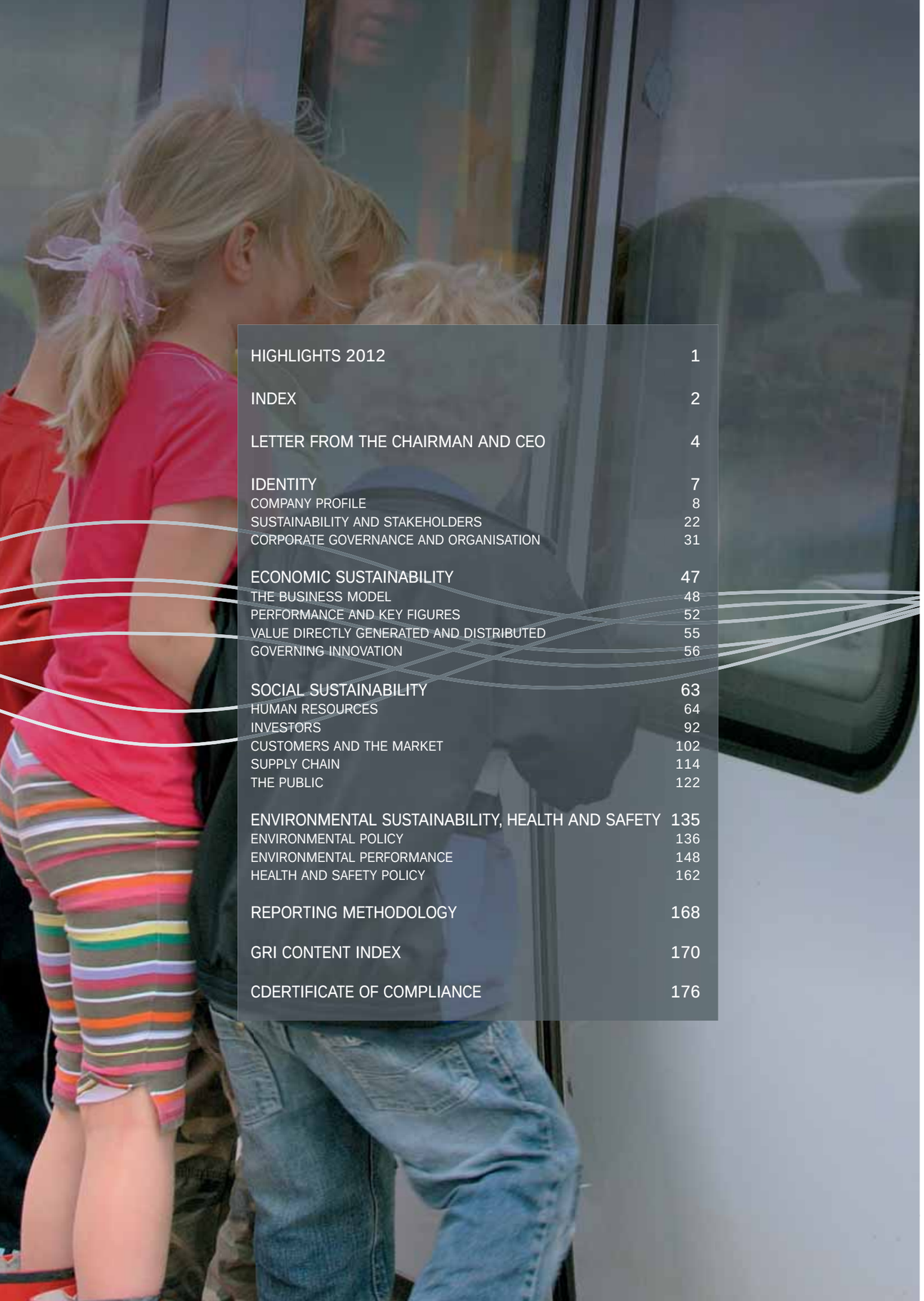
WE BELIEVE IN A SUSTAINABLE FUTURE

2012 SUSTAINABILITY
REPORT

Ansaldo STS
A Finmeccanica Company



Ansaldo STS in brief

Listed on the Milan Stock Exchange, Ansaldo STS provides product and solutions that improve the safety and efficiency of railway and urban rail transportation systems, by designing and supplying traffic management and signalling systems, in addition to related services.

The company acts as a general contractor, system integrator and supplier of major turnkey projects around the world.

Highlights 2012

(IAS compliant amounts EUR million)

Orders

2012	**1,492.3**
2011	2,163.7

Order-book

2012	**5,683.3**
2011	5,452.8

Revenues

2012	**1,247.8**
2011	1,211.9

EBIT

2012	**117.1**
2011	116.1

ROS

2012	**9.4%**
2011	9.6%

Net Profit

2012	**75.7**
2011	73.1

Net Working Capital

2012	**(48.1)**
2011	(89.0)

Net Cash

2012	**(302.0)**
2011	(289.7)

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Letter from the Chairman and the CEO

As this is the fourth annual Ansaldo STS sustainability report, we believe that the culture of sustainable growth has been increasingly developed within the company and throughout our various branches, and less because we operate in a sector that is already highly focused on these aspects, and more because we have approached sustainability as a strategic choice informed by our awareness of the importance that it has in relationships with all the company's stakeholders.

We focus on sustainability because we operate in a sector that favours the use of means with a low impact on the environment and because we are convinced that practices that integrate sustainability in the business generate the best results over time, at least in terms of their reliability and duration. Ansaldo STS upholds sustainable practices because sustainability is intrinsic to our mission, which is to develop railway and urban rail transportation systems by offering increasingly sophisticated products and solutions that are safe, environmentally-friendly and that ensure the related systems are safe and efficient. It is our aim to help improve the daily lives of everyone who directly or indirectly uses these systems.

This is why we continuously search for more and better ways to take advantage of new opportunities and contribute to maintaining the balance between the various needs of our stakeholders.
2012 was another complex year for the world, and the continuing financial crisis, especially in Europe, exacerbated the growing competition between organisations, including those in our sector, although global growth forecasts were confirmed at an annual rate of roughly 3% over the next three years. Indeed, it is in years like this that we can best measure our ability to develop, maintain our hold on market share and achieve long-term targets. The sector in which we operate and, to a greater extent, our experience and technologies, enable us to pursue the continuous improvements we seek in our day-to-day and strategic decisions.

Ansaldo STS performed well in 2012: we achieved our financial goals, built and delivered our work and projects and innovated our products.

We are proud of our success, which is, at times, less visible on the financial market, but essential to all our stakeholders. 2012 saw the delivery and roll-out of the automatic urban transportation line for the Riyadh women's university in only about 36 months, the delivery of the Genoa urban railway transportation system and the CBTC signalling system in Chengdu, China. In early 2013, the automatic urban railway service for Milan's line 5 and in Brescia began operating.

In addition to these results, we have continued to pursue the technological development of our ideas and research, which have met with our customers' appreciation and which bolster us as we face new market challenges in terms of efficiency and safety, to invest in our new leadership positions in the future, such as Satellitare, a satellite system (contract with Australia), and Tramwave (an agreement with Chinese suppliers and participation in new tenders).
We are pleased to report on all that Ansaldo STS management is doing to inform and sensitise internal company personnel on sustainability issues, increasingly developing the company culture and laying the foundation for a more systematic approach to sustainable growth.

This is why Ansaldo STS has created a Sustainability Committee on which the managers of each key department serve, with the aim of defining sustainability strategies and following up on the related results. Shared awareness in this respect encourages the development of ideas and actions, but, even more, enables us to make the most of outside stimulus, such as that gathered from our active participation in the UN Global Compact and the Global Compact Network Italia, in addition to helping us uphold our commitments in terms of reporting and interpreting our performance, revising, where necessary, our objectives through the sustainability report and carbon disclosure project.

It is the market that demands this of us: customers increasingly ask us - even within the scope of tenders - to demonstrate how we carry out our activities responsibly, in order to ensure the growing, or at least consistent, quality of our solutions and products. This is why we must devote ever more attention to the performance of our suppliers and motivate our employees, while achieving sound operating results that are integrated with ethical, social and environmental results as well.

This year's sustainability report carries forward this vision and urges us to reflect upon the actual progress we have made, giving us an invaluable opportunity to show stakeholders how to correctly envision our sustainability strategy, demonstrating the reliability of our decisions and strategies, in addition to underscoring our passion for what we do.

The 2012 sustainability report therefore focuses on highlighting the initiatives and good practices that people in our company are devoted to implementing, with an ongoing focus on the integrated management of all the above aspects.

What we refer to as good practices consist, in truth, of "the innovation of our sustainable approach", which is to say the development of new technologies, solutions and industrial and corporate governance processes, as well as the management of resources and relationships with outside stakeholder.

These include new initiatives like our future leaders project, an international personnel recruitment and development process for voluntary candidates, the development of customer satisfaction systems for services offered to end users of major lines we have built, informing our suppliers in supply chain management, in order to meet specific sustainability requirements, and, finally, our ongoing focus on gathering feedback from the financial market to better direct management communications and transparency.

The growth of a business is the result of the integrated management of all the elements that interact with it, and those we have mentioned are only a few examples of the importance we give to sustainability in Ansaldo STS' business model. It is significantly affected by intangible assets, i.e., all the intellectual property and values, and human, relational and organisational assets, which are elements that, in an organisation and its strategies, give rise to a longlasting business destined to generate value over time.

There is no development without wealth, but the creation of wealth is not only based on economic results. It arises through the sound ambition of managers who correctly interpret the present and have a reasonable view of the future, managers who balance financial objectives with the quality of life of the people who deal with us every day and our families.

Sergio De Luca
CEO of Ansaldo STS S.p.A.

Alessandro Pansa
Chairman of Ansaldo STS S.p.A.

Identity

Company Profile
Sustainability and Stakeholders
Corporate Governance and Organisation

Company Profile

Ansaldo STS operates in the high speed and conventional railway transportation and urban rail transportation (automatic and traditional underground rail and light rail systems) sectors and specialises in:

- the design, production, construction, management and maintenance of railway and urban rail signalling systems, subsystems and components;
- the design, production, installation, integration, maintenance and management of railway and urban rail transportation systems, and essential part of which is signalling.

Ansaldo STS designs and builds integrated transportation solutions, studying, designing and planning ways in which to integrate the design and construction of the technological elements in the system, thereby defining and creating the complex functional and operational integration of the superstructure, signalling, power, telecommunications and vehicles (for railway trains, light rail trains and light rail cars), and all the technological work that, together, constitutes the integrated transportation system.

Ansaldo STS structures its activities into two Business Units: ***Signalling*** and ***Transportation Solutions***, in addition to a unit that develops global standard solutions – **Standard Platforms & Products**.

According to customers' requests and depending on the type of project, Ansaldo STS operates in the railway and urban transportation system sector as a general contractor providing turnkey solutions (and, therefore, also managing civil construction activities for the completion of the project), as the provider of integrated transportation systems with its own signalling products, or independently, providing only the technological part and, therefore, signalling products or engineering expertise for the system/technological integrator or other subsystems or parts thereof.

In addition, through its signalling Business Unit, Ansaldo STS also supplies parts and provides maintenance services either along with the signalling and monitoring system or separately.

Through its *Transportation Solutions* Business Unit, it provides operating and maintenance services for urban transportation systems.

Ansaldo STS maintains and develops its leadership in the railway and urban rail transportation system sector by focusing on two key factors:
- its ability to design innovative solutions and systems that ensure its customers utmost attention and compliance in terms of required safety standards, efficiency and system inter-operability;
- multi-local presence and high technological content for the implementation of highly complex projects.

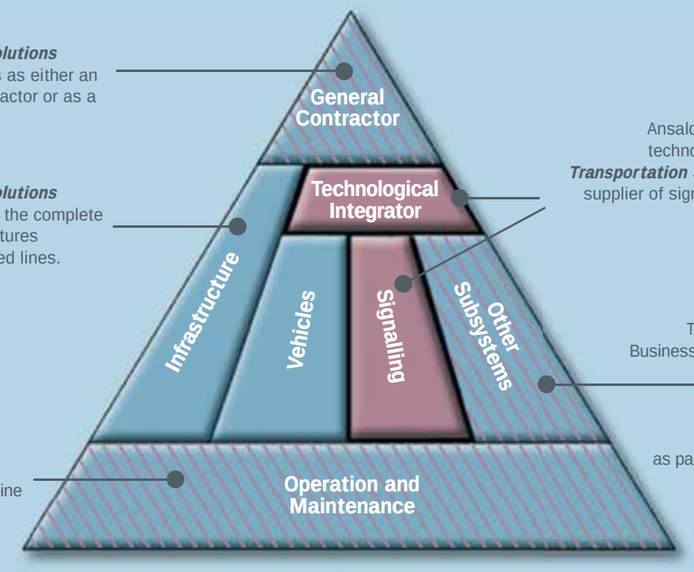
When carrying out each project, Ansaldo STS takes into account its social, economic, logistics, architectural, environmental and infrastructural context, and is able to plan, design and build signalling and railway and urban rail transportation systems that achieve the best possible combination of safety, efficiency and returns on investments. Local and national governments and businesses rely on Ansaldo STS for any type of rail transportation work. It counts roughly 4,000 people around the world dedicated to implementing and increasing safety on the rails.

ANSALDO STS' BUSINESS UNITS CONSIST OF *SIGNALLING* AND *TRANSPORTATION SOLUTIONS* AND THE VARIOUS SUBSYSTEMS AND SERVICES THAT MAKE UP THE TRANSPORTATION SOLUTION.

The ***Transportation Solutions*** Business Unit operates as either an individual general contractor or as a consortium partner.

The ***Transportation Solutions*** Business Unit provides the complete work plan for infrastructures necessary for high-speed lines.

The ***Transportation Solutions*** Business Unit provides line management and maintenance services.



Ansaldo STS may also act solely as technological integrator (through its ***Transportation Solutions*** Business Unit) and supplier of signalling equipment (through its ***Signalling*** Business Unit).

The ***Transportation Solutions*** Business Unit offers other sub-systems (such as electrification, telecommunications), which are either acquired from third parties or designed as part of the engineering solutions.

Mission

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

Our mission is three-fold:

- build increasingly sophisticated and reliable products, encouraging the development of a transportation system that is more environmentally friendly than that currently in place;
- create value for all stakeholders, more efficiently meeting demand for continuously growing mobility;
- become global leader in its sector, promoting a culture of quality, safety and accountability.

Core Values

To achieve its objectives and growth and maintenance of its sector leadership, Ansaldo STS, bases its operations on solid, unwavering ethical values and principles.

Everyone in its organisation around the world is required to uphold this culture and make the same commitment to ethical conduct, embracing the company's principles and values.

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

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

Innovation and excellence - these are central to Ansaldo STS' activities, constant focus on work to provide customers with innovative and excellent products that incorporate the basis of the company's competitive edge in the market.

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

Team spirit - none of these operating objectives can be achieved by one person alone.
The company's professionals are capable and eager to work together with their colleagues in a single, integrated organisation.

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

Naples Underground Line 1 - Toledo Station

Company history

1853: Gio. Ansaldo e C. is founded in Genoa. At the time, Ansaldo was already synonymous with excellence in Genovese industry. Gio. Ansaldo e C.'s historic building still houses Ansaldo STS' headquarters today.

1880: Ansaldo e C. is founded for the construction and maintenance of railway equipment. At the turn of the century, the company begins building boats. Production stretched from the port of Genoa towards Sampierdarena and Sestri Ponente, and the company employed more than 10,000 people.

1881: George Westinghouse combines the Union Electric Signal Company and the Interlocking Switch & Signal Company to create the Union Switch and Signal Company (US&S).

1902: Fernand Cumont establishes CSE, Compagnie des Signaux pour Chemins de Fer, with funding from the Empain Group.

1903: US&S develops the first AC binary circuit with disc relay to detect trains on DC electric lines.

1904: Ferdinando Maria Perrone acquires Ansaldo. In a few years, the company grows to own the production sites, encompassing iron and steel processing, foundries and military production sites, employing approximately 17,000 employees in Genoa alone.

1912: CSE becomes an independent entity specialising in the supply of railway equipment for the Paris Métro.

1918: Ansaldo reaches a record of 80,000 employees.

1920: CSE expands its activities the manufacturing of cables and lighting devices. It is rebranded as Compagnie de Signaux et d'Entreprises Electriques, CSE.

1923: US&S introduces the first inductive control system for trains, capable of managing the movement of trains.

1924: US&S develops the first remote controlled gravity and hump yard wheel speed retarder to regulate car speed.

1926: US&S invents the first copper oxide rectifier, the first device to convert alternating current to direct current.

1934: US&S introduces coded circuits for longer track circuits and the two-way signalling cabins which require no cables.

1935: following the damage caused by the 1929 stock market crash and World War I, Ansaldo e C. is rescued by the Bank of Italy, which fully restructures the company. The crisis ends with the establishment of IRI (Istituto per la Ricostruzione Industriale, Italian Institute for Industrial Reconstruction) which takes control of Ansaldo, balances its financial position and repositions the company as a high-tech entity.

1948: IRI transfers control of Ansaldo to Finmeccanica.

1949: US&S opens offices in Canada.

1966: Finmeccanica completely restructures Ansaldo.

1967: CSE develops the first geographical relay-interlocking in France.

1969: CSE incorporates ASTER's signalling Business Unit, enabling it to fully optimise its signalling operations. CSE develops track circuits in connectionless mode.

1970: US&S builds the first digital classification yard control system at the Atchison, Topeka & Santa Fe Railway's Argentine Yard in Kansas City, Kansas.

1980: Finmeccanica and Ansaldo jointly create Ansaldo Trasporti (ATR). ATR operates as a company/prime contractor active in the integrated system segment and is eventually listed on the Milan Stock Exchange in 1986.

1981: CSE introduces the first high speed railway line in Europe (Paris-Lyon). Its successful TVM high speed signalling system is then implemented along France's entire high speed network.

1984: US&S develops MicroLok®, a breakthrough technology that reduces the need for relays from 400 to 1, and installs the first vital microprocessor-based interlocking on Conrail's Esplen Interlocking in Pittsburgh, Pennsylvania.

1987: US&S develops the first video display designed to show changes in the railway infrastructure network.

1988: Ansaldo Trasporti acquires 100% of Union Switch & Signal (US&S), now Ansaldo STS USA, headquartered in Pittsburgh, Pennsylvania, USA.

1989: Ansaldo Trasporti acquires 49% of CSE Transport, formerly known as Compagnie de Signaux pour Chemins de Fer, headquartered in Paris.

1990: Ansaldo Trasporti enters the Northern market acquiring the transport division of Standard Radio & Telephon (SRT). The new company is named Ansaldo Trasporti Signal System AB (ATSS).

1993: Ansaldo Trasporti lists US&S on the NASDAQ.

1994: CSE opens the Channel Tunnel Rail Link and equips all Eurostar trains connecting Paris to London with TVM 430 signalling systems.

1995: US&S acquires Ventura Projects, a promising Australian signalling company founded in 1981 in Brisbane, Australia. Ansaldo Trasporti then directly enters the Asia-Pacific market. In 1997, US&S Australia becomes Ansaldo's main regional office.

1996: Ansaldo Trasporti creates Ansaldo Signal NV, a Dutch company based in Amsterdam. Ansaldo Signal acquires the remaining 51% of CSE.

All activities of Ansaldo, Union Switch & Signal and CSE are concentrated in Ansaldo Signal and the company is listed on the NASDAQ.

1997: the biggest heavy haul rail project in Australia is successfully delivered, completed, supplied and commissioned for Rio Tinto.

1999: the ACC system (fully static IXL) is rolled out in one of Europe's largest train stations, Roma Termini.

2000: Ansaldo Signal leaves the NASDAQ.

2001: Ansaldo Trasporti transfers its systems integration unit to Ansaldo Trasporti Sistemi Ferroviari, a new company created in 2000.

Ansaldo Trasporti leaves the stock market and is incorporated into Finmeccanica. Finmeccanica now owns 100% of both Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari.

2002: Ansaldo Trasporti Sistemi Ferroviari launches the world's first fully automatic driverless transit system certified under CENELEC standards in Copenhagen, Denmark.

2003: on 11 October, the first Chinese passenger line is rolled out.

2004: CSE develops the first High Speed line in South Korea, equipped with TVM, the same system used in France.

2005: US&S introduces the Optimizing Traffic Planner™ designed to maximise capacity and increase railway speed.

2006: Finmeccanica transfers the entire share capital of Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari to Ansaldo STS. Finmeccanica launches a tender offer for 60% of the capital.

On 29 March, Ansaldo STS is listed on the Milan Stock Exchange, in the STAR segment. The first ASTS ERTMS L2 (European Rail Traffic Management System Level 2) is rolled out on the Turin/Novara railway line.

2007: Ansaldo STS develops the first Vital Positive Train Control™ system for the railway network in Alaska.

2008: on 1 May, the first ERTMS in India (Chennai-Gummudipundi) is rolled out, supplied and delivered.

2009: the largest signalling project ever is acquired: Libya, construction of the first local railway network.

2010: the company is awarded important signalling contracts in Libya, Russia and Kazakhstan. The transportation Business Unit ends the year with, in the wake of Genoa and Naples, the acquisition of a contract for the construction of the Cityringen in Copenhagen.

2011: Ansaldo STS arrives in Hawaii by signing a very important contract for the implementation of the technological project and for the provision of vehicles for the new driverless urban rail in Honolulu.

The contract, worth a total of USD 1,334 million (net of local taxes), entails the design, construction, operation and maintenance of Honolulu's new line, stretching roughly 32 kilometres long and stopping at 21 stations.

In 2011, the signalling Business Unit sees the acquisition of an important high speed rail contract in France, once again confirming the company's leadership in this sector.

In the same year, activities relating to Libyan contracts were suspended.

2012: In Australia, Ansaldo STS' signalling solution is hailed as a revolutionary technological innovation at global level. Indeed, the centralised interlocking and automatic train protection (ATP) system uses satellite positioning.

Business Sectors

HIGH-SPEED RAILWAYS

Ansaldo STS Signalling Systems are installed on over 50% of all high-speed lines around the world (excluding Japan). The company is also the undisputed leader in ERTMS (European Rail Traffic Management System) Level 2, which is currently the most advanced signalling system available for high-speed lines. Ansaldo STS was responsible for the launch of the high-speed railway transport in 1981 when it commissioned and completed the very first automatic train control ("TMV") signalling system on the first TGV Paris-Lyon line. In Italy, Ansaldo STS has, as part of Saturno Consortium, taken over full responsibility for the Turin-Novara line. The company also played a prominent role in another historic achievement, by launching the first high-speed Rome-Naples line running on an ERTMS Level 2 signalling system. Ansaldo STS' greatest achievements in this Business Unit have been:

- the first stretch of the new East-European high-speed Paris-Strasbourg Line, which connects the two most important railway networks in Europe: the French and German networks. Ansaldo STS supplied a dual signalling system which combines the new the ERTMS level 2 with the TVM 430 system, implemented on France's entire high-speed network and already recognised as a successful system;
- the CTRL (Channel Tunnel Rail Link) connection: thanks to the TVM 430 signalling system supplied by Ansaldo STS, travel between Paris and London is faster than ever before (just over two hours journey from the Gare du Nord to St. Pancras station);
- the successful awarding of the first tender for a high-speed line in Germany, for the Saarbrucken-Mannheim stretch of line.

In addition to Germany, Ansaldo STS has already commissioned, supplied, delivered and completed high-speed lines in France, Italy, the UK, Spain, Belgium, the Netherlands, China and South Korea.

TRADITIONAL LINES AND FREIGHT

Ansaldo STS provides full and specialist services to large railway networks in India, France, Italy and the US. It also supplies systems for the new lines under construction in fast developing countries, such as China and Australia. In Europe, the company plays a key role in the programme for upgrading to the ERTMS, the new European rail traffic management system, which will lead to the interoperability of the individual national networks. In the United States and in Australia the advanced planning and control systems supplied by the company provide end-to-end solutions which are critical to meet the needs of the freight, mining and heavy haul segments.
The solutions offered by Ansaldo STS allow to achieve new levels of reliability and efficiency. The advanced planning and control systems allow for the higher average speed of the trains. As regards regional railway lines characterised by less intensive service requirements, Ansaldo STS offers modular solutions which reduce capital costs through engineering repeatability and increase the "interoperability" level. The different signalling systems developed, commissioned and delivered by Ansaldo STS have, over time, set standards for railways. These systems include:

- SCMT (a train control system) based entirely on ERTMS technology;
- Heavy Haul & Mining, customised solutions such as those for Rio Tinto in Australia, with 2.4 km long trains weighing 29,500 tonnes;
- more recently, the VPTC (Vital Positive Train Control) system, implemented in Alaska and USA, which is going to be the first vital train control system implemented on an entire railway sector.

URBAN AND LIGHT RAIL

For more than a century, Ansaldo STS, through its companies operating worldwide, has been providing leading solutions in the urban transport systems. Today, its sophisticated urban rail systems based on the traditional signalling technology develop a new generation of advanced systems, which meet the new transport requirements.

Driverless urban rails - ATC (Driverless Automatic Train Control)

After the first fully driverless train control system implemented for the Copenhagen metro in 2002 and certified under stringent European CENELEC (Comité européen de normalisation en électronique et en électrotechnique) safety standards, ATC driverless technology has been applied for the urban rail systems in Rome, Milan, Thessaloniki, Brescia and the Riyadh Woman's University to ensure the safety and efficiency of the frequent passenger transit. Ansaldo STS' ATC driverless technology adds fully driverless functions to ATS (Automatic Train Supervision), ATO (Automatic Train Operation) and ATP (Automatic Train Protection) technologies.

Communications Based Train Control (CBTC)

Whether it is used on a single urban line or a full-scale continental railway system, the fully integrated CBTC systems ensure continuous high speed two-way radio based communications between wayside and the vehicle. In 2009, a contract was signed for the driverless urban rail circular line of Taipei, providing for a CBTC technology-based mobile block.

Traditional urban rails

In addition to the most advanced driverless technologies, Ansaldo STS also offers traditional solutions, where the operation is supported by safety (ATP) and drive assistance (ATO) systems for the purpose of achieving the best performance.

Urban rail

Ansaldo STS' solutions of Ansaldo STS for urban railways running on track circuits are customised to meet any operational requirements. The complete central post, vehicles and wayside systems may be stand alone or integrated with the existing systems. Decades of experience guarantee the success of the projects.

COMPUTER-BASED INTERLOCKING

Ansaldo STS provides the most complete range of computer-based interlocking systems for rails and transit on an exclusive basis. ACC, SEI and MicroLok® constitute the perfect solution for all types of networks, from high speed to main lines, from freight to mass transit. Their integration with CTC (Centralized Traffic Control) and ATP (Automatic Train Protection) systems has also been tested on high speed lines.

ACC is a modular interlocking system suitable for railway and metro applications, capable of managing highly complex systems with no need to integrate different interlocking systems and without any slowdowns in operations. ACC carries out automatic diagnosis operations, operator assistance and data recording for the purpose of maximising the efficiency of both signalling operators and maintenance staff. A detailed monitoring system allows to identify any malfunctioning on the equipment.

Ansaldo STS' SEI (central regulation device) is another interlocking solution that has been particularly popular with the French railway (SNCF), and is ideal for smaller train stations. It has been fine-tuned for application in specific contexts, such as France and certain countries in North Africa.

MicroLok II is Ansaldo STS' "safety guarantee". It is another interlocking platform suited to extremely challenging environmental contexts and has been highly successful given its potential for different configurations and adaptation. It is a monitoring and safe control system for rail and urban rail wayside signalling equipment. Its wide range of functionalities includes "vital" interlocking control, train detection, rail integrity, coded track circuit management and much more. Of the many interlocking systems installed worldwide, the most advanced is that installed at Termini Station in Rome. Roma Termini is the heart of the Italian railway system, and is responsible for managing, in one single control room, the complexity and capacity of a network stretching thousands of kilometres using an interlocking system capable of a risk-free control over the railway traffic of almost the whole of Italy.

At present, Ansaldo STS' computer-based interlocking systems are used all over the world, including in the most complex high-speed networks (France, Italy, Spain, the UK, Belgium, China and South Korea), main lines (the US, Italy, France, Sweden, India, China, Bangladesh, Botswana, Malaysia and Australia, to name just a few), and urban rail lines.

PLANNING, SUPERVISION AND TRAFFIC CONTROL

Union Switch & Signal (now Ansaldo STS USA) developed the first CAD (Computer-Aided Dispatching) system in this sector in 1966 for the Union Railroad Company of Duquesne in the US, marking the beginning of a new era in train control and track management. Today, Ansaldo STS still produces new state-of-the-art intelligent systems, designed to enhance performance to the highest levels. Ansaldo STS offers the most technologically advanced solutions for supervision and traffic control centres around the world for main, high-speed and urban lines. Our many years of experience as pioneers include projects across all continents. Worth of note are the Optimizing Traffic Planner™ (OTP) 2, an advanced planning engine which solves the complex logistics problems of ever changing operational conditions, maximising capacity and increasing speed. The calculation agents respond in real time to updated CAD and field data, generating new movement plans based on the current conditions in accordance with any operating rules and constraints.

EQUIPMENT AND COMPONENTS

Ansaldo STS manufactures innovative and reliable equipment, such as track circuits, switch machines, signals, sensors for wayside data transmission (Eurobalise train, relays, hot box detectors, level crossing equipment, event recorders, the interlocking system Microlock, famous all over the world, equipment for monitoring the integrity of the train, etc.).

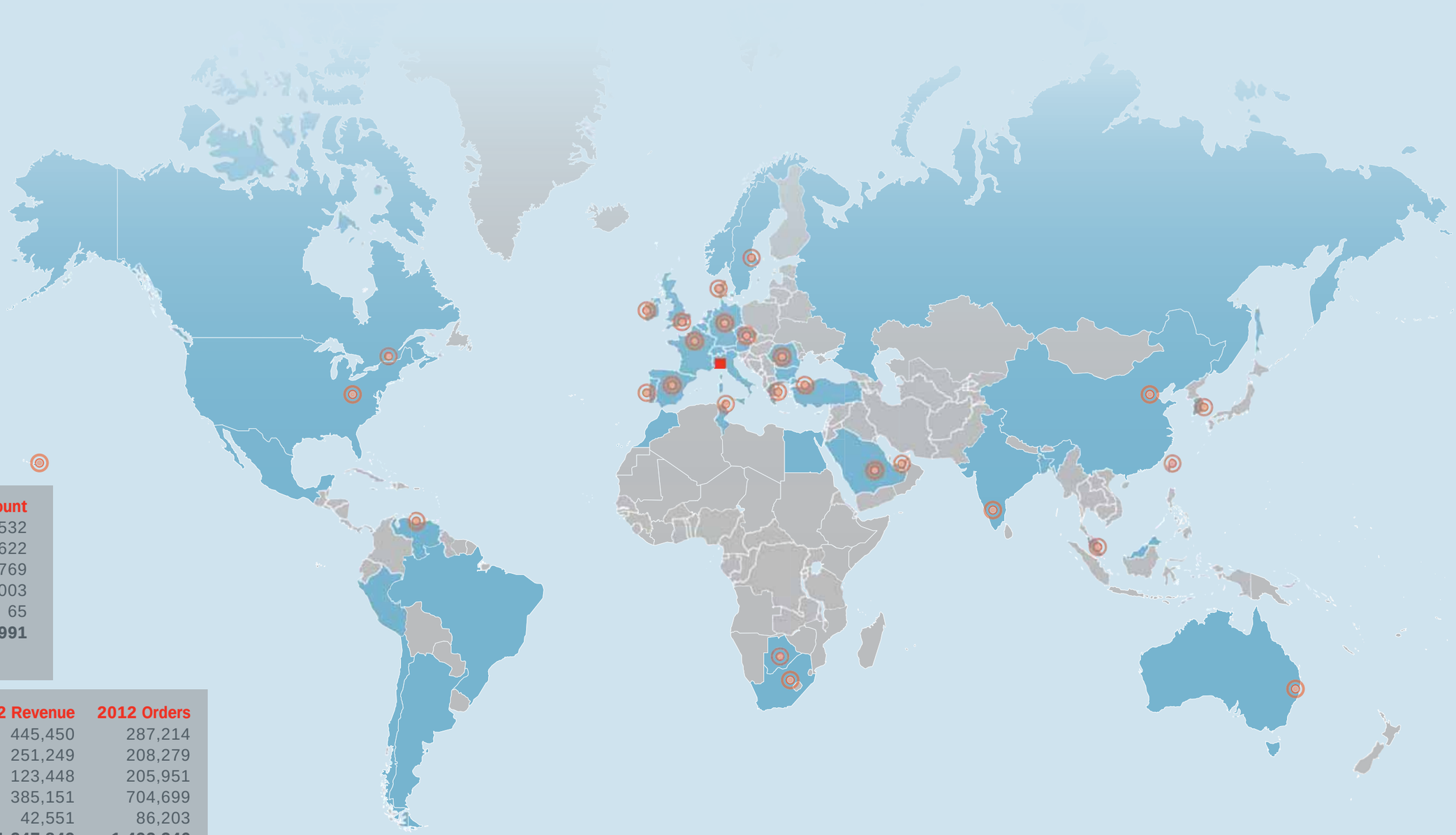
OPERATION & MAINTENANCE

Ansaldo STS provides its customers with around-the-clock assistance and operation service and a complete maintenance service to ensure full service availability. This demonstrates the company's commitment to maximising the return on investment for its customers.

Ansaldo STS around the World

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

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



LEGAL ENTITY	2012 Headcount
ASTS ITALIA*	1,532
ASTS FRANCE**	622
ASTS USA	769
ASTS APAC	1,003
ASTS CHINA	65
Total	**3,991**

* Also includes employees of ASTS Germany.
** Also includes employees of ASTS UK and ASTS Sweden.

GEOGRAPHICAL AREAS (K€)	2012 Revenue	2012 Orders
Italy	445,450	287,214
Rest of Europe	251,249	208,279
North America	123,448	205,951
Asia-Pacific	385,151	704,699
Rest of the World	42,551	86,203
Total	**1,247,849**	**1,492,346**

BACKLOG at 31 December 2012 (K€)	5,683,253

Central and Eastern Europe and the Middle East

LOCATIONS	ACTIVITIES	COMPANY
Italy, Naples	Human Resources, RAMS (Reliability, Availability, Maintainability and Safety), Administration, Finance & Control, Project Management, Engineering, Site Management, Logistics, Marketing and Sales, Research and Development, Legal Affairs, HSE	Ansaldo STS S.p.A.
Italy, Genoa	Human Resources, RAMS, Administration, Finance & Control, Project Management, Engineering, Logistics, Quality, Product Development, Research, Sales, Legal Affairs, Customer Service	Ansaldo STS S.p.A.
	Engineering, Product Development, Quality, Site Management, Logistics, Project Management, HSE	Registered office
Italy, Piossasco (TO)	Production, Local Support, Testing, Industrialisation	Ansaldo STS S.p.A.
Italy, Tito Scalo (PZ)	Branch and Sales Office	Ansaldo STS S.p.A.
Italy, Rome	Copenhagen Metro: Maintenance	Ansaldo STS S.p.A.
Denmark, Copenhagen	Project Management, Engineering	Ansaldo STS S.p.A.
Greek, Thessaloniki	Signalling systems	Ansaldo STS S.p.A.
Czech Republic, Prague	Signalling systems	Ansaldo STS S.p.A.
Romania, Bucharest	Signalling systems	Ansaldo STS S.p.A.
Germany	Marketing and Sales	Ansaldo STS Deutschland GmbH
Finland*	Signalling systems, Engineering	Ansaldo STS Finland OY
Turkey, Ankara	Signalling systems	Ansaldo STS S.p.A.
Greece, Athens	Signalling systems	Ansaldo STS S.p.A.

(*) in liquidation by resolution of the board of directors on 28 September 2012.

Western Europe and Africa

LOCATIONS	ACTIVITIES	COMPANY
France, Les Ulis	Marketing and Sales, Project Management, Engineering, RD, Quality, Human Resources, RAMS, Administration, Finance & Control, HSE	Ansaldo STS France S.A.
France, Riom	Engineering, Testing, Manufacturing, Procurement, Human Resources, RAMS, Administration, Finance & Control, Project Management	Ansaldo STS France S.A.
France, Paris	Paris Metro maintenance	Ansaldo STS France S.A.
Portugal, Lisbon	Lisbon urban rail maintenance	Ansaldo STS France S.A.
Ireland, Tralee	Sales, Manufacturing, Engineering, Service	Ansaldo STS Ireland Ltd.
Spain, Madrid	Marketing and Sales, Project Management, Engineering, Madrid–Lérida maintenance	Ansaldo STS Espana S.A.
Sweden	Marketing and Sales, Project Management, Engineering, Local Support, R&D	Ansaldo STS Sweden AB
Tunisia, Tunis	Signalling systems	Ansaldo STS S.p.A.
Botswana, Gaborone	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Southern Africa (Pty) Ltd.
South Africa, Johannesburg	Engineering, Sales	Ansaldo STS South Africa Pty Ltd.
UK, London	Marketing and Sales, Project Management, Engineering, Local Support	Ansaldo STS UK Ltd.

The Americas

LOCATIONS	ACTIVITIES	COMPANY
USA, Pittsburgh	Human Resources, RAMS (Reliability, Availability, Maintainability and Safety), Administration, Finance & Control, Project Management, Engineering, Construction, Logistics, Marketing and Sales, Research and Development, Legal Affairs	Ansaldo STS USA Inc.
USA, Batesburg	Manufacturing, Shop Service, Engineering, Logistics, Quality, Administration	Ansaldo STS USA Inc.
USA, New Jersey	Engineering, Sales	Ansaldo STS USA Inc.
Canada, Kingston,	Sales Services	Ansaldo STS Canada Inc.
USA, Norristown	Yard Planning Engineering (RMStar acquisition)	Ansaldo STS USA Inc.
USA, Chicago	Local Marketing and Sales; Engineering	Ansaldo STS USA Inc.
USA, Jacksonville	Local Marketing and Sales; Engineering	Ansaldo STS USA Inc.
Brazil, Rio de Janeiro*	Engineering, Sales, Maintenance, Post-Sales Assistance	Ansaldo STS Sistemas De Tansporte e Sinalizacao Limitada
Venezuela, Caracas	Engineering,	Ecosen c.a.
USA, Kansas City	Local Marketing and Sales; Engineering	Ansaldo STS USA Inc.

(*) Company discontinued by resolution of the board of directors on 30 March 2012, with effect from 23 May 2012.

Asia-Pacific

LOCATIONS	ACTIVITIES	COMPANY
Australia, Brisbane	Business Development, Project Management, Engineering, Assembly, Testing, Maintenance and Support Offices	Ansaldo STS Australia PTY Ltd.
Australia, Perth	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Australia PTY Ltd.
Australia, Karratha	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Australia PTY Ltd.
Australia, Sydney	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Australia PTY Ltd.
Australia, Newcastle	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Australia PTY Ltd.
India, Bangalore	Business Development, Project Management, Engineering, Testing, Maintenance, Support Offices and Software Development	Ansaldo STS Transportation Systems India Private Ltd
India, Kolkata	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Analdo STS Transportation Systems India Private Ltd
India, Delhi	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Analdo STS Transportation Systems India Private Ltd
Malaysia, Kuala Lumpur	Business Development, Project Management, Engineering, Testing, Maintenance and Support Offices	Ansaldo STS Malaysia SDN BHD
China, Beijing	Signalling systems	Ansaldo Railway System Trading (Beijing) Ltd
Taiwan	Design, Sales, Production, Installation, Maintenance and Services	Ansaldo STS S.p.A.
China, Shanghai	Marketing, Sales, Engineering	Ansaldo STS USA Inc.
China, Beijing	Marketing and Sales, Project Management, Engineering, Integration	Ansaldo STS Beijing Ltd.
China, Hong Kong	Project Management, Engineering	Ansaldo STS Hong Kong, Ltd.
South Korea, Daejon	Korea Project Management	Ansaldo STS France S.A.

Main Projects*

Madrid-Lerida
High-Speed Line

France TGV

Manchester Node
& Metrolink
Cambrian Line

Channel Tunnel

Sweden
Ester ERMTS Lev. 2
O&M contracts
Copenhagen
M1 - M2 / Cityringen
driverless
unattended metro

Saarbrücken
Mannheim ERTM Lev. 2

Italian High-Speed
MI-BO & RM-NA,
FI-BO, TO-MI

Gaziabad Kampur
Indian Railways

WMATA Silver Spring
PAAC North Shore
Connector
New York Metro
Chambers Street NYCT
- SEPTA PTC

Toronto - TCC Spadina
and north extension

China & Korea
High-Speed Binhai,
Daegu Busun
Shitai Line
Shenyang Line 1
Shangai Metro
ERTMS Zhengxi Line
Hangzhou Metro Line 1
TRAMWAVE® agreement
to China

Omaha OTP

Honolulu
Driverless Unattended Metro

Los Angeles Metro
(Green Line)

Jacksonville CTC

CPTM CAB

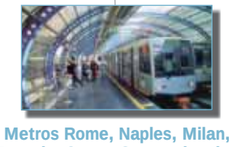
Taipei Circular Line
Phase 1
Kuala Lumpur LRT
North Ipoh ti Pedang Besar
Honam HSI Line

Turkey Begazkopru
Ulukisla Yenice and Mersin
Toprakkale Metro Ankara

Riyad Metro
Women's University
GCC - Abu Dhabi

Electrification
and Signalling
Banlieu
sud Tunis

Libya Ras Ajdir
Sirti Al-Hisha Sadha
& Sirti-Bengazi line



Metros Rome, Naples, Milan,
Brescia, Genoa Conventional &
Driverless unattended metro

ACS Palermo
Railways Rome Station
C.B.I. SCMT / ACS
Installations
ACC Brescia
HS Mi-Vr (Brescia-Treviglio)

Thessaloniki Driverless unattended
metro ETCS Lev. 1 - Terra ERGA OSE

Clearways 3
Hamerslay Hope; Dows
Segnalam. & Comun. -
Rio Tinto
Roy Hill Iron Ore
Hancock Prospecting
Roy Hill 1

(*) Main projects in recent years.

Sustainability and Stakeholders

Ansaldo STS' approach to sustainable development is two-fold:

- it is closely related to the achievement of the company's mission, which is to develop railway and urban rail transportation systems and create increasingly sophisticated products and solutions that are safe and environmentally-friendly in order to incentivise their use;
- it is based on the ways in which the company pursues its mission: Ansaldo STS' strategies take into account the financial, economic, social and environmental effects of its development. It has adopted excellent corporate governance, internal control and risk management and integrated environment, safety and quality management systems that are based on a series of shared values, guiding it on a sustainable growth path, ensuring that each member of its staff acts in accordance with a culture of responsibility.

FINANCIAL SUSTAINABILITY = the company's strategic answer to the macroeconomic context and transportation market trends, based on a business model that develops distinctive abilities and the necessary skills to boost the company's competitiveness on markets - **growth in human and organisational capital.**

SOCIAL SUSTAINABILITY = focus on the quality of relationships with stakeholders through business management processes that consider their needs and expectations – **growth in relational capital.**

ENVIRONMENTAL AND SAFETY SUSTAINABILITY = reduction of the direct and indirect impact on the environment resulting from activities and the development of transportation solutions that are increasingly safe and environmentally-friendly.

Ansaldo STS' Stakeholders

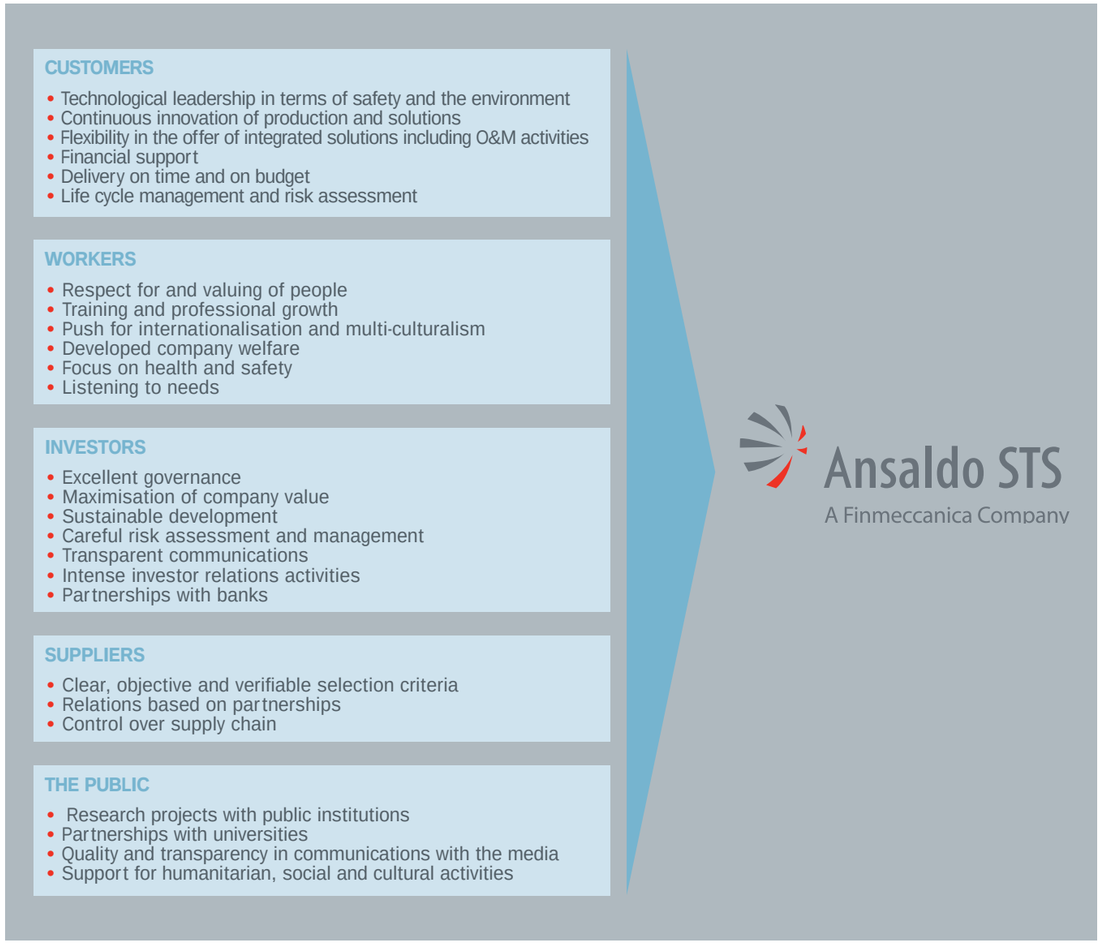
Ansaldo STS and its subsidiaries boast a widespread presence through domestic and international markets, with operations in a variety of contexts and many different counterparties, making the management of relationships between Ansaldo STS and its stakeholders of the utmost importance.

Stakeholders include any party - people, groups, companies, institutions that are public or private, Italian or foreign, with contact, for any reason, with Ansaldo STS or an interest in the activities carried out by the company.

Legal compliance, transparency and upstanding conduct in operations and trust and cooperation with stakeholders are the ethical principles to which Ansaldo STS aspires - and on which it has based its code of conduct, in order to effectively and fairly compete in the market, improve customer satisfaction, increase value for shareholders and develop the skills and professional growth of its human resources.

Social sustainability for Ansaldo STS relates to its focus on the quality of relationships with its stakeholders.

This requires the definition of stakeholder policies and business management based on listening to their expectations to better meet their needs.

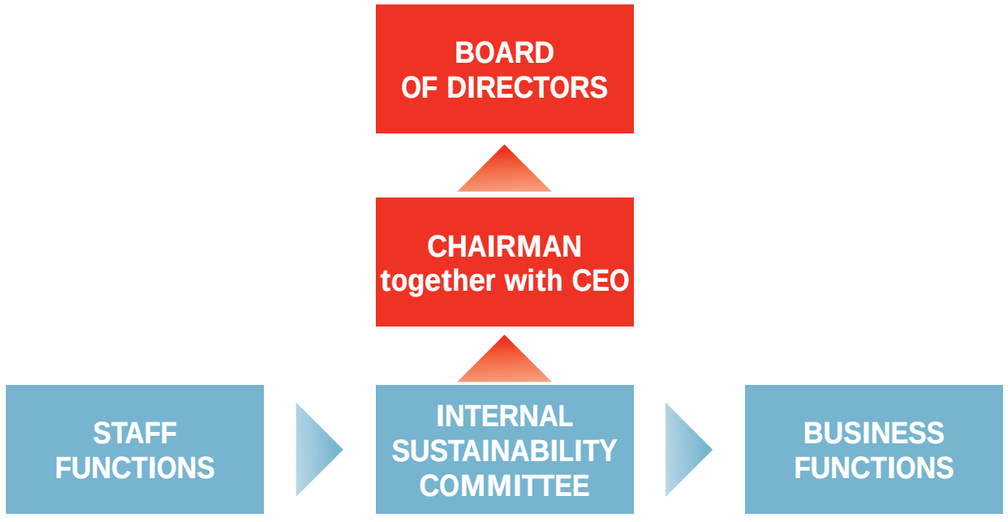


Internal Sustainability Committee

In 2011, Ansaldo STS, set up the internal sustainability committee made up of the managers of the company's main functions, which they represent in the committee.
The committee's mission is to define the company's strategies for sustainable development and the promotion of social responsibility initiatives and see that they are implemented.

