, performance management and the monitoring of compliance with the specifications and standards set by Hitachi Rail STS;

- activities to inform suppliers about sustainability issues;

- the extension of periodic monitoring activities to key suppliers classified in the A category.

In the United States, it is common that customers include the obligation to assign a percentage of the contract to a DBE company (Disadvantaged Business Enterprises) that is regulated by the local and federal governments. Each DBE must be certified by the specific Transit Authority.

To meet the contractual requirements, Hitachi Rail STS in the USA has identified and qualified several DBE companies with which it is possible to carry out transactions in order to meet the percentage required by the contractual objectives.

In general, this includes training DBE employees to carry out work normally performed by Hitachi Rail STS employees, in compliance with processing standards.

PROTECTION OF HUMAN RIGHTS

The protection of human rights is considered a very relevant issue by the company and its stakeholders, as highlighted by the materiality analysis.

Hitachi Rail STS, despite not having formalised its commitment to a specific policy, practices policies in order to uphold and promote 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.

Hitachi Rail STS does not allow or tolerate the establishment of employment relationships, even by external collaborators, suppliers or business partners, violating the existing legislation on child, woman and immigrant labour, and carefully controls the risks associated with the employment of forced workers. The company, besides, requires its contractors and subcontractors to ensure the same attention in order to contribute to abolish such illegal behaviours.

As concerns the respect of human rights in relation to workers' rights, Hitachi Rail 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. Hitachi Rail 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 Department directly or via delegates.

TOOLS AND INITIATIVES RELATED TO THE RESPECT OF HUMAN RIGHTS

The main instrument through which Hitachi Rail STS guarantees its commitment to respecting human rights is the **Code of Ethics**, to which members of the governing and controlling bodies, managers and employees - including those of the companies directly or indirectly controlled by the STS – adhere, together with all those who enter into contractual relationships that imply fulfilments of which the company can request compliance.

In the period from 1/1/2018 to 31/03/2019 a specific training activity was carried out on the aspects concerning the respect of human rights and ethical compliance which involved 4,218 people for a total of 3,747 hours. In 2017 similar training courses had already been provided (32 people involved for a total of 224 hours).

COMMITMENT TO THE GLOBAL COMPACT

Hitachi Rail STS has also endorsed the Global Compact, a voluntary United Nations initiative to **encourage respect for human rights, employment rights**, the environment and anti-corruption, set out in 10 principles. Its confirmation reiterates its commitment to consider the Global Compact and its main principles an integral part of the company's strategies and culture.

GLOBAL COMPACT NETWORK ITALY FOUNDATION

Hitachi Rail STS is a Founding member and Sponsor of the Global Compact Network Italy Foundation which contributes to the development of the "Global Pact", along with 17 other organisations, private companies, universities and research institutes, non-profit foundations and civil society organisations.

Privacy and Data Protection

With reference to Privacy and Data Protection, in 2018 and in line with the new EU Regulation 2016/679 on the subject of Data Protection ("GDPR"), Hitachi Rail STS adopted the necessary measures to comply with the new legislative requirements, governing the data protection processing model at STS level and coordinating the performance of activities in each European country in which it operates.

In particular, on 09 May 2018 the company, as the Data Controller, duly appointed: (i) the Data Protection Committee, and (ii) the Data Protection Officer (DPO).

Furthermore, the company updated its Data Processing Register and implemented procedures to prepare the Data Protection Impact Assessment ("DPIA") and manage any data breaches.

To date, no complaints regarding breaches of privacy and/or loss of data in reference to which Hitachi Rail STS is the Data Controller have been recorded.

ANTI-CORRUPTION

Hitachi Rail STS promotes at all levels and within the scope of its business, the fight against corruption in all its different forms, whether active or passive, direct or indirect, involving subjects related to the public or private sector.

In this context, Hitachi Rail STS has adopted a "zero tolerance" approach, which entails that the company does not tolerate any kind of corruption, in any form, manner or jurisdiction it may occur, including therein any conduct that may be permitted, tolerated or not prosecuted in the countries in which STS does business.

 Hitachi Rail STS has a corruption risk management system based on several control tools to combat and prevent corruption-related behaviour that together constitute the system of policies practised by Hitachi Rail STS in the fight against corruption. These measures include:

- the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 adopted by Hitachi Rail STS SpA;

- corporate body of procedures;

- the due diligence carried out on third parties with whom Hitachi Rail STS holds business relations;

- the Anti-corruption Policy;

- the Code of Ethics.

The main risk areas, in terms of both direct risks and risks supporting the committing of corruption-related offences, subject to compliance with the Model, are mainly: the commercial area, the area related to management of contracts, purchases, work sites, finance administration and control, the Human Resources area and subsidised loans area.

As a tool for controlling and mitigating corruption risk, the STS's Code of Ethics contains principles and rules of conduct, compliance with which enables Hitachi Rail STS and the companies to prevent certain illegal conduct or offences - including those that are corruption-related - as required by the regulations of the various countries in which the Hitachi Rail STS operates, from being committed by corporate representatives. In particular, through the Code of Ethics, the Company promotes and applies a corporate culture inspired by responsibility,

correctness and integrity in the conduct of daily activities, paying maximum attention to the professional conduct of its recipients.

