

ANSALDO STS S.p.A.

REGISTERED OFFICE: VIA PAOLO MANTOVANI 3-5, GENOA

SHARE CAPITAL €100,000,000.00 FULLY SUBSCRIBED AND PAID UP

REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER 01371160662

SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

### **Ordinary and Extraordinary Shareholders' Meeting**

**10 May 2018**

*Explanatory Report of the Board of Directors*

*compiled pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, on the*

#### **fourth item on the agenda of the Ordinary session:**

***“4. Supplement to the compensation of the independent auditing mandate awarded to Ernst & Young S.p.A. with resolution of the Shareholders' Meeting of 19 January 2017. Related and consequent resolutions.”***

\* \* \* \* \*

Dear Shareholders,

the Board of Directors has called this Ordinary Meeting to discuss and deliberate also on the supplement to the compensation to be paid to the company Ernst & Young S.p.A., in relation to its assignment as independent auditor, conferred pursuant to Article 13 of D.Lgs. 39/2010.

In accordance with the above-mentioned Article 13 of D.Lgs. 39/2010, the Shareholders' Meeting establishes the fees of the independent auditor *“on a reasoned proposal from the control body”*.

With reference to the aforementioned request, we ask you to resolve on the proposal to supplement the remuneration as set out below.

Please note that, with the resolution of 19 January 2017, the mandate of financial and consolidated statements of Ansaldo STS for the financial years 2016-2024 has been appointed to the Independent Auditor Ernst & Young S.p.A.

By letter dated 21 February 2018, Ernst & Young S.p.A. proposed the supplement of its own fees for the auditing activities to be carried out during 2017-2024, for the reasons set out in the proposal of the Board of Statutory Auditors, which is fully detailed below:

\* \* \* \* \*

**“REASONED PROPOSAL OF THE BOARD OF STATUTORY AUDITORS ON SUPPLEMENT OF  
TIMESCALES AND FEES PROVIDED FOR IN THE AGREEMENT WITH THE AUDITING COMPANY EY  
S.P.A. FOR THE FINANCIAL YEARS 2017-2024**

Dear shareholders,

By resolution dated 19 January 2017, the Shareholders’ Meeting of Ansaldo STS S.p.A. awarded a mandate for the statutory audit of the company for the financial years 31 December 2017 to 31 December 2024 to EY S.p.A., in accordance with the proposal dated 5 January 2017.

Chapter VII of the said proposal, entitled “Criteria for adjustment of fees during the assignment” stated as follows: “The timescales and fees estimated in this proposal may be revised, in the event that circumstances arise that require an increase in the timeframe, a change in the composition of personnel, or the involvement of specialist personnel in addition to what is estimated in this letter of mandate, such as, by way of example: changes in the structure and size of the company, changes in controls established as part of the internal control system, legislative changes, changes in accounting and/or auditing standards, the undertaking by your company of complex transactions, further auditing procedures following the introduction of new auditing standards, and additional activities in relation to any subsidiary or affiliated companies examined by other auditors”.

In view of the provisions of the contract, by letter dated 21 February 2018, EY S.p.A. indicated that as a result of recently introduced legislative changes and the issuance of new international accounting standards - which introduced and/or entailed new obligations on statutory auditors or the performance of further, more complex audit activities - the conditions exist for the emergence of circumstances that require an increase in the timeframe, a change in the composition of personnel and the use of specialised personnel in addition to the budgeted consideration for auditing services.

In respect of the audit activities deemed necessary, EY S.p.A. has submitted the following proposal for an increase in fees for each of the financial years as of the year closing on 31 December 2017:

	<b>2017 Fees €</b>	<b>2018-2024 Fees €</b>
Greater depth in content of the Additional Report compared to the Report on Key Issues	5,000.00	-
New audit report	20,000.00	10,000.00
Identification of legislation that can be linked to information to be provided in the Directors' report and consequent operational aspects and verification of reporting	20,000.00	20,000.00
Audit activities related to the first application of the new international accounting standards	50,000.00	-
<b>Total</b>	<b>95,000.00</b>	<b>30,000.00</b>

The fees are to be understood as additional to the estimated fees for each financial year for the 2017 - 2024 period:

	<b>Financial Years 2017 - 2018</b>	<b>Financial Years 2019 - 2021</b>	<b>Financial Years 2022 - 2024</b>
	<b>Fees €</b>		
Auditing of company financial statements and verifications in preparation for the signing of tax returns	182,000.00	249,750.00	247,350.00
Verification of the regularity in the keeping of company accounts	18,000.00	24,690.00	24,420.00
Audit of the consolidated financial statement	84,000.00	115,575.00	113,223.00
Limited audit of the abbreviated half-yearly financial statements	130,000.00	178,200.00	177,540.00

all the other clauses indicated in the proposal remaining unchanged.

The Board of Statutory Auditors, in accordance with the provisions of Article 13, paragraph 1, of Legislative Decree No. 39/2010, which states “the shareholders’ meeting, on the reasoned proposal of the control body, grants a mandate for the auditing of company accounts and establishes the fee due to the statutory auditor for the entire term of the mandate, together with any criteria for adjustment of the said fee during the mandate” has considered the aforementioned request in order to formulate a response for submission to the shareholders’ meeting.

The Board of Statutory Auditors has also met with the competent company departments, which gave their opinions on the request for the supplement and the fairness of its contents. As a result of these activities, the Board of Statutory Auditors has concluded that the request for the supplement is (i) consistent with the audit process as established in the current mandate; (ii) adequate in consideration of the additional audit activities; (iii) fair in terms of the professional undertaking and (iv) consistent with the existing terms.

Accordingly, the Board of Statutory Auditors invites the Shareholders’ Meeting to adopt the following resolution:

“The Shareholders’ Meeting of Ansaldo STS S.p.A, after examining the reasoned proposal of the Board of Statutory Auditors containing the terms of the proposal of EY S.p.A,

resolves

in accordance with the terms and requests for supplement formulated by EY S.p.A., to update the established terms and the relevant fees for the audit mandate, granted by the Shareholders’ Meeting held on 19 January 2017 for the period 2017-2024; with all the other clauses of the original audit mandate remaining unchanged.

Milan, 7 March 2018

The Board of Statutory Auditors

Mr Antonio Zecca

Mr Giovanni Naccarato

Ms Alessandra Stabilini”

\* \* \* \* \*

In view of the foregoing, we submit the following resolution for your approval:

*“The Ordinary Shareholders’ Meeting of Ansaldo STS S.p.A.,*

- *having regard to the offer presented by Ernst & Young S.p.A. for the supplement to the compensation of the auditing activities for the financial years 2017-2024;*
- *evaluated the reasoned proposal from the Board of Statutory Auditors drafted in accordance with Article 13 of D.Lgs. 39/2010;*
- *in view of the independent auditing mandate of Ansaldo STS financial and consolidated statements for the financial years 2016-2024 as awarded by the Ordinary Shareholders’ Meeting of 19 January 2017, and taking into account the determination of the related compensation;*
- *in the light of the increase of the auditing activities mandated to Ernst & Young S.p.A.,*

*resolves*

1. *in accordance with the terms and requests for supplement formulated by EY S.p.A., to update the established terms and the relevant fees for the audit mandate, granted by the Shareholders’ Meeting held on 19 January 2017 for the period 2016-2024; with all the other clauses of the original audit mandate remaining unchanged;*
2. *to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution.”*

Genoa, 6 April 2018

For the Board of Directors

The Chairman

(Alistair Dormer)