The internal sustainability committee reports directly to the Chairman and CEO of Ansaldo STS and collaborates with and coordinates the various Business Units.

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



In 2012, the internal sustainability committee met twice:
- to analyse the materiality for the company and its stakeholders of the aspects guiding Ansaldo STS' sustainable development;
- to define the 2012 reporting project, results achieved and general objectives:
  - to increase compliance with the Global Reporting Initiative guidelines;
  - to confirm the company's commitment to the Global Compact and improve the related reporting;
  - to confirm the company's participation in the Carbon Disclosure Project;
  - to improve internal and external sustainability communications;
  - to participate in the Global Compact Italian network's supply chain work group.

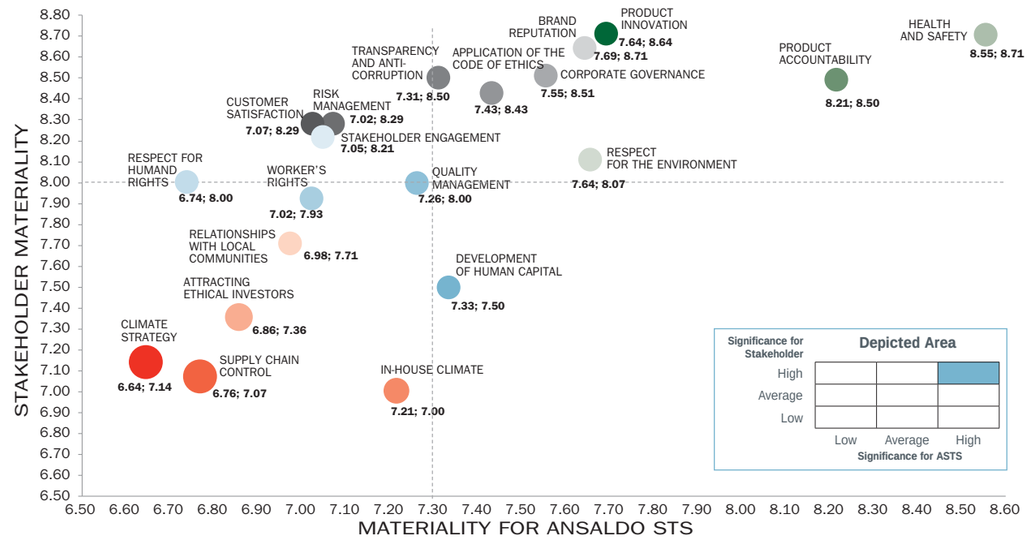
Materiality Analysis

In exploring the various aspects that could impact the company's sustainability, the internal sustainability committee has considered their materiality, taking into account two factors:
1. the extent to which these issues affect Ansaldo STS' financial, social and environmental performance;
2. and the extent to which the company perceives that they may affect stakeholders' decisions or their opinions of the company.

In order to determine which aspects are material for sustainability, the committee has considered a series of internal and external factors:
- **Internal factors:** mission, values, strategies, policies and management systems to design and provide cutting-edge, safe and environmentally-friendly railway transport and signalling systems; risk assessment based on the enterprise risk management methodology recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO report); quality, environment and health and safety management systems; the company's climate change strategy; its specific expertise, with a focus, in particular, on the search for solutions that ensure safe and energy efficient transportation.
- **External factors:** the GRI guidelines; the Global Compact guidelines; the risks of climate change (carbon management system); the interests and expectations of stakeholders affected by the success of the organisation (i.e., listening to stakeholders and dialogue with them); the issues highlighted by ESG subject to analysis by financial analysts; sustainability initiatives underway in the railway transportation sector.

The following chart illustrates the results of this analysis.

Materiality Analysis



The scale goes from 0 to 3 (low), 4 to 6 (average) and 7 to 10 (high).

In general, all the identified issues were considered material, both in terms of their materiality for Ansaldo STS (average score of 7.3) and their materiality for stakeholders (average score of 8.0). The chart opposite provides a detail of the most material factors considered. Furthermore, the committee members' responses were fairly consistent (the size of the dots illustrates the degree of variance).

The analysis conducted highlights key considerations with respect to the sustainability report in terms of activities that the internal sustainability committee shall carry out, as it is responsible for promoting and steering sustainability within Ansaldo STS.

Global Compact

Again in 2012, Ansaldo STS signed the Global Compact, a voluntary initiative launched by the UN in 1999 to promote a culture of respect for human rights, labour and the environment and to combat corruption. It has ten basic principles.
By confirming its support for this initiative, Ansaldo STS undertakes to make the Global Compact and its principles an integral part of its strategy, culture and daily operations, disclosing its commitment and publishing, in its Sustainability Report, a description of the ways in which the GC and its ten principles are applied.

Principles of the Global Compact	Ansaldo STS
HUMAN RIGHTS	
1. Support and respect internationally proclaimed human rights within the company's respective spheres of influence; 2. Ensure that they are not complicit in human rights abuses, even indirectly	• Code of ethics and training • Declaration of respect for human rights • Personnel management policy • Fair remuneration • Company climate and improvement measures • Internationalisation and multi-cultural management • Worker health and safety policy • Product liability • Supply chain sustainability
LABOUR	
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. Eliminate all forms of forced and compulsory labour; 5. Effectively abolish of child labour; 6. Eliminate discrimination in respect of employment and occupation.	• Code of ethics and training • Labour policy declaration • Remuneration and incentives • Fair remuneration • People Care – Employee initiatives • Personnel management, recruitment and hiring policy • Training and development • Trade unions • Company climate and improvement measures • Litigation management
ENVIRONMENT	
7. Take a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater environmental responsibility; 9. Encourage the development and diffusion of environmentally friendly technologies.	• Environmental policy and management system • Certification and registration • HSE training • Taking a prudent approach • Carbon management system (Scope I, II and III emission measurement) • Participation in the Carbon Disclosure Project • Measurement and control of environmental impact (energy consumption, greenhouse gas emissions, water resources and waste) • Commitment to improve performance • Product innovation to reduce direct and indirect environmental impact • Italian and EU research projects for railway transportation safety and to reduce its environmental impact
ANTI-CORRUPTION	
10. Work against corruption in all its forms, including extortion and bribery.	• Code of ethics and training • Organisational, management and control model pursuant to Legislative decree no. 231/2001 • Procedural system applied by all Ansaldo STS companies

HUMAN RIGHTS[1]

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

In 2012, the Group companies completed the implementation of the code of ethics, which they had begun in 2011, with the code's formal approval by the respective boards of directors or equivalent management bodies and its disclosure to all personnel, in the manner followed by the parent, Ansaldo STS. In addition, a body was set up within each Group company to promote the implementation of the code of ethics, and a specific information channel was created, which can be used to report any conduct that is inconsistent with the principles of the code of ethics by sending an email. Such reports are managed in accordance with an Ansaldo STS procedure issued in 2012 (see also "Training on the code of ethics" page 73).

LABOUR[2]

Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labour agreements, company agreements and current regulations. Over the course of employment, training is a crucial lever to make the most of human resources and update their skills to the market context, thereby expanding upon the abilities and knowledge of each employee, in line with the company's values and following a policy based on the recognition of one's merits and equal opportunities. Ansaldo STS' internationalisation process has also consolidated exchanges between people, fostering a greater appreciation of multiculturalism.
Ansaldo STS guarantees its workers are free to join trade unions, and makes efforts so that its relationships with the unions are cooperative and friendly. Workers may report their opinions to Human Resources directly or via delegates.

Child labour

Ansaldo STS hires workers under legal employment contracts, in accordance with laws, national labour agreements, company agreements and current regulations. In particular, Ansaldo STS does not allow and does not tolerate employment situations that violate current regulations on child labour, women's labour and immigration. This also applies to its external contractors, suppliers and business partners.

Forced labour

There is no risk of forced labour at Ansaldo STS. In addition, the company requires its contractors and sub-contractors to guarantee the same in order to contribute to the abolition of such illegal practices.

ENVIRONMENT[3]

In its commitment to sustainable development, Ansaldo STS focuses on:
- guaranteeing quality of life;
- ensuring continuous access to natural resources;
- avoiding permanent damage to the environment.

This has entailed the integration of environmental considerations in the preparation and implementation of company policies and the creation of production processes. It is on this basis that Ansaldo has adopted an environmental policy and is implementing the related environmental management system, defining the organisation, responsibilities, operating methods and investments needed. In this way, it is committed to achieving the following objectives:
- ensuring compliance with the legal requirements applicable to its processes by formalising procedures that foster awareness of the relevant legislative framework;
- identifying significant environmental aspects to reduce and control the related impact on the environment;
- involving and informing suppliers/sub-contractors to comply with environmental provisions that relate to them;
- defining indicators for performance monitoring.

1. Ansaldo STS acts in accordance with the UN's Universal Declaration of Human Rights (and the related protocols), the UN's International Convention on Civil and Political Rights, the ILO's Declaration on Fundamental Principles and Rights at Work dated 1998 (and, particular, the ILO's eight main conventions) and the OECD's guidelines for multinational corporations.
2. See: Human resources.
3. See: Environmental, health and safety sustainability. See: Innovation governance. See: Research projects with Italian and EU institutions.

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

Integrated management system

The company has implemented an integrated management system ("IMS") for the environment, safety and quality, which integrates all Ansaldo STS processes in one single complete structure, enabling the organisation to operate as a single unit with shared objectives.
At central level, global policies and procedures have been established to ensure controlled management of processes and activities relating to quality, the workplace and environmental protection. On this basis, and where there are specific legislative requirements, each legal entity has established local guidelines to ensure compliance with the requirements applicable to its processes.

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

In addition, it promotes technological and managerial training through partnerships with universities, particularly with respect to information communication technology and the sustainability, health and safety of transportation systems. It actively participates in research projects co-financed by Italian and EU institutions on how to improve safety, energy efficiency, environmental impact, sustainable mobility and the interoperability of transportation systems.

ANTI-CORRUPTION AND THE PREVENTION OF CORPORATE CRIMES[4]

Since it began operations in 2006, Ansaldo STS has adopted the organisational, management and control model (also referred to as the "Model") pursuant to Legislative Decree no. 231/2001, which deals, inter alia, with acts of corruption. The Group companies operating before 2006 have also adopted the organisational, management and control model (those that merged into the parent in 2009) since the enactment of Legislative Decree no. 231/2001.

Assessment activities are underway to update the model following the modifications to Legislative decree no. 231/2001 in Law no. 190 of 6 November 2012 (also referred to as the anti-corruption law). In particular, this law governs the bribing of natural persons by other natural persons, which is also applicable with respect to corporate liability under Legislative decree no. 231/2001.

Ansaldo STS S.p.A.'s employees are required to comply with the organisational, management and control model and the procedures specifying the operating methods for the various company processes. These procedures include one that applies to all Group companies and governs contracts to support sales activities (such as those with consultants and sales promoters), defining the rules for establishing and managing these relationships. This procedure was introduced at the start of 2011 with the adoption of a series of Finmeccanica initiatives to strengthen the internal control system, with specific regard to acts of corruption and corporate crimes.

Finmeccanica's programme continued into 2012, and with respect to the above procedure for contracts supporting sales activities, certain application methods were detailed. In addition, the roles, responsibilities and traceability of the following areas were better defined:
- revision of Ansaldo STS procedures that were already in place or introducing new procedures;
- sponsorships, publicity campaigns and contributions to associations and bodies;
- conferral of advisory engagements and professional services;
- gifts, hospitality, processing facilitating payments and entertainment expenses;
- mergers and acquisitions.

4. See: Internal control and risk management system.

If corruption occurs (although this has never happened within the Group), disciplinary action would be taken in accordance with the model, which includes dismissal without notice.

The main risk areas, including direct risks and the risk of activity supporting the acts of corruption, subject to the requirements of the organisational, management and control model, are the sales area, contract management, sites, administration, finance and control, HR and soft loans.

All employees receive notices when the model is updated. Some employees operating in areas at risk of such crimes and company managers and junior managers receive specific training, usually in the form of e-learning, when the organisational, management and control model pursuant to Legislative decree no. 231/2001 is updated. They also sign periodic statements certifying their compliance with the Model and, where applicable, the statement includes mention of the most significant relationships with the public administration.

Best practices for sustainability

Ansaldo STS' best practices are activities or initiatives aimed at improving its management of social or environmental responsibility. Best practices often involve dialogue and involvement of the stakeholders.

2012 saw the following best practice initiatives: two for human resources stakeholders, Future Leader and Travel Tracker; three for customer stakeholders and, more in general, for the environment and safety, the Copenhagen metro, satellite signalling and Tramwave; one for reporting and in accordance with its commitment to reduce greenhouse gases, the carbon management system; one for site safety, Safety Yes; and lastly one for the financial community, feedback from investors.

These are briefly described here and discussed in further detail in the sections on stakeholders that follow:

BEST PRACTICE

FUTURE LEADERS

The **Future Leaders** project is part of the talent management initiatives in place at Ansaldo STS, with the aim of identifying and growing a small number of select people (20) to entrust, within two years, with IInd or Ist organisational level responsibilities according to the Italian management scale. Candidates apply for the initiative and it is open to all ASTS personnel who feel that they meet the requirements defined in the call for applicants. Future leaders provides for the assignment of strategic projects to directly and genuinely increase the leadership of the participants, in addition to a two-year executive MBA programme are the two main pillars of this initiative.

TRAVEL TRACKER: SAFE TRAVEL AT ANSALDO STS

Market expansion and the current organisational model require Ansaldo STS personnel in many different countries, which might have questionable safety conditions and undeveloped health and healthcare systems. **Travel Tracker (TT)** is a tool that the company uses to track planned personnel travel in real time and ensure adequate protection from external events.

COPENHAGEN METRO

The construction of the **Copenhagen metro** demonstrates Ansaldo STS' ability to offer advanced solutions in terms of the environment and safety to meet strict Danish regulatory requirements, both in the design stage and during operation and maintenance. The positive quarterly customer satisfaction results are further evidence of the company's ability to put the customer, and in this specific case, the user, first.

SATELLITE SIGNALLING

For the first time in railway history, Ansaldo STS will have satellites used to safely manage train traffic, reducing the number and complexity of the radio stations planned along the railway line. In long-distance freight transport specifically, the expected benefits will be a significant increase in the efficiency of fuel consumption, **with a consequent reduction in energy costs and carbon dioxide emissions.**

BEST PRACTICE

TRAMWAVE
This is a power system for trams that run on ground lines, powered only in a specific segment under the vehicle. The system promotes the protection of historic city centres, as it eliminates traditional suspended electric lines. The excellent results achieved in the wake of testing have triggered enormous interest among urban planners looking for safe, ecological and low-environmental impact public transit solutions.

CARBON MANAGEMENT SYSTEM
Ansaldo STS has renewed its commitment to reducing greenhouse gases produced directly and indirectly in the performance of its activities, by implementing the **carbon management system**, which enables it to organise improvement through a planning, implementing and measurement process for its emission reduction targets. Since 2011, it has participated in the worldwide carbon disclosure project.

SAFETY YES
Safety Yes is an information campaign (courses and follow-up activities) implemented by Ansaldo STS on safety issues and culture. It targets all site workers, including Ansaldo STS employees and those of its partners.

FEEDBACK FROM INVESTORS
Ansaldo STS approaches dialogue with the financial community through certain practices to monitor the company's reputation. After meetings are held, feedback from investors is gathered and carefully analysed. It is discussed with top management and used to manage future communications and subsequent meetings.

Corporate Governance and Organisation

Corporate Governance[5]

Ansaldo STS adopts a corporate governance system that is based on the highest business management transparency and fair practice standards.
This corporate governance system is compliant with the provisions of law and with the regulatory provisions of CONSOB and Borsa Italiana. It is also in line with the contents of the code of conduct for listed companies adopted by Borsa Italiana S.p.A. - which Ansaldo STS has implemented - and the international best practices.
The corporate governance system is aimed at maximising value for shareholders, monitoring business risks, transparency with the market and reconciling the interests of all shareholders, with particular attention on smaller shareholders. Ansaldo STS' corporate governance system is based on a traditional model, and includes:
- shareholders' meetings;
- the board of directors (with the risk and control committee and appointments and remuneration committee set up within in);
- the board of statutory auditors;
- the independent auditors.

The company's main corporate governance tools at present are listed below:
- By-laws;
- Code of ethics;
- Organisational, management and control model pursuant to Legislative decree no. 231/01;
- Board of directors' regulations;
- Risk and control committee regulations;
- Appointments and remuneration committee regulations;
- Related party transactions - Procedure adopted pursuant to article 4 of Consob regulation no. 17221 of 12 March 2010;
- Procedure for the handling of privileged information and list of people with access to such information;
- Internal dealing code of conduct;
- Shareholders' meeting regulations.

Governance bodies and tools

SHAREHOLDERS' MEETINGS
During ordinary and extraordinary meetings, the shareholders are responsible for resolving on the matters reserved for their decision by law or the by-laws. Particular emphasis is placed on encouraging the utmost attendance of those with the right to vote and to ensuring the highest quality of information provided to shareholders in such circumstances, in accordance with the restrictions and procedures for disclosing price sensitive information.
In order to allow those entitled to vote to take informed decisions, the board of directors publishes detailed reports on each item on the agenda (for as far as it is concerned).

Protecting non-controlling interests
The regulations for the shareholders' meetings (approved by the shareholders on 12 December 2005 and amended on 5 April 2011) define the procedures for the orderly and functional proceeding of the meetings, ensuring the rightful people can take the floor on the items of the agenda and specifying certain aspects (time limits for speakers and voting procedures and operations) to encourage the correct proceeding of meetings. The directors are appointed during the ordinary shareholders' meeting on the basis of lists. In order to ensure that non-controlling shareholders can effectively participate, the by-laws explicitly establish that each shareholder is entitled to submit, individually or with other

5. For additional details, reference should be made to the "Directors' report on the CORPORATE GOVERNANCE system and the implementation of the code of conduct for listed companies" for 2012.

shareholders, only one list. Each person entitled to vote may vote for one list only. Shareholders who belong to the same group and shareholders who are a party to a shareholders' agreement involving the company's shares may not submit or vote for more than one list, neither individually nor through nominees or trustees. The directors are elected as follows: (i) two thirds of the directors to be elected from the list that receives the majority of the votes, in the order in which they are listed, with the resulting number rounded down in case of fractional number; (ii) the remaining directors from the other lists in accordance with the criteria and procedures specified in the by-laws.

BOARD OF DIRECTORS

Ansaldo STS' board of directors has the widest powers for the management of the company, with the power to take any and all suitable action to achieve the company purpose, except for those reserved for the shareholders. The board of directors has between seven and thirteen members. Before the board is elected, the shareholders decide the number of members within this limit. On 5 April 2011, the shareholders decided the number of members would be nine, and appointed the new board, which will remain in office until the ordinary shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2013.

Following the early resignation of the independent director,

Filippo Giuseppe Maria Milone, Bruno Pavesi was appointed independent director by co-option by the board of directors on 30 March 2012 and was confirmed by the shareholders on 7 May 2012.

The board of directors is currently comprised as follows.

BOARD OF DIRECTORS								RISK AND CONTROL COMMITTEE		APPOINTMENT AND REMUNERATION COMMITTEE	
				INDIPENDENT			%				%
DIRECTOR	OFFICE	LIST*	EXECUTIVE	NON EXECUTIVE	Civil Code	TUF	PRESENCE AT MEETINGS	MEMBERS	PRESENCE	MEMBERS	PRESENCE
Alessandro Pansa	Chairman	M	X**				100%				
Giancarlo Grasso	Deputy Chairman	M		X			100%				
Sergio De Luca	CEO	M	X				91.6%				
Giovanni Cavallini	Director	m		X	X	X	83.3%			X	85%
Maurizio Cereda	Director	m		X	X	X	100%	X	100%	Chairman	100%
Paola Girdinio	Director	M		X	X	X	100%	X	100%		
Bruno Pavesi	Director	***		X	X	X	100%			X	100%
Tatiana Rizzante	Director	m		X	X	X	75%				
Attilio Salvetti	Director	M		X	X	X	100%	Chairman	100%		

(*) "M": Director appointed from the majority list / "m": Director appointed from the minority list.
(**) The Chairman has not been given any specific delegated powers and, therefore does not hold any executive positions within the company. However, he is considered to be an executive director under the provisions of the code of conduct, as he is General Manager of Finmeccanica S.p.A., which manages and coordinates Ansaldo STS.
(***) Bruno Pavesi is not on any of the lists presented for the shareholders' appointment of the board of directors on 5 April 2011.

The directors Alessandro Pansa, Sergio De Luca, Paola Girdinio, Giancarlo Grasso and Attilio Salvetti were all elected from the majority list presented by Finmeccanica S.p.A., which held 40.065% of share capital.
Maurizio Cereda was elected from the list presented jointly by the non-controlling shareholders Mediobanca - Banca di Credito Finanziario S.p.A. and Banca IMI S.p.A..
The directors Giovanni Cavallini and Tatiana Rizzante were elected from the list presented jointly by the non-controlling shareholders Allianz Global Investor Italia SGR S.p.A., which manages the Allianz Azioni Italia investment fund; Anima SGR S.p.A. which manages the Europa, Iniziativa Europa e Italia and Visconteo investment funds; Arca SGR S.p.A. which manages the Arca Azioni Italia and Arca BB investment funds; Fidelity Investment Funds-European Fund; Fideuram Investimenti SGR S.p.A., which manages the Fideuram Italia investment fund; Fideuram Gestions SA, which manages the Fonditalia Equity Italy and Fideuram Fund Equity Italy investment funds; Interfund Sicav, which manages the Interfund Equity Italy investment fund; Mediolanum Gestione Fondi SGRpA, which manages the Mediolanum Flessibile Italia investment fund; Mediolanum International Funds, which manages the Challenge Funds; Pioneer Asset Management SA; Pioneer Investment Management SGRpA, which manages the Pioneer Azionario Crescita investment fund; Prima SGR S.p.A., which manages the Prima Geo Italia investment fund. Together, these non-controlling shareholders held 2.176% of the share capital.

Directors' requirements and duties

Under the by-laws, in order to take office as director, one must not only meet the requirements of honourableness provided for by current legislative and regulatory provisions, but must also meet he specific requirements of professionalism indicated in the by-laws. In particular, candidates may be appointed director of the company only if they have at least three years of experience in:

- administration or supervision activities or managerial duties with companies with a share capital of at least €2 million;
- professional activities or university teaching as a full professor of legal, economic, financial or technical/scientific subjects closely related to the company's business activity; or[6]
- top 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.

Non-executive directors

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

Non-executive directors bring their specific expertise to the table in board discussions, to support the examination of the matters considered from a different perspective and to encourage the adoption of well-pondered resolutions, in line with the company's interests.

All board members are non-executive, except for the CEO and Chairman.

Independence of directors

In the implementation of the provisions of the Code of Conduct, following the appointment of the directors, i.e. after 5 April 2011, and on the basis of the statements made by each and available to the company, the board of directors has evaluated whether the independent directors are party to any relationships that could, or that could appear to, jeopardise their independent judgment. The findings of this evaluation were disclosed to the market in a press release on 5 April 2011.

Subsequently, on 13 December 2011, on the basis of the documentation submitted by each independent director, the board reviewed whether they still met the independence requirements provided for by the current legislative and regulatory provisions and pursuant to article 3 of the Code. In their review, the board applied all Code criteria.

At the same time, on the basis of the statements made by the directors and considering the board's findings, the board of statutory auditors certified the board's evaluation of the independence of its members in accordance with the criteria.

The independent directors met on 18 December 2012.

The main purpose of the meeting was to examine transactions with Finmeccanica, which manages and coordinates Ansaldo STS.

In accordance with the Code, the company is not required to appoint a lead independent director, since the Chairman of the board of directors is not also the main person responsible for company management (CEO) and does not hold a controlling interest in the company.

Board of the directors activities and functioning

In 2012, the board held 12 meetings. Any absences were duly justified. Twelve meetings are already scheduled for 2013. Since the start of 2013, the board met on 28 January 2013, 11 February 2013 and 5 March 2013.
The average length of the board's meetings in 2012 was approximately three hours.

6. On 5 March 2013, Mr. Pansa informed the board of directors and the Chairman of the board of statutory auditors that he had decided to resign from the office of Chairman and member of the board of di-rectors of Ansaldo STS S.p.A., effective from the end of the shareholders' meeting called to approve the financial statements as at and for the year ended 31 December 2012. His resignation was due to the fact that he had been newly appointed CEO of Finmeccanica S.p.A. with effect from 13 February 2013 - in addition to his position as General Manager of the parent - and a greater commitment was required of him as a result.

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

In 2012, Mauro Gigante, Secretary to the board of directors, participated in board meetings. On 27 September 2012, he was replaced by Grazia Guazzi, who participated in all board meetings in this position.

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

In 2012, Ansaldo STS' board of directors conducted the second evaluation of the board and committees of its mandate, which was the seventh time the board's evaluation process was carried out.

The valuation process was carried out in accordance with the recommendations of article 1.C.1..g) of the Borsa Italiana's Code of Conduct for listed companies, and in line with international best practices. For 2012, the board decided to draw on the professional assistance of an advisory company that has not had any current or recent professional or business relationships with Ansaldo STS, based on the belief that the assistance of an external, independent and specialised advisory company can encourage better discussion with directors and offer other best practice perspectives.

The evaluation was carried out through a series of personal interviews with each board member, the Chairman of the board of statutory auditors and the Secretary of the board of directors, as well as by participating in several meetings of the board of directors and those of its internal committees. In addition, the minutes of the meetings of the board and its committees in 2012 and early 2013 were analysed. Furthermore, the evaluation entailed comparison with Italian and foreign companies with similar ownership structures to Ansaldo STS.

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

COMMITTEES

In order to improve the effectiveness and efficiency of the board meetings, the risk and control committee (formerly the internal control committee) and the appointments and remuneration committee (formerly the remuneration committee) were set up within the board.

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

Following its adoption of the updated Code, the company resolved to: i) set up an appointments committee, integrating it with the remuneration committee that was already in place and naming the new committee - with this dual role - the appointments and remuneration committee, and approving its regulation; ii) adopt a succession plan for the CEO, assigning the appointments and remuneration committee responsibility for handling the preliminary preparation of the plan and presenting it for the approval of the board of directors; iii) modify and redefine the duties and functions of the various parties involved, in different ways, in the company's internal control and risk management system, and align the titles of these parties to those indicated in the updated Code of Conduct. In this scope, the board renamed the internal control committee the risk and control committee and approved its regulation.

The duties, characteristics and functions of the former internal control committee and remuneration committee are described in the 2011 report on corporate governance and the adoption of the code of conduct for listed companies, which is published on the company's web site[7].

7. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/asts_relazione_corporate_governance_eng_final_1.pdf

Risk and control committee

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

The committee meetings are governed by an internal regulation which was last modified by the board on 18 December 2012, in accordance with the new Code of Conduct dated December 2011. The regulation, in its updated version, is available on the company's web site[8].

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

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

Appointments and remuneration committee

On 18 December 2012, as recommended by the Code of Conduct, the board of directors resolved to set up an appointments committee, integrating it with the remuneration committee that was already in place. It decided to combine these two committees for internal organisational reasons, since the members of the pre-existing remuneration committee already met the independence, professionalism and experience requirements for members of the appointments committee as well.

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

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

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

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

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

The committee's activities are governed by a regulation in line with the Code of Conduct. The board approved the regulation on 29 January 2007 and it was later modified on 12 May 2008 and 5 March 2012.

The committee's regulation was again modified on 18 December 2012, to update it to include its new duties as appointments committee.

The regulation is available on the company's web site[9].

8. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/7_regolamento_comitato_controllo_e_rischi_en_1.pdf
9. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/5_regolamento_comitato_nomine_e_remunerazione_en.pdf

In particular, the committee's role for the appointment of directors pursuant to article 5 of the Code of Conduct, involves the following duties:

- preparing opinions for the board of directors on the board's size and composition and recommending the professionals whose presence on the board is deemed appropriate, as well as on the matters specified in Criteria 1.C.3 (maximum number of positions as director and statutory auditor) and 1.C.4 (non-competition clause waivers) of the Code of Conduct;
- proposing director candidates to the board of directors in the event of co-option, when independent directors must be replaced;
- as mandated by the board of directors, carry out the preliminary preparation of the plan for the succession of executive directors.

On the other hand, its duties as the remuneration committee, pursuant to article 6 of the Code of Conduct, include the following:

- preparing proposals for the board of directors on policies for the remuneration of directors and key managers, where the latter have been appointed;
- periodically evaluate the adequacy, consistency and actual application of the above remuneration policy, on the basis of information provided by the CEO with respect to key managers, and preparing, if necessary, proposals in this respect for the board of directors;
- submitting proposals or expressing opinions to the board of directors on the remuneration of the executive directors and other directors in specific offices, as well as setting performance targets in relation to variable performance-based bonuses, monitoring that the board's decisions are applied and that the performance targets are actually achieved;
- evaluating the CEO's proposals with respect to general remuneration and incentive policies, in addition to the managerial development plans and systems, key resources within Ansaldo STS and Group companies' directors with powers;
- assisting top management in the definition of the best management policies for the Group's managers;
- proposing share-based remuneration plans for the directors and managers of the company and the Group companies, as well as the related implementation regulations, performing the duties reserved for it with respect to the management of the plans adopted by the company from time to time;
- report to the company's shareholders on how their functions are performed.

Directors' remuneration

Information on the remuneration of key managers is given in the remuneration report, which is prepared pursuant to articles 123-ter of the Consolidated finance act and 84-quater of the Issuers' regulation, published on the company's web site[10] and made available to the public in the other ways provided for by current legislation.

In 2011, in the regulatory definition of the remuneration of directors and key managers, the board of directors set and defined the remuneration policy for the CEO and key managers, defining, in particular, the principles and criteria for performance-based bonuses.

This policy was then approved by the board of directors on 5 March 2012, upon the proposal of the remuneration committee on 1 March 2012.

On 30 March 2012, with the approval of the former remuneration committee, the company's board of directors approved the Ansaldo STS remuneration report prepared pursuant to article 123-ter of the Consolidated finance act. The first section of the report, which describes the company's remuneration policy and the procedures followed to adopt and implement such policy, was then submitted – pursuant to article 123-ter.6 – to the non-binding vote of the shareholders on 7 May 2012. The shareholders approved the policy.

The board of directors confirmed the company's approved remuneration policy on 5 March 2012, upon the appointments and remuneration committee's proposal, for 2013. Following the approval of the appointments and remuneration committee, the board also approved the remuneration report pursuant to article 123-ter of the Consolidated finance act. In accordance with the provisions of article 123-ter.6 of the Consolidated finance act, during the ordinary meeting called to approve the draft 2012 financial statements, the shareholders will be asked to again express their opinion on the first section of the remuneration report, provided for by article 123-ter.3, which describes the remuneration policy for members of the board of directors and key managers, as well as the procedures applied to adopt and implement such policy.

With respect to the remuneration of Ansaldo STS' directors for 2012, reference should be made to the second section of the remuneration report approved by the board of directors on 5 March 2013, available on the company's web site[11].

On 5 March 2012, the board of directors identified the key managers to whom the Ansaldo STS remuneration policy applies, upon the remuneration committee's proposal. They are the managers of the following Business Units: *Signalling*, Standard Product & Platform and *Transportation Solutions*.

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

BOARD OF STATUTORY AUDITORS

The shareholders appoint the statutory auditors in an ordinary meeting on the basis of voting by lists. The statutory auditors are appointed as follows:

- two standing statutory auditors and one substitute statutory auditor are elected from the list that receives the most votes, in the order in which they are listed;
- the remaining standing statutory auditors and substitute statutory auditor are elected from the other lists, in accordance with current legislative and regulatory provisions.

The company's board of statutory auditors has three standing statutory auditors and two substitute statutory auditors. It was appointed by the shareholders on 5 April 2011. The statutory auditors currently in office are Giacinto Sarubbi, Renato Righetti and Massimo Scotton. During the year, 11 meetings were held. From the start of 2013 to the date of this report, four meetings have been held.

The following table provides information on the attendance of each statutory auditor at the meetings of the board of statutory auditors and the board of directors in 2012:

MEMBERS	BOARD OF STATUTORY AUDITORS ATTENDANCE	BOARD OF DIRECTORS ATTENDANCE
Giacinto Sarubbi	11/11	12/12
Renato Righetti	10/11	11/12
Massimo Scotton	8/11	10/12

The board of statutory auditors is responsible for monitoring:

- compliance with the law and by-laws;
- compliance with the principles of correct administration;
- the adequacy of the company's organisational structure in the areas for which it is responsible, the adequacy of the internal control system and the administrative/accounting system, and the latter' reliability in correctly reflecting operations;
- the actual implementation method of the corporate governance rules established by the codes of conduct prepared by the companies that manage regulated markets or trade associations, with which the company is required to comply through public disclosure;
- the adequacy of the company's instructions to its subsidiaries pursuant to article 114.2 of the Consolidated finance act;
- the financial disclosure process;
- the efficiency of internal control, internal audit and risk management systems;
- the legally-required audit of the annual separate and consolidated financial statements;

10. http://www.ansaldo-sts.com/en/governance/nomination-and-remuneration-committee and http://www.ansaldo-sts.com/en/governance/shareholder-meeting/shareholder_meeting_2013

11. http://www.ansaldo-sts.com/en/governance/nomination-and-remuneration-committee and http://www.ansaldo-sts.com/en/governance/shareholder-meeting/shareholder_meeting_2013

- the independence of the independent auditors or independent audit company, particularly with respect to the provision of non-audit services to the company;
- the compliance of the company's related party-transaction procedures with the principles of the related-party regulation and their compliance, reporting to the shareholders in this respect pursuant to article 153 of the Consolidated finance act.

Internal control and risk management system[12]

With the assistance of the risk and control committee and also on the basis of the activities of the director responsible for the internal control and risk management system, the board of directors defines guidelines for this system, so that the main risks to which the company is exposed are correctly identified and adequately measured, managed and monitored. It also determines the degree of compatibility of such risks with business management in line with the strategic objectives identified. In addition, within the scope of the definition of strategic business and financial plans, the board of directors defines the nature and level of risks, in accordance with the issuer's strategic objectives.

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

Ansaldo STS' internal control and risk management system involves various players and elements, including:

- The risk and control committee
  The risk and control committee advises and submits proposals to the board of directors. In particular, the committee expresses its opinion on specific aspects relating to the identification of main company risks, evaluates the correct application of the accounting policies and reports to the board of directors on the adequacy of the internal control and risk management system.

- Director responsible for the internal control and risk management system
  The director in charge of the internal control and risk management system, who identifies the main company risks, implements the guidelines defined by the board of directors and adapts the internal control and risk management system.

- Internal audit manager
  The internal audit manager continuously checks the operations and adequacy of the internal control and risk management system in relation to both specific requirements and compliance with international standards, on the basis of an audit plan approved by the board of directors, following a structured analysis and priority process for the main risks.

- Manager responsible for financial reporting and the compliance plan pursuant to Law no. 262/2005
  The manager responsible for financial reporting pursuant to article 154-bis of the Consolidated finance act and subsequent modifications, particularly Law no. 262/2005, is the company's Chief Financial Officer. In accordance with the provisions of current legislation, this manager prepares adequate administrative and accounting procedure for the preparation of the separate and consolidated financial statements and all other financial reports.

  In addition, the manager plans periodic checks to verify that the procedures are effectively implemented. Along with the CEO, the manager also issues legal attestations of such financial reports.

  The aforementioned Law no. 262/2005, containing "provisions to protect investments and govern financial markets", governs how the manager responsible for financial reporting of listed companies is appointed, but also introduced modifications to the legislation in order to improve the corporate governance of companies listed on regulated markets in Italy and to ensure the reliability, completeness, correctness and timeliness of financial information presented to the market.

12. For additional details, reference should be made to the "Directors' report on the corporate governance system and the implementation of the code of conduct for listed companies" for 2012.

The transparency of disclosures of the results and outlook of listed companies is, therefore, a key element in maintaining relationships between the company and its stakeholders, investors in particular. Accordingly, corporate reporting must be supported by the adoption of an efficient internal control system that is constantly improved and adjusted to normal changes in company activities and the larger legislative context.

Consequently, Ansaldo STS has developed a specific internal control system to govern the financial reporting process, defined in line with the generally accepted frameworks issued by the Committee of Sponsoring Organizations of the Treadway Commission - CoSO Report and, in terms of the IT aspects, the Control Objectives for Information and Related Technology - COBIT. This system entails the creation of adequate procedures for administrative and periodic checks.

The internal control system over the financial reporting was integrated in 2012 with a specific fraud risk management component, which entails the performance of a fraud risk assessment, following which existing controls and those to be implemented to prevent financial reporting fraud were identified. The monitoring of controls in 2012 also included anti-fraud controls.

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

  The model was last updated by resolution of the board of directors on 28 June 2012 for the environmental crimes included in the catalogue of crimes covered by Legislative decrees no. 231/2001 and no. 121 of 7 July 2011. It is currently being updated to reflect the changes introduced by Law no. 190 of 6 November 2012 (the anti-corruption law), which, inter alia, also considers bribery among people as a crime covered by Legislative decree no. 231/2001. The Model is available on the company's web site[13].

  Managers, junior managers and all people working in areas at risk of crimes being committed participate in e-learning training. People who are added to the list of those identified as working in at-risk areas are required to take this training.

- The supervisory body
  Ansaldo STS' supervisory body has several members, including a non-executive independent director as Chairman and the current Internal Audit and Corporate Affairs Managers as members.

  Their duties and activities and the functioning of the body are governed by specific by-laws approved by the board of directors and an internal regulation approved by the supervisory body.

  In 2012, the supervisory body carried out checks on the information flows from the relevant functions. In order to facilitate reports and information flowing to the supervisory body, Ansaldo STS S.p.A. has set up a specific information channel (OdV@ansaldo-sts.com), where any reports of conduct inconsistent with the ethical principles indicated in the code of ethics and the provisions of Legislative decree no. 231/01 can be sent. The management of these reports is governed by a specific procedure issued in 2012.

  The supervisory body evaluates the reports received and any consequent initiatives at its reasonable discretion and responsibility, listening to the reporter and/or the party responsible for the alleged violation.

  The Model reflects the application of any disciplinary action and considers the principles of proportionality and adequacy considering the violation. In this respect, there were no reports or disciplinary action for infractions in 2012 pursuant to Legislative decree no. 231/01.

13. http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/231_eng_0.pdf

- The code of ethics
  The code of ethics establishes ethical commitments and responsibilities, which should underpin business dealings and company activities by all parties in any sort of relationship with Ansaldo STS. The company bases its business on values that it shares with all those within its global organisation share, including:
  - focus on customers;
  - innovation and excellence;
  - people;
  - team spirit;
  - integrity.

The code of ethics is available on the company's web site . It is a key element of the internal control system, and compliance with it enables Ansaldo STS and the Group companies to prevent certain irregularities or illegal acts prohibited by the regulations of the various countries where Ansaldo STS operates, particularly Legislative decree no. 231/2001 in Italy.

The code of ethics was last updated with the resolution of the board of directors on 28 June 2012. This update was mainly to align the code of ethics with the principles of the "Values of the Finmeccanica Group", which the board of directors of Ansaldo STS approved on the same date.
In particular, the inclusion of Finmeccanica's values in Ansaldo STS' code of ethics mainly entailed the following modifications:
- specification of the value of rights and sustainability, confirming Ansaldo STS' commitment to economic and social development and the safeguarding of health and the environment;
- the extension of the value of people and principles to the Human Resources department to further specify support for personnel's professional growth and the promotion of a multi-cultural work environment, with respect for the culture of each individual;
- the introduction of the general principles of continuous innovation and excellence, in addition to efficient risk management in the company's code of ethics.

In 2012, the Group companies completed the implementation of the code of ethics, which they had begun in 2011, with the code's formal approval by the respective boards of directors or equivalent management bodies and its disclosure to all personnel, in the manner followed by the parent, Ansaldo STS.
In addition, a body was set up within each Group company to promote the implementation of the code of ethics, and a specific information channel was created, which can be used to report any conduct that is inconsistent with the principles of the code of ethics by sending an email. Such reports are managed in accordance with an Ansaldo STS procedure issued in 2012.

In 2012, four reports were received from Ansaldo STS Australia, which, following the examination provided for by the current procedure, highlighted certain documentation weaknesses in the purchasing procedure, relating to issues that management was already aware of, and the need to better describe the local harassment procedure, although no violations were noted.
In addition, the ethics supervisory body of the same company received requests for clarifications on the interpretation of the code's application with respect to third parties offering gifts to employees.

The supervisory body concluded that there was no need to update the code of ethics or the Model.

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

Organisational structure

Ansaldo STS' success is mainly based on its ability to meet customers' needs with high-tech and high-valued added solutions.

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

Ansaldo STS' organisation is based on four key pillars:

Business Driven	**Business-oriented organisation** • Business units reporting directly to the CEO of Ansaldo STS... • ...with global responsibility for projects and regional commercial structures that are managed centrally
Strategic Center	**Strategic management model based on strong centralised guidance** • Strong centralised guidance for executive activities • Standardisation of operating methods and the transfer of expertise
Efficient	**Industrialisation of executive activities** • Harmonisation and standardisation of the execution and management of projects at global level to facilitate the widespread application of know-how and best practices **Globalisation of R&D to develop standard product portfolios** • Definition and development of standard and global platforms and projects using standard development and design tools • Production and solutions to be customised for specific local applications
Global	**Global management of the procurement process** • Ensuring flexibility in the production and promotion of logistics synergies

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

Hierarchy

The main structure consists of three organisational units reporting to the CEO:

- ***Signalling* Business Unit (SBU)**
- ***Transportation Solutions* Business Unit (TSBU)**
- **Standard Platforms & Products (SPP)**

This structure ensures:

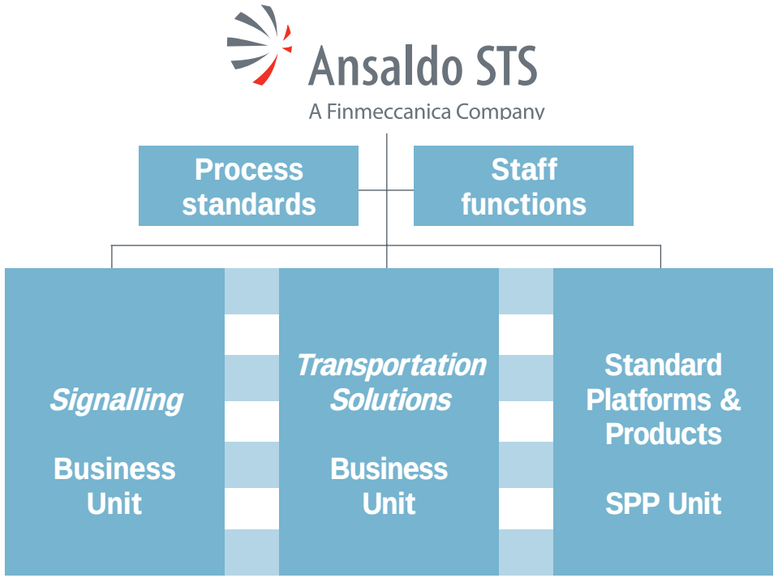
1. the definition of strategies and management of resources by the Business Units;
2. the development of global standard solutions assigned to a specific dedicated unit (SPP Unit) and their customisation to meet the requirements of customers by the Business Units;
3. the flexibility and empowerment of local resources.

The **Business Units (*Signalling* and *Transportation Solutions*)** are responsible for:

- defining and implementing, at both global and individual country level, specific business strategies to ensure efficiency and effectiveness;
- managing resources globally and monitoring markets and competitors;
- ensuring the implementation of processes, procedures and tools;
- ensuring the capitalisation and exchange of knowledge at global level.

The **SPP unit** is responsible for:

- developing and managing the product/platform/generic application portfolio;
- developing strategies and innovations that ensure efficiency and effective development;
- verifying and guaranteeing the safety of products and platforms created through RAMS – Reliability, Availability, Maintainability and Safety;
- providing the Business Units with all parts, systems and services to optimise procurement and production times and costs;
- managing technical resources;
- ensuring the implementation of shared processes, procedures and tools;
- ensuring the capitalisation and exchange of knowledge.



Team-based organisation

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

The organisational structure provides for structured, formalised teams operating in the key processes:

- Bidding Team
- Project Team
- Development Team
- Innovation Team

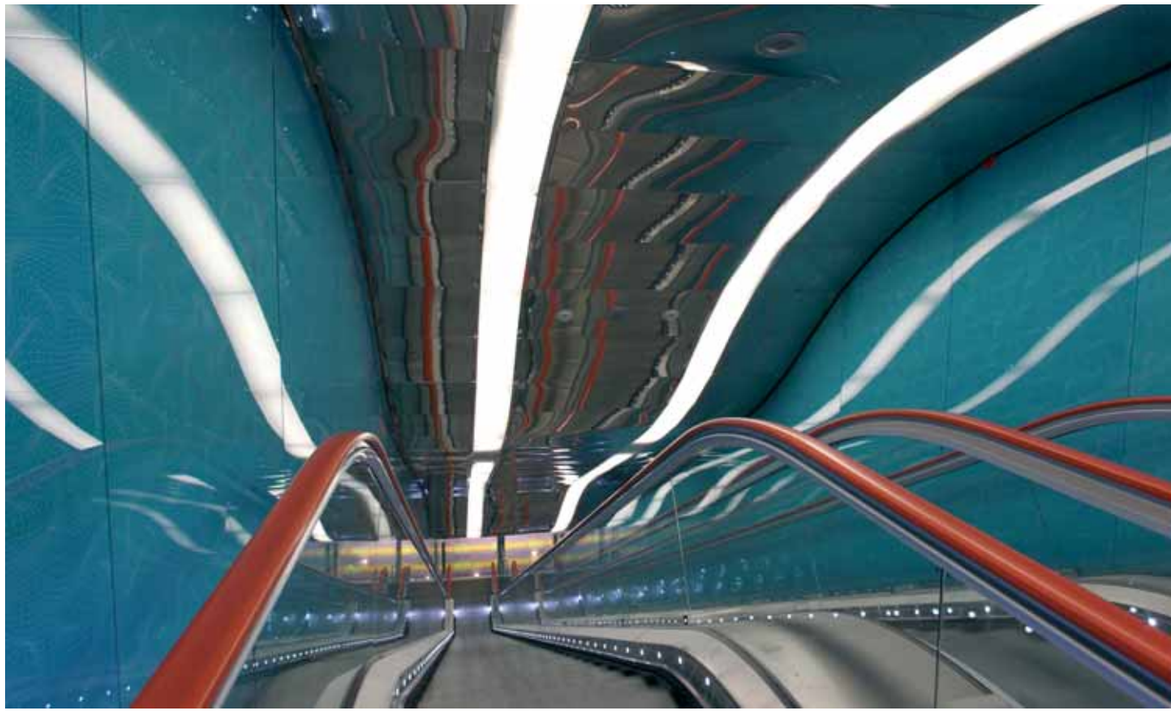
The teams are created with the assignment of people from the relevant operating units who have the necessary skills for the projects. The teams work as levers in the management of interdependencies, interfaces and conflict, and ensure coordination between units.

The aim is to ensure:

- deep focus on customers;
- process efficiency and standardisation;
- flexibility.

Each team is led by a team manager, responsible for the team's final output and coordinating the resources assigned to him/her.

