

**Sustainability Report
as at 31.03.2019**



Introductory note

In October 2018 the majority shareholder Hitachi Rail Italy Investments S.r.l. reached an agreement with the American fund Elliott for the purchase of the entire shareholding held by the fund, equal to approximately 31.8% of the share capital of Ansaldo STS.

On the same date, Hitachi Rail Italy Investments S.r.l. (hereinafter “HRII”) communicated its decision to promote a voluntary take-over bid covering the totality of the Ansaldo STS’ ordinary shares.

Subsequently, in November 2018, HRII acknowledged that, consequently to the purchases made on the market, it held shareholdings exceeding 90% of the company’s share capital and that therefore it would have complied with the obligation to purchase, from those shareholders making a request, all the remaining outstanding ordinary shares of Ansaldo STS, pursuant to applicable legislation.

Thus, in January 2019, HRII communicated that by virtue of further purchases made on the market, as well as thanks to the requests to sell submitted by some shareholders, it held a shareholding of more than 95% of Ansaldo STS’ share capital; HRII announced that it would have proceeded with the purchase of all the remaining outstanding ordinary shares of Ansaldo STS, as provided by applicable legislation.

Subsequently, at the end of January 2019, HRII held the entire share capital of Ansaldo STS and the shares were therefore delisted from the MTA market (so-called delisting).

On 31st January 2019 the Extraordinary Shareholders’ meeting of the Company resolved to change the company name that, starting from 1st April 2019, is Hitachi Rail STS S.p.A.. The rebranding process involved not only the parent company but also all the subsidiaries.

Accordingly, this document refers to Hitachi Rail STS (formerly Ansaldo STS) (hereinafter “STS”).

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Letter of the Chief Executive Officer

Build the future, fuelling the present.



Andrew Barr
Chief Executive Officer
Hitachi Rail Group

A handwritten signature in black ink, appearing to read 'Andrew Barr'.

“2018 was really a successful year, both from financial aspects and for large projects developed. We are truly a Full-Service Provider”.

Dear Stakeholder,

This has been an important year for Hitachi Rail STS, as we achieved further success around the world winning and delivering new projects. I am extremely proud of the high-quality mobility solutions we provide to our customers to meet the meta-trend challenges of environmental change and increasing urbanization. This capability has enabled us to expand our business to become one of the leading full line-up players in rail globally.

Our business and its offer to stakeholders is also being transformed. In January 2019, Hitachi completed the acquisition of the total shares in Hitachi Rail STS, enabling our global rail business to embark on a single, cohesive organization structure, while utilizing the world-leading technology capabilities of the wider Hitachi group.

The benefits of this for our customers and partners include the access we can provide to leading-edge technologies and solutions and the technical enhancements we can bring to support our

established products. For our approximately 14,000 people, our goal is to create a long-term sustainable business able to compete and lead in the highly-competitive global rail market.

At the core of the solutions, we provide to our customers is an ambition to improve the journey experience for passengers and wider stakeholders of transport and mobility. The potential we provide is to make all modes of transport as green and affordable as possible, seamlessly digitally-connected for the smoothest flow of people within and between urban environments across the world. Our solutions are designed to minimize congestion, accidents, and pollution and to positively respond to social issues through responsible corporate conduct and values, which includes commitments to United Nations Sustainable Development Goals (SDGs).

Protecting our environment is a key aspect of our corporate responsibility and business strategy, as we strive to promote long-term growth in the value of our company.

In recent years, we have developed an approach based on the preventive analysis of the environmental impacts of our operations. We also undertake constant monitoring of our consumption and waste. To actively and responsibly contribute to combating the challenges of climate change, we comply with all current regulations and apply best practices to continuously improve our environmental management in ways that are both effective and efficient.

This approach has led us to identify areas for 'environmental improvement' and to intervene with specific measures that address, in particular:

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

- increasing the awareness of our people and teams about the importance of environmental protection and encouraging them to adopt environmentally-conscious behaviours' to save energy, and to continuously improve on our impacts.

Communication and training for our people is critical to the growth of our sustainability culture. Our Think responsibly and Act sustainably initiative is at the heart of the way we design and plan our products, and defines the solutions we develop with our partners and deliver to customers.

Hitachi prides itself on the high quality of its relationships with stakeholders. Recognizing the importance of this to creating long-term profitable and sustainable growth, our rail business develops collaboration and partnerships in cities and their networks; with stakeholders active in the fields of urban mobility and safety; among national and local administrations; and with citizen groups and bodies.

Given current global social and environmental challenges, regulatory and reputational risks and new market opportunities that are being created by technology, in particular, Environmental, Social and Governance (ESG) activities continue to increase in importance. Hitachi Rail STS's commitment to ESG is embedded across its internal controls and processes, and we recognize the business value this has the potential to create.

I am delighted to present our 2019 Sustainability Report. This is our most comprehensive documentation of the role Hitachi Rail STS is proud to play delivering environmental and social good through the work it delivers on behalf of our customers globally. While many of our projects are complex in nature, this report is a clear and strong representation of our corporate and social responsibility in action.

Visit the website: sts.hitachirail.com 



PROFILE OF HITACHI RAIL STS

Global presence	7
Business segments	8
Organisational structure	9
Events as of 31 march 2019	11
Orders acquired	11



SUSTAINABILITY WITHIN HITACHI RAIL STS

The UN Sustainability Development Goals	14
Sustainability topics	15
Analysis of material topics related to SDGs	18
Management of risks and opportunities	19
Other risks assessed and managed	21
Ethics and integrity	22
Our mission	22
Our values	23
Code of ethics	24
Anti-corruption	25
Respect of human rights	26
Partnerships for sustainable development	28
Stakeholder engagement	29
Stakeholder mapping	29
Stakeholder relations	30
Involvement with local communities	31
Sustainability programme	34
Our 2018/19 corporate social responsibility plan	36
Internal sustainability committee	37



SOCIAL INNOVATION

Goals met as at 31.03.2019	40
The value of innovation	40
A team dedicated to innovation	41
Main products conceived and in development	42
Product and solution safety and reliability	43
Energy efficiency and respect for the environment	45



OUR PEOPLE

Goals met as at 31.03.2019	50
Human resource management policy	50
Company workforce	52
Contract types	54
Training and development	55
Performance assessment	58
Training and development	59
Internationalisation and multiculturalism	60
Remuneration systems	61
People care	63
Employees initiatives	64
Pension plan	67
Protected categories	68
Parental leave	68
Labour/Management relations	70
In-house communications	71

CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITIES 74

Goals met as at 31.03.2019	76
Research partnerships	77
European research projects	77
Partnerships with universities: technological and managerial training	80
Promotion of safe and sustainable mobility	81
Donations and sponsorships	81
Digital communities and the media	82



ENVIRONMENT, HEALTH AND SAFETY 86

Goals met as at 31.03.2019	88
Integrated management system	89
Hitachi Rail STS's commitment to the environment	91
Environmental performance	94
Fight against climate change	95
Carbon Management System	96
Direct and indirect greenhouse gas emissions	97
Energy consumption	98
Renewable energies	100
Consumption of raw materials, materials and substances	100
Polluting emissions	101
Water management	101
Management of waste and effluents	102
Biodiversity	103
Noise	103
Environmental audits	104
Health and safety	105
Activities and results	106
Health and safety and audit committee	107



ETHICAL MANAGEMENT OF THE SUPPLY CHAIN 108

Goals met as at 31.03.2019	110
Types of supplies and suppliers	110
Selection and qualification criteria	112
Supplier mapping according to HSE criteria	112
Contractual tools	113
Monitoring activities	113



ECONOMIC SUSTAINABILITY 114

Business model	116
Evolution of the business model	117
Economic value generated and distributed	118
Corporate governance	119
Board of Directors	120
Customer satisfaction	124
Management of customer satisfaction	124
Customer communications	125
Relations with shareholders and members	127
Relations with banks and insurance institutions	129



Methodological Note 130

GRI - Content Index 132

Report of the Independent Auditors 141

Profile of Hitachi Rail STS



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

In addition to being known for its turnkey projects for large metro systems, Hitachi Rail STS boasts significant long-term experience in the high-speed sector as both 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 is focused on the development of new, high-value solutions and innovative marketplace services. In addition to 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 and solutions to its customers. This approach to digital innovation will be increasingly directed towards the safe, efficient and effective management and maintenance of rail infrastructures.

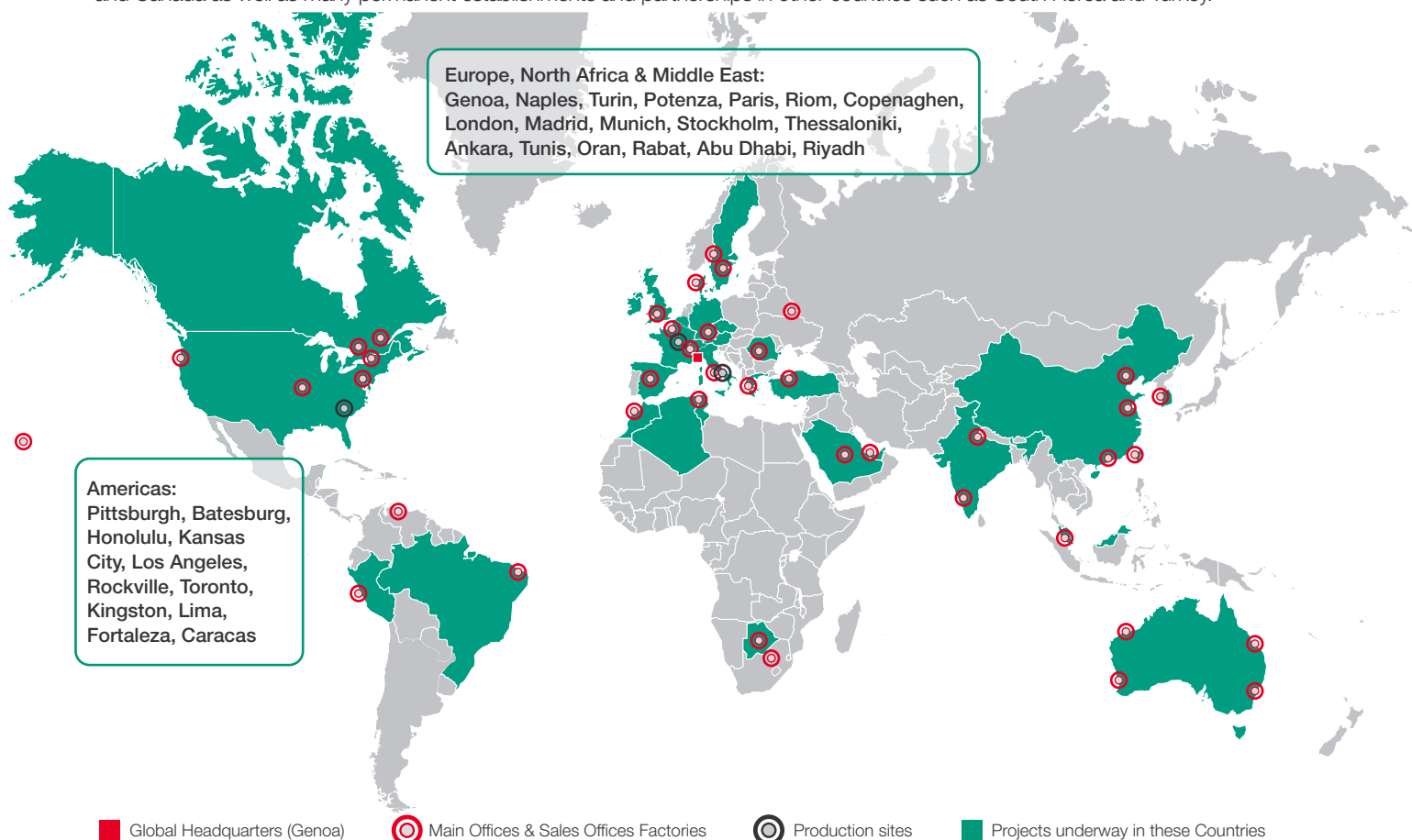


Global presence¹

Hitachi Rail STS, headquartered in Genoa, has four main operating companies:

- Hitachi Rail STS with offices in Genoa, Naples, Piosasco (TO) and one production site in Tito Scalco (PZ);
- Hitachi Rail STS USA, with offices in Pittsburgh (Pennsylvania) and one manufacturing site in Batesburg (South Carolina);
- Hitachi Rail STS France, with offices in Les Ulis and one production site in Riom;
- Hitachi Rail STS Australia with offices in Brisbane, Perth and Karratha.

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



NO. EMPLOYEES

	31.03.18	31.03.19
● STS ITALY*	1,866	1,911
● STS FRANCE*	887	872
● STS USA	757	770
● STS APAC	636	692
● STS CHINA	64	67
TOTAL	4,210	4,312

* Including the employees of Ansaldo STS Deutschland GmbH.

** Including the employees of Ansaldo STS UK Ltd., Ansaldo STS Sweden AB, Ansaldo Espana.

1. More information at <http://sts.hitachirail.com/it/chi-siamo/hitachi-rail-sts-mondo>



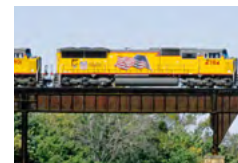
Business segments²

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 their end users.

HIGH SPEED



MAIN LINES AND FREIGHT



PLANNING, SUPERVISION AND TRAFFIC CONTROL



OPERATION AND MAINTENANCE



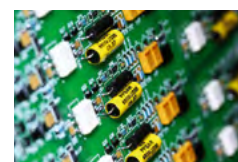
COMPUTER BASED INTERLOCKING



METROS AND TRAMWAYS



EQUIPMENT & COMPONENTS



As a part of the Hitachi group, Hitachi Rail STS further integrates unique technological capabilities into its projects and solutions, bringing a real competitive and economic advantage, and exceptional technology and innovative solutions for our customers.

Hitachi Rail STS, as part of Hitachi's globally-integrated rail business unit, develops rail (and metropolitan) traffic management systems with an integrated vision and approach. This ranges from producing a single component to focusing on passenger comfort, including the management and maintenance of the rail infrastructure.

2. For more information on market segments and products see: <http://sts.hitachirail.com/it/prodotti-servizi/segmenti-business>



Building on its proven experience, the organization's extensive record of successful installation, 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 products and services are complimentary, and are fully supported by a global operating model for production facilities and development sites. This model will allow us to further concentrate our presence within existing markets and to increase our effectiveness in new or emerging markets.

Integrated system solutions

Hitachi Rail STS has made its mark on the railway sector by using state-of-the-art technologies for large projects, such as:

- ERTMS / ETCS technologies, adopted to make high speed lines safer and more interoperable;
- satellite positioning technology for the effective and safe management of railway traffic;
- driverless and unmanned solutions for better operating efficiency and

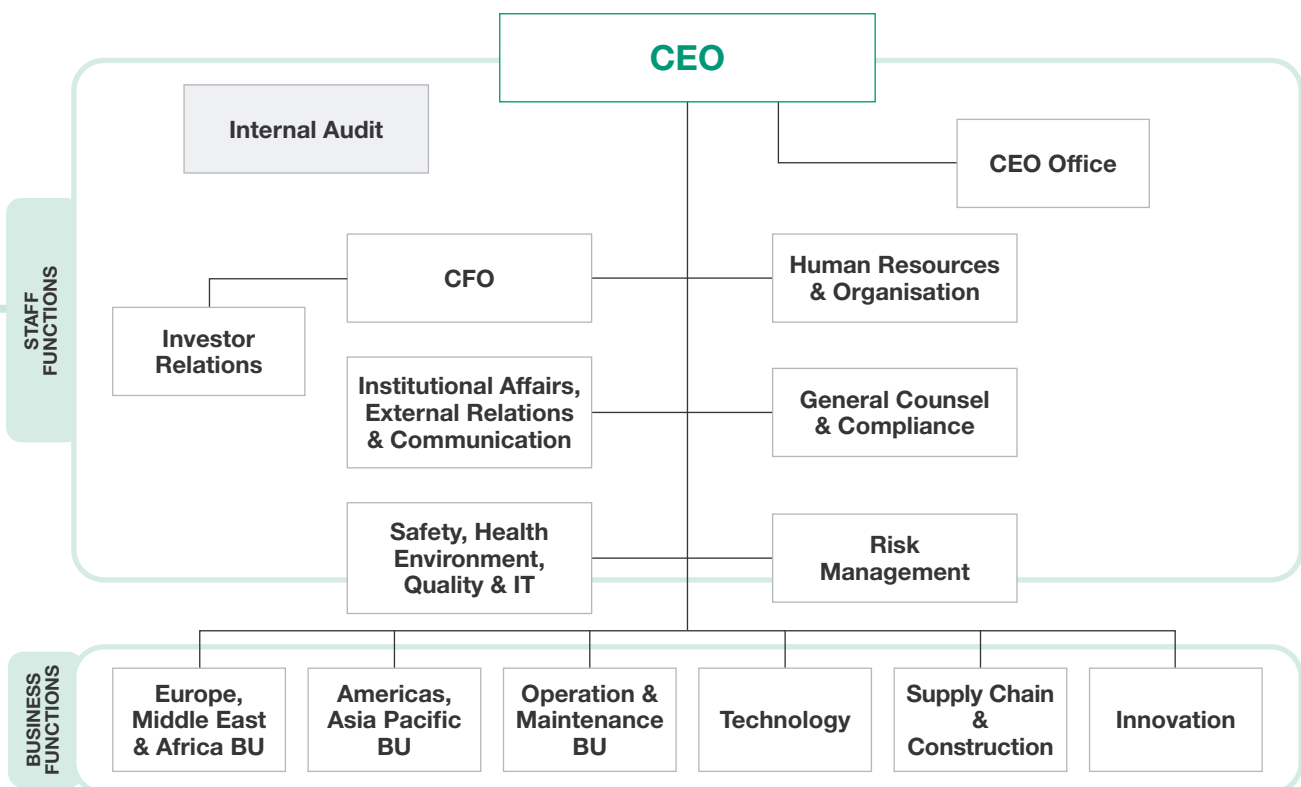
flexibility and to cut operating and maintenance costs;

- CBTC signalling technologies to improve service using distancing logic that is based on moving blocks, mainly used for metros; and,
- a large component portfolio, which includes all signalling aspects and system solutions (such as point machines, signals, level crossings and relays).

Organisational structure

Hitachi Rail STS is unique in the business it conducts and the projects it delivers. Our industry plays a key role in answering the demand for better and safer mobility, together with having a key social and environmental responsibility.

The objective that Hitachi Rail STS has set for itself is continuous growth by meeting the market's requirements. In this context, during 2018, the Company embarked on a process aimed at developing its operating model based on its vision of the future.





Hitachi Rail STS then adopted a different business approach by evolving from a business line-oriented structure to an organised structure that is still global, but reinforced in its proximity to its markets and customers through a regional organisational structures focused on major areas for business development. And so, two Business Units (Europe, Middle East & Africa, and Americas & Asia Pacific) were created. They have all of the activities and resources necessary to meet the assigned business development, sales and project delivery needs within the scope of the geographical area, or region.

A third Business Unit that operates globally and supports a global strategy that places Hitachi Rail STS amongst the major players in the industry, "Operations and Maintenance" was created and entrusted with further developing business in this sector and with ensuring the delivery of the relevant contracts.

In order to increase effectiveness and effect in the execution stage, it was decided to further supplement the Engineering, Development and Verification & Validation processes globally by creating a single signalling and technical management responsibility centre with global responsibility within the Technology organisational unit.

A new global organisational unit was also created to improve functional coordination and global efficiency of the Supply Chain and Construction processes and activities. This new unit has the mandate to improve overall functional coordination and global efficiencies of the Supply Chain Planning, Procurement, Logistics, Manufacturing and Construction organisational units.

Last, but not least, an Innovation organisational unit was created to define and address innovation that Hitachi Rail STS will have to undertake in order to constantly ensure industry competitiveness and digital innovation.

Its structure is based on the co-existence of:

- **FUNCTIONAL ORGANISATION:** Organisational units with specific professional areas of expertise;
- **TEAM-BASED ORGANISATION:** Teams that are working collaboratively to achieve planning objectives for the effective and efficient functioning of the company's main business processes and various planning stages of the business including offers, execution, development and innovation.



Control Centre



Events as of 31 March 2019³

ORDERS ACQUIRED

Below are the details of Key Agreements from 2018 listed by size of the Agreement.

Country	Project	Customer	Value (€m)
Saudi Arabia	O&M ON Metro Lines 3,4,5,6	Riyadh Development Authority (ADA)	840
Italy	AV (high-speed line) Brescia - Verona	Saturno Consortium	98
Australia	Rio Tinto - change in orders	Rio Tinto	85
Italy	AQ RFI	RFI	65
Malaysia	SDT - Upgrade for the KTMB double track	KTMB	55
U.S.A.	LIRR extension of the project from Floral Park to Hicksville - New York	Third track construction contract JV	38
Italy	Piscinola - Capodichino - Order change	EAV	35
Saudi Arabia	Riyadh O&M (PNU)	Princess Noura Bint Abdulrahman University	34
Italy	North Italy Corridor - ERTMS LIV.2	RFI	29
Various - EU / Asia	Service & Maintenance	Various	66
Various - EU / Asia	Components	Various	88
U.S.A.	Components	Various	50



RIYADH METRO

In its role of the leader of the Flow consortium, Hitachi Rail STS was assigned the Operation & Maintenance contract for lines 3, 4, 5 and 6 of the Riyadh metro. The project will last 12 years and will comprise a total length of 113 kilometres with 50 stations, which includes two major and five interchange lines, three depots and three OCCs.

Hitachi Rail STS is also operating in Saudi Arabia for the completion of line three, the Orange Line.



AUTOHAUL®

Rio Tinto's AutoHaul® project in Western Australia is the first line in the world for transporting heavy freight as fully autonomous rail.

Hitachi Rail STS have developed and implemented the breakthrough train control solution that has enabled Rio Tinto's more than 200 heavy haul locomotives to travel safely across a 1700 kilometre network, in the remote region of Pilbara, without a driver on board.

This revolutionary solution is based on the standard international system of ATO train traffic signalling and protection on ETCS Level 2 (GoA4), which means that the trains can run totally automatically.

In the case of Rio Tinto's AutoHaul®, each locomotive was equipped with a built-in driving module that automatically sends reports on the exact position, speed and direction of traffic of the entire fleet through IP communication to a main control centre in Perth, more than 1500 kilometres away.

3. For more details on the history of Hitachi Rail STS, visit <http://sts.hitachirail.com/it/chi-siamo/storia>

Sustainability within Hitachi Rail STS



Hitachi Rail STS has a broad and successful international presence to easily serve customers and with business operations in varied contexts and a variety of stakeholders; consequently, the governance of sustainability issues and the management of relationships between the Company and its stakeholders is of the utmost importance. Stakeholders include any public or private party - individuals, groups, companies or institutions - with a direct interest in the Company's activities.

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.



New
business model
to pursue
business goals

6,717.4 mln €
order book
+6.4%
(31.03.18-31.03.19)

98%
of employees with
open-ended contracts

27.8 average hours
of **training** pro capite
+29.3%
(31.03.18-31.03.19)

-4.6% **emission** intensity
of green **house gases**
(tCO₂e/mln € revenues)
(31.03.18-31.03.19)

-7.2% **water in use**
per employee
(31.03.18-31.03.19)

-59.6%
injury severity
index
(31.03.18-31.03.19)

-20.3%
injury frequency
index
(31.03.18-31.03.19)

R&S invested
43.3 mln €
directly ascribed
to profit & loss

Customer Satisfaction:
a system of customer
monitoring, control, reporting
and discussion tools

Qualification of suppliers integrated with HSE aspects

adoption of ISO 14001 and OHSAS 18001 management systems;
application of REACH/ROHS/RAEE regulations; data on accidents;
non conformities; training and emergencies



The un Sustainability Development Goals

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.

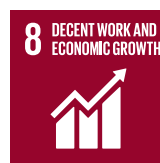
The Agenda requires significant engagement from all members of society, including businesses, civil companies, the public sector, philanthropic institutions, universities, research centres, news operators and cultural organisations.

Hitachi Rail STS has identified the UN Sustainability Goals that it is able to help reach:

- directly, through management models which enable the Company to follow a path of sustainable growth and guarantee a cohesive culture of responsibility, and promote sustainable actions by individual collaborators: **corporate commitment**; and,

- indirectly, through the achievement of the company's mission, which is to develop railway and mass transit systems, and create increasingly sophisticated products and solutions that are safe, convenient, efficient and environmentally sustainable: **business strategy**.

CORPORATE COMMITMENT



BUSINESS STRATEGY





Sustainability topics

To define which sustainability topics are considered material, Hitachi Rail STS has conducted a new materiality analysis. These topics were updated to take into consideration the content of Italian Legislative Decree no. 254/16 and the GRI Sustainability Reporting Standards published in 2016 by the GRI - Global Reporting Initiative, also considering internal factors such as mission, values, risk assessment activities, Quality, Safety and Environmental Management Systems, climate change strategies, and research and development activities into increasingly safe and environmentally-friendly products and solutions.

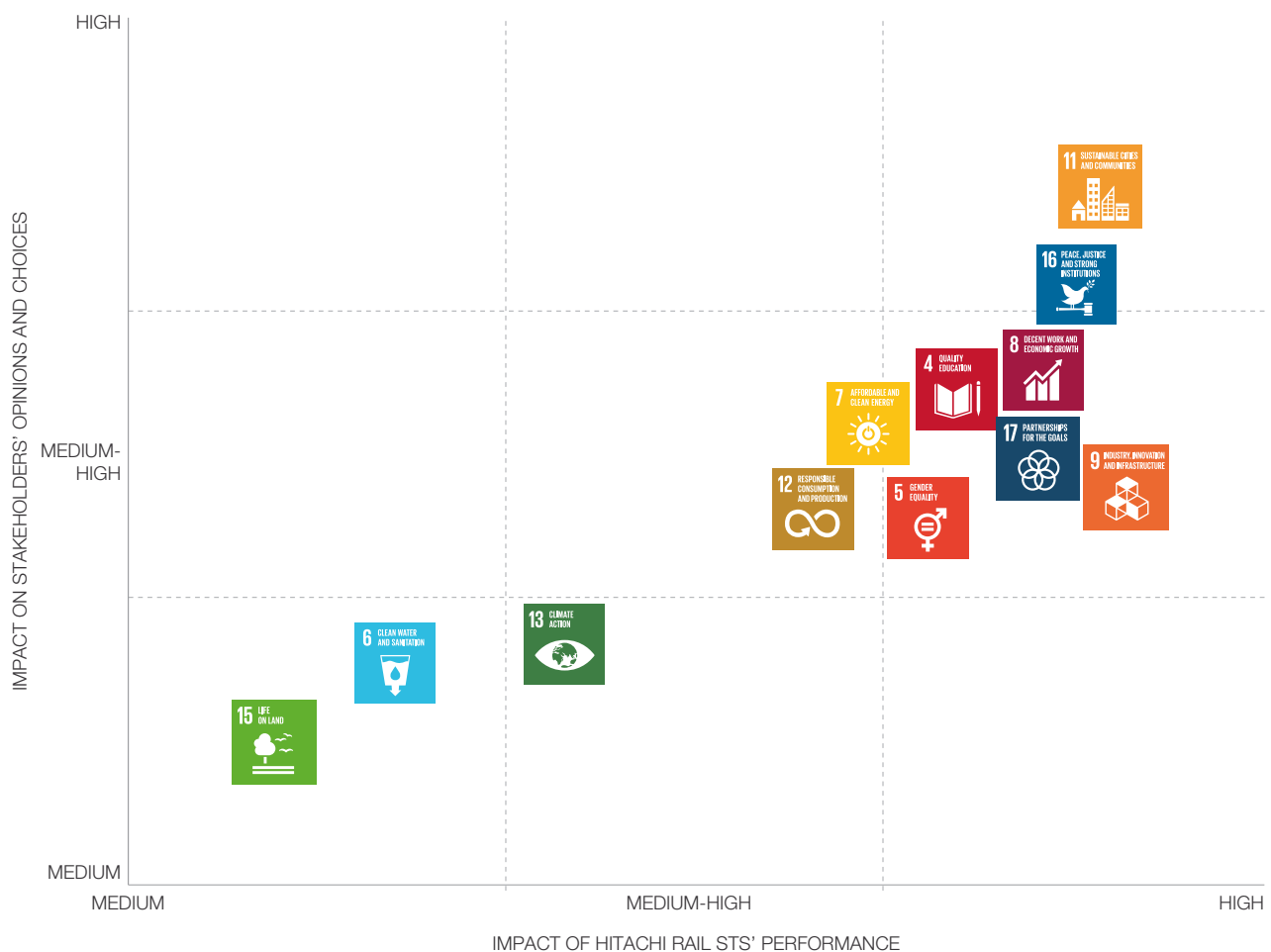
The external analysis was characterised by the broad engagement of different groups of stakeholders: 34 suppliers, 13 civil society players, 13 customers, 11 banks and insurance companies, 3 business partners and 8 financial analysts, totalling 82 stakeholders overall. Hitachi Rail STS asked these stakeholders to assign a priority level to various issues, and consider the business activities carried out by the

Company, in order to understand to what extent they could influence their judgement and decisions.

The internal analysis carried out by the Sustainability Committee assessed the level of materiality of various issues along with the Company's performance as well as the possibility of improving both its competitive advantage and reputation, taking related risks into account.

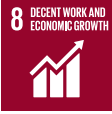
The topics analysed were then associated with the Sustainable Development Goals and the respective Targets⁴. Since each material topic can cross multiple SDGs, the criterion for arranging the latter was to first associate them with the most significant topic as defined by the materiality analysis. This resulted in the following matrix for Hitachi Rail STS:

Materiality matrix



4. The analysis was conducted using the Business Reporting on SDGs – AN ANALYSIS OF THE GOALS AND TARGETS publication developed by the Global Reporting Initiative and the UN Global Compact as reference.



SDGs	MATERIAL TOPIC (environmental, social, economic and governance)	UN TARGET TO WHICH THE COMPANY CONTRIBUTES WITH ITS BUSINESS AND ITS POLICY
Goal 11: Make cities inclusive, safe, resilient and sustainable		
	CUSTOMER SATISFACTION (economic and governance) SOCIAL INNOVATION (social)	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all,... 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory,... 11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality,...
Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation		
	SOCIAL INNOVATION (social) ETHICAL MANAGEMENT OF SUPPLY CHAIN (social)	9.1 Develop quality, reliable, sustainable and resilient infrastructure,... 9.2 Promote inclusive and sustainable industrialization... 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable,... 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries,
Goal 16: Promote just, peaceful and inclusive societies		
	ANTI-CORRUPTION (economic and governance) STAKEHOLDER INVOLVEMENT (economic and governance) MANAGEMENT RELATIONS (social) INTEGRATED MANAGEMENT SYSTEM (economic and governance)	16.5 Substantially reduce corruption and bribery in all their forms. 16.6 Develop effective, accountable and transparent institutions at all levels. 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels. 16.b Promote and enforce non-discriminatory laws and policies for sustainable development.
Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all		
	HEALTH AND SAFETY (social) EMPLOYEE WELL-BEING (social) CREATION AND DISTRIBUTION OF ECONOMIC VALUE (economic and governance) CUSTOMER SATISFACTION (economic and governance) ETHICAL MANAGEMENT OF SUPPLY CHAIN (social) RESPECT OF HUMAN RIGHTS (social)	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation,... 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation,... 8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery... 8.8 Protect labour rights and promote safe and secure working environments for all workers,...
Goal 17: Revitalize the global partnership for sustainable development		
	GOVERNANCE OF SUSTAINABILITY (economic and governance) SOCIAL INNOVATION (social)	17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies... 17.16 Enhance the Global Partnership for Sustainable Development,... 17.17 Encourage and promote effective public, public-private and civil society partnerships,...
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		
	TRAINING AND DEVELOPMENT (social) LOCAL COMMUNITY DEVELOPMENT PROGRAMMES (social)	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship... 4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development,... 4.a Build and upgrade education facilities that are child, disability and gender sensitive... 4.b By 2020, substantially expand globally the number of scholarships available... including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries,...



SDGs	MATERIAL TOPIC (environmental, social, economic and governance)	UN TARGET TO WHICH THE COMPANY CONTRIBUTES WITH ITS BUSINESS AND ITS POLICY
Goal 5: Achieve gender equality and empower all women and girls		
	DIVERSITY AND EQUAL OPPORTUNITY (social)	5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. 5.b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy		
	ENERGY CONSUMPTION (environmental) ETHICAL MANAGEMENT OF SUPPLY CHAIN (social)	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency. 7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services...
Goal 12: Ensure sustainable consumption and production patterns		
	RAW MATERIAL CONSUMPTION AND RECYCLING (environmental) MANAGEMENT OF EFFLUENTS AND WASTE (environmental) POLLUTING EMISSIONS (environmental) WATER CONSUMPTION (environmental) INTEGRATED MANAGEMENT SYSTEM (economic and governance)	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities. 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.
Goal 13: Take urgent action to combat climate change and its impacts		
	GHG EMISSIONS (environmental)	13.2 Integrate climate change measures into national policies, strategies and planning. 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation,...
Goal 6: Ensure access to water and sanitation for all		
	WATER CONSUMPTION (environmental) MANAGEMENT OF EFFLUENTS AND WASTE (environmental)	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials,...
Goal 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss		
	BIODIVERSITY PROTECTION (environmental)	15.3 By 2030, combat desertification,.... and strive to achieve a land degradation-neutral world



ANALYSIS OF MATERIAL TOPICS RELATED TO SDGs

Economic and governance topics exert a significant influence both in terms of stakeholders' opinions and the impact on the Company's performance. Customer satisfaction and anti-corruption were considered the most relevant topics both internally and externally, while the creation and distribution of economic value, stakeholder engagement and sustainability governance were deemed to have a greater long-term impact on business performance.

Social topics have a medium to high influence on stakeholders' opinions and business performance. Health and safety, training and development, employee welfare, diversity and equal opportunities, and ethical management of suppliers are of equal significance both internally and externally; social innovation and dialogue with trade unions are considered internal strategic levers, while respect for human rights and the development programmes for local communities were more relevant to external stakeholders.

Environmental topics exert a medium influence over stakeholders and the business. This is mainly due to the fact that the types of business carried out by Hitachi Rail STS and its mass transport sector are considered to be of low environmental impact; at an internal level, however, the Company recognizes the high degree of on-going care necessary to ensure that its buildings are managed in an environmentally and energy-efficient manner.





MANAGEMENT OF RISKS AND OPPORTUNITIES

One of the key elements of the Corporate Governance System of Hitachi Rail STS is the Enterprise Risk Management⁵ (ERM) system, which 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; and

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

Risk Assessment⁶ is an essential element of the ERM framework and, as such, contributes to business strategy definition, as well as the identification and management of potential risk events that are likely to affect the actual achievement of business goals and results. Risk Assessment also includes the identification and preparation of

action plans, which are implemented to mitigate key risks.

In accordance with the European standard ISO 9001:2015, the Enterprise Risk Management model has been updated. It now connects opportunity risk along with the company's strategic plan and the sustainability report for a more comprehensive view of enterprise-wide risk.

As such, several key sustainability topics are included in the ERM.

ENTERPRISE RISK MANAGEMENT		
SUSTAINABILITY TOPICS	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	Anti-Corruption Export Compliance

The main sub-categories of the risks related to sustainability taken into account in the ERM are described below.

5. The Enterprise Risk Management approach complies with the principles of standard ISO 31000:2009, substituted by the updated ISO 31000:2018, and the principles of standard ISO 9001:2015 European Standard for Enterprise Risk Management.

6. 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).



Environment, health and safety

- **HSE awareness:** possible risks of extra costs in the tendering phase, concerning health, safety and the environment with particular regard to emerging countries (with “low standards”), especially when particular issues can occur in business relations with partners who do not have the same attention levels adopted by Hitachi Rail STS.
- **OHS (Occupational Health and Safety) and Environmental non Compliance:** possible risks of non-compliance, by the Company or its subcontractors, with requirements related to regulations on the environment, occupational health and safety and respect for human rights; possibility of accident occurrence, with the suspension of commercial work, reputational damage, delays and penalties. Opportunities to improve ECO design aspects and the reduction of environmental impacts in product design to exploit new business opportunities and, through the communication of these improvements, to further enhance the image of the Company.
- **Process improvement:** extra costs related risks linked to an inefficient and ineffective optimization of integrated tools, processes and best practices in the different geographical areas, in particular with respect to maintenance. Opportunities to reduce electricity consumption of the lighting systems for Italian sites, with consequent environmental benefits.
- **Business interruption:** possible risks of catastrophic events (natural disasters, epidemics and communicable diseases, work conflicts, strikes or work stoppages, terrorism and political changes) that could have an impact on IT systems and services with consequent business interruption.
- **Crisis management:** issues related to the health and safety of workers caused by the worsening of the

geopolitical situation of at-risk countries in which the Company operates, or caused by natural disasters, severe weather disruption, accidents, conflicts, and terrorism.

- **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 commercial opportunities, customer dissatisfaction and sanctions.

Human resources management

- **Resources allocation:** possible risk of the delayed development of the necessary workforce skills to meet the Company's strategic needs.

Social aspects

- **Customer satisfaction:** possible risk of not being able to respond to feedback from customers, thus impacting their level of satisfaction. Opportunities to improve the process of collecting data and managing the lessons learned.
- **Supplier qualification:** possibility 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.

Anti-corruption

- **Anti-Corruption, Export Compliance:** possible risk of late implementation of the export control regulation; possible critical issues related to the application of an anti-corruption plan that is able to meet the different regulatory requirements at a local level worldwide.

BUSINESS CONTINUITY

In 2017 Hitachi Rail STS started the creation of a Business Continuity Management System integrated with the existing risk prevention and mitigation activities. It ensures the necessary operational continuity even during potentially disruptive events.



OTHER RISKS ASSESSED AND MANAGED

With a view to continuous improvement, Hitachi Rail STS carries out the assessment of specific environmental risks which, due to their low inherent and residual value, are not included in the ERM.

The following is a brief description of these risks and the related management methods.

Direct and indirect ghg emissions

Risk description

- Environmental impact of production processes, product composition and increase in energy consumption.
- Possible negative effects on the activities to be carried out influenced by climate change.
- Increased energy consumption costs.