The above-mentioned Code of Ethics is complemented by the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 approved by the Board of Directors of Hitachi Rail STS, which contains specific principles of conduct and control aimed at preventing and mitigating the risk of committing corruption-related offences as set out by Italian Legislation and specifically referred to in articles 25 and 25-ter of Italian Legislative Decree 231/2001.

In order to ensure that all employees are completely familiar with the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, they receive reports when it is updated. In addition, a new e-learning training program was recently provided for nearly all employees of Hitachi Rail STS SpA. Employees working in crime risk areas, namely the company's executives and managers, sign periodic statements to certify their compliance with the Model and, if applicable, to describe the most significant relationships with public administration customers and representatives.

The prevention and fight against corruption-related conducts are also supported by a well-structured and comprehensive body of corporate procedures, applicable in accordance with the specific national regulations relative to each STS's company, under which the conduct of company transactions and operations is governed so as to ensure the identification of the persons responsible for the decision-making and authorisation process, and to provide traceability, so as to be able to identify, among other things, the reasons for the decisions made and the persons responsible for the same. The corporate body of procedures specifically governs and defines those which, due to their very nature or to the type of parties involved, possibly also external, are potentially vulnerable to the risk of corruption.

In order to mitigate, among other things, also the risk of corruption, Hitachi Rail STS has defined, as a tool to combat this problem, a process to assess the various types of third parties with whom it deals, both within the scope of business activities and for the ordinary corporate operations. This process includes, in view of the multiple risk profiles that can be associated with the third parties involved, a range of assessment tools, aimed at verifying, among other things, the existence of potential indicators of a high risk of corruption.

Further, to equip itself with effective prevention tools against the occurrence of potential corruption-related events, Hitachi Rail STS has launched - at STS level - a process to analyse its own corruption risk management system and to identify its possible areas to enhance. This activity, also in compliance with the Company's international vocation, was carried out taking into consideration the Best Practices in this area and the main international Guidelines and Conventions concerning the prevention and fight against corruption. This activity, also in order to ensure the uniformity and completeness of the risk management systems adopted by the company, was also carried out with an overreaching perspective and in full coordination with the instruments defined as risk management pursuant to Italian Legislative Decree 231/2001.

The strengthening initiatives, identified as a result of the aforesaid analysis, will further refine the current corporate corruption risk management system, with a view to increasing the effectiveness of the mitigation instruments that concern combating and preventing corruptive phenomena, including those at an international level.

In this regard, Hitachi Rail STS has defined a global Anti-Corruption Policy, aimed at defining the reference principles, roles and responsibilities, as well as identifying the main measures necessary to ensure the effective management of corruption risk within STS. This Anti-Corruption Policy was approved by the Board of Directors on 31 July 2018.

In line with the principles of the aforesaid policy, the Code of Ethics of Hitachi Rail STS and the Code of Ethics adopted by each STS company have been updated.

The Anti-Corruption Policy also provides for a training programme on anti-corruption matters aimed at all employees operating in STS companies, in order to promote the diffusion and awareness of the policy.

To consolidate the monitoring tools and control mechanisms in place to manage corruption risk, as provided for by the policy a quarterly reporting system is currently being implemented. This reporting activity aims to provide more information on the areas subject to corruption risk at STS level. Furthermore, an annual report is submitted to the Board of Directors, the Board of Statutory Auditors and the Control and Risks Committee of Hitachi Rail STS SpA regarding the efficacy, adequacy and state of implementation of the Anti-Corruption Policy.

Finally, it should be noted that, during 2018, no cases of corruption were detected in relation to Hitachi Rail STS SpA or other STS's companies. The Code of Ethics Control Body received two reports concerning alleged violations for corruption cases: for one, the necessary checks were carried out and no elements emerged that could constitute a violation of the Code, the other is being verified.

APPENDIX

GRI CONTENT INDEX

GRI STANDARDS	Disclosures	Cross-reference	Omission Reason Explanation
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GRI 303-1	Water withdrawal by source	p.32	
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GRI 306-2	Waste by type and disposal method	p.33	
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GRI 308-1	New suppliers that were screened using environmental criteria	pp.55-56	
Employment			
GRI 401-1	New employee hires and employee turnover	pp.42-44	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.45	
Labour management relations			
GRI 402-1	Minimum notice periods regarding operational changes	p.50	
Occupational Health and Safety			
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p.22	*Data related to the following aspects are currently not collected and available:* *- breakdown by region and gender of accident indices* *- absentee rate* *- occupational disease rate*

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GRI 404-1	Average hours of training per year per employee	pp.46-47	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	pp.46-48	
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GRI 405-1	Diversity of governance bodies and employees	pp.35-42; 44	
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GRI 416-1	Assessment of the health and safety impacts of product and service categories	pp.53-54	