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



Naples Underground Line 1 - Toledo Station

GOVERNANCE AND ORGANISATION	Reporting on commitments	
Commitments taken in 2011	**Activities performed in 2012**	
• Completion of the activities to implement the code of ethics in the remaining Group companies, defining the application procedures.	• In 2012, the Group companies completed the implementation of the code of ethics, which they had begun in 2011, with the code's formal approval by the respective boards of directors or equivalent management bodies and its disclosure to all personnel, in the manner followed by the parent, Ansaldo STS. In addition, a body was set up within each Group company to promote the implementation of the code of ethics, and a specific information channel was created, which can be used to report any conduct that is inconsistent with the principles of the code of ethics by sending an email. Such reports are managed in accordance with a Group procedure issued in 2012.	✔
• Maintenance of the quality system and extension of the UNI EN ISO certification to the registered office in China.	• ISO 9001 certification was maintained in the registered offices where it was previously earned and it was extended to the registered offices in China and Taiwan.	✔
• Implementation of the improvement plan, as defined in the scope of the KORU, RT150 and Lean Manufacturing modules in the efficiency plan.	• The activities planned for 2012 were implemented as planned.	✔
• Implementation, as part of the new product and application development process, of an improvement plan based on maturity level 5 of the capability maturity model integration model.	• The improvement plan is being implemented. The interim objective of extending maturity level 2 of the capability maturity model integration certification to the registered offices in France and the US was achieved in December 2012.	–

COMMITMENT FOR THE FUTURE	TIMELINE
• Maintain the UNI EN ISO quality system and certification. Obtain IRIS (International Railway Industry Standard) certification for the Tito production site.	2013
• Complete the implementation of the improvement plan, as defined within the scope of the KORU, RT150 and Lean Manufacturing modules under the efficiency programme, as planned.	2013
• Extend the AIM (action implementation monitoring) system to the defined strategic initiatives.	2013
• Complete the implementation of the improvement plan based on the 3rd maturity level of the capability maturity model integration model.	2013

KEY

Symbol:

✔ ACHIEVED

– BEING IMPLEMENTED

✘ NOT ACHIEVED / POSTPONED

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ECONOMIC SUSTAINABILITY

Business Model
Performance and Key Figures
Value directly generated and distributed
Governning Innovation

The company's strategic answer to the macroeconomic context and transportation market trends, based on a business model that develops distinctive abilities and the necessary skills to boost the company's competitiveness on markets - growth in human and organisational capital).

Business Model

Ansaldo STS' economic sustainability is its strategic answer to the macroeconomic context and transportation market trends, based on a business model that develops distinctive abilities and the necessary skills to boost the company's competitiveness on markets - growth in human and organisational capital.

The creation of value at Ansaldo STS is based on the achievement of customer intimacy through an organisation geared to customer satisfaction, technological leadership supported by investments in research and development and flexibility which characterise its offer of products and services for the railway transportation and urban rail industry.

Ansaldo STS also recognises the importance of a balanced distribution of value generated by its activities with stakeholders, a value that they have directly or indirectly contributed to generating. By analysing the economic value distributed, Ansaldo STS highlights the flow of resources to its employees and suppliers of goods services and capital, to the public administration and the communities in which it is present.

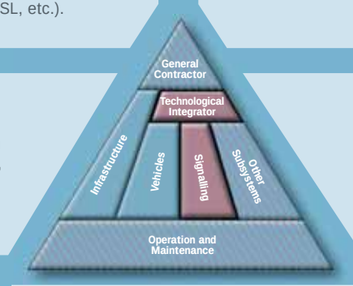
Economic sustainability is therefore increasingly tied to social and environmental aspects, both at company level and in terms of market scenarios. Ansaldo STS has evaluated the repercussions on transportation systems that macrotrends involving variables related to the environment, health and safety, demographic growth and economic development in emerging countries and the result is that the global transportation market will shift ever more towards railways that are safe, efficient and capable of meeting growing environmental concerns.

ANSALDO STS' BUSINESS MODEL

Technological leadership in terms of safety and the environment
ASTS offers integrated solutions based on technological leadership in terms of safety and the environment and holds a predominant technical leadership position in certain market segments (ERTMS, driverless, mass transit, HSL, etc.).

No dependent rolling stock supplies - only privileged partnerships
Ansaldo STS is capable of aligning its solutions to any rolling stock supplier and is flexible in the design and creation of the selected solution.

Solid roots and growth wherever the demand is
Historical technological leader in the western world, growth in emerging market economies, non restrictions to investments in R&D, continuous monitoring of deadlines and budget.



A partner throughout the customer's entire value chain
Ansaldo STS is leader in the supply of cutting-edge integrated transportation solutions by combining traditional and non-traditional technologies and operation and maintenance services.

Serving the customer's future needs
ASTS can meet the new requirements of markets, such as driverless freight transportation, the introduction and integration of extremely safe technology that guarantees operating efficiency.

Global organisation
3,991 professionals offer global research, expertise, experience, know-how and best practices wherever the market needs them.

Financial support to customers
Ansaldo STS can leverage its sound net financial position and innovate its profitability model by introducing pay/per use formulas on long-term contracts and optimising the total cost of ownership for its key customers.

Ansaldo STS' abilities and organisation fully meet the need to innovate to boost transportation efficiency and safety and reduce environmental impact.

Ansaldo STS is, indeed, a company that operates on a global market. It boasts great flexibility in meeting international demand and is open to new markets. It carries out research and development for transportation solutions that focus in particular on the environment and safety. It facilitates the standardisation of solutions, while also developing the ability to create customised products for different customer needs. It has the necessary financial soundness to taken on future challenges, lead innovation and make the most of growth opportunities by promoting new projects. Ansaldo STS' business model is customer based, and enables it to forge fruitful, long-lasting relationships at global level.

The market characteristics and Ansaldo STS' position

The market	Ansaldo STS' position
A sound, growing market In general, despite the severe financial and economic crisis, Ansaldo STS' market remains sound and shows, at global level, annual growth rates in the range of 2-3%. Except for governments' financial difficulties, all other key drivers of the market are positive, showing growth in global trade and the increase in traffic, urbanisation processes, environmental concerns, growth of emerging markets, infrastructures and intermodal transport.	**A sound, growing market** Ansaldo STS has strong roots in industrialised countries' markets and is well positioned in emerging markets.
Geographical market development Thanks in part to urbanisation trends, emerging markets are growing faster than highly industrialised countries, and increasing their relative weight. There are interesting growth opportunities in the US and Australia in the signalling sector, however. The result of these trends is a reduction in Western Europe's relative weight.	**Geographical market development** Ansaldo STS meets global demand on the strength of its demonstrated expertise and continuous monitoring of deadlines and budgets.
Traditional and emerging technologies ERTMS, CBTC and driverless technologies are becoming global standards. Focus is now shifting to the technological innovations destined to dominate the market in the next few years, GNSSS (Global Navigation Satellite System), used in remote areas that are difficult to reach and where traffic volumes are low.	**Traditional and emerging technologies** Ansaldo STS' product portfolio includes traditional technologies and innovative, high-tech transportation solutions
Price pressure The intensification of competition between the world's major players has continued in 2012, with a substantial reduction in unit prices, mainly in the signalling sector. All competitors have adopted and are implementing product standardisation strategies and efficiency-boosting plans at various levels.	**Price pressure** Ansaldo STS has built its business model around customers, ensuring product flexibility and maintaining competitive prices, not only by standardising products, but also by boosting efficiency.

Ansaldo STS' strategy

Ansaldo STS is committed to maintaining and developing a series of distinctive capabilities and expertise to create value and ensure the company's long-lasting growth over time.
It fulfils this commitment with three strategies:

1. **Selectivity:** focusing on markets where it has a strong competitive position.
   Ansaldo STS' growth is the result of a continuous process beginning with its awareness of its positioning and competitive edge, the identification of market opportunities in relation to its competitive levers and their translation into action plans. This process has led to the definition of strategic markets – the domestic market and the areas in which the company has a significant, recognised presence, as well as markets presenting growth opportunities, by focussing on large projects with low overheads.
2. **Innovation:** focus on innovation as a lever to gain competitive edge for long-term growth.
   Ansaldo STS' innovation strategy to increase turnover is based on improving the products it currently offers customers and differentiating its product portfolio to expand the offer, extending its business model by offering complementary services that meet its customers' expressed needs (management and maintenance activities) and meeting the specific needs of customers given their particular geographical situations (complex areas with low traffic volumes), offering cutting-edge satellite technology solutions.
3. **Flexibility and efficiency:** maintain its competitive edge by optimising the business model with a focus on the flexibility of the offer and operating efficiency.
   Efficiency is one of the strategic levers in which Ansaldo STS invests in order to strengthen its competitive position and ensure excellence in its business activities. In order to pursue these objectives, it has launched an improvement plan across all company areas, leveraging the opportunities provided by its global organisation. The purpose of the plan is to make company processes more efficient by identifying and sharing best practices, while at the same time exploiting the economies of scale offered by the new organisation.

   The plan consist of five separate modules, each focused on one company area:
   - Global Supply Chain: "Road to 150"[15] project to optimise external procurement costs.
   - Lean Manufacturing: an integrated production structure designed to meet customers' current and future needs.
   - Flexible Delivery: flexible and global planning and management in accordance with specifically project requirements.
   - Streamlined Support Functions: exploitation of the potential synergies and benefits arising from the global scale and review of processes.
   - Global Development Centres: standardisation of platforms and optimisation of product families.

   Each module consists of a series of projects and the content of each project has been defined with the participation of Ansaldo STS personnel at all levels: improvement areas were identified during a diagnostic stage in which information was gathered through interviews, questionnaires to all personnel and the mapping of activities performed. The results of the diagnostics were consolidated by a dedicated team and submitted to the attention of top management, which provided, in accordance with the company's strategy, input for the definition of priorities and, therefore the planned projects to be kicked off.

   The improvement projects are managed by teams using internal personnel selected on the basis of specific expertise and skills, with the support of a centralised project management office.

   In order to ensure the implementation of all efficiency initiatives, and, in general, all strategic initiatives, Ansaldo STS has developed an **Action Implementation Monitoring (AIM)** system. Through AIM, the following have been defined:
   - the definition process for action and monitoring plans;
   - the governance rules to ensure the frequency of review meetings focused on initiatives and the identification of any corrective action in the event of critical areas;
   - tools to support management of the initiatives.

   The contribution that Ansaldo STS expects of AIM is:
   - completeness: having a consistent, updated picture of all initiatives underway;
   - consistency: doing what has been proposed and following up on it until implementation;
   - initiatives explicitly linked to company plans

15. see section *Social sustainability* chapter *Supply chain management*.

Competitive advantages of Business Units

SIGNALLING

Leveraging its success to gain global leadership – Focusing on a sound relationship with customers, to ramp up the adoption of standards and consolidate its presence in key countries; Selecting global opportunities to sustain profitable growth, how to get the best relaunch plans and the best of emerging markets.

Leveraging portfolio standardisation – Developing a portfolio of standard platforms that are flexible to meet the specific needs of local customers; leveraging its leadership in R&D to standardise the product portfolio; continuing to focus on investments in R&D; adopting a make or buy policy for components; optimising hardware and platform costs.

Industrialising delivery – Expanding its expertise in deliveries to all customers in accordance with standard criteria; improving the punctuality of deliveries and containment of costs, leveraging the implementation of the best practices developed by the Group.

Taking advantage of the sector's sound performance – Strengthening its technological leadership through other maintenance services both in mature and emerging markets and supporting, where possible, the allocation of work by introducing the formula pay/per use for the larger contracts in order to optimise the management of the customer's total cost.

TRANSPORTATION SOLUTIONS

The strategic entrance for the signalling business – The transportation solutions business is growing and constitutes a privileged entrance for signalling; 15-20% of the future of the signalling business will begin with turnkey transportation solution projects; the transportation solution market could also give rise to operation and maintenance opportunities.

Flexibility towards rolling stock – High speed solutions could be developed by choosing key partners, without the need to supply rolling stock; urban transport projects could be developed in partnership with local independent operators offering competitive prices and relationships already in place in emerging countries.

Important projects and technological references – Winning major high-tech projects, including CBTC (Communications Based Train Control) driverless solutions and continuous monitoring of deadlines and budgets.

Local activities and global knowledge – Professionalism in the local management of activities is the key to projects that meet commitments assumed, along with having processes and tools to efficiently share the know-how acquired at global level. Agreements and local arrangements with civil partners and key suppliers are also crucial in negotiations and success on various markets.

Financing to exploit sector opportunities – Certain projects require financial packaging (PFI/PPP) with the commitment to assume an equity interest; leveraging the company's financial soundness to support concession projects, which could also give rise to operation and maintenance opportunities.

Multi-disciplinary and interdisciplinary expertise – With its experience in a variety of roles within different projects, Ansaldo STS has expanded its expertise in complementary and transversal areas as well, developing a complete, unique vision of transportation systems over their entire life cycle.

Maximising local content – in its projects, Ansaldo STS tends to maximise the local procurement of materials, services and labour, in order to be increasingly competitive and contribute to the development of local economies, including in emerging countries. Data on the Taipei and Honolulu projects are given below as an example of this approach:
- Taipei local content: roughly 80% of total design and construction costs;
- Honolulu local content: roughly 93% of total design, construction, operating and maintenance costs.

This is very high because the project also includes several years of O&M in which local personnel used reaches nearly 100%.
The percentage is high because the project calls for a long period of O&M activities with the use of nearly 100% local personnel.

Performance and Key Figures

KEY FIGURES[16] (€/000)	**31.12.2012**	31.12.2011	**Change**
Orders	**1,492,346**	2,163,745	(671,399)
Order backlog	**5,683,253**	5,452,770	230,483
Revenue	**1,247,849**	1,211,944	35,905
Operating profit (EBIT)	**117,073**	116,120	953
Adjusted EBIT	**123,526**	118,459	5,067
Profit for the year	**75,696**	73,056	2,640
Net working capital	**(48,147)**	(89,031)	40,884
Net invested capital	**167,184**	134,462	32,722
Net financial position	**(301,982)**	(289,674)	(12,308)
Free operating cash flows	**37,569**	7,219	30,350
ROS	**9.4%**	9.6%	-0.2 p.p.
ROE	**17.0%**	18.1%	-1.1 p.p.
EVA	**62,514**	63,243	(729)
Research and development	**32,260**	33,900	(1,640)

The consolidated net profit for 2012 amounts to €75,696 thousand, compared to €73,056 thousand for 2011.

Revenue came to €1,247,849 thousand, up €35,905 thousand over the previous year (€1,211,944 thousand). The increase is largely due to the *Transportation Solutions* Business Unit for works carried out under the master agreement with Rio Tinto (RAFA).

16 **PERFORMANCE INDICATORS**
Ansaldo STS' management also assesses the performance of the Group and the business segments using certain indicators that are not defined by the IFRS. The components of each indicator are described below as required by CESR/05 - 178b Communication:
EBIT: earnings before interest and taxes, before any adjustment. EBIT excludes gains or losses on unconsolidated equity investments and securities, as well as any gains or losses on sales of consolidated equity investments, which are classified under "financial income and expense" or "share of profits (losses) of equity-accounted investees" if related to equity-accounted investments.
Adjusted (Adj) EBIT: EBIT, as defined above, less the following items, if applicable: any impairment of goodwill; the amortisation of the purchase price allocated to intangible assets in business combinations, as provided for by IFRS 3; restructuring costs as part of defined and significant plans; other non-recurring income or expense referring to particularly significant events not attributable to ordinary business trends.
Free Operating Cash-Flow (FOCF): the sum of cash flows generated by (used in) operating activities and cash flows generated by (used in) investing and divesting activities and investments, net of cash flows relating to the acquisition or sale of investments that, by their nature or relevance, are considered strategic.
Economic value added (EVA): is the difference between EBIT net of income taxes and the cost of the average invested capital of the current and corresponding reporting periods, measured on the basis of the weighted average cost of capital (WACC).
Operating working capital: comprises trade receivables and payables, inventories, work in progress, progress payments and advances from customers and provisions for risks and charges.
Net working capital: is operating working capital less other current assets and liabilities.
Net invested capital: is the sum of non-current assets, non-current liabilities and net working capital.
Net financial position or debt: the calculation method used complies with paragraph 127 of the CESR/05-054b recommendations implementing Regulation (EC) no. 809/2004.
New orders: the sum of the contracts agreed with customers during the reporting period that meet the contractual requirements to be recorded in the orders book.
Order backlog: is the difference between new orders and revenue for the period (less the change in contract work in progress). This difference is added to the backlog for the previous period.
Headcount: is the number of employees recorded in the register on the reporting date.
Return on Sales (ROS): the ratio of EBIT to revenue.
Return on Equity (ROE): the ratio of the profit or loss for the reporting period to the average amount of equity at the reporting date and the corresponding period reporting date.
Research and development expense: total expense incurred for research and development, both expensed and sold. Research expense taken to profit or loss usually relates to "general technology", i.e., aimed at gaining scientific knowledge and/or techniques applicable to various new products and/or services. Sold research expense represents that commissioned by customers and for which there is a specific sales order and it is treated exactly like an ordinary order (sales contract, profitability, invoicing, advances, etc.) in accounting and management terms.

The *Signalling* Business Unit generated revenue of €725,588 thousand, before transactions with other Business Units. This is substantially in line (down €2,787 thousand) with the previous year (€728,375 thousand).
The *Transportation Solutions* Business Unit generated revenue of €564,853 thousand, before transactions with other Business Units, up €52,586 thousand on 2011 (€512,267 thousand).

The **operating profit (EBIT)** of €117,073 thousand shows a €953 thousand increase on 2011 (€116,120 thousand). The operating profit margin (ROS) came to 9.4%, compared to 9.6% in 2011, including greater non-recurring expenses, for the restructuring in particular.

Specifically:
- the *Signalling* Business Unit posted an operating profit of €62,530 thousand for 2012, compared to €75,079 thousand for 2011, down €12,549 thousand, due to the different mix and profitability of projects in the two years;
- the *Transportation Solutions* Business Unit posted an operating profit of €69,130 thousand, up €14,121 thousand on the previous year (€55,009 thousand), due to greater volumes and the different mix and profitability of the contracts in the two years.

New *Transportation Solutions* orders in 2012

Country	**Project**	**Customer**	**Amount (€m)**
Australia	Rio Tinto - AutoHaul	Rio Tinto	**252.8**
Australia	Rio Tinto - RCE 353 & ECP	Rio Tinto	**101.0**
Denmark	Copenhagen Ring - order change	Metroselskabet	**78.9**
Australia	Rio Tinto - sundry contracts	Rio Tinto	**54.4**
Denmark	Copenhagen Ring - O&M order change	Metroselskabet	**41.4**
Italy	Line C of the Rome metro	Roma Metripolitane	**35.7**
Saudi Arabia	Riyadh - O&M order change	PMU	**16.0**
Italy	Line 1 of the Naples metro - Colli Aminei PCO	Naples municipal authorities	**13.2**
Italy	HSL MI - VR (Brescia-Treviglio)	Saturno consortium	**11.8**
Italy	HSL Roma - NA - order change	Iricav Uno consortium	**11.3**
Italy	Metro Napoli Linea 1 - order change Dante-Garibaldi	Naples municipal authorities	**10.1**

Main new orders in the *Signalling* Business Unit in 2012

Country	**Project**	**Customer**	**Amount (€m)**
Australia	Hancock Prospecting - Roy Hill 1	Hancock Prospecting	**118.0**
USA	SEPTA PTC	SEPTA	**73.4**
Italy	HSL MI - VR (Brescia - Treviglio)	Consorzio Saturno	**70.2**
UAE - Abu Dhabi	GCC - Abu Dhabi section 1	SAIPEM	**58.8**
USA	Components, Services and maintenance	vari	**54.5**
South Korea	HSL Korea - Honam Line	LSIS	**47.3**
Italy	Components, Services and maintenance	vari	**36.8**
Italy	ACC Brescia	RFI	**34.4**
France	Components, Services and maintenance	vari	**26.1**
Canada	TTC extension, stages 2, 3 & 4	TTC	**22.8**
Canada	TTC extension, North Spadina	TTC	**18.3**
Italy	HSL Italy - order change MI-BO - RM-NA	RFI	**16.7**
Australia	PTA Butler Extension - north suburban railway	PTA	**14.7**
South Korea	Rotem train equipment	ROTEM	**13.0**
Italy	SSB-SCMT - order change 4° A.M.	Trenitalia	**10.9**
China	Hangzhou line 2	INSIGMA	**10.3**

Naples Underground Line 1

Value directly generated and distributed

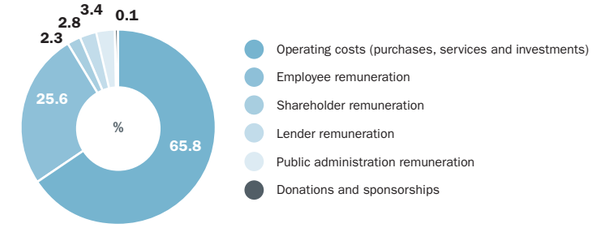
Data on the creation and distribution of value give a basic indication of how the organisation has generated wealth for stakeholders.

Value Directly Generated and Distributed[17] (€/000)	**2012**	2011	2010
Value generated	**1,289,800**	**1,258,279**	**1,341,692**
Revenue	1,247,849	1,211,944	1,283,710
Other revenue	21,314	19,578	23,674
Financial income	20,637	26,757	34,308
Value distributed	**1,219,453**	**1,198,803**	**1,253,696**
Operating costs (procurement, services and investments)	802,121	784,495	828,857
Employee remuneration	311,988	296,560	307,227
Shareholder remuneration	28,000	33,592	30,982
Lender remuneration	34,128	37,827	43,466
Public administration remuneration	41,756	44,818	41,786
Donations and sponsorships[18]	1,460	1,511	1,378
Value withheld	**70,347**	**59,476**	**87,996**
Depreciation, amortisation, impairment losses and adjustments	22,651	20,012	24,070
Self-financing	47,696	39,464	63,926

The value generated by the Group reached approximately €1.3 billion, up roughly 2% on 2011. The increase is due to the slight growth in sales and services.
The value generated is distributed as follows:

- most value, or roughly €800 million, relates to costs incurred to purchase materials (suppliers), services (contractors and sub-contractors) and other goods;
- approximately €312 million to employees, mainly for wages, salaries, social security and pension contributions and defined contribution pension plans;
- the amount withheld by the company amounts to €70 million, mainly consisting of depreciation, amortisation, accruals and self-financing;
- direct and indirect taxes amount to approximately €42 million and were paid to the government and local bodies;
- €34 million went to lenders as remuneration on loans;
- €28 million went to shareholders in the form of dividends[19];
- €1.5 million to the community in the form of gifts, donations and sponsorships (with or without publicity).

2012 - Value Distributed



17. Data for 2010 and 2011 have been restated on an accruals basis.
18. This includes gifts of €338 thousand, membership fees of €751 thousand, and donations of €59 thousand and sponsorships of €313 thousand.
19. The most indicative data for the distribution of value would have been dividends on the net profit for 2012. However, this figure was not available before the shareholders' approval of the sustainability report. Indeed, at the same meeting the shareholders are to approve the dividend to be distributed on the net profit for 2012. Accordingly, we deem it appropriate to publish equity distributions in the year.

Governing Innovation

Ansaldo STS' history is characterised by the professionalism and passion of generations who have developed new signalling technologies and solutions for use in transportation systems.

The expertise of its most senior staff is combined with the enthusiasm and creativity of its young engineers. Innovation is the constant pillar for improving that which is already known and applied in business, meeting customer's needs and developing new solutions to benefit the individual lives of all users.

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

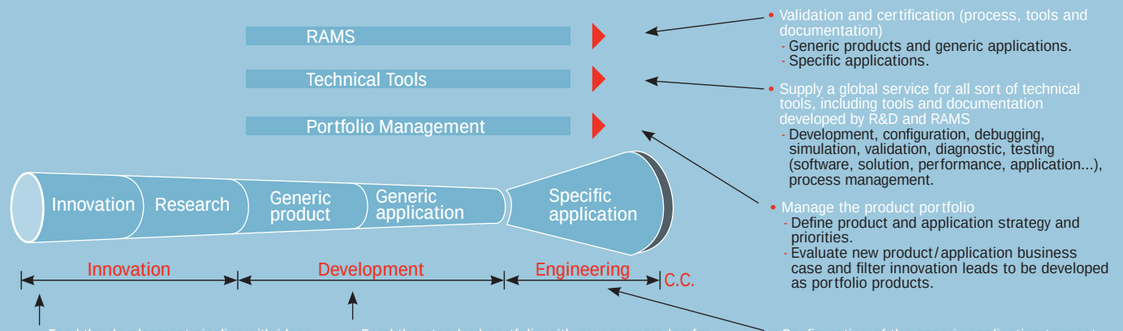
Ansaldo STS' innovation governance model involves all its companies and combines strategies, technologies, products, resources and markets so that research and development arises out of the excellent, distinctive expertise found within the company and the real needs of its customers.

The organisational structure makes this combination of internal factors and external valuations systematic, through the relationship between the Standard Platforms and Products Unit and the *Signalling* and *Transportation Solutions* Unit.

Below is a chart illustrating the innovation management model:

BUs vs SPP: Product lifecycle is the criteria

Among Development, Innovation engineering, RAMS, Technical Tools and Portfolio Management



The main products conceived and undergoing development

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

Optimizing Traffic Planner™

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

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

These are automatic train speed control systems in line with ERTMS (European Rail Traffic Management System) standards. They enable operators to control the safe movement of trains on railway lines, while continuously monitoring their position, maintaining safe distances and compliance with speed limits. The ATC system also includes a driverless function with various degrees of automation. The systems that use ERTMS standards allow trains to travel throughout the interoperable European network without changing train personnel or rolling stock at the border. They increase domestic and international traffic safety and improve passenger and freight management. Ansaldo STS applies ERTMS standards to signalling systems for high-speed lines in Italy, LGV Est in France, the Madrid-Lleida line in Spain and the Saarbrucken-Mannheim line in Germany, and to signalling systems for traditional lines in Italy, China, India, South Korea, Romania, Greece, the Czech Republic, Turkey, Libya, etc..

CBTC (Communications Based Traffic Control)

Ansaldo STS is developing CBTC technology, radio-based urban rail traffic control, in line with international standards, to make the urban railway lines of different system/technological operators fully interoperable in the event of maintenance or the expansion of existing lines. The control systems are installed on the trains and transmit the vehicle's position, adjusting travel to authorised limits. Communications between the control systems located in adjacent areas at interlocking stations and on board the vehicles, enable operators to safely manage headway times and line capacity. Additional benefits are:

- creation of complete systems for central control rooms, on-board equipment and ground equipment, on a stand-alone basis or integrated with existing systems;
- optimisation of the headways of vehicles in only 60 seconds (introduction of the "moving block" concept);
- reduction or elimination of the requirement for track circuits or any other devices to calculate the position of the trains.

Ansaldo STS has already installed this technology on line 3 of the Paris metro, on line 1 of the Chinese metro in Shenyang and Chengdu, while other systems are being designed and, in some cases, are already being installed, such as the Ankara metro, the Taipei metro and the Copenhagen metro (the last two projects will manage the driverless mode).

Interlocking platform

Ansaldo STS has implemented new requirements which will render the platform "open" to standard protocols, capable of managing a greater number of trackside equipment, integrating into single central locations safety, diagnostic and traffic management functions poised to be the best possible answer to increasingly sophisticated market demands.

Research in 2012[20]

In 2012, we have once again seen the considerable contribution of research and development to Ansaldo STS' success and growth around the world.

The most obvious results are new orders, most importantly for recent products developed in the railway sector and, in particular, level 2 of the ERTMS/ETCS (European Train Control System) for high-speed railways, innovative urban rail solutions based on CBTC (Communication Based Train Control) technology, interlocking devices and innovative solutions in the field of security and risk reduction.

In 2011 and 2012, Ansaldo STS achieved important results in the urban rail system signalling segment, both in terms of fixed-block systems (based on track circuits) and, more importantly, moving-block systems of the CBTC (Communication Based Train Control) variety, which are characterised by continuous two-way communication between ground and train on secure channels (up to the IEEE 1474-1-2-3 standard), in addition to the "reduced scale" activation of two urban rail lines using CBTC systems in Shen Yang and X'ian (China). The Cheng Du Line 1 was activated in full CBTC mode.

Trial runs have been launched on the driverless urban rail systems in Riyadh and Brescia based on binary-circuit distancing (DTG - distance to go).

Another innovation worthy of note is the testing of the Ansaldo STS' new interlocking solution named "WSP", which is highly reliable and further improves the characteristics of the CBIs designed by Ansaldo STS and already used for many years, with hundreds of applications.

In addition, in the two years, certain large-scale urban rail projects were acquired, with various interlocking system solutions.

- Hang Zou Line 1 - CBTC;
- X'ian Line 2 - CBTC;
- Zheng Zhou Line 1

In CBTC systems, the on-board system is based on safe and highly reliable DIVA architecture, boasting interesting features in terms of interoperability. Indeed, it has been installed on the urban rail vehicles of various makers, such as Siemens, Bombardier, AnsaldoBreda, Rotem, etc.

All the international tenders in which Ansaldo STS has participated in the past two years underscore an increasingly intense market shift towards innovative mobile-block solutions (CBTC) that are fully UTO (Unattended Train Operation), and highly integrated, on which Ansaldo STS has been working for several years. They are under continuous technological evolution.

In the field of rolling stock monitoring and control, Ansaldo STS offers a thermal scanning system to protect carriages in long tunnels and, in particular, check the conformity of the rolling stock in transit with respect to particularly critical parameters, such as the limit size and temperature of surfaces.

In 2012, Ansaldo STS won the second lot for the construction of two third-generation multi-function portals, which will further strengthen safety features, as they will be SIL 4 certified, which is the highest level of safety and integrity that a railway system can attain.

Also in this field, Ansaldo STS successfully delivered a composition detection system to RFI (the Italian railway network).

In the security sector, the development of the SMS (security control system) system was completed and, in agreement with RFI, Ansaldo STS led the protect rail research project for the protection of a railway line with integrated sensors. In addition, Ansaldo Sts participated in the SECURE-ED project with the aim of consolidating the chosen technologies and methodologies for the protection of urban rail systems from anthropic threats. It aims to define requirements and standards to meet the new challenges arising from the introduction of the modern interoperability and intermodularity needs of security management systems.

Finally, projects are being explored that will use interpherometric technologies to monitor railway lines and the surrounding areas.

BEST PRACTICE

SATELLITE SIGNALLING

For the first time in railway history, Ansaldo STS will use satellites to manage safe train travel.

It has acquired two contracts, the first of which, with the Australian mining company, Hancock Prospecting. Ansaldo STS will create the first railway signalling system with satellite localisation (it is the first of its kind in the world).

The second contract provides for the creation, again for the first time in the world, of a long-distance driverless freight transportation railway line that will use satellite telecommunications to reduce the amount and complexity of radio stations along the line. The expected benefits include a significant improvement in the efficiency of fuel consumption, with a consequent reduction in energy costs and carbon dioxide emissions for each tonne of iron ore transported.

In March 2012, Ansaldo STS signed the 3InSat contract with ESA (European Space Agency) to develop and validate new safe geo-localisation and satellite telecommunications platforms to be used for ERTMS-ETCS railway signalling systems. Ansaldo STS is the head of an industrial consortium that includes the participation of, inter alia, RFI and DLR (Germany's space agency), which, together with ASI (Italy's space agency) are the greatest contributors to the European satellite localisation system, GALILEO.

Ansaldo STS' solution constitutes a technological innovation of global importance. It will use geo-localisation satellite technology instead of traditional train localisation systems, which require electronic devices installed along the railway line, thereby reducing costs and environmental impact.

TRAMWAVE

This is a power system for trams that run on ground lines, powered only in a specific segment under the vehicle. The system promotes the protection of historic city centres, as it eliminates traditional overhead electric lines.

In 2011, the pilot Tramwave project, installed in Naples and stretching for over 500 metres, enabled Ansaldo STS to carry out all the necessary tests to consolidate the system. In February 2012, it received SIL4 certification, the highest level of safety and integrity that an urban railway system can attain.

The concept behind this innovative tram system and the excellent results achieved in the wake of testing have triggered enormous interest among urban planners looking for safe, ecological and low-environmental impact public transit solutions. Accordingly, Ansaldo STS has currently proposed the Tramwave system in a tender in the Middle East. Furthermore, in this field, in summer 2012, Ansaldo STS signed a significant agreement with a Chinese company, CNR/Daliane GRC for the transfer of technology, in preparation for a large-scale supply of an integrated tram signalling solution using this innovative powering system without overhead lines, as part of a partnership.

20. Research projects co-financed by Italian and EU public institutions are discussed in the section on "Exchanges with the community".

Investments in innovation and intellectual property

At 31 December 2012, research and development costs, net of grants[21], total €32.3 million (compared to €33.9 million at 31 December 2011), equal to 2.59% of turnover. *Signalling* activities, worth approximately €30.6 million, account for 94.7% of the total.

Ansaldo STS carefully safeguards its intellectual property, requiring, inter alia, the filing of patents and the registration of trademarks. At year end, it holds 68 patents and 43 registered trademarks. It has filed applications for an additional 26 patents which are currently under evaluation.

The Finmeccanica innovation award

The innovation award is a symbol of the excellence of Finmeccanica's investment in people. Each year, it shines the spotlight on innovative ideas in the Group's business areas. The idea behind this project is that Finmeccanica can harness a wealth of expertise, abilities and creativity to be found in its individual people, some of it unknown, and that this is what drives its business. The aim of the award is to focus on and share tacit knowledge of not only its specialists, engineers and basic research staff, but everyone operating in any of its structures, and transforming this into explicit knowledge, showing the value of individual talent and combining it with Finmeccanica's overall resources.

As a Finmeccanica Group company, Ansaldo STS actively participates in the innovation award contest. The company encourages its employees to participate by awarding the top three projects proposed.

In 2012, over 30 proposals were submitted by the European, American and Australian units.

The G-SAE project, which won in 2011 within the company, was proposed by Ansaldo STS for the Finmeccanica award, and won first place in May 2012.

The Italian Senate then gave the same project the **"Premio dei Premi per l'Innovazione 2012"** (the 2012 Award of Awards for Innovation in 2012), a prestigious award for companies, public bodies and natural persons. The "Premio dei Premi per l'Innovazione" is awarded each year in Italy before the President of the Senate and the Minister of Education, Universities and Research.

In 2012, Ansaldo STS introduced a computer system for the submission of proposals for the innovation award. Each participant may use their own account (and any PC) to access a database and enter the data and documents required by the contest rules. There are many benefits to this: it is easy to participate and candidates can immediately verify that their entry has been submitted, while the judges access proposals in a structured way and on a voluntary basis (without receiving countless emails). Last, but not least, all the proposals remain catalogued in the **"idea-base"** and the company is enriched with many ideas on file.

21. Research grants amount to €0.3 million for the *Transportation Solutions* Business Unit and €3.4 million for *Signalling*.

SOCIAL SUSTAINABILITY

Human Resources
Investors
Customers and the market
Supply chain
The public

Ansaldo STS' focus on the quality of relationships with its stakeholders through business management that considers their needs and expectations (growth in relational capital).

HUMAN RESOURCES

Human resources are an indispensable part of a company's life and a critical factor if it is to compete successfully on the market. Honesty, loyalty, aptitude, professionalism, seriousness and technical preparation are therefore determinant factors in achieving Ansaldo STS' objectives and are required of its directors, statutory auditors and workers of all kinds.

Human resource management policy

Beginning with the hiring process, Ansaldo STS offers equal opportunities, ensuring the fair treatment of all individuals based on their expertise and individual abilities.

Personnel is hired with legal employment contracts in accordance with the law, national labour agreements, internal agreements and current regulations. In particular, Ansaldo STS does not allow and does not tolerate employment situations that violate current regulations on child labour, women's labour and immigration. This also applies to its external contractors, suppliers and business partners. Over the course of employment, Ansaldo STS undertakes to create and maintain the necessary conditions to further expand upon employees' abilities and expertise, with a policy based on the recognition of merits and equal opportunities and provided for specific refresher and specialisation courses.

This is why employees are required to cultivate and draw on new expertise, abilities and knowledge, while managers and function heads must devote utmost attention to enhancing and growing the professionalism of their workers.

In the pursuit of company objectives, workers must be aware that ethics are of crucial interest to the company and that, accordingly, no conduct is tolerated that, although it may appear in the abstract to benefit Ansaldo STS, is in violation of the law, current regulations, the organisational, management and control model or the code of ethics (see page 73 on training on the code of ethics).

Headcount

At year end, Ansaldo STS' headcount is 3,991, as follows[22]:

	2012				2011			
REGION	**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
Central and Eastern Europe and the Middle East	1,257	275	**1,532**	38.4%	1,304	279	**1,583**	38.6%
Western Europe	471	151	**622**	15.6%	492	158	**650**	15.9%
America	561	208	**769**	19.3%	604	258	**862**	21.0%
Asia-Pacific	845	158	**1003**	25.1%	765	163	**928**	22.6%
China	43	22	**65**	1.6%	49	28	**77**	1.9%
TOTAL	**3,177**	**814**	**3,991**	**100.0%**	**3,214**	**886**	**4,100**	**100.0%**

The number of workers decreased slightly on 2011, by 109 people, or 2.6% of the headcount at the start of the year. This decrease related, in particular, to America (93 employees), Central and Eastern Europe and the Middle East (51 employees), Western Europe (28 employees) and China (12 employees). In Asia-Pacific, the headcount grew by 75 employees.

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

Redundancy programmes are due to the optimisation plan for resources at the production sites in Batesburg (USA) and Riom (France). In Italy, 2012 saw the conclusion of the redundancy plan that began in 2010. The increase in the number of resources in Asia-Pacific is mainly due to the growth in activities for the "Rafa" project.

Compared to the previous year, there was also a slight decrease in the percentage of women out of the total from 21.6% to 20.4%.

	2012		2011	
CONTRACT TYPES		**% of total**		% of total
Employees with open-ended contracts	3,895	97.6%	3,970	96.8%
Employees with fixed-term contracts	96	2.4%	130	3.2%
TOTAL	**3,991**		**4,100**	
OTHER TYPES[23]				
Temporary staff	106	27.2%	95	24.9%
Contract workers	30	7.7%	37	9.7%
Work experience	21	5.4%	27	7.1%
Other contract types	233	59.7%	222	58.3%
TOTAL	**390**		**381**	

The importance of stable positions is demonstrated by the fact that Ansaldo STS hires 97.6% of its employees under open-ended employment contracts, a percentage that has grown with respect to 2011 (+0.8%).

In addition to 3,991 employees, there are 106 temporary workers (95 in 2011), 30 contract workers (37 in 2011), 21 work experience interns (27 in 2011) and 233 workers with other contracts used in various countries in which Ansaldo STS operates (222 in 2011).

The breakdown of the Group's employees by professional level is as follows:

	2012				2011			
CATEGORIES	**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
Managers	94	7	**101**	2.5%	105	8	**113**	2.8%
Junior managers	405	60	**465**	11.7%	438	62	**500**	12.2%
White collars	2,338	672	**3,010**	75.4%	2,286	683	**2,969**	72.4%
Blue collars	340	75	**415**	10.4%	387	131	**518**	12.6%
TOTAL	**3,177**	**814**	**3,991**	**100.0%**	**3,216**	**884**	**4,100**	**100.0%**

Compared to 2011, the pyramid of professional categories has tightened at the top, which is to say that there are fewer managers, down to 2.5% of total employees (compared to 2.8%). A similar decrease can also be seen in junior managers (from 12.2% to 11.7%), while the percentage of white collars has grown (from 72.4% to 75.4%) and blue collars has fallen (from 12.6% to 10.4%).

In absolute terms, compared to 2011, the number of managers is down 12, junior managers down 35, while white collars are up 41 and blue collars down 103.

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

In general, the percentage of women in the blue collar category has decreased, but to a slighter extent that in the white collar and manager categories (although in absolute terms, the value of this decrease affects men more). The number of junior managers as a percentage has remained the same.

The breakdown of the Group's employees by education level is as follows:

	2012				2011			
DEGREE / DIPLOMA[24]	**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
Technical High school	811	42	**853**	21.4%	823	49	**872**	21.3%
Other High School	283	247	**530**	13.3%	370	314	**684**	16.7%
Technical graduated	1,642	257	**1899**	47.6%	1,584	240	**1,824**	44.5%
Other graduated	319	206	**525**	13.2%	293	206	**499**	12.2%
Other education	122	62	**184**	4.6%	146	75	**221**	5.4%
TOTAL	**3,177**	**814**	**3,991**	**100.0%**	**3,216**	**884**	**4,100**	**100.0%**

As a percentage, university graduates with technical degrees are unchanged, while those with degrees in non-technical subjects have fallen slightly.

The average age of employees is 41 years, both for men and women. Compared with 2011, the decrease in the number of workers related mostly to those above 46 years of age (decrease of 94 workers). Under 40 years of age, the decrease came to 19 workers, while in the age range of 41-45 years, there was an increase of four. As a percentage, employees under 45 grew slightly (+1.3%), while those over 46 decreased (-1.3%).

	2012				2011			
AGE	**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
< 30	457	119	**576**	14.4%	457	129	**586**	14.3%
30-35	610	165	**775**	19.4%	610	166	**776**	18.9%
36-40	483	128	**611**	15.3%	475	144	**619**	15.1%
41-45	377	90	**467**	11.7%	361	102	**463**	11.3%
46-50	393	101	**494**	12.4%	435	108	**543**	13.2%
> 50	857	211	**1,068**	26.8%	878	235	**1,113**	27.1%
TOTAL	**3,177**	**814**	**3,991**	**100.0%**	**3,216**	**884**	**4,100**	**100.0%**

The analysis shows, in general and considering percentages, a decrease in women under 45 (-7.2%), whereas the number of men rose 1.3%.

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

The breakdown of the Group's employees by seniority is as follows:

	2012				2011			
COMPANY SENIORITY	**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
< 5 years	1,217	303	1,520	38.1%	1,225	360	1,585	38.7%
5-10 years	924	231	1,155	28.9%	909	217	1,126	27.5%
11-15 years	284	79	363	9.1%	237	73	310	7.6%
16-20 years	107	44	151	3.8%	139	51	190	4.6%
20-25 years	198	45	243	6.1%	262	65	327	8.0%
> 25 years	447	112	559	14.0%	444	118	562	13.7%
TOTAL	**3,177**	**814**	**3,991**	**100.0%**	**3,216**	**884**	**4,100**	**100.0%**

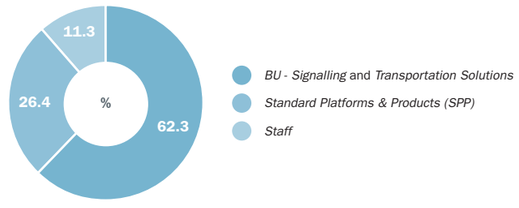
Average seniority is 10.6 years, with men showing 10.8 and women 10.0, substantially in line with the previous year. In percentage terms, employees who have been with the company for fewer than five years are down (-4.1%), while those with the company for five to 15 years are up (+5.7%) and those with seniority of 16 to 25 years are down (-23.8%), along with those with the company for over 25 years (-0.5%).

Ansaldo STS grants – provided that it is compatible with technical and organisational requirements - part-time positions. In this respect, in 2012, there were 85 part-time workers, including 78 women (the same number as in the previous year, as can be seen in the table). Given the decrease in the headcount, the percentage of part-time women workers rose from 8.8% in 2011 to 9.6% in 2012.

PART TIME out of total employees by geographical area	2012				2011			
	Men	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
Central and Eastern Europe and the Middle East	0	25	25	1.6%	0	26	26	1.6%
Western Europe	5	36	41	6.7%	6	35	41	6.3%
America		4	4	0.5%	1	6	7	0.8%
Asia-Pacific	2	13	15	1.5%	3	11	14	1.5%
China	0	0	0	0.0%	0	0	0	0.0%
TOTAL	**7**	**78**	**85**	**2.1%**	**10**	**78**	**88**	**2.1%**

Of the total 3,991 employees, 62.3% work within the *Signalling* and *Transportation Solutions* Business Units, while 26.4% are part of the Standard Platforms & Products (SPP) unit and the remaining 11.3% are members of the staff. In addition, they are distributed as follows by function:

2012 - Breakdown of employees by function



		2012				2011			
FUNCTION		**Men**	**Women**	**Total**	**% of total**	Men	Women	Total	% of total
Business Unit: - Signalling - Transportation Solutions	Sales & Business Development	93	31	**124**	3.1%	101	30	**131**	3.2%
	PM	185	63	**248**	6.2%	187	63	**250**	6.1%
	Engineering	1,013	164	**1,177**	29.5%	989	166	**1,155**	28.2%
	Construct. & Commiss.	386	18	**404**	10.1%	397	19	**416**	10.1%
	Operat. & Mainten.	196	9	**205**	5.1%	220	10	**230**	5.6%
	RAMS	84	16	**100**	2.5%	63	13	**76**	1.9%
	Other	181	47	**228**	5.7%	55	21	**76**	1.9%
TOTAL		**2,138**	**348**	**2,486**		**2,012**	**322**	**2,334**	
Standard Platforms & Products (SPP)	Supply Chain	347	172	**519**	13.0%	422	244	**666**	16.2%
	Development	358	77	**435**	10.9%	395	76	**471**	11.5%
	RAMS	59	17	**76**	1.9%	68	18	**86**	2.1%
	Other	15	10	**25**	0.6%	30	13	**43**	1.0%
TOTALE		**779**	**276**	**1,055**		**915**	**351**	**1,266**	
Staff	Administration, Finance and Control	67	79	**146**	3.7%	70	78	**148**	3.6%
	General reception	17	21	**38**	0.9%	16	24	**40**	1.0%
	Human Resources & Org.	24	39	**63**	1.6%	33	44	**77**	1.9%
	Risk manag. & Project Contr.	3	0	**3**	0.1%	3	0	**3**	0.1%
	Processes, Quality and Systems	73	16	**89**	2.2%	93	24	**117**	2.9%
	HSE & Facility	45	22	**67**	1.7%	44	27	**71**	1.7%
	Other	31	13	**44**	1.1%	30	14	**44**	1.1%
TOTAL		**260**	**190**	**450**		**289**	**211**	**500**	
TOTAL		**3,177**	**814**	**3,991**	**100.0%**	**3,216**	**884**	**4,100**	**100.0%**

Changes in the Group's headcount are shown below:

		BALANCE 2011		**Increases**		**Decreases**		**BALANCE 2012**		
TURNOVER	TOTAL 2011	Men	Women	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**TOTAL 2012**
Central and Eastern Europe and the Middle East	**1,583**	1304	279	37	13	84	17	1257	275	**1,532**
Western Europe	**650**	492	158	18	4	39	11	471	151	**622**
America	**862**	606	256	92	24	137	72	561	208	**769**
Asia-Pacific	**928**	765	163	227	38	147	43	845	158	**1,003**
China	**77**	49	28	3	1	9	7	43	22	**65**
TOTAL	**4,100**	**3,216**	**884**	**377**	**80**	**416**	**150**	**3,177**	**814**	**3,991**

Most of the decreases are due to the optimisation plan described previously, while the increases related to specialised resources, as per business requirements.

	BALANCE % 2011		Increases[25] %		Decreases[26] %		BALANCE % 2012	
TURNOVER %	Men	Women	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Central and Western Europe and the Middle East	82.4%	17.6%	2.8%	4.7%	6.4%	6.1%	82.0%	18.0%
Western Europe	75.7%	24.3%	3.7%	2.5%	7.9%	7.0%	75.7%	24.3%
America	70.3%	29.7%	15.2%	9.4%	22.6%	28.1%	73.0%	27.0%
Asia-Pacific	82.4%	17.6%	29.7%	23.3%	19.2%	26.4%	84.2%	15.8%
China	63.6%	36.4%	6.1%	3.6%	18.4%	25.0%	66.2%	33.8%
TOTAL	**78.4%**	**21.6%**	**11.7%**	**9.0%**	**12.9%**	**17.0%**	**79.6%**	**20.4%**

	Increases		Decreases		BALANCE 2012		
TURNOVER BY AGE BRACKET	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**TOTAL 2012**
< 30	114	27	65	26	457	119	**576**
30-50	205	43	202	70	1,863	484	**2,347**
>50	58	10	149	54	857	211	**1,068**
TOTAL	**377**	**80**	**416**	**150**	**3,177**	**814**	**3,991**

Over 70% of the increases relate to resources under forty years of age.

Recruitment and hiring

At global level, 2012 saw the consolidation and improvement of the recruiting procedure issued in 2010 and applied to all Ansaldo STS' major legal entities (ASTS Italy, France, USA, APAC and China). The new procedure and the new support tool continue to prove extremely useful in the supervision of the hiring process and to create a single worldwide database. The effects of the work done in 2011 were seen in 2012: indeed, the providers used for global hiring were rationalised (master agreements) and the vendor module was acquired within the same tool (only those providers with master agreements were saved in the vendor module).