Risk management

- Analysis and assessment of risk to climate change at the international level.
- Implementation of operational control procedures.
- Definition of environmental objectives.

Polluting air emissions

Risk description

- Environmental impact of production processes, product composition and the need to reduce or eliminate hazardous substances.
- Increase in technology investment costs.
- Changes to laws that involve risks of penalties.

Risk management

- Implementation of monitoring systems for processes and plants.
- Specific training on company standards and changes in terms of process / product.

Energy consumption

Risk description

- Growth in costs related to energy consumption.
- Less ability to compete.

Risk management

- Investments to reduce consumption by verifying potential profitability.
- Adoption of projects aimed at reducing energy consumption in factories and using energy from renewable sources.

Waste and waste water

Risk description

- Failure to comply with the regulations by the company and suppliers on projects / activities.
- Changes to the legislation with sanctioning risks.

Risk management

- System for monitoring the evolution of regulations worldwide.
- Adoption of projects aimed at reducing the production of factory waste and waste water management.

Water consumption

Risk description

- Increase in technology investment costs.
- Changes to laws that involve risks of penalties.

Risk management

- Implementation of monitoring systems for processes and plants.
- Specific training on company standards and changes in terms of process / product.

Ethics and integrity

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

OUR MISSION

We combine experience and human, financial and technological resources to provide innovative solutions in the design, construction, operation and maintenance of both equipment and systems for conventional and high-speed railway line. We also serve mass transit, passenger and freight rail networks. Our signalling and automation

solutions for passengers and freight transport moves the world.

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:

INTEGRITY

If people are to work together effectively, mutual trust must be fostered. 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, and through the utmost care and attention to safety.

CUSTOMER FOCUS

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

TEAM SPIRIT

None of these operating objectives can be achieved by one person alone. The company's employees work in a global, integrated organisation that makes the most of their different cultures, experience 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 encourage its people to attain their aspirations through teamwork and collaboration.

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 performance-focused approach is designed to provide innovative and high-performance products and 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 prioritises its people and their safety.





CODE OF ETHICS



The Code of Ethics clarifies the commitments and responsibilities that should guide the Company's business and activities, requiring compliance by anyone involved in any way with Hitachi Rail STS.

The Code of Ethics, which is available on the Company's website, is a key element of the internal control system. Compliance with the Code of Ethics enables

Hitachi Rail STS and group companies to prevent certain irregularities or illegal acts, which are prohibited by the regulations of the various countries in which it operates. For Italy, reference is made to provisions of Italian Legislative Decree no. 231/01 and to the related Organisation, Management and Control Model that the parent company Hitachi Rail STS S.p.A. has adopted.

The Code of Ethics was formally adopted by group companies by resolution of the respective Boards of Directors, or the equivalent management bodies. It was shared with all group personnel using the same methods as those applied by the Parent Company Hitachi Rail STS S.p.A..

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

During 2018, both the Code of Ethics of Hitachi Rail STS SpA and the Code of Ethics adopted by each Group company were updated, in order to align them with the Anti-Corruption Policy.

All employees, in function and within the limits of the tasks entrusted to them and their respective competences and responsibilities, contribute to ensuring an effective functioning of the Internal Control and Risk Management System, informing their manager of any anomaly that may be found.

Any behavior that is not in line with the ethical principles expressed in the Code of Ethics and with the indications of the Model can be reported, even anonymously, to the Supervisory Body that evaluates them according to the existing company procedure on the subject.

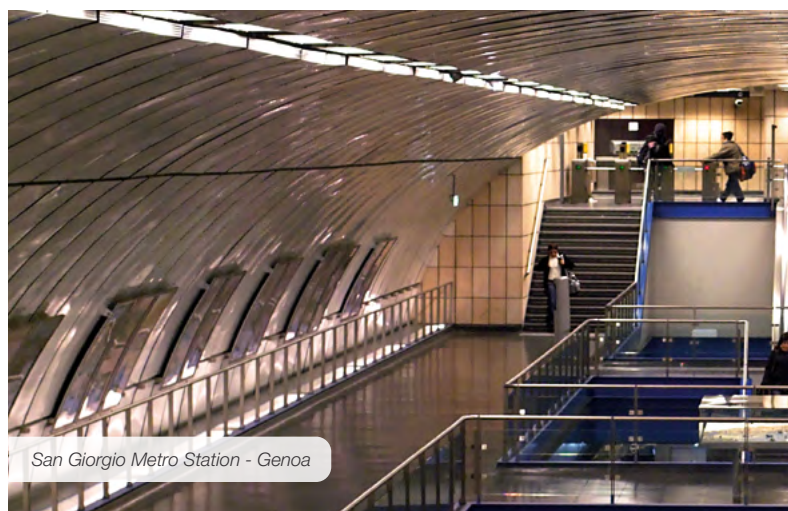
In 2018, the Code of Ethics control body did not receive any reports of violations of the code relating to Hitachi Rail STS S.p.A. or other companies belonging to the group, except for the following:

- in April 2018, the Company received an anonymous report regarding the personnel selection process at Hitachi Rail STS Australia. With regard to this report, the Supervisory Body of Hitachi Rail STS S.p.A. had audits performed on site by the Internal Audit department. No deviation from the recruitment process was found. Therefore, no further investigation was necessary.

The Supervisory Body at the meeting held on March 26th 2019 also examined the following reports:

- in December 2018, a report relating to Hitachi Rail STS France s.a.s. regarding an alleged infringement of the internal supplier selection process was received. As regards to this report, the necessary audits are still in progress and the Internal Audit department in agreement with the Group Anti-Corruption Officer requested the suspension of the activities with the supplier, even if at this time no elements that can constitute infringement of the group Code of Ethics and the Organisation, Management and Control Model adopted by Hitachi Rail STS S.p.A. have emerged;
- several reports concerning a group supplier and its alleged conduct aimed at corrupting third parties outside of Hitachi Rail STS in India were received between December 2018 and January 2019. The Company and Hitachi Rail STS India conducted the necessary and appropriate audits also in connection with these reports, including questioning the central structures of the supplier. At the end of this analysis process, no significant finding for either the Anti-Corruption Policy or the Code of Ethics or Model emerged.

During 2018, both the Hitachi Rail STS S.p.A. Code of Ethics and the Code of Ethics adopted by each group company were updated in order to bring them into line with the Anti-Corruption Policy.



San Giorgio Metro Station - Genoa



ANTI-CORRUPTION

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

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

Hitachi Rail STS has implemented a corruption risk management system based on several control tools to combat and prevent corruption-related behaviour that together constitute the system of policies adopted by Hitachi Rail STS in the fight against corruption. The most important tools are:

- the Code of Ethics;
- the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 adopted by Hitachi Rail STS S.p.A.;
- the body of company procedures;
- the due diligence activities carried out on the third parties with which Hitachi Rail STS deals;
- the Anti-Corruption Policy.

The **Code of Ethics** serves as a tool to control and mitigate corruption risk. Compliance with the principles and rules of conduct contained therein enable Hitachi Rail STS and the STS companies, worldwide, to prevent certain illegal conduct or offences - including those that are corruption-related and as required by the regulations of the various countries in which 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 231/01 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 Legislative Decree 231/01.

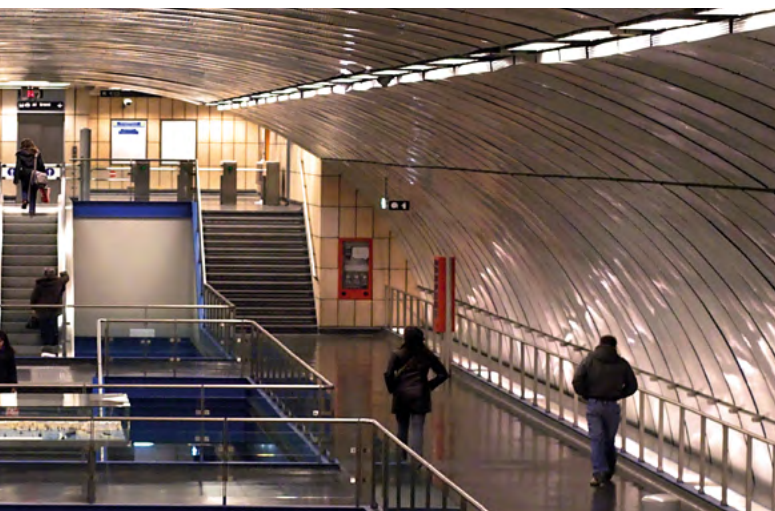
The main risk areas, including direct risks and the areas that could potentially facilitate acts of corruption subject to the requirements of the Model, are mainly sales, contract management, procurement, sites, administration, finance and control, Human Resources and soft loans.

In order to ensure the comprehensive acknowledgement of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 by all personnel, all employees receive a report whenever updates are made to the Model. In addition, a new e-learning training programme was recently offered to nearly all employees of Hitachi Rail STS S.p.A. Employees working in at-risk areas, as well as executives and middle managers, sign periodic statements to certify compliance with the Model and, when needed, are required to describe the most significant relationships with customers and representatives of the public authorities.

The prevention and fight against corruption-related conduct is also supported by a well-structured and comprehensive **body of corporate procedures**, applicable in agreement with the special national provisions regarding the individual group companies. These procedures govern the conduct of company transactions and operations, so as to ensure the identification of the persons responsible for the decision-making and authorisation process, and to provide traceability, enabling the identification of the reasons for the decisions made and the persons to be held accountable for them. The corporate body of procedures specifically governs and defines those which, due to their very nature or to the type of parties involved, including external parties, are potentially vulnerable to the risk of corruption.

In order to mitigate the risk of corruption, Hitachi Rail STS has developed a tool to combat this problem and a process to assess the various types of third parties with whom it deals, both within the scope of business activities and for ordinary corporate operations. This process includes, a clear view of the internal areas that can be associated with external third parties where such risks could occur, as well as a range of assessment tools for verifying, inter alia, the existence of potential indicators of a high risk of corruption.

In order to further equip itself with effective prevention tools against the occurrence of potential corruption-related events, Hitachi Rail STS has launched a global process





aimed at analysing its own corruption risk management system and to identify possible areas for improvement. This activity was carried out in compliance with the company's international work and took into consideration the best practices in this area and the main international Guidelines and Conventions concerning the prevention and fight against corruption. To ensure the uniformity and completeness of the risk management systems adopted by the company, the activity was carried out in a fully integrated manner and in full coordination with the risk management tools defined pursuant to Italian Legislative Decree 231/01.

The improvement initiatives identified at the end 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 a defined global **Anti-Corruption Policy** that determines the principles of reference, defines the roles and responsibilities, and also identifies the key measures necessary to achieve effective anti-corruption management throughout STS. This Anti-Corruption Policy was approved by the Board of Directors on 31 July 2018.

The Hitachi Rail STS Code of Ethics and the corresponding Code of Ethics adopted by each legal entity of STS company was updated, bringing them all into alignment with the principles set out in the aforementioned policy.

The Anti-Corruption Policy also provided for an Anti-Corruption training programme required for all STS company employees, globally, to promote the policy and related knowledge.

In order to strengthen the monitoring tools and control mechanisms designed to control the corruption risk, and as provided for by the policy, a quarterly reporting system is currently being implemented. The purpose of this reporting activity is to analyse the areas at potential risk of corruption at the global STS level. Furthermore, an annual report is presented to the Board of Directors, the Board of Statutory Auditors and the Risk and Control Committee of Hitachi Rail STS S.p.A. concerning the effectiveness, adequacy and state of implementation of the Anti-Corruption Policy.

RESPECT OF HUMAN RIGHTS

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

Hitachi Rail STS, despite not having formalised its commitment in a specific policy, applies 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 nor 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 labor. In addition, the company, requires its contractors and subcontractors to ensure the same attention to this issue, with the goal to eliminate such illegal behaviours.

As regards the respect of human rights in relationship to work, 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. The company guarantees that its workers are free to join trade unions, and sees that its relationships with the unions are cooperative and friendly, providing mechanisms which enable workers to report their opinions to Human Resources directly, or via staff representatives.

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, executives and employees – including those of the companies directly or indirectly controlled by STS – comply. This also extends to all those who enter into contractual relationships which require the observance of certain obligations specified by the Company.



Training on the code of ethics

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

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

A specific training activity on the aspects of respecting human rights and ethical compliance was carried out between 1/1/2018 and 31/3/2019, and it involved 4,218 people for a total of 3,747 hours. Similar training courses were provided also in 2017 (32 people involved for a total of 224 hours).

Index equality between women and men in France

In accordance with the law of September 5, 2018, aimed at eliminating the gap between women and men, Hitachi Rail STS France publishes its gender equality index.

The equality index is based on 5 indicators:

- the pay gap between women and men;
- the increase gap between women and men;
- the promotion gap between women and men;
- the percentage of women increased upon return from maternity leave;
- the number of women and men among the top 10 earners.

In 2018, the Hitachi Rail STS France score is 85/100, reflecting the company's long-standing commitment, notably through the signing agreements relating to professional equality.

Hitachi Rail Europe*: Modern Slavery Statement 2018-2019

Hitachi Rail Europe Limited (a UK subsidiary of Hitachi Ltd) recognises the importance of identifying and preventing the action and causes of modern slavery. The Statement, made under Section 54 of the Modern Slavery Act 2015, establishes the steps taken to prevent modern slavery and human trafficking in the company's business and supply chain in the year to 31 March 2018. www.hitachirail-eu.com

* Hitachi Rail Europe Limited changed its name to Hitachi Rail Limited on 1 April 2019.

Privacy and protection of personal data

With reference to privacy and protection of personal data, during 2018 –and in compliance with the new EU 2016/679 Regulation on personal data protection ("GDPR") – Hitachi Rail STS started the required adaptation activities in support of the new regulatory provisions by governing the personal data management model at the central level, then coordinating the activities carried out in each European country where it operates.

Specifically, in its role of data controller, the company on 9 May 2018 appointed: (i) a special Data Protection Committee and (ii) the Data Protection Officer (DPO).

The company also updated its processing register and implemented procedures aimed at formulating the Data Protection Impact Assessment (DPIA) for managing Data Breaches.

Please note that as of today there have been no documented complaints regarding breaches of privacy and/or loss of data of which Hitachi Rail STS is the data controller.



PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT

Commitment to the Global Compact



Once again, this year Hitachi Rail STS has signed up to the Global Compact, a voluntary United Nations initiative that encourages respect for human rights, labour, the environment and fights against anti-corruption through a series of 10 principles. The Group's membership in the initiative reiterates its commitment to the Global Compact and its main principles as an integral part of the Company's strategies and workplace culture.

Global compact network Italy foundation

Global Compact Network Italy (GCNI) was founded in 2002 to contribute to the development of the "Global Pact" in Italy. In June 2013, the GCNI created the **Global Compact Network Italy Foundation**, with Hitachi Rail STS as Founding Member and Sponsor, along with 17 other organisations, private companies, universities and research institutes, non-profit foundations and civil society organisations.

CSR manager network

Hitachi Rail STS participates in the CSR Manager Network, the National Association that unites the professionals of the main Italian companies committed to sustainability issues. The Association is a place to discuss Italian and foreign best practices and acts as a representative body and communicates with the world of politics, business associations, trade unions, environmental associations and other NGOs. It also promotes and tests sustainability and actively participates in national and international discussions. It is the Italian network hub for similar associations that are being set up around the world. The CSR Network is Italy's official representative in the Global Network of the World Business Council for Sustainable Development (WBCSD).

Industry associations

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

In the scope of UNIFE, Hitachi Rail STS collaborates to promote the extension of the use of railway transportation through the implementation of technological standards (ERTMS and TSI) and by proposing European research projects to improve safety, energy efficiency and environmental protection in the field of railway transportation. Specifically, this project, proposed as a Joint Undertaking in the railway sector, SHIFT2RAIL, aims to reduce emissions and promote for a modal shift in transportation, in line with the indications of the transportation white book published by the EU Commission. Furthermore, also as part of UNIFE, Hitachi Rail STS sits on the Sustainable Transport Committee, which aims to define a common, consistent and effective consensus in the railway industry with respect to environmental issues and, particularly, energy efficiency (reliable standards to measure energy consumption), the evaluation of the life cycle as one of the main criteria in the decision-making process, eco-procurement and noise and emission reduction.

Taxonomy and green finance

Taxonomy and green finance: four fundamental documents were recently presented referring to the European Commission's Action Plan for a greener and cleaner economy. The project that was initiated in March 2018, aims to channel capital towards a low-intensity carbon economy.

In May 2018, the European Commission began implementing the first measures contained in the Action Plan, by introducing three regulatory proposals related to:

- the taxonomy of eco-compatible activities;
- low-carbon benchmarks and positive carbon impact; and
- institutional investors' disclosure on ESG risks.

The European Commission subsequently appointed the Technical Expert Group on Sustainable Finance (TEG), comprising a multi-stakeholder group of experts brought together by the Commission to establish the guidelines for sustainable finance in Europe and to provide consulting on four specific issues referring to: taxonomy, prioritising environmental issues and more specifically, on the mitigation and adaptation to climate change; improving the guidelines on reporting information related to climate; the introduction of a European Green Bond Standard; common criteria to build low-carbon benchmarks and a positive-carbon impact.

Within this European initiative, Hitachi Rail STS contributes to the work required of the group of experts (TEG) in its sector, both through the European association (UNIFE), and in the context of Hitachi, providing their own evaluations and experiences to identify the metrics that the European Community will use to assess the performance and possible financial support.



Stakeholder engagement

For Hitachi Rail STS, social responsibility translates into the daily focus and care of its relations with stakeholders. Understanding their needs and expectations is achieved through the definition and implementation of specific tools for dialogue and interaction.

STAKEHOLDER MAPPING

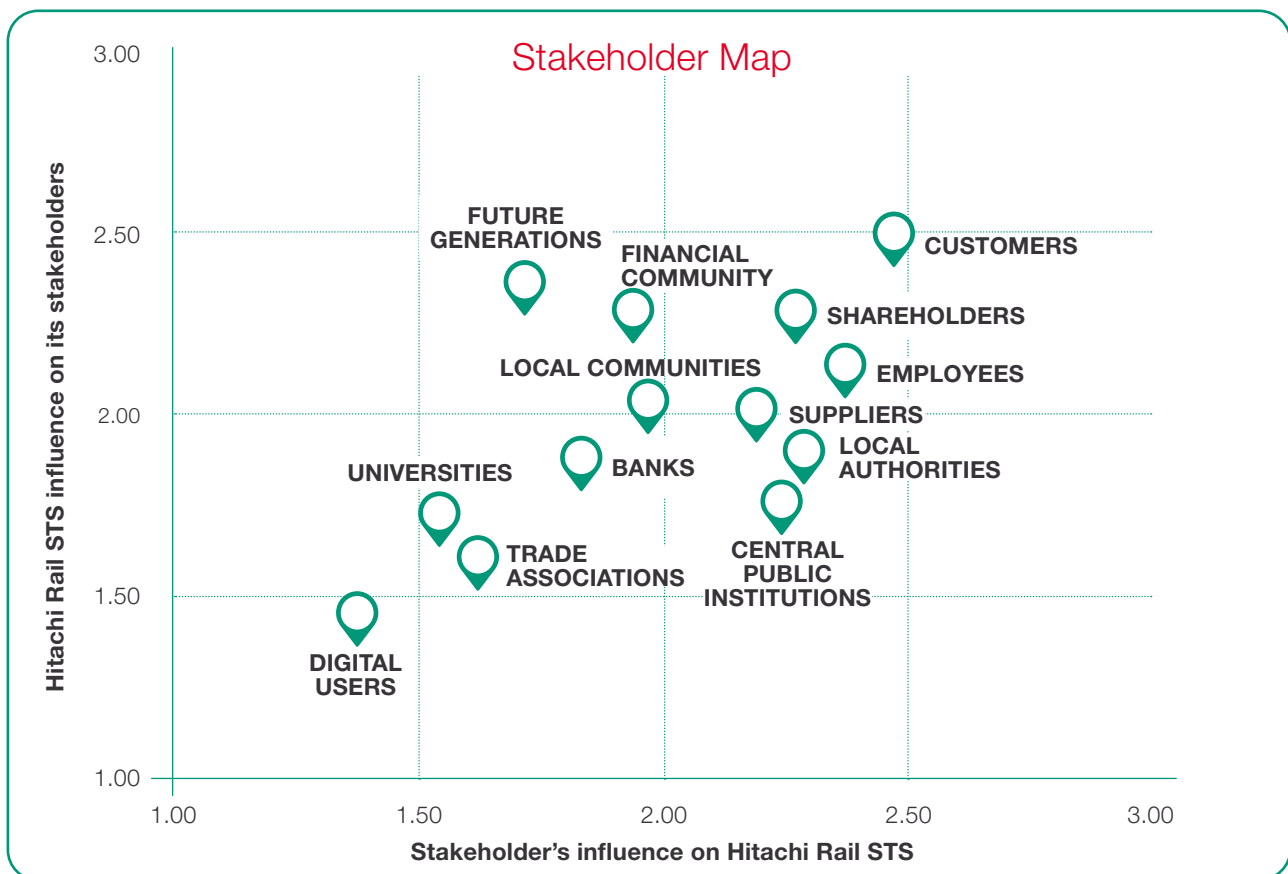
Hitachi Rail STS has analysed the nature of its relations with different stakeholder categories to understand the extent and manner in which these may impact business performance and, at the same time, to what extent the Company can positively influence the welfare of its stakeholders.

Hitachi Rail STS's performance is evaluated considering the three components that characterise sustainable growth:

- economic, i.e. attainment of turnover, new customers, order backlog and profitability objectives;
- social, i.e. the Company's capacity to create "shared value" (not just economic) by satisfying requirements and expectations;

- environment, health and safety, i.e. meeting objectives to reduce the Company's direct and indirect impacts on the environment and its workers' health and safety.

The scores assigned by each member of the Sustainability Committee are reflected in the following map:



The stakeholder category perceived to be most strategic for the Company, in line with its culture and values, is that of the customers, followed by employees, members and shareholders. Employees' influence on the Company is seen to be greater than the Company's influence on them. This assessment reflects Hitachi Rail STS's culture of placing its people at the heart of its organisation, which is an essential component of its success.

Suppliers, local authorities and central public institutions are slightly lower on the matrix. Once again, their influence on Hitachi Rail STS is seen to be greater than Hitachi Rail STS's influence on them. Local communities, the financial community and future generations are more influenced by the Company's operations.



STAKEHOLDER RELATIONS

In this sustainability report, Hitachi Rail STS has aimed to present the different ways in which it interacts with its stakeholders, distinguishing between:

- **opportunities for information:** one-directional communications from the company to its stakeholders;
- **consultation/dialogue:** when the Company asks for stakeholders' opinions (e.g., through surveys, polls, focus groups, etc.) or sets up permanent discussion groups;

- **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.**

STAKEHOLDER	OPPORTUNITIES FOR INFORMATION	CONSULTATION/ DIALOGUE	PARTNERSHIP
CUSTOMERS	• Periodic project meetings; • Meetings with customer senior and top management; • Participation at trade fairs, conferences and opening ceremonies; • Communication via the social media.	• Customer satisfaction survey; • Hazard Workshop to test the safety of products and solutions; • Open Day to collect feedback from end users.	• Joint venture agreements.
HUMAN RESOURCES	• Information about the Company's performance, delivery of its main projects, acquisitions of new orders.	• Employee engagement analysis through launching of a yearly global survey; • Assessment of managers by groups of peers (360° for executives); • Talent selection and development programmes; • Coaching sessions for international work teams (Project team effectiveness).	• Partnership with the Faculty of Electrical Engineering at the University of Genoa, with membership of the careers guidance committee; • Collaboration with the Department of Civil, Construction and Environmental Engineering of the University of Rome "La Sapienza" in relation to the Level II Masters in "Infrastructure and Rail Systems Engineering".
SUPPLIERS	• Requests for information, references, and catalogues; • Structured feedback to suppliers, recorded as to the progress of their qualification within the suppliers portal.	• Requests for technical and price-based bids and negotiations; • Online survey of sustainability issues (TenP of Global Compact Network Italy Foundation); • Sharing of the necessary corrective actions requested and planning of actions following non-compliances discovered during the performance evaluation stage with the suppliers.	• Medium- to long-term supply contracts.
LENDING INSTITUTIONS	• Invitations to participate in deals; • Communication and presentation of project data.	• Meetings to present projects and their details; • Contract negotiation (guarantee texts, credit letters and pricing negotiation).	• Partnership for the guarantees related to the O&M Riyadh Metro and O&M Riyadh Princess Noura, mRing 3 Copenhagen, Tel Aviv Red Line, Mumbai Line 3 and the Florence Hub projects; • Partnership and beauty contest for guarantees relative to the newly acquired projects, among which O&M Riyadh.
INVESTORS/ FINANCIAL ANALYSTS	• Roadshows; • Conferences; • Video conferences.	• Roadshows; • Conferences; • Video conferences.	
NATIONAL AND EU PUBLIC INSTITUTIONS	• Institutional communications (internet news, press releases, etc.).	• Consultations about potential partnerships for research projects.	• Joint research projects.
LOCAL AUTHORITIES/ PUBLIC ADMINISTRATION	• Regular institutional communications.	• Ongoing dialogue on different occasions and for jointly-managed projects.	• CSR projects jointly-managed with local institutions.
LOCAL COMMUNITIES	• Reports on the progress of projects to the local community (together with the local institutions).	• Participation in local stakeholder committees; • Rail user satisfaction surveys.	• Participation in local community development projects and CSR initiatives.
INDUSTRY ASSOCIATIONS	• Institutional communications (internet news, press releases, etc.).	• Consultations about potential partnerships for research projects.	• Joint research projects.
MEDIA	• Regular institutional communications.	• Consultations for more details of specific issues;	
DIGITAL USERS/SOCIAL NETWORK	• Regular institutional communications.	• Ongoing communications and regular updates of the website.	• Partnerships with social networks to develop web communications and relations.



INVOLVEMENT WITH LOCAL COMMUNITIES

Hitachi Rail STS plays a leading role in managing relations with local communities, be they municipal authorities, residents' associations, metro and rail service users, businesses or local workers, adopting different methods depending on the type of commercial project.

Hitachi Rail STS is actively involved in programmes to communicate and interact with the communities affected in various ways:

- Participation in committees that represent local stakeholders;
- Promotion of communication between the local authorities and citizens;
- Engagement in direct communication; and
- Participation in programmes to develop local communities.

Main initiatives

Hitachi Rail STS's initiatives supporting communities falls under a CSR strategy that calls for cooperating in the implementation of the 2030 Sustainable

Development Goals established by the United Nations. The major support and cooperation activities brought forward at the local level in each of the areas where

Hitachi Rail STS operates are listed below, and the sustainable development goals are also associated with each initiative.

STS ITALY

INITIATIVE	GOAL	GOAL CONSIDERED
We Care About Us	• In-house communication project for Italy with a view to promote well-being in the company.	• Goal 3: Good health and well-being for people.
Liberidimuoversi	• Support provided to the association to build a cycle path in Genoa.	• Goal 11: Sustainable cities and communities; • Goal 9: Industry, Innovation And Infrastructure.
A.F.co.D.A.	• Support provided to the Associazione Familiari contro i Disturbi Alimentari (Association of Family Members Against Eating Disorders).	• Goal 3: Good health and well-being for people.
Dianova	• Support provided to the Dianova Onlus association that helps people with problems with various problems with addiction.	• Goal 3: Good health and well-being for people.
Rebuilding of school following earthquake in Central Italy	• The junior secondary school Carlo Alberto Dalla Chiesa in Esanatoglia, in the Marche region, that was destroyed in the aftermath of the 2016 earthquake that struck Central Italy has been rebuilt.	• Goal 4: Equal and quality education; • Goal 11: Sustainable cities and communities
A.A.B.C. Associazione Amici Bambini Cardiopatici Onlus (non-profit association of friends of children with heart disease)	• Donation to the Associazione Amici Bambini Cardiopatici Onlus.	• Goal 3: Good health and well-being for people.
Purchase of tickets to the Carlo Felice Theatre	• Purchase of tickets for Carlo Felice Theatre in Genoa for ANFFAS Onlus.	• Goal 3: Good health and well-being for people.
Corner Garden	• Construction of a Corner Garden at the Tito Scalo plant complete with local olive tree in order to improve the work environment and to increase attention paid to environmental topics.	• Goal 13: Action for the climate; • Goal 15: Life on earth.
Differenza Donna Onlus	• Initiative to fight violence against women together with the Differenza Donna Onlus association.	• Goal 5: Gender equality.
Alternating School and Work	• Initiative promoted by the MIUR (Italian Ministry of Education, Universities and Research) to bring the future generations closer to the world of work.	• Goal 4: Equal and quality education



STS FRANCE

INITIATIVE	GOAL	GOAL CONSIDERED
Heart Race - France	The French locations of Hitachi joined together in a single "One Hitachi" team to take part in the race supporting organ donation.	Goal 3: Good health and well-being for people.
Day of safety and health at work	Les Ulis, introduction to first aid practices in order to raise awareness amongst our personnel.	Goal 8: Decent work and economic growth; Goal 3: Good health and well-being for people.
Elles Bougent	Company membership in the association that deals with promoting the careers of women engineers.	Goal 5: Gender equality.
Les Foulées de Courtaboeuf	Course organised to support the "École de la 2e Chance" project.	Goal 4: Equal and quality education.
Blood donation campaign	Renewed annual commitment to promote the French national blood donation campaign.	Goal 3: Good health and well-being for people.
Télétravail	Possibility for employees to work from home once a week, as compatible with their function and subject to an agreement with their employer.	Goal 3: Good health and well-being for people; Goal 8: Decent work and economic growth; Goal 13: Action for the climate.

STS AMERICAS

INITIATIVE	GOAL	GOAL CONSIDERED
AIKEN Augusta Wounded Warrior project	Thanks to the fundraising organised during a golf tournament, the initiative funded 23 scholarships for the AIKEN University of South Carolina.	Goal 4: Equal and quality education; Goal 10: Reduce inequalities.
Friends of New York Transit museum gala	Support provided to the "New York Transit Museum" non-profit organisation.	Goal 11: Sustainable cities and communities.
Carnegie Museums of Pittsburgh Membership renewal	Hitachi Rail STS renewed its membership support for the Carnegie Museums in the city of Pittsburgh, which includes the natural history museum, the art museum, the Science Center and the Andy Warhol Museum.	Goal 4: Equal and quality education; Goal 11: Sustainable cities and communities.
Project Homes	Supported the "Project Homes" initiative of SEPTA to help alleviate homelessness in the city of Philadelphia.	Goal 1: Zero poverty; Goal 10: Reduce inequalities.
Raleigh Rock & Roll	Marathon held in Raleigh, North Carolina, to support the fight against Multiple Sclerosis.	Goal 3: Good health and well-being for people.
Blood Donation Drive	Participation of Hitachi Rail STS employees in the blood donation campaign promoted by the "American Red Cross".	Goal 3: Good health and well-being for people.



STS APAC

INITIATIVE	GOAL	GOAL CONSIDERED
Australasian Railway Association (ARA) member	The ARA is an association of the railway industry that operates in Asia and Australia with a view to promoting economic productivity and social prosperity by fostering contacts between its member companies.	Goal 8: Decent work and economic growth; Goal 9: Industry, Innovation And Infrastructure.
Blood donation campaign	Participation of Hitachi Rail STS employees in the blood donation campaign promoted by the “Red Cross Blood Transfusion Service”.	Goal 3: Good health and well-being for people.
White Ribbon Day	Donation to the “White Ribbon Day” association committed to fighting the domestic violence phenomenon.	Goal 5: Gender equality.
R U OK? Day	Initiative that promotes the development of attention paid to psychological well-being topics.	Goal 3: Good health and well-being for people.
Staff Social Days	Initiative that takes our colleagues into a context outside the workplace, in a place that can foster social interaction.	Goal 3: Good health and well-being for people.
Harmony Day	“Harmony Day” is an Australian national holiday that celebrates cultural diversity. The personnel of Hitachi Rail STS gathered together to bring dishes typical of their respective cultures of origin.	Goal 10: Reduce inequalities.
Silver Healthier Happy Workplace Award	Hitachi Rail STS received the award for its commitment to guaranteeing well-being at the workplace.	Goal 3: Good health and well-being for people. Goal 8: Decent work and economic growth.



Hitachi Rail STS Honolulu team



Sustainability programme

Hitachi Rail STS draws up a sustainability programme each year, made up of the objectives to be targeted to ensure the ongoing improvement of its performance using annual reports of its commitments, surveys on the quality of its engagement with stakeholders and the aspects that emerged from the materiality analysis as a base.



SUSTAINABILITY GOVERNANCE



REPORTING PROCEDURE [2019]

- New system for drafting the Sustainability Report to be adopted already for the 2019 edition, which includes the application and execution of web reporting and an increasingly traceable collection process;
- Definition of a specific internal procedure that formalizes contents, roles and responsibilities of the non-financial reporting process.

ETHICS AND INTEGRITY



ANTICORRUPTION [2019]

- Finalization of the Group's anti-corruption risk assessment with defined action plan.

HUMAN RIGHTS [2021]

- Implementation of the Hitachi Group Human Rights Policy.



OUR PEOPLE



PEOPLE CARE [2020]

- Introduction of the smart counselling service;
- Campaign to raise public awareness of performance bonus welfare.

MANAGEMENT RELATIONS [2020]

- Management of the STS integration in Hitachi Rail process.

TRAINING AND DEVELOPMENT [2020]

- Implementation and governance of the Localisation of Key Competences (LKC) programme;
- Implementation of the new tool Performance Development Plan (PDP) tool and areas of improvement;
- Compliance training activities, on the Information Security Management System (ISMS) and on the General Data Protection Regulation (GDPR);
- Development of the HSE Excellence Design Sprint;
- Improvement of learning management system.



CSR AND COMMUNITIES



CSR PLAN [2020]

- Internal communication campaign and personnel training on CSR and SDG topics and launch of the Sustainability Award (Contest).

PARTNERSHIP WITH UNIVERSITIES [2019]

- Continue the partnership with the universities while keeping up the commitments made over the years. In 2019, the Company has undertaken to give two scholarships for the faculty of electrical engineering of Genoa.

PARTNERSHIP FOR RESEARCH [2020]

- Continue with the commitment of the Shift2Rail European research program a challenge for "smart, green & integrated" transport.



ENVIRONMENT, HEALTH AND SAFETY



ENERGY [2019]

- Reduce energy intensity performance indicator of the sites by 2% [GJ/no.h].

WASTE [2019]

- Reduce the weight of waste per hour worked by 10%.

WORKERS' SAFETY [2019]

- Reduce the injury frequency and severity indicator by 2% (3-year average).

HSE CULTURE CHANGE [2019]

- Number of events > 1 per manager with MBO.

HSE TRAINING [2019]

- Number of pro capite hours of training and induction in Health and Safety > 1.5.

HSE AUDIT [2019]

- Number of audits or inspections per site or project > 2.

ETHICAL MANAGEMENT OF THE SUPPLY CHAIN



GLOBAL PROCUREMENT PLATFORM [2020]

- Completion of implementation of the Global Procurement Platform modules in conjunction with the integration plans being defined at Hitachi group level.

ECONOMIC SUSTAINABILITY



BUSINESS STRATEGY [2020]

- Tuning of the current organizational structure and of the deliver model with the future market trends;
- Strengthening capabilities in local markets and project financing models.



OUR 2018/19 CORPORATE SOCIAL RESPONSIBILITY PLAN

Hitachi Rail STS considers the behaviour of an organisation that contributes to sustainable development, grown out of a shared and concrete commitment to Corporate Social Responsibility (CSR), as 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.

Hitachi Rail STS wants to develop a coordinated CSR corporate strategy, with an action plan that aims 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.

Inspired by these principles, our 2018/19 Corporate Social Responsibility (CSR) plan has identified the following action areas for the two-year period:

1. develop an external communication strategy that highlights the integration between corporate objectives and social responsibility initiatives;
2. provide internal training in order to improve the culture of ethics and sustainability;
3. propose new and concrete initiatives to the Executive Committee, to stimulate a sustainable development of the business and contribute to achieve the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda.





Internal sustainability committee

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:

- *Finance Treasury;*
- *Investor Relations;*
- *Management & Statutory Reporting by Legal Entity;*
- *Sales BU – Customer relations – Project management – Innovation;*
- *Institutional Affairs, External Relations & Communication Unit;*
- *Corporate Affairs & Group Insurances - Legal Business Affairs & Litigation;*
- *Human Resources & Organization-Community;*
- *HSE;*
- *Risk management;*
- *Internal Audit;*
- *System Assurance and Control;*
- *Operations - Procurement.*

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 (CSR Plan), made up of financial, social and environmental objectives;
- the implementation of the codes of conduct in terms from an ethical, social and environmental point of view, such as the Code of Ethics and the CSR and HSE policies and procedures;
- the observance of the reporting standards of the Global Reporting Initiative and initiatives such as the Global Compact and CDP (the former Carbon Disclosure Project);
- the definition and coordination of stakeholder dialogue, discussion and engagement of stakeholders and the sharing of results and the steps to be taken;
- definition and implementation of an internal and external sustainability communication plan and of an internal training plan on these topics.

The new development plan for the sustainability topics (2018/19 CSR Plan), formulated for the first time in

the company, was presented to the Sustainability Committee and to Top Management in January 2018. Its implementation started immediately afterwards.

In 2018 the Internal Sustainability Committee met on two occasions:

- in June 2018 to discuss the following topics: presentation of the draft of the Sustainability Report for the tax year 2017; disclosure of the results of the materiality analysis; identification of new Global Reporting Initiative indicators; sharing of the goals and preparation of the procedure to draw up the consolidated non-financial statement (NFS); identification of the goals concerning the anti-corruption and human rights topics; formulation of the sustainability strategy: CSR plan.
- in December 2018 to discuss the following topics: drafting of the NFS and the Sustainability Report; formulation of the CSR strategic plan: internal communication campaign and personnel training course.

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 and the

Sustainability Report while the CEO approve the sustainability programme, i.e. the action plan to be implemented, the targets to be achieved and the reporting activities.

Social Innovation



Hitachi Rail STS has always devoted ongoing attention to innovation, in order to identify and create advanced technical solutions and develop products of the very highest quality, safety and environmental standards.