2012 also saw the consolidation of a more standardised use of the internal job posting tool in Italy. This tool makes it possible to centrally supervise the transfer of resources, while providing all major entities with a single system in which to save all internal job postings and trace the in-house hiring process. Many relationships with universities throughout Italy are continuously in place, as this is an excellent tool for encouraging partnerships between the company and universities, and temporary staffing and head hunting agencies, although to a much less scrupulous extent than in the past, are used through the recruiting tool database.

Throughout Ansaldo STS, during 2012, the following employment contracts were signed (not including the personnel of Ansaldo STS' joint venture in Asia-Pacific): three managers, 15 junior managers, 357 white collars and 19 blue collars.

25. (Incoming in 2012/opening headcount) x 100.
26. (Outgoing in 2012/closing headcount) x 100.

	2012			2011		
HIRING	**Men**	**Women**	**Total**	Men	Women	Total
Managers	3	0	3	8	1	9
Junior managers	12	3	15	8	1	9
White collars	284	73	357	373	125	498
Blue collars	18	1	19	33	3	36
TOTAL	**317**	**77**	**394**	**422**	**130**	**552**

The following table illustrates the number of employment contracts divided by region and employee age:

	Central and Eastern Europe and the Middle East		Western Europe		America		Asia-Pacific		China		**Total**	
HIRING 2012	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	**Men**	**Women**
< 30	8	3	7	1	34	8	38	13	2	1	**89**	**26**
30-39	18	9	6	3	22	8	66	12	1	0	**113**	**32**
40-49	9	1	4	0	15	5	41	6	0	0	**69**	**12**
> 50	3	0	1	0	21	3	21	4	0	0	**46**	**7**
TOTAL	**38**	**13**	**18**	**4**	**92**	**24**	**166**	**35**	**3**	**1**	**317**	**77**

In the recruitment of people from the local community, Ansaldo STS privileges local resident employees if jobs can be filled locally. Otherwise, given the internationalisation of its activities and business, staff, including top management, is hired on a worldwide basis considering the specific expertise required.

Training and development

Market scenarios, which have significantly changed over the past two years, see Ansaldo STS facing commercial, technological and managerial challenges that call for organisational and management measures to redirect the corporate culture, update the professional structure and refresh key skills. In this context, professional, managerial and specialist training has represented, and will continue to represent increasingly in the future, a key lever to enhance human resources and adapt their skills to the contexts of the market, through seeking continuous improvement in the quality standards of training activities. The basic approach is to translate the company's strategic objectives into consistent operating procedures by developing core skills on one hand (which are necessary to oversee work activities), while fostering the development of managerial conduct in line with Ansaldo STS' distinguishing values on the other. The investment in training, which is also in line with the initiatives of Finmeccanica, is implemented through initiatives in four main areas:

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

These types of training are partly applied across all areas at different levels, with different targets, especially when they deal with compliance with regulations and specific updates affecting the entire Group, and they are partly applied to individual functions when the aim is to develop specialised skills.

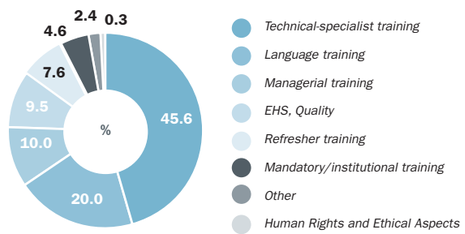
Ansaldo STS also offers specific training courses to certain groups of employees, such as top managers, growing junior managers or young people with potential, ensuring paths that will help them develop in their career or expand upon the skills needed to meet the responsibilities of their job.

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

AVERAGE HOURS OF TRAINING PER YEAR	**2012**	2011
Managers	**7.7**	10.1
Junior managers	**13.3**	14.8
White collars	**19.3**	18.9
Blue collars	**23.1**	13.7
Average hours per year per employee	**18.7**	**17.5**

In 2012, there was an increase in the average number of training hours, mainly for white collars and blue collars.

Training hours by type of training



	2012					
INVESTMENT IN TRAINING* (Euro)	**Central and Eastern Europe and the Middle East**	**Western Europe**	**America**	**Asia-Pacific**	**China**	**TOTAL**
Technical-specialist training	258,093	201,929	258,122	374,846	3,464	**1,096,454**
Language training	226,744	106,952	1,872		2,185	**337,753**
Managerial training	84,750	90,480	75,109	22,771	825	**273,935**
EHS, Quality	58,000	27,284	2,045	44,701	225	**132,255**
Refresher training		34,427		70,348		**104,775**
Mandatory/institutional training		33,752	600	36,654		**71,006**
Other	24,950	3,200		19,789		**47,939**
Human Rights and Ethical Aspects				4,630		**4,630**
TOTAL	**652,537**	**498,024**	**337,748**	**573,739**	**6,699**	**2,068,747**

(*) external costs incurred by Ansaldo STS.

The investment in training came to over €2 million in 2012, up 16.3% on 2011.

Ansaldo STS attaches great importance to technical and specialist training, in line with its mission. Its next priority is language training, considering the company's multiculturalism and internationalisation. This type of training will continue to play a strategic role also in view of boosting the company's international leadership and the number of partnerships with multicultural teams.

Training on the code of ethics

Ansaldo 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.

Second, Ansaldo STS requires employees and other workers collaborating with the company in any way and at any level to take specific training and update courses held by function heads on the code of ethics and related protocols. Personnel may, at any time, ask their supervisors for advice or clarifications on the content of the code and protocols and the duties assigned to them. When employees are hired and/or other staff begin collaborating, Ansaldo STS immediately provides any information necessary for an adequate knowledge of the code of ethics and the related protocols, with particular reference to those pertaining to specific skills (code of ethics, 28 June 2012, pages 7-9).

Personnel assessment, development and enhancement plan

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

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

Over the past two years, this process has been extended to all legal entities and has been consolidated in terms of management and development practices. The process now covers over 90% of the company's headcount, a significant result, as it lays a sound foundation for a more objective and structured definition of the development paths and ways in which to reward employees.

Specifically, its integration with the global job system implemented in 2012, has made PDP a more complete development tool, as the assessment of competencies and skills, which is conducted concurrently with the performance assessment, makes it possible to define individual growth targets and paths that are in line with expectations for the particular job.

Career progress, the identification of talent and compensation are part of the integrated performance/competency assessment system, in which merit is the true factor for the qualification of professional development.

In 2012, PDP was introduced in the manager assessment process as well. Managers number roughly 100, and they were assigned challenging performance targets in relation to the business priorities for 2013, with MBO incentives, and given role holding objectives arising from the "Roles & Mandates" created for each managerial position.

Furthermore, a 360° assessment process was introduced for certain key competencies in terms of the leadership style of Ansaldo STS managers. The implementation of this new process will be completed in 2013, when the assessments involving feedback from peers and direct co-workers are completed.

The use of a more structured and challenging approach to manager assessments is believed to be a tool that strengthens a managerial culture more orientated towards putting core soft skills into practice, such as team spirit, people and change management skills and international cooperation.

By including managers in this assessment and development process under the PDP system, Ansaldo STS can ensure that the system is consistent at all organisational levels.

Internationalisation and multiculturalism

The consolidation of personal multi-cultural exchanges continued in 2012, and not only in terms of knowledge and expertise, but also with respect to relationships and people working at Ansaldo STS' various sites around the world. Both change management and the need to efficiently monitor management and implementation of projects have continued to support international mobility processes, which have involved all company functions.
The Honolulu metro contract is another key example of the internationalisation of personnel, in addition to other similar contracts already in progress.

A willingness to travel, while careful not to incur excessive costs, is, and must be, widespread, both in the short and long-term, domestically and internationally. The permanent presence of non-local personnel in certain Group companies, especially in the US and Australia constitute tangible evidence of the internationalisation process underway and are an ongoing challenge to maintaining and developing a constructively multi-cultural work environment.

	2012	
REGION	**No.**	**Non-local personnel**
Central, Eastern Europe & Middle East	**53**	China (1), Denmark (3), Russia (1), Australia (16), Turkey (7), Saudi (4), Taiwan (5), USA (9), India (5), Greece (1), UAE (1)
Western Europe & North Africa	**7**	Malaysia (1), China (1), Taiwan (1), Italy (1), UAE (1), S. Korea (1), Sweden (1)
America	**10**	Italy (6), S. Korea (1), Saudi (2), France (1)
Asia-Pacific	**12**	Italy (3), Malaysia (6), India (1), Botswana (2)
China	**1**	Italy (1)
TOTAL	**83**	

Important new aspects of the personnel internationalisation process include:
- seeking to hire foreign personnel when specific expertise needed locally cannot be found on the local labour market;
- beginning important international personnel localisation/relocation experiences, which has gone from temporary stays abroad to permanent situations, or involved the transfer of personnel without any previous secondment. In addition to being in line with the organisation and creating a positive impact on costs over time, these arrangements make it possible to develop consolidated integration in the new country and company;
- the development of activities joining the talent management process and internationalisation, in order to affirm the principle that willingness to embrace meaningful international professional experience is now a key pillar for Ansaldo STS. In relation to this, the professions of future leaders identified as part of a specific initiative is perhaps the most significant sign of the project's managerial/strategic focus;
- the budding, although already operational, management of merit-based and remuneration development processes linked to personnel's actual, demonstrated willingness to embrace internationalisation. This is seen in the use of reward tools, such as performance-based bonuses.

To govern the thorny internationalisation process, Ansaldo STS has continued taking steps to support it, in the wake of those commented in previous years:
- the redefinition of a global international mobility policy to align common personnel management practices abroad;
- the development of constructive relationships between HR specialists to support the internationalisation process;
- the maintenance of operating tools to support both the use of company intranet, to spread information and company practices, and the disclosure of internal communications using advanced, widespread computer and video-telephone technologies;
- the maintenance of integrated activities with H&S and Security to ensure safe work conditions abroad;
- ongoing collaboration with the Administration with respect to accounting and tax issues;
- the continued use of shared specialised services with expert advisors (cost of life, tax, insurance, relocation, immigration/emigration and security information).

BEST PRACTICE

FUTURE LEADERS PROJECT

The Future Leaders project was kicked off to identify 20 top talents to be assigned strategic projects over a two-year period. The project was based on a structured in-house selection process involving some 500 candidates who applied of their own initiative.

Reasons behind the future leaders project
- Need for leaders capable of operating efficiently in a global context
- In-house development of most of the company's future leaders
- Actively draw out leadership talent
- Share the key values of leadership, accountability and entrepreneurship throughout the business

Recruitment guidelines
- Clear and transparent communication to managers around the world
- Open to any employee
- Objective selection process (GMAT and TOEFL testing and other quantified assessment criteria)
- Transparency

KEY ELEMENTS OF THE PROJECT

Work activities	Each future leader will work on one or more priority projects for the Group, which will help them gain a better understanding of the company, while at the same time developing new expertise. • **Operating projects:** as Project Managers or Project Engineers of key *Signalling* or *Transportation Solutions* projects. • **Strategic initiatives:** as Initiative Leaders for one-time projects ranging from efficiency, the redesign of organisational structures/processes, innovation or entry in new markets/segments.
Supervision and coaching	Each future leader will have three senior mentors • The organisational head (depending on the main work activity), an executive mentor and the CEO. • Each of these mentors will play a key role in providing feedback and frequently assessing performance (at least every three months). In addition, there will opportunities to interact with all Group global leaders.
Training	Executive MBA type training organised for 20 Ansaldo STS future leaders in partnership with the Bocconi and Warthon business schools: six weeks of classroom training over two years, with additional e-learning activities.
Remuneration	Incentives during the two years of the programme and raises upon its conclusion • Incentives and raises upon the successful completion of the programme, with the possibility of future leaders being excluded from the programme before completion.

Remuneration and incentives

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

ITALY

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

UNITED STATES

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

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

FRANCE

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

The employment terms set forth in individual contracts may be more favourable to employees but not less favourable than those defined under general labour legislation. Furthermore, the law requires the annual renegotiation of remuneration, contractual term, equal opportunities of men and women, the disabled, training and development with the trade unions. French law protects human rights, equal opportunities, child labour, freedom of association, protection of privacy, etc..

SPAIN

Spain also has national labour agreements with trade unions that are applicable to all workers at national level and at regional level as well.

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

AUSTRALIA

Remuneration and incentives are governed in Australia by national employment standards (NES) relating to minimum wages, work hours and general terms of employment.

Employees whose work is assessed using the global job system and who receive Hay grades of under 12 are remunerated in line with the national labour agreement. This agreement, which was ratified by the Italian labour court, provides for annual wage adjustments when they are negotiated (2103-2105; currently 4%)

In the second half of 2012, a new company agreement (2103-2105) was negotiated with the trade unions. This agreement will introduce a new remuneration and classification system based on abilities and in line with the master agreement for national industry. In addition to that provided for by the agreement, remuneration will be increased on the basis of individual performance defined in the annual revision process.

INDIA, MALAYSIA, BOTSWANA

All employment agreements are individual. However, the above procedures provide for the application, even if this has not been explicitly formalised, of minimum standards at Group level in these countries as well. Accordingly, tools such as market benchmarks and salary reviews are also applied in these countries, using the same criteria as that for Australia. Ansaldo STS therefore ensures its employees receive remuneration and benefits that are comparable with those offered by the best companies in these countries.

CHINA

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

Fair remuneration

Ansaldo STS periodically weights the most significant positions in the organisation with the support of a company specialised in this field and compares the remuneration of the employees holding such positions on a weighted basis, against the market benchmarks. If the remuneration is not in line with the market (and, obviously, if the employees have received positive performance assessments), their remuneration is adjusted. Remuneration adjustments are concentrated within a specific period of the year, generally around July, except for ad hoc initiatives that can take place at other times of year following, for example, promotions or retention requirements. At times, to determine market benchmarks, a sample of specific companies is selected with similar professional figures as those provided for within Ansaldo STS. These evaluations are aimed at comparing, and potentially aligning, the remuneration of employees in certain Ansaldo STS jobs that are particular critical and important for the business with those of potential competitors to make Ansaldo STS a more attractive place to work and prevent or limit the risk of these employees leaving, with the consequent loss of expertise.

In such cases, the remuneration brackets resulting from the sample of selected companies could be, for positions that are particularly critical and important, higher than the general market remuneration.

Consequently, these Ansaldo STS employees receive generally above-average remuneration.

The weight assigned to the positions held is directly proportional to its complexity, which is assessed on the basis of three parameters: the required expertise, problem solving and the financial or numeric size.

In 2011, approximately 200 positions were weighted around the world, and the results of the GJS (Global Job System)[27] project were used for this purpose as well. These activities continued in 2012 with fine-tuning, in line with organisational developments during the year.

In 2012, considering that described above and the financial and economic situation, remuneration was adjusted less than in the past.

In 2011, in addition to the periodic assessments of positions, Ansaldo STS extended the weighting to lower levels of its organisation as well, using the results of the GJS project, which involved approximately 3,000 of the company's human resources. This made it possible to create a tool useful in the global assessment of the consistency between the responsibilities an remuneration, without distinguishing by country, sex, culture, etc., in accordance with the company's values, which protect and promote the equal treatment of people with all their differences. In 2012, the GJS was updated slightly to meet business requirements and in line with the continuous development of competencies.

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

Gross average remuneration at Ansaldo STS broken down by category and gender is shown in the table below:

	Central and Eastern Europe and the Middle East (€'000)		Western Europe (€'000)		America (USD'000)		Asia-Pacific (AUS'000)		China (RMB'000)	
2011	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Managers	113	78	108	101	214	147	226	145	1,025	-
Junior managers	50	47	75	71	127	104	128	89	1,560	887
White collars	34	33	45	40	80	63	76	58	10,812	4,306
Blue collars	25	25	23	21	39	35	41	49	57	-

	Central and Eastern Europe and the Middle East (€'000)		**Western Europe (€'000)**		**America (USD'000)**		**Asia-Pacific (AUS'000)**		**China (RMB'000)**	
2012	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Managers	118	87	112	101	186		181	160	-	-
Junior managers	51	48	76	77	127	114	137	103	1,974	946
White collars	35	34	48	40	83	66	85	63	10,788	4,592
Blue collars	26	26	22	21	41	34	50	62	75	-

Performance-based incentive systems

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

The rest of personnel, when included in structured performance management systems (see page 114), receive more limited bonuses if their performance is rated high. In accordance with regulations for listed companies, Ansaldo STS has a remuneration committee set up by resolution of the board of directors of Ansaldo STS (see page 38), which meets periodically with the participation of the head of Human Resources. The committee is responsible for:

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

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

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

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

	Central and Eastern Europe and the Middle East		Western Europe		America		Asia-Pacific		China	
2011	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Stock grants	29	3	7	1	6	0	1	0	0	0
Stock option plan	12	3	9	1	1	0	4	0	0	0
Cash (long-term)	1	0	1	0	0	0	0	0	0	0

	Central and Eastern Europe and the Middle East		**Western Europe**		**America**		**Asia-Pacific**		**China**	
2012	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Stock grants	38	5	7	1	5	0	2	0	0	0
Stock option plan	9	2	8	1	0	0	3	0	0	0
Cash (long-term)	2	0	1	0	0	0	0	0	0	0

People Care

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

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

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

Employee initiatives

Ansaldo STS follows an extensive policy to manage initiatives that support employees. This policy includes a series of benefits that are allocated and used on the basis employees' professional position and the social and cultural customs in their respective countries.

Below is a list and a short description of the main employee benefits and initiatives provided for by the company's policy.

Company health insurance
Ansaldo STS Italy offers its employees supplementary health insurance in addition to that provided for by the healthcare systems in the various countries where its employees live. These policies cover myriad medical needs (e.g. specialist examinations, hospitalisation, medical services, etc.) and vary according to each employee's professional position (top and junior managers have different limits of indemnity). Employees are partly responsible for covering the cost and, should they decide to take out a policy, a monthly contribution is withheld from their payslips to cover part of the cost, while the company bears the residual amount. The same policy is offered in France and the US and covers all employee categories (managers, junior managers, white collars and blue collars), but it is not offered in China. Recently, the company began offering a medical insurance policy in Saudi Arabia for permanent local employees. Ansaldo STS Spain covers all costs of health insurance.

In Australia, expatriate employees and their spouses/partners and dependent children receive health insurance covering a vast range of medical needs, including routine check-ups, emergency medical care, hospitalisation, dental care and other related benefits, such as relocation packages.

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

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

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

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

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

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

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

Company housing
Ansaldo STS offers housing to employees seconded in the medium to long-term. The cost of the housing is fully covered by the company. This benefit is offered to employees of Ansaldo STS Italy, all Ansaldo US, China and Australia employees, but not to French employees.

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

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

Canteen and break area service
Ansaldo STS Italy, France and US - this is not offered in China and Australia - provide a canteen service at all the main offices (e.g.: Genoa, Pittsburgh, Les Ulis, Tito, Riom, etc.). In Italy, employees contribute to the canteen costs through deductions in payslips, whereas in the other countries, they pay directly when using the canteen services. This service is provided under special terms which are regulated by agreements between Ansaldo STS and the companies that run the canteens. Many Ansaldo STS offices (e.g. in the US, Australia, etc.) also have break areas where employee may enjoy hot drinks (e.g.: tea, coffee, etc.) and other facilities (e.g. use of microwave oven, refrigerator etc.) free of charge.

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

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

BEST PRACTICE

TRAVEL TRACKER: SAFE TRAVEL AT ANSALDO STS

The expansion of markets and the current organisational model require the presence of Ansaldo STS staff in many countries, which may present challenging security conditions and weak medical and healthcare systems.

In order to reduce the risks of travel and stay abroad, Ansaldo STS is implementing a system at all sites to ensure an adequate level of protection against external events. In this context, in order to prevent and, if necessary, resolve problems, the company has a **"TravelTracker (TT)"** tool provided by *International SOS* to track employees as they travel in real time.

As soon as an employee confirms his or her travel booking through the Ansaldo STS travel agency, *International SOS* gathers the information and enables company personnel responsible for this activity to quickly identify those in areas presenting high risk of critical situations for the health and safety of people. *International SOS*, interfacing directly with Ansaldo STS, manages this database. Additional TravelTracker (TT) services include:

Personal Travel Locator (PTL) - Personnel travelling can input travel that they have not booked through the travel agency or their long-term secondments, loading their bookings and those of their family members: the travel details will be automatically uploaded from the TravelTracker (TT) database which ensures that the service functions.

Automated Travel Advisory (ATA) - When tickets are booked for the selected destinations, in accordance with parameters established by Ansaldo STS, travellers receive an automated travel advisory on the destination country via e-mail, containing information on public and personal safety, health conditions, car driving, vaccinations and illnesses, food and water recommendations, local culture and conduct in the work place, holidays and demographics.

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

Transportation agreements

Ansaldo STS has signed a number of agreements with transport operators (e.g. the "consorzio unico Campania", the French railways, etc.). Employees may purchase travel passes at the special rates negotiated by Ansaldo STS. The cost of passes is broken down into monthly instalments withheld from employees' payslips. In China, there are special discount travel agreements agreed with American Express or for specific international airfare.

Pension plan

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

ITALY

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

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

AUSTRALIA

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

INDIA

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

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

MALAYSIA

In Malaysia, pension plans are offered through an employee pension fund (EPF) set up with employees' contributions by deducting them from their monthly remuneration (at least 11%) and the employer's contributions (at least 12%). Both portions are accrued over the term of service of each employee.

This system was not affected by the introduction of the minimum retirement age (2012 Act), as it allows contributions up to a maximum age of 70.

Foreigners working in Malaysia may contribute to the fund as well, on a voluntary basis, but the employer's minimum obligation is only 5 Ringgit (the local currency) per month, unless the employer decides to contribute more. In this respect, foreigners may revoke the entire contribution when they return to their country. This fund has yielded between 4% and 5% in recent years.

SPAIN

In Spain, all employees have a supplementary pension fund called "Plan de Previsión Social Empresarial" (PPSE), which is the same as normal pension funds and is subject to Spanish law. Contributions to the PPSE are paid by the company only and not by the employees.
The amount of the contributions is established in a way that ensures a minimum contribution for all the employees, also considering each's base remuneration. For example, in 2012, the annual contribution paid by Ansaldo STS Spain to the PPSE was equal to €42,362.

FRANCE

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

US

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

Parental leave

In 2012, the number of employees who took parental leave was as follows:

WESTERN EUROPE

- 21 men and 11 women took parental leave;
- 21 men and 11 women returned to work after parental leave.
- The number of employees who are still with the company 12 months after returning from parental leave: 20 men and 11 women, with the same remuneration and the same position.

ASIA PACIFIC

In 2012, a number of people took parental leave, four of whom returned to work. Upon their return, all employees reduced their hours.

CHINA

Four employees took parental leave in 2012. All returned to work after parental leave and 12 months after their return, they are still with the company with the same remuneration and the same position.

Disabled employees

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

In order to comply with the provisions of Law no. 68/99, companies are required to hire a certain percentage defined by the same law of employees categorised as "protected". Specifically, in Italy the legally-required percentage of disabled people for companies of Ansaldo STS' size, is 7%.

In 2012, Ansaldo STS implemented agreements with labour centres to schedule the hire of resources in the protected categories in the next few years.

In 2012, 39 disabled men and 16 disabled women worked in the Central and Eastern Europe and the Middle East region, making up 3.1% and 5.8% of the headcount, respectively.

In France, the percentage required by law is 6%. In 2012, there were four disabled men and five disabled women working in Western Europe, 0.75% and 3%, respectively.

In Spain, the percentage required by the same law is 2% and the law also provides for exemptions in the event of particular requirements (such as restructuring plans), with agreements for the gradual and deferred hiring of personnel in protected categories. If a company cannot meet the legal provisions for objectively documented reasons, such as difficulties in recruiting workers with usable skills and expertise, in Ansaldo STS' specific situation, an additional contribution may be paid beyond that normally due.

In the US, equal employment opportunity legislation is based on non-discrimination, establishing obligations for the hiring of candidates in protected/disabled categories.

In Australia, India and Malaysia, provisions for the employment of the disabled is similar to that in the US. In Malaysia, the government also offers incentives for hiring people with disabilities, but there is no legal requirement.

In China (Beijing), the percentage required by law is 1.7% with additional economic contributions similar to those applied in Europe, where it is difficult to comply with requirements. Again in 2012, China settled its position in this respect by paying additional contributions.

Trade unions

The type of relationship that Ansaldo STS maintains with its employees, together with the high cultural level of the employees themselves, encourages a relaxed climate with an extremely low rate of trade union disputes. This context allows for the resolution of any issues with employees through a direct employee-company relationship, with scarce use of intervention by trade unions. The only strikes declared have been due to general political/trade union issues, which have nothing to do with the company.

ITALY

Ansaldo STS Italy's system for trade union is based on levels of participation, given the fact that the company has various operating sites:
1. Strategic observation;
2. National coordination.

Strategic observation

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

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

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

National coordination

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

In Italy, data on trade unions may be gathered from the trade union dues deducted from payslips. There is no such deduction abroad and therefore Ansaldo STS is not able to record any specific data. Ansaldo STS employees have joined the following trade unions: FIOM-CGIL (with nine union delegates), FIM-CISL (with eight union delegates), UILM-UIL (with four union delegates), CIISA and UGL Metalmeccanici (no delegates). Again in 2012, the percentage of workers who had joined a trade union was slightly under 34% of the total headcount, while 100% of the trade union members can be broken down as follows:
FIOM: 45.17%, FIM: 29.98%, UILM: 24.46%, UGL: 0.20% and CIISA: 0.20%

SPAIN

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

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

FRANCE

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

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

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

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

AUSTRALIA

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

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

There were no trade union conflicts in Australia in the year, nor were there any strikes or complaints lodged with the labour court.

Personnel covered by national labour agreements

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

	Central and Eastern Europe and the Middle East		Western Europe	
2012	**Men**	**Women**	**Men**	**Women**
Managers			15	1
Junior managers	268	41	73	7
White collars	871	223	315	122
Blue collars	52	6	57	20
TOTAL	**1,191**	**270**	**460**	**150**

Asia-Pacific, America and China are not included in the table because the data are not meaningful, as there are no national labour agreements or company agreements are substantially prevalent.

Types of agreements

At Group level, Ansaldo STS has reached formal agreements with the trade unions in the various countries concerned, as shown in the table.

	Central and Eastern Europe and the Middle East			Western Europe			Asia-Pacific		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Health and safety									
Work hours	1						1	1	
Remuneration	1			1			1	1	
Other	1	2	2	2					
TOTAL	**3**	**2**	**2**	**3**			**2**	**2**	

In Australia, the types of agreements are negotiated with the unions, while in Malaysia, there are no formal agreements and employers must only comply with the Employment Act of 1955 (which establishes that the number of hours worked may not exceed 48) and specific Acts enacted by the government with respect to health and safety.

In-house communications

In-house communications continues to play a strategic role at Ansaldo STS.
In 2012, the communications tools consolidated in recent years were further implemented. Specifically:

- new content and functions were created for the new global intranet. For example, in the People area, new sections were added: Internal Job Posting and Global Job System. These two sections were created to facilitate employees in the search for information helpful for understanding and using two processes with testimonials and tutorials. Another section called Future Leaders was created to launch the new Future Leaders project and to periodically provide updates on developments and initiatives related to the project. In addition, the section on the company's values was improved with new pages devoted to specific company initiatives to foster and spread values;
- like every year, communications and image campaigns were launched to support global initiatives and processes such as PDP, GJS and Internal Job Posting;
- ASTS channels were further implemented. They are vehicles for company process campaigns;
- the new "Values in action" campaign was launched.

Values in action

“Values in action” is the company values campaign that, beginning in 2012, follows upon the company values project of 2010.

The main objective of the campaign was to emphasise the importance of taking action and conduct.

The concept chosen for the campaign refers to the metaphor of film: the “Shoot” is a reference to the creation of a film scene, with specific characters called to act out the scene. In this way, each value is an action with specific players: they embody the conduct that represents the values.

One of the initiatives promoted as part of the values campaign was the “Values in action: MOViE WITH US” competition launched in March 2012 for all Ansaldo STS employees.
Images, drawings, photographs or video/films could be submitted provided that they effectively expressed conduct reflecting each value.
A total of 39 submissions were received, including 34 images and five videos.

A special jury selected the best submissions and the winners were awarded with company gadgets.

The images and slogans that were most representative of the values were also published in the in-house communications.
Finally, a permanent link was created in the company intranet so everyone could comment and contribute to the spread of Ansaldo STS values.

Company climate

In 2012, the improvement steps were completed on the basis of the input of the last climate survey in 2010. Specifically, the steps taken met two needs:
- valuing people;
- optimising business processes.

In terms of valuing people, greater awareness of the integrated human resource development model has been developed. It is a series of HR processes to ensure a consistent professional development path for people, based on assessment and rewarding systems that are interrelated.

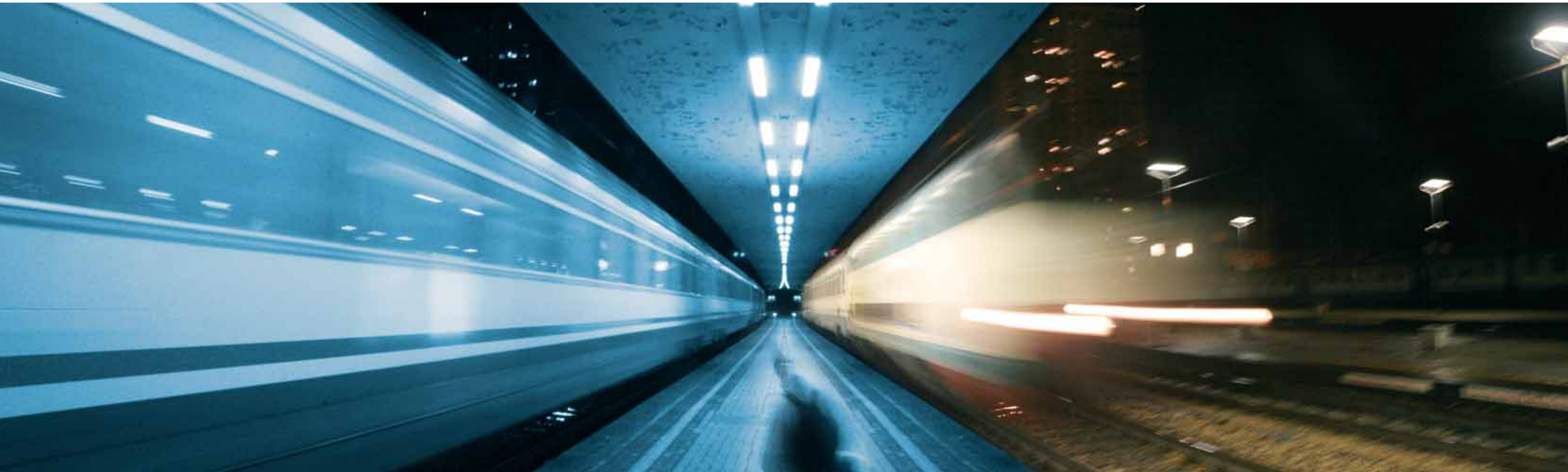
The publication of specific tutorials on the company intranet has provided a clearer explanation of the inter-connection between the various processes.

People are also valued through a more elective rewarding approach, in which monetary incentives are mainly based on the best performance.

Furthermore, the talent management process was managed with an ever more transparent approach with a higher impact in terms of communications, to make talent identification criteria, and therefore the criteria for valuing the best talent, more objective.

In terms of the optimisation of business processes, steps continued to improve efficiency at various organisational levels, with the involvement of different company functions, following workstreams to achieve efficiency targets in terms of costs and processes.

In 2013, a new survey will be launched to again update the company climate “thermometer” and reschedule initiatives, again in line with the company climate requirements that will be noted.



Litigation management

In 2012, Ansaldo STS did not have any litigation in Central and Eastern Europe and the Middle East, Western Europe and North Africa, America or Asia-Pacific. There was only one case in China, involving RMB46,218.

Commitments made and commitments for the future

REPORTING ON COMMITMENTS

Commitments made in 2011	Activities performed in 2012	
• Implementation of the competency model on the company's IT tool (SABA) to assess performance (PDP – Performance Development Project). Inclusion of the classification of resources in terms of jobs and work level in the company's management tool (SAP).	• In 2012, the design of the IT tool (SABA) was completed. It manages the Global Job System, which is the backbone of the role and responsibility system at Ansaldo STS. Using this IT tool, Ansaldo STS can associate all its employees at global level with a Work Level (WL). Each WL contains a detail of the responsibilities, the mission, competencies and skills for each job.	✔
• Updating of the remuneration policy in compliance with new CONSOB regulations.	• The Ansaldo STS remuneration policy was revised, for alignment with CONSOB regulations. This policy, which specifically relates to Executive Directors and Key Managers, is aimed at: 1) promoting and creating value for shareholders in the medium to long-term, 2) creating a strong tie between remuneration and performance, at both individual and Group level and 3) attracting, retaining and motivating managers of top professional quality.	
• Implementing and consolidating the integrated assessment system between PDP (Performance Development Project) and GJS (Global Job System)	• Each Ansaldo STS employee was able to self-evaluate their competencies and skills – associated with their work level – as a preliminary step to the assignment of development objectives in the PDP for 2012.	✔
• Implementing structured and targeted initiatives to develop company talent. In this respect, as part of the talent management model already defined within the integrated HR development model, a development path for future leaders (i.e., a select group of high potential individuals) will be planned. It was kicked off in 2012 and is based on offering opportunities for direct involvement in strategic company projects.	• The future leaders project was launched to identify 20 top talents to whom strategic projects will be assigned over a two-year period. The project is based on a structured in-house selection process that involved approximately 500 resources who applied of their own initiative. There were multiple selection criteria (assessment of potential, structured interviews, letter stating one's motivations, GMAT and TOEFL), for an approach based on transparent and objective final scores, leading to the selection of 20 future leaders.	✔
• Developing an inter-institutional collaborative project to make the company's social responsibility genuine and operational. This will entail, with the collaboration of an institutional network in the Naples area, the creation of a city-lab to promote culture, development and innovation in the region.	• Round tables were started with institutional representatives selected as potential partners in this project. In particular, the foundation of the S. Carlo Theatre in Napes and the Councilman for the environment of Naples participated in some preliminary meetings to consider the feasibility of projects in certain sectors. A potential idea for a joint environmental and cultural development project in a suburban area of Naples (in the east of the city) was considered, with the municipal authorities allocating investments to improve the quality of life in the area. The proposed project has not yet been developed to an operating stage.	–

Commitments made in 2011	Activities performed in 2012	
• Continuation of the "Values in action" campaign to support the importance of conduct in validating company values.	• The "values in action" communications campaign saw the participation of all legal entities. The proposals received in the shape of slogans, videos and photographs were used to draw attention to values and related conduct. There were articles on the intranet, posters and information on company screens to underscore this initiative.	✔
• Improving performance, efficiency and team spirit, promoting specific action to strengthen key managers' leadership. In this respect, the "Key roles empowerment" initiative will be implemented to develop a greater level of expertise and awareness of and in Project Manager, Project Engineer, Product Development Engineer, Supply Chain Planner and Controller positions.	• Strengthening and spreading the team spirit of project teams by planning specific action for continuous improvement. Specifically, the "Key Role Empowerment" initiative was planned and implemented, involving a large number of key resources in certain strategic Ansaldo STS projects. This initiative saw the organisation of two workshops to foster awareness and understanding of key project roles: Project Manager, Project Engineer, Product Development Engineer, Supply Chain Planner and Project Controllers, involving not only these key project positions, but function managers and top management as well. The aim of the workshops was to share the organisational model, processes, requirements and expected conduct for people in key project roles, by taking an interactive approach, in which participants were able to ask questions of top management and hear their vision.	✔

Commitment for the future	Timeline
• TALENT. Developing specific training plans for individuals identified in the company's talent management process. Within the first half of 2013, the first themed workshops will begin, involving about 100 people. An internal mobility process is also planned for talented individuals, to meet business needs while developing professional skills at the same time.	2013
• FUTURE LEADERS. Beginning 1 January 2013, the 20 top talents selected to participate in the future leaders programme will be assigned 20 strategic projects identified by the company. They will coordinate and lead these projects, with the creation and assessment of the skills necessary to hold positions with increasingly more responsibility over time. The FL growth path will be flanked by high managerial training (with the Bocconi and Wharton business schools) and a structured mentoring process with the involvement of 10 top managers contributing to the development of the 20 talents.	2013
• COMPANY CONDUCT IMPROVEMENT PROCESS. Good conduct in line with an upstanding managerial style focused on developing both the business and people is one of the key factors for the success of an organisational model. Specifically, managers' embracing of company values and their genuine, visible conduct in line with such values encourage the growth of an efficient and effective management team. Accordingly, conduct assessment systems finalised to evaluate any gaps between expected conduct and identify areas for improvement.	2013

INVESTORS

Shareholders

Ansaldo STS is the only company listed on the Milan stock exchange's main market, the FTSE MIB, which includes the companies with the largest capitalisation, and the Star segment, which includes blue chip companies that meet specific, binding requirements (liquidity, corporate governance and transparent disclosures). Ansaldo STS was included in the FTSE MIB in 2009, giving it more visibility and opening it up to a larger group of potential investors. Its position in the Star segment has confirmed that it remains one of Italy's more virtuous companies. Ansaldo STS' corporate governance system is focused on maximising value for shareholders, controlling business risks, ensuring transparency to the market and meeting the interests of all shareholders, with particular attention to smaller investors.

Share capital and dividends

Ansaldo STS' subscribed and paid-in share capital amounts to €80,000,000 at 31 December 2012, consisting of 160,000,000 ordinary shares with a unit value of €0.50. No other categories of shares or financial instruments convertible into or exchangeable with shares have been issued. During their extraordinary meeting on 23 April 2010, the shareholders approved a bonus issue of €50,000,000, to be carried out using available reserves, issuing 100 million new ordinary shares with a nominal amount of €0.50 each. The share capital increase will be carried out by 31 December 2014 in five annual instalments of €10,000,000 each, consisting of 20,000,000 newly issued ordinary shares. The shares issued in each instalment are distributed on the basis of outstanding share capital at the date of the increase. The shares will be issued in the second half of each year. In 2012, they were issued on 9 July. A correct interpretation of the type of transaction has been given in each announcement, in addition to meeting the relevant legal requirements, with considerable emphasis on the methods of the share capital increase and explanations to shareholders/investors, also verifying that the media and other entities. Ansaldo STS is managed and coordinated by Finmeccanica S.p.A., pursuant to article 2497 of the Italian Civil Code. In December 2012, based on the records in the shareholders' register and considering the reports received pursuant to article 120 of the consolidated finance act and other information received, the following investors directly or indirectly hold 2% or more of the company's shares:

Investor	No. of shares	% held
Finmeccanica S.p.A.	64,104,865	40,066
Altrinsic Global Advisors LLc	3,347,200	2,092
UBS	4,315,487	2,697

Earnings per share and dividend

The company distributed dividends for the first time in 2007 one year after its stock market listing on 29 March 2006. The distribution policy provides for pay-out of roughly 35% in proportion to the consolidated profit for the year. The company has always met this pay-out commitment and in 2012 proposed a dividend of €28.8 million to the shareholders meeting, corresponding to 38.05% of the consolidated profit for 2012. The dividend per share is therefore €0.18/share (based on 160 million outstanding shares).

(Euro)	2012	2011**	2010	2009	2008
Basic and diluted EPS*	0.51	0.48	0.68	0.63	0.55
Dividend per share	0.18*	0.17	0.24	0.22	0.19

* As proposed by the shareholders.
** Restated following the bonus issue and consequent issue of shares on 9 July 2012.

Investor Relations

With the aim of forging and maintaining ongoing professional relationships with most shareholders, institutional investors and retail investors, Ansaldo STS has set up a specific Investor Relations function run by a manager devoted entirely to investor relations.
The Investor Relations function is in constant contact with the financial community to understand its informational needs and support top management in communications decisions.

The objective is to maintain ongoing dialogue with the Italian and international financial community, providing sensitive information to the market in a timely and transparent manner and ensuring the correct valuation of the company, in line with its business model, strategies and targets.

This function reports directly to the Chief Financial Officer and, since 1 January 2012 has been downsized from three to two resources, the Vice President of Investor Relations, Andrea Razeto and Sonja Ferrarazzo. The change did not entail any reduction in the activities performed.

	2012	2011
CITY	No. of visits	No. of visits
Genoa (site visit)	7	4
Milan	4	7
London	3	4
New York	1	3
Paris	2	2
San Francisco	-	1
Boston	1	1
Chicago	-	1
Amsterdam	-	1
Geneva	1	1
Nice	1	1
Tokyo	1	1
Edinburgh	1	1
Vienna	2	1
Berlin	1	-
Copenhagen	1	-
Oslo	1	-

A crucial part of the investors relations activities is that the brokers at leading investment banks cover the share, giving a clear indication of the market's perception of the company.
In 2012, 15 investment banks maintained this coverage, compared to 17 in the previous year. The banks that no longer cover it (Berenberg Bank and Fidentiis) discontinued their activities due to internal changes in their structures.
Some of these investment banks periodically publish sector research and competitor analyses. The Investor Relations function gathers and analyses this research, its competitors' official reports and market rumours and shares them weekly via IR News.
Dialogue between the company and investor stakeholders arises through meetings organised in the main financial markets.

In 2012, roughly 26 days of roadshows and conferences were organised (35 in 2011 and 42 in 2010), during which market analyses and the company's policies and strategies were disclosed.

In the pursuit of increasing cost efficiency, the travel days were reduced, while video and conference calls and site visits were preferred.

Each year, the company organises an Investor Day, an opportunity to update the financial community for a better valuation of the security and Ansaldo STS' sector.

For this important event, the key elements of the medium and long-term strategic plan are reported, along with actual quarterly figures, which form the basis of the periodic valuations of analysts and investors.

Due to an important business development (signing the Honolulu metro contract), the 2011 Investor Day was postponed to 2012 and served as the occasion to provide preliminary year-end 2011 figures, guidance for 2012 and objectives for 2014.

On a quarterly basis, before the financial results are published, an analysis of the consensus combining the estimates of brokers and analysts involved in coverage activities are updated. It is then compared with the data provided by leading stock market analysis agencies (Bloomberg, Reuters and Facset) and, finally shared with top management.

Lastly, the web site is another key tool for communications and relations with institutional and retail investors.

In 2012, the web site continued to undergo updating, including in the investor relations section. The effectiveness of this process was confirmed when Ansaldo STS won the Best Improver award in 2012 for the second year in a row, given by KWD Webranking (the agency that monitors and ranks the quality of web sites of companies listed on the stock exchange in an annual ranking). The criteria for the ranking are calibrated to consider all communications aspects of the companies, from their relationship with investors compared to the average relationship, their implementation of social networks, to the transparent management of governance information. Ansaldo STS rose from 26th to 14th place in the last few months (40th in 2010).

The Investor Relations function coordinates with the internal sustainability committee and applies its guidelines. It is also responsible for preparing the Sustainability Report and promoting CSR policies and activities within the company. The certified 2012 Sustainability Report, reviewed by the independent auditors, will be presented at the shareholders' meeting in 2013.

Transparency and accuracy of information

Ansaldo STS pursues its mission ensuring the full transparency of the decisions taken and providing the market with all the necessary information to enable investors to base their decisions on complete and accurate information. Therefore, all the company's communications are not only strictly compliant with legislative and regulatory provisions, but also feature clear language, throughout information, timeliness and consistent information for all investors. Information relating to Ansaldo STS is disclosed to third parties exclusively by the functions assigned this duty and in accordance with the applicable company procedures to ensure the truthfulness of the information and correct disclosure. Particular attention is paid to the disclosure of communications relating to extraordinary transactions, public offerings, tender offers and exchange tender offers, or other business initiatives, benefits and agreements of a particular importance. With respect to communications to the market of new contracts awarded to Ansaldo STS, the latter has adopted the well-known procedure whereby any contract with a value of over €10 million is immediately reported in a press release to the market, after the formalisation and signing of such contract. In addition, specific protocols provide for checks and controls, to ensure that the corporate communications required by law, the information to shareholders or to the public regarding the company's position and the forecast results and financial and equity outlook (for both the company and its group) and the prospectuses required for the purposes of public offerings, are always truthful and complete, and that they truthfully present facts, which may still be undergoing valuation, so as not to mislead the intended recipients of the disclosure. Likewise, dealings in listed and unlisted financial instruments performed on behalf or in the interests of Ansaldo STS are compliant with the principles of correctness, compliance with applicable laws and regulations, effectiveness and transparency, so as to allow market players to gain a full and accurate understanding of the transaction and the reasons therefor, in view of a knowledgeable investment decision and for the protection of investments.

Share performance and analysts' rating

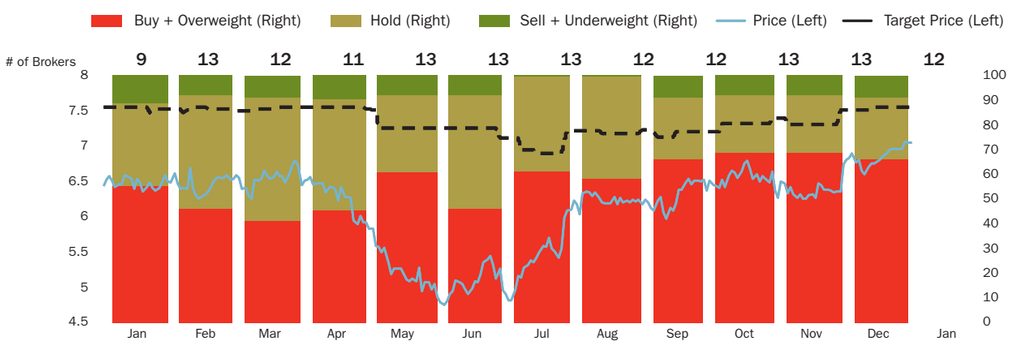
The official share price in the 31 December 2011 to 28 December 2012 period went from €6.44 (restated on a like-for-like basis following the bonus issue of 9 July 2012) to €7.07, with an annual increase of around 9.8%.

The third instalment of the bonus issue was carried out on 9 July 2012 with the issue of a further 20,000,000 new shares, distributed to eligible shareholders in the ratio of one share to every seven held.

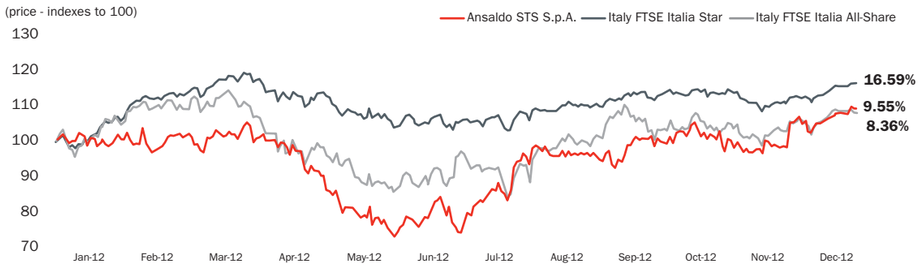
The share's high for the year of €7.07 was recorded on 28 December 2012 and its low of €4.47 on 1 June 2012. An average 903,015 shares were traded daily in the year.

The share's performance did not follow the reference indices, with the FTSE Italia All-Share up 8.4% in 2012, while the FTSE Italia STAR rose 16.6%. The average of analysts' guide prices at the end of 2012 was €7.56; those of the latter part of the year in particular are similar to the year-end market price.

The share's performance in the second half of the year was impacted by news of a possible sale by the majority shareholder and even more so since the consolidation process got underway within the Group's reference sector, with the purchase of a competitor (Invensys PLC) by another large player (Siemens AG). This news generated increased speculation on the share but no high speculative funds bought shares.



The market's perception of the Ansaldo STS share is that it is defensive and anti-cyclical, and its sector is perceived to have growing reference business; this also reflects management's ability to seize new and important opportunities at international level.



The Investor Relations functions continues its commitment to sustainability

The type of business and management's willingness keep certain French, UK and US ethical funds' interest in Ansaldo STS high.

In 2012, Ansaldo STS confirmed its commitment to upholding the UN Global Compact and the Investor Relations office promotes and coordinates relationships with this important body and participates in the work group organised by the Italian network as part of the supply chain, to establish criteria useful for the creation of a list of virtuous companies with which Italian network signatories collaborate or can collaborate. The sustainability criteria considered are not only environmental, but social and economic as well. Several different companies already meet the extremely well defined environmental requirements and believe it is crucial to include social criteria in the qualification procedures as well.

The perception of financial markets

In the first half of 2012, the Investor Relations offices began a survey of companies on the STAR segment to see what the communications standards of small and medium cap companies listed on the Milan stock exchange were.
The survey was meant to meet the specific need for the periodic check of the level of communications usually distributed and therefore identify the best practices in the market.
The purpose of the survey was to gather a qualitative indication of the number of roadshows, conferences and events that issuers organised or participated in.

Ansaldo STS was one of the companies most frequently present and available with communications, ensuring the publication and updating of information needed for a better interpretation and valuation of the company and its business.
At every roadshow or conference, the accompanying brokers are asked to gather feedback with total neutrality on the meetings, along with recommendations.
In 2012, no specific perception studies were conducted, as Ansaldo STS believed that the above and its ongoing contact with the financial community are sufficient for a sound interpretation of sentiment and consensus.
Below is a summary of the main information that arose.

CRITICAL ELEMENTS

- Ansaldo STS' ability to improve its profit margins through efficiency plans already made public is very carefully monitored as the performance of profit margins in a highly competitive market remain a crucial factor for investors in this sector, Ansaldo STS and any other players.
- The global macroeconomic situation and sovereign debt crisis have affected the domestic markets of operators in this sector even more, pushing them to reduce prices in order to consolidate their positions on emerging markets.
- The uncertainty as to whether the controlling shareholder will divest has created new concerns of potential difficulties for Ansaldo STS in finding new opportunities and managing its current business.

STRENGTHS - According to institutional investors, Ansaldo STS is well positioned in emerging markets and, accordingly, does not always have to pursue an entry policy, although pressure on profit margins remains high.

Its references, order backlog and financial position are the elements that those interviewed saw as catalysts and drivers for their investment decisions. In addition, the assessment of the sector in which Ansaldo STS operates is that it is, at global level, enjoying growth. Indeed, public spending stimulus and investments in this sector are still high given the growing needs of urban residents for fast and efficient mass transit. Finally, an extremely sound financial position and skilled management are strengths recognised by the financial market.

WEAKNESSES AND THREATS - Competition is Ansaldo STS' greatest challenge. Certain interviewees believe that its long-standing experience in this sector protects the company to a certain extent from competitive pressure, while others see the situation as growing increasingly difficult, particularly considering the largest competitors offering more services. Competing against the Chinese in the signalling sector is another threat seen by financial markets.
Market consolidation, which is now a certainty following the combination of two competitors, could be another cause for investors' concern, as they may see the "size" factor as a potential limit for Ansaldo STS in terms of its ability to compete internationally.

MARKET PROSPECTS - Although those interviewed believe that economic uncertainty, especially in Italy, and the possibility of a slowdown in projects or cancellations are not positive elements, they still believe that these could be offset by the development of infrastructure in emerging markets. Furthermore, they are confident in certain areas, such as Australia, and note that others are remaining active, such as high-speed railways in France.

GUIDANCE - Most interviewees believe the publication of guidance is very useful, given Ansaldo STS' ability to maintain confidence in its business. Others, with longer term views, put more faith in the company's general performance in terms of acquired orders, and give less importance to quarterly results. A general appreciation of the company's reliability in publishing data and targets was noted, with the exception of difficulties in understanding profit trends. Interviewees greatly appreciated company management and the communications efforts of the Investors Relations function.

BONUS ISSUE - Most interviewees believe that the bonus issue was performed to boost the share's liquidity, although the effect was immaterial. After three years in which the first tranches of the issue have been placed, the market is better adapted to this kind of initiative and better understands its effects.

RESTORING VALUE TO SHAREHOLDERS - Dividends are seen as a preferred means of restoring excess liquidity to shareholders. Except for a few instances, the acquisition of treasury shares is immaterial for Ansaldo STS, as the related effects could be cancelled out by the bonus issue.

CORPORATE AND SOCIAL RESPONSIBILITY - Certain investors believe that CSR has not had much impact on their decisions to invest in the company, but that it is a hallmark and complement, demonstrating the company's quality and confirming its soundness and reliability. In any event, should the company be found to be involved in illegal practices, interviewees would no longer invest in it. However, Ansaldo STS is seen as a leading player in the green economy.

ABILITY TO COMMUNICATE - The CEO of Ansaldo STS is seen as a charismatic leader capable of providing a sound description of the market. In 2012, the appointment of a new CFO was perceived as a normal company situation. The new CFO was introduced at an event organised at the company's site in Genoa, with the participation of all analysts who follow the share. In the days that immediately followed, the CFO and Investor Relations Managers held several meetings in the main financial markets around the world.

INVESTOR MEETINGS - Institutional and certain retail investors confirm that investor meetings are the most important chances to receive updates on the business performance and gain an understanding of the company. Indeed, as a public company, Ansaldo STS is required to report to the market on its developments, strategy, the trends on the market in which it operates and its outlook. Investor meetings help investors make more informed decisions, including the event of bids for the company.

ORGANISATION OF INVESTOR MEETINGS - There is a widespread belief that it is difficult to improve upon the already excellent investor meeting organised in February 2012 at the offices of Borsa Italiana in Milan, which was considered adequate and effective. The need to reduce the time, indicatively only half a day, was noted. Another suggestion was to more briefly summarise various discussions and comply with the schedule on the agenda. Although there were none at the last meeting, guest speakers are greatly appreciated, as they offer a view of different businesses than the company's. Lastly, an organised tour of an Ansaldo STS would have been interesting.

THE ACTIVITIES OF THE INVESTOR RELATIONS TEAM - The generally positive impression of the investor relations team's work was confirmed, and the financial community recognised it as the main contact. The team's excellent knowledge of the market, business model and strengths/weaknesses, as discussed during meetings held by the Investor Relations Manager, was also recognised. The office is known for its pro-active approach, availability and the quality of the information it provides.

WEBSITE - Again in 2012, the company was named the best improver for the updating of its web site. In the investor relations sections substantial progress was made, with new features, and the timely publication of data remains a crucial factor, in relation to which certain critical areas remain due to the amount of time needed to publish the translated versions of interim and annual reports.

BEST PRACTICES IN INVESTOR RELATIONS TEAM - Although there are no companies considered benchmarks, certain companies, including Ansaldo STS, have been found to offer above-average investor relations services.

CONSENSUS REQUEST

One Investor Relations practice that has proven successful is the consensus request. Periodically, Ansaldo STS' IR office asks brokers who cover its share for a recent update on their forecasts of the company's main statement of financial position and income statement figures. They calculate the average figures and send them to the individual brokers, for comparison with their predictions. With this service, Ansaldo STS has an accurate update of analysts' perception (i.e., the sell side) on which management may reflect. Both of the above practices demonstrate Ansaldo STS' focus on considering financial communications as a two-way street based not only on the reporting of information, but also, and above all, on the gathering of information revealing how the business is perceived, along with suggestions from the market.

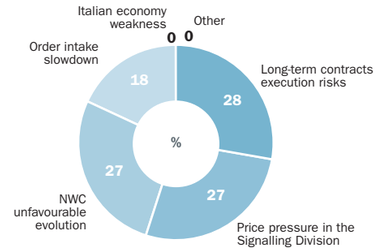
BEST PRACTICE

FEEDBACK FROM INVESTORS

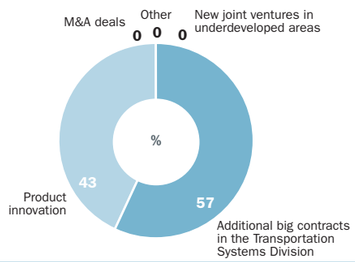
Ansaldo STS approaches dialogue with the financial community through certain practices that, although very simple, have proved effective on the market, and involve the company's reputation. After meetings are held, feedback from investors is gathered and carefully analysed. It is discussed with top management, recorded in databases and used to manage future communications and subsequent meetings.

The processing of feedback gathered during the 2012 road shows are reported.

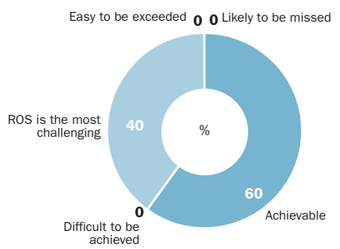
1. What do you perceive as the most important risk?



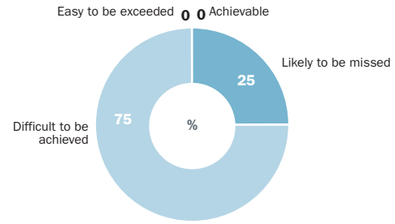
2. What do you perceive is the most important opportunity?



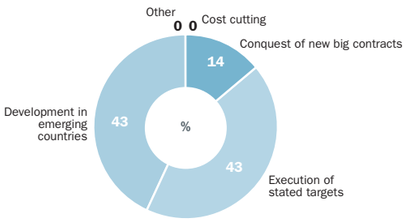
3. How do you consider FY12 targets?
(i.e. sales € 1.2-1.3 bn, EBIT margin 9.5% and order intake € 1.5-1.7 bn)



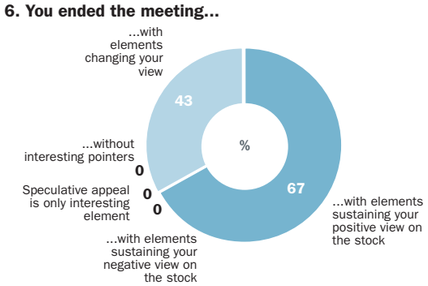
4. How do you consider FY14 EBITDA target?
(sales € 1.55 bn and EBIT margin 10.5% 11.0%)



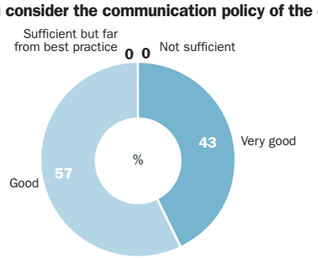
5. Where the management must concentrate its focus?



6. You ended the meeting...



7. How do you consider the communication policy of the company?



Banks

Sound, consolidated relationships with banks are a cornerstone of Ansaldo STS' strategy. This objective is achieved through a multiple approach in terms of the management of:
- currency transactions (FX, derivatives, etc.);
- bonding (management of guarantees);
- treasury (collection management, tax settlement, cash pooling, etc.);
- liquidity (deposits and overdrafts);
- investment banking (M&A and structured finance).

This is also in order to prevent one specific activity (e.g. guarantee management) from being concentrated in one single bank, while also achieving cost efficiency. The turnover of services between banks occurs during the year and depends on how frequently different banking products are needed. Ansaldo STS maintains relationships with major banks worldwide, such as Intesa Sanpaolo, UniCredit, CitiGroup, ING, Credit Agricole, BNP Paribas, JP Morgan Chase, HSBC and Nordea. The Group's Finance and Treasury function is responsible for giving mandates for "primary" banking relationships, which include (short and long term) payables, investments, bank guarantees, bonds, project financing, documentary credit, treasury operations, treasury management - liquidity management, payments and receipts - and financial advisory services. Counterparties which give rise to counterparty risk for Ansaldo STS must have a long-term credit rating of at least A/A (Moody's, S&P). In exceptional cases transactions may be entered with counterparties assessed on the basis of the rating assigned to investments. The limits for each counterparty as regards deposits, investments and derivatives are determined based on the credit rating and the financial statements. For each financial product and service at least two counterparties are invited to submit a quotation. In the case of frequent transactions in the money market and/or minor transactions in foreign currencies one single quotation may be sufficient. In the case of several competitive price offers, the decision on the counterparty may be taken based on the existing relationships. Counterparties that constitute key relationships are invited to specific meetings at least once every two years. Ansaldo STS aims to forge real partnerships with major banks in order to better support the company in its business activities which are developing in "frontier" foreign countries and so are particularly challenging given their difficulties and peculiarities, including from a financial and banking standpoint.

Types of sureties, bonds and the related amounts

Ansaldo STS adopts stringent policies in relation to the management of direct and indirect parent company guarantees and the issue of bank and insurance guarantees for its subsidiaries, with the aim of:
- identifying the form of guarantee and financing to be issued and the hedging terms for the financial risks arising from contracts, as well as the most appropriate banking counterparties;
- managing at a centralised level and/or coordinating the preparation of direct and indirect guarantees and structured finance for sales with the aim of facilitating the effective conclusion of such transactions in accordance with the policies defined by Ansaldo STS with respect to transactions with counterparties and risk profiles;
- maintaining a minimum level of guarantees, in order to ensure the continuity of transactions underway and the ability to finance new transactions, if required;
- ensuring business sustainability with the availability of endorsement credit that sufficiently covers expected requirements;
- minimising the cost of the guarantees given by Ansaldo STS and optimising workloads by leveraging the specific competencies of each organisation.

Ansaldo STS issues different types of guarantees and bonds to its customers, such as: bid bonds, advanced payment bonds, performance bonds, retention money bonds and warranty bonds.

There are two main types of guarantees that may be issued:
1. Direct guarantees: are issued directly by Ansaldo STS S.p.A. with the customer as the beneficiary, without involving a bank. This type of guarantee includes the Parent Company Guarantee (PCG) which represents the commitment to meet the financial obligations of another Group company if the latter fails to honour them;
2. Indirect guarantees: are issued through a bank in favour of the beneficiary. Generally, the customer prefers to apply for an indirect guarantee, even during the tender phase, by reason of the presence of the bank. In percentage terms, more than 90% of the guarantees issued for the Group companies are indirect guarantees.

The Treasury and Finance function has negotiated a certain amount of credit lines with several banks, in order to meet Ansaldo STS' requirements for bonds and guarantees, which are useful in facilitating the growth of the business: without the ability to obtain guarantees, no contracts could be entered into with the customers. The policy of continuing to use certain local guarantees is due to the need to maintain, during periods of crisis, the greatest possible number of facilities. Indirect guarantees are used in order to ensure the participation of subsidiaries in:
- tenders/performance of smaller contracts without any complex guarantees clauses;
- tenders/performance of large contracts with any complex guarantees clauses in exotic countries.

Generally, a subsidiary may use two types of guarantees:
- "granting of credit", which is the most widely used method, in which the bank issues an ad hoc guarantee for a specific project;
- "umbrella", in which the subsidiary may use a maximum number of small guarantees up to a given amount.

The most popular guarantee is the advance payment bond, which allows the buyer to recover an advance payment relating to a contract or order in the event that the supplier does not meet its contractual obligations.

At 31 December 2012, guarantees amount to approximately €3.6 billion.

The main issuers are:
- 41 banks (40% of the amount of guarantees used);
- 20 insurance companies (26% of the amount of guarantees used).

Commitments assumed and commitments for the future

REPORTING ON COMMITMENTS

Commitments assumed in 2011	Activities performed in 2012	
• Maintain the image and stock value in relation to the real situation of the company and business.	• Maintain the image and stock value in relation to the real situation of the company and business.	✔
• Organise an event/initiative involving ethical investors or with genuine regional importance	• Ansaldo STS has not yet been able to organise the event on which work began, including upon certain local initiatives in the Campana region.	–
• Promote the provision of detailed and comprehensible information to non-controlling and retail investors	• Frequent contact was made with the retail investors most accustomed to direct contact. No specific initiatives were undertaken, but the Investor Relations function was more attentive to web site developments, in order to provide greater details which are also useful for investors' understanding.	✔

Commitment for the future	Timeline
• In 2013, Ansaldo STS expects a continuously evolving market undergoing potential change. It is committed to maintaining communications that reflect an accurate interpretation of the business, company and strategy. It aims to ensure its participation in financial communications events and organise specific initiatives at times when the market most requires them.	2013
• It has not neglected the idea of organising an event for ethical funds, for which it would like to first conduct an analysis of opportunities and actual interest.	2013

CUSTOMERS AND THE MARKET

A new transportation system begins by the initiative of a government, municipality or, in any event, a typically public body. It may have any number of purposes, in addition to meeting the transportation needs of passengers and freight, such as: the redevelopment or development of a specific area or to resolve issues related to environmental pollution. Transportation system projects can be fully financed either publicly or privately, or even financed through a PPP (Public-Private Partnership).

Ansaldo STS mainly works with public customers, including government authorities, national and regional railway infrastructure managers and operators, municipal authorities and major public transit entities. Private customers are mainly US railway operators, mining companies and the large contractors awarded railway and urban rail infrastructure projects in seeking a technological partner. Ansaldo STS operates both as part of consortia or joint ventures financing the project, or as the supplier of signalling systems or turnkey transportation solutions. Such turnkey projects typically include the construction of civil works and the supply of rolling stock, meaning Ansaldo STS must choose adequate and reliable partners, particularly when the solution requested is highly complex and the project is based abroad.

The scope of work for Ansaldo STS usually consists of the following subsystems: signalling, telecommunications, SCADA (Supervisory Control and Data Acquisition), electrification and powering, platform doors, security, passenger information, track and storage equipment.

Over the past decade, Ansaldo STS has also gained the experience necessary to operate transportation infrastructure.

Tenders

Ansaldo STS is generally awarded contracts in Europe and outside Europe by participating in public and private tenders for the supply of signalling systems, components and plant or turnkey transportation systems and operation and maintenance services.

Ansaldo STS participates in tenders by submitting bids through its operating companies in line with competitive procedures, either individually or jointly with other partners. When it participates with partners, depending on the provisions of the tender or for specific strategic reasons, the participating companies may: (a) form a partnership without legal personality and therefore (ii) set up a joint venture abroad or (ii) establish a joint venture in Italy (*"raggruppamento temporaneo tra imprese"* in which an agent company is appointed with a special mandate conferred collectively with power of representation to submit the bid and manage relationships with the customer); (b) establish an independent legal entity to act as contractor, either in the form of a consortium in Italy, or a special-purpose company in Italy or abroad.

The chart below shows the stages in the awarding of a tender for the completion of a contract.

Eligibility and vetting of partners

In tenders for the awarding of contracts, Ansaldo STS companies either individually or jointly with partners are subject to a preliminary stage to identify eligible participants and, where they are deemed eligible, may then participate in the tender by submitting their technical/financial bid. Specifically, under current legislation, the technical and professional qualifications of companies (their organisation and means) are assessed in terms of whether they meet requirements of hygiene, safety in the workplace and the protection of the environment.
The final evaluation of partners also considers Ansaldo STS' code of ethics. In accordance with the code, Ansaldo STS does not enter into partnerships with entities that are merely suspected of operating on behalf of criminal organisations of any kind, including the mafia, parties or groups with terrorist aims or operating in violation of the law or regulations protecting workers' rights.

Tender participation

Once the decision is made to submit a bid, the Ansaldo STS company participating in the tender appoints in internal Bid Manager who will be responsible for coordinating all the activities to prepare the bid quotation and the Bid Project Engineer responsible for the technical coordination of all the specific planning development stages. The Ansaldo STS company will then configure the product to be offered, in order to make it technically and financially competitive, and subsequently estimate costs.
The bid is then submitted to the customer along with, if required, a bid bond through an insurance company or bank to support the credibility of the bid.

Awarding of the contract

After having reviewed the bids received and evaluated the technical-financial specifications of each, the customer awards the contract. In certain cases, the contract requires the customer to pay an advance equal to a percentage of the consideration established for the contract. This advance is guaranteed by the Ansaldo STS companies on the basis of an advance payment bond. Furthermore, the companies are generally required to provide an additional performance bond through an insurance company or bank.

Performance of the contract

The chart below shows the stages in the creation of a complete signalling or transportation system.

In general, the performance of contracts entailing the supply of signalling and transportation systems lasts more than one year. A team is formed for each contract, with a Project Manager who oversees all project management, including the financial aspects related of contract performance.

As the person appointed to represent the company, the Project Manager is the link between the customer and the company for the respective contract and is responsible for overseeing the progress of all contract activities, in accordance with the commitments made with the customer, in order to ensure compliance with the contractual terms, the budgeted profit margin and product quality.
The progress of all contract activities is monitored using IT project control technologies (with respect to both costs and revenue).
In terms of legislation concerning health and safety in the workplace, the company appoints specifically qualified technical site managers to control operations, with the assistance of HSE consultants who merge local regulations with high corporate standards.

Business ethics

Ansaldo STS conducts its business in accordance with the principles of integrity, legal compliance and the values promulgated by the code of ethics, as well as with open market values, and requires the same conduct of all parties with which it has business and/or financial dealings entailing requirements that Ansaldo STS is in a position to enforce. Ansaldo STS undertakes to act in accordance with the code of ethics with its customers.

It forges and manages relationships with the authorities and public administrations in accordance with the laws and principles of the code of ethics, as well as with specific procedures. These relationships, like the related management of financial resources, must be managed by the authorised company functions. In particular, relationships with international entities, authorities and public administrations are managed at the appropriate levels, by people who are authorised to do so, and they are duly monitored.

Authorities and public administrations may include customers, public officials or people appointed to perform public services, international institutions, public prosecutors, public supervisory authorities or private partners (concession-holders for a public service). Transactions performed with these parties may consist of tenders, contract management, authorisations, licences, concessions, requests and/or the management of public financing, inspections or communications with the public authorities.

Ansaldo STS undertakes to fully cooperate in the event of any requests of any kind from the judicial authorities and, in general, any contact with such authorities, and abstain from any conduct that could hinder it. Ansaldo STS and its employees act in full compliance with the laws and principles of loyalty, fairness and transparency.

When dealing with the authorities and public administrations, Ansaldo STS undertakes to represent its interests and its needs fairly and transparently, in compliance with the independence and impartiality of the decisions of the public administration. In business dealings with advisors, customers, suppliers, contracting counterparties, business and/or financial partners, etc., it prohibits any donations, direct or indirect benefits, gifts, courtesies and hospitality, unless they are of a nature and value that would not compromise the company's image and could not be interpreted as aimed at obtaining favourable treatment. In any case, any gifts, courtesies and hospitality must be reported and subject to the approval of the relevant people, and the related company procedure must be followed.

Those to whom the code of ethics applies who receive gifts or benefits in conflict with the company's policies must immediately inform their superiors who will take the consequent action. The functions responsible for managing communications outside the company shall inform the person who gave the gift or donation of the company's policy in this respect. Any irregularities involving requests for or the offer of money, gifts or favours must also be reported to the supervisory body of the code of ethics.

Production innovation: safety and respect for the environment

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

Ansaldo STS has upheld this commitment and achieved the related results, essentially improving its offer through:

- **cost reduction and system integration**, using powerful technological platforms, integrating more than one function into the same subsystem, reducing the size of the equipment and of its connectors, using simple and effective programming, tests, verification, validation and commissioning systems.
- **reduction of energy consumption**, using the most recent available technologies, as well as achieving the highest possible integration of components on the same chip through the extensive use of FPGA (field programmable gate arrays) and the physical integration of subsystems. Another way to reduce energy consumption in the railway control system is to reduce the quantity of devices used to safely manage train travel. The most recent ATP - Automatic Train Protection - system applied by Ansaldo is based on the GPS - Global Positioning Satellite - system. It replaces the wayside equipment for detecting moving trains, an expensive method which requires higher energy consumption. This function is now safely used on board the train. In fact, the train's position is determined safely by combining the signals received from the geostationary GPS satellites (in the future, the Galileo satellites) with those from the traditional tachometers.
- **Higher performance, reliability and availability of products and solutions**, possible thanks to the use of redundant platforms which provide "fault tolerant" configurations, i.e. capable of continuing to function even when some sections are out of service, together with maintenance staff adequately equipped with sophisticated fixed and portable diagnosis tools, which immediately detect a fault and notify the operator. In addition, in order to ensure the safety and reliability of the service for end users, the maintenance staff may intervene on units showing faults by replacing them without any disruption to the correct functioning of the overall system.
- **Safety systems developed in compliance with stringent IEC /CEN /CENELEC standards**, providing solutions that ensure the highest degree of safety and mean time between hazardous events.
- **Total replacement or assistance to the driver using the automatic train operation (ATO) technology**, a system that independently performs some or all of the operations, leaving the driver responsible solely for opening and closing the doors. While this system is already widely used in urban rail systems, Ansaldo STS was the first to apply it to traditional railway systems as well.
- **Implementation of products and management of production plant in accordance with the most recent and most stringent ISO 14000 standards,** in order to take all the necessary steps to protect the environment, not only in production, but even when planning for final disposal at the end of the product's life.

- **Providing safe environments for its customers and end users,** through a specific network of sensors that constantly monitor the railway areas to control and grant access to protected areas (e.g., operating control centres, tunnels, technical rooms, etc.) to authorised personnel only. These networks of sensors are active 24 hours a day, seven days a week using closed circuit television (CCTV) systems and highly sophisticated expert systems capable of detecting unattended luggage, which can be played back in the event of investigations, thus providing all passengers with a safer and more controlled environment.
- **Reliable and efficient hourly traffic,** a tool that provides many advantages for the environment, including a more efficient timetable for all the trains running on the railway infrastructure and, in particular, determining the best places for stops, crossing over and passing other trains and journey times, in order to minimise wait time and consumption. They also help prevent traffic congestion and provide pro-active ways to combat congestion due to train delays, scheduled and unscheduled maintenance, natural disasters and the work shifts of on-board personnel. This is an excellent support to the personnel managing the traffic on the railway line and who must deal with unforeseen changes in the timetable, while guaranteeing passengers reach each station on time and that the freight transported reaches its final destination on time. This type of support tool has also reduced fuel consumption considerably, increasing the average speed of trains and reducing fuel waste due to acceleration followed by braking due to temporary slowing or red lights.
- **Technology to improve the life cycle of the proposed solutions.** Ansaldo STS has always been committed to offering its customers solutions that not only improve system performance and safety, but also ensure greater reliability over time. Specifically, thanks to its unique experience as both builder and operator of the Copenhagen driverless metro, Ansaldo STS has developed transversal expertise to design and create transportation systems as a builder and integrator, but also in view of being the future operator and maintenance provider.

Practical examples of this approach have been the design and construction of the depot to facilitate future maintenance, reducing the related costs, in addition to the design of transportation infrastructures to ensure functioning even in critical situations or when certain subsystems are undergoing maintenance.

This type of approach has been successfully applied to Italian high-speed lines as well, where specific systems were developed for diagnostics and control of electrical substations. Using these tools, preventive maintenance planning is possible, i.e., the condition of each substation can be monitored, with the detection of fault risk at any of them. In this way, greater environmental sustainability is ensured with less consumption and spare parts necessary, while substantially reducing the risks of interruptions in the line due to faults and consequent service issues.

ECODESIGN

For new contracts (e.g., the Montreal MPM-10 train control system project), Ansaldo STS is implementing an ecodesign study for the customer's environmental requirements, in relation to the following:

- analysis of compliance with REACH – Registration, Evaluation and Authorization of Chemicals standards (this is an integrated system set up by the EU);
- analysis of the reusability 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 life cycle. The analysis process is carried out using software and considering the applicable legislative requirements and UNI ISO 14040 standards.

LED TECHNOLOGY

For several years, at its sites in Tito Scalo and Batesburg, Ansaldo STS has produced safety lights using LED technology.

This innovation has a positive impact on maintenance and the disposal of material following maintenance.

Customer satisfaction

Customer satisfaction is central to Ansaldo STS' strategy: the ability to understand customers' needs and expectations and meet them is the top value on which it bases its company culture. In general, each customer has a contact at Ansaldo STS, a specific Project Manager overseeing its contract and responsible for ensuring the customer is satisfied, responding to any issues that might arise over the course of the contract.

The organisation of bidding and project management activities is essential to performing a project that meets the quality requirements of the products and services offered and supplying them on time and on budget. This is why project management is a key tool in safeguarding the interests of Ansaldo STS' stakeholders, including shareholders, who are mainly interested in the results of the business, and customers, who are interested in receiving a top quality response on time and in line with the transportation needs of a city or, more in general, a community. With respect to the community, the most significant development in market trends in the past few years has been the gradual shift from the supply of products and technologies to meeting demands from customers for transportation solutions that effectively meet needs expressed by local and national institutions. This new type of offer requires the ability to work with customers, seeing them less as buyers and more as partners, in the management of a project over its entire life cycle, and also offering, where necessary, project financing, and therefore with the contribution of private sources of financing. It also sees the company's subsequent involvement not only in design and implementation activities, but also in the management and maintenance stage that follows.

Ansaldo STS operates with customers mainly consisting of public institutions on long-term projects. It is therefore affected by myriad external factors such as the macroeconomic scenario and the consequent availability of sources of financing and the need to operate, especially in terms of urban public transportation projects in city centres with many interferences that could impact the steady performance completion of a project.

Clearly, in a context such as this, project management skills and processes are essential for the achievement of the pre-determined objectives and to ensure sustainability with stakeholders. To this end, it is necessary to identify and monitor any uncertainties typical to the business and, more in general, to manage risks. Ansaldo STS, in accordance with the policies of Finmeccanica, has implemented appropriate life cycle management and risk assessment procedures to monitor project performance by regularly comparing physical and accounting progress and consequently identifying of any discrepancies using earned value techniques, with the consequent identification of appropriate action plans aimed at maintaining the objectives of the project.

The risk assessment process provides for the identification of all significant risks already at the bidding stage and their monitoring throughout the entire life cycle of the project, in order to immediately identify potential mitigation action to be taken. Furthermore, in accordance with international best practices, Ansaldo STS directly collaborates, when required, with customers to manage risks together, thereby minimising their impact, not only in terms of risks for Ansaldo STS, but for the end customer as well, and, accordingly, for all stakeholders. In this respect, Ansaldo STS has created standard procedures that it uses for integrated risk management with end customers.

OPERATIONAL PROJECT RISKS

To mitigate risks relating to the quality, deadlines and costs of a project, Ansaldo STS:

- adopts risk management processes, both during the bidding and project performance stages, and life cycle management based on the constant comparison of physical progress with accounting progress, in addition to stage review processes;
- clearly assigns responsibilities to the project manager and project controller;
- provides for managerial review of project performance (periodic reviews at the various levels of material responsibility) and review processes of estimates during bidding;
- independent review by the risk management function;
- in accordance with the risk management process, identifies, for each project, specific risk mitigation action and the suitable contingency plans in the contract quotation.

Additional action is planned to improve the efficiency and effectiveness of control processes and to harmonise these processes, in line with existing best practices, considering the Group's various companies and different levels of expertise among such companies.

BEST PRACTICE

COPENHAGEN METRO

The construction of the Copenhagen metro demonstrates Ansaldo STS' ability to offer highly advanced solutions in terms of the environmental and safety to meet stringent requirements of Danish regulations, both in planning and operation and maintenance (Copenhagen metro M1 and M2 and Cityringen M3 and M4).

The Copenhagen metro is an operational driverless train system that links the city centre, airport and new area under development to the south of Copenhagen, Ørestad. The total system covers 22 km and includes 21 stations with high service levels: 120 seconds between trains during peak hours.

These are the system's main features:

- Ansaldo STS is the main contractor and is responsible for operation and maintenance, including maintaining the civil works included in other contracts.
- Ansaldo STS was the first company in the world to use the EN standard in UTO (Unattended Train Operation) systems.
- The line was designed to go uphill and downhill in order to reduce energy consumption, with departures going downhill and arrivals going uphill (this improves acceleration and reduces the wear of brakes and need to recover braking energy).
- A braking energy recovery system was created without dispersion (the energy that is not used to fuel other trains is converted, purified and put back in the network).
- Environmental energy saving specifications have also been met in the depot buildings and the buildings in the control and maintenance centre (isolated walls and windows, lighting and heating regulated on the basis of whether there are people inside and the outside light conditions).
- A recovery, purification and re-use system has been created for the water used to wash the trains, along with protective scratch-proof film for vehicles.
- A variation is underway: the line is being extended towards Nordhavn, a new residential and commercial development area with approximately 40,000 residents, which will be the first fully CO_2 free area.

Customer satisfaction*

Ansaldo STS was entrusted with operating the metro, with Metro Service A/S as subcontractor, until the end of 2015, with an option for another three years to 2018. The contract was agreed in January 2010, after a European tender. The remuneration is linked to service availability, timeliness and customer satisfaction.
Customer satisfaction is indeed of vital importance to the metro, both in terms of maintaining existing customers and attracting new customers. Accordingly, Metroselskabet, Ansaldo STS and Metro Service devote considerable attention to customer feedback.

(*) Source: 2011 Annual Report of Metroselskaft.

BEST PRACTICE

They use various tools to understand customer expectations and requirements, including quarterly customer surveys.

In 2012, for the third consecutive year, the Copenhagen metro was named the world's best driverless metro.
This award was given at the annual conference of leading urban rail system experts, Metrorail, held in London.
A high level of control and customer satisfaction are key factors for the award.

"Copenhagen Metro, rolled out in October 2002, was named the Best Metro in the World in 2008, 2009 and 2010"

- **Best World Metro 2008 - in Copenhagen**
- Best Metro Europe 2008 - in Copenhagen
- Best Driverless Metro 2009 - in London
- **Best World Metro 2010 - in London**
- Best Driverless Metro 2010 - in London
- Best Driverless Metro 2011 - in Milan
- Best Driverless Metro 2012 - in London

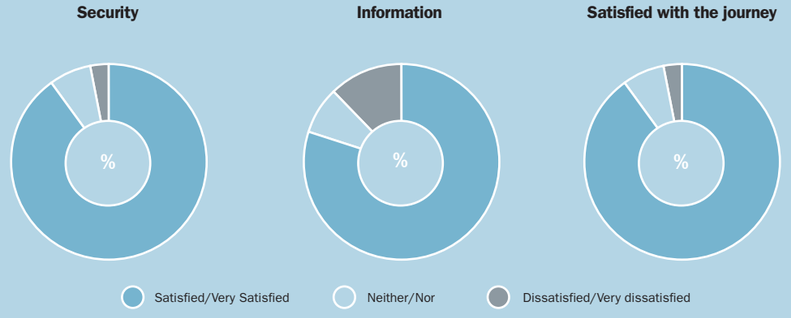
Since inception (2002), customer satisfaction has been carefully monitored by Metro Service, but only after the completion of the M1 and M2 lines did the feedback received begin to be included in contractual agreements. Metroselskabet, Ansaldo STS and Metro Servizio will continue to refer to and analyse the results of surveys managed by an independent agency, and they will be published quarterly and annually in a Metroselskabet report.

The 2012 survey has not yet been published, but we can gain an idea of the method used by referring to 2011 and previous surveys.

The number of passengers has risen from roughly 47 million in 2008 to approximately 55 million in 2011. Surveys were conducted on a sample of roughly 4,500 interviewees and customer satisfaction is monitored regularly by evaluating the following factors:

1. Satisfaction with the journey
2. Cleanliness of the stations
3. Cleanliness of the trains
4. Timeliness
5. Service quality
6. Updating of information
7. Security

Each of these performance factors is directly assessed by passengers and then compared with specific, predefined targets. The main results of the 2011 survey are summarised below:



All questions received above-average assessments on a scale of 0.000 - 1.000. "Feel secure" was the most important parameter (0.88) and as an average, approximately 97% of those surveyed said they felt "Very secure/ Secure" in the metro.

Communications

The aim of customer communications and, more generally, market communications, is to contribute to the creation of value, improving the way in which the Ansaldo STS brand is perceived by the many professionals who participate in decision-making that affects investments and main operating activities.

Ansaldo STS' product, which consists of innovative high-tech systems, often services vital functions for the integrity of infrastructures and the safety of users, with a life cycle that lasts several decades. Accordingly, there are many different types of communications organised in a number of ways, in terms of content and form, for the various professions that they target.

Institutional communications target the top management of major national railway companies and the public administrations of urban areas interested in transportation solutions, the operating units of customers responsible for performing contracts, the technical/contractual supervisory bodies appointed by customers or required by local legislation, professional associations in the sector and Opinion Makers.

TRADE FAIRS

The most important trade fairs in which Ansaldo STS participated in 2012:

- Scandinavian Rail (22-23 Feb) Stockholm
- Eurasia Rail (8-10 Mar) Istanbul
- 3rd UITP MENA (26-28 Mar) Abu Dhabi
- Expoferroviaria (27-29 Mar) Turin
- Metro Rail (27-30 Mar) London
- ERTMS / UIC World Conference (24-26 Apr), Stockholm
- CRTS China 2012 (26-28 Apr) Beijing
- RSSI (21-23 May) Cincinnati
- UIC/APTA 8th World Congress on High Speed Rail (11-13 Jul) Philadelphia
- Innotrans (18-21 Sept) Berlin
- Helexpo (8-16 Sept) Thessaloniki
- CBTC World Congress (6-8 Nov) Amsterdam
- AUS Rail 2012 (27-28 Nov), Canberra

Ansaldo STS believes that trade fairs constitute one of the most important occasions for company communications, as they are a place of privileged contact between exhibitioners and their target. Therefore, for the purposes of a careful preliminary planning process, 12 to nine months before the fair, the External Communications and Marketing offices establish the objectives and reference markets. Clear objectives are a key step in establishing the communications strategy and methodology that will be adopted.

The objective of technical/business communication is to update the various professionals on qualification with customers, design, implementation, commissioning, approval, after-sales service, staff training and workers' safety at the sites.

It pursues these objectives by creating a work community that, by leveraging a sense of belonging, can adjust its response to the market in terms of timing and procedures, by participating in trade fairs, by appearing in specialised publications with institutional and product advertisements, along with articles detailing certain aspects, company publicity on the web site, the publication of leaflets and broadcasting of videos for sales and marketing, training of customers' staff and workers' safety at the sites.

Litigation management

Disputes between Ansaldo STS and its customers are mainly "physiological" in nature, i.e., they mainly relate to financial claims made by Ansaldo STS in the form of reserves for claims incurred within the context of works carried out in the performance of projects. If not included in subsequent amendments or riders or defined on amicable terms, the claims submitted from time to time can lead to cases brought before courts or arbitration panels specified in the contract.

Nevertheless, Ansaldo STS often tends to reach settlement agreements, considering:

- settlement is a normal instrument to resolve disputes arising for claims;
- settlements represent an excellent way to improve relations with the customers involved in the relevant disputes, and provide value added, where, as in the case of Ansaldo STS, the customer is usually perceived as a privileged partner with which significant long-term relationships must be established.

To this end, litigation management, as illustrated above, cannot be separated from the principle of considering customers' economic and business interests in the current political and economic situation. Therefore, the approach adopted by Ansaldo STS is aimed at ensuring success not only in court, but also credit recovery in the short term, which may include conventional debt restructuring agreements with its customers. Currently, Ansaldo STS S.p.A. is involved in 22 civil, administrative court and arbitration cases (as either claimant or respondent), five of which are arbitration proceedings, six of which are legal actions taken against Ansaldo STS, while the remaining 11 relate to actions taken by Ansaldo STS. The company is not involved in any criminal proceedings. Specifically, the most significant cases brought against Ansaldo STS S.p.A. are as follows:

- three civil cases and one arbitration case with a total value of over €48 million, for the refund of excess amounts or compensation for damage;
- two administrative cases for the cancellation of approval deeds for work.

In terms of pending cases, Ansaldo STS S.p.A. is involved in:

- seven civil cases with a total value of roughly €250 million relating to claims for greater charges and sundry damages;
- four arbitration cases with a total value of over €34 million for the recognition of receivables, greater fees, greater charges and sundry damages.

Litigation involving significant amounts is monitored quarterly in accordance with current procedures, and the flow of communications in place ensures that new updates are immediately known and the related information is reported in order to meet company requirements. With respect to the subsidiaries, in both the *Transportation Solutions* and *Signalling* Business Units, there is no litigation or risks so material that they merit specific note.

Subsequent events

On 4 March 2013, in Naples, part of a building collapsed in Riviera di Chiaia, near the building site for Line 6 of the underground, for which the Group is the operator. The causes of the collapse are not yet known and all relevant investigations are being carried out. The building site has been seized and operating activities will be carried out in conjunction with the relevant authorities. Based on available information, this event is not expected to have a significant impact on the company.

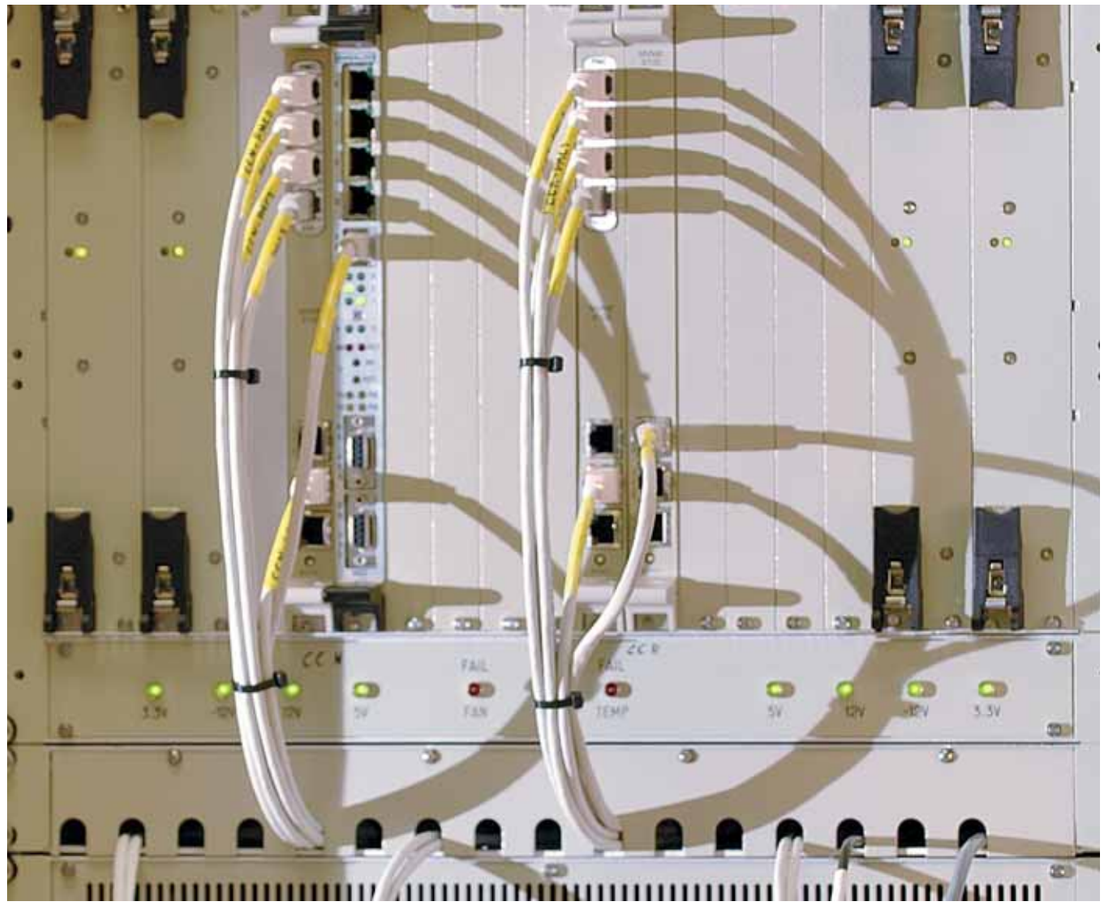
Commitments made and commitments for the future

REPORTING ON COMMITMENTS

Commitments made in 2011	Activities performed in 2012	
***TRANSPORTATION SOLUTION* BU**		
• Further developing the *Transportation Solutions* Business Unit in new emerging markets.	• Signing the partnership agreement with CNR for the development of TramWave technology in China. Various initiatives in collaboration with the external communications function, the creation of multi-media material to active participation in key events like Innotrans and APTA rail.	✔
• Maintaining global leadership in the driverless metro sector.	• The driverless metro projects initially scheduled for 2012 were postponed. Indeed, certain projects were not awarded in the year. Ansaldo STS successfully passed the preliminary eligibility stage for the Riyadh driverless metro, one of the most ambitious urban transportation projects of recent years, in which Ansaldo STS is participating with one of the three consortia currently in the tender.	✔

Commitments made in 2011	Activities performed in 2012	
***SIGNALLING* BU**		
• Implementation of the of the tool and associated process for prioritising bids globally.	• A new process and a new collaborative tool now support the search for and selection of the best market opportunities, consolidating the various input from the network of local sales managers and providing a more effective and integrated method for analysing data, with the involvement of central top management of all the main company functions, capable of assessing the associated value and risks and making the best, joint decisions in the pursuit of business targets. This operating method has characterised decisions with a high degree of opportunity selectivity and prioritisation, for a more rational and efficient allocation of resources, with savings in bidding and selling of 10% on the related cost budget, while exceeding the forecast volume of acquired orders by roughly 5%.	✔
• Greater global coordination of the sales and business development functions using a centralised database containing identified opportunities.	• The sales structure was rationalised in accordance with the guidelines in the strategic plan, which in turn was defined on the basis of a better view of global market opportunities. These opportunities are coordinated centrally using new processes and tools, and this has had positive impact on sales costs given the clearer definition of and focus on strategic areas and how the Business Units have improved their sharing of resources. Furthermore, steps have been taken to improve the efficiency of the bidding process by reducing process lead times and related costs, introducing a top manager committee for a preliminary discussion of critical areas in the short to medium-term and to better anticipate the trends with the highest impact on continuing operations. To this end, a panel of experts has been created to define technical solutions to be proposed, standard tools have been developed to gather external and internal costs and the related programmes and standard tools have been defined. Finally, Ansaldo STS has defined and introduced formal occasions for the revision of solutions to be proposed and the related costs. Areas for improvement are noted by monitoring the results of feedback on processes and tools in use.	✔
• Application of new engineering processes on all projects acquired in 2012 and development of sets of standard documents for applications (CBTC, ERTMS, IXL, etc.).	• A standard engineering process (WBS) has been defined and implemented. It is detailed down to the level of activities and input-output relationships for IXL and CBTC technologies to support both design activities and planning and control of the executive project. Ansaldo STS has achieved additional improvements by conducting a preliminary analysis that brought to light the core activities on which to focus and by generalising the standard WBS model, with the inclusion of some of the most frequent specifications in the various geographical areas, in order to create guidelines for the greatest number of actual business situations. The main benefits have included a more efficient use of engineering function resources, as knowledge and company methodologies are now more consistently applied throughout the business, thereby also enabling more flexible use of available resources throughout the various international sites. Future improvements could relate to, for example, the adoption of a register for critical technical aspects detected in the life of a plant, in order to facilitate maintenance and the prevention of faults and malfunctioning.	✔
• Application of new project management processes and the adoption of a single global reporting and progress monitoring format for critical projects placed under monitoring.	• The efficiency of project management activities has been improved by sharing international best practices and with project managers highlighting/focusing on core activities. Standard bid-to-execution handover documentation has been defined, as in the past, the handover stage entailed discontinuity that was, at times, critical for the sound management of contractual activities. Planning and control practices have been defined for all work package leaders, for which a targeted training plan has also been developed and implemented for a rapid and effective distribution of new methodologies and the consolidation of existing methodologies. Finally, methodologies, procedures and documentation have also been defined for the correct conclusion of projects in accordance with contractual and legal obligations.	✔
• Redefinition and standardisation of the verification and validation process.	• The process was revised and made more efficient, with the elimination of overlapping and the alignment of the various products and different geographical areas, introducing standard verification and validation steps (in accordance with the engineering process' verification and validation stage). These are detailed down to the level of activities and input-output relationships for IXL and CBTC technologies to support both design activities and planning and control during the performance of work. In addition, Ansaldo STS has also defined target standard costs for the various verification and validation activities in order to define a standard frame of reference for when quotations are prepared and when actual costs are calculated. Additional areas for improvement will be evaluated with respect to the possibility of using simulation rooms.	✔

Commitment for the future	Timeline
***TRANSPORTATION SOLUTIONS* BU**	
• Further develop the *Transportation Solutions* Business Unit in new emerging markets.	1-3 years
• Maintain global leadership in the driverless metro sector.	1-2 years
• Acquire a contract for a tram system without overhead lines in the international market.	1-2 years
***SIGNALLING* BU**	
• Consolidate the *Signalling* Business Unit's domestic market position and expand its position on emerging markets.	1-3 years
• In the railway sector, strengthen global leadership in ERTMS technology and boost its competitive position in satellite positioning applications.	1-3 years
• In the urban rail sector, strengthen global leadership in CBTC technology and expand its competitive position in driverless applications.	1-3 years



SUPPLY CHAIN

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

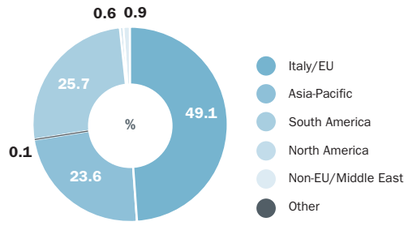
Costs and types of purchases

Efficient procurement management is crucial to ensure and further improve Ansaldo STS' profitability. Costs to purchase goods and services from third parties are indeed the most significant expense in the income statement.
The acquisition of materials is concentrated in Italy/EU due to a series of projects for which procurement has been centralised.