R&S: invested **43.3** mln €



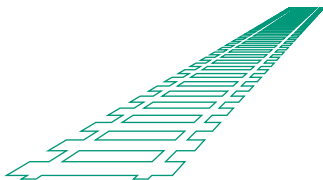
directly ascribed
to profit & loss

Leadership
in ERTMS **satellite
technologies**

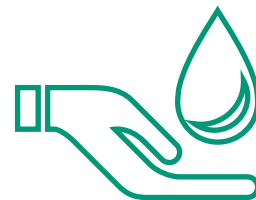


IAMS – Intelligent Asset Management System

digital
evolution of signalling systems that
maximize reliability and reduce
maintenance costs



Innovations and technologies
for **energy efficiency** and the
**reduction of raw material
consumption**



Safety and reliability of products,
applications and systems.
Maximum level (**SIL4**)
for critical applications



ECO-DESIGN

- Materials re-usability and recyclability
- Compliance with REACH
- **Life Cycle Assessment**





Goals met as at 31.03.2019

SOCIAL INNOVATION: INNOVATION AND THE ENVIRONMENTAL IMPACT OF PRODUCTS AND SOLUTIONS

SDGs	COMMITMENTS UNDERTAKEN IN 2017	ACTIVITIES AND GOALS MET AS AT 31.03.19
	Evolution of the Interlocking System platform, responsible for the safe movement of trains, with the possibility of a dynamic configuration that avoids interruption of service	Certification for the generic product (GP) according to European standards (CENELEC) has been achieved. The platform has actually become the basis for any interlocking development; also appreciated by the French railways that have defined a development plan (ARGOS) for a new interlocking and that has chosen this platform. It will be used for the first time in the Copenhagen metro, whose exercise date will be at the end of September 2019 and subsequently also in High Speed (Florence - Rome). 
		
	Automation 2.0 the new evolution of management software for "control centres"	Automation 2.0 the new evolution of the software for the management of the control centers proceeds and includes also the part related to the Asset Management, platform for intelligent maintenance and the consequent energy saving, now proposed in all especially metropolitan competitions. 

 Target achieved
  Target partially achieved
  Target not achieved
  Target postponed

The value of innovation

Innovation never begins with an idea or an instrument. To the contrary, it begins with a need, the discovery of an opportunity. Hitachi meets these needs with new technologies for designing solutions that can create a tangible and positive social impact, and a visible and persistent change.

This is how it manages its projects, by analysing them as plans or proposals able to display solutions that can work. It creates a prototype with the project, and demonstrates how to implement the idea and attain the expected results. This "scientific" approach allows it to assess the feasibility, costs, market and value of the solutions.

Therefore, Social Innovation for Hitachi is the way to:

- Reflect on the impact that the technological innovations are making on society, by developing new solutions in the world of transport, industry, infrastructure, health and energy;

- Understand how advanced technologies can affect the development of smart communities by creating new and dynamic business models;
- Evaluate how the new technological solutions improve company management by adopting integrated processes thanks to the availability of additional data and information together with the customer and the stakeholders;
- Discover how Hitachi Rail STS is taking part in virtuous systems to guide businesses, institutions and towns by adopting a collaborative approach and by integrating IT and Operational Technologies.



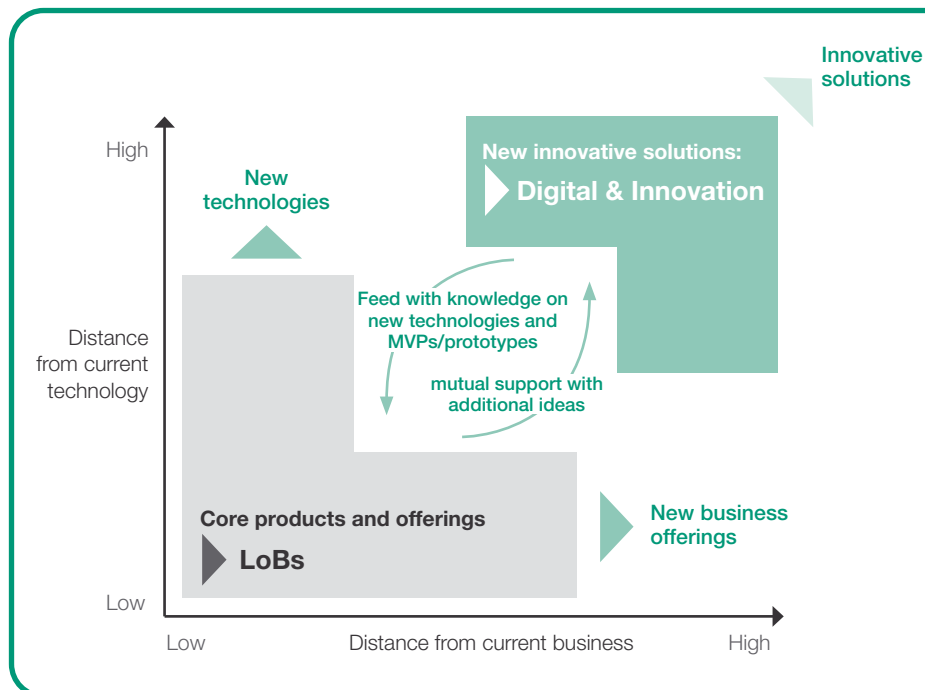
A TEAM DEDICATED TO INNOVATION

In January 2019, Hitachi Rail STS has created a group explicitly and exclusively dedicated to the theme of innovation, to be developed over the next few years with dedicated budgets and resources.

The first objective was to give a clear definition of the concept of innovation by choosing the one given in The Little Black Book of Innovation by Scott D. Anthony "Blueprinting is an idea to seize that opportunity, and implementing that idea to achieve results: no impact, no innovation".

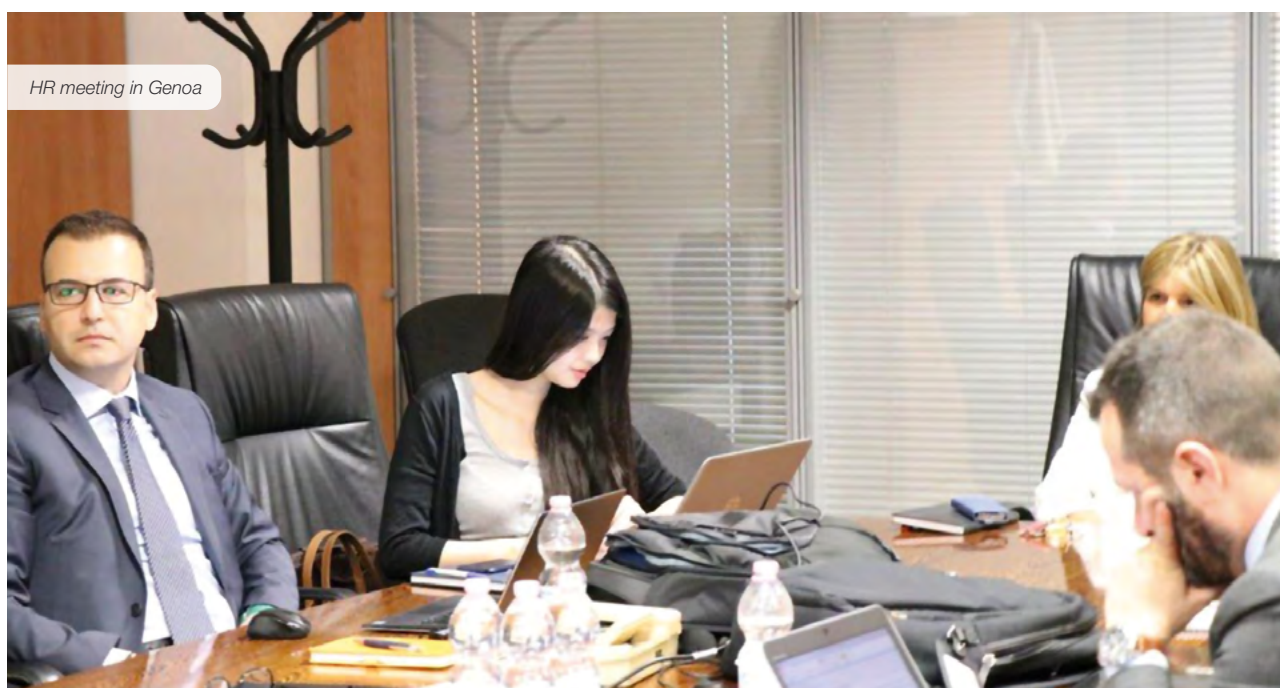
This definition highlights how, for Hitachi Rail STS, innovation is a structured process that requires a rigorous approach and a well-defined set of activities. Starting from a need, a business opportunity is identified to satisfy it. The best solutions (ideas) are identified, eventually resulting in new technologies and competences, according to the logic of 'open innovation,' and, finally the prototypes of these new solutions are created to demonstrate their effectiveness in satisfying the need. This creates a positive impact on the business and the community.

The second clearly-defined objective was the role and purpose of the new



team's work. The following figure summarizes the domain of the innovation team and where it is located -- away from current solutions and business. As a result, it becomes a collector of opportunities, ideas and skills, delving into new technologies. The final objective is to create prototypes of new products and solutions that, transferred to the engineering and development bodies together with the related new skills, can enrich the Company's product portfolio of tomorrow.

The team in the choice of projects will prefer those that best meet the sustainability requirements and the most innovative needs of customers and their customers.





MAIN PRODUCTS CONCEIVED AND IN DEVELOPMENT

Over the years, its development of products and solutions (Development and Engineering) has enabled Hitachi Rail STS to seize a leading position in the Signalling Systems and Railway and Mass Transit Sectors.

- **OTP - Optimizing Traffic Planner™** - an innovative rail traffic management system that enables the redirection of traffic in real time.
- **ATC (Automatic Train Control) and ATP (Automatic Train Protection) Systems** - automatic train speed control systems in line with ERTMS (European Rail Traffic Management System) standards.
- **CBTC Communication-Based Train Control** - two-way, radio-based train distancing communications system between wayside and train.
- **Wayside Platform** - integrated security, diagnostics and traffic regulation functions in a single, centralised platform.
- **Satellite Signalling** - a globally significant technological innovation which uses satellite geo-positioning technology as an alternative to traditional systems, reducing costs and environmental impacts.
- **IAMS - Intelligent Asset Management System**; thanks to the digital evolution of signalling and automation products, this system, processing large volumes of data, allows to optimize the use and maintenance of the systems and the resources correlated to them, guaranteeing the maximum availability and reliability of the railway / underground network while minimizing maintenance costs.

The research and development expense ascribed directly to profit or loss, net of grants, shows significant growth and is broken down in the following table:

RESEARCH AND DEVELOPMENT	31.03.17 ⁸	31.03.18 ⁹	31.03.19
Expense ascribed to profit or loss (M€)	36.7	42.1	43.3

The majority of investments regarded the on-board systems product line aimed at facilitating alignment to the ERTMS standards and improving the performance of CBTC applications; furthermore, the new platform for automation products was launched, aimed at promoting the digital development of technology.

In detail:

- CBTC development activities to supplement the general functions required by recent acquisitions and the safety testing and verification activities for ongoing projects continue;
- developments to the ATS Metro system are continuing in line with the CBTC roadmap;
- the activities of the new multi-year programme "Automazione v2.0" began, involving resources in Italy and the United States, continue. The major activities of this year were: drafting of the specifications and definition of the interfaces,

prototyping of the new graphic interfaces and implementation of the demonstrators on the main features that the new platform offers;

- the evolutionary development of the Interlocking MicroLok® platform continues, aiming to extend the features and to improve the diagnostics to meet the demands of the global market;
- the RBC functions of the MicroLok® platform were also developed, aiming to align the General Application to the evolving ERTMS standards;
- the development of the new "Fast" tool suite for the MicroLok® platform for system design and configuration for the Interlocking and RBC applications;
- as concerns the Interlocking MicroLok® platform, testing and integration in the laboratory activities continue upon completion of the new Vital Processor (Vi-Pro) development;
- with regard to Onboard systems, the Baseline3 testing and delivery activities continue.

7. Complete information on the product segments of Hitachi Rail STS is available at: <http://sts.hitachirail.com/en/products-services/business-segments>

8. Estimated value: expense as at 31.12.2016

9. Estimated value by using the following formula: ¾ 2017 expense plus the expenses of the 1st Quarter of 2018.



PRODUCT AND SOLUTION SAFETY AND RELIABILITY

Hitachi Rail STS implements RAMS (Reliability, Availability, Maintainability and Safety) activities to ensure that it develops and delivers products, applications and systems that are safe, in compliance with Italian and international laws applicable to railway systems, reliable and in line with its customers' needs and its internal quality standards.

These activities are performed on all Hitachi Rail STS projects in which safety and reliability are relevant, which constitute over 90% of total business 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 the Company and from the customer discuss the various issues. Potential hazards 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 Electrotechnical Standardization. Specifically, relevant standards are:

- CEI 50126 on RAMS applicable to the railway sector;
- 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 around the world in systems critical for the user (High Speed Lines, Large Stations or railway terminals, automatic metros).

Furthermore, thanks to special diagnostic devices, in many cases it is 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.



Deposit of Metro Princess Nourah University (PNU)



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 any instances of the same require a review and changes to the hardware or software of the element that does not meet the technical specifications required.

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 is 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.

Reliability of solutions

The reliability of solutions is also due to the use of redundant platforms that provide fault tolerant configurations, i.e. those that can continue to function even when certain sections present faults. This type of approach was successfully applied in Italian high-speed railways, where specific systems have been developed for the diagnostics and control of the electrical substations. These tools make it possible to plan “preventive maintenance” on lines, i.e. monitoring all substations 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.

Safer spaces for customers and end users

Hitachi Rail STS offers passengers safe and controlled spaces by equipping network vehicles with sensors that constantly monitor railway areas. The sensors operate around the clock.





ENERGY EFFICIENCY AND RESPECT FOR THE ENVIRONMENT

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

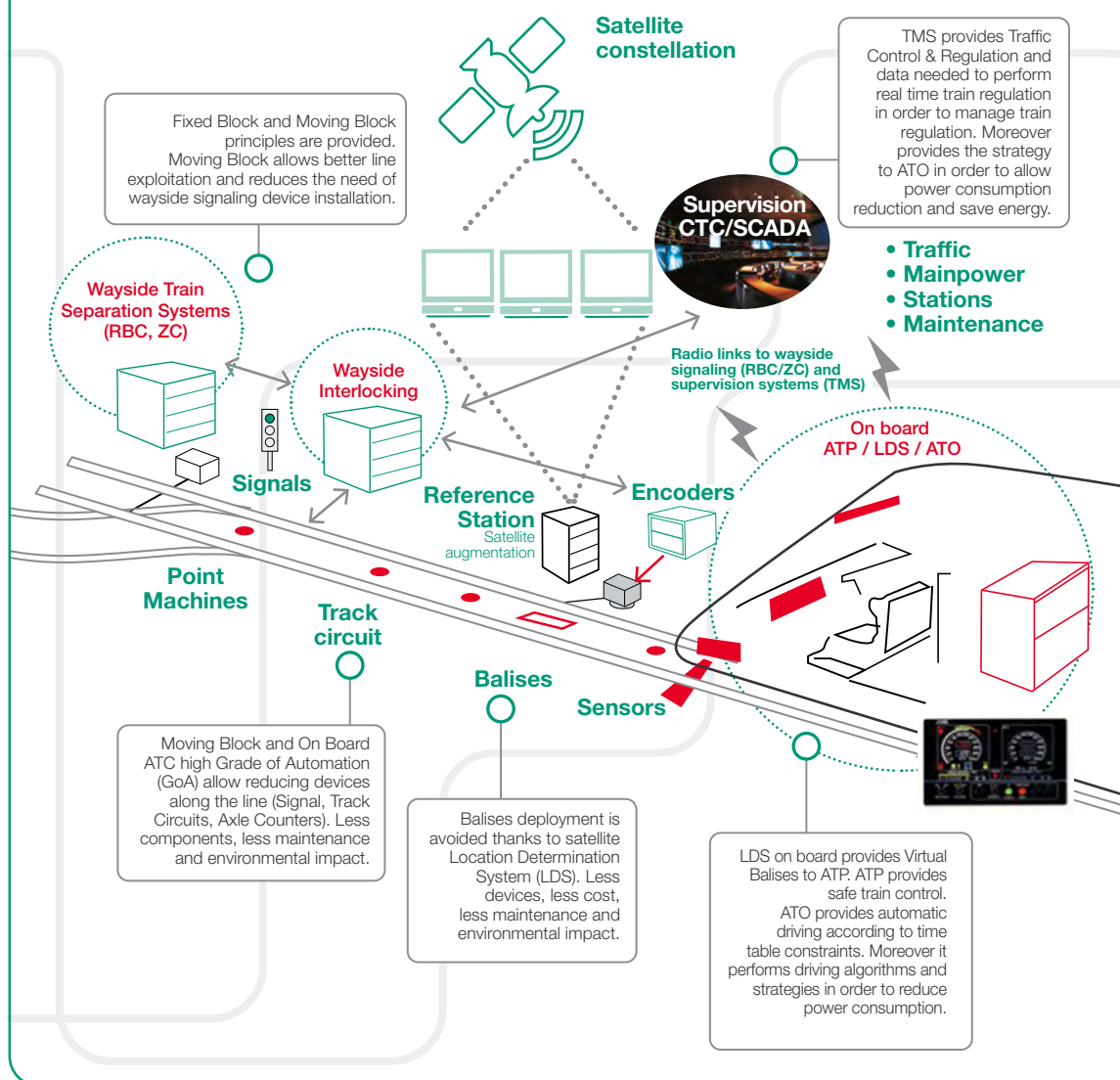
Energy efficiency

Hitachi Rail STS's research into energy efficiency concentrates on the following macro-areas:

- "Assistance with the design of turnkey systems", through holistic hardware-in-the-loop simulators to provide a transport system that uses energy efficiently.
- "Operation – rail & driverless", focused on searching for the optimum speed profile, considering scheduling and driving conduct.
- "Technologies for energy savings", for ground recovery systems, geothermal heat pumps, simulators for the optimal size of supercapacitor accumulation systems.

The Company developed these areas as part of the MERLIN (Management of Energy in Railway Systems), OSIRIS (Optimal Strategy to Innovate and Reduce energy consumption

HTACHI RAIL STS'S MEASURES TO IMPROVE THE SUSTAINABILITY OF ITS PRODUCTS AND SOLUTIONS



in urban rail Systems) and SFERE (Sistemi FERroviari: ecosostenibilità e Risparmio Energetico) research projects.

Two important innovations introduced by Hitachi Rail STS in signalling systems for train control relate to the use of public telecommunications

networks and GPS - Global Positioning Satellite - technology. The use of these new control systems will replace track equipment, which requires greater energy consumption. These systems will especially be used on low traffic lines in Europe, which make up about 50% of the total network length.



Reducing raw materials consumption

The use of powerful technological platforms integrating several functions in the same subsystem enables Hitachi Rail STS to reduce the size of equipment and their connectors, using simple and effective systems for scheduling, testing and roll-out. In addition, the search for increasingly standardised designs encourages innovation and a reduced use of components.

Specifically, over the past few years, methods to compact hardware of the central and outlying units of the railway control systems produced by Hitachi Rail STS were introduced and refined. They are based on both mechanical and technological solutions and allow a reduction in volumes, size, heat dissipation and waste to be eliminated of roughly 35%-40%.

Other methods to eliminate and simplify hardware included:

- the use of software from different subsystems on the same machine, such as for example, interlocking and radio block centre, usually used on separate hardware;
- the use of environmental sensors already in place as standard features on the CPUs instead of the previously used external sensor units;
- replacement of very bulky (and energy consuming) sophisticated industrial monitors with commercial equipment that meets the modern Green IT paradigms including with respect to the environmental impact of the materials used (this approach had already been implemented in the Turin-Padua Northbound Line and is of great interest for the revamping of the existing systems);
- centralised diagnostics (via web) rather than located in the outlying sites;
- maintenance systems based on commercial handheld devices replacing the traditional “heavy” equipment (this approach had already been implemented for the Roy Hill project);
- study and testing of embedded highly efficient innovative systems for railway applications (NEMBO research project).

Eco-design

Partly in response to certain new contracts (e.g., the Montreal MPM-10 TRAIN CONTROL SYSTEM project), Hitachi Rail STS is paying greater attention to studying eco-design aspects, including to meet customers’ environmental standards, such as:

- Analysis of compliance with REACH – Registration, Evaluation and Authorization of Chemicals regulation (an integrated registration, evaluation, authorisation and restriction system for chemicals established in the EU);
- Analysis of the re-usability and recyclability of materials;
- Life Cycle Assessment (LCA).

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

There is also more focus on the choice of materials, increasingly based on their ecological compatibility, starting from the product’s design stage (e.g., resins and paints of tropicalised circuit boards).

New approaches to hardware testing make the simultaneous testing of thousands of units possible, whereas previously tests were performed on one “box”, or controller, at a time. This solution, called SimWSP, has already been used for the Pisa system (northbound line).

The environmental management requirement for some ongoing contracts (e.g., the Copenhagen Cityringen) is to define an environmental policy to be applied during all the system implementation stages and requires preparation of an environment impact plan, an environmental action plan, etc. In particular, with respect to eco-design, environmental impact considerations must be included in the project flow in line with the environmental policy. The following objectives are set:

- base the environmental management system on the DS/EN ISO 14001 standard;
- consider environmental issues when taking decisions and include them in the project characteristics;
- work to high environmental standards and improve performances as much as possible over the project term;
- use raw materials and energy efficiently, optimising their re-use and recycling to minimise waste and waste products;
- safeguard environmental values and culture;
- prevent unwanted environmental consequences and reduce the project’s environmental impact;
- make a separate, specific and measurable commitment to respect nature.

Led technology

For the last few years, Hitachi Rail STS has produced LED-based traffic lights at the Tito Scalo and Batesburg sites. This innovation has a positive impact on energy consumption, the management of maintenance and the disposal of maintenance material. Suffice it to say that bulbs were normally changed every four months, while LED bulbs last at least ten years.

Reliable and efficient traffic timetables

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

Ticketing

“Proof of Concept” for a new digital ticketing system.

A new technological solution that can be used for public transport networks, with which tickets for a comfortable journey at reduced cost can be purchased by smartphone.

This solution can offer passengers substantial benefits. They can enjoy a more comfortable journey without having to rely on paper tickets or magnetic cards that have to be validated at both the entrance and exit. The solution can also help operators cut costs for maintenance and the purchase of additional automatic stamping or ticket machines.

Control Centre in Phoenix



Our People



Our people are essential to successfully compete in the market. Honesty, loyalty, aptitude, professionalism and technical preparation are aspects in which Hitachi Rail STS invests and which it requires from its employees to achieve personal and corporate growth objectives.

351.3 mln €

Economic value distributed to employees

+5.0%

(31.03.18-31.03.19)



98%

of employees hired with open-ended contracts



Improvement of performance assessment process

(95% of employees)



People Care:

listening, motivation, multi-cultural environment, growth and development programmes, benefits, fair remuneration

Knowledge Owners

strategic program for corporate know-how sharing

National Collective Agreement signed:

+ welfare
+ work hours flexibility

120,074

total hours of training

+32.6%

(31.03.18-31.03.19)



27.8

average hours of trainer per person:

+29.3%

(31.03.18-31.03.19)



Improvement of the new Intranet:

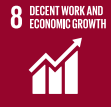
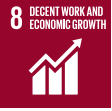
+ information
+ sharing





Goals met as at 31.03.2019

OUR PEOPLE

SDGs	COMMITMENTS UNDERTAKEN IN 2017	ACTIVITIES CARRIED OUT AND RESULTS AS AT 31.03.19
	TRAINING AND DEVELOPMENT • Completion of the Talent development programme (2018). • Further integration between development and organisation procedures to optimise skills and career paths (2018). • Analysis and consolidation of personal development plans (PDP) with a special focus on project groups (2018). • Promotion and consolidation initiatives to develop the effectiveness of on-the-job training (2018). • Extension of the e-learning training platform (2017-2019).	• The programme was successfully completed. • One of the requisites regarding the new tool supporting skills development and assessment processes lies in the increased integration of the two processes, also at system level, with the added support of a guideline aimed at better outlining the development actions connected with the skill gaps relating to retention of an organisational role. The workstream of Localisation of Key Competences focused on the selection and consequent localisation of strategic competences. An analysis was made to identify these key competences during 2018. The aim was to launch a preliminary pilot project during 2019 to manage its development and localisation. • An analysis was carried out and it led to the identification of actions for improvement aimed at strengthening the performance evaluation process. A guideline was constructed with the support of the business, with the goal of improving the definition, and consequently the evaluation, of performance. • On the job training was formalised and promoted with a custom-made tutorial. Tutor training initiatives and systematic induction plans for new recruits contribute to increased effectiveness of the on the job training and the associated cultural change. • The e-learning portal and training offers were reviewed in order to offer a larger number of personal development initiatives to employees. The hours of e-learning training increased as a result.
	MANAGEMENT RELATIONS • Launch of integrated second level bargaining in 2018.	• Bargaining launched and completed by the end of the year.
	PEOPLE CARE • Extension of corporate welfare (2018/2019). • Increase in flexible working hours (2019). • Smart working trial (2018).	• New corporate welfare tools introduced (performance bonus welfare, additional welfare). • The increase in flexibility working hours has been provided by the integrated second level agreement signed in December 2018. • Successfully conducted.



Target achieved



Target partially achieved



Target not achieved



Target postponed

Human resource management policy

Hitachi Rail STS offers equal opportunities beginning with the recruitment process, ensuring equal treatment while considering individual skills and abilities.

Over the course of employment, Hitachi Rail STS undertakes to create and maintain the necessary conditions to further expand upon employees' abilities and expertise on an equal opportunity

basis, through a policy based on the recognition of merits and equal opportunities and the provision of specific refresher and specialisation courses. As such, employees are required to cultivate

and draw on new expertise, abilities and knowledge, while executives and function heads must devote the utmost attention to enhancing and developing the professionalism of their workers.



In the pursuit of company objectives, workers must be aware that ethics are of immense value to the Company and accordingly, no conduct is tolerated that, although it may appear in the abstract to benefit Hitachi Rail STS, is in violation of the law, current regulations, the organisational, management and control model or the Code of Ethics.

During 2018, the Human Resource & Organization function was mostly engaged in supporting the business in implementing the new strategic plan launched in early 2018. In this context, the function guided the corporate reorganisation process as part of the **Ansaldo Next** project.

In line with the Corporate Strategic Plan, the main corporate strategic objectives of Ansaldo Next were the following:

- strengthen focus on customers while fully exploiting STS's global presence through an approach targeted at the regional markets;
- exploit to the utmost the growth opportunities provided by the Operation & Maintenance business and innovative technology-based services;
- boost the ability to do business through better synchronisation of the technical functions in order to guarantee enhanced effectiveness and efficiency in the delivery phase.

The Corporate Strategic Plan therefore represented the basic input used in the STS organisation structure revision process.

The *Ansaldo Next* programme was carried out adopting an approach in workstreams, guided by a Steering Committee (SteerCo) and supported by a Project Management Office, primarily using resources inside the company.

One of the workstreams mentioned above, called Localisation of Key Competences, focused on the selection and consequent localisation of strategic competences. An analysis was made to identify these key competences during 2018. The aim was to launch a preliminary pilot project during 2019 to manage its development and localisation through corporate investment lasting about one year.

The Talent Development Program came to an end in November 2018 after about one year from the launch of the initiative focused on the development of some key skill sets such as know-how management, networking, collaboration, pro-activeness and innovation. The participants were exposed to a large number of training environments, mostly linked to the world of business, economic and technological innovation, in training and sharing sessions for the entire duration of the programme. One of the primary goals of the programme was to become capable of pushing oneself beyond one's domain of professional competence in order to be able to gather new ideas and insights from different work backgrounds and sectors so as to be able to immediately apply them both in specific project work activities and in one's everyday job.

The programme involved professional profiles having different levels of experience and technical-managerial skills. The hours of training and skill development dedicated to the different initiatives of the programme totalled 84 for the junior profiles with less work experience and 108 for the more senior profiles.

One of the most innovative activities was the shadowing experience (24 hours of a junior resource working together with a senior resource). It offered the opportunity to colleagues of different corporate functions and geographical locations to share, all to the benefit of collaboration and teamwork.

The underlying theme of the initiative was *project work*. The participants, divided up into 12 work groups, developed the assigned topics which also led to the creation of an internal competition whose aim was to single out the best project work. The project activity was conducted in close collaboration with the business, which defined its topics and goals, and supported the initiative from the beginning of the programme. Several internal contacts (Business Project Contacts) were selected to accompany the teams in order to develop projects in line with the company's vision.

Skill development was one of the essential elements of the programme. Monitoring based on the skills assessment process and verification of the project results was implemented in order to observe its results. The 12 projects were presented to Top Management and assessed in order to carry out the work performed by the teams on the last day. The contents proposed during the programme were made available in the corporate intranet to everyone's benefit.

During the year, the HR department designed a new global Reward system called Strategic Personnel Program. The three-year-long programme was designed for company retention and to motivate the resources responsible for implementation of the corporate strategy who manage activities crucial for its success. The programme also has the purpose of ensuring a career path for Middle Managers boasting high performance by forming an intermediate step taken towards a possible executive appointment. The Strategic Personnel Program was presented and approved by the Hitachi Rail STS Executive Committee in July 2018. In November 2018, a pilot version of the project was launched with 14 resources coming from 3 countries appointed, approved by the Executive Committee. In 2019, the programme will be fully launched following completion of the reorganisation process.

The *Global Employee Survey* was also launched in 2018 for the entire workforce, with 71% participation, slightly down as compared to the prior year (76%). Nevertheless, the results that Hitachi Rail STS recorded in 2018 showed improvement in each of the 12 categories involved in the questionnaire.



COMPANY WORKFORCE¹⁰

The employees of Hitachi Rail STS are represented in the following tables. They are broken down by gender, geographical location, professional categories, degree/diploma, age and company seniority, types of contracts, hires and turnover.

Compared to same period of the previous year, as at 31/03/2019 the total number of collaborators increased, totalling 102 units (+85 men and +17 women). This is the result of an increase in employees in Central and Eastern Europe and the Middle East (+45 people), the Americas (+13 people), the Asia Pacific (+56 people) and China (+3), and a reduction in the Eastern Europe region (-15 people).

The total percentage of women making up the workforce was 21.1% as at 31/03/2019, remaining basically stable.

NUMBER OF COLLABORATORS BY REGION ¹¹	31.03.2017				31.03.2018				31.03.2019			
	M.	W.	Total	% W on total	M.	W.	Total	% W on total	M.	W.	Total	% W on total
Central and Eastern Europe and the Middle East	1,381	331	1,712	19.3%	1,498	368	1,866	19.7%	1,537	374	1,911	19.6%
Western Europe	689	179	868	20.6%	698	189	887	21.3%	685	187	872	21.4%
The Americas	526	186	712	26.1%	555	202	757	26.7%	568	202	770	26.2%
Asia Pacific	505	92	597	15.4%	531	105	636	16.5%	577	115	692	16.6%
China	39	23	62	37.1%	36	28	64	43.8%	36	31	67	46.3%
TOTAL	3,140	811	3,951	20.5%	3,318	892	4,210	21.2%	3,403	909	4,312	21.1%

As of 31/03/2019, the increase in the number of collaborators concerns all professional categories except for Executives (-5 people) compared to the previous year.

PROFESSIONAL CATEGORIES	31.03.2017				31.03.2018				31.03.2019			
	M.	W.	Total	% W on total	M.	W.	Total	% W on total	M.	W.	Total	% W on total
Executive	71	6	77	7.8%	78	9	87	10.3%	75	7	82	8.5%
Middle Management	360	66	426	15.5%	368	63	431	14.6%	383	64	447	14.3%
White collar	2,471	669	3,140	21.3%	2,611	747	3,358	22.2%	2,667	760	3,427	22.2%
Blue collars	238	70	308	22.7%	261	73	334	21.9%	278	78	356	21.9%
TOTAL	3,140	811	3,951	20.5%	3,318	892	4,210	21.2%	3,403	909	4,312	21.1%

The gender analysis also reveals that as of 31/03/2019 the female workforce particularly grew in the 36 to 40 age bracket (+9 people) and in one over 46 (+22 people) as compared to 31/03/2018; the 30 to 35 age bracket instead decreased (-16 people). With respect to men in our workforce, overall growth in the over 36 age bracket (+104 people) was recorded, with a peak in the 41 to 45 age bracket (+52 people). Those under 30 increased by 21 people, both men (+17) and women (+4).

10. Data concerning company workforce (by Region, professional categories, age, degree/diploma and company seniority) which refer to the reporting period closed at the 31.03.2017 are estimated with values as those related to the reporting period closed at the 31.12.2016.

11. The regions are defined as follows. **Central and Eastern Europe & 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 South Korea, Morocco, UK, Spain and Sweden branches. **The Americas**: US and Canada. **Asia Pacific**: Australia, Malaysia, India and Botswana China: China, Hong Kong



AGE	31.03.2017				31.03.2018				31.03.2019			
	M.	W.	Total	% W on total	M.	W.	Total	% W on total	M.	W.	Total	% W on total
< 30	274	78	352	22.2%	235	95	330	28.8%	252	99	351	28.2%
30-35	597	155	752	20.6%	568	149	717	20.8%	532	133	665	20.0%
36-40	566	148	714	20.7%	619	160	779	20.5%	644	169	813	20.8%
41-45	425	125	550	22.7%	535	148	683	21.7%	587	146	733	19.9%
46-50	337	85	422	20.1%	361	96	457	21.0%	387	111	498	22.3%
>50	941	220	1,161	18.9%	1,000	244	1,244	19.6%	1,001	251	1,252	20.0%
TOTALE	3,140	811	3,951	20.5%	3,318	892	4,210	21.2%	3,403	909	4,312	21.1%

The breakdown of personnel by degree/diploma as of 31/03/2019 compared to 31/03/2018 reveals not only growth of those holding degrees or diplomas in technical disciplines in absolute terms, but also growth in those holding degrees in non-technical disciplines, rising from 11.1% to 12.6% on the total.

DEGREE/DIPLOMA ¹²	31.03.2017				31.03.2018				31.03.2019			
	M.	W.	Total	% on total	M.	W.	Total	% on total	M.	W.	Total	% on total
Technical High school	807	132	939	14.1%	899	146	1,045	24.8%	920	148	1,068	24.8%
Other High School	279	192	471	40.8%	271	196	467	11.1%	271	193	464	10.8%
Technical graduated	1,657	284	1,941	14.6%	1,794	309	2,103	50.0%	1,799	324	2,123	49.2%
Other graduated	211	165	376	43.9%	270	199	469	11.1%	332	210	542	12.6%
Other education	186	38	224	17.0%	84	42	126	3.0%	81	34	115	2.7%
TOTAL	3,140	811	3,951	20.5%	3,318	892	4,210	100.0%	3,403	909	4,312	100.0%

As regards corporate years of service, in particular, in absolute terms an increase in the population with a tenure of less than 5 years (+123 people) and of that with service ranging from 16 to 20 years (+84 people) was reported, which also increased their weight in the overall percentage distribution. This trend can be seen in both men and women.

YEARS OF SERVICE	31.03.2017				31.03.2018				31.03.2019			
	M.	W.	Total	% on total	M.	W.	Total	% on total	M.	W.	Total	% on total
< 5 years	991	263	1,254	21.0%	1,024	303	1,327	31.5%	1,120	330	1,450	33.6%
5-10 years	691	178	869	20.5%	753	183	936	22.2%	703	161	864	20.0%
11-15 years	639	170	809	21.0%	591	175	766	18.2%	569	166	735	17.0%
16-20 years	185	49	234	20.9%	333	83	416	9.9%	394	106	500	11.6%
21-25 years	131	32	163	19.6%	116	28	144	3.4%	118	21	139	3.2%
> 25 years	503	119	622	19.1%	501	120	621	14.8%	499	125	624	14.5%
TOTAL	3,140	811	3,951	20.5%	3,318	892	4,210	100.0%	3,403	909	4,312	100.0%

12. Compared against the Italian scheme of reference, this scheme can be the following:

- Technical Graduated – university graduates in technical disciplines (mostly engineering);
- Other Graduated – university graduates in non-technical disciplines (for example, classical studies);
- Technical High School – high school graduates in technical disciplines (electronics engineers, for example);
- Other High School – other high school graduates in non-technical disciplines;
- Other education – certificates below a diploma (for example, junior secondary school).



CONTRACT TYPES¹³

With personnel having increased as at 31/03/2019 by 2.4% compared to 31/03/2018, the percentage of employees hired on open-ended contracts remained high and constant at 98.1%, demonstrating the importance that Hitachi Rail STS places on the provision of stable employment.

CONTRACT TYPES	31.03.2019										
	Central and Eastern Europe & the Middle East		Western Europe		The Americas		Asia Pacific		China		Total
	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 & 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	31.03.2017										Total
	Central and Eastern Europe & 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	1,374	329	680	177	526	186	457	84	21	10	3,844
Employees with fixed-term contracts	7	2	9	2			48	8	18	13	107
TOTAL	1,381	331	689	179	526	186	505	92	39	23	3,951

FULL-TIME AND PART-TIME EMPLOYEES	31.03.2017			31.03.2018			31.03.2019		
	M.	W.	Total	M.	W.	Total	M.	W.	Total
No. Full-time employees	3,130	718	3,848	3,301	793	4,094	3,380	815	4,195
No. Part-time employees	10	93	103	17	99	116	23	94	117
TOTAL	3,140	811	3,951	3,318	892	4,210	3,403	909	4,312

13. Data concerning "contract types" which refer to the reporting period closed at the 31.03.2017 are estimated with values as those related to the reporting period closed at the 31.12.2016.



As at 31/03/2019, like as at 31/03/2018, the percentage of collaborators with other contract types was 2.7%.

OTHER CONTRACT TYPES	31.03.2017 ¹⁴			31.03.2018			31.03.2019		
	M.	W.	Total	M.	W.	Total	M.	W.	Total
Temporary staff	34	11	45	39	18	57	36	22	58
Work experience	14	11	25	30	25	55	31	25	56
Other contract categories	6	7	13	3	-	3	3	-	3
TOTAL	54	29	83	72	43	115	70	47	117

Recruitment and hiring

Several years ago, Hitachi Rail STS introduced sophisticated IT tools to its global recruitment process so that each recruiter has access to a single database of CVs gathered from a variety of sources. This made it possible to increasingly minimise the use of employment agencies and external recruiters.