2012 SUPPLIES BY GEOGRAPHICAL ORIGIN[28]

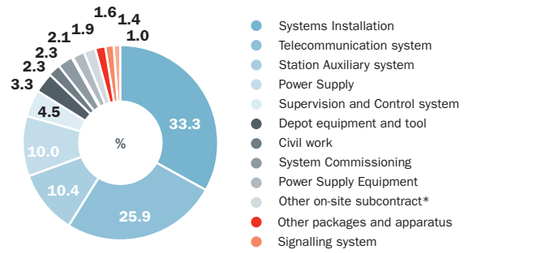
(order value)	Italy/EU	Asia-Pacific	South America	North America	Non-EU/Middle East	Other	TOTAL [€]
Materials	105,036,582	48,208,237	-	47,186,604	26,557	1,125,357	201,583,340
Services	62,766,274	51,117,957	635,133	20,890,484	174,266	330,923	135,915,040
Business services	62,240,706	12,854,744	3,907	34,038,620	151,920	150,613	109,440,511
Turnkey projects and subcontracts	100,626,598	47,189,276	72,205	71,291,364	3,484,329	4,454,331	227,118,106
TOTAL	**330,670,163**	**159,370,214**	**711,246**	**173,407,074**	**3,837,073**	**6,061,226**	**674,056,997**

2012 - Supplies by geographica area



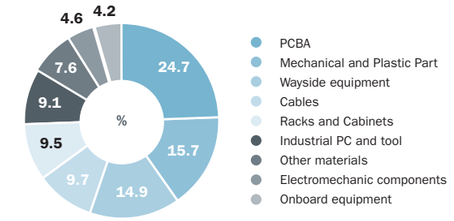
The expenses have been broken down in order to better highlight the relevant macro-categories and show their materiality within the business, as well as their weight with respect to the total portfolio.

Turnkey contracts and subcontracts (€227.1 million)



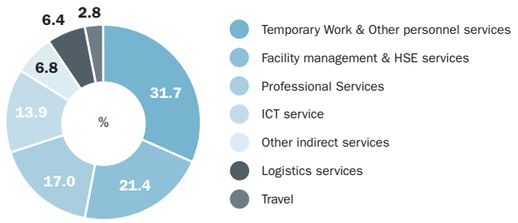
* includes: support for testing; support for other on-site activities; V&V support activities; security services; building maintenance; other subcontracts.

Materials (€201.5 million)

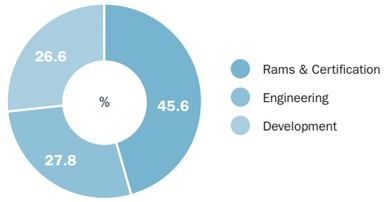


28. The new geographical breakdown in supplies, which has changed since 2011, is to highlight areas that have become particularly strategic and are growing (Non-EU/Middle East).

Services (€135.9 million)



Business services (€109.4 million)



In 2012, procurement costs rose in line with turnover. The greatest changes in 2012 compared to 2011 orders were mainly due to:

- the increase in the value of orders in Asia-Pacific due to the business growth in Western Australia; this increase mainly relates to purchases for two projects to strengthen mining, RAFA and Roy Hill freight transportation;
- a significant and growing increase in the portfolio that was also seen in the Middle East, an area deemed to be strategic, following Ansaldo STS' business growth in Turkey, Morocco, the Arab Emirates, etc.; the trend in investments in train-tram infrastructures in this area is growing, and business growth forecasts are very positive;
- The growth in orders in the US is highly dependent on the buy-American contractual restriction applicable to the Honolulu metro project.

The 2012 analysis also included the main purchase orders managed directly by the branch.

Supply chain sustainability policy

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

The mapping showed:

Number of suppliers in the register by direct and indirect product types	4,600
Total active suppliers (with orders issued in 2012)	3,560
Eligible suppliers in the register (out of all active suppliers)	76%
Number of suppliers covering 80% of the value of 2012 orders	280
Suppliers certified in 2012	352
ISO 14001 certified suppliers	72
OHSAS18001 certified suppliers	33

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

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

The geographical breakdown proposed to represent 2012 orders also meets a classification criterion based on how critical and risky the area of origin of the supplies is, in terms of violation of human rights, level of criminality and attention to ecologically sustainable practices.

Vetting and eligibility of suppliers

Supplier vetting and the process for the purchase of assets, goods and services are carried out in accordance with the principles of the code of ethics and internal quality procedures, as well as in accordance with current environmental, health and safety regulations. In the management of relationships with suppliers and sub-contractors, as for all business and financial dealings of any kind, Ansaldo STS requires its counterparties to conduct themselves in accordance with the principles of loyalty, fairness, transparency, efficiency and legality.
To this end, supplier and sub-contractors are vetted on the basis of objective, transparent and documentable evaluation criteria, in accordance with the principles of the code of ethics and all procedures provided for by specific protocols, in writing and in line with the current hierarchical structure. They are vetted exclusively on the basis of objective criteria, such as quality, suitability, price, professionalism, expertise, efficiency and adequate guarantees in terms of the fairness of the supplier, service provider or advisor.

Suppliers and service providers

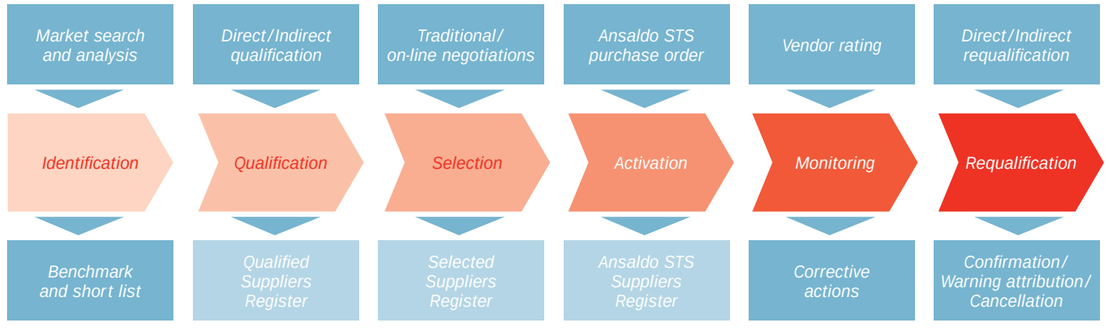
Relationships are based on the correct management of supplies in terms of quality, cost-effectiveness, ability to meet delivery times and compliance with requirements.
The discussion of information and/or critical issues in relation to the construction of plant and, more in general, the performance of the project as a whole, is limited with suppliers and providers of services. The aim with suppliers of business-critical materials of materials, such as circuit boards and racks and cabinets, is to sign medium to long-term agreements, so that parternships are created in the supply chain.

Packages / subcontracts

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

The vetting process

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



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

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

Eligibility criteria

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

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

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

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

Indeed, in 2012 the "A-B-C classification" of suppliers was formalised in a procedure with the aim (which was achieved) of streamlining the eligibility process and making it more efficient. Supplier vetting activities, including inspections, are indeed concentrated and intensified only for suppliers considered "strategic", i.e., classified as A and, only in particular cases and/or upon specific request, are inspections conducted on class B suppliers. Class C suppliers are subject to a shorter and more streamlined eligibility, based mainly on the verification of documents. The objectivity of this classification is ensured by the association of the product group in relation to which the supplier's eligibility is being assessed.

The second improvement relates to the organisation of the Supply Chain structure. With the aim of strengthening the structure in the eligibility assessment, management and monitoring of suppliers, the Supply Chain body has created a dedicated function named TQVO (Total Quality Vendor Office).

Contractual tools

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

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

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

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

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

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

- the scope of the work;
- a list of all contractual documentation;
- the consideration;
- the supplier's obligations and charges;
- legal requirements;
- terms of payment;
- how variations will be managed;
- penalties for non-performance;
- guarantees (sureties) and insurance required;
- how disputes will be managed.

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

Monitoring

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

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

Specifically, in 2012, the vendor rating process played a crucial role in the TQVO's activities. An extensive rating campaign was conducted with the involvement of the main suppliers (classified as A and/or with high order values) in Italy, France, India and Australia. This campaign entailed the substantial commitment of internal Ansaldo resources from the TQVO, Procurement and Planning functions, and covered 390 suppliers. All suppliers were confirmed in the Ansaldo STS vendor list.

“THE ROAD TO 150” PROJECT

Ansaldo STS set the objective of saving, by 2012, a cumulative total of €150 million on current and future supplies without impacting the flexibility that is a hallmark of its business model. These savings were to be sought in direct costs, through the greater efficiency and effectiveness of the value chain and improved productivity. The mission of the Standard Products & Platforms (SPP) unit is to facilitate the achievement of this objective, and it is committed to develop the necessary work plan from an operational standpoint. To this end, in 2010 The Road to 150 project was launched with the support of The Boston Consulting Group.

In 2012, the project was completed with the achievement and over-performance of the initially established objectives. The unexpected result over the three-year project totalled approximately €192 million through greater efficiencies.

The same year also saw the end of the external support received from The Boston Consulting Group. The cost savings achieved, demonstrating the value of the practices adopted during the RT150 project roll-out will mean that, once the delicate, challenging hand-over from The Boston Consulting Group is complete, such practices will become Ansaldo STS’ normal category management modus operandi. This is a challenge that Ansaldo STS aims to maintain in the future, with ongoing focus on opportunities to save.

Responsible litigation management

In general, litigation between Ansaldo STS and its suppliers/contractors may involve breaches of contract by the aforesaid counterparties, relating to either any framework agreements for work/supplies or to Ansaldo STS’ individual orders with such parties. Although it is difficult to completely prevent disputes, Ansaldo STS endeavours to periodically improve the content of its general terms and conditions and, whenever possible, to standardise sub-supplies. In the scope of this improvement, and in collaboration with the Procurement and Supply Chain functions, the general contractual terms are currently being revised to ensure Ansaldo STS’ compliance with contracting and public supply regulations.

Given the development of the activities abroad, Ansaldo STS tends to include arbitration clauses in the related contracts, in order to prevent any evasive conduct by suppliers (supported by the governing law which, in these cases, is almost always the local law), and avoid any discrepancies between the main contract with the customer and the subcontracts, which could give rise to procedural difficulties in recovering the amounts due. In addition to ensuring the impartiality of the proceedings in multicultural environments, the use of arbitration ensures, as a general rule, a considerable reduction in the time required to settle disputes and allows the company to restore, in the short term, business relationships with the counterparty, which are fundamental for the company’s growth and sound functioning.

Commitments made and commitments for the future

REPORTING ON COMMITMENTS

Commitments made in 2011	Activities performed in 2012	
• In relationships with suppliers, focus on issues that could create the most value for the company. In 2012, Ansaldo STS expects to issue detailed vendor ratings using the tool developed in 2011.	• Medium and long-term agreements were signed with business-critical suppliers for certain product types (circuit boards and racks and cabinets), with the aim (which was achieved) of creating value in the supply chain and forming partnerships with strategic suppliers. • The Technical and Quality Vendor Officer (TQVO) was created within the Supply Chain body in order to objectively verify evidence of the development, implementation and efficiency of strategic suppliers’ processes compared to defined targets, to ensure the supply of products and the provision of services in line with standards and to provide evidence of a reduction and elimination of problematic areas.	✔
• Implement an effective preventive analysis of the needs of the various businesses: a single breakdown of the main tenders for the Procurement function and upstream integration in order to improve the efficiency of purchases during cost quotation.	• Improvement steps have been implemented in the tactical and operational business need planning process through the introduction of a specific process and tool (MPS), as well as the internal and external sharing of information. ASTS is convinced that continuous improvement in its ability to forecast business gives rise to a virtuous cycle throughout the entire supply chain, safeguarding the financial sustainability of its suppliers.	✔

Commitment for the future	Timeline
• Implement and maintain a governance and risk management system in the supply chain that is in line with international best practices.	2013
• Define, share and implement the sustainability road map in the supply chain in 2013-2014.	2013/14
• Strengthen the Supply Chain body’s structure by including a person specifically responsible for sustainability issues.	2013
• Roll-out of the SUDA (Supplier Database), which suppliers can access and which makes it possible to: gather and share data on suppliers’ status in the eligibility and rating process; gauge the performance of suppliers and share results to create a virtuous cycle of continuous improvement.	2013
• Integrate the general supply terms – which currently only require signing and complying with the code of ethics based on the Model – to include clauses establishing the required compliance with environmental protection regulations (Legislative decree no. 121/11)	2013
• Ensure Ansaldo STS’ participation in external sustainable supply chain work groups in 2013.	2013
• Extend an assessment of ethical aspects to all operating audits, with specific regard to human rights, ethical business dealings, conflicts of interest, corruption and discrimination.	2013

THE PUBLIC

Ansaldo STS promotes the social progress of the community at large by funding humanitarian initiatives for people affected by natural disasters and by supporting non-profit associations and medical centres specialised in services and care for people suffering from serious illnesses. It also promotes technical and managerial training through partnerships with universities, particularly with respect to Information Communication Technology and the sustainability, health and safety of transportation systems. It actively participates in research projects co-financed by Italian and international public institutions on the improvement of safety, energy efficiency, environmental impact, sustainable mobility and the interoperability of transportation systems.

The management model for institutional affairs

At Ansaldo STS, the External Communications function is responsible for setting guidelines for affairs with public institutions and local and regional authorities, which are, for a number of reasons, an essential part of the company's operations. The External Communications function also handles all communications image activities, as well as media affairs. Taken together, these functions/departments contribute in their respective areas, to creating Ansaldo STS' reputation, which is an intangible asset on which the company's overall credibility and the quality of relationships with shareholders and stakeholders depend. Ansaldo STS' management model is also oriented towards recognising the wide operational autonomy of the various sites. Coordinating the company's commitment in this respect, so that it is consistent, while strengthening it, is one of the main activities of the External Communications function, whose specific mission is to:

- ensure the consistency of the Group's approach, in order to protect and strengthen interests and contractual power;
- oversee relationships with the various local institutions;
- follow, along with the sales function, decision-making processes for certain key measures for Ansaldo STS;
- promote framework agreements, programme agreements and other regional exchanges;
- define and develop adequate information tools;
- ensure more rigorous ethics in the approach to institutions and regions;
- monitor and strengthen Ansaldo STS' image through adequate communication campaigns and media activities;
- collaborate with Investor Relations to enhance the value of Ansaldo STS' commitment to shareholders;
- organise periodic meetings to discuss strategies;
- provide other company structures, in particular sales, with the necessary tools to perform their duties.

Another centralised tool for institutional affairs is the "professional family", i.e., the network of co-workers holding the same position in the various sites around the world.

SPONSORSHIPS, PUBLICITY CAMPAIGNS AND CONTRIBUTIONS TO ASSOCIATIONS AND BODIES

In September 2012, Ansaldo STS issued the procedure on "Sponsorships, publicity campaigns and contributions to associations and bodies" in order to define the general principles, the scope of application, the roles and responsibilities of decisions and expenses incurred or these purposes and ensure that they are activities or events that actually contribute to improving its image and/or communications or that are useful for external affairs. Specific attention must be devoted to the party that receives the consideration for the sponsorship or publicity or the association or body that receives the grant, which:

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

Research projects with Italian and EU public institutions

Ansaldo STS currently has the following projects underway:
- three projects in Italy financed by the Ministry of Research;
- three projects financed by the Ministry of Productive Activities that fall under the 2015 sustainable mobility industry plan (including the SITRAM project for a high energy efficiency tram system without overhead lines);
- one project financed by the Ministry of the Environment: Piezorail, which uses piezo-electric devices to recover energy from railway transport.

Ansaldo STS also participates in the Lombardy region district's "Technologically Integrated Intelligent Systems" with other Finmeccanica companies in the region.

PROJECT SITRAM – Innovative Tram System

SUMMARY AND SUSTAINABILITY	Sustainable mobility is the key aim of the SITRAM project, as the participating companies believe it to be a crucial competitive factor in order to acquire new market shares and maintain current market shares. The main target performance that Ansaldo STS aims to strengthen relate to: security, energy efficiency, environmental impact, on-time service and availability. Significant aspects include: • the ecological compatibility of ground transportation means: reduced noise (work on the on-board mechanical parts), reduced visual impact (elimination of the overhead lines) and increased energy efficiency (TramWave); • passenger and freight safety and security in ground transportation (this relates to safety as well as security against criminal activity in the urban setting): tram traffic with the driver's controls assisted by security functions, centralised system to prevent threats, etc.; • Sustainable urban mobility: a project with the significant benefit of eliminating the earthing current generated by the traction circuit, which in urban environments create considerable damage due to the high density of subservices and civil structures. ASTS is also directly involved in the development of TramWave and ground energy accumulation plant. ASTS will build the tram signalling system and the security systems, while AnsaldoBreda will build innovative tram vehicle components.
PARTNER	• Ansaldo STS (head participant and coordinator) • AnsaldoBreda • ELSAG DATAMAT • 12 small and medium-sized companies (involved by the large companies) • ten research bodies (involved by the large companies), including: TEST (the transport centre of Naples), University of Naples, SESAMO and the Polytechnic University of Milan • two end users: Naples municipal authorities and ATM of Milan
DATA	Call: Ministry of Economic Development - Start date: 01/01/2009 - Term: 36 months - Costs: €15.4 million - Financing: €6.4 million - Ansaldo STS' portion: €4.9 million - Ansaldo STS' financing: €1.8 million

PROJECT "PIEZORAIL" (energy generation system using piezo-electric components)

SUMMARY	The proposed project is aimed at designing and testing innovative prototypes that can generate electricity from the passage of vehicles by mounting piezo-electric mats under the rails, potentially capable of generating material quantities of energy by exploiting the weight of the rolling stock. The following activities are expected: definition of functional and non-functional characteristics on the basis of applicable regulations; system specifications; specifications of the rails and energy generation/accumulation systems; demonstrator project and construction; installation on site and testing; and the evaluation of technical/financial results. ASTS will act as project manager and be directly involved in the activities listed above. In particular, it will be involved in those necessary for the definition of system requirements, the definition of the plan solution and the layout. It will contribute to the construction of the on-site demonstrator, testing and the consequent evaluation of results.
MAIN PARTNERS	• Ansaldo STS (as project manager) • Pantecnica • University of Naples, Engineering Department
DATA	Ministry of the Environment and Protection of the Land and Sea - Term: 30 months - Costs: €800 thousand - Estimated financing: €329 thousand - ASTS' portion of the costs: €400 thousand - ASTS' portion of the financing: €160 thousand

PROJECT SFERE – Sistemi FERroviari: ecologically sustainable and energy saving railway systems

DESCRIPTION	The aim is to create an energy accumulation system using SuperCondensators for railway systems. This system will consist of accumulation systems mounted on board the vehicles and in the ground subsystem. The modules, which will be constantly monitored using specific gauging tools, will be coordinated and managed by specific software that will also coordinate action by protection units to prevent dangerous situations. Following the preliminary study of SuperCondensators accumulation systems for railway systems, the underground and on-board accumulation systems will be defined and sized. The definition of their size will take into account the required interoperability of the two systems. The expected output will be the construction of two on-board and underground energy accumulation prototypes, which will be individually tested to verify that they function correctly. In addition, energy management software will be tested. Ansaldo STS will be involved in the activities necessary to study and test the underground accumulation system and in its integration with the on-board energy accumulation system, in order to size it and optimise management.
MAIN PARTNERS	• AnsaldoBreda (head) • Ansaldo STS • one small/medium-size company (TRS) • the Engineering departments of the universities of Naples, Sannio and Salerno
DATA	Tender: Ministry of Infrastructure, Universities and Research, Ministerial decree of 18 January 2010, published in the Italian Journal no. 16 on 21 January 2010 - Term: 36 months - Approved costs: €8.7 million - Expected financing: €6.2 million - ASTS' portion of the costs: €0.53 million - ASTS' portion of the financing: €0.3 million

PROJECT SICURFER project – Innovative technologies for the security of railway vehicle travel

DESCRIPTION	Ansaldo STS coordinates a group of entities (small and large companies, universities and railways) that has submitted an application for co-financing for a research and development project to monitor railway infrastructures in order to increase their safety and security and make maintenance activities more efficient. To this end, the Group will study and test the following: • innovative sensors to monitor unobstructed passage (recognition of people and things); • innovative sensors to diagnose the condition of infrastructures (recognition of safe and efficient conditions) • an integrated system that, by gathering direct information or information that has been suitably processed/aggregated from sensors, helps identify threats and optimise maintenance activities. The sensors are expected to be installed in the ground or on board the ordinary rolling stock. Ansaldo STS will act as systems provider, developing the control centre and the sensors, in fields that are more closely related to its objectives and expertise.
MAIN PARTNERS	• Ansaldo STS (heading the research project) • AnsaldoBreda (through the TRAIN consortium) • Selex Communications • two large railway companies: Rete Ferroviaria Italiana (RFI) and Circumvesuviana • other large companies: INTECS and CONTACT • seven small and medium-size companies: CITEL, Softeco, Symacontech, Strago, 3F, TRS and Tecnosistem • Four research bodies: Federico II University of Naples, University of Sannio, Centro di Competenza Campano per i Trasporti (the Campana Region's Transport Centre, which is heading the training project), TRAIN consortium through consortia mem-bers AnsaldoBreda, ENEA and Ferraioli)
DATA	Tender: Ministry of Infrastructure, Universities and Research, Ministerial decree of 18 January 2010, published in the Italian Journal no. 16 on 21 January 2010 - Term: 36 months - End date: 31 December 2014 - Approved costs: €9.9 million - Financing granted: €6.3 million - ASTS' portion of the costs: €3.2 million - ASTS' portion of the financing: €1.8 million

Ansaldo STS also has 11 projects financed by the EU as part of the seventh framework programme, six of which were approved in 2009 and one of which was approved in 2012.
The most significant of these projects are:

- INESS, for the standardisation of European interlocking system interfaces;
- MBAT and CESAR, relating to the verification and validation of embedded systems, projects that have been financed as part of the Artemisia joint venture, which includes Finmeccanica;
- PROTECTRAIL, in the field of security, a project that Ansaldo STS is coordinating, with the participation of major railway operators such as the French, Italian and Polish railways, along with the companies Finmeccanica Elsagdatamat and Selex SI;
- SECUR-ED;
- OSIRIS;
- 3InSaT;
- Grail 2, for the development of satellite use in railway signalling.

PROJECT Iness "INtegrated European Signalling System"

SUMMARY AND SUSTAINABILITY	This project contributes to improving the interoperability of railway systems with a consequent reduction in the cost of plant, which could accelerate the modernisation of plan, benefiting all stakeholders. In Europe, there are many different types of signalling plant for interlocking with many different types of interfaces. The INESS project is aimed at standardising these interfaces, and is a continuation of the previous "Euro-Interlocking" project (in which ASTS participated), integrating with the ERTMS/ETCS project. The results of the project will be a reduction in life cycle cost (LCC) due to the simplification of projects, the scale effect, lower V&V (verification and validation) investments and approval of commissioning. On this basis, railway infrastructure managers will be able to renew interlocking projects necessary to sustain ERTMS/ETCS development in Europe. As for other FP7 projects, the participants have formed a consortium to perform the project.
MAIN PARTNERS	Trade associations: UIC (as coordinator) and UNIFE. Railway infrastructure managers: ADIF, BANVERKET, DB NETZ, NETWORK RAIL, PRORAIL and RFI. Signalling companies: ALSTOM, AZD, Bombardier Transportation, ELIOP, Funkwerk IT, Invensys Rail, MER-MEC, Scheidt & Bachman, Siemens and THALES Rail Signalling Solutions. Universities and advisory companies: ALMA, BBR, Eindhoven University of Technology, German Aerospace Center DLR, Railsafe Consulting Ltd, RWTH Aachen, University of Southampton, Technical University Braunschweig, TIFSA, Universidad Politecnica de Madrid and University of York.
DATA	Call: 7FP for research co-financed by the EU - Start date: 1/10/2008 - Term: 36 months - Costs: €16.6 million - Financing: €10.3 million - ASTS' portion of the costs: €0.8 million (divided between France and Italy) - ASTS portion of financing: €0.4 million (divided between France and Italy)

PROJECT Model-based Analysis and Testing of Embedded Systems (MBAT)

SUMMARY AND SUSTAINABILITY	This project is aimed at increasing the safety of railway systems by applying innovative methodologies and technologies that can be used in verification and validation processes, with clear advantages for all stakeholders. One of the main factors in ensuring the quality of embedded systems is the use of verification and validation (V&V) technologies throughout the development process. The participants in the MBAT project have identified the tool to achieve these objectives through testing, static analysis and, where necessary, a combination of the two. The project drivers will lie in identifying and quantifying the advantages of using these technologies. MBAT will begin the production of high quality embedded systems by transferring the most advanced, efficient and effective technologies from research to industrial practice and will demonstrate the economic benefits attained. In collaboration with other Finmeccanica Group companies, Ansaldo STS participates to provide the requirements and characteristics of the design processes for rail systems, to develop its familiarity with development methods and tools and to verify the benefits that can be achieved in a meaningful business case.
MAIN PARTNERS	The project provides for 37 partners, including: • Main business partners: Daimler (coordinator), Airbus, AleniaSIA, Alstom, Ansaldo STS, AVL, EADS, ElsagDatamat, Infineon, Rockwell, Siemens, Thales, Alenia Space France and VOLVO • Main research partners: Fraunhofer Institute, OFFIS and Austrian Institute of Technology
DATA	Call: European Commission - ARTEMIS Joint Technology Initiative (JTI) in Embedded Computing - Start date: February 2011 - Term: 36 months - Estimated costs: €40 million - Estimated financing: €18 million - ASTS' portion of the costs €680 thousand - ASTS' portion of the financing: €310 thousand

PROJECT "CESAR" (cost-efficient methods and processes for safety relevant embedded systems)

SUMMARY AND SUSTAINABILITY	This project, a precursor to the MBAT project, entails the development of technologies and tools that will be used to improve the verification and validation process of embedded safety-related systems, including railway systems. Therefore, it will generate benefits in terms of improving the quality of processes and reducing costs. As a result, products will be safer and easier to acquire by owners/managers of transportation infrastructures. In the initial stage, ASTS' participation entails contributing to the methodological definition of requirements, modelling techniques and validation tools. In the second stage, ASTS will apply the results of the first stage to the validation of ERTMS level 1 systems and, specifically, to the on-board subsystem, which processes safe speeds, and to the interface with the ground subsystem, which gathers and transmits signalling data, such as speed limits and alerts to wait for the signal. ASTS has coordinated its participation with the other Italian companies and, in particular, with the Finmeccanica companies, as part of the European association, ARTEMISIA, of which it is a member.
MAIN PARTNERS	53 entities are participating in this project, including research bodies and large and small companies. The main partners in the railway sub-project are listed below. • Siemens (sub-project leader) • ASTS • Danieli Automation • Universities and research centres (including the Universities of Bologna and Trieste) ELSAGDATAMAT is a participant handling the definition of validation models and tools, and Alenia SIA is responsible for aeronautical applications.
DATA	Call: European Commission - ARTEMIS Joint Technology Initiative (JTI) in Embedded Computing - Start date: March 2009 - Term: 36 months - Costs: €58 million - Financing: €28 million - ASTS' portion of the costs €1 million - ASTS' portion of the financing: €0.4 million

PROJECT "PROTECTRAIL" (the Railway-Industry Partnership for Integrated Security of Rail Transport)

SUMMARY AND SUSTAINABILITY	The aim of the project is to increase railway transport security against common criminal attacks (vandalism, theft and aggression) and terrorism, thereby helping improve the quality of life of personnel and passengers. Railway protection will entail the protection of: • what is stationary (protection of stations and buildings, structures such as tunnels, bridges, platforms and depots, tracks, signalling systems, command and control systems, electricity distribution systems, ICT systems, rolling stock and personnel); • what is transported (clearance of passengers, baggage and freight).
MAIN PARTNERS	Ansaldo STS S.p.A. (IT, coordinator), Thales Security Systems (FR), Alstom (FR), Bombardier (BE), Elsag Datamat (IT), Selex Sistemi Integrati (IT), TNO (NL), UIC (FR), UNIFE (BE) - other partners under negotiation.
DATA	Call: DG Enterprise - Security - Start date: October 2010 - Term: 42 months - Estimated costs: €22.0 million - Estimated financing: €13.0 million - ASTS' portion of the costs: €2.0 million - ASTS' portion of the financing: €1.5 million

PROJECT SECUR-ED Secured Urban Transportation - European Demonstration

SUMMARY	The project has the following aims: • to complete an analysis of the policies, legislation and specifics of public transportation in Europe; • to propose a risk assessment methodology and develop the related tools for future use by public transportation operators in medium to large cities; • to develop an interoperability framework for safety technologies to cover the main risks; • to integrate the technologies in real test cases and different environments to validate their interoperability and adequacy; • to use scenarios that take into account the requirements of public transportation operators in order to propose demonstrators in large cities (Milan, Paris, Berlin and Madrid); • to evaluate the efficiency of the proposed methodology and the technologies used during demonstrations; • to publicise the results of the methodologies that have been tested and validated to improve mass transit safety.
MAIN PARTNERS	Thales (coordinator), Ansaldo STS, ATM Milan, Bombardier, Alstom, London Underground, Metro Madrid, UITP, RATP, Wiener Linien, Elsag Datamat, Selex SI and others
DATA	Call: DG Enterprise - Security Call SEC-2010.2.1-1 Security of mass transportation - Phase II - Project started - Term: 42 months - Estimated costs: €40 million - Estimated financing: €20 million - ASTS' portion of the costs: €2.5 million to be shared with Elsag and Selex Comm - ASTS' portion of the financing: €1.4 million to be shared with Elsag and Selex Comm

PROJECT OSIRIS - Optimal Strategy to Innovate and Reduce Energy Consumption in Urban Rail Systems

SUMMARY	The main objectives of this project are: to define benchmarking for the energy consumption of urban rail systems (LRV, trams and metros) and energy efficiency indicators for standard operating cycles; to develop an holistic model that is appropriately interfaced with multi-train simulation tools and for the global modelling of energy flows and consumption in urban rail systems; to conduct electrical, thermal and mechanical simulations; to verify the effects of introducing new technological specifications and operating strategies for the future reduction of consumption in urban transport systems; to demonstrate and validate the technologies and strategies studied on a series of real demonstration scenarios that encompass LRV, metro and tram systems. The main innovations are described below. • Vehicles: technologies for traction, braking and driver control; energy accumulation systems using Li-ion batteries; intelligent control systems for auxiliary services; and the development of innovative convertors. • Infrastructures: reversible substations, ground energy accumulation; low-energy consumption auxiliary services; design criteria for low-energy consumption substations; heat pumps to reduce HVAC plant consumption. • Technologies for operational support: specification of ventilation systems optimised for metros; evaluation of the effects of optimised driving; feasibility of real time smart grid energy management. • Tools: holistic model to evaluate the energy consumption of urban rail systems that also considers thermal aspects. ASTS has undertaken to coordinate the study of systems and strategies for energy saving infrastructures. It will be involved in the electro-mechanical and thermal simulation stages and in the project/testing of innovative solutions that entail the use of technologies to recover energy from braking an exploit geothermal sources.
MAIN PARTNERS	• Builders: UNIFE (coordinator), SIEMENS, ALSTOM (technical leader), CAF, AREVA, ASTS and SAFT • Operators: UITP, RATP - Paris, ULASIM-Istanbul, ATM - Milan, STIB - Brussels and ATAC - Rome • CMM - University of Santiago de Chile; VUT - University of Vienna
DATA	Call: European Commission - Seventh Framework Project - SST.2011.1.1.4 - Energy consumption reduction in urban rail systems - Financing granted - Start date: 1 January 2012 - Term: 36 months - Estimated project costs: €8.5 million - Estimated project financing: €5 million - ASTS' portion of the costs: approximately €0.9 million

PROJECT Project 3InSaT – Train Integrated Safety Satellite System (3InSat) Demonstration project

SUMMARY	The aim of this project is to develop and validate in a testing stage both Global Navigation Satellite Systems (GNSS) for railway safety and integrated telecommunications (GSM/TETRA – SATELLITE) to manage low-traffic lines, new lines being built and update existing lines, in order to: • exploit the European Geostationary Navigation Overlay Service (EGNOS) to manage regional and local railway lines in Europe that have a high market impact and significant socio-economic repercussions in terms of transit and the environment; • anticipate the validation of the technologies used in the new Galileo satellite system (slated to begin operating in 2015), as EGNOS is the precursor. In addition, a technological innovation plan in synergy with ESA and GSA (Galileo Supervisory Authority) focuses on the requirements of railway applications to contribute to making the European industry more competitive around the world; • favouring a shared standard for identified international requirements (e.g., Russia, Australia and the US). The project provides for a system architecture that is compatible with the European ERTMS-ETCS standard, integrating it with satellite positioning and communication technologies, in line with the company's development plan to meet new international requirements. A testing stage is planned on a railway line that RFI has identified for roughly six months, in order to verify the benefits to be gained, with the validation of procedures in view of the subsequent stage in which the new systems will be certified. Ansaldo STS will be involved specifically in the definition of the functional and systemic requirements, the evaluation of safety levels and interfacing with secure traffic control systems and the development and construction of the satellite positioning system. The team, led by Ansaldo STS, will rely on the assistance of, among others, the German space agency (DLR- main participate in the GALILEO project) and the Czech Republic's space agency (since July 2012, the Czech Republic hosts the headquarters of GSA, which is responsible for promoting new GALILEO applications through financing to businesses).
MAIN PARTNERS	Ansaldo STS (coordinator); Rete Ferroviaria Italiana; Radiolabs (Italy); DLR (Germany); SZDC (Czech Republic); and Italcerifer
DATA	Call: European Space Agency (ESA) - SUBJECT: ARTES 20: Integrated Applications Promotion (IAP) Programme - Feasibility Studies/ Demonstration Projects CALL FOR PROPOSALS Ref: AO/1-6124/09/NL/US (Issue 1.0) - Start date: Q2 2012 - Term: 24 months - Project costs: €4.95 million - Estimated project financing: €2.55 million - ASTS' portion of the costs: approximately €2.6 million - ASTS' portion of the financing: approximately €1.5 million

Participation in trade associations

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

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

Partnerships with universities: technological and managerial training

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

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

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

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

AGREEMENTS WITH UNIVERSITIES

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

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

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

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

Media affairs

In its communication activities, Ansaldo STS mainly targets sector leaders:

- national press agencies that handle general news (e.g., ANSA, ADN-Kronos and AGI) and press agencies specialised in business news (e.g., Radiocor, Mf Dow Jones and Reuters), as well as the international press specialised in business news (Reuters International, Dow Jones and Bloomberg);
- dailies (e.g., Il Sole 24 Ore, MF and Italy Oggi);
- periodicals (e.g., Milan Finanza, Corriere Economia, Repubblica Affari&Finanza and Il Mondo);
- the radio (Radio 24);
- television (Class CNBC).

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

It enjoys ongoing and fruitful relationships with local business and general media outlets in which it has sites (particularly Genoa and Naples) or where it carries out projects, such as Rome, Milan and Brescia.
Finally, relationships have been forged with major international trade publications in the railway transportation/railway signalling sector, including with the Railway Gazette International and the International Railway Journal.

RELATIONSHIP MANAGEMENT

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

QUALITY OF EXTERNAL COMMUNICATIONS

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

THE NEW WEBSITE

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

In 2012, many areas were further revised and improved, as part of the continuous development typical of the internet. In particular, Ansaldo STS developed the functions and editorial content of its website, with the adoption of the corporate message platform, which made it possible to implement solutions in line with widely recognised international best practices, for improvements in several areas. The new features include a general online archive with all company documentation available at the click of the mouse. In addition, making the website easier to use, a new search engine was installed featuring automatic suggestions, with all financial tables available directly in HTML (and as Excel files as well), along with an interactive KPI tool, e-mail alerts, event reminders and interactive animation.

Once again, these efforts led to official recognition for the company, as it won, for the second year in a row, the "KWD Webranking Best Improver 2012", ranking 14th.

Sergio De Luca, CEO of Ansaldo STS, stated, "This additional award from KWD Webranking puts our company at the top of the ranking and demonstrates the importance of communications for Ansaldo STS, particularly online communications. This is a priority objective for us, in order to meet the market's needs for information in real time, with utmost transparency and ease of use. This important award encourages us to intensify our online projects even further to meet and outperform standards of quality and excellence."

Ansaldo STS and the community

Each year, Ansaldo STS is deeply committed to supporting a variety of charitable campaigns by funding cultural and humanitarian initiatives. In 2012, it donated €338 thousand. It is particularly interested in funding associations that help people suffering from serious illnesses. Ansaldo STS has supported:

- Carlo Felice theatre foundation of Genoa;
- LIFC - Italian Cystic Fibrosis League;
- Fondazione Armo (Foundation of labour chaplains of Genoa);
- Associazione Nazionale Telefono Rosa (Women's Telephone Helpline);
- AIL - Italian Leukemia Association;
- AISM - Italian Multiple Sclerosis Association;
- US Juvenile Diabetes Association.

Finally, in 2012, Ansaldo STS sponsored a number of cultural and athletic events, organisations and trade fairs for a total of €313 thousand, including:

CULTURE and THE ARTS

- San Carlo theatre foundation of Naples
- *Pittsburgh Symphony Orchestra* - Musical events in the city of Pittsburgh
- *Carnegie Museums of Pittsburgh* - Pittsburgh's museum of natural history
- *Society for Science & The Public* - Scientific exhibitions at the Pittsburgh museum
- *Committee for Citizen Awareness* - Sharing the stories of notable people in the Allegheny region through US schools

SPORTS and HEALTH

- *Pittsburgh Penquins* - Pittsburgh's ice hockey team
- *Pittsburgh Three Rivers Marathon* - The Pittsburgh marathon
- APTA - *American Physical Therapy Association*

EVENTS and TRADE FAIRS

- Ansaldo Intel ISEF 2012 - International Engineering and Science Fair in Pittsburgh
- *Booth registration RSS* - US Expo for Transportation System Companies
- *Russell Publishing Limited* - Publications on the US railway system
- *Global Transport Forum* - US Expo for Transportation System Companies
- *Railway Track and Structures* - US Expo for Railway Transportation System Companies
- *Allegheny Conference on CD* - Association for business development in the Allegheny region (Pittsburgh)
- *UIC Rail Europoint* - US Expo for high-speed railways
- *Railway Age* - Specialised website publishing information on the railway transportation sector

Commitments made and commitments for the future

REPORTING ON COMMITMENTS		
Commitments made in 2011	**Activities performed in 2012**	
ITALIAN AND EUROPEAN INSTITUTIONS		
• Apply for Italian and European research funding, coordinating proposals to increase the safety, security and environmental compatibility of railway transportation methods.	• In 2012, a number of proposals were presented in the fields of safety, security and environmental compatibility. The SAFER project was the most important of the initiatives that were concluded. Projects proposed in previous years and which began in 2012 include the SICURFER project.	✔
UNIVERSITIES		
• Contribute to specialised training in the sector by financing and contributing scientifically to post-graduate master programmes in collaboration with leading Italian and foreign universities.	• In 2012, Ansaldo STS continued to collaborate intensely with Italian and foreign universities. Significant initiatives include its participation in the creation of the level II master programme in infrastructural and railway system engineering with the La Sapienza University of Rome, framework agreements in place with the universities of Genoa, Naples, Turin, Rome and the Basilicata region and the University of Dresden, in addition to its partnerships with US universities, and the University of Pittsburgh in particular.	✔
MEDIA		
• Memory as a resource: make the most of the historical archive so that it is used not only as a company resource, but as a resource for the community as well. The first stage is to streamline the project, define costs and prepare a schedule.	• In 2012, the first stage of the historical archive project began, giving rise to communication initiatives in both hard copy and digitally.	–
COMMUNITY		
• Continue to support social, cultural and environmental initiatives promoted by non-profit associations and institutions.	• In 2012, Ansaldo STS continued to provide financial support in this field, particularly to cultural associations and institutions (music) and humanitarian organisations, helping people affected by serious illnesses.	✔

Commitment for the future	Timeline
RELATIONSHIPS WITH ITALIAN AND EUROPEAN INSTITUTIONS	
• Continue with the Italian and European research projects that are underway to increase safety, security and environmental compatibility and apply for funding by coordinating new project proposals. • Continue to play an active role in trade associations. • In its institutional relationships, the company will be more involved and attain greater synergies with the Human Resources function.	2013
RELATIONSHIPS WITH UNIVERSITIES	
• Continue contributing to specialised training in the sector by collaborating with leading Italian and foreign universities and contributing scientifically to post-graduate master programmes.	2013
MEDIA AFFAIRS	
• Continue the project to make the most of the company's historical archive with the public, through other communication initiatives.	2013
COMMUNITY AFFAIRS	
• Continue to support social and cultural initiatives promoted by non-profit associations and institutions.	2013

ENVIRONMENTAL, HEALTH AND SAFETY SUSTAINABILITY

Environmental policy
Environmental performance
The health and safety policy

The reduction of the direct and indirect impact on the environment resulting from activities and the development of transportation solutions that are increasingly safe and environmentally-friendly.

ENVIRONMENTAL POLICY

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

As stated in the code of ethics, Ansaldo STS is committed to safeguarding the environment as a primary asset. Technological innovation, a commitment to developing products to increase the safety, effectiveness and efficiency of railway transportation systems – long-distance rail, urban rail and tram systems – are crucial to success and growth. From an environmental standpoint, developing increasingly high performance products entails offering transportation services that are increasingly attractive to passengers an freight forwarders: safer, faster, more frequent and on-schedule train travel for more users, significantly reducing the use of transportation systems presenting a less favourable ecological balance.

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

Ansaldo STS undertakes to:

- improve its activities to reduce its overall environmental impact in terms of greenhouse gas emissions;
- operate to ensure compliance with the legal requirements applicable to its processes by formalising procedures that foster awareness of the relevant legislative framework;
- prevent environmental pollution;
- identify significant direct and indirect environmental aspects for its office and work sites to control and monitor their impact on the environment;
- involve and update personnel, suppliers and subcontractors on environmental issues;
- improve environmental performance by achieving benchmarks and objectives that are increasingly ambitious, in line with technological developments in the sector and the budget;
- define indicators to facilitate performance monitoring;
- begin open dialogue with the public authorities, communities and the public to understand real environmental impact and collaborate on updating environmental regulations.

This policy is based on the application of the requirements of the UNI EN ISO 14001:2004 standard and other reference standards applied internationally, on complete compliance with current national and international legislation, developing a programme focused on the continuous improvement of environmental standards.

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

Management, certification and registration systems

Ansaldo STS continuously demonstrates its commitment by applying an integrated management system, which provides a reference framework for all environmental programmes and a complete set of rules and procedures that are applied globally.

The correct use and certification of the management systems promotes the widespread application of the principles they represent, both by requiring people to follow procedures and by entailing a training programme for all personnel involved.

The choices made have required a significant commitment of resources and substantial organisational efforts, but they have enabled the company to implement innovative business processes that are increasingly sustainable in terms of the environment and management methods based on growing accountability.

UPDATING OF THE ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01 FOLLOWING THE INTRODUCTION OF ENVIRONMENTAL CRIMES

One of the consequences of the inclusion (required by Legislative decree no. 121 of 7 July 2011) of certain types of crimes against the environment in this legislation, has been the need to update Ansaldo STS' organisational model and, accordingly, the company's environmental management system.
The integration of the organisational model and UNI EN ISO 14001 environmental management system has required a preliminary comparative analysis of the two tools in order to identify which actual operating solutions can be applied. A comparison of the requirements has made it possible to highlight close parallels between the organisational model pursuant to Legislative decree no. 231/2001 and the reference points of the UNI EN ISO 14001 environmental management system, both in terms of general principles and at the operational level of the elements that make it up.

The areas of convergence for the organisational model's application to the environmental management system are:
- the definition of roles, duties and responsibilities within the scope of activities for office and work sites;
- the definition of methods of identification of the environmental aspects relating to activities, products and services;
- the definition of procedures and instructions for environmental aspects that fall within the scope of application of Legislative decree no. 231/01.

Integrated management system

Ansaldo STS has implemented an integrated management system (IMS) for the environment, safety and quality, establishing corporate policies and global procedures to ensure the controlled management of processes and activities relating to safety in the workplace and environmental protection. Each legal entity subsequently established, on the basis of legislative requirements and corporate policies and procedures, local environmental and safety policies, undertaking to achieve the following objectives:
- ensure compliance with legal requirements applicable to their processes in the various countries in which the subsidiaries are required to operate, by formalising procedures that facilitate awareness of the relevant legislative framework;
- identify direct and indirect environmental aspects to reduce and control not only their impact on the environment but that of their suppliers and partners as well;
- define key indicators to facilitate performance monitoring.

ISO 14001 standards and EMAS regulations are the model that Ansaldo STS has established for its subsidiaries in order to develop management systems the certification of which is a tool for long-term environmental awareness, both with personnel and with suppliers and subcontractors. Market demands and experience resulting from these systems have, for some subsidiaries, led to the development of environmental management systems with subsequent ISO 14001 certification, which Ansaldo STS is currently undertaking to extend to all group companies. The EMAS (Eco Management and Audit Scheme) registration of the Tito Scalo production site was confirmed for 2012, in accordance with the provisions of EU regulation no. 1221/09 and the possibility of extending these requirements to production sites as well is currently being considered.

At 31 December 2012, all 22 production sites and offices had received quality certification, while 17 were certified for health and safety and 12 for the environment. By 2014, Ansaldo STS expects to extend this certification to all 18 sites.

REGION	NON-PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
UNITED KINGDOM	Bravington House	yes	yes	yes
FRANCE	Les Ulis	yes	yes	yes
SPAIN	Madrid	yes	yes	yes
SWEDEN	Solna	yes	yes	yes
ITALY	Genoa	yes	yes	yes
	Naples	yes	yes	yes
	Piossasco	yes	yes	yes
US	Pittsburgh	yes	yes	2014
	Viola Brisbane	yes	2013	yes
	Kolkata	yes	2013	yes
	Noida	yes	2013	yes
	Bangalore	yes	2013	yes
	Karratha	yes	2013	yes
	Kuala Lumpur Office	yes	2013	2013
	Kuala Lumpur Factory	yes	2013	2013
	Newcastle	yes	2013	yes
	Perth	yes	2013	yes
	Sydney	yes	2013	yes
	Ontario - Canada	yes	yes	2014

REGION	PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
US	Batesburg	yes	yes	2013
FRANCE	Riom	yes	yes	yes
ITALY	Tito	yes	yes+EMAS	yes

Scope of application of the environmental management system

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

FOCUS ON AUSTRALIA

An ad hoc environmental management reporting system has been implemented for the Rio Tinto work site, covering CO_2 consumption, environmental incidents, the management of water and electricity consumption and waste production. This system enables the company to monitor the parameters that could impact the environment and define specific indicators in relation to customer expectations.

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

DIRECT ENVIRONMENTAL IMPACT

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

- **management of company buildings and structures:** they are increasingly managed in order to constantly improve workers' comfort in their operating activities while also enabling an efficient use of resources. In order to minimise the negative impact on the environment, the following objectives are pursued:
  - reduction of **electricity and water consumption**;
  - more efficient management of **waste**, with an increase in the separation of different types of waste.
- **company travel management**. Ansaldo STS' travel policy provides for:
  - the containment of travel, through the increased use of video and teleconferencing, training courses provided via e-learning, etc.;
  - preferred use of public means of transport or collective transportation (company shuttles, carpooling, etc.).

INDIRECT ENVIRONMENTAL IMPACT

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

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

Implementation of the legislation

Ansaldo STS is a global company. Accordingly, its activities are subject to a wide range of regulations and legal standards around the world. This makes corporate compliance particularly important, as it entails always acting with integrity and complying with a legal and ethical reference framework.
With the adoption of the integrated management system (IMS), Ansaldo STS has defined a management system that integrates all its processes in one complete structure, enabling the organisation to operate as a single unit with shared objectives and with the global application of regulations. Operating methods have been defined to help attain complete coverage of the legislative framework into which the processes, products and services fall, with verification that they are adequate and compliant. These methods also require Ansaldo STS to use the assistance of local advisors for expertise on the legislative framework and current legislation of the relevant country.

In line with its environmental policy, Ansaldo STS' primary commitment does not end with mere compliance with laws, regulations and directives in place, but involves the pursuit of continuous improvement in the environmental performance of its products and production processes.

Environmental training

Ansaldo STS' training path has been implemented with the cooperation of training needs managers (TNMs). This initiative is currently only implemented in Italy and is aimed at identifying resources who can serve as contacts for the HR function in the definition of specific training/development plans for their operational structures, in order to facilitate the understanding of the specific needs of each operational unit and make it possible to define projects that more accurately target their actual needs.