An agreement signed in 2014 with LinkedIn® enabled the Company to improve Talent Acquisition strategies and achieve positive results both in terms of CVs received, applications considered and employer branding.

The success of the Hitachi Rail STS LinkedIn page can be seen from the number of followers which has increased exponentially in recent years, reaching over 70,000 in 2017.

Through External Affairs, new and fresh updates of the Company profile and the publication of videos, news and stories about business developments and workplace culture has led to an increase in social network followers and greater engagement and participation. The LinkedIn Narrative Team also includes several HR personnel from around the world.

The direct connection between LinkedIn and the Talent Management System (TMS), the internal tool used to coordinate the selection process at global level, which was updated two years ago, enables the Company to automatically publish details about vacancies in real time and access a wide network of candidates and CVs which

reaches unprecedented numbers. This gives the company's recruiters greater freedom and faster access to potential candidates. They can monitor specific user targets, narrowing their selection criteria.

In any case, universities, with which Hitachi Rail STS has forged many partnerships, continue to be a preferential channel for the recruitment and selection of personnel. Thanks to such university arrangements, and with engineering departments, in particular, each year the Company is able to interview and meet top students and new graduates, exemplary young people at the end of their university career who could become key talents of Hitachi Rail STS in the non-too-distant future.

Given the international nature of the Company's activities and business, personnel, including senior management, are hired on the basis of the specific skills required for the role, regardless of where they are based. However, when projects require many years of maintenance after their roll-out, the Company prefers to hire local technicians and staff and may seek to hire an entirely local team.

14. Data concerning "contract types" which refer to the reporting period closed at the 31.03.2017 are estimated with values as those related to the reporting period closed at the 31.12.2016.



NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

In the year ended at 31.03.2019, 364 new resources were hired by Hitachi Rail STS (276 men and 88 women). In percentage terms, most new hires were in the under 30s age category (+41.6%); in absolute terms, the 30-50 age group received the most new hires (+220 people).

In terms of geographic location, Asia Pacific recorded the highest number of new hires in both absolute terms (+110 people, of which 82 men and 28 women) and in percentage terms (+14.2% men and +24.3% women)

31.03.2019													
HIRES	Central and Eastern Europe & 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	18	7	15	10	21	3	47	24	0	1	101	45	146
	35.3%	26.9%	29.4%	55.6%	36.8%	50.0%	51.1%	53.3%	0.0%	25.0%	40.1%	45.5%	41.6%
30-50	94	15	26	9	35	22	99	12	2	6	256	64	320
	9.7%	5.8%	5.4%	7.9%	12.8%	21.4%	25.4%	20.7%	6.5%	23.1%	11.9%	11.4%	11.8%
>50	9	2	1	2	15	2	9	0	0	0	34	6	40
	1.8%	2.2%	0.7%	3.6%	6.3%	2.2%	9.5%	0.0%	0.0%	0.0%	1.0%	2.4%	3.2%
TOTAL	121	24	42	21	71	27	155	36	2	7	391	115	506
	7.9%	6.4%	6.1%	11.2%	12.5%	13.4%	26.9%	31.3%	5.6%	22.6%	11.5%	12.7%	11.7%

31.03.2018 ¹⁵													
HIRES	Central and Eastern Europe & 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	32	12	12	5	20	7	26	8	1	0	90	32	121
	54.7%	38.3%	18.3%	23.8%	39.0%	75.0%	41.7%	25.8%	75.0%	0.0%	38.2%	33.2%	36.7%
30-50	106	25	36	9	29	17	44	15	4	4	219	70	288
	11.3%	9.9%	7.4%	7.2%	11.0%	17.8%	11.8%	25.0%	12.5%	16.3%	10.5%	12.6%	10.9%
>50	17	2	6	3	12	3	7	1	0	0	42	9	50
	3.3%	2.7%	3.9%	5.0%	5.0%	3.1%	7.3%	5.8%	0.0%	0.0%	4.2%	3.5%	4.0%
TOTAL	154	39	53	16	61	27	77	4	5	4	350	90	440
	10.3%	10.6%	7.6%	8.5%	10.9%	13.4%	14.5%	3.6%	12.5%	13.4%	10.5%	10.0%	10.4%

31.03.2017 ¹⁶													
HIRES	Central and Eastern Europe & 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	19	11	29	8	14	1	31	9	3	2	96	31	127
	33%	50%	38%	50%	26%	11%	39%	38%	50%	29%	35%	40%	36%
30-50	140	33	41	10	46	5	44	9	3	2	274	59	333
	16%	14%	9%	9%	19%	6%	13%	16%	11%	13%	14%	12%	14%
>50	-	-	5	-	25	7	7	1	-	-	37	8	45
	0%	0%	3%	0%	11%	8%	7%	10%	0%	0%	4%	4%	4%
TOTAL	159	44	75	18	85	13	82	19	6	4	407	98	505
	12%	13%	11%	10%	16%	7%	16%	21%	15%	17%	13%	12%	13%

15. Estimated data: hires corresponding to the year 2017 reduced by one fourth, plus the first quarter of 2018, compared to the people present as at 31.03.2018.

16. Estimated data: hires corresponding to the year 2016 referring to people present as at 31.12.2016.



In the year ended as at 31.03.2019, 390 resources left the employment of Hitachi Rail STS (300 men and 90 women). In percentage terms, most of those that left the company were in the under 30s age category (12.5%); in absolute terms, it was the 30-50 age group (239 people). In terms of geographic location, Asia Pacific recorded the highest number of turnover in both absolute terms (110 people, of which 82 men and 28 women) and in percentage terms (14.2% men and 24.3% women).

31.03.2019													
TURNOVER	Central and Eastern Europe & 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 9.8%	4 15.4%	9 17.6%	4 22.2%	1 1.8%	4 66.7%	17 18.5%	5 11.1%	1 100.0%	0 0.0%	33 13.1%	17 17.2%	50 14.2%
30-50	51 5.2%	9 3.5%	28 5.8%	16 14.0%	22 8.1%	12 11.7%	56 14.4%	22 37.9%	4 12.9%	0 0.0%	161 7.5%	59 10.6%	220 8.1%
>50	32 6.3%	1 1.1%	19 12.5%	3 5.5%	22 9.2%	7 7.5%	9 9.5%	1 8.3%	0 0.0%	0 0.0%	82 8.2%	12 4.8%	94 7.5%
TOTAL	88 5.7%	14 3.7%	56 8.2%	23 12.3%	45 7.9%	23 11.4%	82 14.2%	28 24.3%	5 13.9%	0 0.0%	276 8.1%	88 9.7%	364 8.4%

31.03.2018 ¹⁷													
TURNOVER	Central and Eastern Europe & 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 7.8%	2 5.0%	4 6.3%	0 0.0%	7 13.0%	2 19.4%	5 8.3%	4 13.3%	0 0.0%	2 50.0%	20 8.6%	9 9.5%	29 8.9%
30-50	39 4.2%	12 4.7%	28 5.7%	5 4.2%	27 10.1%	10 17.1%	52 13.7%	10 16.3%	4 12.5%	0 0.0%	149 7.1%	37 6.7%	186 7.0%
>50	18 3.5%	1 0.9%	20 13.1%	5 9.5%	22 9.2%	8 61.5%	20 21.8%	1 5.8%	0 0.0%	0 0.0%	81 8.1%	14 5.8%	95 7.6%
TOTAL	62 4.1%	14 3.9%	52 7.4%	10 4.8%	55 10.0%	20 19.0%	77 14.5%	15 14.0%	4 10.4%	2 5.4%	250 7.5%	60 6.8%	310 7.4%

31.03.2017 ¹⁸													
TURNOVER	Central and Eastern Europe & 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	10 17%	- 0%	5 6%	2 13%	8 15%	- 0%	11 14%	3 13%	4 67%	4 57%	38 14%	9 12%	47 13%
30-50	36 4%	4 2%	20 4%	4 4%	19 8%	7 8%	90 27%	13 22%	5 18%	4 27%	170 9%	32 6%	202 8%
>50	- 0%	- 0%	14 9%	2 4%	20 9%	4 4%	33 34%	9 90%	- 0%	- 0%	67 7%	15 7%	82 7%
TOTAL	46 3%	4 1%	39 6%	8 4%	47 9%	11 6%	134 27%	25 27%	9 23%	8 35%	275 9%	56 7%	331 8%

17. Estimated data: turnover corresponding to the year 2017 decreased by a quarter, plus the first quarter relative to 2018, referring to people present as at 31.03.2018.

18. Estimated data: turnover corresponding to the year 2016 referring to people present as at 31.12.2016.



Training and development¹⁹

Hitachi Rail STS's approach to the management of the training and development of human resources is based on translating the Company's strategic goals into development paths and management and operational methods consistent with its business model, by defining development paths that are in line with the required profiles and developing both core skills (needed to supervise working activities) and managerial skills aimed at supporting employees' full compliance with STS's distinctive behaviour values.

Training is developed through projects in four main areas:

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

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

The hours of training provided increased in all periods considered and in both gender categories. Moreover, total hours of training of 2019 increased by 32.6% compared to 2018.

HOURS OF TRAINING	31.03.17	31.03.18	31.03.19
Hours of training by men	58,208	73,330	90,203
Hours of training by women	16,061	17,243	29,871
Total hours of training	74,269	90,573	120,074

The average hours of training per employee per year follow:

AVERAGE HOURS OF TRAINING PER YEAR	31.03.17		31.03.18		31.03.19	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Executives	11.9	2.3	12.7	9.7	13.3	20.6
Middle management	19.0	28.2	26.1	27.1	28.8	31.0
White collars	18.8	19.9	22.4	19.8	27.3	35.2
Blue collars	17.0	12.4	16.8	9.5	19.3	12.9
Average hours per year per employee	18.8		21.5		27.8	

Average hours by region and gender are illustrated below:

AVERAGE HOURS OF TRAINING PER YEAR BY GENDER AND REGION	Central and Eastern Europe & the Middle East		Western Europe		The Americas		Asia Pacific		China		TOTAL	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
31.03.17	18.1	17.0	23.3	24.8	15.6	13.3	16.8	34.5	11.9	14.7	18.5	19.8
31.03.18	27.3	22.6	27.3	21.0	14.0	16.8	9.5	11.0	16.2	15.0	22.1	19.3
31.03.19	32.8	31.6	31.1	28.9	17.4	16.2	13.0	70.4	31.8	41.9	26.5	32.9

The data therefore confirm the overall growth trend of the investment in training.

Hitachi Rail STS updated its company talent management and development model in order to provide these high development potential profiles with a path aimed at increasing key skills such as innovation and the knowledge of the current business evolutions,

19. Estimated data related to 31.03.17 with values as at 31.12.16; data at 31.03.18 computing by adding values of 1st semester of 2018 to these of 2017 minus 1/4; data at 31.03.2019 obtained by subtracting to these of 31.12.2018 values of the 1st semester of the same year and adding values of the first quarter of 2019.



as well as the new technological trends and new services required by the market which is undergoing continuous digital development.

Hitachi Rail STS also follows the path of its executives, from selection up to the end of their employment, while ensuring compliance with legislation and company agreement by adopting structured processes and upgrading the human resource through development actions.

The selection process includes opening up different channels aimed at identifying the best candidates for the open position. Hitachi Rail STS offers those who plan to apply for a position the possibility to submit their candidacy through the website. Furthermore, the company makes use of the major personnel search and selection providers in order to identify personnel with greater expertise. Lastly, Hitachi Rail STS has opened a LinkedIn page and uses the recruiter profile to make targeted selections. Agreements have also been stipulated with the universities to scout new graduates, and contacts with the leading business schools to carry out traineeships and internships.

Every employee hired by Hitachi Rail STS is placed in the company's organisational structure, and receives a job title and a structured induction. Each year the company launches performance assessment (PDP - Performance Development Plan), skill assessment (Global Job System) and a salary review. These processes, launched simultaneously in all Hitachi Rail STS regions, help the employee's professional growth.

The company also plans processes addressed to the higher company population brackets, which undergo the 360 assessment process and receive performance-based incentive systems (MBO) and/or other benefits.

In 2017, 367 resources throughout Hitachi Rail STS took part in the programme, while they totalled 318 in 2018.

Over the past two years and in line with the empowerment programmes, the PDP has been fine-tuned further so that as well as department managers, Project Managers (PMs) and Project Engineers (PEs) are also assessed.

Performance assessment

Performance assessment is a key tool in managing the development of human resources. Hitachi Rail STS has adopted a global, structured and consistent process at international level called the Performance Development Plan (PDP), launched for the first time in 2010, which provides for the assignment and assessment of performance and development targets for all Hitachi Rail STS personnel.

The process, which is fully managed online and significantly reduces the use of printed paper, is structured into three phases:

- phase 1 - planning: relates to the formalized 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 assessments are combined (self-assessment, direct supervisor's assessment and those of other people selected from

within the Organisation for a more comprehensive vision of individual performance).

The process has covered over 95% of the total corporate population in recent years. This result is considerably important because it represents a concrete basis for defining the development and rewarding paths of all Hitachi Rail STS personnel around the world in a more objective and structured manner. In particular, the integration of the skills model (Global Job System) has made PDP 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 development paths that are effectively in line with expectations for the position.

An analysis of the current performance assessment process (PDP) was launched as part of the Ansaldo Next programme, and particularly of the PTE (Project Team Empowerment) workstream, which led to the identification of some of its areas/ actions for improvement that will be implemented during 2019.



Internationalisation and multiculturalism

Hitachi Rail STS continued its commitment to maintaining a high level of internationalisation and a multicultural approach towards its employees in line with its global dimension and the interests of its stakeholders, customers and staff. As in previous years, this was enabled by consolidating the management process of international mobility of personnel.

Quantitative data continues to give a clear indication of the high percentage of “non-local personnel” (foreign employees hired in different countries to their native land) operating in the Company and highlights the importance of international assignments which, although temporary in nature, nonetheless require spending a long period abroad (2-3 years on average).

	31.03.2017 ²⁰			31.03.2018			31.03.2019		
	Local personnel	Non-local personnel	Workforce abroad	Local personnel	Non-local personnel	Workforce abroad	Local personnel	Non-local personnel	Workforce abroad
Central and Eastern Europe & the Middle East	1,712	113	70	1,866	124	80	1,911	151	83
Western Europe	868	59	8	887	62	14	872	61	10
The Americas	712	60	3	757	56	1	770	55	4
Asia Pacific	597	88	2	636	91	3	692	62	3
China	62	3	1	64	0	0	67	0	1
TOTAL	3,951	323	84	4,210	333	98	4,312	329	101

In this respect, some of the steps taken in recent years are reported below:

- preliminary ad hoc meetings, which not only provide basic technical and logistic information for staying abroad, but also strengthen staff engagement;
- special training, including the new language;
- constant monitoring of immigration issues, which are increasingly common around the world and differ widely from one country to the other, bearing in mind the global trend that on the one hand seeks to promote international mobility, while on the other seeks to protect the local population, for both political and economic reasons, especially in certain countries;
- training to help encourage greater awareness of multi-culturalism and assist the overcoming of any cultural/conduct barriers, while respecting each person's values (home and host);
- supervision of the integration process in the various countries, beginning with the management of job opportunities on a global scale;
- implementation of a system that monitors connections activities between development of personnel and international experiences;
- commitment to governing the structured connection between the performance provided during an international experience and remuneration policies, especially with the use of performance-based bonuses connected to the results achieved during the work abroad;
- focus on repatriation and retention, which are always particularly critical aspects of personnel management;
- continuation of a network of relationships and information between HR specialists to support the internationalisation process with an integrated approach and also through a cross-cutting HR International Mobility Team;
- ongoing attention to internal communication, using all of the channels provided by the Company, especially technologically advanced and user-friendly solutions;
- continuing integrated activities with Health & Safety and Security to ensure safe working conditions abroad;
- ongoing cooperation with the Administration department with respect to taxes and accounting, in order to comply with all relevant legislation and corporate procedures.

Finally, the Company has successfully implemented, including at procedural level, a global corporate commitment to extend a special welcome to new “non-local” personnel joining the Company, providing information on immigration, tax and social security issues to encourage integration in the new country.

20.Data estimated with amounts as those observed at the 31.12.16.



Remuneration systems

Hitachi Rail STS manages employment relationships with its employees in accordance with the laws in place in the various countries in which it operates.

The employment terms set forth in individual contracts are usually more rather than less favourable to employees than those defined under general labour legislation or collective agreements.

The ratio of entry-level remuneration and the minimum legal remuneration for women and men is shown in the following table:

RATIO OF ENTRY-LEVEL REMUNERATION AND THE MINIMUM LEGAL REMUNERATION	Central and Eastern Europe & the Middle East		Western Europe		The Americas*		Asia Pacific*		China*	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
31.03.17 ²¹	1.10	1.10	1.14	1.14	1.00	1.00	1.00	1.00	1.00	1.00
31.03.18	1.10	1.10	1.00	3.75	1.00	1.00	1.00	1.00	1.00	1.00
31.03.19	1.10	1.10	1.07	3.90	1.00	1.00	1.00	1.00	1.00	1.00

* Region without minimum legal remuneration

Furthermore, Hitachi Rail STS periodically evaluates organisational positions (including the lowest levels of the Organisation using the results of the Global Job System project) through the contribution of specialist companies in the field, and compares its own remuneration policies with those of the reference market, considering the weighting of the position. If the remuneration is not in line with the market (and, obviously, if the employees have received positive performance assessments), their remuneration is adjusted.

This has enabled the creation of a tool which can be used to globally assess the consistency between the responsibilities and remuneration, without distinguishing by country, sex, culture, etc., in accordance with Company's values which protect and promote the equal treatment of people. The following tables illustrate the ratio of women's gross average remuneration compared to men's, broken down by category and region:

31.03.2019	Central and Eastern Europe & the Middle East	Western Europe	The Americas	Asia Pacific	China
	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN
Executives	81%	-	96%	-	-
Middle management	96%	86%	81%	-	83%
White collars	95%	96%	84%	62%	81%
Blue collars	100%	96%	84%	-	-

31.03.2018	Central and Eastern Europe & the Middle East	Western Europe	The Americas	Asia Pacific	China
	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN
Executives	76%	-	92%	-	-
Middle management	96%	86%	82%	-	83%
White collars	95%	94%	84%	73%	81%
Blue collars	97%	92%	87%	-	-

31.03.2017 ²²	Central and Eastern Europe & the Middle East	Western Europe	The Americas	Asia Pacific	China
	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN	WOMEN/MEN
Executives	68%	-	87%	-	-
Middle management	96%	86%	95%	90%	71%
White collars	95%	94%	81%	80%	66%
Blue collars (Operai)	100%	96%	84%	-	-

21. Data estimated with amounts as those observed at the 31.12.16.

22. Data estimated with amounts as those observed at the 31.12.16.



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

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

HIGHEST REMUNERATION AS A RATIO TO MEDIAN REMUNERATION	31.03.2017 ²³	31.03.2018	31.03.2019
Central and Eastern Europe & the Middle East	7.1	10.4	10.1
Western Europe	3.3	6.0	5.3
The Americas	2.1	2.2	2.3
Asia Pacific	3.3	2.1	2.0
China	2.9	2.7	2.7



PERFORMANCE-BASED INCENTIVE SYSTEMS

Performance-based incentive systems are mainly linked to the management by objectives (MBO) process or key performance indicators (KPI) for strategic projects entailing bonuses upon their successful conclusion. Executives, certain middle managers in key positions for the business and strategic project team personnel are included in these programmes. The bonuses, which are calculated as a percentage of gross annual remuneration, vary depending on the responsibilities held. Over the past few years, in keeping with Company strategies, the MBO programme has been integrated within one single system that is increasingly electronic and less paper-based. The following tables show the number of executives included in the incentive system.

23. Data estimated with amounts as those observed at the 31.12.16.



In addition, for the Chief Executive Officer and General Manager and for the Executives with Strategic Responsibilities, incentive systems include a medium-long term cash incentive (known as Long Term Incentive Plan or “LTIP”), structured on the basis of three-year rolling cycles, subject to the achievement of certain annual financial targets.

In addition, for the Chief Executive Officer and General Manager, for the Executives with Strategic Responsibilities and for certain Executives in key positions, incentive systems included also of a medium-long term variable incentive based on shares (known as “Stock Grant Plan or “SGP”), of multiple years’ duration. The allocation of the shares was subject to certain annual financial and performance indicators.

Taking into account that STS shares were delisted from the Italian Stock Exchange starting from the end of January 2019, STS became unable to incentivize its employees through a share plan. Therefore, SGP has been absorbed by LTIP, guaranteeing to the recipients the already assigned rights associated to the plan terminated in advance.

31.03.2019	Central and Eastern Europe & the Middle East		Western Europe		The Americas		Asia Pacific		China	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
STOCK-GRANT	30	2	4	-	3	1	3	-	-	-
CASH (long-term)	7	-	-	-	-	-	-	-	-	-

31.03.2018	Central and Eastern Europe & the Middle East		Western Europe		The Americas		Asia Pacific		China	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
STOCK-GRANT	31	3	4	-	3	1	3	-	-	-
CASH (long-term)	6	-	-	-	-	-	-	-	-	-

31.03.2017 ²⁴	Central and Eastern Europe & the Middle East		Western Europe		The Americas		Asia Pacific		China	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
STOCK-GRANT	28	2	5	-	3	-	-	-	-	-
CASH (long-term)	4	-	-	-	-	-	-	-	-	-

People care

The “People Care” concept has a broad application within Hitachi Rail STS and applies to employees’ wellbeing as both professionals and individuals.

The basic concept is linked to the “Total Reward” strategy, based on tangible and intangible measures to improve staff satisfaction. It is no coincidence that “People” represents one of the Company’s five values in its identity: people are at the very heart of the Organisation, demonstrating the Company’s aim to create a working environment where employees can continuously gain experience, develop skills,

forge relationships and find motivation.

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to create a working environment where employees can continuously gain experience, develop skills, forge relationships and find motivation.

Flexible schedules, arrangements with entertainment and sports centres, benefits such as health insurance, employee scholarships, corporate welfare and celebrations of successful projects are some of the tools used.

24. Data estimated with amounts as those observed at the 31.12.16.



EMPLOYEES INITIATIVES

Hitachi Rail STS follows an extensive policy to manage initiatives that support employees. This policy includes a series of benefits allocated and used on the basis of an employee's professional position and the social and

cultural customs in their respective countries. Below is a list and brief description of the main benefits and initiatives supporting employees under the Company's policy.

Corporate Wellbeing. Hitachi Rail STS Italy provides a wellbeing plan to its employees through a dedicated portal, "Easy Welfare". In line with the provisions of the national labour agreement for the industry, offers numerous services and possibilities that have enabled beneficiaries to access the tax and social security benefits provided by current law. The contribution to the welfare plan offered to employees in 2017 was EUR 100 per employee, with a phase-in process that will reach EUR 150 in 2018 and EUR 200 in 2019.

Company accident insurance. Hitachi Rail STS Italy offers its employees insurance for work and non-work related accidents covering accidents both in the workplace and outside the workplace, for all employees, seven days a week, 24 hours a day. The cost of this policy, which covers all employees, is fully covered by the Company. The same policy is offered in France, Australia and China to all white-collar workers. It is not offered in the US, as this kind of cover is included in the Company's life insurance policy.

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

Company health insurance. Hitachi Rail STS Italy offers its employees supplementary health insurance cover. These policies cover a wide range of medical needs (e.g. specialist examinations, hospitalisation, medical services, etc.) and vary according to each employee's professional position (executives and middle managers, white and blue collars have different limits of indemnity). In 2017, in line with the provisions of the 26/11/2016 renewal of the Collective Labour Agreement for the Metal/Mechanics and Systems Installation Industry, all employees (excluding those on probation) received supplementary health insurance coverage for themselves, any physically dependent relatives and cohabitants. Employees may decide whether to take out these additional policies. Should

Health checks (Check Up). Hitachi Rail STS Italy offers executives the chance to have an annual medical check-up with the full cost covered by the Company. In China, these check-ups are offered to all employees. In Spain, the Company is contractually obliged to offer periodic health checks to all employees as this is an established workers' right; similarly, all employees are required to see a doctor when it becomes necessary to assess the effects of working conditions, to establish whether the workers' health could present a danger to themselves, to other workers or to other parties associated with the Company, or when otherwise provided for by law.

they decide to do so, a monthly contribution is withheld from their payslips to cover part of the cost, while the Company bears the residual amount. Hitachi Rail STS France offers a supplementary health insurance plan which covers employees and their families and which has been made mandatory through a Company agreement. Hitachi Rail STS Australia has consolidated the agreement with Medibank Private and RT Health (a fund established in Australia to offer specific support to workers in the transport industry), providing access for employees to an excellent and comprehensive health plan at very competitive rates, as well as a range of special membership benefits such as shorter waiting times and free gifts.

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

Fuel Allowance. Hitachi Rail STS Italy offers executives with company cars a fuel allowance up to an annual limit. The costs are fully covered by the Company.



Company Car. Hitachi Rail STS Italy offers certain categories of employees' access to company cars on a policy similar to a lease. The car may also be used for personal reasons and may be used by employees and their family members or close friends with prior notification to the Company. Employees pay a monthly contribution, while the Company pays the remaining amount. Company cars may be assigned to executives and middle managers with high profiles in Italy and Spain, and to Hitachi Rail STS executives in the US. They are also offered in France and China. In Australia, company cars are assigned to employees exclusively for business purposes, while key executives receive a car allowance as part of their remuneration package.

Company life insurance. Hitachi Rail STS provides life insurance to its employees. The costs of this policy are fully covered by the Company. This policy is offered to Hitachi Rail STS executives in Italy and Spain, and to executives and all full-time employees in the US (Company life insurance, accidental death & dismemberment & LTD insurance). In France, in line with local legislation, a supplementary health insurance plan is in place which covers employees and their families, the conditions of which are specified in the Company agreement.

Company Housing. Hitachi Rail STS offers housing to employees seconded in the medium to long-term. The cost of the housing is fully covered by the Company.

Professional membership allowance. Hitachi Rail STS offers its employees the possibility of joining professional associations (e.g. Register of Engineers). The cost of membership is fully covered by the Company. This benefit is offered to executives of Hitachi Rail STS Italy and the entire workforce in the US, but is not provided to employees of Hitachi Rail STS France where the benefits are granted on a case-by-case basis. In Hitachi Rail STS Australia and China, the Company refunds membership costs to engineers and managers if they have been approved by HR. In Italy, the Company is carrying out a project with the Register of Engineers to organise training courses at its sites so employees can earn the credits needed for membership.

Canteen and break area service. Hitachi Rail STS Italy, France and US provide a canteen service at all main offices (e.g. Genoa, Pittsburgh, Les Ulis, Tito, etc.). In France, employees contribute to the canteen costs through deductions in payslips, whereas in the other offices services are paid for directly. This service is provided under special terms which are regulated by agreements between Hitachi Rail STS and the companies that operate the canteens. In Italy, meals are covered by the Company.

Travel Tracker: travel safe. Hitachi Rail STS's expansion in markets and its current organisational model require the presence of its personnel in many different countries, which often present challenging safety conditions and weak healthcare and welfare systems. To mitigate critical issues arising from travel and relocation abroad, Hitachi Rail STS has implemented a system at all sites to ensure adequate protection from outside events²⁵.

Corporate credit cards. Hitachi Rail STS Italy offers employees the possibility to obtain corporate credit cards linked to the employee's bank account at special terms agreed by Hitachi Rail STS and the bank. The credit cards available to Hitachi Rail STS employees are Visa and American Express. The costs of Visa cards are fully covered by the Company, whereas employees contribute to a small portion of the costs charged by American Express. Hitachi Rail STS also offers its Italian employees the possibility to open current accounts under special terms with selected banks. Furthermore, bank branches and ATMs are located at some of the main offices of Hitachi Rail STS US, making it easier and more efficient for employees to access the main banking services. In Spain and Australia, credit cards are linked to the employees' bank accounts and only offered to people who travel frequently for work to cover business expenses. In France, credit cards are also linked to employees' bank accounts and are provided to all employees who require one to cover travel expenses.

Recreation Centres. Hitachi Rail STS Italy employees have set up recreation centres, referred to as "CRAL". These are a form of free association of workers and are structured as separate entities from the Company. Employees who join the CRALs pay a fee deducted from their payslip. Membership entails a contribution by the Company. CRAL members may participate in a number of activities (sports or other) and take advantage of discounts at partnering shops (bookshops, opticians, etc.).

25. For more information, see page 105 of the Environment, Health and Safety chapter.



Taking care of occupational health and well-being

In Australia, the creation of the **Health and Wellbeing Committee** has led to significant improvements in employees' work-life balance. The Committee – a work group formed of volunteers from various departments and supervised by a local HSE manager and the vice chairman of HR – meets once a month to discuss initiatives and measures to improve employees' wellbeing and, with the support of the Company

(including the provision of a budget), promotes events and initiatives on health issues in connection with local traditions. Recently, the Health and Wellbeing Committee has reached new horizons, succeeding in offering employees at the Perth office access to a "silent room", a space designed to be available to all employees at any time of the working day for use as a relaxation area. This room serves as a mixed faith silent space for silent

prayer, meditation and yoga, a place to rest if feeling unwell and a space to perform first aid and annual skin and health checks. Meanwhile, employees at the Brisbane office have access to the "square", a covered outdoor space just outside the office equipped with picnic tables at which to eat or read and a tennis table for those who want to relax during their lunch break.

Hitachi Rail STS Australia - Main initiatives organized in 2017 by the Health and Wellbeing Committee

- **R U OK?** (Brisbane / Perth / Karratha). Australian Day to raise awareness on the importance of mental health and to remind the importance of caring for each other's wellbeing. The event in particular was designed to remind employees how dialogue with colleagues, friends and family can help to overcome difficulties.
- **National Harmony Day** (Brisbane / Perth). Celebration of cultural diversity as a wealth of Australia. The employees joined together to share a series of traditional foods of the many cultures which make up the Hitachi Rail STS Australia's workforce.
- **Work Life Balance** (Brisbane / Perth / India / Malaysia). Workshop organized by the Health and Wellbeing Committee in collaboration with the Hitachi Rail STS Academy on the reconciliation of life and work timelines.
- **White Ribbon Day.** Awareness-raising initiative against women-related violence.
- **Social Day** (Brisbane/Perth). Day in which employees and their families meet to enjoy each other's company away from the work place.
- **Morning Connections.** Meetings every 15 days among staff groups from different departments for a morning tea.
- **Red Apple Day** (Brisbane). Cancer awareness day.
- **Wear Red Day** (Brisbane). Fundraising day for financing heart disease research.
- **Sun Cancer Skin Checks** (Brisbane / Perth). Australia has one of the highest rates of skin cancer in the world.
- More than 50 employees underwent a medical check-up.
- **5 minute seated massages** (Brisbane / Perth). Employees that were interested were provided with 5 minute massages in order to improve their wellbeing at the workstation.
- **Bike to Work Day** (Brisbane / Perth). Staff who were interested in fitness, health and wellbeing took part in Bike to Work Day.
- **Fitness Challenge.** Staff were encouraged to walk, run, swim or cycle to reach the 1,000 km goal in 31 days.
- **City to Surf Fun** (Perth/Brisbane). Employees from the two cities joined together to take part in the great Perth City to Surf Fun Run event.
- **Table Tennis Tournament** (Brisbane / Perth).



Hitachi Rail STS India Social Committee

Hitachi Rail STS India Social Committee is an employee engagement initiative with an objective to plan, organize and implement social events for the company throughout the year. The idea was to bring more engagement and enthusiasm to the workplace, ensuring entertainment and participation in staff events, enriching employee interactions, networking between different office locations in India and much more.

The initiatives that have been organized are:

- “Designathon”, a forum for employees to demonstrate their designing and verification skills and to recognize the innovators. Eight teams across Bangalore, Noida & Kolkata participated in a challenge to design and verify a station. The objective was to act as faster, safer & without errors as possible, proposing the best possible solution within 36 hours. All eight teams did complete the task with innovative solutions. The team with the best solution was recognized and rewarded.
- “Green Ansaldo Vision”, green event derived from the idea to reach the maximum benefits from cultivated areas by creating more green areas in Hitachi Rail STS India office premises, in order to reduce its carbon footprint.
- Other initiatives: “International Women’s Day”; “Secret Santa Week”; “Office Christmas Party”; “Annual Day”; “Leap Year Day”; “ASTS Sports Day”; “Ganesh Mahotsav”; “Swache Ansaldo Green Initiative”; “Diwali Celebration”.



PENSION PLAN

Hitachi Rail STS manages pension plans with its employees in accordance with the laws in place in the various countries in which it operates. Changes in defined benefit plans and employee termination indemnity are shown below:

(EUR k)	POST-EMPLOYMENT BENEFITS	Defined benefit plan
Value as at 31 December 2017	19,497	18,075
Cost (of the service and interest)	1,335	1,961
Contributions paid	(704)	(129)
Other changes	-	(18)
Actuarial gains (losses) recognized in equity	(75)	136
Value as at 31 March 2019²⁶	20,053	19,889

The average term of post-employment benefits is 14 years while that of the other defined benefit plans is 18 years.

26. The main actuarial assumptions applied are as follows: post-employment benefits - discount rate 1.29%, turnover rate 2.09%-5.69%; defined benefit plan - discount rate 1.4%, salary increase rate 2.5%, turnover rate 0.91%-3.26%.



PROTECTED CATEGORIES

The policies for the inclusion of persons with disabilities in the workforce fall within the framework of a programme defined at European level with respect to social inclusion policies.

In Italy, Law no. 68/99 introduced the key concept of “targeted” employment, defined as “a set of technical and support tools which make it possible to adequately assess the working capacities of persons with disabilities and to recruit them for the most suitable position by analysing positions, forms of support, positive actions and solutions to issues related to environments, tools and interpersonal

relations in the daily place of work and contact”. In particular, the quota of workers with disabilities required by law for Hitachi Rail STS S.p.A. is 7%. The Company has reached agreements with labour centres for the hiring of people in protected worker categories. In 2017, one such person was hired, bringing the total number in the workforce to seven. The Company expects to hire more workers with disabilities in 2018.

The table below shows the total number and percentage of the workforce represented by people with disabilities in Central and Eastern Europe, the Middle East and Western Europe.

PEOPLE WITH DISABILITIES BY REGION ²⁷	31.03.2017 ²⁸				31.03.2018				31.03.2019			
	Central and Eastern Europe and the Middle East		Western Europe		Central and Eastern Europe and the Middle East		Western Europe		Central and Eastern Europe and the Middle East		Western Europe	
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.
People with disabilities	55	20	6	9	60	21	5	7	64	21	5	10
% of total workforce	3.98%	6.04%	0.87%	5.03%	4.01%	5.71%	0.72%	3.70%	4.16%	5.61%	0.73%	5.35%

Furthermore, Hitachi Rail STS acknowledges the need for its employees to balance family life with their work commitments and offers flexible hours and part-time opportunities to personnel with children under 12 or family members with disabilities.

PARENTAL LEAVE

Hitachi Rail STS has implemented the indications of the Collective Labour Agreement and grants parental leave on an hourly basis, while still providing the possibility of taking such leave on a daily or continuous basis in compliance with existing legislation.

The return to work rates are shown in the following table:

PARENTAL LEAVE	31.03.2019											
	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.
No. of employees who have the right to parental leave	1,265	307	687	187	568	202	288	108	34	29	2,839	833
No. of employees who took parental leave	13	43	27	13	1	3	-	4	-	-	41	63
No. of employees who returned to work after their period of parental leave	13	35	27	11	1	3	-	4	-	-	41	53

27. This figure is not available for Asia Pacific, whereas Hitachi Rail STS hired one person with disabilities in China, corresponding to 2.8% of the male population. Information on disabilities cannot be gathered in the US.

28. Data estimated with amounts as those observed at the 31.12.16.



31.03.2018

	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.
PARENTAL LEAVE												
No. of employees who have the right to parental leave	1,261	306	698	189	555	202	230	98	34	26	2,778	821
No. of employees who took parental leave	17	45	35	40	1	4	1	2			54	91
No. of employees who returned to work after their period of parental leave	17	36	35	6	1	3	1	2			54	47

31.03.2017²⁹

	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.
PARENTAL LEAVE²⁹												
No. of employees who have the right to parental leave	1,258	307	719	194	478	170	257	56	36	26	2,748	753
No. of employees who took parental leave	6	42	37	27	0	4	4	5	0	0	47	78
No. of employees who returned to work after their period of parental leave	0	34	36	18	0	4	2	3	0	0	38	59

	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.
RATE OF PEOPLE RETURNING AT WORK³⁰												
Return to work rate as at 31.03.19	100%	81%	100%	85%	100%	100%	-	100%	-	-	100%	84%
Return to work rate as at 31.03.18	100%	80%	100%	15%	100%	75%	100%	100%	-	-	100%	52%
Return to work rate as at 31.03.17 ³¹	0%	81%	97%	67%	-	100%	50%	60%			81%	76%

29. Data estimated with amounts as those observed at the 31.12.16.

30. The rate is calculated as the number of people returning to work in the year compared to the number of periods of leave granted in the same year. It was not possible, in the calculation, take into consideration the leave granted in a year whose re-entries took place the following year.

31. Data estimated with amounts as those observed at the 31.12.16.



Labour/management relations

The relaxed relationship that Hitachi Rail STS maintains with its employees is reflected by 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 Group level, Hitachi Rail STS has reached formal agreements with the trade unions in the various countries concerned. 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, trade union 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 per week may not exceed 48) and specific Acts passed by the Government with respect to health and safety.

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

1. Strategic Observation;
2. National Coordination.

On 18 December 2018, after one year of union negotiations, the second level supplementary agreement for the three-year period 2019-2021 was renewed in Italy. The agreement was signed by the union representatives after being approved by a vast majority in a referendum voted on by the company employees. The agreement comprises improvements in various institutions regulated by the national contract and introduced agile work methods and the possibility to allocate a part of the performance bonus to company welfare for the first time in Italy.

Each month, in France, staff representatives 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 in 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:

EMPLOYEES COVERED BY COLLECTIVE LABOUR AGREEMENTS as at 31.03.2019	Central and Eastern Europe & the Middle East		Western Europe		Asia Pacific	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Executives	54	6	11	-	-	-
Middle management	316	53	49	7	-	-
White collars	1,129	308	540	154	-	-
Blue collars	38	6	61	20	10	-
TOTALE	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. The economic-social context in the Americas and China has no national labour agreements.

In view of these considerations, 64% of STS employees are covered by collective agreements.