Training needs managers (TNMs):

- are the main contact for the area/manager in the monitoring of technical/professional competencies;
- interpret the training requirements for their area;
- facilitate communication flows, creating a link between HR and the various company functions;
- act as hubs in the information exchange and management network;
- promote a culture of continuous improvement that can maximise the creation of value, contributing to:
  - the implementation of internal processes to encourage and sustain innovation and improvement projects;
  - ensuring the monitoring of specific technical/professional competencies for each company area through the systematic documenting of training needs, in line with strategic objectives;
  - strengthening checks that training is efficient by gathering data in the various functions;
  - strengthening the training assessments for a more efficient and effective use of resources.

The positive feedback received at the end of the Italian edition has led this to become a best practice to be applied internationally. The distinctive element of TNMs is the concept of community, which encourages the creation of a network, bridging the gap between different geographical locations.

In 2012, Ansaldo STS carried out training and information sessions to draw attention to:

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

The training sessions are held by personnel competent in the relevant field. The specialised technical focus of the training demonstrates Ansaldo STS' aim of targeting, in particular, operating positions involving duties and activities that are potentially critical in terms of the environment.

In 2012, approximately 1,041 hours of training were provided, compared to 187 in 2011.

WEBSITE SECTION DEDICATED TO HEALTH, SAFETY AND THE ENVIRONMENT

In 2012, Ansaldo STS redesigned the HSE section of its website, as it was aware of the importance that health, safety and the environment hold in communications, training and continuous information for workers and employees.

The aim is to create a standardised tool that is easy to consult for all users around the world and is structured in such a way that eliminates obsolete or unreliable information.

The new HSE section is the result of the joint efforts of the HSE, IMS and IT departments.

Based on a scrupulous analysis of the needs of all legal entities and all existing structures, a common structure was designed and is now available on the How We Work page in the Health, Safety and Environment section under Processes & Management Areas. The section was divided into three parts: International Standards and Requirements, Global HSE Documentation and Local HSE Documentation.

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

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

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

Commitment to fight climate change

Ansaldo STS is committed to progressively reducing CO2 emissions in every stage of its activities. The fight against climate change and environmental protection are taking on increasing importance in recent years, and are a global challenge.

Ansaldo STS has developed a carbon management strategy, prepared a climate change policy, defined extremely ambitious objectives and implemented a long-term strategy.

Activities and initiatives to combat climate change have been taken within the scope of Ansaldo STS' global environmental management system as well. Its climate strategy is based on the following principles:

1. **Global approach:** develop mechanisms that encompass the commitment of all Ansaldo STS sites.
2. **Reasonable and feasible long-term objectives:** it is crucial to establish a clear and realistic vision of the steps to be taken.
3. **Support the development of technologies:** develop advanced technological solutions.

This strategy focuses mainly on three spheres of influence:

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

The commitment is ambitious and is aimed at:

- reducing GHG emission indexes by encouraging the development and widespread use of renewable energies;
- promoting energy saving practices with suppliers and customers;
- using the best existing technologies in a mix that exclusively involves highly efficient and therefore low emission plant;
- cutting energy consumption by 20% in 2010-2015 by promoting the purchase and use of highly energy efficient systems, using automatic thermoregulation heating systems and automatic lights;
- reducing the total volume of waste sent to landfills by encouraging the use of low impact substances and promoting the reduction, recovery and recycling of waste;
- taking action with respect to traffic and transit to encourage ecologically compatible forms of transportation, such as carpooling and car sharing, and encouraging the use of public transportation.

BEST PRACTICE

The Carbon Management System

Intensifying the commitment to reducing emissions leads to significant benefits for the environment and reduces costs as well.

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

The CMS has been developed in line with international standards, specifically:

- ISO 14001: international standards for environmental management systems;
- Intergovernmental Panel on Climate Change: for the definition of an emission inventory;
- World Resources Institute (2009), GHG Protocol: for the definition of the carbon footprint model and the application of emission factors relating to the energy sources used;
- ISO 14064 for reporting on greenhouse gas emissions;
- IPCC database, Italian Life Cycle Assessment database: to calculate the emission factors of raw materials and end-of-life plant.

This system enables the company to perform:

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

Genoa Underground - Brignole Station

Direct and indirect greenhouse (GHG) emissions[28]

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

This process enables Ansaldo STS to identify any irregularities relating to the identification, quantification and elimination of GHG emissions and consequently plan improvement activities. By correctly and systematically quantifying and reporting on GHG emissions, Ansaldo STS can manage the environmental impact associated with such emissions as a result of its activities and establish appropriate objectives and environmental targets. This process also makes it possible to monitor GHG emission reduction performance over time and to correctly disclose such performance outside the company (in accordance with the principle of transparency). The GHG Protocol requires GHG emission reporting to be based on the principles of relevance, completeness, consistency, transparency and accuracy.

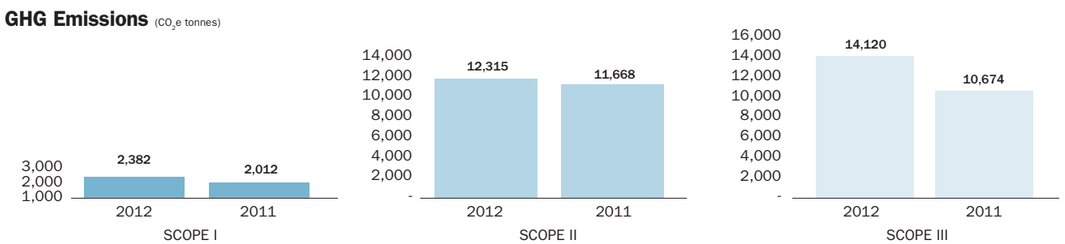
The protocol provides for the breakdown of emissions into three separate scopes:

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

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

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

Unlike Scopes 1 and 2, which the company is required to quantify, Scope 3 is optional. Accordingly, organisations decide whether or not to include this scope in the analysis, and which emission sources to consider. Ansaldo STS has decided to report all three scopes. Direct and indirect GHG emissions have been measured in equivalent tonnes of CO_2.



28. Please see page 149 for the Scope of the Report.

In 2012, Ansaldo STS continued reporting on Scope 1, 2, and 3 emissions. The application of the carbon management system has led to the use of increasingly detailed reporting systems, with a consequent increase in values.

This increase should not be considered negative, given that in 2012, Ansaldo STS sites received UNI EN ISO 9001 and 14001 certification, and the certification process was managed and coordinated by Ansaldo STS Italy resources. Warehouses were centralised and key foreign contracts were kicked off, entailing the transfer of resources and materials. In addition, a restructuring plan was commenced at the Piossasco site.

Travel Policy

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

By surveying its personnel, Ansaldo STS has improved the reorganisation of special lines and ramped up and reallocated service at specific times. In addition, it has created an intranet link to public transportation companies where employees can access public transportation information and timetables.

The main expected benefits relate not only to the environmental impact, but also employee satisfaction and wellbeing, as travel costs and times should be reduced, along with a lower risk of accidents and less stress.

In order to reduce travel for work and the related environmental impact, the use of audio/video conference calls and videoconferencing has been increased. One of the effects of the travel policy can be measured by the dramatic reduction in short and long-haul air travel in 2011, and this reduction was substantially stabilised in 2012.

	2010	2011	**2012**
SHORT HAUL FLIGHTS (km)	43,406,848	20,099,386	22,018,810
LONG HAUL FLIGHTS (km)	68,321,327	25,378,957	44,099,355
TOTAL	**111,728,175**	**45,478,343**	**66,118,165**

THE CARBON DISCLOSURE PROJECT (CDP)

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

Specifically, the Kyoto Protocol establishes the commitments that industrialised nations should take to reduce GHG emissions and sets forth innovative market mechanisms for a cost-effective reduction in emissions. The Protocol required industrialised nations to reduce total GHG emissions by at least 5% in 2008-2012. As indicated in the Protocol, the main GHGs deriving from anthropic activities are carbon dioxide (CO2), natural gas (CH4), nitrogen oxide (N2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF6).

In this context, Ansaldo STS is aware of the importance of adopting sustainable development criteria in the performance of its activities. Its commitment to safeguarding the environment as a primary asset is enunciated in its environmental policy, which establishes the main pillars of its environmental protection and pollution prevention activities, defining both the objectives that it intends to pursue and the commitments that, in this field, it has genuinely made. To achieve its stated targets of reducing the environmental impact of its activities, Ansaldo STS has implemented an environmental management system, which it uses to manage the most significant environmental aspects taking a continuous improvement approach.

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

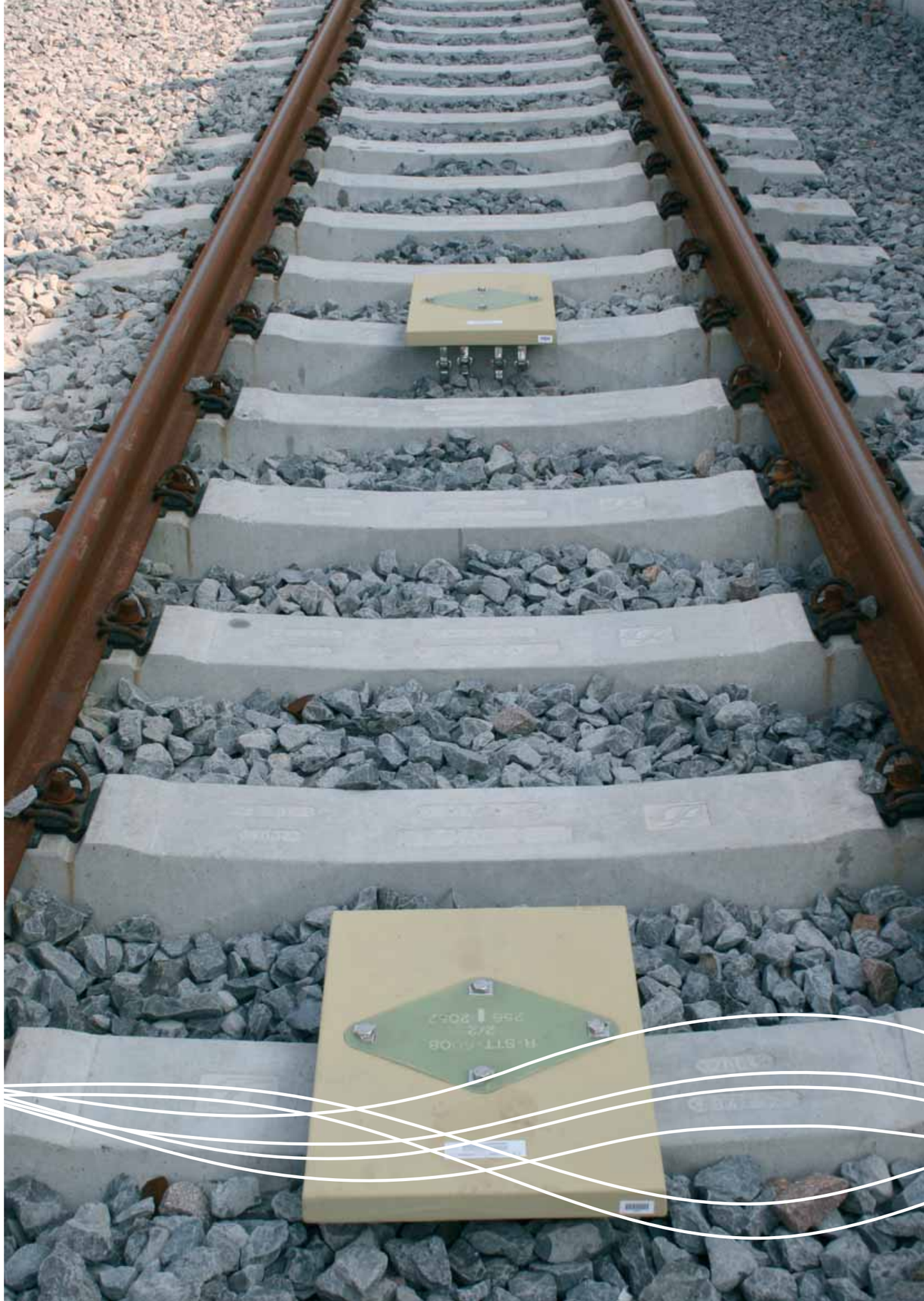
Ansaldo STS sees climate change as a source of risks on one hand, and as a source of potential opportunities on the other, as it conducts and develops its business. In this mind frame, it analyses the potential consequences of climate change over the short, medium and long-term, in order to identify the risks against which it should protect itself by taking adequate mitigation measures and opportunities to develop its business and improve efficiency.

Specifically, given the recent developments in the climate and those that can be forecast for the future, the following three risk categories have been identified with respect to climate change:

- risks related to changes in climatic elements, such as the temperature, precipitation, etc.;
- risks related to the legislative development and voluntary protocol in connection with the growing awareness of the extent of this issue and the importance of taking steps to prevent and contain the consequences of climate change;
- other risks related to climate change.

To mitigate these risks, Ansaldo STS constantly monitors developments in phenomena related to climate change and proposals for new regulations and voluntary agreements in this respect, in order to immediately identify any shifts in the current scenario and the need to adapt its business model accordingly. It also tries to foresee business developments (products, processes, etc.) in relation to potential changes.

In 2011, the first year in which it participated in the CDP, Ansaldo STS scored 79/100, placing it among the top 10 companies for its commitment to environmental protection and the reduction of its impact on climate change, as demonstrated by the Accenture report for the CDP. This report specifically analysed Italy's largest capitalisation companies on the Italian stock exchange on the basis of two parameters: the quality of information used to transparently disclose their policies on emissions (disclosures) and the quality of initiatives aimed at managing climate change (performance). In 2012, the second year in which it participated in the CDP, Ansaldo STS scored 73/100. These high scores were noted during the meeting in Milan to present the Italy 100 Report for 2012 on trends and developments in GHG emission monitoring and measurement.



ENVIRONMENTAL PERFORMANCE

The planning and efficient management of environmental issues in connection with a continuous monitoring systems make it possible to establish the performance of environmentally sustainable practices.

To this end, using the environmental management system and initial environmental analyses applied to each of its sites and work sites, Ansaldo STS has defined and identified the specific environmental issues of its activities to establish specific indicators in order to reduce environmental impact.

This system enables it to systematically monitor the performance of data gathered for each individual production site, measure the degree of effectiveness of steps taken to achieve targets and plan new activities in view of continuous improvement, including on the basis of internal and external comparisons.

Scope of the report[29]

The scope of the report considered to process environmental, health and safety performance comprises the 18 sites of Ansaldo STS' subsidiaries (Pittsburgh, Genoa, Brisbane, Les Ulis, Bangalore, Solna, Batesburg, Naples, Karratha, Riom, Kolkata, Kuala Lumpur, Piossasco, Newcastle, Noida, Tito Scalo, Perth and Sydney) that present significant environmental aspects: they are sites where production is carried out or are non-production sites with ten or more employees.

PRODUCTION SITES

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

TITO SCALO - ITALY	
Total site area	40,000 sqm
Site areas covered by plant, storage, warehouses and offices	21 %
Areas covered by paved roads, parking and dirt roads	19 %
Areas covered by landing strips	0 %
Grassy areas of the site, such as flower beds and lawns	60 %
Number of employees	133
Total hours worked	245.858
Main environmental activities	
Manual and automated welding of circuit boards and occasional painting of such.	
Certification:	ISO 9001, ISO 14001, OHSAS 18001, EMAS
Distance from residential areas [m]	5,000
Distance from superficial bodies of water [m]	0
Distance from natural protected areas [m]	4,000

29. Unlike in 2011, two Australian offices are now included in the scope of the report: Karratha (56 employees) and Newcastle (72 employees), as they reached the materiality threshold of 10 employees. The Broadmeadow, Australia office (4 employees) is no longer included in the scope, while the London office was closed.

RIOM - FRANCE	
Total site area	17,000 sqm
Site areas covered by plant, storage, warehouses and offices	30%
Areas covered by paved roads, parking and dirt roads	3%
Areas covered by landing strips	10%
Grassy areas of the site, such as flower beds and lawns	57%
Number of employees	126
Total hours worked	176,674
Main environmental activities *Use of hazardous materials*	
Certification:	ISO 9001, ISO 14001 and OHSAS 18001
Distance from residential areas [m]	250
Distance from superficial bodies of water [m]	250
Distance from natural protected areas [m]	20,000

BATESBURG - US	
Total site area	146,329 sqm
Site areas covered by plant, storage, warehouses and offices	13 %
Areas covered by paved roads, parking and dirt roads	31%
Areas covered by landing strips	0 %
Grassy areas of the site, such as flower beds and lawns	56%
Number of employees	182
Total hours worked	432.331
Main environmental activities *Painting, welding, moulding, covering electronic parts and cleaning*	
Certification:	ISO 9001, ISO 14001
Distance from residential areas [m]	200
Distance from superficial bodies of water [m]	200
Distance from natural protected areas [m]	-

These cover a total surface area of 203,330 square metres, 16% of which is covered by plant, storage, warehouses and offices, 26% by paved roads, parking and dirt roads and 1% by landing strips (the Riom site), while grassy areas like lawns and flower beds occupy the remaining 57%. Employees total 441 (182 in Batesburg, 133 in Tito Scalo and 126 in Riom). In 2012, they worked approximately 854,863 hours.

OFFICE SITES

SThere are 15 non-production sites where activities mainly consist of signalling plant design; the analysis of safety, reliability and availability; laboratory testing; contract management and control; research and development; procurement; and prevention and protection.

In geographical terms, the non-production sites are located in the following places:
- three in Italy: Genoa, Piossasco (Turin) and Naples;
- two in Europe: Les Ulis (France) and Solna - Stockholm (Sweden);
- one in the US: Pittsburgh;
- nine in Asia-Pacific: Brisbane, Perth, Sydney, Karratha and New Castle (Australia); Kuala Lumpur (Malaysia); Bangalore, Noida and Kolkata (India).

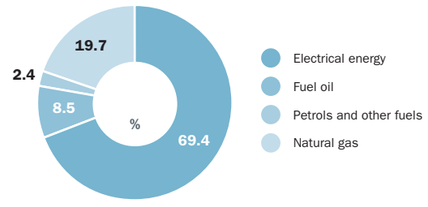
Non-production sites cover a total surface area of 160,760 square metres, with 3,204 workers, for a total number of hours worked in 2012 of 5,849,892.
None of the 18 Ansaldo STS sites is subject to the IPPC (Integrated Pollution Prevention and Control) directive. The Batesburg site and the Tito site are located in an area that is included in the list of contaminated sites of national interest.

Energy consumption

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

To meet its production and operating requirements, in 2012, Ansaldo STS consumed a total of 132,909.6 GJ of energy. This consumption may be broken down as follows: electricity from the grid: 69.4%%, natural gas: 19.7%, fuel oil to product energy and fuel vehicle traction: 8.5 %, petrol and other fuels: 2.4%.

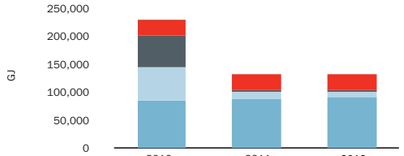
Breakdown of energy consumption



Total energy consumption is in line with 2011 (+0.4%), as a result of the net effect of the increase the energy consumption of office sites (+2.4%) and the decrease in that of production sites (-5.2%).

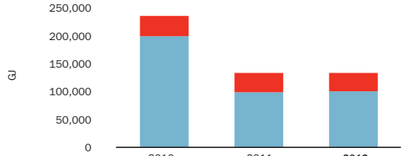
CONSUMPTION OF ENERGY	**PRODUCTION SITES**			OFFICE SITES		
	2010	2011	**2012**	2010	2011	**2012**
Electricity (kWh)	7,990,301.0	7,912,208.0	7,640,153.0	16,152,145.3	17,252,010.4	17,995,517.5
Electricity (GJ)	28,765.1	28,483.9	27,504.6	58,147.7	62,107.2	64,783.9
Natural gas (Nm3)	179,478.4	162,053.8	136,625.4	617,394.7	571,545.6	609,573.6
Natural gas (GJ)	6,287.1	5,676.7	4,786.0	21,627.3	20,021.2	21,353.4
Petrol and other fuels (t)	6.5	6.9	8.9	1,336.5	79.8	64.0
Petrol and other fuels (GJ)	284.1	302.9	386.8	58,409.9	3,486.3	2,797.9
Fuel oil (t)	1.2	1.4	1.0	1,379.6	286.4	264.0
Fuel oil (GJ)	49.0	60.5	43.5	58,798.7	12,205.8	11,253.6
TOTAL (GJ)	**35,385.3**	**34,524.1**	**32,720.8**	**196,983.7**	**97,820.6**	**100,188.8**

Total energy consumption



	2010	2011	2012
Natural gas	27,914.5	25,698.0	**26,139.4**
Petrols and other fuels	58,694.0	3,789.2	**3,184.7**
Fuel oil	58,847.7	12,266.3	**11,297.1**
Electrical energy	86,912.8	90,591.2	**92,288.4**

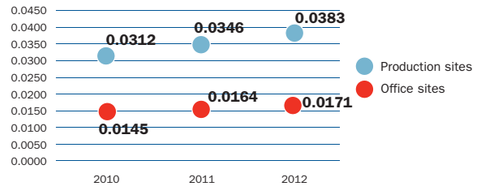
Total energy consumption



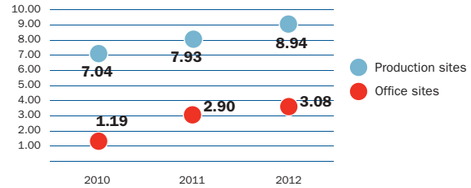
	2010	2011	2012
PRODUCTION SITES	35,385.3	34,524.1	**32,720.8**
OFFICE SITES	196,983.7	97,820.6	**100,188.8**

In absolute terms, 75% of total energy consumption derives from 15 office sites and 25% from three production sites. The latter reduced their energy consumption by 5.2% on 2011, by cutting the consumption of electricity (-3.4%), natural gas (-15.7%) and fuel oil (-28.2%). The sites saw a 2.4% increase in consumption, with electrical energy consumption up 4.3%, natural gas consumption up 6.7%, fuel oil down 7.8% and petrols down 19.7%. However, consumption per hours worked at the sites is down 12.8%.

Total energy consumption per hour worked (GJ/number of hours)



KPI – Total energy consumption per hour worked (kWh/number of hours)



The trend in the **total energy consumption per hour of work** performance indicator shows a slight increase at production and office sites, due to the modest decrease in hours worked.

The same trend can be seen in the **electrical energy consumption per hour of work indicator**. Production sites show a slight decrease in absolute EE consumption, while the hours worked decreased disproportionately. The office sites present an increase in absolute EE consumption, with the hours worked increasing disproportionately.

Energy efficiency and renewable energies

Ansaldo STS participates in the periodic operating meetings organised by Finmeccanica on CO2 emissions and energy consumption within the scope of the group's energy manager community.

These meetings are held quarterly and serve as a crucial tool for sharing the group guidelines and best practices, developing synergies between Ansaldo STS companies and introducing new technologies, processes and contractual clauses. Particular attention is devoted to:

- managing and rationalising energy spending;
- managing the group's energy efficiency plan with the aim of improving the energy efficiency performance of production sites by investing in new technologies;
- producing own energy and promoting the use of energy from renewable resources;
- fostering a culture of energy efficiency within the company, through the energy manager community and specific training days, and at home, by negotiating agreements that enable Ansaldo STS employees to invest in small systems to produce their own energy from renewable resources and improve energy efficiency at home.

In July 2009, Finmeccanica formalised "Guidelines for the management of energy spending, investments in plant and renewable energy sources" and applied them to all group companies. They identify the main action areas for energy sustainability:

- application of a developing energy procurement model;
- identification of new initiatives to include in the energy efficiency plan;
- evaluation of new initiatives for the development of renewable resources.

Cutting energy by 20% project

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

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

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

In 2012, Ansaldo STS continued reducing energy consumption at its Tito Scalo site (-11.5%), while energy consumption at its Genoa and Naples sites remained nearly unchanged and grew in Piossasco due to the greater use of heating systems (because of the weather) and maintenance work.

IT SERVICES FOR SUSTAINABILITY

Ansaldo STS' IT function is responsible for ensuring that the processes and services provided are in line with business and business support requirements, by defining guidelines and developing priorities for technological business systems.
The above strategic aim is pursued concurrently with that of the IT system's sustainability in terms of ecology/the environment and efficiency. In this way, Ansaldo STS has invested in a remote, real-time conferencing system consisting of:

- meeting rooms with video-conferencing systems at each company site;
- video/audio devices and real-time communication data transfer devices connected to all company PCs.

These devices, along with the application of a specific policy, are aimed at sharing information in real time and reducing travel requirements.

Another technological solution that has been implemented in order to increase efficiency and reduce consumption relates to the use of servers. In 2012, 14 physical servers were eliminated and their functions were transferred to virtual servers, saving 9.8 kW of electricity.

Furthermore, in 2012, 1,250 computers were disposed of in nine different countries in accordance with environmental sustainability practices and in compliance with current laws. The disposal of technologically obsolete IT equipment for specific in-house activities offers Ansaldo STS the opportunity to fulfil its social commitment: in 2012, it donated 150 personal computers to schools and institutes in Australia and the US.

Renewable energies

Ansaldo STS has acquired electrical energy consumption certificates for its Italian sites under the Renewable Energy Certificate System (RECS) for 2012. RECS certificates represent 1 MWh, and attest to the use of energy from renewable sources, which include, as defined by EU directive no. 2009/28: wind, solar, aerothermal, geothermal, ocean, hydraulic, waste-to-energy, landfill gas, residual gas from purification processes and biogas.
It has acquired 6,760 MWh for 2012, with a cost of €0.35/MWh, for a total of €2,366.

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

ELECTRICAL ENERGY FROM RENEWABLE RESOURCES	2010	2011	**2012**
Italian office sites (Genoa, Piossasco, Tito Scalo) – Electrical energy from renewable resources (kWh)	6,500,235	5,809,662	6,195,980
Total electrical energy consumed (kWh)	24,142,446	25,164,218	25,637,682
% of electrical energy from renewable resources out of the total	**27%**	**23%**	**24%**

Consumption of raw materials

Ansaldo STS is aware of the contribution that each company can give to safeguarding the world's resources by adopting policies to reduce the intensive use of raw materials and increase economic efficiencies, objectives promulgated by the OECD Council and in the sustainability strategies of many nations. Ansaldo STS has pilot projects underway in this respect, which will lay the foundation for future evaluations and systematic applications.
The data currently available for the Batesburg production site show that it consumes 104 tonnes of iron and steel and 21 tonnes of copper.

Atmospheric emissions

Atmospheric emissions mainly relate to the production sites and only a few of the office sites (Les Ulis in France, Pittsburgh in the US and Naples and Piossasco in Italy) as most of the company's sites do not produce emissions.

	PRODUCTION SITES		
ATMOSPHERIC EMISSIONS	2010	2011	**2012**
NOx (Kg)	100.67	192.73	239.30
CO (Kg)	50.00	96.37	119.65
VOC - Volatile organic compounds (Kg)	1,332.81	737.50	789.15
Volatile inorganic compounds (Kg)	0.12	0.10	0.51
Heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni)(Kg)	0.12	0.10	0.10
Particulates (Kg)	0.90	0.90	1.80

The Tito Scalo and Batesburg sites must monitor emissions of volatile organic compounds, volatile inorganic compounds and heavy metals deriving from their production processes. The 2012 figure relating to COV emissions is slightly higher than that for 2011 due to the greater emissions mainly at the Batesburg site (+9%)

CO and NOx emissions mainly derive from thermal energy plant equipped with effective filters to reduce pollutants. The emissions are measured directly in the chimneys.

However, the substantial decrease in these emissions compared to 2010, 2011 and 2012 was confirmed, mainly due to the reduced use of solvents and the installation of the emission reduction plant.

Data on particulates relate to the Tito Scalo site and concern emissions from the production and handling of goods. The decrease in the welding of circuit boards which are now bought already completed have led to a decrease over time. The increase in 2012 is due to the accurate value calculated during analyses carried out twice a year over an eight-hour period of the day.

	OFFICE SITES		
ATMOSPHERIC EMISSIONS	2010	2011	**2012**
SO_2 (Kg)	44.26	180.60	164.51
NOx (Kg)	1,886.27	1,282.51	1,324.03
CO (Kg)	911.24	519.72	551.31

Water management

The sustainable management of site water where it is withdrawn, used and disposed of encourages the maintenance and improvement of water use efficiency, ensuring less waste and reduced environmental impact.

Ansaldo STS therefore devotes particular care to the management of water resources and has, over the years, carried out initiatives to save water. These initiatives include the installation of water sensors on faucets in Italy, rain water recovery projects at the site in Riom, France and the replacement of the cooling towers with "dry" systems.

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

The application of management systems, technical repairs and procedures is aimed at reducing:
- the withdrawal of water;
- waste in the water grid;
- the use of water;
- the environmental impact of wastewater.

The objective is to:
- guide companies to adopt sustainable water management plans and provide for the necessary steps to draw up, check and periodically review such plans;
- enable companies that already have water management plans to check and review them, on the basis of these guidelines.

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

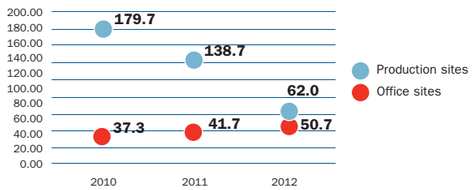
	PRODUCTION SITES			OFFICE SITES		
WITHDRAWAL OF WATER	2010	2011	**2012**	2010	2011	**2012**
Water drawn from aqueducts (m3/year)	103,351.1	77,388.0	27,344.2	66,536.7	96,528.4	122,070.5
Water drawn from wells (m3/year)	-	-	-	40,884.0	40,393.0	40,220.0
Other sources of procurement (m3/year)	-	-	-	137.1	78.0	74.0
TOTAL	**103,351.1**	**77,388.0**	**27,344.2**	**107,557.8**	**136,999.4**	**162,364.5**

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

	PRODUCTION SITES			OFFICE SITES		
WASTEWATER	2010	2011	**2012**	2010	2011	**2012**
Volume of domestic or similar waste water (m3/year)	62,362.4	64,360.0	14,405.4	57,668.4	60,645.8	113,819.0
Volume of industrial waste water (m3/year)	3,478.0	11,830.0	10,764.0	1,200.0	-	-

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

KPI – Withdrawal of water per employee (cubic metres)



The decrease in the **cubic meters of water drawn per worker** indicator for the production sites is mainly due to the lower use of water for mechanical processing and to irrigate the grassy areas at the Batesburg, US site (-82% on the figure for 2011).

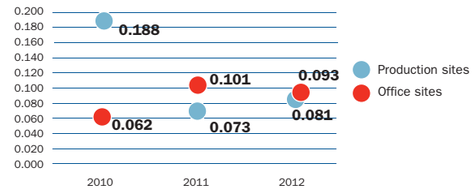
2012 WATER REPORT	PRODUCTION SITES	OFFICE SITES
Total incoming water [m³]	27,344.2	162,364.5
Total water used [m³]	25,168.4	113,812.7
DIFFERENCE	2,175.9	48,551.8

Waste production and management

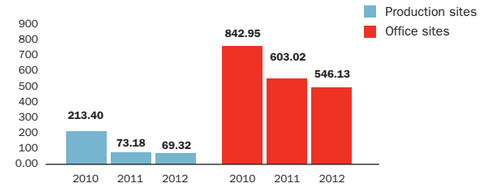
The production of waste is an environmental aspect that is assessed and measured at all Ansaldo STS sites and work sites and when the environmental aspects of work sites and the construction of civil and technological works are analysed.
All Ansaldo STS sites have waste collection areas depending on the type of waste and site layout.

	PRODUCTION SITES			OFFICE SITES		
WASTE	2010	2011	**2012**	2010	2011	**2012**
Hazardous (t)	**16.13**	**11.00**	**5.88**	**24.22**	**11.14**	**10.38**
% recovered	*56%*	*17%*	*47%*	*89%*	*66%*	*91%*
% disposed of	*44%*	*83%*	*53%*	*11%*	*34%*	*9%*
Non-hazardous (t)	**197.27**	**62.18**	**63.44**	**818.73**	**591.88**	**535.75**
% recovered	*51%*	*93%*	*83%*	*72%*	*51%*	*43%*
% disposed of	*49%*	*7%*	*17%*	*28%*	*49%*	*57%*
TOTAL WASTE (t)	**213.40**	**73.18**	**69.32**	**842.95**	**603.02**	**546.13**
% recovered	*51%*	*75%*	*80%*	*72%*	*51%*	*44%*
% disposed of	*49%*	*25%*	*20%*	*28%*	*49%*	*56%*

KPI – Kg of waste produced per hour worked



EE consumption (tons)



Hazardous materials

In July 2011, Finmeccanica formalised "Guidelines for the management of hazardous materials" and applied them to all group companies with the aim of:

- encouraging the companies to adopt a plan for the management of hazardous materials covering all activities in their life cycle;
- enabling the companies that already have a plan for the management of hazardous materials to check and improve its effectiveness and completeness on the basis of the content of these guidelines.

Ansaldo STS does not have any of the hazardous materials R40, R45 or R49 at any of its sites. The plans to discontinue the use of R22 conditioning plant (harmful ozone) were successfully implemented at Tito Scalo, while they remain to be completed at the Piossasco site (0.13 tonnes) and Batesburg site (0.1 tonnes). There are minimal quantities (0.27 tonnes) of hazardous materials pursuant to Legislative decree no. 334/99 and subsequent amendments at the Les Ulis site. The Riom production site also has minimal quantities of hazardous materials R50 (0.05 tonnes), R52 (0.15 tonnes, but it has no longer been used since June 2012) and R53 (0.45 tonnes). The Genoa site has an underground 2-cubic metre tank containing liquid waste, with a secondary holding system and leakage detection system. There are also external tanks with secondary containment systems: one in Pittsburgh (2 m3), one in Riom (1 m3) and three in Tito Scalo (10 c3).

Reclamation

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

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

The plan then began implementation.
There have been many chapters in the history of the group's efforts to resolve the water pollution issues at this site. In the 1970s and early 1980s, metal originating from production scraps was dumped here (mainly cadmium, chrome and copper), along with coloured waste water, damaging the septic tank and sewers. Ongoing monitoring of the underground water showed a peak of volatile organic compounds (VOCs) and specifically tetrachlorothene (PCE) and trichloroethane (TCA). From 1983 to 2000, the site took a series of corrective actions to pre-treat and recover the underground water, using several different techniques, such as pump and treat methods (on-site pumping and treatment), along with an on-site chemical oxidation that was later added for the reclamation of underground water in the area of origin. The treatment continued with some variations, but the results of the post-treatment monitoring indicated the presence of additional liquid organic substances that were denser than water, which continued to pollute aquifers. Subsequently, the decision was taken to continue with a modified version of the chemical oxidation treatment, i.e., using "dosing wells" that would add sodium permanganate. These wells, however, proved to be ineffective in the fine-grain section of the aquifer, and, accordingly, only partially treated the VOC concentrations in the water, without reducing them at the source. In January 2007, the DHEC approved an addendum to the corrective action plan entailing the installation of an on-site air sparging system along the stream running adjacent to the site. This system is based on the pressurised injection of air under the aquifer for the mass transfer of VOC out of the aquifer water.

Noise

Noise levels at all Ansaldo STS sites are always low and exterior and interior noise is monitored at the frequencies provided for by current legislation to monitor compliance with the applicable thresholds. A procedure has been implemented to manage the acoustic impact of plant in order to define the requirements and authorisation methods for significant temporary activities with respect to noise pollution, including work sites for both Ansaldo STS and subcontractor activities.

Where Ansaldo STS is the main contractor, during coordination and supervision activities, it may ask subcontractor for information on measurements to monitor that thresholds have not been violated.

Finally, there are health and safety plans in place to establish that noise thresholds should not be violated throughout the entire work site.

Non-conformities and environmental complaints

In 2012, there were 15 environmental incidents at Ansaldo STS sites (one in Les Ulis, four in Riom and 10 in Karratha) and no outside complaints relating to the environment. There were no violations of environmental regulations noted by external control bodies and there were no plant faults with a critical environmental impact.

Ansaldo STS conducted eight internal environmental checks at its office sites and four of its production sites. There were eight environmental checks by external bodies at its office sites and seven at its production sites, in addition to the inspection by the environmental control authority at the Riom site.

FOCUS ON ITALY - Auditing activities

Audit, training, support and document management activities were systematically performed in 2012. An audit campaign was launched for the sites and work sites in order to examine the adequacy of internal processes with respect to the requirements of ISO 14001 and 18001 standards following the implementation of the IMS.

Description	Office sites	Work sites
Environmental audit	7	146
Safety audit	6	711
Environmental findings	7	142
Safety findings	1	134

THE TITO SCALO SITE

EMAS registration

For the Tito Scalo site (Piacenza), Ansaldo STS signed the “Environmental Plan” for the third three-year period, with specific environmental policy commitments.

At the same time, it drew up the “Environmental Statement” which - as per EU regulation no. 1221/2009 EMAS - “serves to provide the public and other concerned parties with information on the company’s environmental impact and performance, as well as on the continuous improvement of its environmental performance”.

The “Statement” was verified by the EMAS Ecolabel-Ecoaudit Committee, its members being representatives of the Ministries of the Environment, Economic Development, Health and the Economy and Finance, and it will be periodically updated. It is available on the company’s website.

This is yet another step forward in the company’s integrated environmental, safety and quality policy, following ISO 9001 certification (development, implementation and improvement of the effectiveness of the quality management system) and ISO 14001 certification (compliance with international standards on the environmental management system).

Based on companies’ willingness to improve their environmental efficiency, EMAS, is an environmental quality certification standard that is legally recognised by the EU through the “EU Ecogestione and Audit regulation”.

By registering with EMAS, Ansaldo STS undertakes to continuously improve its environmental sustainability, particularly with respect to emissions, energy consumption and waste management, by monitoring, supervising and managing critical areas.

20% reduction in electrical energy consumption

Technological developments, investments and the implementation of an environmental management and EMAS system have enabled the site to increase its energy efficiency over the years and launch an ambitious project: cut energy consumption by 20%. This project was kicked off with the adoption of low energy consumption lighting systems, which provide for the following in particular:

1. digital addressable lighting interface (DALI) systems that are adjusted at any time on the basis of the quantity of natural light, as needed;
2. lighting systems turned on only when there are people present;
3. interdependent light adjustment circuits that can be individually deactivated to optimise electrical energy consumption;
4. renewal of the suspended ceilings and external walls.

Taking a prudent approach

The chemical products used at the Tito Scalo site can be divided into those that will be incorporated in site products and those that will be used for manufacturing processes. The former include resins, paints and alloys for welding electronic parts. With respect to the reduction of hazardous products provided for by Legislative decree no. 151 of 25 July 2005, although the site’s products do not fall within the scope of application of such decree (see the ANIE guidelines of March 2006), the company has taken steps to gradually adopt a welding process for the circuit boards that entails the use of welding alloys that do not contain lead.

Costs and investments for the environment, health and safety

In 2012, Ansaldo STS incurred environmental costs to treat and dispose of waste water and recovery and dispose of waste.

ENVIRONMENTAL COSTS	2012
Total cost for the treatment and disposal of domestic and similar water	19,501
Total cost for the treatment and disposal of industrial water	7,176
TOTAL COST FOR WASTE WATER	**26,677**
Costs related to the production, treatment, recovery and disposal of waste	105,783
Waste production taxes	329,518
TOTAL COST OF WASTE	**435,301**
Costs for environmental reclamation (Batesburg site)	149,866
TOTAL COST OF RECLAMATION	**149,866**
TOTAL	**611,844**

In addition, it incurred the following costs for technical, audit, maintenance, advisory and training services:

OTHER HSE COSTS	2012
materials and equipment	2.518
audit and legal costs	23.865
technical and advisory services	294.043
training	131.058
other services and maintenance	195.412
TOTAL	**646.898**

Again in 2012, the company invested €218,000 in environmental sustainability, mainly at the Italian sites in Piossasco, Naples and Tito Scalo. At the Piossasco site, the most significant environmental work related to the restoration of the sewage and white water grids leading to the shared collection tank and the replacement of the thermal gas energy chimneys in the area. Investments at the Naples site related to the updating of the air conditioning system.

Investments to improve safety totalled €236,000 in 2012. The Piossasco site saw the start of the programme to remove the architectural barriers of the office building walls and the updating of the secondary electricity grid downstream from the new MV/LV cabin. At the Genoa site, the main work entailed the commencement of the plan to replace the lifts (six systems) in the ASTS building stairwell and the freight lift in the central stairwell.

Commitments made and commitments for the future

REPORTING ON COMMITMENTS

Commitments made in 2011	Activities performed in 2012	
The GENOA, NAPLES and PIOSSASCO sites		
• 20%/40% increase in the hours of environmental training through training sessions with the help of outside bodies. • An environmental training project is being studied in the light of the Global Job Systems implemented in 2011.	• Activities are underway: total environmental training hours rose from 20 in 2011 to 123 in 2012. • The training programme was implemented and activities are underway.	✔
TITO SCALO site		
• 2% reduction in electrical energy consumption through the installation of a solar energy system.	• Electrical energy consumption was reduced by 9.3% from 1,646,037 Kw in 2011 to 1,493,537Kw in 2012.	✔
PIOSSASCO site		
• Replacement of two refrigeration units.	• Replaced refrigeration units	
BRISBANE, PERTH, SYDNEY, BANGALORE, KOLKATA, KL OFFICE, NOIDA, KARRATHA, PITTSBURGH, LES ULIS, RIOM and SOLNA sites		
• Reduction in electrical energy consumption: - by replacing traditional light bulbs with energy-efficient bulbs; - by preparing informational material and organising training courses for employees aimed at a careful management of the activities that affect energy consumption. • A pilot project is currently being studied on energy efficiency, which provides for the replacement of the lighting system with LED-based and DALI systems.	• Energy-efficient light bulbs replaced traditional bulbs, informational material was distributed and training courses were held for employees aimed at a careful management of the activities that affect energy consumption.	✔

EE Consumptions	2012	2011	Changes %
BRISBANE	558,570	199,500	180.0
PERTH	1,026,890	578,753	77.4
SYDNEY	45,154	45,154	0.0
BANGALORE	286,740	286,740	0.0
KOLKATA	76,890	82,890	-7.2
KUALA LUMPUR OFFICE	315,844	315,844	0.0
NOIDA	165,680	165,680	0.0
KARRATHA	215,510	215,510	0.0
PITTSBURG	5,304,180	5,304,180	0.0
LES ULIS	2,880,000	3,040,000	-5.3
RIOM	1,289,965	1,435,085	-10.1
SOLNA	164,932	148,300	11.2
TOTAL	**12,330,355**	**11,817,636**	**4.3**

The increase in the consumption of electrical energy in Perth and Brisbane was mainly due to growth in activities.

BATESBURG site		
• Reduction in CO_2 emissions by replacing the five HVAC units containing 29 tonnes of R22 coolant with units that contain R410A.	• The heating, ventilation and air conditioning units have not yet been replaced.	✘
GENOA, TITO SCALO, NAPLES and PIOSSASCO sites		
• Reduction in employee travel between Ansaldo STS sites, by preparing videoconferencing rooms and implementing PCs equipped with webcams.	• Travel between sites is down, but travel to distant work sites in the Middle East, Far East and Australia is up.	✔

Commitment for the future	Timeline
• Definition of an audit plan to control significant environmental aspects for the SGA and the organisational model, providing for key roles.	2013
• Implementation of a database to analyse the causes of environmental and safety non-conformities and define the steps to be taken.	2013
• 32% reduction in CO_2 emissions (approximately 5,600 t/co_2) following the decrease in air travel.	2013
• Definition of eco-design activities to reduce CO_2 emissions.	2013

THE HEALTH AND SAFETY POLICY

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

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

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

Implementation of relevant legislation

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

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

Ansaldo STS applies the regulations under Legislative decree no. 81/2008 for Italy and similar legislation in other countries where the group operates, continuously identifying dangers, assessing the related risks and taking all risk prevention and control measures. The methodology that it applies to identify dangers and assess the related risks is compliant with current legislation and the standards that Ansaldo STS applies on a voluntary basis, as well as with previous work experience. Ansaldo STS uses risk control indicators that the organisation can monitor.

Training

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

This is why Ansaldo STS promotes training and updating activities to develop personnel's expertise, as personnel can affect health and safety in the workplace through their activities.

Overall, in 2012, 17,007 hours of training were provided (at the sites specified in this analysis), making up 24.2% of total training hours.

	PRODUCTION SITES		OFFICE SITES	
	2011	**2012**	2011	**2012**
Total hours of health and safety training	1,243	1,299	12,038	15,778
Total hours of training	6,106	7,531	64,157	62,875
Safety training as % of the total	20.4%	17.2%	18.8%	25.1%

Health and safety performance

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

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

Safety is therefore a strategic must for Ansaldo STS and not only in terms of its mission, but also as a value that must be guaranteed to all workers who contribute every day to ensuring it for end users as well.

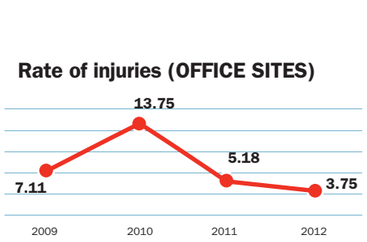
Overall, in 2012, there were 17 injuries (compared to 34 in 2011), including 12 at the office sites and five at the production sites (excluding injuries during travel). 11 of these led the employee to miss more than three days of work (seven at the office sites and four at the production sites).

The days of missed work due to injuries totalled 126 at the office sites and 311 at the production sites.

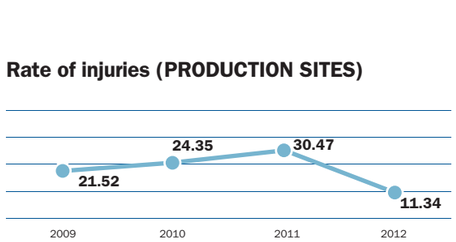
Data on the frequency and seriousness of injuries show that these values are extremely low when compared to the construction sector (for example, Italy presents an injury rate of roughly 50 and a seriousness rate of 8.5).

Injury frequency and seriousness indicators are reported below:

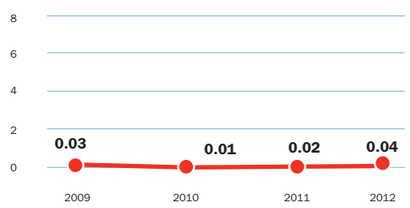
Rate of injuries (OFFICE SITES)



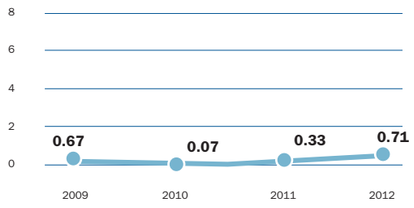
Rate of injuries (PRODUCTION SITES)



Seriousness of injuries (OFFICE SITES)



Seriousness of injuries (PRODUCTION SITES)



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

(*) Frequency Rate = (nr. of injuries / nr. of employees) x 1,000
(**) Severity Rate = [(nr. of days lost) + (inability level x 7,500/100) + (nr. of deaths x 7,500)] / nr. of employees

Accident and near miss management procedure implemented at global level

With the implementation of the integrated management system (IMS) for the environment, safety and quality, Ansaldo STS has defined corporate policies and procedures. The definition of the management procedure for accidents and near misses was crucial, enabling Ansaldo STS to align and improve its technical/organisational measures, determine and record the most significant weaknesses and the causes of events, define internal and external flows of information and meet legal obligations in the event of the recording and reporting of injuries to the relevant bodies, with an indication of the duties assigned to the various organisational figures involved, as well as taking a continuous improvement approach.

FOCUS ON ITALY - Hygiene and safety in the workplace under Legislative decree no. 231/01

To manage injuries and accidents, Ansaldo STS has created a procedure to provide information on how to correctly manage events entailing injuries, accidents and near misses. This procedure is a valid prevention and information management tool for statistical purposes, to identify the causes of an accident and meet legal requirements relating to health, safety and hygiene in the work-place. It is based on three key pillars:

- analysis of causes;
- filling out documentation;
- flow of communications.

The HSE function monitors the data quarterly and sends them to the supervisory body. Each year, during a periodic meeting and management review, the analysis of injuries and accidents provides the basis for the implementation of improvement steps.