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 targeting broad categories of employees are envisaged to explain the reasons for the changes.

Although not having an obligation relating to the number of weeks of prior notice, the company issues the organisation chart specifying the inclusions and assignment of each employee every six months on average.

Furthermore, in Italy the currently applicable national labour agreement provides for a specific meeting to inform the trade unions of decisions that have a material impact on labour

organisation. A similar procedure is provided for in France, requiring a mandatory document to be sent to the work council explaining the reasons for the organisational change, followed by a meeting with work council representatives no later than 15 days after the document is sent.

In-house communications

The primary objective of Hitachi Rail STS's internal communication is to involve all employees in order to connect people, establish departments, set processes in motion and interact with the systems by defining connections that give the Company added value.

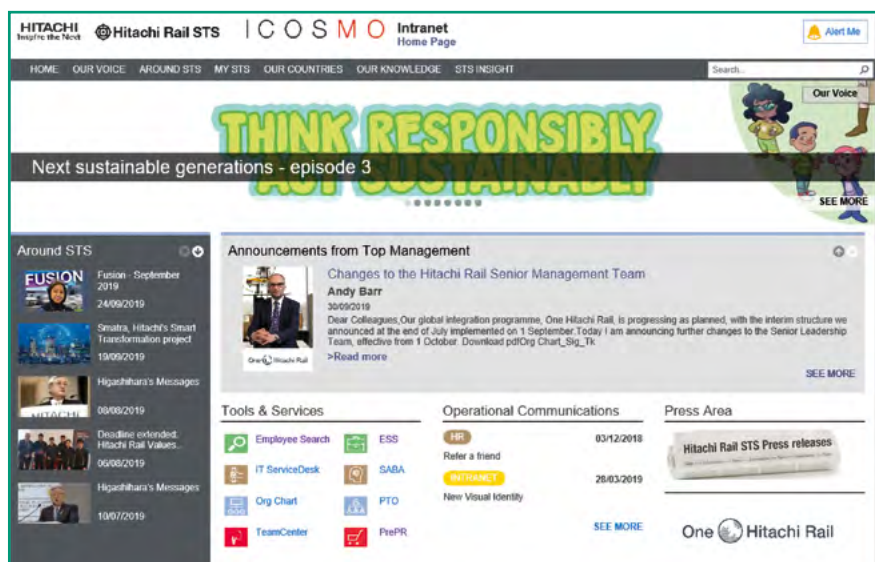
This involves gaining an understanding of what Hitachi Rail STS colleagues are doing around the world in order to better define future identity, priorities and goals, as part of a communication process aimed at reinforcing the sense of belonging and participation in order to achieve organisational well-being and the creation of a better work environment within a large network where knowledge and experience can be shared.

In-house communications are promoted through various activities: in-house communications campaigns to support

the communications requirements of the various internal departments; meetings where colleagues have the opportunity to request additional information on topics of particular interest; the use of screens at office entrances, which are currently available at all Italian offices, where each day the Company publishes internal bulletins (campaigns by various departments to promote events or initiatives) and external notifications (including press releases, stocks and weather reports). Another important in-house communications management tool is the Intranet.

THE INTRANET

Use of the Intranet as a strategic internal and organisational communication tool has intensified considerably. Today Hitachi Rail STS is able to quickly share the most important corporate news throughout the Company.





In 2018 and in the first quarter of 2019, around 273 contents including articles and videos concerning the major initiatives and successes of Hitachi Rail STS around the world were published, as well as the Hitachi Ltd newsletter and notifications from Top Management. Specially, the articles are associated with a series of tags defined by theme, as shown below:

- Events: articles about tradeshow, conferences, internal events.
- The environment, health and safety: articles on the activities of the HSE body (certifications, safety training days, etc.).
- Milestones: articles on activations, inaugurations.
- Business: articles on the status or progress of projects.
- Hitachi: newsletters, general information on the Hitachi Group.
- CSR: articles about Corporate Social Responsibility initiatives (charity initiatives, focus on the environment, etc.).
- Top Management: communications from Top Management.
- HR: articles on initiatives, programmes, communications from HR department.
- Talent: articles on the "Talent" programme.
- Daily life: articles on certain celebrations and activities carried out at offices around the world.
- Other: articles on "extraordinary" themes (launch of the new website, participation by Hitachi Rail STS in social projects, etc.).

As regards internal communications, and to ensure ongoing cultural training on CSR and Sustainability topics, about 50 articles were circulating, including the following most important ones:

CSR & Sustainability (including Circular Economy and Health)

- Social responsibility, Tito adopts an olive tree and goes green;
- Ansaldo STS and Hitachi will rebuild a school destroyed by the 2016 earthquake;
- Milan Marathon 2018, Ansaldo STS runs for the future;
- Ansaldo STS and Afcoda against eating disorders;
- Safety and Health, awareness day at the Les Ulis site;
- Health and safety day in our offices at Les Ulis;
- Milan Marathon 2018, Ansaldo STS and Dianova run for a better future;
- Onward to 2030: Hitachi's road to sustainability;
- Sustainability Newsletter No. 5;
- Sustainable Economy Forum, Ansaldo STS meets the San Patrignano Foundation;
- Lima Marathon 2018, Ansaldo STS team joined the run;
- Ansaldo STS Italy launches Smart Working test trial;
- Ansaldo STS and Teatro della Gioventù promote culture together;
- Ansaldo STS on a bicycle in Riom;
- Esanatoglia, Ansaldo STS contributes to the new school;
- Smart working lands in Ansaldo STS, green light for the trial phase;
- Ansaldo STS awarded of the "Best CEO in Sustainable Transport Industry" prize;
- HSE Excellence Design Sprint meeting;
- Sustainability Report, Ansaldo STS publishes the 2017 edition;
- Safety, Health and Environment Events and National Safety Day in India;
- How India celebrated the World Environment Day;
- Australia, employees recognised in 2018 Loyalty Awards;
- Ansaldo STS runners make waves in City to Surf event;
- Ansaldo STS awarded Gold Medal for Corporate Sustainability;
- Smart Working in Ansaldo STS, go for Wave 1;
- Sustainability Newsletter No. 8;
- Ansaldo STS donates 200 tickets to residents displaced by bridge collapse;
- Genoa Smart Week, Ansaldo STS leads the E-Mobility meeting;
- Sustainability Newsletter No. 9;
- Blood Donation, Ansaldo STS and Red 25 Make the Difference;
- CSR, Ansaldo STS Helps SEPTA address Homelessness in Philadelphia;
- Ansaldo STS and sustainability, nothing is destroyed, everything is transformed;
- Ansaldo STS and Fondazione Veronesi together against women's cancer.

Local Communities

- Students work training, Ansaldo STS meets the future generations;
- Andrea Luzinat meets future generations;
- Alternating School and Work initiative, a student's point of view;
- Italian students "work" at Ansaldo STS for the second year in row;
- Ansaldo STS to strengthen relations with community and local stakeholders in Riom;
- Ansaldo STS teaches Engineering at Robert Morris University;
- Penn State University Students, visit our office in Pittsburgh;
- "Alternating School and Work", ANSALDO STS meets Genoa's High School students;
- Politecnico of Milan, new engineering is about mobility;
- Ansaldo STS, Cardinal Angelo Bagnasco celebrated Easter Mass;
- Ansaldo STS rocked Career Day at Genoa University.

Diversity

- Ansaldo STS and Differenza Donna against gender-based violence;
- Best Practice Award 2018, Ansaldo STS wins with its Diversity Management solutions;
- Australia multiculturalism celebrated on Harmony Day.

WE CARE ABOUT US

The internal communications project We Care About Us was launched in 2018. It came out of the need to relate and communicate the benefits and opportunities that the company offers to colleagues. The project lasting one year evolved in two stages:

- the **first** was implementation of an agenda/almanac collecting the key information;
- the **second** focused on the writing of essays published on the Intranet on a monthly basis.

A new section entitled “We Care About Us” was created to support the project. It can be consulted on the Our Countries>Italy page, which is updated with contents, announcements, and additional information on the single subjects.



COMPLAINTS

Hitachi Rail STS has a limited number of pending disputes that are managed through the courts; this is due to the policy to resolve conflicts on a daily basis, meaning that most complaints are settled without involving the labour courts.

COMPLAINTS	31.03.2019 ³²				
	Central and Eastern Europe & the Middle East	Western Europe	The Americas	Asia Pacific	China
Total number of formal complaints concerning work practices:	2	4	n/a	2	0
<i>reported during the period considered</i>	0	3	n/a	2	0
<i>resolved during the period considered</i>	1	2	n/a	2	0
Number of complaints reported before the period considered that were resolved during the same period	4	0	n/a	0	0

32. Data are estimated by subtracting to data of 31.12.18 the values of the 1st quarter of the same year and by adding the values of the 1st quarter 2019.

Corporate Social Responsibility and Communities



Hitachi Rail STS is actively involved in programmes to communicate and interact with the communities in which it operates. It promotes scientific, cultural and social progress by taking part in research projects with national and EU institutions on ICT and the sustainability of transportation systems, and also encourages technological and managerial training through partnerships with universities.



Founding member of Shift2Rail

European public-private partnership for managing and coordinating research in the rail sector



Participation in **European and Italian research projects** on satellite signalling, safety, infrastructure monitoring and energy efficiency



Member of UNIFE Sustainability Committee

“European Railway Manufacturers Association”



in from **67,000** to **83,500** followers

tw from **2,340** to **2,865** followers

f from **2,150** to **3,138** followers

Alternation school-to-work projects



Framework agreements and partnerships with universities

in Genoa, Turin, Rome, Milan, Desden and Basilicata





Goals met as at 31.03.2019

FOCUS ON COMMUNITIES

SDGs	COMMITMENTS UNDERTAKEN IN 2017	ACTIVITIES CARRIED OUT AND GOALS AS AT 31.03.19
	RESEARCH PARTNERSHIPS Continue with the commitment of the Shift2Rail European research program in particular on the following projects (2018-20): X2Rail1; X2Rail2; X2Rail3; SBS fase2; IN2Smart (2020).	The following projects are under development • X2Rail1 - flexible and intelligent traffic management system; • X2Rail2 - signalling innovation (satellite and train integrity technologies) in the supervision and management of the development process; • X2Rail3 - new adaptable communication system, protection systems and cybersecurity; • SBS fase2 - construction of a railway line that uses the satellite communication system; • IN2Smart - innovative solution for maintenance railway assets. Within these projects the objective of issuing the standard specifications for the railway of the future was achieved. 
	PARTNERSHIP WITH UNIVERSITIES • Continue the collaboration with major Italian universities in order to share training activities and find talented students that meet Company needs.	• Hitachi Rail STS has joined the steering committee for studies at the Faculty of Electrical Engineering of the University of Genoa. It has carried out the "I want to become a manager" project and has awarded scholarships for the faculty of engineering. 
	CSR PLAN • Development, sharing and implementation of a CSR plan with the aim of increasing internal culture and company social commitment (2018-19).	• The 2018-2019 CSR plan, shared with Top Management, is punctually under way and consists of a set of initiatives directly referring to specific SDGs. The second phase of the plan commenced on 1st January 2019 includes the design, sharing and development of an internal communications campaign, personnel training and incentive system for providing new proposals in the CSR field. 
	HUMAN RIGHTS • Formalization of a specific policy on the protection of human rights (2018).	• In planning for Hitachi Rail STS (formerly Ansaldo STS) to become a company 100% owned by the Hitachi group, it was deemed consistent to move towards a progressive adoption and implementation of the Hitachi Group Human Rights Policy. 



Target achieved



Target partially achieved



Target not achieved



Target postponed



Research Partnerships



Hitachi Rail STS participates in research projects funded by the European Commission, the European Space Agency and the Ministry for Higher Education and Research.

EUROPEAN RESEARCH PROJECTS

The projects funded by the European Commission include:

- MANTIS, funded by the ECSEL Joint Undertaking (public-private party that disburses European Commission funds for innovating embedded systems) and by the Ministry of Research, whose goal is to increase knowledge of the decision-making process for the railway system maintenance; the project ended in April 2018;
- IN2RAIL, in connection with the Shift2Rail initiative; the project goal is to optimise the railway infrastructure by cutting its construction and maintenance costs and increasing its capacity. The project ended in April 2018.



Turnstiles of Line 5, Milan

The Shift2Rail project

With regard to European research, the Shift2Rail project's main goals are:

- to double the capacity of the European rail network;
- to improve reliability and quality of service by 50%;
- to halve the costs over the entire life cycle.

A challenge for "smart, green & integrated" transport.

Hitachi Rail STS is a founding member of this "joint undertaking", involving another 7 founding members, 19 associates and 32 member states of the European Union for a total investment of approximately EUR 450 million.

As part of this research programme, the following projects with the participation of Hitachi Rail STS ended in 2018:

- **CONNECTA** – *CONtributing to Shift2Rail's NExt generation of high Capable and safe TCMS and brAkes* – which aimed to contribute to the next generation of TCMS architecture and components with wireless capabilities, as well as to the upcoming generation of electronic braking systems;
- **ATTRACKTIVE** – *Advanced Travel Companion & Tracking Services* – whose purpose was to improve the travel experience of passengers who use railway transportation systems by developing an integrated solution;
- **PLASA** – *Smart Planning and Safety for a safer and more robust European railway sector* – which was to enhance the customer experience and sturdiness of the

European railway sector system by, on the one hand, improving the planning activities of the various railway system operators through railway simulation and, on the other, providing a methodology for managing railway system safety based on risk assessment;

- **IMPACT-1** – *Indicator Monitoring for a new railway PARadigm in seamlessly integrated Cross modal Transport chains: Phase 1* – the creation of an integrated subsystem which would represent all Shift2Rail innovations.

Activities pertaining to the following projects are instead in progress:

- **X2RAIL1** – *Start-up activities for Advanced Signalling and Automation Systems* – whose goal is to meet the long-term requirements of a future, flexible and smart traffic management system;
- **IN2SMART** – *Intelligent Innovative Smart Maintenance of Assets by integRAted Technologies* – which aims to provide an innovative holistic solution for railway asset maintenance;
- **FR8RAIL** – *Development of functional requirements for sustainable and attractive European rail freight* – intended to take on the major challenges for developing sustainable and attractive rail freight traffic in Europe;
- **ARCC** – *Automated Rail Cargo Consortium* – in relation to freight traffic.
- **IN2STEMPO** – *Innovative Solutions in Future Stations, Energy Metering and Power Supply* – aiming to define solutions for the management of smart energy systems and future solutions for stations;
- **CONNECTIVE** – *Connecting and Analysing the Digital Transport Ecosystem* – which will define a new level of interoperability and access to services and transport data systems in a multi-modal environment;
- **FR8HUB** – *Real-time information applications and energy efficient solutions for rail freight* – which aims to increase the quota of freight stock on rolling stock thanks to the increased efficiency of the transport systems, with particular reference to terminals and hubs;
- **IMPACT-2** – *Indicator Monitoring for a new railway PARadigm in seamlessly integrated Cross modal Transport chains: Phase 2* – aiming to assess and increase the effects on mobility and the environment of the technological solutions and the developments made in the context of the Shift2Rail project;
- **X2RAIL-2** – *Enhancing railway signalling systems based on train satellite positioning; on-board safe train Integrity; formal methods approach and standard interfaces, enhancing Traffic Management System functions* – which aims to promote innovation in the signalling field (introduction of satellite technology and train integrity), supervision (Traffic Management evolution) and the management of development processes (Introduction of Formal Methods);
- **X2RAIL 3, Advanced Signalling, Automation and Communication System (IP2 and IP5)** – Prototyping of the future by increasing capacity, autonomy and flexible communications.



OTHER EUROPEAN PROJECTS

In the satellite field, the activities pertaining to the STARS project, part of the Horizon 2020 Research Programme of the European GSA Agency, ended in November 2018. Specifically, methodologies and tools for calculating the Ground Truth were defined. Meanwhile, measurement activities were carried out at the trial sites in Sardinia and Pontremolese with the aim of acquiring Signal In Space (RF signal) and Observation data regarding GPS and EGNOS. The evolution of the EGNSS service was also defined in order to meet the performance and safety requirements of the railway sector and to identify any impacts on the ERTMS / ETCS systems.

The ERSAT GGC project, also funded by the GSA, is in progress. Its objective is to design the platform for integrating satellite technologies in the ERTMS environment and is the natural continuation of the ERSAT EAV project. The ERTMS functional architecture based on GNSS and public TLCs was strengthened, and a Hazard Analysis was conducted on the new architecture. The toolset for building, validating and certifying a "track database" whose demonstrator will be in Sardinia is also in the completion stage. Lastly, an architecture and toolset that will support certification of the satellite systems on the basis of the CENELEC standards is in progress.

The following satellite technology projects funded by the European Space Agency are in progress:

- DB4RAIL (Digital Beamforming for RAIL), which will develop a digital beamforming platform in the ERTMS context and implement an advanced GNSS antenna and signal processing method to increase system immunity to intentional electromagnetic interference (EMI);
- SAT4TRAIN, aimed at designing and developing a multi-bearer communication platform (Multi Link Communication Platform - MLCP) based on the use of public landline and satellite networks that should meet the requirements of the railway applications.

The project is particularly synergetic with Shift2Rail (TD2.1), in order to guarantee MLCP interoperations with the future communications standards for railway applications and, in particular, for railway signalling (in the ERTMS ecosystem). Following completion of the design stage of the entire system and specification architecture of all the HW and SW modules, laboratory verification activities are being performed, which will then be completed in the field. To this last regard, RFI has made a dedicated train available, for which the on-board installation design and procurement of the necessary materials are being completed;

- SIM4RAIL whose purpose is to specify and develop highly controllable laboratory tools for a test bench able to simulate real operating conditions, even those that are deteriorated, and hard to repeat by testing in the field. It will then be possible to test and support the development of PNT technologies for railway signalling applications that also operate when there are interferences or problems on the GNSS signal. The entire specification and definition of requisites stage, as required by the CENELEC guidelines, has just recently been concluded. The second step of the project will be focused on developing software tools and relevant verification, validation and integration activities, and lastly commissioning at the ESTEC laboratories of the European space agency;
- SBS 2 ("SBS RailS Phase 2.1 - Technology Demonstrator for the certification of a satellite-based ERTMS L2 Regional Line Solution"), whose purpose consists of the design, development and testing (both in the laboratory and in the field on the Pinerolo-Sangone Line) of a Level 2 Regional ERTMS solution. This is based both on the satellite localisation of the train and on the wayside-train communications implemented using IP-based protocols and using the services of the public networks, using the MLCP platform developed in the SAT4Train environment.



Partnerships with universities: technological and managerial training



In 2018, the Company continued to maintain its relationship with Italian and foreign universities and training schools in order to contribute to the students' theoretical and practical knowledge and to offer traineeships, scholarships and other opportunities for young, motivated and enterprising people.

After completing their internship, the young people are assessed by internal tutors who followed them during their training in the Company. If the results reach the high expectations set, they are placed at Hitachi Rail STS, either in Italy or abroad.

In 2018, Hitachi Rail STS participated in a school-work placement initiative thanks to an agreement signed with the Cassini college, the leading college for science in the Genoa region. Through this partnership, the Company has welcomed various alumni selected for their entrepreneurialism and desire to achieve, helping and guiding them in their future university carrier.

The engineering faculty of the University of Genoa supports the young people during this stage with explanations and guidance in making decisions.

In 2018, Hitachi Rail STS implemented an agreement with the D'Oria secondary school with emphasis on humanities

in order to be able to host also students studying classical subjects within its alternating school and work project. The students will be hosted in 2019.

In 2019, the Company's commitment to schools and the alternating school and work project took on an even more solid form by organising a course on soft skills for students, which are becoming increasingly important in the world of work and management, and by organising an orientation day that was actively attended by different representatives of the University of Genoa, including electrical engineering, computer science, ISICT, economics and cyber security.

The initiative was enthusiastically welcomed by both students and the managers and tutors. For the occasion, the Company hosted a large number of students not involved in the project, but interested in this opportunity for growth and information that the Company made available.

FRAMEWORK AGREEMENTS AND PARTNERSHIPS

Hitachi Rail STS has framework agreements in place with the Italian Universities of Genoa, Turin, Rome, Naples and Basilicata, relating to a number of three-year PhD partnership programmes, annual or two-year research contracts as well as numerous theses and internships. The Company also has a framework agreement with the German University of Dresden, specialised in railway signalling, and is also developing partnerships with the Universities of Rome and Milan.

In 2018, the Company continued to work closely with the University of Genoa. In particular, during the year

Hitachi Rail STS consolidated its relations with the electrical engineering department by joining the Career Guidance Committee.

The Company is constantly committed to developing a scholarship initiative which aims to promote continuous study and discourage young people from abandoning their studies after the first few years.

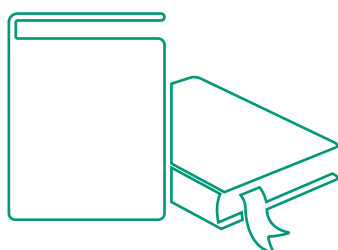
Thanks to these contacts, Hitachi Rail STS is able to share a targeted training programme with universities in order to find interested potential candidates who meet the business' requirements.

The company also took part in the "I want to become a manager" project with the University of Genoa. The purpose of the project is to promote the managerial culture with young people and to transfer know-how that can be learned only in the field, with the goal of augmenting their opportunities to obtain a steady, qualified job with growth prospects.

The opportunity to spend a period of training at the Company was offered to several of the most talented students selected.

In 2018 a joint laboratory (RAIDLab) was created with the University of Genoa, for the joint development of digital technologies (Artificial Intelligence and Big Data) applied to the railway sector.

In 2018, the Company gave a scholarship for the faculty of electrical engineering of the University of Genoa, keeping to its commitment in 2019 as well.





Promotion of safe and sustainable mobility

Genoa SMART WEEK

Hitachi Rail STS joined in the implementation of the Genoa Smart Week, an event consisting of meetings held on the subject of the Smart City promoted jointly by the

Genoa Smart City Association and the Municipality of Genoa. The event is an appointment of reference for the local area and this edition was dedicated to the topic of “resilient

city”. In 2018, the company took part by presenting the contribution it gave to the “E-Mobility” theme.



Donations and sponsorships

Each year, Hitachi Rail STS commits to various charitable events, investments in the community and sponsorships. The total amount paid out in the year that ended on 31 March 2019 was EUR 820 thousand. Donations alone were related to education and young people’s development, health and social welfare, art and culture.

Every year Hitachi conducts the Hitachi Group Social Contribution Activities Survey to tally and promote social initiatives - donations in cash and in kind and activities personally carried out by the employees - and regarding: **human development**

(STEM education, environmental education, periods of training and other educational activities), **the environment** (planting trees, cleaning beaches, rivers and mountains, other environmental preservation activities), **support provided to**

the communities (cooperation for local events, supply of facilities, cleaning activities), **aid in case of catastrophes, employee donations, blood donations, promotion of sports, art culture, and health and well-being.**



Digital communities and the media

THE GROUP WEBSITE

The Hitachi Rail STS website consists of 500 web pages and hosts over 5000 documents. Navigating the website is made easier by the developed search engine that extends its range of action to documents as well. It is equipped with a database correction and keyword suggestion system, and the search is simplified using filters included in the various categories.

The main activities involving the website regard:

- alignment of the Ansaldo STS digital identity with that of the Hitachi group;
- integration of the social media through a link found on each page and the possibility to share, the Twitter stream on the home page and the LinkedIn stream in the *Career* section;
- updated and modern graphic design;
- use of micro animations;

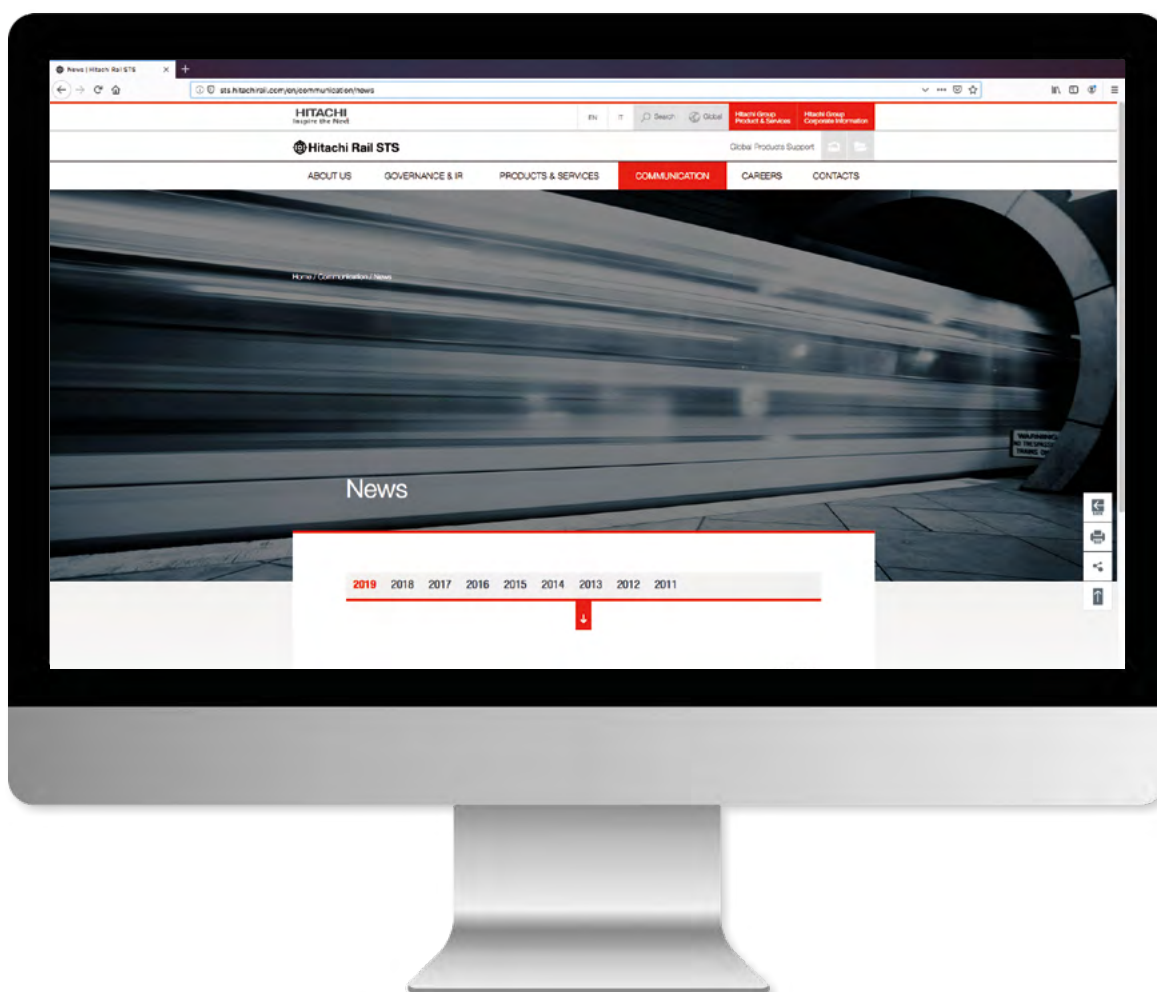
- possibility to align one's personal calendar with the Hitachi Rail STS events;
- enhanced interactive elements such as: Equity story and History;
- publication of contacts completed with the Institutional Affairs, External Relations and Communication team;
- inclusion of the *Innovation* section;
- more highly structured gallery media;
- news integrated with pictures and videos.

Another important set of activities took place during the rebranding and delisting phases, which involved the company up until the end of March 2019. The major work performed on the website concerned the naming of the company, changes introduced to the logo and to the website URL,

and all of the architecture of the contents. The sustainability section was relocated to "About Us", the Investor Relations and Governance sections were made lighter and were put together, and the graphic restyling was carried out in line with the Hitachi Ltd. guidelines.

Lastly, the "News Hub" section was created <http://sts.hitachirail.com/en/communication/news>

containing the non-price sensitive news regarding the business and the key projects obtained by the company. The list referring to the period of January 2018 to March 2019 annexed to the document can be consulted. This section will continue to be fuelled with goals of transparency and communication to the outside, and therefore regardless of the company's listing obligations.





SOCIAL MEDIA COMMUNICATIONS

Hitachi Rail STS continues to invest with communication with the outside by also using the channels offered by the major social networks: Facebook, Twitter, LinkedIn and YouTube.

By dedicating preferential attention to each one of them, the company continues to create a real network of contacts able to retrieve information through these innovative tools.

As regards the period falling between January 2018 and the first quarter of 2019, Hitachi Rail STS confirmed its expertise in communicating through the Social Media.

During this period, new initiatives were kicked off to develop existing digital communication channels, improve their content and format and communication functions, and above all, to facilitate dialogue outside the Company.

The channels available to stakeholders are updated with the most important information in real time.

Hitachi Rail STS tries to give visibility not only to its business success on its social channels, but above all to those moments that all the more distinguish the Company's life, such as participation in conventions, trade shows and exhibitions. The data and information concerning the satisfaction rating of the digital content are available thanks to the statistics that analytics offers, which have always confirmed a high level of audience interest.

The success garnered by the investments in communications and content can be seen by the development of the LinkedIn platform, for example, where the Company's followers number 83,524; while followers on Twitter and Facebook number 2,865 and 3,138, respectively, and there are 396 subscribers of the YouTube channel.

In 2018 and in the first quarter of 2019 over 300 tweets and almost 110 LinkedIn posts were published, and communication via Facebook was enhanced to reach over 100 posts on this channel as well. This means that the Company had proposed a media plan aimed at around four tweets per week and approximately six posts per month on LinkedIn and Facebook.

Of all the social media channels, LinkedIn represents the main showcase of the Company's activities and professional communications, information which increasing numbers of industry users want to access.

During the last year, Hitachi Rail STS totally renewed the platform in order to make it more interesting on the market and to offer greater evidence to the HR programmes and to the positions currently open, while making navigation easier and planning the searches on a geographical basis.

Of the over 83,000 followers, nearly 90% of employees follow the Company on LinkedIn, fully reflecting the positive results of Hitachi Rail STS's efforts to improve values in general and, above all, team spirit.

This year many communication campaigns were conducted on our major social media, such as sponsorship of the video reportage and promotion of the activities and goals met by the company.



Two in particular were important in terms of planning, duration and results achieved: promoting the participation of Hitachi Rail STS at Innotrans and announcing the company's rebranding.

MEDIA

During 2018 and the first quarter of 2019, the internal and external communications activities were enhanced by producing wide-reaching multimedia content.

Specifically, 42 videos were published and shared both in-house through the Intranet and through external channels during the period under review. These included:

- informative stories about the Company's activities suitable for sharing across social networks;
- video reportage related to major projects: Copenhagen, Naples, Milan, Rome, Florence, Riyadh;
- a special feature about the company's presence at Innotrans: daily wrap-ups and reportage from the world's largest rail industry exhibition;
- a special feature story on the in-house Talent training programme,

including over 20 video interviews and reportage, and articles about the project.

Hitachi Rail STS develops its relationships with the media by focusing utmost attention on the quality of information, which must always meet the requirements of transparency, timeliness, truthfulness, complete ease of use and widespread distribution. Relationships with the media take place at all levels: from directors and deputy directors of leading publications, to senior editors and reporters.

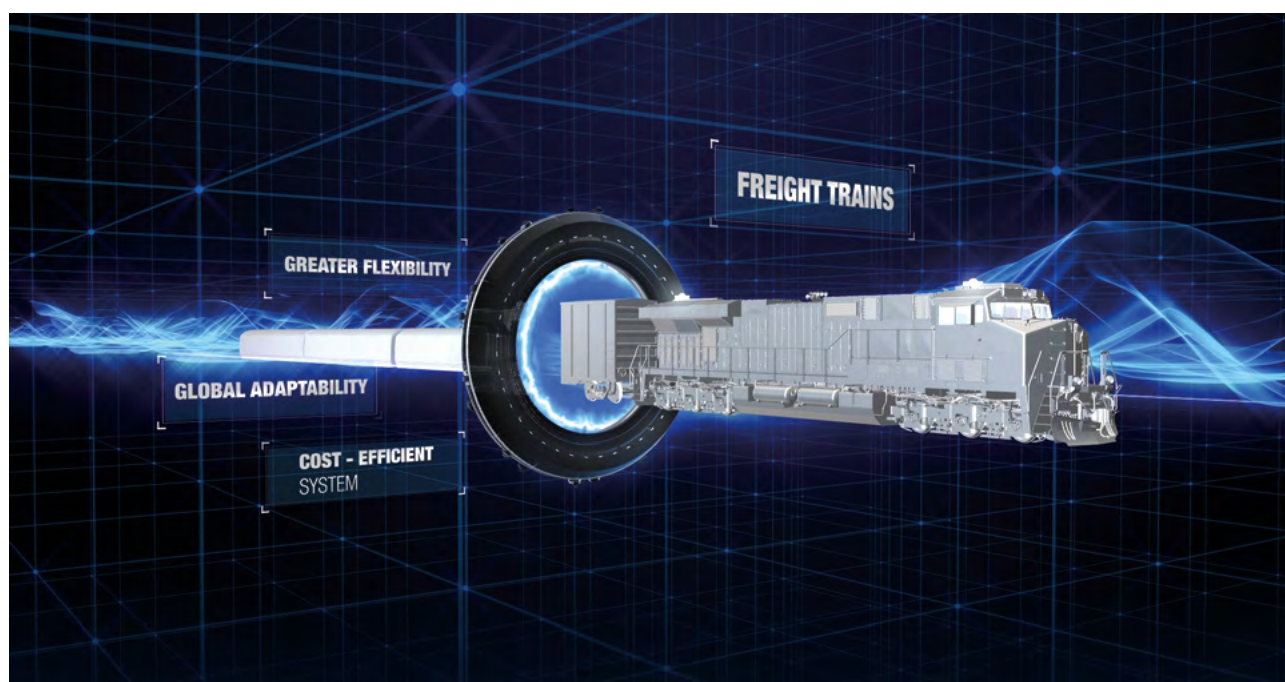
In its communication activities, Hitachi Rail STS mainly targets the most influential media:

- national and international press agencies such as ANSA, ADN-Kronos, AGI, Nova, TeleBorsa, Radiocor, Mf Dow Jones, Reuters,

Reuters International, Dow Jones and Bloomberg;

- daily newspapers such as Il Sole 24 Ore, MF, Italia Oggi, Repubblica, Secolo XIX, Messaggero, Il Mattino, Il Giorno and others;
- periodicals such as Milano Finanza, Corriere Economia, Repubblica Affari&Finanza, Dodici Magazine, CSR magazine, Il Mondo and The Economist;
- radio (Radio 24);
- TV stations, including Class CNBC, Rai, Primocanale and BBC.

The Company promotes ongoing and positive relationships with local business and general media outlets where it is located (particularly Genoa and Naples) or where it carries out projects, such as Rome, Milan and Brescia.





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 and well-being of its employees. As a strategic imperative, the company is committed to continuous improvement in this area. The company's choices are therefore not limited only to complying with the law, but aims towards achieving the highest standards of prevention and control by adopting specific policies and the promotion of ethical behaviours among all stakeholders

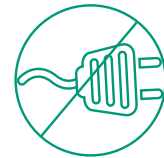
-2.9%
**total energy
consumption**
(31.03.18-31.03.19)



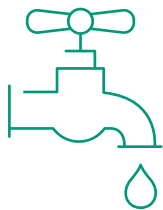
-4.6%
emission intensity
of green house gases
(tCO₂e/mln € revenues)
(31.03.18-31.03.19)



-4.8%
**total electricity
consumption**
(31.03.18-31.03.19)



-7.2%
water withdrawal
per employee
(31.03.18-31.03.19)



**Integrated
Management
System**
quality, safety and
environment



+15.1%
**quality and HSE
training hours**
(31.03.18-31.03.19)



67.5%
**total waste
recycled**



-59.6%
**injury frequency
index**
(31.03.18-31.03.19)



-20.3%
**injury severity
index**
(31.03.18-31.03.19)





Goals met as at 31.03.2019

Environment, health and safety

SDGs	COMMITMENTS UNDERTAKEN IN 2017	ACTIVITIES CARRIED OUT AS AT 31.03.2019
	ENERGY - Reduce energy consumption performance indicator by 2% [GJ/m²]. - Increase the percentage of electrical energy obtained from renewable sources by 2%.	- The energy consumption performance indicator went up due to a less than proportional reduction of energy consumption compared to the reduction of hours worked. - The objective has not been achieved due to the lower weight of Italian energy consumption certified by renewable sources at global level.  
	GHG EMISSIONS Reduce the GHG emission intensity indicator by 10% [tCO₂e/€million revenues].	The indicator was reduced by 4.6%. In absolute terms, GHG emissions dropped by 538 tCO₂e. 
	WASTE - Reduce the weight of waste per hour worked by 5%. - Increase the percentage of recycled waste by 10%.	- Reduce the weight of waste per hour worked by 10.1% compared to 31.03.17. Compared to 31.03.18, the same indicator rose by 16.8% also due to a reduction in hours worked. - The percentage of recycled waste was reduced by 8.9% compared to 31.03.17. Compared to 31.03.18, the same indicator rose by 9.5%.  
	WORKERS' SAFETY Reduce the injury frequency and severity indicator and / or environmental accidents by 2%.	- Compared to 31.03.18, the objectives were met: - the accident frequency indicator was reduced by 20.3%; - the accident severity indicator was reduced by 59.6%; - environmental accidents fell from 7 to 3, marking a 57.1% reduction%.   
	HSE MANAGEMENT SYSTEM - Complete the update the HSE management systems according to new standard ISO14001:2015, in line with new ISO9001:2015. - Maintain or increase the number (> 25) of sites with HSE management system certified ISO 14001 and OHSAS 18001.	- The transition of HSE management systems according to the ISO 14001: 2015 standard has come to an end. Objective achieved. - The sites and offices with HSE management system certified ISO 14001 and OHSAS 18001 number 26. Objective achieved.  



Target achieved



Target partially achieved



Target not achieved



Target postponed



Freight trains in Sweden

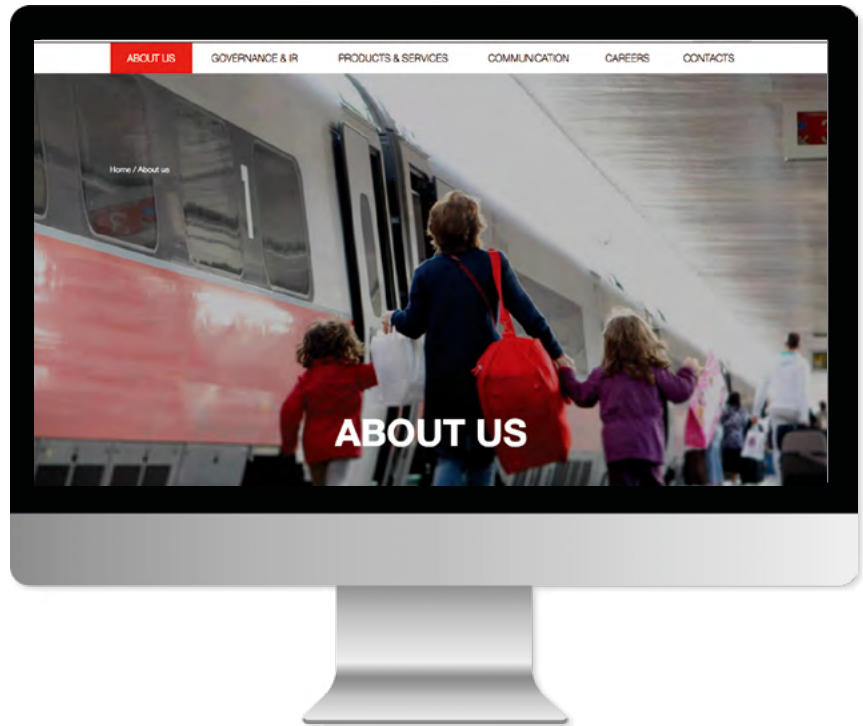
Integrated management system

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.



To ensure enhanced usability of documents, a Company Intranet was implemented. It allows all employees

to more easily consult the corporate and local IMS documentation.





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 Scalco 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 Scalco	•	• + 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 Piosasco	•	•	•
		•	•	•
		•	•	•
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
	Sydney	•	•	• AS/ZNS 4801:01
	Karratha	•	•	• AS/ZNS 4801:01
	Kolkata	•	•	•
INDIA	Noida	•	•	•
	Bangalore	•	•	•
CANADA	Toronto	•	•	•

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

The production sites of Tito Scalco, Riom and Batesburg and the offices of Genoa, Les Ulis, Pittsburgh and Beijing have obtained the IRIS (International Railway Industry Standard) certification. The IRIS standard is promoted by UNIFE, the Association of European Railway Industries, which guarantees its supervision and control. The IRIS standard was developed starting from the ISO 9001 standard, integrating it with specific railway sector requirements.

Hitachi Rail STS is part of the IRIS Steering Committee that rules the IRIS activities and of the Advisory Board which manages the interface between IRIS and the main European railway operators.



Training activities

Hitachi Rail STS's training path has been implemented with the cooperation of Training Needs Managers (TNM). This initiative aims to identify personnel who can serve as contacts for Human Resources in the definition of specific training and development plans for operational structures, in order to facilitate understanding of the specific needs of each operational unit and make it possible to define projects that more accurately target their actual needs. Training Needs Management is distinguished by the concept of "Community", which translates into

encouraging the creation of a network to reduce geographical distances.

Hitachi Rail STS carries out training and information sessions to draw attention to:

- the procedures and requirements of the Integrated Management System;
- the roles and responsibilities needed to achieve compliance with the environmental policy and the procedures and requirements of the Integrated Management System, including preparing for emergency situations and developing response capacity;

- the potential consequences of not complying with the specified operating procedures.

The training sessions were held by personnel competent in the relevant field. The specialised technical focus of the training demonstrates Hitachi Rail STS's aim of targeting operating positions involved in duties and activities that are potentially critical in terms of environment, health and safety.

HSE AND QUALITY TRAINING	31.03.17 ³³	31.03.18	31.03.19
Total hours of HSE and Quality training	8,628	4,940	11,549
Total hours of training	74,269	90,573	120,074
HSE and Quality training as % of the total	11.6%	5.5%	9.6%

Hitachi Rail STS'S commitment to the environment

Protecting the environment is part of Hitachi Rail STS's corporate responsibility and is a key element in its business strategy, which aims to promote the long-term growth of the Company's value.

In recent years, Hitachi Rail STS has in fact 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 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.

33. Data estimated with amounts as those observed at the 31.12.16.



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 recognised at the international level to the entire Organisation, inspired by the principle of continuous improvement and the definition of environmental indicators to measure the environmental performance of the Organisation.

- Annual preservation of the ISO 14001 certifications.
- Rationalisation and simplification of the certifications in the various organisational areas.

2

Reporting to citizens, institutions and other stakeholders on the management and **environmental performance of the Company.**

- Publication of the Sustainability Report and open access given to the key environmental parameters.
- Communication with analysts and participation in various Sustainability indices.

3

Promotion of sustainable environmental practices with suppliers, contractors and customers.

- Use of environmental performance-based supplier qualification criteria.
- Informative/training meetings on the important environmental aspects at the commencement of works through the diffusion of the Environmental Policy and exploring the ways in the impacts generated by the activities carried out (waste, emissions, discharges, etc.) are to be managed.
- Assessment of the suppliers based on the environmental performance of the activities carried out on Hitachi Rail STS's behalf.

4

Observance of the legal obligations of **compliance** and **voluntary commitments.**

- Ensure that the activities are carried out in compliance with said obligations and commitments.
- Assess observance of the subscribed obligations and commitments.
- Correct any non-conformities on observance of subscribed obligations and voluntary commitments.

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.



Environmental performance³⁴

Production sites

The Group's production sites are the Tito Scalo site in Italy, the Riom site in France and the Batesburg site in the United States. These sites produce electro-mechanical components and electronic

apparatus for rail security, control and supervision systems. Site activities mainly consist of mechanical processing, the treatment of metallic and non-metallic materials, thermal treatments,

superficial treatments and applying glue and resins. Activities important from an environmental viewpoint are mainly painting, welding, moulding and cleaning circuit boards using solvent.

	Total area	Areas for plants, storage and warehouses		Dirt car parks and roads		Green areas	
	m ²	m ²	%	m ²	%	m ²	%
TITO SCALO	40,000	8,400	21%	7,600	19%	24,000	60%
RIOM	17,000	5,610	33%	510	3%	10,880	64%
BATESBURG	146,330	19,023	13%	45,362	31%	81,945	56%
Total	203,330	32,523	16%	53,472	27%	115,635	57%

The three production sites cover a total surface area of 203,330 square metres. The Batesburg and Tito sites are located in areas that are included in the list of contaminated sites of national interest.

Office sites

Activities performed at the 29 administrative sites mainly consist of signalling systems design, the analysis of safety, reliability and availability, laboratory testing, contract management and control, research and development, procurement, and prevention and protection. In geographical terms, the locations of office sites are:

- 11 in Europe: Genoa, Piossasco (TO) and Naples (Italy), Les Ulis (France), Solna - Stockholm (Sweden), Madrid and Zaragoza (Spain), Thessaloniki (Greece), Copenhagen (Denmark), Munich (Germany) and London (United Kingdom);
- one in Turkey (Ankara);
- one in China: Beijing;
- two in the Middle East: Riyadh (Saudi Arabia) and Abu Dhabi (UAE);

- two in the US: Pittsburgh and Honolulu;
- one in South America: Lima (Peru);
- one in Africa: Rabat (Morocco);
- ten in the Asia Pacific: Brisbane, Perth, Karratha and Newcastle (Australia); Kuala Lumpur (Malaysia); Bangalore, Noida and Calcutta (India); Daejeon (South Korea) and Taipei (Taiwan).

The non-production sites considered within the reporting scope cover a total surface area of 209,188 m².

None of the Hitachi Rail STS sites are subject to the IPPC (Integrated Pollution Prevention and Control) directive.



34. For the estimation methodology of quantitative data please see Methodological note at paragraph "Principles for defining report quality".



FIGHT AGAINST CLIMATE CHANGE

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 (Scope 1 emissions);
- electrical energy suppliers and their operating emissions related to Hitachi Rail STS's activities (Scope 2 emissions);
- Hitachi Rail STS's supply chain and the emissions resulting from the production and delivery of goods and services (Scope 3 emissions).

In order to establish an improvement strategy, the company reports direct and indirect greenhouse gas emissions, as envisaged by the GHG Protocol³⁵, 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.

35. 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

In 2011 Hitachi Rail STS adopted a Carbon Management System (CMS) which enables the planning, implementation and measurement of targets for the reduction of greenhouse gas emissions.

An efficient carbon management policy enables the Company to decrease consumption and reduce energy costs, thereby improving its bottom line and offering 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 a Carbon Manager, an Energy Manager responsible for providing guidance and carrying out activities and projects with respect to energy savings at all of the Company's operating sites.

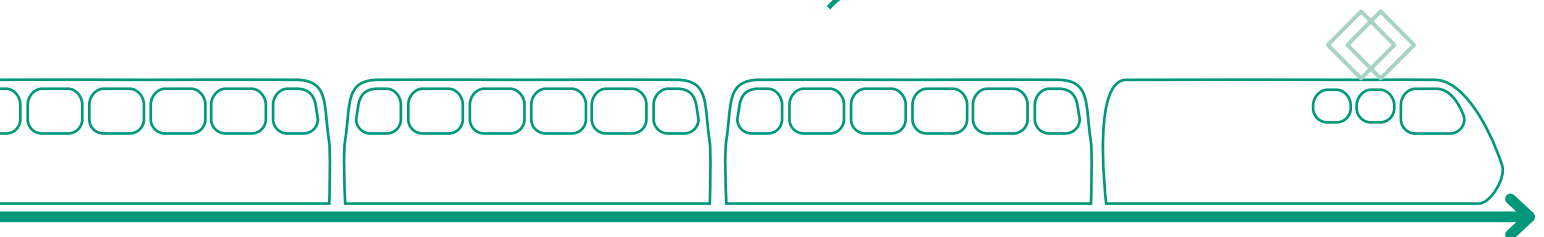
Carbon Disclosure Project (CDP)

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**.





DIRECT AND INDIRECT GREENHOUSE GAS

Total emissions - direct and indirect - of GHG fell in absolute value from 23,175.5 tCO₂e in the year ended 31.03.18 to 22,637.5 tCO₂e in the year ended 31.03.19, with **a reduction of 538.0 tCO₂e (-2.3%)**. Specifically noted are a reduction in indirect emissions coming from the consumption of electricity and district heating (-5.0%), employee mobility (-5.3%) and a reduction in consumed materials (-5.0%), particularly paper and packaging.

consumption according to the location-based approach - calculated using average emission factors relating to the energy mixes of the different countries where the company operates and those 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 secondly the national energy mixes).

The following table provides detailed information on emissions, including those coming from electricity

GHG emissions ³⁶					change (%) 31.03.19 31.03.18
	UdM	31.03.17	31.03.18	31.03.19	
Emissions due to energy production (natural gas)	tCO ₂ e	1,481.4	1,777.0	1,838.9	
Emissions due to energy production (diesel fuel)	tCO ₂ e	429.0	477.0	492.8	
Emissions due to transport - company cars, lorries and forklifts	tCO ₂ e	1,211.8	812.9	757.8	
Total Scope 1 (direct emissions)	tCO ₂ e	3,122.3	3,066.9	3,089.5	0.7%
Emissions due to electricity consumption (location based)	tCO ₂	9,333.1	8,426.1	8,025.0	
Emissions due to electricity consumption (market based)	tCO ₂	6,954.1	7,206.0	6,808.3	
Emissions due to district heating	tCO ₂	284.6	314.0	282.3	
Total Scope 2 (indirect emissions - location based)	tCO ₂	9,617.7	8,740.0	8,307.3	-5.0%
Total Scope 2 (indirect emissions - market based)	tCO ₂	7,238.7	7,520.0	7,090.6	-5.7%
Emissions due to transporting goods	tCO ₂ e	2,521.6	2,383.3	2,719.0	14.1%
by air	tCO ₂ e	1,883.9	1,761.1	2,237.4	
by road	tCO ₂ e	212.9	304.7	391.0	
by sea	tCO ₂ e	424.9	317.5	90.6	
Emissions due to employee mobility	tCO ₂ e	5,776.4	8,256.7	7,821.6	-5.3%
flights (short range)	tCO ₂ e	1,495.4	2,505.7	2,571.5	
flights (long range)	tCO ₂ e	2,934.5	5,059.4	4,817.4	
Diesel and petrol gasoline powered cars (short and long term rental)	tCO ₂ e	1,346.5	691.5	432.7	
Emissions due to consumed materials	tCO ₂ e	1,028.6	682.1	647.8	-5.0%
paper	tCO ₂ e	91.5	91.3	87.4	
packaging (cardboard, plastic and wood)	tCO ₂ e	315.8	95.2	78.7	
natural gas	tCO ₂ e	205.9	247.0	255.6	
diesel	tCO ₂ e	213.5	144.4	144.0	
petrol	tCO ₂ e	200.5	31.8	0.3	
LPG	tCO ₂ e	0.9	71.3	81.2	
petrochemicals	tCO ₂ e	0.5	1.0	0.6	
Emissions due to the production of waste	tCO ₂ e	116.3	46.5	52.3	12.4%
recovered	tCO ₂ e	17.6	14.7	16.1	
disposed of	tCO ₂ e	98.7	31.8	36.2	
Total scope 3 (indirect emissions)	tCO ₂ e	9,442.9	11,368.6	11,240.7	-1.1%
Total emissions – scope 1,2 (location based) and 3	tCO ₂ e	22,182.8	23,175.5	22,637.5	-2.3%
Total emissions – scope 1,2 (market based) and 3	tCO ₂ e	19,803.8	21,955.4	21,420.7	-2.4%

36. The emission factors used for the calculation of GHG emissions are as follows:

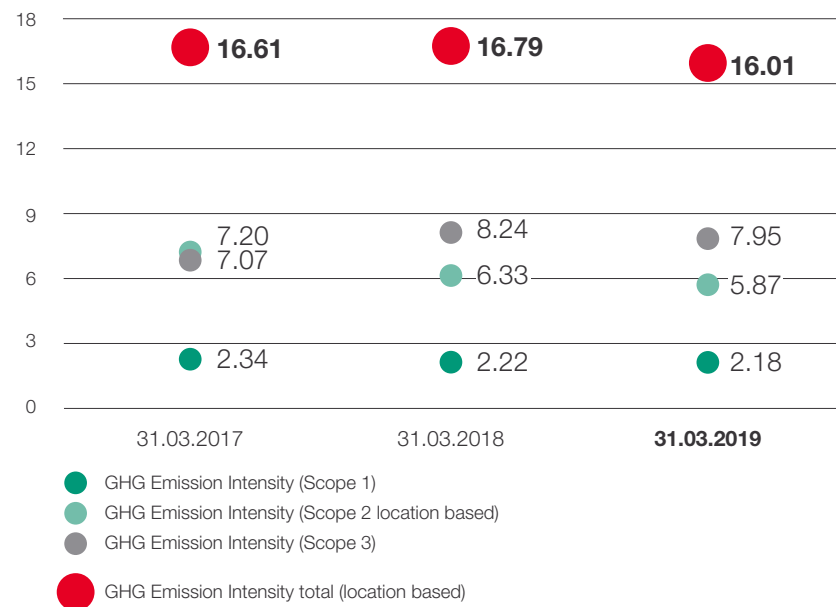
- Direct Emissions scope 1: DEFRA – Department for Environment Food & Rural Affairs (Gov. UK).
- Indirect emissions scope 2 (location based): Terna - Confronti internazionali 2016.
- Indirect emissions scope 2 (market based): AIB - European Residual Mixes 2017 and Green-e Energy Residual Mix Emissions Rates (2018); the location based factor was used for countries for which a residual mix was not available.
- Direct Emissions scope 3: DEFRA – Department for Environment Food & Rural Affairs (Gov. UK).



The scope 2 emissions calculated according to the market based approach are less than those according to the location based approach in consideration of the supply of **electricity from renewable sources in Italy** - through the purchase and subsequent cancellation of the Guarantee of Origin certificates issued by the GSE - and **in Sweden** where the supplier of electricity has Bra Miljöval certification.

In the year ended 31.03.19 **all GHG emission intensity indicators** which measure tonnes of CO₂e by EUR million of revenue, **fell** compared to the previous year. This result is the effect of both the decrease of emissions in absolute value and the increase of revenues (+2.4%).

GHG Emission Intensity (tCO₂e/mln € of revenues)



Greenhouse gas emission intensity

	UdM	31.03.17	31.03.18	31.03.19	change (%) 31.03.19 31.03.18
GHG Emission Intensity scope 1	tCO ₂ e/ € mln revenue	2.34	2.22	2.18	-1.7%
GHG Emission Intensity scope 2 (location based)	tCO ₂ e/ € mln revenue	7.20	6.33	5.87	-7.2%
GHG Emission Intensity scope 2 (market based)	tCO ₂ e/ € mln revenue	5.42	5.45	5.01	-8.0%
GHG Emission Intensity scope 3	tCO ₂ e/ € mln revenue	7.07	8.24	7.95	-3.5%
Total GHG Emission Intensity (location based)	tCO ₂ e/ € mln revenue	16.61	16.79	16.01	-4.6%
Total GHG Emission Intensity (market based)	tCO₂e/ € mln revenue	14.83	15.91	15.15	-4.8%

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.

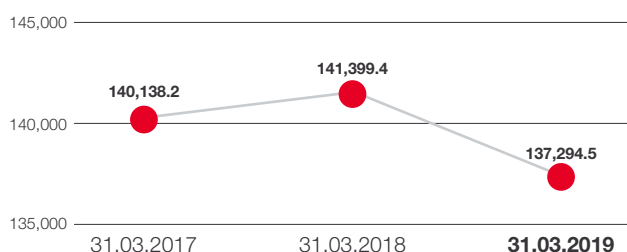
In 2017, in order to further reduce electricity consumption at the Genoa and Tito Scalo sites, a new smart lighting system was installed, with state-of-the-art Wireless and DALI technology that adjusts the brightness of the lamps on the basis of the actual intensity of natural light measured by sensors installed in each room.



Energy consumption trend

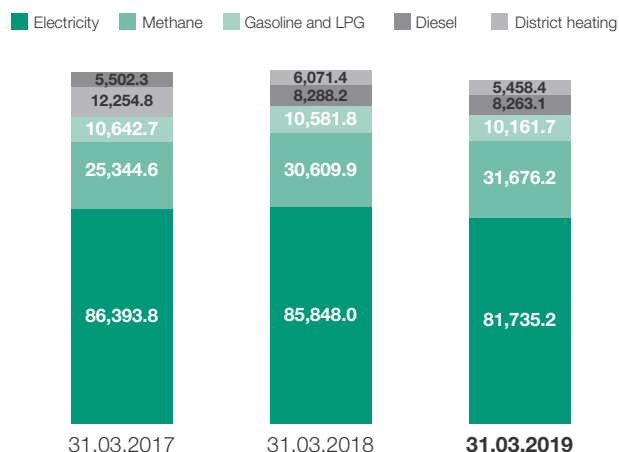
In the year ended 31.03.19, total energy consumption - electricity, methane, diesel, district heating, petrol and LPG - amounted to 137,294 GJ, down 2.9% compared to the previous year.

Total energy consumptions (GJ)



This reduction was due to the lower consumption of electricity, 4,113 GJ (-4.8%); district heating, 613 GJ (-10.1%); and petrol and LPG, 420 (-4.0%). On the contrary, consumption of natural gas went up for a value of 1,066 GJ (+3.5%).

Total energy consumption per carrier (GJ)



The energy consumption trend of the three-year period at the production and office sites is illustrated in the following table.

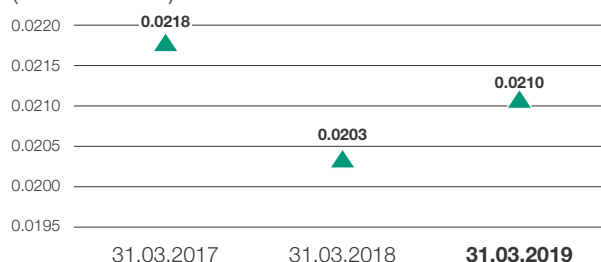
	PRODUCTION SITES			OFFICE SITES		
	31.03.17	31.03.18	31.03.19	31.03.17	31.03.18	31.03.19
Electricity (GJ)	27,102.2	25,261.6	23,183.5	59,291.6	60,586.4	58,551.7
Natural gas (GJ)	3,888.9	5,106.6	5,552.3	21,455.7	25,503.4	26,123.9
Diesel (GJ)	231.5	54.7	0.0	12,023.3	8,233.5	8,263.1
District heating (GJ)	0.0	0.0	0.0	5,502.3	6,071.4	5,458.4
Petrol and LPG (GJ)	342.3	119.5	180.3	10,300.4	10,462.2	9,981.4
TOTAL (GJ)	31,564.9	30,542.4	28,916.1	108,573.3	110,856.9	108,378.4

On average, about 78% of total energy consumption is due to the 29 office sites and 22% to the 3 production sites. Consumption during the last two-year period dropped at both the office sites (-2.2%) and the production sites (-5.3%).

In the year ended 31.03.19, the **Energy intensity** performance indicator showed an increase of 3.6% due to the more than proportional reduction of hours worked (-6.3%) compared to the decrease of energy consumption (-2.9%).

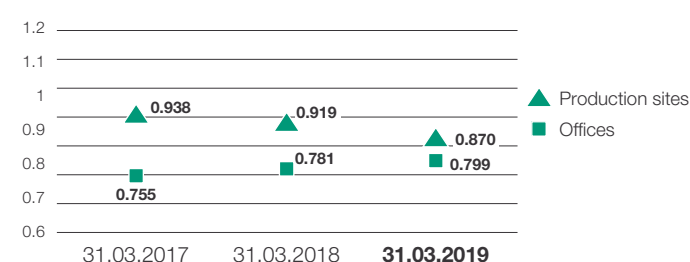
ENERGY INTENSITY

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



KPI - BUILDING ENERGY INTENSITY

(GJ/mq)



The **Energy intensity indicator for buildings**, calculated on the consumption of electricity, methane and diesel fuel for heating and district heating by square metre, demonstrated a decrease at production sites (-5.3%) during the last year, due mainly to the decreased consumption of electricity and a rise at offices (2.3%) due to the increase consumption of natural gas and diesel fuel for heating.



RENEWABLE ENERGIES

Hitachi Rail STS requested the cancellation of its GO certificates (Guarantee of Origin), an electronic certification attesting the renewable origin of the electricity sources used, for the Italian sites 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.

The Solna site also uses an electricity supplier that has Bra Miljøval

certification. The electricity is marked eco-compatible and is produced following very stringent environmental criteria, including the fact that the hydroelectric sites must not dry up the water reserves and that the biofuel comes from controlled and authorised deforestation.

ELECTRICAL ENERGY FROM RENEWABLE RESOURCES (kWh)	31.03.17	31.03.18	31.03.19
Energy from renewable sources	6,513,346	6,795,152	5,771,908
% renewable sources of total	27.1%	28.5%	25.4%

The reduction in the percentage of renewable energy relates to the reduction in electricity consumption at Italian sites and offices.

CONSUMPTION OF RAW MATERIALS, MATERIALS AND SUBSTANCES

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

It is however difficult to make a reliable estimate of the raw materials used by the Company and contained in the electronic and electromechanical components for making signalling equipment. This is due to the fact that considerable and substantially diversified types of small parts (electric cables, screws, bolts) and accessories (boards, monitors, inductive

connections, light signals, cabinets) are needed for production.

Moreover, the making of the product can follow different paths: complete production inside the plants - from the printed circuit to the finished circuit board, or from the shell to the inductive connection, or assembly of products purchased "semi-finished" (circuit boards, monitors, computers) in the case of more complex systems such as complete cabinets or, as an alternative, processed by outside suppliers.

However, Hitachi Rail STS's search for increasingly standardised designs and innovation will increasingly

lead to an overall reduction in the consumption of raw materials directly and indirectly through a reduced use of components. The use of powerful technological platforms integrating several functions in the same subsystem enable the Company to reduce the size of equipment and their connectors, using simple and effective systems for scheduling, testing and roll-out.

Substances such as nitrogen, solvents, paints and lubricant oils are used in the circuit board welding, washing, testing and painting production processes; coil assembly and resin reinforcement; light signal assembly and testing; and equipment thermal cycle testing processes.

SUBSTANCES USED	31.03.17	31.03.18	31.03.19
Total nitrogen consumption [l]	40,400	26,051	55,835
Total paint consumption [t]	0.91	9.39	6.39
Total solvent consumption [t]	1.97	1.61	2.01
Lubricant oils [t]	1.16	2.58	1.60

The consumption of paper and packaging materials used for shipping is also shown below.

PAPER AND PACKAGING MATERIALS	31.03.17	31.03.18	31.03.19
Paper [t]	95.73	95.55	91.46
Cardboard packaging [t]	316.70	50.80	23.04
Wood packaging [t]	359.00	331.61	269.16
Plastic packaging [t]	1.70	5.78	9.74
Mixed material packaging [t]	2.50	2.48	2.26



POLLUTING EMISSIONS

For Hitachi Rail STS, pollutant emissions relate to the consumption of non-renewable resources used to run thermal plants (methane and diesel) and to the production processes that emit volatile organic and inorganic compounds.

ATMOSPHERIC EMISSIONS ³⁷	31.03.17	31.03.18	31.03.19
SOx (Kg)	1,628.6	1,203.2	1,201.2
NOx (Kg)	2,988.1	3,063.3	3,138.7
CO (Kg)	1,063.4	1,066.2	1,090.8
PM 10 (Kg)	45.5	38.6	39.0
Volatile organic compounds (Kg)	429.0	931.9	584.8
Volatile inorganic compounds (Kg)	3.6	9.4	2.6

WATER MANAGEMENT

The sustainable management of site water during withdrawal and use encourages the maintenance and improvement of water use efficiency, 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;

in certain locations it is also used for watering the green areas. Hitachi Rail STS's water procurement sources include aqueducts and water tables where water is drawn through wells.

To reduce water consumption, Hitachi Rail STS has installed devices that mix water and air or, alternatively, photocells or timed controls that

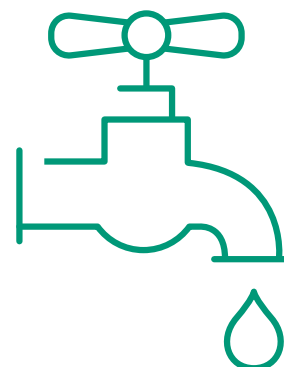
effectively control the water flow, in order to minimise the waste of the resource.

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

	PRODUCTION SITES			OFFICE SITES			TOTAL		
WITHDRAWAL OF WATER	31.03.17	31.03.18	31.03.19	31.03.17	31.03.18	31.03.19	31.03.17	31.03.18	31.03.19
Water drawn from aqueducts (m³/year)	12,329	9,855	11,329	196,649	179,789	171,900	208,978	189,645	183,229
Water drawn from wells (m³/year)	-	-	-	10,616	7,429	4,029	10,616	7,429	4,029
TOTAL	12,329	9,855	11,329	207,265	187,218	175,929	219,594	197,074	187,258

A constant decrease of total water resource withdrawal was recorded during the last three-year period. In particular, consumption dropped 5% compared to the previous year during the year ended 31.03.19.

KPI - Water withdrawal per employee (m³)



The water withdrawal per employee indicator also showed a constant decrease: compared to 31.03.18, the value dropped 7.2% due to the combined effect of reduced withdrawal and the increase in number of employees.

37. Emissions are calculated using the coefficients issued by the European Environmental Agency (Air Pollutant Inventory Guidebook 2016).



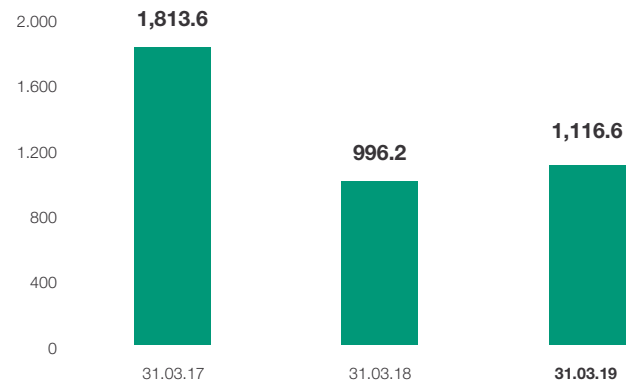
MANAGEMENT OF WASTE AND EFFLUENTS

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

Hitachi Rail STS's policy is to reinforce prevention and 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 relates to paper, cardboard and wood packaging, metal and out-of-order equipment.

Total waste production (t)



Total waste production increased (+12%) in the year ended 31.03.19 particularly due to the non-hazardous waste relating to the production sites, a figure directly linked to the increase in contracts.

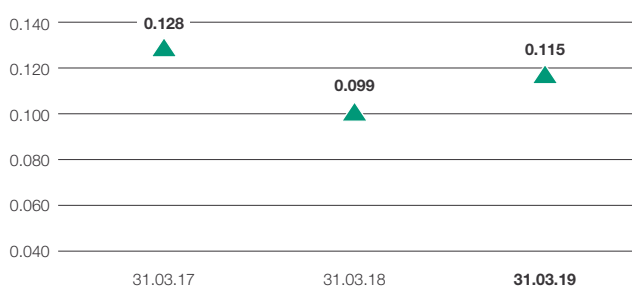
The following table provides details on the waste produced at the production sites and offices, with the fractions sent to recovery and disposal specified.

WASTE PRODUCTION	PRODUCTION SITES			OFFICE SITES		
	31.03.17	31.03.18	31.03.19	31.03.17	31.03.18	31.03.19
Hazardous (t)	13.03	13.50	11.99	16.16	15.75	16.20
% recovered	6%	58%	50%	64%	48%	53%
% disposed of	94%	42%	50%	36%	52%	47%
Non-hazardous (t)	77.44	104.46	198.74	1,706.93	872.96	888.91
% recovered	60%	61%	52%	45%	70%	71%
% disposed of	40%	39%	48%	55%	30%	29%
TOTAL WASTE (t)	90.47	117.96	210.72	1,723.09	888.71	905.11
% recovered	52%	61%	52%	45%	69%	71%
% disposed of	48%	39%	48%	55%	31%	29%

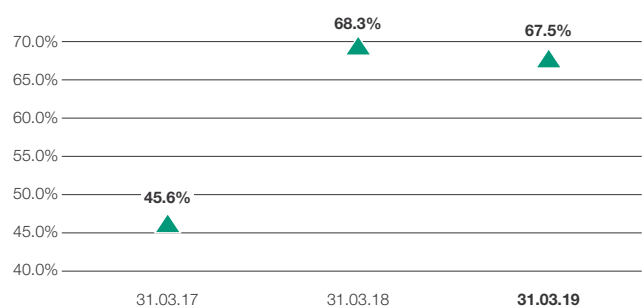
The kilograms of waste produced per hour worked went up, also due to the decrease in hours compared to the hours worked in the period considered relative to 2018.

The figure relating to the fraction of total waste sent to recovery compared to the figure recorded in the year ended 31.03.2018 is confirmed, even if with a slight decrease.

KPI - Kg. of waste produced per hour worked



KPI - % of total recovered waste





Recycling of packaging

In terms of packaging, Hitachi Rail STS uses mixed material packaging, plastic, cardboard and wood (crates). Part of the wood and plastic packaging is reused to package similar products, especially at the central warehouses at the Piosasco and Tito Scalo sites.

Waste water

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

All Hitachi Rail STS sites produce waste water that can be exclusively classified as domestic or similar, except for the Tito site. All the domestic or similar waste water 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' disposal points are monitored.

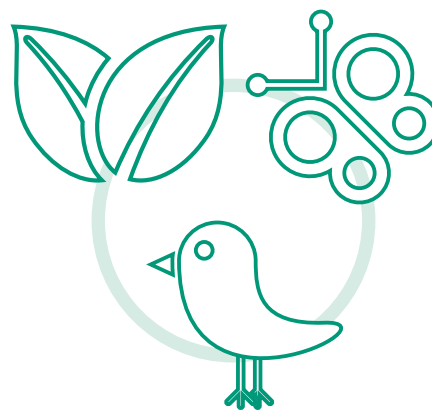
	PRODUCTION SITES			OFFICE SITES		
WATER DRAINAGE	31.03.17	31.03.18	31.03.19	31.03.17	31.03.18	31.03.19
Volume of domestic or similar waste water (m³/year)	9,616	10,649	13,586	262,766	191,721	208,152
Volume of industrial waste water (m³/year)	1,156	813	1,321	0	0	0
TOTAL	10,772	11,462	14,907	262,766	191,721	208,152

BIODIVERSITY

Only one of the Hitachi Rail STS sites is located in proximity of protected areas:

- Tito Scalo (Pz) – total area 40,000 m² (21% plants, warehouses and offices, 19% streets and parking lots, 60% green areas) where activities of manual and automated welding, as well as painting of circuit boards, are carried out. The site is certified according to ISO 14001 and is EMAS registered. It is less than 3 km from the lake of Pantano, Regional Natural Reserve

and Oasis of WWF. Pantano di Pignola is located in a Site of Community Importance and in a Special Protection Area (SIC-ZPS IT9210142), in the municipality of Pignola (Pz). It is also RAMSAR Area (Convention on Wetlands of International Importance). Due to the insignificant activity of the site with respect to biodiversity, the only biodiversity indicator considered by the EMAS is the number of employees compared to surface area.



NOISE

The noise levels at all Hitachi Rail STS sites are kept under control, and the external and internal noise is monitored according to the frequencies set by legislation in force in order to verify compliance with the limits applicable therein. When Hitachi Rail STS is the main contractor, it may request the measurement trend from its subcontractors during the coordination and supervision activity in order to ensure that the limits are not breached.

International Environment Day

Hitachi Rail STS participates to the International Environment Day, established in 1972 by the United Nations General Assembly, to promote positive global actions to preserve the environment. The initiative aims to raise awareness of the concept of “green economy” and represents one of the opportunities to invite everyone to actively contribute to the environment protection and to the sustainable use of natural resources.

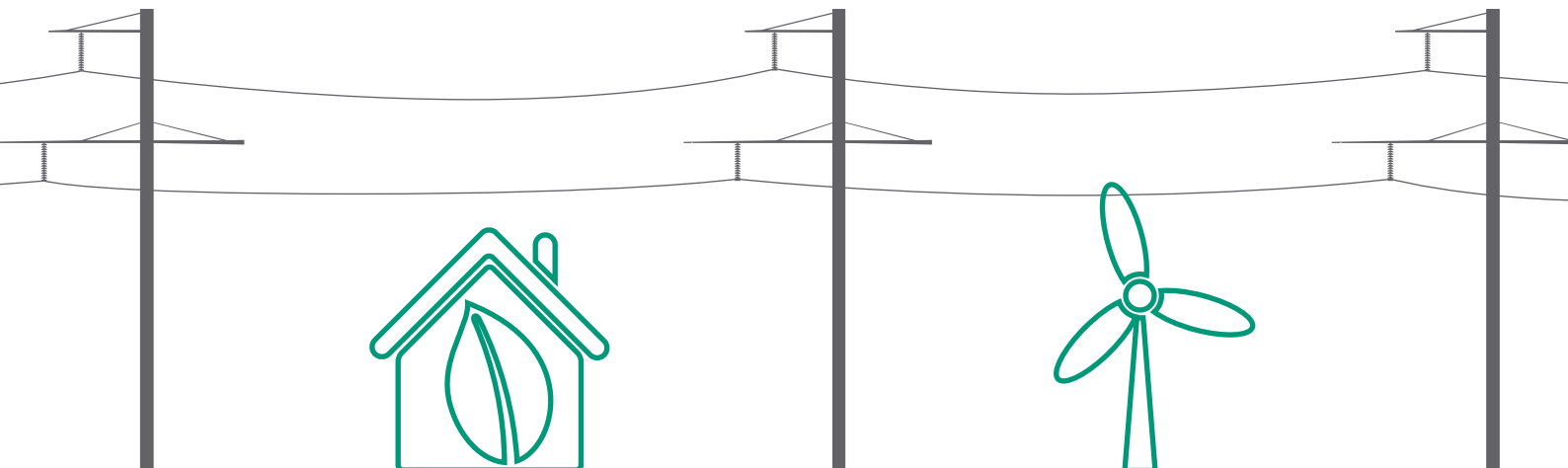


ENVIRONMENTAL AUDITS

Hitachi Rail STS conducted internal audits and external audits were conducted by suppliers, customers or certification bodies during 2018 and the first three months of 2019. The results are shown in the following table:

ENVIRONMENTAL AUDITS	31.03.17	31.03.18	31.03.19
Number of internal environmental audits	75	175	61
Number of external environmental audits (by suppliers/customers/certification bodies)	24	27	21

There were more internal audits concerning the year ended 31.03.18 because those conducted at the Taipei site were intensified.





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;

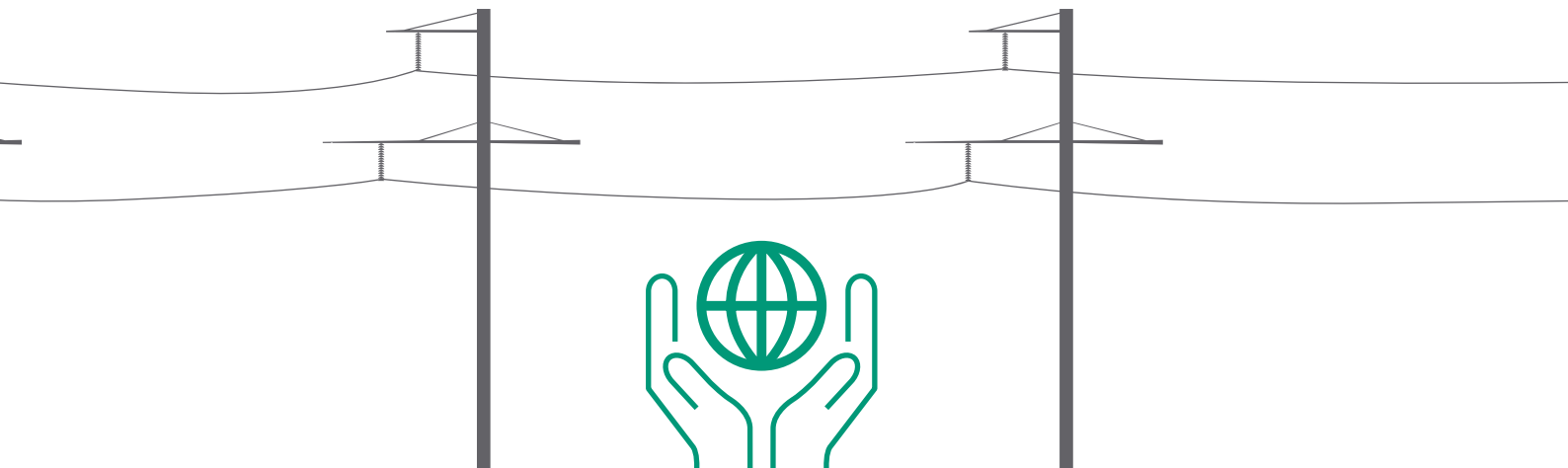
- continuously improve the aforementioned management systems' performance, not only with respect to the prevention of injuries and work-related illnesses, but also in terms of more general employee wellbeing;
- adopt risk assessment criteria for all dangers relating to work activities which, in compliance 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.