BEST PRACTICE

2012 SAFETY YES CAMPAIGN

In line with the principles at the basis of the 365 safety days project, Ansaldo STS is following up on the awareness campaign on safety issues and culture. The targets of this initiative will be all operators working at sites both within Ansaldo STS and employees of its partners.

Accordingly, the campaign includes courses and structured follow-up checks with feedback on the validity of the initiative, as well as new steps to stimulate the strengthening of a proper approach to safety. Teachers are safety experts, assisted by in-house Ansaldo STS safety representatives.

In line with the above, Ansaldo STS confirms its commitment to continue the training courses it has implemented to date with its suppliers.

COSILAVOROSICURO

Ansaldo STS confirmed its participation in COSILAVOROSICURO (Consortium for workers' safety and health in the work place) as a member of the steering committee. The various activities performed and planned include the commencement of the COSILAVOROSICURO project, the main aim of which is to provide consortium members with a series of operating tools and simplified procedures to ensure total compliance with legal obligations, while also recognising their upstanding conduct through consortium certification issued at the end of each year (Ansaldo STS received the certification for two years in a row: 2010 and 2011).

The main aim of this project is to provide Ansaldo STS with a series of operating tools and simplified procedures to ensure total compliance with legal obligations. These tools include:

1) a list of the most important legal requirements, each of which corresponds to one or more forms for the fulfilment of legal provisions;
2) a schedule of deadlines for the main legal requirements;
3) a list of training requirements.

The COSILAVOROSICURO project is also a tool to constantly and scrupulously monitor the level of safety that has been achieved, and evaluate the costs and benefits for corrective action to be taken, with the involvement of all company employees, suppliers and third party processors in these activities.

FOCUS ON AUSTRALIA – HSE BULLETIN

Each month, the HSE department in Australia publishes on its intranet the HSE bulletin, a tool it uses to inform all employees on news regarding:

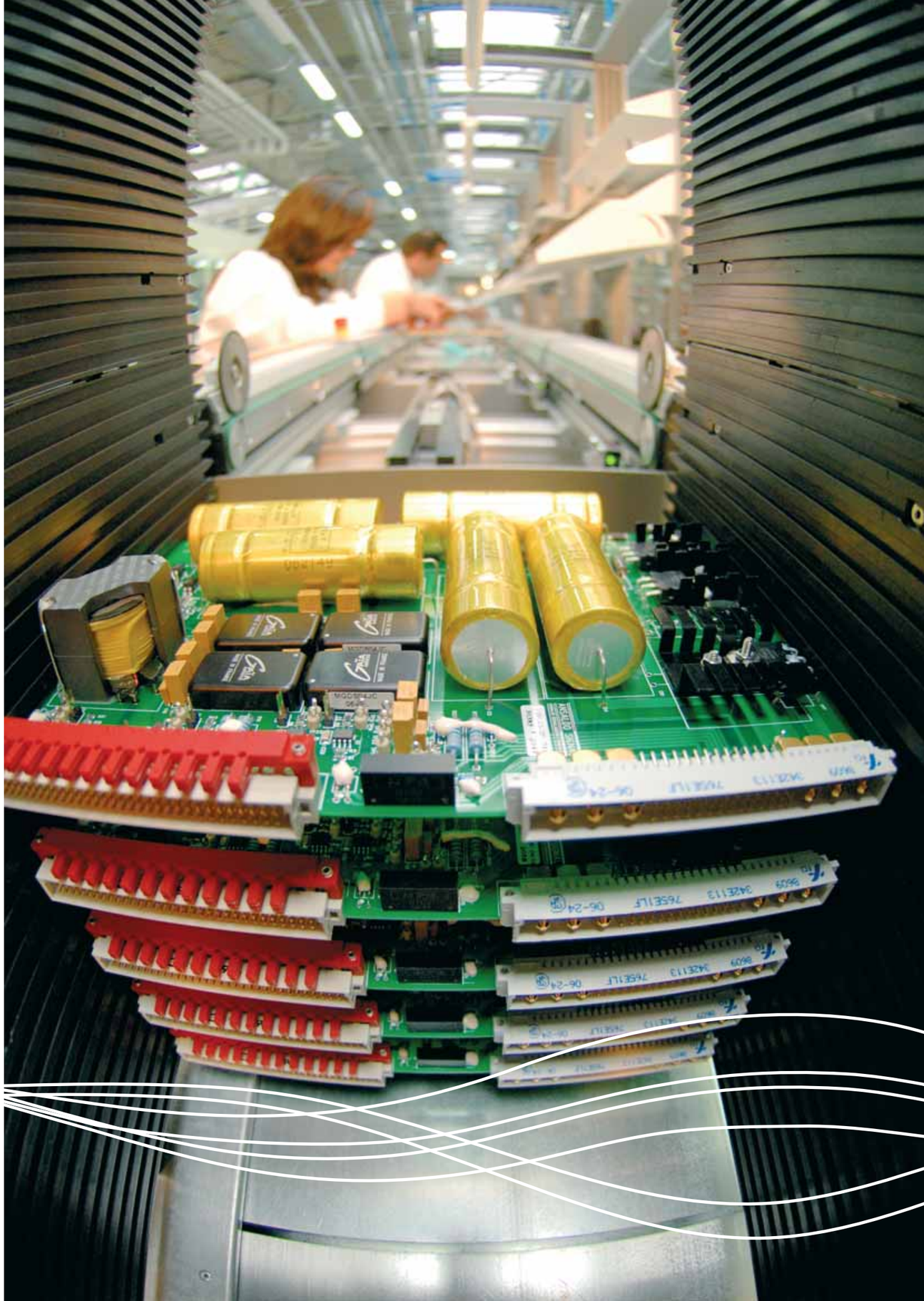
- the local safety and environmental management system;
- new legislation;
- progress of established objectives;
- progress of work site activities;
- HSE news and events.

This keeps attention focused on important issues and is useful in gathering and reporting on improvements and initiatives in the field of safety and the environment.

Commitments made and commitments for the future

REPORTING ON COMMITMENTS		
Commitments made in 2011	**Activities performed in 2012**	
• Implement a reporting system for HSE performance that can be shared globally.	• This activity is underway	—
• Extend ISO 14001 and OHSAS 18001 certification to all sites within the HSE reporting scope.	• This activity is underway.	—

Commitment for the future	Timeline
• Complete the implementation of an HSE performance reporting system to be shared globally.	2013
• Complete the extension of ISO 14001 and OHSAS 18001 certification to all sites within the HSE reporting scope.	2014



Methodological notes

Ansaldo STS' sustainability at 31 December 2012 has been prepared in accordance with the updated "Sustainability reporting Guidelines" defined in 2011 (version 3.1) by the GRI (Global Reporting Initiative). Furthermore, they have been prepared following the applicable GRI Protocol Boundary. The compliance level of the 2012 sustainability report with the aforementioned guidelines has been scored B+. The report documents, for the fourth consecutive year, the economic, social and environmental impact of operations.

Materiality - To ensure balanced and correct reporting of its performance, Ansaldo STS' Internal Sustainability Committee has explored the various areas subject to reporting, guaranteeing the quality of the report. The committee has analysed the materiality of these areas to highlight how the different areas affect the company's economic, environmental and social performance and how they can influence stakeholders' evaluations and decisions.

Inclusion of stakeholders - The application of this principle has led the company to define the main factors that characterise its relationship with each stakeholder category, in order to assess Ansaldo STS' ability to respond to them. With the aim of better identifying stakeholder expectations in terms of information, needs and the evaluation of the company's work, various stakeholder feedback activities have been carried out and are described in the relevant sections of this document.

Sustainability - In the section on "Sustainable development" we have sought to clearly define how Ansaldo STS interprets the sustainability of its business sector. In the chapter on the environment, readers can see how the company has taken a prudent approach.

Completeness - This report was designed to enable stakeholders to gain a complete view of Ansaldo STS' activities. The scope of reporting refers to the group, as indicated in the consolidated financial statements as at and for the year ended 31 December 2012. The issues relating to the environment, health and safety refer to the subsidiaries' sites that are deemed material, i.e., if they have at least 10 employees. Changes in the scope in 2012 are detailed in the paragraph on the *Scope of the report* in the section of the report entitled *Environmental, health and safety sustainability*.

In Asia-Pacific, Ansaldo STS has a joint venture in which 40% of the personnel are Ansaldo STS employees: the data for this joint venture have been estimated (and thereby calculated considering 40% of total personnel in the region).

Balance - In describing the results of Ansaldo STS' activities, we have sought to reflect both the positive and negative aspects (e.g., reporting on objectives that were not achieved or that were only partially achieved in 2012, with respect to the commitments made) to give a balanced view of overall performance.

Comparability - To enable stakeholders to analyse changes in the company's performance, the sustainability report includes comparative data for 2011 and 2012. Where meaningful, the comparative data covers the 2010-2012 three-year period. Income statement figures, expressed in Euro, have been translated at the exchange rates indicated in the 2012 consolidated financial statements. The scope of the data is always indicated (in the text or in a note), along with changes compared to previous years. The structure of the report has not undergone any substantial changes, although it has been lengthened to cover specific issues. Progress relating to Ansaldo STS' commitments is described in the sections on the different stakeholders in this report.

Accuracy - Results and qualitative and quantitative data refer directly to the 2012 consolidated financial statements, while the accuracy of environmental, health and safety data derives from the certified management systems (ISO 14001 and OHSAS 18001) and the use of the Enablon data collection platform which the Finmeccanica group implemented in 2010. Social sustainability data have been mainly extracted from Ansaldo STS' operating systems. Estimates are explicitly indicated. The conversion rates used for the calculation of GHG emissions are those defined by the Finmeccanica group.

Timeliness - The sustainability report is prepared annually and always published for the shareholders' meeting. To best meet the informational needs of stakeholders, where material, events that occurred after the year end are also reported.

Clarity - The report was structured to make the information easily identifiable by stakeholders. The 2012 sustainability report includes four sections:

- ***Ansaldo STS' identity*** - Company profile, sustainable development, governance and organisation
- ***Economic sustainability*** - creation of value, governing innovation
- ***Social sustainability*** - Human resources, investor relations, customer and market relations, supply chain management, external affairs;
- ***Environmental, health and safety sustainability*** - HSE policies, management systems and certification, HSE performance

This document ends with the *G3 Content Index* and the review report of the independent auditors. The level of detail of information has been chosen in order to make the report comprehensible, accessible and usable by the various stakeholders.

The document refers to the company's website for details on certain matters, with an indication of exactly where the relevant documentation can be found.

Furthermore, sustainability communications have been particularly followed and updated on the website, where in 2013, an innovative document will be published that integrates the content of the annual report with that of the sustainability report.

Reliability - The 2012 sustainability report was approved by the board of directors and reviewed by independent experts (KPMG) in accordance with the International Standard on Assurance Engagement (ISAE 3000) of the International Auditing and Assurance Standard Board (IAASB). KPMG was involved in the various stages of the reporting process in order to facilitate its review, in a constructive climate of mutual collaboration.

GRI CONTENT INDEX

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
STANDARD DISCLOSURES PART I: Profile Disclosures			
1. Strategy and analysis			
1.1	Statement of the highest authority on the importance of sustainability for the organisation and its strategy	Fully	Letter from the Chairman and Chief executive officer (pages 4-5)
1.2	Main impact, risks and opportunities	Fully	Materiality analysis (page 25). Internal control and risk management system (page 38-41). Consolidated financial statements (pages 22-25). *A risk/opportunity assessment is underway on the issues identified in the materiality analysis by the Internal Sustainability Committee*
2. Organisation			
2.1	Name of the organisation	Fully	Company profile (page 8)
2.2	Main brands, products and/or services	Fully	Company profile (pages 8-19)
2.3	Operating structure of the organisation	Fully	Ansaldo STS around the world (pages 16-19)
2.4	Location of the organisation's headquarters	Fully	Ansaldo STS around the world (page 16)
2.5	Countries of operation	Fully	Ansaldo STS around the world (pages 18-19)
2.6	Ownership structure and legal status	Fully	Shareholders (page 93)
2.7	Markets served	Fully	Ansaldo STS around the world (pages 16-17)
2.8	Size of the organisation	Fully	Ansaldo STS around the world (pages 16-17); Main projects (pages 20-21); Human resources – Headcount (page 65); Performance and main results (page 52); Share capital and dividends (page 93)
2.9	Significant changes in the reporting period	Fully	Environmental sustainability – Scope of the report (page 149)
2.10	Recognition/awards received in the reporting period	Fully	(page 60) President of the Senate and Ministry of Education, Universities and Research – *2012 Innovation Award;* (page 109) Copenhagen metro - *Best driverless metro*; (page 131) Website – *KWD Webranking Best Improver in 2012 award*"; (page 60) Finmeccanica award
3. Financial statements parameters			
3.1	Reporting period	Fully	Methodological notes (page 168)
3.2	Date of publication of the previous sustainability report	Fully	Methodological notes (page 168); *The 2011 sustainability report was published in May 2012.*
3.3	Frequency of reports	Fully	Methodological notes (page 168); *annual*
3.4	Useful contacts and address for requesting information on the sustainability report	Fully	(page 178)
3.5	Process for the definition of the content of the sustainability report	Fully	Materiality analysis (page 25)
3.6	Scope of the sustainability report	Fully	Methodological notes (page 168); Environmental sustainability - Scope of the report (page 149)
3.7	Specific limitation of the objective or scope of the sustainability report	Fully	Methodological notes (page 168); Environmental sustainability - Scope of the report (page 149)
3.8	Information on associates	Fully	Ansaldo STS around the world (pages 18-19); Methodological notes (page 168); Environmental sustainability – Scope of the report (page 149); *There were no changes that would affect comparability.*
3.9	Techniques used to measure data and the bases for calculations, including the assumptions and techniques underlying estimates applied to calculate indicators and prepare other information in the report	Fully	Methodological notes (page 168); *footnotes*
3.10	Changes with respect to the previous sustainability report	Fully	Methodological notes (page 168); Environmental sustainability – Scope of the report (page 149)
3.11	Significant changes since the previous reporting period	Fully	Methodological notes (page 168); Environmental sustainability – Scope of the report (page 149)
3.12	Table indicating the content of the sustainability report	Fully	Methodological notes (page 168); GRI Content Index (page 170)
3.13	Policies and practices to obtain external assurance on the report	Fully	Independent auditors' report (page 178); Methodological notes (page 168)
4. Governance, commitments and involvement			
4.1	Governance structure of the organisation	Fully	Corporate governance and organisation – Corporate governance (page 31)
4.2	Indicate whether the Chairman also holds an executive position	Fully	Corporate governance and organisation – Corporate governance (page 33)
4.3	Independent and/or Non-executive directors	Fully	Corporate governance and organisation – Corporate governance (page 33)
4.4	Mechanisms available to the shareholders and employees to provide recommendations or directives to the highest corporate governance bodies	Fully	Internal Sustainability Committee (page 24); Corporate governance – Supervisory body (page 40); Trade unions – Strategic observation (page 85); *Reports to the supervisory body; reports to the supervisory bodies for the code of ethics at the legal entities; Reports to the secretary of the board of directors (who presents employees' claims to managers during board meetings)*
4.5	Relationship between remuneration for members of the board of directors, managers and junior managers with the performance of the organisation (including environmental and social performance)	Fully	Corporate governance – Governance bodies and tools – Directors' fees (page 37); Human resources – Remuneration and incentives (page 78). *At present, there is no mechanism in place that links remuneration with the company's environmental performance.*
4.6	Activities in place with the board of directors to ensure that no conflicts of interest arise	Fully	Corporate governance – Governance bodies and tools – Board of directors – Independence of directors (page 33) (Corporate governance report)
4.7	Procedure to determine the qualifications and experience required of members of the board of directors	Fully	Corporate governance – Governance bodies and tools – Board of directors – Directors' requirements and duties (page 33)
4.8	Definition of the mission, values, code of conduct and principles prepared within the organisation and relevant for economic, environmental and social performance and the status of their implementation	Fully	Company profile – Mission, Core Values (pages 10-11); Corporate governance and organisation – The code of ethics (page 40); Sustainability and stakeholders – Internal Sustainability Committee (page 24); Environmental, safety and quality IMS (integrated management system) (pages 28 and 138)
4.9	Board of directors control procedures, the methods of identifying and managing economic, environmental and social performance, including significant risks and opportunities and compliance with international standards, codes of conduct and stated principles	Fully	*These activities fall within the responsibility of the Internal Sustainability Committee, which reports to the Chairman and CEO. In turn, the Chairman and CEO report to the board, which approves the sustainability report.*
4.10	Procedures for assessing the performance of the board of directors, specifically in terms of economic, environmental and social performance	Fully	Corporate governance – Board of directors – Activities of the board of directors and assessment of its operations (page 34). *Currently, the assessment system for the performance of the board of directors does not consider aspects relating to social and environmental performance.*
4.11	Explanation of the organisation's potential application of the principle (or approach) of prudence	Fully	E.g., Environmental sustainability – Tito Scalo site (page 159). *Ansaldo STS takes a prudent approach to the management of economic, social and environmental issues.*
4.12	Signing or adoption of codes of conduct, principles and forms developed by external bodies/associations in relation to economic, social and environmental performance	Fully	Global Compact (page 26); Carbon Disclosure Project (page 146)
4.13	Participation in national and international trade associations	Fully	The public – Participation in trade associations (page 129)
4.14	List of stakeholders with which the organisation is involved	Fully	Sustainability and stakeholders – Ansaldo STS' stakeholders (page 23)
4.15	Principles for the identification and selection of main stakeholders with which to undertake involvement activities	Fully	Ansaldo STS' stakeholders (page 23); Best practices for sustainability (page 29). *Ansaldo STS is open to the involvement of stakeholders through analyses and projects that are defined by the different departments and discussed by the Internal Sustainability Committee*
4.16	Approach to the involvement of stakeholders, specifying the frequency by the type of activities developed and stakeholder group	Fully	Best practices for sustainability (page 29); Human resources - Company climate (page 89); Future Leaders (page 75); Customers - Customer satisfaction (page 107); Investors – The perception of financial markets (pages 96 -99); Suppliers – co-design (page 116)
4.17	Key issues and critical points that arose in the involvement of stakeholders and organisation's response	Fully	Human resources - Company climate (page 89); Investors - The perception of financial markets (page 96-99)
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA EC	**Disclosure on Management Approach EC**		
Aspects	Economic performance (page 52); Market presence (page 16); Indirect economic impacts (Direct answer EC 6-7-8-9).		
DMA EN	**Disclosure on Management Approach EN**		Environmental sustainability, health and safety. *With respect to environmental issues relating to work site activities, Ansaldo STS operates in accordance with the environmental management policy, which begins with an initial environmental analysis of the expected work to be prepared and agreed with subcontractors, followed by an environmental monitoring plan that continuously guarantees legal compliance and the exploitation of all opportunities to limit environmental impact that the opening of the work site inevitably entails. An ad hoc environmental reporting system was implemented for the Rio Tinto work site, which could provide the basis for future applications of this methodology to be extended to other work sites.*
Aspects	Materials (page 154); Energy (page 152); Water (page 155); Biodiversity (Direct answer EN 11-12-14); Emissions (page 142), Effluents and waste (pages 140.146); Products and services (page 140); Compliance (page 158); Transport (page 142); Overall (page 160)		
DMA LA	**Disclosure on Management Approach LA**		
Aspects	Employment (pages 26.65); Labour/management relations (page 85); Occupational health and safety (page 163); Training and education (page 71); Diversity and equal opportunity (page 65); Equal remuneration for women and men (page 77 and Direct answer LA14)		
DMA HR	**Disclosure on Management Approach HR**		
Aspects	Investment and procurement practices (pages 116-119) Non-discrimination (page 27) Freedom of association and collective bargaining (page 27) Child labour (page 27) Prevention of forced and compulsory labour (page 27) Security practices (Direct answer HR8) Indigenous rights (page 27, Code of ethics page 9); Assessment (Code of ethics page 9, Direct answer HR 11); Remediation (Code of ethics page 13)		
DMA SO	**Disclosure on Management Approach SO**		
Aspects	Local communities (page 107, Direct answer SO 1); Corruption (page 28); Public policy (page 129, Code of ethics page 10); Anti-competitive behaviour (Code of ethics page 6); Compliance (Code of ethics page 11)		
DMA PR	**Disclosure on Management Approach PR**		
Aspects	Customer health and safety (page 105); Product and service labelling (not applicable); Marketing communications (not applicable); Customer privacy (Code of ethics, page 11); Compliance (Code of ethics, page 11)		
STANDARD DISCLOSURES PART III: Performance Indicators			
EC ECONOMIC			
EC1	Value directly generated and distributed, including revenue, operating expense, employee remuneration, donations and other investments in the community, undistributed earnings, payments to lenders and the following administration	Fully	Value directly generated and distributed (page 55)
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Fully	Environmental sustainability, health and safety – Commitment to fight climate change (page 142). *Ansaldo STS is not subject to particular financial risks due to climate change, but opportunities due to the commitment to reduce energy consumption, encourage ecologically compatible forms of transportation (car pooling and car sharing), reducing air travel and reducing the production of waste. It was not possible to estimate the possible financial implications of climate change as it is not foreseeable.*
EC3	Coverage of obligations assumed when the pension plan was defined *(benefit plan obligations)*	Fully	Social sustainability – Human resources – Employee initiatives – Pension plan (pages 82-84)
EC4	Significant financing received from the public administration	Partiallly	Social sustainability – The public – Research projects with Italian and EU public institutions (page 124). *Transportation Solution BU grants for research and development of €0.3 million; Signalling BU of €3.4 million*

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
EC5	Ratio of standard remuneration of newly-hired employees to local minimum remuneration at the most significant sites	Fully	Social sustainability – Human resources – Remuneration and incentives – Fair remuneration (page 77). *Ansaldo STS evaluates at global level the consistency of responsibilities with remuneration, without distinguishing between countries, sex, culture, etc., in accordance with the company's values, which protect and promote fair and equal treatment of all people. This is why even the remuneration of newly hired employees cannot be lower than the local minimum.*
EC6	Policies, practices and spending percentage concentrated on local suppliers for the most important operating sites	Fully	Social sustainability – Supply chain management – Vetting and eligibility of suppliers (page 117). *Ansaldo STS always tries to maximise the use of local suppliers when purchasing materials, services and labour, in part with the aim of contributing to the development of local economies (e.g., the Taipei project, in which local content came to approximately 80% of the design and construction costs; the Honolulu project, in which roughly 93% of design, construction and O&M costs were local). When the project provides for many years of O&M, the use of local personnel reaches nearly 100%. Ansaldo STS undertakes to report on this indicator in greater detail.*
EC7	Hiring procedures for local personnel where activities are mainly carried out and percentage of top managers hired in the local community	Fully	Social sustainability – Human resources – Recruitment and hiring (page 70); Internationalisation and multi-culturalism (page 74). *Ansaldo STS prioritises the hiring of local residents in the communities where it operates (when the project provides for many years of O&M, the use of local personnel reaches nearly 100%). However, considering the internationalisation of its activities and business, personnel, including top management, is hired with a view of the entire world, and on the basis of the specific expertise required.*
EC8	Development and impact of investments in infrastructures and services provided mainly for "public utility", through commercial commitments, donations of products and services and pro bono work	Fully	Social sustainability – The public – Ansaldo STS and the community (page 131). *In addition to the donations and sponsorships specified above, in 2012, Ansaldo STS donated 150 personal computers (that were no longer in use) to schools and institutions in Australia and the US. Ansaldo STS' focus on the community can also been seen in the small infrastructural and landscape improvement projects it carries out that go beyond mere environmental reclamation when work sites are closed. Ansaldo STS undertakes to report on this indicator in greater detail.*
EC9	Analysis and description of the main indirect economic impact, considering external influences	Partially	*Ansaldo STS' activities have a positive economic influence outside the company given its use of local personnel in construction, operation and maintenance and its use of local suppliers. Local labour and local suppliers are often provided for (in a certain percentage) by the project specifications. In these cases, Ansaldo STS contributes to helping them acquire the necessary skills.*
EN ENVIRONMENT			
EN1	Raw materials used by weight or volume	Partially	Environmental sustainability, health and safety – Consumption of raw materials (page 154). *Ansaldo STS is working on pilot projects that will serve as the basis for future assessments and systematic application.*
EN2	Percentage of materials used that derive from recycled material	Partially	Social sustainability – Customers and the market – Ecodesign (page 109). *Ansaldo STS is implementing a study on ecodesign pilot projects that meet environmental requirements, in relation to an analysis of the reuse and recyclability of materials and a life cycle assessment (LCA). The methodological approach provides for a comparison of processes, materials and products to evaluate ecologically compatible choices. The analysis process is conducted using software and considers applicable legislative requirements and UNI ISO 14040 standards. The pilot projects may constitute the basis for future assessments and systematic applications, including in terms of the use of recycled materials.*
EN3	Direct consumption of energy broken down by primary energy source	Fully	Environmental sustainability, health and safety - Environmental performance - Energy consumption (page 151)
EN4	Indirect consumption of energy broken down by primary energy source	Fully	Environmental sustainability, health and safety - Environmental performance - Energy consumption (page 151)
EN5	Energy savings due to energy conservation and improvements in efficiency	Fully	Environmental sustainability, health and safety - Environmental performance - Energy consumption: Cutting energy by 20% (page 153). Reporting on commitments made (page 161). *Energy savings at production sites total 1,803 GJ (-5.2%), while consumption at office sites increased by 2,368 GJ (+ 2.4%).*
EN6	Initiatives to provide energy efficient products and services or those based on renewable energies, and consequent reduction in energy requirements as a result of these initiatives	Partially	Governing innovation – The main products conceived and undergoing development (page 57); Contribution to research in 2012 (page 58). Social sustainability – Customers and the market – Product innovation, safety and the environment (page 105). The public – Research projects with Italian and EU public institutions (page 124). *The reduction in energy consumption is achieved by using the most recent technologies available, and by integrating components on the same chip as much as possible, through the comprehensive use of FPGA (field-programmable gate arrays) and physically integrating the subsystems. Another way is to reduce the quantity of devices used to safely manage train travel. The most recent of these is the ATP (automatic train protection) system which Ansaldo STS applies. It is based on the a GPS (global positioning satellite) system. Ansaldo STS also builds signalling systems that are powered by solar panels. It undertakes to consider the possibility of estimating energy savings as a result of these initiatives.*
EN7	Initiatives to reduce indirect energy consumption and results achieved	Partially	Environmental sustainability, health and safety – Commitment to fight climate change (page 142); The carbon management system (page 143); Reporting on direct and indirect GHG emissions (page 144); Travel policy (page 145). Environmental performance – Energy consumption (page 151); Cutting energy by 20% project (page 153); Reporting on commitments made (page 161); Commitments for the future (page 161). *Ansaldo STS' policies for this indicator mainly relate to mobility. The following sites have appointed a Mobility Manager and have implemented the following initiatives: Genoa – Company airport shuttle; Les Ulis, Riom and Kolkata – car sharing and car pooling; Piossasco – bus linking the Ansaldo STS office to North and South Turin; Naples – a shuttle and car sharing to the airport are being evaluated. To reduce energy needs downstream with respect to Ansaldo STS products, see EN6. Ansaldo STS undertakes to provide quantity numbers on energy savings as a result of these initiatives and to evaluate others for the future.*
EN8	Total water drawn by source	Fully	Environmental sustainability, health and safety – Environmental performance – Water management (page 155)
EN9	Water sources significantly affected by the drawing of water	Not	Not material. *Water is nearly exclusively drawn from aqueducts. The two sites where it is also drawn from wells are Bangalore (India) with 220 m3 and Piossasco (Italy) with 40,000 m3 of presumed water drawn solely for irrigation purposes in the grassy areas of the site.*
EN10	Percentage and total volume of recycled and reused water	Fully	*In general, Ansaldo STS does not have processes or production cycles that entail the reuse of water. Only the Pittsburgh site recycles 6.36 m3 of water, while the Riom site recycles 1 m3. Recycled water/water drawn =4x10-5*
EN11	Location and size of land owned, leased or managed in protected areas or areas with high levels of biodiversity outside protected areas	Fully	Not material. *The only two sites that are near protected areas, but that do not affect their biodiversity, are:* • *Les Ulis (France) – total area of 20,000 sqm – 40% offices – 30% roads and parking – 30% grassy area – activities: administrative, sales, testing of electronic systems (ISO 14,001). It is 4 km from a protected area: Parc naturel régional de la Haute Vallée de Chevreuse (http://www.parc-naturel-chevreuse.fr).* • *Tito Scalo (Piacenza) – total area of 40,000 sqm – 21% plant, warehouses and offices – 19% roads and parking – 60% grassy area – activities: manual and automated welding of circuit boards and occasional painting of circuit boards (ISO 14001 and EMAS). It is 4 km from the WWF Pantano di Pignola Natural Regional Reserve, a site of EU significance and a specially protected area (SIC-ZPS IT9210142) in Pignola (Piacenza) and the RAMSAR area (https://www.wwf.it/pignola.nt).* *Site activities are considered not material with respect to biodiversity given the fact that the only indicator for biodiversity considered by EMAS for the site is the number of employees as a ratio to the surface area*
EN12	Description of the greatest impact of activities, products and services on the biodiversity of protected areas or areas with high levels of biodiversity outside protected areas	Not	Not material. *See EN11*
EN13	Protected or reclaimed habitats	Fully	Environmental sustainability, health and safety – Environmental performance – Waste management – Reclamation (page 157). *To complete the information in the report, the area affected by the reclamation in the Batesburg site is roughly 6,700 square metres.*
EN14	Strategies, steps taken and future plans to manage the impact on biodiversity	Not	Not material. *See EN11.*
EN15	Number of species listed in the IUCN red list	Not	Not material. *See EN11*

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
EN16	Total direct and indirect emissions of GHG emissions by weight	Fully	Environmental sustainability, health and safety – Carbon management system – Reporting on direct and indirect GHG emissions (page 144). *To complete the total data:*

SCOPE I	CO2 (t)	CH4 (t)	NO2 (t)
Fuel oil for the production of energy and/or heat	86.2291	0.0035	0.0007
Fuel oil for cars, lorries and forklifts	749.7327	0.0304	0.0061
Petrol for cars, lorries and forklifts	124.0825	0.0054	0.0011
Natural gas	1,406.5553	0.0251	0.0025
Domestic waste water from purification plant	-	0.1526	-
GPL to produce energy	7.6832	0.0001	0.0000
TOTAL	**2,374.2828**	**0.2171**	**0.0104**
SCOPE II	**CO2 (t)**	**CH4 (t)**	**NO2 (t)**
Electrical energy consumption	12,280.7239	0.2118	0.0952
TOTAL	**12,280.7239**	**0.2118**	**0.0952**
SCOPE III	**CO2 (t)**	**CH4 (t)**	**NO2 (t)**
Fuel oil for the production of energy and/or heat	5.9335	0.2505	-
Fuel oil for cars, lorries and forklifts	51.5897	2.1783	-
Petrol for cars, lorries and forklifts	9.1173	0.3832	-
Natural gas	52.7492	5.0972	-
Fuel oil for cars, lorries and forklifts	-	15.3765	-
Petrol for cars, lorries and forklifts	-	0.1962	-
Natural gas	7,675.6030	-	-
CO_2 emissions from company cars under short term lease	230.5449	0.0004	0.0007
CO_2 emissions from company cars under long term lease	1,201.4474	0.0025	0.0041
CO_2 emissions from the transport of freight by roads	2,372.5061	0.0187	0.0144
CO_2 emissions from the transport of cargo by sea	117.0000	0.9004	4.5030
CO_2 emissions from the transport of cargo by air	-	0.0003	0.0013
Total petrochemical consumption	1.6572	0.0075	-
Total iron and steel consumption	191.7516	0.2864	-
Total paper consumption	142.5580	-	-
Total paper/cardboard packaging consumption	18.4955	0.9758	-
Incinerated waste	0.0019	-	-
Metallic recycled waste	1.3618	-	-
TOTAL	**12,072.3172**	**25.6736**	**4.5235**
	CO2 (t)	**CH4 (t)**	**NO2 (t)**
TOTAL SCOPES I II III	**26,727.3239**	**26.1025**	**4.6290**

EN17	Other significant indirect emissions of GHG by weight	Fully	Environmental sustainability, health and safety - Carbon management system - Reporting on direct and indirect GHG emissions - Travel policy (page 145). *See also EN16*
EN18	Initiatives to reduce the emission of GHG and results achieved	Partially	Environmental sustainability, health and safety - Commitment to fight climate change (page 142); Travel policy (page 145). Energy consumption - Energy efficiency and renewable energies (pages 152-153). Waste production and management (page 156). Reporting on commitments made (page 161). *See also EN5 – EN6 – EN7 and EN16. Initiatives have mainly related to the activities with the greatest impact on emissions of greenhouse gases: reduction in energy consumption, mobility of people and waste management.*
EN19	Emissions of substances that are harmful to ozone by weight	Fully	Environmental sustainability, health and safety - Environmental performance - Hazardous materials (page 157)
EN20	NO, SO, and other significant atmospheric emissions by type and weight	Fully	Environmental sustainability, health and safety – Environmental performance – Atmospheric emissions (page 154)
EN21	Total water drained by quality and destination	Fully	Environmental sustainability, health and safety – Environmental performance – Water management (page 154)
EN22	Total weight of waste by type and disposal method	Partially	Environmental sustainability, health and safety – Environmental performance – Waste production and management (page 156)
EN23	Total number and volume of significant dumping	Fully	Environmental sustainability, health and safety – Reclamation (page 157) (see EN13). *No significant dumping*
EN24	Weight of waste classified as hazardous under the Basel Convention (attachments I, II, III and VIII) that is transported, imported, exported or treated and percentage transported abroad	Partially	Environmental sustainability, health and safety – Environmental performance – Waste production and management – Hazardous substances (page 157). *The quantity of hazardous materials treated is negligible.*
EN25	Identity, size, protection condition and value of biodiversity of marine fauna and flora and related habitats significantly affected by water drainage and dispersion caused by the organisation	Not	Not material. *See EN11 and EN12*
EN26	Initiatives to mitigate the environmental impact of products and services and level of impact mitigation	Partially	Governing innovation – The main products conceived and undergoing development (page 57); Contribution to research in 2012 (page 58). Social sustainability – Customers and the market – Product innovation, safety and the environment (page 105). *See EN6*
EN27	Percentage of products sold and related recycled or reused packaging material by category	Partially	*The company's packaging is made out of mixed materials (22.08 t) that are fully recycled, or in wood, which is also recycled.*
EN28	Value of material fines and number of non-monetary sanctions due to non-compliance with environmental regulations and laws	Fully	Value of material fines and number of non-monetary sanctions due to non-compliance with environmental regulations and laws

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
EN29	Significant environmental impact of the transportation of products and goods/materials used for the organisation's activities and to move personnel	Fully	Environmental sustainability, health and safety – Commitment to fight climate change (page 142); Travel policy (page 145). *The energy used to transport goods and people comes from fuel oil, petrols and jet fuel. Passenger transportation is via car and airplane (see EN 7). Goods are transported mainly by roads, ships and air. The company is considering, in line with the requirements of its activities, how to reduce the impact of goods transport.*

GOODS	Km travelled	load weight (t)	number of trips	CO_2
on roads	1,824,000	18,132	3,806	2,373
by sea	150,000	3,000	50	117
short-haul flights	610,400	1	671	106
long-haul flights	2,488,090	19	392	102

EN30	Expenditure and investments to protect the environment, broken down by type	Fully	Environmental sustainability, health and safety - Costs and investments for the environment, health and safety (page 160)
LA, HR, SO, PR SOCIAL			
LA1	Total number of employees, broken down by category, contract type and location	Fully	Social sustainability – Human resources – Breakdown and numbers (pages 65-70)
LA2	Total workforce and turnover rate, broken down by age, sex and geographical area	Fully	Social sustainability – Human resources – Breakdown and numbers (pages 65-70)
LA3	Full-time employee benefits, but not for part-time employees or those with closed-ended contracts, broken down by the main production sites	Fully	Social sustainability – Human resources – People care (page 79); Employee initiatives (page 79)
LA4	Percentage of employees covered by national labour agreements	Fully	Social sustainability – Human resources – Trade unions (page 85); Personnel covered by national labour agreements (page 87). *This indicator applies to Central Europe, Eastern Europe and the Middle East, where there are national agreements covering 1,461 employees (95.4%) and Western Europe where these agreements cover 610 employees (98.1%). Overall, in the two regions, the coverage totals 96.1%. % Total workers covered come to 51.9%.*
LA5	Minimum period of notice for organisational changes, specifying whether such conditions are included in the national labour agreement	Partially	*The minimum period of notice to inform workers of significant changes in Ansaldo STS' activities is that established by law and noted in the national and local labour agreements.*
LA6	Percentage of workers represented in the health and safety committee, composed of management and worker representatives, established to control and advise on programmes to protect workers' health and safety	Fully	*In 2008, Finmeccanica set up at corporate level a Health and safety coordination committee within the Central Human Resources function, in which Ansaldo STS, as a group company, participates. The committee meets regularly and is particularly committed to sharing, upholding and spreading health and safety knowledge and experience throughout the group. The committee represents a total of 10% of workers.* *Ansaldo STS also uses meetings pursuant to article 35 of Legislative decree no. 81/08, in which the employer (or a representative), the prevention and protection manager, the company doctor, the manager responsible for safety and the workers' safety representative participate. The meeting is held at least once a year and all employees of the Italian group companies to which Legislative decree no. 81/08 applies are represented.*
LA7	Rate of work place injuries, illnesses, days of work lost, absenteeism and total number of deaths, broken down by geographical area	Partially	Environmental sustainability, health and safety – Health and safety performance (page 164). *Ansaldo STS undertakes to report on this indicator in greater detail, and specifically by providing information on incidents and near misses, the rate of work-related illnesses and absenteeism (available only in Italy at present)*
LA8	Risk education, training, advisory, prevention and control programmes to support workers, their families or the community, with respect to disorders or serious illnesses	Partially	Social sustainability – Human resources – Travel tracker: safe travel at Ansaldo STS (page 82). Environmental sustainability, health and safety – Environmental policy – Section of the website on the environment, health and safety (page 141)
LA9	Formal agreements with the unions on health and safety	Fully	*In most countries in which Ansaldo STS operates, there are national agreements governing workers' health and safety. In Italy, these issues are included in the national labour agreement. The issues covered by such agreements refer to, inter alia, the following areas:* *• health and safety in the work place 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 impact.*
LA10	Average annual hours of training per employee, broken down by worker category	Fully	Social sustainability – Human resources – Training and development (page 72)
LA11	Programmes to manage skills and promote progressive training/updates to support the continuous employment of employees and manage the final stage of their careers	Fully	Social sustainability – Human resources – Training and development (page 71); Personnel assessment, development and enhancement plan (page 73)
LA12	Percentage of employees who regularly receive performance and career development assessments	Fully	Social sustainability – Human resources – Training and development – Personnel assessment, development and enhancement plan (page 73). *90% of employees receive performance and career development assessments*
LA13	Breakdown of the company's corporate governance bodies and breakdown of employees by sex, age, protected categories and other indicators	Fully	Corporate governance and organisation – Corporate governance – Board of directors (page 32). Social sustainability – Human resources – Breakdown and numbers (pages 65-70); People care – Disabled employees (page 84). *See also "The 2012 directors' report on corporate governance and the code of conduct for listed companies"*

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
LA14	Ratio of men's base remuneration to women's base remuneration for the same category	Fully	Social sustainability – Human resources – Fair remuneration (page 78). *This figure is available on the average remuneration and is:*
LA15	Return to work after parental leave by gender	Fully	Return to work after parental leave by gender
HR1	Percentage and total number of significant investment agreement that include human rights clauses or that are subject to human rights screening	Partially	Social sustainability – Customers and the market – Eligibility and vetting of partners (page 103); Code of ethics (page 10) *The final evaluation of Ansaldo STS partners considers the code of ethics, in which the company undertakes to abstain from dealings with entities that violate human rights protection and labour regulations and laws. The code of ethics is included in the contractual documents.*
HR2	Percentage of main suppliers and subcontractors subject to human rights inspections and action taken	Partially	Social sustainability – Supply Chain – Supply chain sustainability policy; Eligibility and vetting of suppliers (page 117). Code of ethics (page 10). *With the mapping performed in 2012 on compliance with ESG criteria and the definition of a policy and scheduled guidelines for 2013, Ansaldo STS has begun extending the monitoring of sustainability issues throughout the supply chain, including compliance with human rights and labour standards.*
HR3	Total hours of employee training on policies and procedures that relate to all significant human rights issues for the organisation and the percentage of trained workers	Fully	Social sustainability – Human resources – Training and development; Training on the code of ethics (page 73)
HR4	Total number of incidents relating to discrimination and measures taken	Fully	Total number of incidents relating to discrimination and measures taken. *There was no discrimination.*
HR5	Identification of activities in which the freedom to associate and national labour agreements could be exposed to significant risks and measures take to protect these rights	Fully	Global Compact – Labour (page 27). *No limitations to the freedom to associate were noted. In 2013, through a more comprehensive analysis of risks/opportunities by the Sustainability Committee, potential activities/geographical areas in which Ansaldo STS is most exposed to these risks will be better identified, for precautionary purposes.*
HR6	Identification of operations at high risk of use of child labour and measures taken to eliminate it	Fully	Global Compact – Labour (page 27) – *There were no violations of this kind.*
HR7	Activities at high risk of forced labour and measures taken to eliminate it	Fully	Social sustainability – *There were no violations in this respect.*
HR8	Percentage of safety personnel who have received training on procedures and policies on human rights that are relevant for the organisation's activities	Partially	Human resources – Training and development (page 71); Training on the code of ethics (page 73). *Ansaldo STS training on respect for human rights is related to familiarity with the content of the code of ethics involving the entire group. When new work and/or collaboration relationships are formed, Ansaldo STS immediately provides the information needed for adequate awareness of the code of ethics and protocols, with specific reference to those relating to specific competencies. In 2012, in particular, 238 hours of training on human rights and ethical aspects in Asia-Pacific were provided.*
HR9	Number of violations of local community rights and measures taken	Fully	*There were no violations in this respect.*
HR10	Total number and percentage of operations subject to review or impact assessment on respect for human rights	Not	*In 2013, on the basis of the Sustainability Committee's risk/opportunity analysis, potential activities/geographical areas will be better identified, for precautionary purposes, in which Ansaldo STS is most exposed to these risks.*
HR11	Number of complaints relating to respect for human rights that were addressed and resolved using formal complaint mechanisms	Fully	*There were no complaints relating to a lack of respect for human rights by outside stakeholders or internally through reports to the supervisory bodies of the code of ethics in each group company (to specific email addresses).*
SO1	Percentage of operations involving local communities, impact assessment and programme development	Partially	Social sustainability – Customers and the market – Customer satisfaction (page 107). *When Ansaldo STS holds the concession for the entire railway transportation work and communicates with all types of stakeholders concerned independently during all stages of the work, from presentation to approval and the final commissioning and/or O&M. In 2013, through more comprehensive gathering of information, the Sustainability Committee will improve reporting on this indicator, especially in quantitative terms.*
SO2	Percentage and number of internal divisions monitored for corruption risks	Fully	Corporate governance – Internal control and risk management system – The code of ethics (page 40). Global Compact – Anti-corruption and the prevention of corporate crimes (page 28). Customers and the market – Business ethics (page 104). The public – Sponsorships, advertising initiatives and contributions to associations and bodies (procedure) (page 123). *With the extension of the application of the code of ethics to all group companies, all internal divisions at risk are monitored.*
SO3	Percentage of workers who have received training on the anti-corruption policies and procedures of the organisation	Fully	*(see SO2). In 2012, the implementation process for the code of ethics in group companies was completed with its formal adoption by their respective boards of directors or equivalent management bodies, and it was shared with all personnel using the same methods as those applied by the parent Ansaldo STS. Training on anti-corruption policies and procedures was extended to all group personnel.*
SO4	Steps taken in response to incidents of corruption	Fully	There were no incidents of corruption.
SO5	Positions on public policy, participation in the development of public policies and lobbying	Fully	Social sustainability – The public – Participation in trade associations (page 129)
SO6	Total financial contributions and benefits to political parties, politicians and related institutions by country	Fully	Social sustainability – The public – Ansaldo STS and the community (page 131) *"The company does not provide any direct or indirect contributions of any kind to political parties, movements, committees or organisations or their representatives or candidates, except for those due under specific provisions of law" (Code of ethics, page 10)*

	Central and Eastern Europe and the Middle East	Western Europe	America	Asia-Pacific	China
Managers	0.74	0.90	-	0.88	-
Junior managers	0.94	1.01	0.90	0.75	0.48
White collars	0.97	0.83	0.80	0.74	0.43
Blue collars	1.00	0.95	0.83	1.24	-

GRI code	Description of the indicator	Reported	Cross-reference Direct answer
SO7	Total number of legal cases relating to unfair competition, anti-trust and monopolist practices and related judgements	Fully	*There were no incidents in this respect.*
SO8	Monetary value of significant sanctions and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	*There were no incidents in this respect.*
SO9	Operations with a significant current or potential negative impact on local communities	Fully	*There were none (see also SO1). Ansaldo STS tries to always maximise the local content of the purchase of materials, services and labour, including with the aim of contributing to the socio-economic development of local economies (see also EC6 – EC7 – EC8 – EC9).*
SO10	Prevention and mitigation measures implemented for operations with a significant current or potential negative impact on local communities	Not	Not material (see SO9)
PR1	Stages in the life cycle of products/services whose impact on health and safety is assessed to promote improvement and the percentage of the main categories or products/services subject to such procedures.	Partially	Social sustainability – Customers and the market – Product innovation: safety and respect for the environment (page 105)
PR2	Total number of episodes of non-compliance with legislation and non-mandatory codes relating to the impact of products and services on the health and safety of products/services during their life cycle	Not	Not applicable
PR3	Type of information on products/services required by procedures relating to information on products and services and labelling	Not	Not applicable
PR4	Total number of reports of non-compliance with legislation and non-mandatory codes relating to information on products and services and labelling	Not	Not applicable
PR5	Customer satisfaction practices, including the results of surveys for customer satisfaction measurement	Fully	Social sustainability – Customers and the market – Customer satisfaction (page 107); Copenhagen Metro (page 108)
PR6	Description of policies, procedures, management systems and response mechanisms to comply with standards and non-mandatory codes for advertising and marketing	Not	Not applicable. *Ansaldo STS does not follow advertising and marketing standards and codes due to the type of activity it performs.*
PR7	Total number of infractions of legislation and non-mandatory codes concerning advertising and marketing	Not	Not applicable
PR8	Number of documented reports of the violation of personal data protection rights and the loss of consumers' data	Not	Not applicable
PR9	Monetary value of significant sanctions and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	Social sustainability – Supply Chain – Responsible litigation management (page 120)

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(Translation from the Italian original which remains the definitive version)

Limited assurance report on the sustainability report

To the board of directors of
Ansaldo STS S.p.A.

1 We have reviewed the 2012 sustainability report of the Ansaldo STS Group (the "Group"). The parent's directors are responsible for the preparation of the sustainability report in accordance with the updated version of the Sustainability Reporting Guidelines (version 3.1) issued in 2011 by GRI - Global Reporting Initiative, as set out in the "Methodological notes" section of the sustainability report. They are also responsible for determining the Group's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

2 We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance (and, therefore, less assurance than in a reasonable assurance engagement) about whether the sustainability report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- comparing the information and data presented in the "Value directly generated and distributed" section of the sustainability report to the corresponding information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2012, on which we issued our report dated 25 March 2013 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
- analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:
  - interviews and discussions with management personnel of Ansaldo STS S.p.A. to gather information on the information technology, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;
  - sample-based analysis of documentation supporting the preparation of the sustainability report to obtain evidence of processes, their adequacy and that the internal control system correctly manages data and information in relation to the objectives described in the sustainability report;
- analysing the compliance of the qualitative information included in the sustainability report with the guidelines referred to in paragraph 1 of this report and its overall consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of Ansaldo STS S.p.A. on the compliance of the sustainability report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000 and, therefore, it does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified during an audit.

The sustainability report includes the corresponding information and data of the prior year sustainability report for comparative purposes, with respect to which reference should be made the report of other auditors dated 5 April 2012.

3 Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2012 sustainability report of the Ansaldo STS Group is not prepared, in all material respects, in accordance with the updated version of the Sustainability Reporting Guidelines (version 3.1) issued in 2011 by GRI - Global Reporting Initiative, as set out in the "Methodological notes" section of the sustainability report.

Naples, 10 April 2013

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

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This Sustainability Report has been prepared with the contribution and coordination of

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