INJURY INDEXES	31.03.17	31.03.18	31.03.19
No. injuries sustained (with days of absence, excluding commuting injuries)	14	23	17
Injury frequency index (no. injuries/h. worked x 200,000)	0.44	0.65	0.52
Injury severity index (no. days lost/h. worked x 200,000)	3.73	19.97	8.06

Compared to the previous year, fewer injuries and half of the number of relevant days lost were recorded in the year ended 31.03.19. This led to a 20.3% lower frequency index and a 59.6% lower severity index.

In order to acquire the information needed to continuously 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.

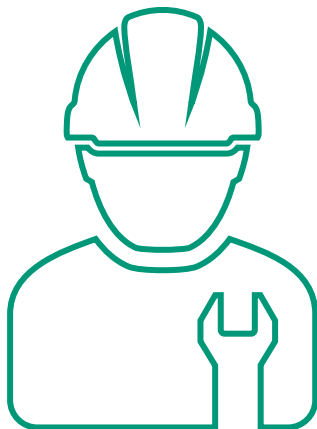
2. HSE COMPETENCE: implementation of an HSE Competence and Training Portal integrated into the Corporate Academy portal.

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 (LEADS SAFE) training and information programme for senior management have been selected.

HEALTH AND SAFETY AND AUDIT COMMITTEE

Hitachi Rail STS holds meetings pursuant to Art. 35 of Italian Legislative Decree no. 81/08, which are attended by the employer (or a representative), the prevention and protection service manager, the doctor, the safety officer and the workers' safety representative. 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.



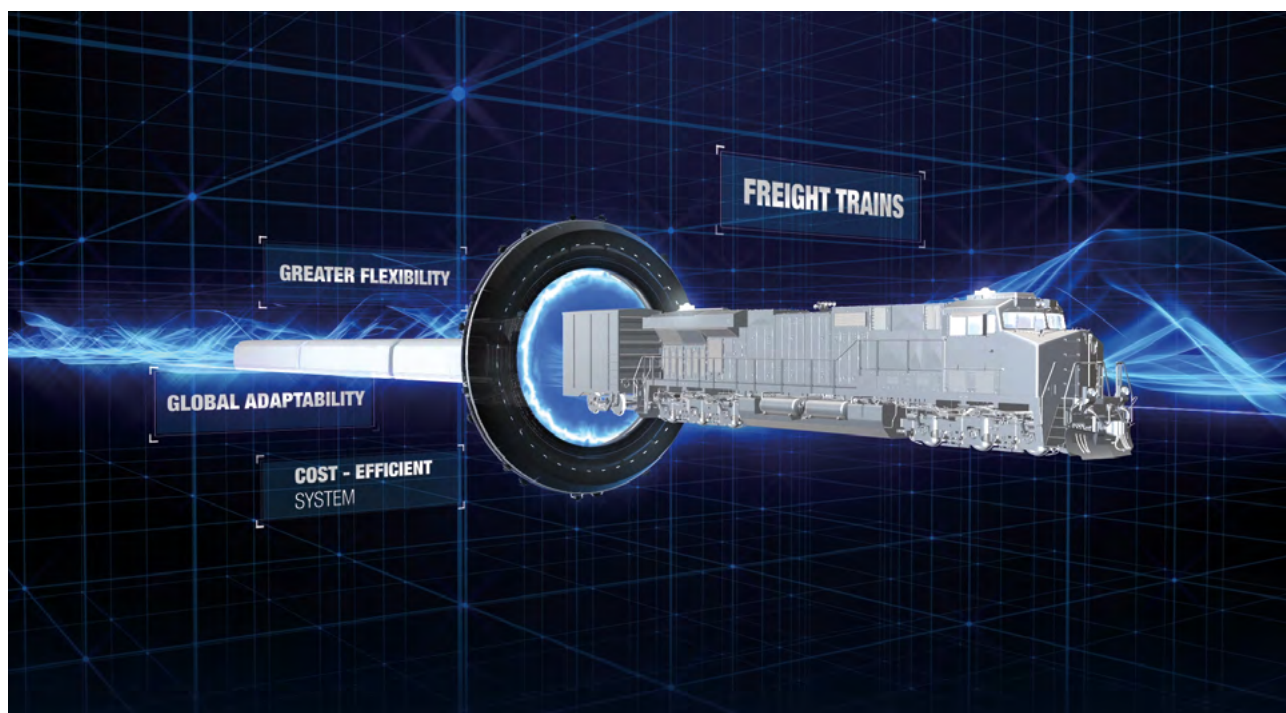
Health and Safety and Diversity Management

Hitachi Rail STS adopts solutions in management and design related to the application of Diversity Management for Health and Safety.

Regarding the design solutions, the Engineering Department considered design requirements deriving from cultural and religious differences; for the subway of Princess Noura University in Riyadh a particular ergonomics of the Operative Central Station has been studied according to the female operator personnel, as well as the requirements and the design constraints of the vehicles (glass, lighting, set-up) for the "privacy" of the female passengers.

HEALTH AND SAFETY AUDIT	31.03.17	31.03.18	31.03.19
Number of internal health and safety audits	119	199	81
Number of external health and safety audits (by suppliers/customers/certification bodies)	26	28	30

There were more internal audits concerning the year ended 31.03.18 because those conducted at the Taipei site were intensified.



Ethical management of the Supply Chain



In view of the increasing importance of the supply chain's social and environmental aspects, Hitachi Rail STS has drawn up new criteria to assess and monitor its suppliers and to define a new action plan to assist them in improving their sustainability.

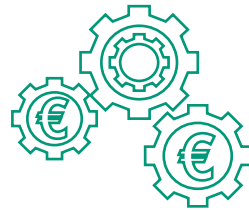


3,367

suppliers active as
at 31.03.2019



936.7 mln €
ordered



542 mln €

is the estimated
remuneration of the
Supply Chain
work factor



Interdisciplinary qualification process

coordinated by the Supplier
Qualification & Monitoring, which
involves the technical office.

**Procurement, Quality
and the Health** Safety and
Environmental department

Qualification questionnaire integrated with HSE aspects:

adoption of ISO 14001 and
OHSAS 18001 management
systems; application of REACH/
ROHS/RAEE regulations, data
on accidents, non conformities,
training and emergencies

25%
of qualified suppliers
certified according to ISO
14001 or OHSAS 18001

Commencement of
work to develop the
digital platform



Goals met as at 31.03.2019

Ethical management of the supply chain

SDGs	COMMITMENTS UNDERTAKEN IN 2017	ACTIVITIES CARRIED OUT AS AT 31/03/2019
	GLOBAL PROCUREMENT PLATFORM Implementation of the global Procurement platform with particular advantages in terms of risk management and environmental sustainability (dematerialisation).	- Implementation of the first SRM - Supplier Relation Management - module for centralised management of qualification and monitoring of STS suppliers in order to increase the level of procedural compliance, minimise operational risks and guarantee a higher level of quality of the suppliers and of their performance. - Implementation of the supplier certificate traceability management system within the SRM module in order to ensure that the qualification and compliance criteria are continuously met. - Study and planning for the implementation of the subsequent modules planned. 

 Target achieved

 Target partially achieved

 Target not achieved

 Target postponed

Types of supplies and suppliers

Hitachi STS considers the supply chain management process a critical factor for the success of its business. Strategic procurement management requires a broad vision of the process along the entire value chain, from the definition of product specifications and service to delivery. Hitachi Rail STS has adopted an interdepartmental management approach which provides for the involvement and approval of all bodies concerned by the overall logistics.

Given that it designs, builds and operates transportation and signalling systems for railways and urban rail transport, Hitachi Rail STS's supplies include:

- **Materials** – purchase of circuit boards, mechanical and plastic parts, wayside equipment, cables, racks, cabins, industrial PCs, on-board equipment and electromechanical components.
- **Services** – facility management and HSE, payroll services, professional and ICT services, logistics services and travel.
- **Business services** – engineering and development services and RAMS activities (reliability, maintenance, availability and security).
- **Turnkey projects and subcontracts** – the award of a turnkey contract relates to systems that interact with the rest of the technologies for the specific contract, such as installation systems, telecommunications systems, auxiliary braking systems, power supply and systems, supervision and control systems, depots for equipment, signalling systems, rails and civil works.



Orders by suppliers' geographic location were as follows:

SUPPLIES BY TYPE (figures in EUR k)	31.03.17	31.03.19	31.03.19
Materials	241,457	307,539	235,273
Services	349,532	409,887	167,317
Business services	95,269	119,361	122,126
Turnkey projects and subcontracts	548,615	700,544	411,956
TOTAL	1,234,873	1,537,331	936,672

SUPPLIES BY GEOGRAPHICAL DISTRIBUTION (figures in EUR k)	31.03.17	31.03.19	31.03.19
Italy/EU ³⁸	728,802	945,406	570,796
The Americas ³⁹	235,632	296,367	266,322
Asia Pacific ⁴⁰	232,867	252,069	77,907
Other	37,572	43,489	21,647
TOTAL	1,234,873	1,537,331	936,672

As at 31.03.19, the number of active suppliers was 3,667, as shown by geographical area below:

- 61% are European suppliers;
- 28% are suppliers in North/South America;
- 8% are suppliers in Asia Pacific;
- 2% are suppliers based in other areas.

The economic benefit of working with Hitachi Rail STS can be measured by considering the intensity of its suppliers' workforces. Accordingly, the following should be considered:

- 31% of Hitachi Rail STS's orders are for labour-intensive services (100%);
- 44% of its orders are for turnkey projects and subcontracts which have an average labour intensity factor of 50%;
- 25% refers to supplies of materials with a medium labour intensity factor of 20%.

Therefore, the labour intensity factor of Hitachi Rail STS's orders is roughly 58%: approximately EUR 542 million is paid to suppliers to cover their labour costs.



38. Mainly Italy and France, followed by Spain, Sweden, Germany, UK, Belgium, Switzerland and Denmark.

39. Mainly US, followed by Canada and Brazil.

40. Mainly Australia and India, followed by Malaysia and China.



Selection and qualification criteria

In view of the increasing importance of the supply chain's social and environmental aspects, Hitachi Rail STS has drawn up new criteria to assess and monitor its suppliers and to define a new action plan to assist them in improving their sustainability.

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 current health, safety and environmental 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.

In order to increase integration and improve the management of suppliers along the Supply Chain, a new unit called Supply Chain Quality was created, and it comprises three bodies: *Supplier Qualification & Monitoring*, *Quality control* and *Incoming Inspection*. Furthermore, Hitachi Rail STS has specified that the qualification process is interdisciplinary and based on the opinions of several units involved therein under the guidance of this new body. This includes the technical, procurement, quality and HSE departments.

Together with the introduction of the new unit and the specific Supplier Qualification & Monitoring body, a

cloud-based qualification IT platform was implemented to globally standardise and centralise management of the qualification process and supplier documentation in a single database.

This is the first step of a broader plan to digitalise the global procurement process, of which supplier qualification and monitoring is an integral and essential part of a modern and efficient process.

The digitalisation of this process led to greater control in addition to allowing the data management methodology to be further developed in an extremely vaster way in view of additional improvements to the system for monitoring activities carried out by the qualified suppliers.

The supplier questionnaire was further 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.

SUPPLIER MAPPING ACCORDING TO HSE CRITERIA

Hitachi Rail STS conducts an initial 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 and compliance with

the Code of Ethics; furthermore, 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 and requires certification according to standards ISO

9001, ISO 14001 and OHSAS 18001. These characteristics are considered preferential requisites and contribute to assigning the score for qualification.

The results of the mapping were as follows:

SUPPLIER MAPPING	31.03.17 ⁴¹	31.03.18 ⁴²	31.03.19
Number of suppliers in the register by direct and indirect product types	15,025	16,351	17,171
New qualified suppliers (Classes A and B) of which	124	308	174
ISO 14001 certified suppliers	17	39	23
OHSAS 18001 certified suppliers	15	34	20

41. Figure estimated with 2016 values.

42. Figure estimated with the following formula: % 2017 + 1Q 2018.



The mapping of the supplier base, made easier by centralising the process management at global level and its digitalisation, is one more step taken in a specific Supply Chain sustainability policy. The main guidelines of this policy are:

- audit activities on site suppliers, including a review of sustainability performance, with technical controls on products for suppliers of materials;
- continuous improvement of collaboration between Hitachi Rail STS and the suppliers for product design, management of their performance, programmatic checking of compliance with the Hitachi Rail STS requirements and standards;
- activities to inform suppliers about sustainability issues;
- the extension of periodic monitoring activities to critical and A Class suppliers.

In the United States, it is common practice for customers to require the mandatory allocation of a percentage of the contract to DBEs (Disadvantaged Business Enterprises), which are regulated by federal and state departments. Each DBE must be certified by the relevant Transit Authority.

To meet its contractual obligations in the US, Hitachi Rail STS has identified and vetted various DBEs with which it may now operate in order to meet the quota required by the contractual targets.

In general, this includes training employees of DBEs to carry out the work usually performed by Hitachi Rail STS employees in line with labour standards.

CONTRACTUAL TOOLS

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

For the product categories relating to basic services, such as ICT (Information & Communication Technology), the supply of energy, global services and logistics (outsourcing of warehouses and transport contracts), Hitachi Rail STS uses framework agreements.

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

For project-specific materials and services, Hitachi Rail STS uses purchase orders. The standard order includes a summary of the general supply terms, legal requirements – with specific reference to the protection of workers and the protection of personal

data – and a notice of compliance with the Code of Ethics.

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

For turnkey packages and contracts, Hitachi Rail STS agrees ad hoc contracts whereby the contractors undertake, through their organisation, using the necessary means and with management at their own risk, the operation or provision of the relevant plant or service.

Furthermore, all contractual documentation is attached to the contract. This documentation normally consists of the main contract (the contract agreed by Hitachi Rail STS with the customer), the technical documents defining the scope of the work in detail; detailed project plans; Hitachi Rail STS's Code of Ethics; and legally-required documents (for example, the facsimile of workers' protection statements).

MONITORING ACTIVITIES

Suppliers are constantly monitored through meetings or communications between them and the Hitachi Rail STS departments with which they operate (Procurement, PM, Engineering, Quality and Supply Chain, Logistics and Construction). At least once a year, personnel working with suppliers participate in a vendor rating process that takes into account the suppliers' conduct and performance vis-à-vis the supplies ordered, in order to update the suppliers' assessment and establish whether they will remain in the list of Hitachi Rail STS suppliers. Scores are given in four main areas: quality, punctuality, flexibility and charges.

The global performance of suppliers remained high, with only a few suppliers receiving unsatisfactory ratings.



Economic sustainability



Hitachi Rail STS's economic sustainability is its strategic response to the macroeconomic context and transportation market trends, based on a business model that develops distinctive abilities and the necessary skills to boost the Company's competitiveness on markets.



+2.4%

Revenues

from 1,380 to
1,414 mln €
(31.03.18-31.03.19)



+1.2%

Economic Value Generated

from 1,440 to
1,458 mln €
(31.03.18-31.03.19)

**Renovated
business model**
to pursue
business goals

124.8 mln €
value invested in
the Company
+39.2%
(31.03.18-31.03.19)

6,717.4 mln €
order book
+6.4%
(31.03.18-31.03.19)



**Customer
Satisfaction:**
a system of
customer
monitoring, control,
reporting and
discussion tools

Processes of
**Project Lifecycle
Management**
for operative
risks control



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 S.p.A. (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**

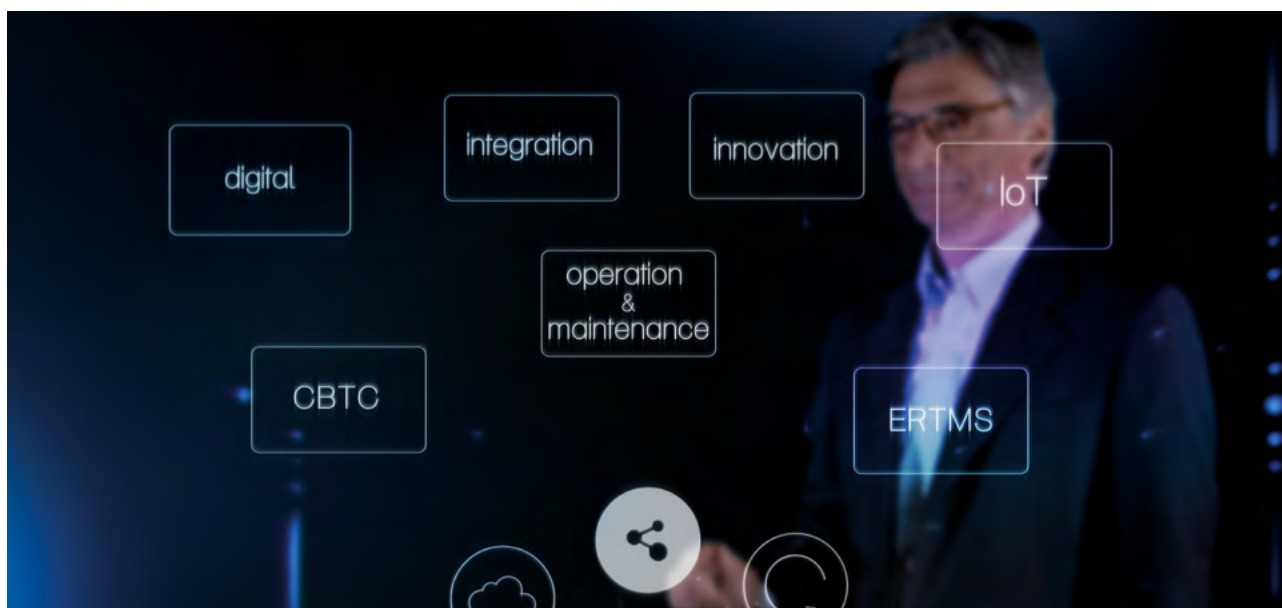
Hitachi Rail STS is a leading supplier of cutting-edge integrated transportation solutions, combining traditional and non-traditional technologies and operation and maintenance services.

- **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.



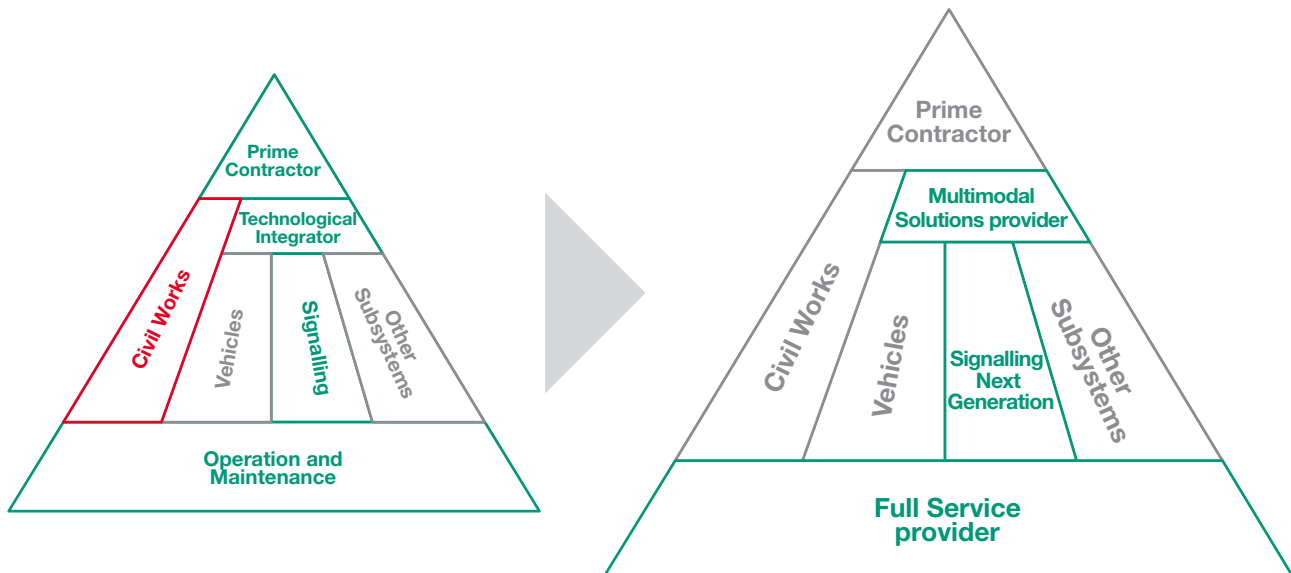


EVOLUTION OF THE BUSINESS MODEL

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 - **Multimodal 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.

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.



ECONOMIC VALUE GENERATED AND DISTRIBUTED

Hitachi Rail STS recognises the importance of balancing the distribution of value generated by its activities to stakeholders who have directly or indirectly contributed to its creation.

By analysing distributed economic value, Hitachi Rail STS studies the flow of resources directed towards its employees, suppliers, service providers, lenders, public authorities and the communities in which it operates.

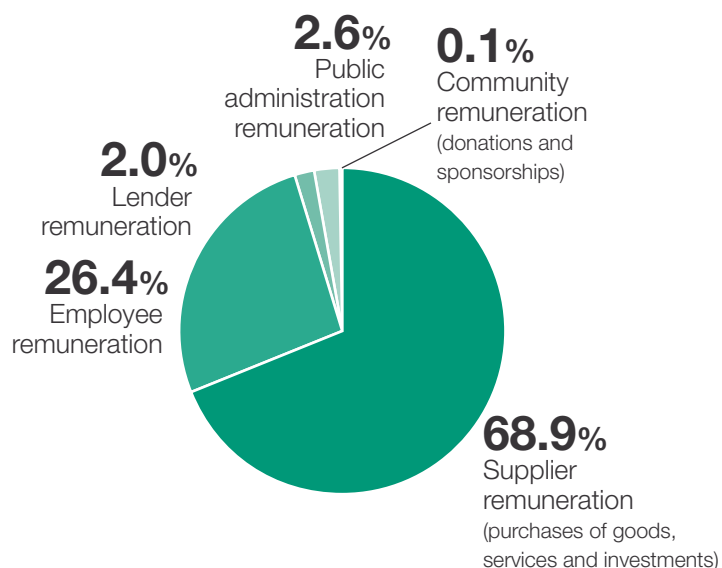
ECONOMIC VALUE GENERATED AND DISTRIBUTED (figures in EUR k)	31.03.19	31.03.18
Economic value generated	1,457,975	1,440,028
Revenue	1,414,025	1,380,318
Other revenue	23,718	30,084
Financial income	20,232	29,626
Economic value distributed	1,333,125	1,350,313
Operating costs (procurement, services and investments)	919,185	936,441
Employee remuneration	351,283	334,537
Shareholder remuneration	0	0
Lender remuneration	26,781	42,563
Public administration remuneration	35,056	35,902
Donations and sponsorships	820	870
Economic value invested into the business	124,850	89,715
Depreciation, amortisation, impairment losses and adjustments	36,404	23,320
Self-financing	88,446	66,395

The **value generated** by the Group as at 31.03.2019 amounts to approximately EUR **1.46 billion** (+1.2% compared to the previous year), while the **value invested** by the Company - mainly consisting of self-financing, amortisation and depreciation, - is EUR **124.8 million** (+39.2%).

EUR 1.33 billion (-1.3% compared to the previous year) was distributed and divided among the following stakeholders as shown below:

- the largest amount, EUR 919.2 million, relates to costs incurred to purchase materials (suppliers), services (contractors and subcontractors) and other goods;
- approximately EUR 351.3 million was distributed to employees, mainly for wages, salaries, social security and pension contributions and defined contribution plans;
- approximately EUR 26.8 million relates to lenders for interest and commissions, financial expense and operating exchange rate differences;
- EUR 35.1 million was paid to the tax authorities and other local bodies for direct and indirect taxes;
- EUR 0.82 million went to the community in the form of gifts, donations and sponsorships (with or without publicity).

31.03.19 DISTRIBUTION OF ECONOMIC VALUE GENERATED



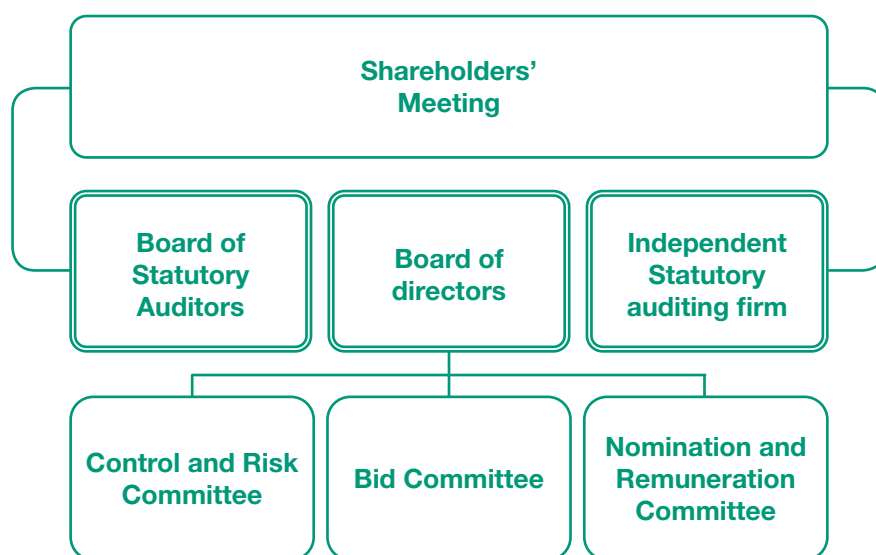


Corporate Governance

Hitachi Rail STS adopts a Corporate Governance System that is based on the highest standards of transparent business management and fair practice. The system complies with the provisions of law and international best practices.

The Corporate Governance System is aimed at maximising value for shareholders and monitoring business risks.

Hitachi Rail STS's Corporate Governance System is based on a traditional model and was composed, for the period to which this report refers, of the **following bodies**:



The main **governance tools** in the Company's possession during the reference period of this document are listed here below:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01;
- Shareholders' Meeting Regulation;
- Regulation of the Board of Directors;
- Risk and Control Committee Regulation;
- Appointments and Remuneration Committee Regulation;
- Executive Committee Regulation;
- Anti-corruption Policy.

It is specified that, from 25 July 2019, following the delisting of the Company, a simplification of the Company's corporate governance system was carried out, for which, the Control and Risk Committee, the Executive Committee and the Nomination and Remuneration Committee and the related regulations, do not they are more part of STS's corporate governance system. The remaining corporate governance bodies and instruments remain unchanged.



BOARD OF DIRECTORS

Hitachi Rail STS's Board of Directors has the broadest powers for the management of the Company, with the power to take any and all suitable action to achieve the Company's mission. Directors are appointed for up to three years and can be re-elected.

For the period to which this report refers, the Board of Directors, appointed by the Shareholders' Meeting of 13 May 2016, was composed of nine Board Members.

BOARD OF DIRECTORS IN OFFICE							Risk and Control Committee		Appointments and Remuneration Committee		Executive Committee	
Office	Members	In office since	In office until	Executive	Non executive	**	*	**	*	**	*	**
Chairman	Alistair Dormer	2 November 2015	Shareholders' Meeting to approve the 2018 Financial Statements	x	-	13/14	-	-	-	-	Chairman	4/4
Deputy Chairman	Alberto de Benedictis	13 May 2016	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	13/14	Chairman	8/8	x	11/11	-	-
Managing Director	Andrew Thomas Barr	13 May 2016	Shareholders' Meeting to approve the 2018 Financial Statements	x	-	14/14	-	-	-	-	X	4/4
Director	Barbara Blassoni***	16 November 2018	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	3/3	-	-	-	-	-	-
Director	Filippo Corsi ***	16 November 2018	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	3/3	-	-	-	-	-	-
Director	Mario Garraffo	13 May 2016	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	12/14	x	7/8	x	9/11	-	-
Director	Katherine Jane Mingay	13 May 2016	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	14/14	-	-	-	-	x	4/4
Director	Katharine Rosalind Painter	13 May 2016	Shareholders' Meeting to approve the 2018 Financial Statements	-	x	14/14	x	8/8	Chairman	11/11	-	-
Director	Riccardo Tiscini***	16 November 2018	Shareholders' Meeting to approve the 2018 Financial Statements	-	X	3/3	-	-	-	-	-	-
DIRECTORS THAT LEFT DURING THE PERIOD UNDER REVIEW (resigning since 2 November 2018)												
Director	Rosa Ciprotti	13 May 2016	2 November 2018	-	x	9/10	-	-	-	-	-	-
Director	Fabio Labruna	13 May 2016	2 November 2018	-	x	10/10	-	-	-	-	-	-
Director	Michele Alberto Fabiano Crisostomo	19 January 2017	2 November 2018	-	x	9/10	-	-	-	-	-	-

** Participation in Board and Committee meetings respectively during the period considered (no. of meetings attended/no. of meetings held during the term of office).
 *** Directors appointed by cooption by the Board of Directors on 16 November 2018 (replacing the resigning Directors - since 2 November 2018 - Rosa Cipriotti, Michele Alberto Fabiano Crisostomo and Fabio Labruna) and confirmed by the Shareholders' Meeting held on 31 January 2019.

Please particularly note that following the resignations tendered on 29 October 2018, taking effect starting from 2 November 2018, of the directors Rosa Cipriotti, Michele Alberto Fabiano Crisostomo and Fabio Labruna, the Board of Directors appointed the directors Filippo Corsi, Barbara Blassoni and Roberto Tiscini to replace the resigning directors on 16 November 2018, and they were confirmed by the ordinary Shareholders' Meeting held on 31 January 2019.

It is specified that, on July 25, 2019, the Ordinary Shareholders' Meeting of the Company appointed - for the expiry of the mandate of the previous Board - Alberto de Benedictis, Filippo Corsi and Renato Gallo as members of the Company's Board of Directors. These directors will remain in office until the date of the Shareholders' Meeting that will be called to approve the financial statements for the year ended March 31, 2022.



Board of Directors' activities

The Board held 14 meetings during the year from 1 January 2018 to 31 March 2019. The average length of the Board meetings in 2017 was approximately two hours and thirty-nine minutes.

In connection with the items on the agenda, the Chief Financial Officer of the Company, the Internal Audit Manager

and, on the advice of the Chairman of the Board, other Company Executives took part in the Board of Directors works in order to provide the necessary in-depth information on the items on the agenda. Pursuant to the Articles of Association, the Board of Directors meets every time that the Chairman, or his replacement, considers it necessary, or upon the request in writing of the majority of the members.

Executive and non-executive authority

The Board, for the period to which this report refers was mainly composed of non-executive directors who exercise, due to their number and authority, a significant weight in the assumption of Board decisions.

At present the remaining 7 members, not including the Managing Director and Chairman, are non-executive directors. Although not holding an executive position within the Company, the Chairman is considered as an executive member due to the position held within the Hitachi Group.

To date, the three members of the Board of Directors are all executives.

2018 to 31 March 2019 in so far as they were deemed unnecessary.

Requirements and skills

Pursuant to the Articles of Association, in order to take office as Director, one must not only meet the requirements of honourableness provided for by current legislative and regulatory provisions but must also meet the specific requirements of professionalism. In particular, candidates may not be appointed as Directors of the Company if they do not have at least three years of overall experience in the following:

- administration or supervision activities or managerial duties with companies with a share capital; or
- professional activities or university teaching as a full professor of legal, economic, financial or technical/scientific subjects closely related to the Company's business activity; or
- senior management functions with public bodies or administrations active

in the credit, financial and insurance sectors or, in any case, in industries which are closely related to the Company's business activity.

Diversity policies

The diversity policies adopted by the Company, for the period to which this report refers regarded the gender balance of members of the Board of Directors and the Board of Statutory Auditors. According to the Articles of Association, at least one-third of members of the Governance and Control bodies must be composed of members of the least represented gender⁴³. The composition of the Board of Directors and the Board of Statutory Auditors, for the period to which this report refers, demonstrated suitable diversity in terms of age, professional and educational background, independence and representation of minority groups.

BOARD OF DIRECTORS	As at 31.03.2017		As at 31.03.2018		As at 31.03.2019	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
< 40	-	-	-	-	-	-
40-50	3	1	3	1	3	1
51-60	1	2	1	2	1	2
> 60	2	-	2	-	2	-
TOTAL	6 men, average age 55	3 women, average age 50	6 men, average age 56	3 women, average age 51	6 men, average age 56	3 women, average age 52

BOARD OF STATUTORY AUDITORS – Standing Auditors BY AGE AND GENDER	As at 31.03.2017		As at 31.03.2018		As at 31.03.2019	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
< 40	-	-	-	-	-	-
40-50	-	-	2	1	2	1
51-60	1	1	-	-	-	-
> 60	1	-	-	-	-	-
TOTAL	2 men, average age 62	1 woman, average age 56	2 men, average age 43	1 woman, average age 47	2 men, average age 44	1 woman, average age 48

43. In line with the provisions of the current law on gender equality.



Appointment of directors

The Directors are appointed at the Ordinary Shareholders' Meeting. For additional information on the appointment of the Board of Directors during the Ordinary Shareholders' Meeting of 13 May 2016, as well as on the appointment of the current Board of Directors (appointed on 25 July 2019), reference should be made to the Company's website⁴⁴.

Directors' remuneration

The Company remuneration policy aims to attract, retain and motivate a management team characterised by highly professional qualities which is able to successfully manage the Company.

On 14 March 2018, the Company's Board of Directors, following prior approval by the Appointments and Remuneration Committee, approved the Company's remuneration policy for 2018 and the remuneration report.

The remuneration policy envisages:

- a fixed component, represented by:
 - for the Managing Director and General Manager: the amount resolved at the Meeting at the time of appointment; the amount resolved by the Board of Directors upon the proposal of the Appointments and Remuneration Committee (for the Managing Director, the opinion of the Board of Statutory Auditors is also considered);
 - for Non-Executive Directors: the amount resolved at the Meeting at the time of appointment;

- for Managers with Strategic Responsibilities: the gross annual fixed salary envisaged by the individual contract signed with the Managers with Strategic Responsibilities, in line with the provisions of the applicable Collective Labour Agreement.

- A variable component, comprising, for the Managing Director, General Manager and Managers with Strategic Responsibilities:
 - a variable short-term bonus scheme based on the achievement of pre-determined performance objectives set on an annual basis (Management by Objectives or "MBO");
 - a cash-based Long Term Incentive Plan, structured on the basis of rolling three-year periods and subject to the achievement of economic and financial targets.

For additional information, reference should be made to the Company's website⁴⁵.

Committees

To increase the efficiency and effectiveness of the work of the Board of Directors, for the period to which this report refers, the Risk and Control Committee, the Appointments and Remuneration Committee and the Executive Committee have been established.

Risk and control committee

The Committee, for the period to which this report refers, was composed of

three Non-Executive and Independent Directors. The Committee was appointed on 16 May 2016 by the Board of Directors, which examined the accounting and financial experience of its members. The Committee meetings were governed by internal regulation.

Appointments and remuneration committee

The Committee, for the period to which this report refers, was composed of three Non-Executive and Independent Directors. It was appointed on 16 May 2016 by the Board of Directors, which evaluated and confirmed that at least one member possesses appropriate knowledge and experience of financial matters or remuneration policies. The Committee's activities was governed by internal regulation.

Executive committee

The Executive Committee was formed upon the resolution of the Board of Directors. For the period to which this report refers it was composed of three Board Members, including the Chairman and the Managing Director, and was responsible for the assessment and approval of tenders aimed at securing, for public and private clients, contracts worth between EUR 150 million and EUR 350 million per individual operation. The Committee's activities was governed by internal regulation.

It is specified that, since 25 July 2019, these committees no longer form an integral part of STS's corporate governance system.

44. <http://sts.hitachirail.com/en/governance-ir/governance-system>

45. <http://sts.hitachirail.com/en/governance-ir/governance-system>



Internal control and risk management system

Hitachi Rail STS's internal control and risk management system provides for the involvement of the following officers:

- Board of Directors;
- Risk and Control Committee (only for the period to which this report refers);
- Director responsible for the internal control and risk management system exclusively for the period to which this report refers (and up to 31 January 2019, the date on which the Company was revoked from listing on the electronic share market);
- Internal Audit department and Manager;
- Board of Statutory Auditors;
- Supervisory Body according to Italian Legislative Decree no. 231/2001;
- Employees.

With the assistance of the Risk and Control Committee and on the basis of the activities of the Director responsible for the internal control and risk management system, the Board of Directors, for the reference period, defines guidelines for this system, in order that the main risks to which the Company and its subsidiaries are exposed are correctly identified, measured, managed and monitored,

in line with the Company's strategic objectives.

The methodological approach taken to evaluate and manage the internal control and risk management system refers to the internationally recognised Enterprise Risk Management framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO report).

The Internal Audit department prepared, for the reference period, the audit programme which is then approved by the Board of Directors, while the department manager reports regularly to the Risk and Control Committee.

In order to ensure that the conduct of all those operating on the Company's behalf or in its interests is always consistent with the principles of correctness and transparency in all business dealings and Company activities, Hitachi Rail STS has adopted an Organisational, Management and Control Model (the "Model") in line with the requirements of Italian Legislative Decree no. 231/01 and the guidelines issued by Confindustria, of which the

Code of Ethics is an integrating part, and a Supervisory Body that supervises application of the Model.

The Model was recently updated with the resolution passed by the Board of Directors on 28 July 2017 and is available on the Company's website⁴⁶.

TAll employees, to the extent of their role and within the limits of the duties entrusted to them and their respective skills and responsibilities, contribute to the effective operation of the Internal Control and Risk Management System, reporting to their manager any anomalies that may come to their attention. Any conduct contrasting with the ethical principles provided by the Code of Ethics or the indications of the Model can be anonymously reported to the Supervisory Body, which evaluates the reports in accordance with the relevant company procedure currently in place.

No reports of non-compliance to the Code of Ethics and/or the Model adopted by the Company were received in 2018, except for those specified in the chapter on the Code of Ethics.

Board of Statutory Auditors

The Board of Statutory Auditors carries out inspections and audits in order to oversee compliance with the law, the Articles of Association and the principles of correct management. It is also charged with supervising the statutory audit of the annual separate and consolidated accounts and certifying the independence of the Independent Auditors, including with regard to services not related to the Company audit.

The current Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting of 11 May 2017. It is made up of three Standing Auditors and three Alternate Auditors. During the 2018 financial year it met 18 times; the average duration of the meetings was approximately three hours.

The following table shows the members of the Board with their characteristics and participation in the meetings.

Board of Statutory Auditors in office from 11 May 2017

Office	Members	In office since	In office until	List (M/m)	Independent (from the Code)	No. other positions	Participation at Board of Statutory Auditors meetings **	Participation at Board of Directors meetings**
Chairman	Antonio Zecca	11 May 2017	Shareholders' Meeting to approve the 2019 Financial Statements	m	x	-	13/13	8/8
Standing auditor	Giovanni Naccarato	11 May 2017	Shareholders' Meeting to approve the 2019 Financial Statements	M	x	1	13/13	8/8
Standing auditor	Alessandra Stablini	11 May 2017	Shareholders' Meeting to approve the 2019 Financial Statements	M	x	5	13/13	6/8

** Participation at Board meetings (no. of meetings attended/no. of meetings held).

46. <http://sts.hitachirail.com/en/governance-ir/governance-system/organizational-model>



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 most important value upon which it bases its company culture. In general, each customer is assigned a specific contact at Hitachi Rail STS, generally the Project Manager overseeing its 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 and project management activities is fundamental to carrying out a project that meets the quality requirements of the products and services offered and ensures their provision 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

responses according to established schedules in line with the transportation needs of a city or the community at large.

In this area, the most significant development in market dynamics in recent years has entailed the progressive shift from the provision of products and technologies to the increased customer demand for turn-key transportation solutions that efficiently meet the needs of local and national institutions. This new type of offer requires the ability to support our customers, who are increasingly considered less as buyers and more as partners, in the management of a project throughout its entire life cycle.

MANAGEMENT OF CUSTOMER SATISFACTION

Customer Satisfaction ("CS") activities are handled by a dedicated team made 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 take place at various stages and are carried out using different tools to accurately monitor the level of customer satisfaction and project status until the completion of the project. These tools include:

- **Customer Satisfaction Monthly Meeting:** monthly meetings via video-conferencing 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 where Customer Satisfaction is critical. 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. The survey is carried out using a specific questionnaire.

- **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,** 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 twice a year 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. Such reports are included in the Management Review.

CUSTOMER SATISFACTION SURVEY	31.03.17 ⁴⁷	31.03.18	31.03.19
Number of customer satisfaction surveys completed	6	14	11

47. Figure estimated with the value as at 31.12.16.



Control of operational risks and opportunities related to projects

Actions to mitigate risks and increase opportunities linked to the quality, timing and costs of projects include:

- the 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, mitigations and opportunities;
- the clear assignment of responsibilities to the Project Manager, project controller and project team;
- the periodic review of the project and the estimates during the tendering phase;
- the periodic monitoring and reporting of projects by the Risk Management department;
- the independent review of key projects by the Risk Management department.

CUSTOMER COMMUNICATIONS

Hitachi Rail STS communicates with its customers and the market in general in order to contribute to the creation of value, improving the way in which the brand is perceived by the many professionals who participate the decision-making process regarding investments and the main operating activities.

Institutional communications target the top management of major national railway companies and the public authorities of urban areas interested in transportation solutions, the operating units of customers assigned to the performance of contracts, the technical and contractual supervisory bodies appointed by customers or required by local legislation, professional industry associations and opinion makers.

The objective of technical and business communication is to inform the professionals who are most active in areas such as qualification with customers, design, implementation, commissioning, approval, after-sales service, staff training and workers' safety at the sites.

It pursues these objectives by creating a work community that can adjust its response to the market in terms of timing and procedures by participating in trade fairs, appearing in specialised publications with institutional and product advertisements, along with articles detailing certain aspects, company publicity on the website, publishing leaflets and broadcasting of videos for sales and marketing.

A year of events: Tradeshow and advertising campaigns

For Hitachi Rail STS, the trade fair is without a doubt one of the most important sales and marketing tools, where privileged contact is made between the exhibitor company and the stakeholder. It is a strategic tool for being in the front line and for building customer relations.

The following trade fairs are of particular note:

MONTH	EVENT	LOCATION
March 2018	26-28 UIC ERTMS World Conference	Milan
April 2018	16-19 European Transport Research	Vienna
May 2018	22-24 RSSI	Omaha, USA
September 2018	18-21 Innotrans	Berlin
November 2018	6-8 CBTC World Congress	Paris
February 2019	7-9 Rail + Metro China	Shanghai
	27-28 AusRail	Canberra
	26-27 Middle East Rail	Dubai



AusRAIL, Canberra (Australia)

AusRAIL is the most important railway trade fair held in Australia. The event hosts over 400 exhibitors and stages the leading stakeholders of the rail transport industry.

Hitachi Rail STS participated in this edition of AusRAIL to promote its skills in the field of automation thanks to the ATO (Automatic Train Control), ETCS L2 (European Train Control System) and GoA4 (Grade of Automation level 4) technologies applied to execution of the AutoHaul® project in Australia.

Innotrans (Berlin)

Hitachi Rail STS attended the most important international trade fair in the Rail sector with a high-impact stand shared with colleagues from Hitachi Rail S.p.A.

Visitors and experts had access to special areas dedicated to meetings as well as an advanced virtual reality device made available by the Company, which enables users to explore driverless Hitachi Rail STS stations throughout the world.

Innotrans is also the ideal occasion to present the Company's products, technological innovations and business results achieved in the course of the last year to the audience of sector operators and experts attending the event.



Advertising campaign 2018 and first quarter 2019

Hitachi Rail STS recognises the close synergy between trade shows and advertising, concentrating its advertisement spots in the periods immediately prior to the trade fairs which, in turn, have been carefully studied and identified according to a defined marketing plan.

In the context of an increasingly digital and dynamic world, Hitachi Rail STS has naturally adapted to and focused on online publications such as *International Railway Journal*, *Railway Gazette*, *Ingegneria Ferroviaria*, *Climate 20* Witan Media *Una-Uk*, and *Future Rail*, while still retaining a presence in paper publications such as *UITP Magazine*, *The Official Journal of the UITP Summit* and *Liguria Economy*.

The advertising campaign implemented by Hitachi Rail STS aims to define the Company's identity, constructing an

increasingly consolidated and instantly recognisable brand identity and aiming to promote the brand's values through a slogan. The advertising campaign

that brought the best results was the one implemented in collaboration with the Cristoforo Colombo airport of Genoa.





Relations with shareholders and members

Hitachi Rail STS was listed on the Milan Stock Exchange and is on both the FTSE Mid Cap and STAR indexes, which includes top-ranking companies that meet specific, binding requirements: high levels of transparency and disclosure, excellent liquidity and corporate governance in line with international standards.

Hitachi Rail STS's Corporate Governance System is always designed to maximise value for its shareholders, monitor business risks and achieve transparency with the market, balancing the interests of all its shareholders and focusing particular attention on minor ones.

In October 2018, the majority shareholder Hitachi Rail Italy Investments Srl reached an agreement with the US fund Elliott to purchase the entire shareholding of the fund, totalling about 31.8% of the share capital.

On the same date, Hitachi Rail Italy Investments S.r.l. (hereinafter "HRII") announced its decision to promote a total voluntary public tender offer covering all the ordinary Ansaldo STS shares.

Subsequently, on November 2018, HRII announced that, due to the effect of purchases made on the market, it came to hold a stake of more than 90% of the company's share capital and therefore would have complied with the

obligation to purchase, by the shareholders who would have requested, of all remaining outstanding ordinary shares of Ansaldo STS, as required by current legislation.

Subsequently, on January 2019, HRII announced that by virtue of further purchases made on the market, as well as requests for the sale of the shares presented by some shareholders, it came to hold a stake of more than 95% of the capital of Ansaldo STS; HRII, therefore, announced that it is proceeding, as required by current legislation, to purchase all the remaining ordinary shares of Ansaldo STS in circulation.

Therefore, at the end of January 2019, HRII came to hold the entire share capital of Ansaldo STS and the shares were therefore revoked from listing and trading on the MTA market (c.d. delisting).

The Company's shares were withdrawn from the stock market on 30 January 2019 and the Company on 1 April 2019 took the name of Hitachi Rail STS.

SHARE CAPITAL

As at year-end 2018, Hitachi Rail STS's subscribed and paid-in share capital amounted to EUR 100,000,000. The share capital is composed of 200,000,000 ordinary shares with a unit value of EUR 0.50.

No other categories of shares or financial instruments convertible into or exchangeable with shares were issued.

In addition to relevant legal requirements, Hitachi Rail STS has given

great emphasis to the methods adopted for the extraordinary transactions, providing explanations to shareholders and investors and verifying that all external stakeholders have correctly interpreted the type of transaction.





INVESTOR RELATIONS

Hitachi Rail STS's main objective was to maintain ongoing dialogue with the Italian and international financial community, providing information in a timely and transparent manner and ensuring the correct valuation of the Company.

This is why the Investor Relations department, which reports directly to the Chief Financial Officer, constantly met with the financial community to gain an understanding of its information needs and to support top management in communication decisions. During 2018, total actual coverage generally remained unchanged compared to the previous year across 5 investment banks, which kept up active involvement after Hitachi Rail Italy Investments Srl acquired 51% and the entrance of the US fund Elliott.

The Investor Relations office has endeavoured to keep up a meticulous update of the "sell side" analysts' perception since 29 March 2006, the day of delisting, by collecting, studying and spreading in-house the periodic research provided by the

investment banks not only pertaining to the company, but also regarding the sector and the competitors. Collection and analysis of approval has always been carried out each quarter in order to get a clear reference regarding the perception of the analysts of the key economic/financial indicators of the Company.

This underscores the attention that Hitachi Rail STS devotes to considering financial communications as a two-way street, based also and foremost on the market's perception and suggestions. The organisation of Roadshows and Investor Meetings, completing the disclosure of information, aimed at promoting and communicating the Company's market analyses, policies and strategies. Over the years, the Investor Relations department has also undertaken the task of monitoring and analysing the market and the competitive scenario in order to support Company Management.

In addition to the usual daily focus on "rumours", major market news and weekly news reports (IR NEWS), the

department periodically distributed in-depth analyses and updates on the performance of competitors, markets and main business sector analyses.

Starting from 2017, an area was created on the Intranet dedicated to the internal sharing of gathered material and the related analyses. The website area dedicated to all Investor Relations matters, was instead the main tool for the collection of financial information and its distribution to stakeholders. Following the delisting, the area was grouped together with the governance area in order to retain the Company's statistical data and to meet the legal document storage obligations. Over the years, the surveys conducted with the stakeholders have always confirmed the overall positive opinion of the Investor Relations team's work, acknowledged as the Company's main point of contact with the financial community.

SHARE PERFORMANCE

From 31 December 2017 to 31 December 2018, the share price rose from EUR 12.00 to EUR 12.70, gaining an increase of 5.8%.

The share performance was affected by developments in the shareholders base, particularly by the agreement reached at the end of October 2018 between the majority shareholder Hitachi Rail Italy Investments Srl and the US fund Elliott, based on which the entire shareholding of the US fund, totalling about 31.8% of the share capital of Hitachi Rail STS, was sold to HRIL at the price of EUR 12.70.

As a result of this, afterwards a voluntary take-over bid was launched by HRIL on the remaining shares, at the same price of EUR 12.70, which became mandatory after the 90% capital threshold was passed on 22 November 2018 after the purchases Hitachi made on the stock market over the preceding days. As a result of passing the 95% Hitachi Rail STS share capital threshold, on 11 January 2019 Hitachi announced its intention to exercise the "Right to Purchase" the ordinary shares still outstanding, together with meeting the "Obligation to Purchase" above, in this way initiating a single procedure agreed to with Consob and Borsa Italiana

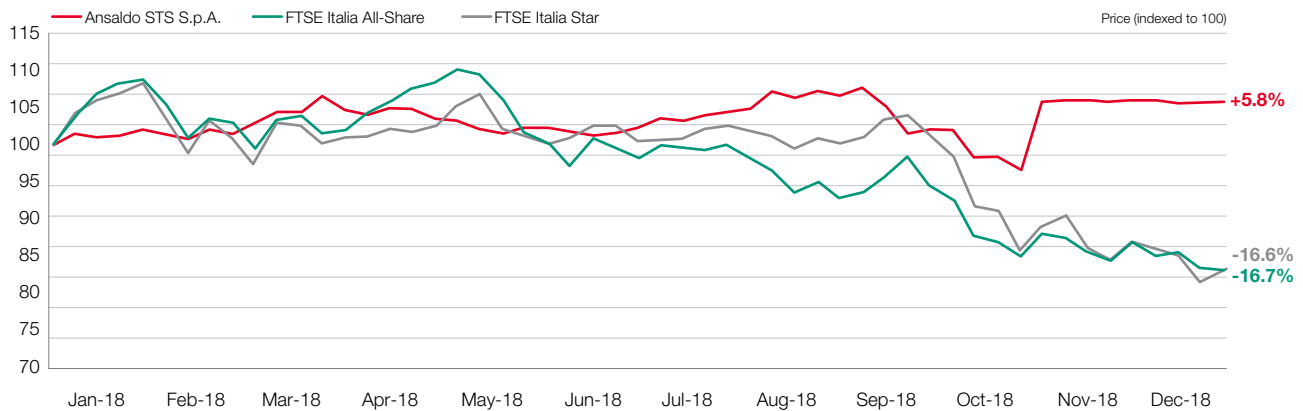
("Joint Procedure"). The amount paid under the "Joint Procedure" will be Euro 12.70 per share.

The share's peak for the period and overall Company record of EUR 12.92 was recorded on 7 September 2018, while its low of EUR 11.60 was recorded on 26 October 2018. On average, 164,807 shares were traded daily in the period compared to 112,750 shares traded in 2017.

In the period considered, the FTSE Italy All Share index and the FTSE Italy STAR index lost 16.7% and 16.6% respectively.



The complete list of price sensitive press releases (85) issued during the period from January 2018 to March 2019 are available on the Company's website⁴⁸.



More information on share performance from 2006 to 2019 can be found on the website⁴⁹.

Relations with banks and insurance institutions

Hitachi Rail STS aims to create true partnerships with leading banks in order to optimise the support it receives in its business activities, which are developing in ever more far flung countries and which thus pose difficulties and unique aspects in relation to finance and banking.

As a result, the Company needs reliable banks, preferably with a local branch abroad, in order to support the various stages of the operating process, from assessing tenders to setting up local branches to finalise projects acquired.

Hitachi Rail STS's strategy is therefore rooted in stable, well-established relations with banks, using a multi-product approach in order to avoid amassing specific businesses at one bank while simultaneously achieving cost efficiency.

With a view to obtaining the utmost effectiveness from the partnership relationship, Hitachi Rail STS is aiming to standardise the consultation and discussion stage with all credit institutions as much as possible, both in terms of presenting projects and in terms of negotiating pricing and special terms and conditions for the financial instruments required.

Hitachi Rail STS is increasingly focused on obtaining structured and definitive technical feedback from its credit institutions, along with an indicative economic offer that makes it possible to compare the various solutions proposed.

48. <http://sts.hitachirail.com/it/governance-ir/archivio-documenti/comunicati>

49. <http://sts.hitachirail.com/en/governance-ir/ir-highlights/stock-performance>



Methodological note

Hitachi Rail STS' Sustainability Report at 31st March 2019, in its 10th edition, has been prepared in accordance with the "GRI Sustainability Reporting Standards" of the Global Reporting Initiative, using the "in accordance – core" reporting option.

The shift in the year-end to March 31st is determined by the need to align with the Japanese parent company. In order to ensure the quality of the Sustainability Report, Hitachi Rail STS follows the reporting principles for defining report content and quality in accordance with the GRI Standards, which provide a set of criteria to select the information to be included in the report and the related representation methods.

PRINCIPLES FOR DEFINING REPORT CONTENT

- **Stakeholder Inclusiveness** – The application of this principle has led the company to carry out and report on the involvement activities, mainly described in the "Stakeholder engagement" chapter.
- **Sustainability Context** – In the paragraph "Sustainability within Hitachi Rail STS", we have tried to give a clear definition of how the company interprets the sustainability as related to the business sector to which it belongs. Further, without losing an overall view, we have tried to describe local initiatives, reporting the features of the different markets (see "Our people" chapter and "Corporate social responsibility and communities" section).
- **Materiality** – The sustainability topics considered, including the relative level of relevance, is consistent with the materiality analysis carried out in the last edition of the

Sustainability Report. Hitachi Rail STS has decided not to carry out a new materiality analysis as long as the events that led to a new ownership and organizational structure are still evolving. However, the company wanted to underline the close link between these topics and the Sustainable Development Goals of the UN (SDGs) and the related Targets, both by inserting them directly in the materiality matrix and through a specific table that highlights the existing connection (see paragraph "Sustainability topics"). The criterion that allowed the positioning of the SDGs within the matrix was the overlapping of each Goal with the most relevant topic related to it. The following table reports the material topics identified by Hitachi Rail STS while defining the applicable reporting scope and limitations, if any, for each topic.

MATERIAL TOPIC IDENTIFIED BY HITACHI RAIL STS	GRI STANDARDS DISCLOSURE	REPORTING SCOPE		LIMITATION REGARDING THE REPORTING SCOPE	
		INSIDE	OUTSIDE	INSIDE	OUTSIDE
CUSTOMER SATISFACTION	Stakeholder engagement	Group	-	-	-
ANTICORRUPTION	Anti-corruption	Group	-	-	-
SOCIAL INNOVATION	Customer health and safety; Marketing and labeling	Group	-	-	-
HEALTH AND SAFETY	Occupational health and safety	Group	Suppliers	-	Reporting scope partially extended to suppliers
PEOPLE CARE	Employment; Non-discrimination	Group	-	-	-
CREATION AND DISTRIBUTION OF ECONOMIC VALUE	Economic performance; Market presence; Indirect economic impacts.	Group	-	-	-
PEOPLE TRAINING AND DEVELOPMENT	Training and education	Group	-	-	-
ETHICAL MANAGEMENT OF THE SUPPLY CHAIN	Procurement practices; Supplier environmental assessment; Supplier social assessment	Group	Suppliers	-	Reporting scope partially extended to suppliers
DIVERSITY AND EQUAL OPPORTUNITY	Diversity and equal opportunities	Group	-	-	-
STAKEHOLDER ENGAGEMENT	Reporting practices; Stakeholder engagement	Group	-	-	-
SUSTAINABILITY GOVERNANCE	Governance	Group	-	-	-
INTEGRATED MANAGEMENT SYSTEM FOR ENVIRONMENT, SAFETY AND QUALITY	Environmental compliance; Customer health and safety	Group	-	-	-
SOCIAL DIALOGUE	Stakeholder engagement; Labor management relations; Freedom of association and collective bargaining	Group	-	-	-
PROTECTION OF HUMAN RIGHTS	Human rights assessment; Child labor; Forced or compulsory labor; Rights of indigenous peoples	Group	Suppliers	-	Reporting scope partially extended to suppliers
ENERGY CONSUMPTION	Energy	Group	Suppliers	-	Reporting scope partially extended to suppliers
LOCAL COMMUNITIES DEVELOPMENT PROGRAMS	Local Communities	Group	-	-	-
RAW MATERIAL CONSUMPTION AND RECYCLING	Materials	Group	-	-	-
MANAGEMENT OF EFFLUENTS AND WASTE	Effluents and waste	Group	Suppliers	-	Reporting scope partially extended to suppliers
GHG EMISSIONS	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
POLLUTING EMISSIONS	Emissions	Group	-	-	-
WATER CONSUMPTION	Water	Group	-	-	-
BIODIVERSITY PROTECTION	Biodiversity	Tito Scalo site	-	-	-



- **Completeness** - The report has been issued in order to provide stakeholders with a complete picture of Hitachi Rail STS' activities. The information reported refers to fully integrated companies; environmental data, which in the 2017 Sustainability Report included the most significant sites (representing 91% of employees of STS Group in terms of employees) have been thus recalculated to comprise the whole consolidation scope.

Principles for defining report quality

- **Balance** – In describing the outcomes of Hitachi Rail STS' activities, we have sought to reflect both the positive and negative aspects (e.g. when reporting partially achieved or non-achieved goals as of 31st March 2019 compared with commitments undertaken) to give a balanced view of the overall performance.
 - **Comparability** – To enable stakeholders to analyze changes in the Group's performance, the Sustainability Report includes comparative data of the three-year period for the years ending 31st March 2017 – 31st March 2019. Income statement figures, expressed in Euros, have been translated at the exchange rates reported in the Consolidated Financial Statements for the year ending 31st March 2019. The report structure has undergone some changes to make it easier to read.
 - **Accuracy** – Qualitative and quantitative financial information refer to the Consolidated Financial Statements for the year ending 31st March 2019, while the accuracy of environmental, health and safety data and information come from certified management systems (ISO 14001 and OHSAS 18001). In order to report quantitative data on a three-years period with years ending 31st March, estimation criteria have been used when raw data were not available. In particular:
 - Human resources: data as of 31st March 2017 have been estimated using data as of 31st December 2016; data as of 31st March 2018 have been obtained by adding data of the first quarter 2018 to the 2017 annual data reduced by one-quarter; data as of 31st March 2019 have been obtained by subtracting data of the first quarter 2018 to data as of 31st December 2018 and by adding data of the first quarter 2019.
 - Environment: data as of 31st March 2017 have been estimated using data as of 31st December 2016 and by adding data as 31st December 2017 of the offices entered in the reporting scope; data as of 31st March 2018 and 2019 have been obtained by adding data of the first quarter of the year taken into account to the values of the previous year reduced by one-quarter.
- Data which have been estimated are indicated by footnotes throughout the document.
- The source of conversion rates used for the calculation of GHG emissions are as follows:
- Scope 1 direct emissions: DEFRA – Department for Environment Food & Rural Affairs (Gov. UK).
 - Scope 2 indirect emissions (location-based): Terna – “Confronti internazionali” 2016.
 - Scope 2 indirect emissions (market-based): AIB - European Residual Mixes 2017 and Green-e Energy Residual Mix Emissions Rates (2018); for Countries where a residual mix factor was not available, the location-based factor was used as a proxy.
 - Scope 3 indirect emissions: DEFRA – Department for Environment Food & Rural Affairs (Gov. UK).
- **Timeliness** – The Sustainability Report is prepared annually. As already mentioned, the year closing has been shifted to 31st March to better align with the Japanese parent company practice.
 - **Clarity** – The report has been structured to make the information easily identifiable by stakeholders (using icons for different sections and a navigation system). The Sustainability Report as at 31st March 2019 opens with the letter from the CEO and General Manager, and includes eight sections: Profile of Hitachi Rail STS; Sustainability within Hitachi Rail STS; Social Innovation; Our people; Corporate Social Responsibility and Communities; Environment, health and safety; Ethical management of the Supply Chain; Economic Sustainability. This document ends with the Methodological Note, the Content Index and the Report by the independent auditors. The document refers to the Group's website for certain matters, indicating the relevant web page address.
 - **Reliability** – The Sustainability Report as at 31st March 2019 has been approved by the Board of Directors and subjected to limited assurance by an independent body (EY) in accordance with the criteria included in the principle “International Standard on Assurance Engagements 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information” (ISAE 3000 Revised), defined by the International Auditing and Assurance Standard Board (IAASB).



GRI - Content Index

GENERAL INFORMATION

		Cross-reference/ Direct answer	Omission/Reason/ Explanation
1. ORGANIZATIONAL PROFILE			
102-1	Name of the organization	cover	
102-2	Activities, brands, products, and services	pp.8-9; 42	
102-3	Location of headquarters	p.7	
102-4	Location of operations	pp.7; 11; 94	
102-5	Ownership and legal form	second cover page; p. 127	
102-6	Markets served	pp.7; 11	
102-7	Scale of the organization	pp.7; 11; 13; 52; 87; 109; 115	
102-8	Information on employees and other workers	pp.52-55	
102-9	Supply chain	pp.109-113	
102-10	Significant changes to the organization and its supply chain	second cover page; pp.9-10; 117; 127	
102-11	Precautionary Principle or approach	pp.15-21; 37; 123	
102-12	External initiatives	pp.28; 36	
102-13	Membership of associations	p.28	
2. STRATEGY			
102-14	Statement from senior decision-maker	p.2-3	
102-15	Key impacts, risks, and opportunities	p.15-21; 95	
3. ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behavior	p.22-23	
102-17	Mechanisms for advice and concerns about ethics	p.24-26; 37; 123	
4. GOVERNANCE			
102-18	Governance structure	pp.119-123	
102-20	Executive-level responsibility for economic, environmental, and social topics	p.37	
102-21	Consulting stakeholders on economic, environmental, and social topics	pp.29-33	
102-22	Composition of the highest governance body and its committees	pp.120-122	
102-23	Chair of the highest governance body	pp.120	
102-24	Nominating and selecting the highest governance body	pp.121	
102-25	Conflicts of interest	p.122	
102-30	Effectiveness of risk management processes	pp.19-21; 123	
102-32	Highest governance body's role in sustainability reporting	p.37	
102-35	Remuneration policies	p.62-63; 122	
102-36	Process for determining remuneration	pp.62-63; 122	
102-38	Annual total compensation ratio	p.62	



		Cross-reference/ Direct answer	Omission/Reason/ Explanation
5. STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	p.29	
102-41	Collective bargaining agreements	p.64	
102-42	Identifying and selecting stakeholders	pp.29-30	
102-43	Approach to stakeholder engagement	pp. 15; 30-33	
102-44	Key topics and concerns raised	pp.15; 18; 124	
6. REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	pp.7; 130-131	
102-46	Defining report content and topic Boundaries	pp.15-18; 94; 130-131	
102-47	List of material topics	pp.15-17; 130	
102-48	Restatements of information	p. 131. As a result of the shift of the year-end to March 31st, the figures for December 31st, 2017 shown in the previous report have been recalculated taking into account the new year-end closing.	
102-49	Changes in reporting	p.131. Environmental data, which in the 2017 Sustainability Report included the most significant sites (representing 91% of employees of STS Group in terms of employees) have been recalculated to comprise the whole consolidation scope.	
102-50	Reporting period	p.131. The data in this report refers to the three-year period 31.03.17-31.03.19.	
102-51	Date of most recent report	The most recent report is the 2017 Sustainability Report published in July 2018	
102-52	Reporting cycle	p.131	
102-53	Contact point for questions regarding the report	p.144	
102-54	Claims of reporting in accordance with the GRI Standards	p.130	
102-55	GRI content index	pp.132-140	
102-56	External assurance	pp.141-143	



Specific disclosures

		Cross-reference Direct answer	Omission/Reason/ Explanation
Economic			
ECONOMIC PERFORMANCE			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.116-118	
103-3	Evaluation of the management approach	p.35; 116-118; 123	
201-1	Direct economic value generated and distributed	p.118	
MARKET PRESENCE			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.61	
103-3	Evaluation of the management approach	p.61	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p.61	
INDIRECT ECONOMIC IMPACTS			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.31-33; 80-81	
103-3	Evaluation of the management approach	pp.31-33; 76	
203-1	Infrastructure investments and services supported	pp.31-33; 80-81	
PROCUREMENT PRACTICES			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	Hitachi Rail STS tends to procure materials, services and labour mostly on local markets, also with the aim to contribute to the development of local economies	
103-3	Evaluation of the management approach	pp.35; 110-111	
204-1	Proportion of spending on local suppliers	p. 111	
ANTI-CORRUPTION			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.24-26	
103-3	Evaluation of the management approach	pp.25-26	
205-3	Confirmed incidents of corruption and actions taken	pp. 24	



		Cross-reference Direct answer	Omission/Reason/ Explanation
Environment			
MATERIALS			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.46; 100	
103-3	Evaluation of the management approach	pp.89-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
301-1	Materials used by weight or volume	p.100	No detailed information about raw materials other than packaging materials, paper and chemicals is currently available. Furthermore, distinction between non-renewable and renewable materials is not indicated. Hitachi Rail STS undertakes to collect data needed to fully cover the indicator requirements in the future
ENERGY			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.45; 98-100	
103-3	Evaluation of the management approach	pp.19-21; 88-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
302-1	Energy consumption within the organization	pp.98-99	
302-3	Energy intensity	pp.98-99	
302-4	Reduction of energy consumption	pp.98-99	
302-5	Reduction in energy requirements of products and services	p.45	Calculation of the energy consumption reductions related to products and services is not currently available. Hitachi Rail STS undertakes to collect data needed to fully cover the indicator requirements in the future
WATER			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p; 101	
103-3	Evaluation of the management approach	pp.21; 89-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
303-1	Water withdrawal by source	p. 101	
303-3	Water recycled and reused	In general, Hitachi Rail STS does not have processes or production cycles that reuse water	



		Cross-reference Direct answer	Omission/Reason/ Explanation
BIODIVERSITY			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.103	
103-3	Evaluation of the management approach	pp.89-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p.103	
EMISSIONS			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.95-98	
103-3	Evaluation of the management approach	pp.21; 88-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
305-1	Direct (Scope 1) GHG emissions	p.97	
305-2	Energy indirect (Scope 2) GHG emissions	p.97	
305-3	Other indirect (Scope 3) GHG emissions	p.97	
305-4	GHG emissions intensity	p.97	
305-5	Reduction of GHG emissions	p.98	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	p.98	
EFFLUENTS AND WASTE			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.102-103	
103-3	Evaluation of the management approach	pp.21; 88-90; 102-104. Regarding the management system the management approach assessment is carried out yearly during the management review	
306-2	Waste by type and disposal method	p.102. Hazardous waste is treated by external specialised agencies that pick it up directly from the company	
ENVIRONMENTAL COMPLIANCE			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.92-93	
103-3	Evaluation of the management approach	pp.19-20; 88-90; 104. Regarding the management system the management approach assessment is carried out yearly during the management review	
307-1	Non-compliance with environmental laws and regulations	During 2018 and 1Q 2019 there were no fines and non-monetary sanctions for non-compliance with environmental laws and regulations	



		Cross-reference Direct answer	Omission/Reason/ Explanation
SUPPLIER ENVIRONMENTAL ASSESSMENT			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.110-113	
103-3	Evaluation of the management approach	pp.20; 113	
308-1	New suppliers that were screened using environmental criteria	p.112	

Social

EMPLOYMENT			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.50-51; 55; 63; 66; 67; 68	
103-3	Evaluation of the management approach	pp.19-20; 34; 50; 55; 63;68	
401-1	New employee hires and employee turnover	pp.56-57	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp.64-67	
401-3	Parental leave	pp.68-69	It was not possible to take into consideration the leave granted on 31.03.2017 with return on 31.03.2018 nor the leave granted on 31.03.2018 with return on 31.03.2019. Hitachi Rail STS will in the future undertake to collect the data necessary for complete coverage of the indicator.
LABOR/MANAGEMENT RELATIONS			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.70-71	
103-3	Evaluation of the management approach	pp. 34; 50; 70-71	
402-1	Minimum notice periods regarding operational changes	p.71	
OCCUPATIONAL HEALTH AND SAFETY			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.105-107	
103-3	Evaluation of the management approach	pp.19-20; 35; 88-91; 107. Regarding the management system the management approach assessment is carried out yearly during the management review.	
403-1	Workers representation in formal joint management-worker health and safety committees	p.107	Calculation of the percentage required by the indicator is not currently available. Hitachi Rail STS undertakes to collect data needed to fully cover the indicator requirements in the future.
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p.106	No detailed information about - breakdown of injury rates by gender and geographical region - occupational disease rate - absentee rate is currently available. Hitachi Rail STS undertakes to collect data needed to fully cover the indicator requirements in the future



		Cross-reference Direct answer	Omission/Reason/ Explanation
403-4	Health and safety topics covered in formal agreements with trade unions	p.70. In most countries in which Hitachi Rail STS operates, national labour agreements govern workers' health and safety. In Italy, these aspects are included in the national labour agreement. The aspects covered by such agreements relate, inter alia, to the following: - occupational health and safety risk assessment; - prevention and management of emergencies; - environmental protection; - monitoring of anti-injury data; - proposing new initiatives to update workers on any specific risks and/ or issues relating to site environmental impacts	
TRAINING AND EDUCATION			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.58-59	
103-3	Evaluation of the management approach	pp.19-20; 34; 50	
404-1	Average hours of training per year per employee	p.58	
404-2	Programs for upgrading employee skills and transition assistance programs	p.59	
404-3	Percentage of employees receiving regular performance and career development reviews	p.59	
DIVERSITY AND EQUAL OPPORTUNITY			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp. 50; 61-63; 68; 112. Code of Ethics.	
103-3	Evaluation of the management approach	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
405-1	Diversity of governance bodies and employees	pp.52-55; 60; 68	
405-2	Ratio of basic salary and remuneration of women to men	p.61	
NON DISCRIMINATION			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.28 (accession to the Global Compact). Code of Ethics.	
103-3	Evaluation of the management approach	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
406-1	Incidents of discrimination and corrective actions taken	No discrimination was noted	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.28 (accession to the Global Compact). Code of Ethics	
103-3	Evaluation of the management approach	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	



		Cross-reference Direct answer	Omission/Reason/ Explanation
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Hitachi Rail STS does not have suppliers or activities believed to present risk of limitations to freedom of association	
CHILD LABOR			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.28 (accession to the Global Compact). Code of Ethics.	
103-3	Evaluation of the management approach	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
408-1	Operations and suppliers at significant risk for incidents of child labor	Hitachi Rail STS does not have suppliers or activities believed to present risk of child labour	
FORCED OR COMPULSORY LABOR			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.28. (accession to the Global Compact). Code of Ethics.	
103-3	Evaluation of the management approach	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Hitachi Rail STS does not have suppliers or activities believed to present risk of forced labour	
RIGHTS OF INDIGENOUS PEOPLE			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.28. (accession to the Global Compact). Code of Ethics.	
103-1	Explanation of the material topic and its Boundary	p.24. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
411-1	Incidents of violations involving rights of indigenous peoples	During 2018 and 1Q 2019 there were no violations involving rights of indigenous peoples	
HUMAN RIGHTS ASSESSMENT			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.26-28; 30. Code of Ethics	
103-1	Explanation of the material topic and its Boundary	pp.19-20; 24; 34; 76. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
412-2	Employee training on human rights policies or procedures	p.27	
LOCAL COMMUNITIES			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp. 31; 80-81	
103-1	Explanation of the material topic and its Boundary	pp.34; 76. Implementation of the Code of Ethics and Sanctions System (Code of Ethics p.23)	
413-1	Operations with local community engagement, impact assessments, and development programs	pp.31-33; 80-81	Calculation of the percentage required by the indicator is not currently available. Hitachi Rail STS undertakes to collect data needed to fully cover the indicator requirements in the future



		Cross-reference Direct answer	Omission/Reason/ Explanation
SUPPLIER SOCIAL ASSESSMENT			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.110-113	
103-3	Evaluation of the management approach	pp.20; 112-113	
414-1	New suppliers that were screened using social criteria	p.112	
CUSTOMER HEALTH AND SAFETY			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	pp.43-44	
103-3	Evaluation of the management approach	p.44	
416-1	Assessment of the health and safety impacts of product and service categories	p.44	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		There were no cases of non-compliance related to service and products health and safety impacts.
MARKETING AND LABELING			
103-1	Explanation of the material topic and its Boundary	pp.15-18; 130	
103-2	The management approach and its components	p.43	
103-3	Evaluation of the management approach	pp.20; 43	
417-1	Requirements for product and service information and labeling		p.43. There is a methodology in place to control safety risks, and it is in line with regulations and standards (which are "labelled" on the product) applicable to all products and systems
417-2	Incidents of non-compliance concerning product and service information and labeling		There were no case of non-compliance due to product and service labelling.

Independent auditors' report on the "Sustainability Report as at 31.03.2019"

To the Board of Directors of
Hitachi Rail STS S.p.A.

We have been appointed to carry out a limited assurance engagement on the Sustainability Report of Hitachi Rail STS Group (hereinafter also the "the Group") for the year ended on March 31, 2019.

Directors' responsibility on the Sustainability Report

The Directors of Hitachi Rail STS S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "*Global Reporting Initiative Sustainability Reporting Standards*", issued by GRI - *Global Reporting Initiative* ("GRI Standards"), as described in the paragraph "Methodological note" of the Sustainability Report.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements caused by fraud or not-intentional behaviors or events.

The Directors are also responsible for defining the Hitachi Rail STS Group's commitments regarding the sustainability performance, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the Sustainability Report with the requirements of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of procedures in order to obtain a limited assurance that the Sustainability Report is free from material misstatements.

Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Report, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

- analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholders' categories and to the internal validation of the process outcomes;
- comparison of economic and financial data and information included in the paragraph "Economic sustainability" of the Sustainability Report with those included in the Hitachi Rail STS Group's Annual Report.

- understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the Sustainability Report. In particular, we have conducted interviews and discussions with the management of the Hitachi Rail STS S.p.A. and the personnel of Hitachi Rail STS France S.A.S. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Sustainability Report.

Furthermore, for significant information, considering the Group's activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the Sustainability Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the production site of Riom and the office of Les Ulis of Hitachi Rail STS France S.A.S. and for the office of Napoli of Hitachi Rail STS S.p.A. that we have selected based on their activities, relevance to the consolidated performance indicators and locations, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Hitachi Rail STS Group for the year ended on March 31, 2019 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, as described in the paragraph "Methodological note" of the Sustainability Report.

Other information

The comparative information presented in the Sustainability Report for the years ended on March 31, 2018 and March 31, 2017, has not been examined.

Genova, 13 November 2019

EY S.p.A.

Signed by: Enrico Lenzi (Partner)

This report has been translated into the English language solely for the convenience of international readers

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The Sustainability Report at 31 March 2019 is available online at:

sts.hitachirail.com

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Studio Badalotti per il Bilancio Sociale S.r.l.

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