

SUSTAINABILITY REPORT 2017

Consolidated Non-Financial Statement pursuant to Legislative Decree No. 254/2016



FINCANTIERI
The sea ahead

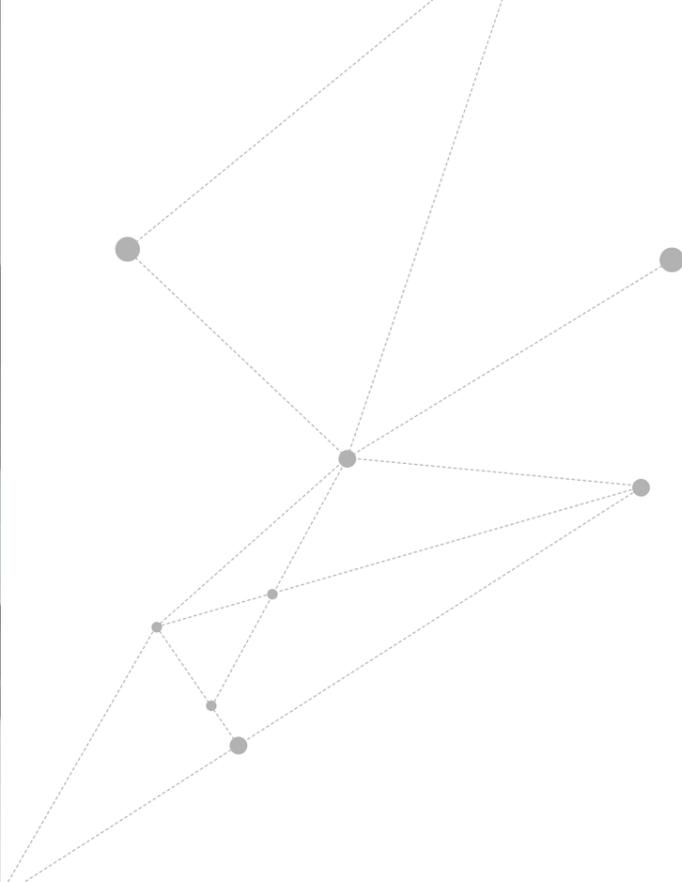


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FINCANTIERI
The sea ahead





We are Fincantieri.
Roots in Italy, fruits around the world.

An ecosystem that welcomes shipowners and accompanies them, step by step, from construction through the entire life cycle of their vessel.

We have a plan in mind that we follow every day, implementing our design step by step through growth and continuous improvement.

We want to be a world leader in all sectors that require the best marine solutions, maintaining a central place for our culture and Italian style, increasingly marked out for the scale of our diversification, integration and pioneering spirit.

With people who are worth their weight in gold and whose value we recognize.

This is our idea of the future.

More technological and with higher performance than ever, thanks to continuous innovation.

Responsible, transparent and sustainable for people and the environment.

It is the ocean we face.

I NDEX

INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER	6	PEOPLE	72	COMMUNITY	142
THE FINCANTIERI PLANET	10	Recruitment policies, management and enhancement of human capital	76	Our initiatives	144
SIGNIFICANT EVENTS IN 2017/2018	12	Training and development	77	The Fincantieri Foundation	149
THE FINCANTIERI GROUP	14	Diversity and equal opportunities	80	ENVIRONMENT AND CLIMATE CHANGE	150
Our history: the bond with the sea	18	Health and safety	82	Environmental management system	152
Group overview	20	Company welfare	86	Environmental aspects	154
Vision, mission and values	22	Industrial relations	87	Environmental investments	160
Business model	24	Remuneration	88	ANNEXS	162
Italian regional technological districts	30	RESEARCH AND INNOVATION	90	Methodological note	164
Memberships and participation	33	Partnership	94	Description of material topic	168
Creation and distribution of economic value	34	Widespread network	94	GRI content index	170
CREATION OF SUSTAINABLE VALUE	38	Significant projects	98	Independent auditor's report on the consolidated non-financial statement	182
Sustainability governance	40	CUSTOMERS AND PRODUCTS	104		
Our stakeholders	42	Our customers	106		
Materiality matrix	45	Product portfolio	110		
Our commitments	46	Quality policy and assurance	120		
RESPONSIBLE BUSINESS MANAGEMENT	48	Customer satisfaction and retention	124		
Corporate Governance	50	SUPPLY CHAIN	126		
Sustainability in risk mapping	62	Characteristics of the supply chain	128		
Our rules	64	Supply chain management	131		
Privacy protection	71	Characteristics and management of the supply chain of foreign companies	138		



INTERVIEW WITH THE CHIEF EXECUTIVE OFFICER

Mr Bono, 2017 was a very important year for the Fincantieri Group. It was a year of considerable success that, along with the economic and management results, provided confirmation of the objectives in the 2016-2020 Business Plan. What was the path taken to reach these objectives?

Fincantieri left behind the longest crisis the market has ever seen, which hit shipyards all over the world, especially in Europe, with the loss of tens of thousands of jobs. We were able to come out stronger, the indisputable market leader at the high value-added end of the shipbuilding market, thanks to a strategy based on product diversification and internationalization. In fact, in 2017 we laid the foundations for the agreement that will give us control of STX France, which will secure us a leading role in the process of consolidating the European shipbuilding industry. In the cruise ship market, following a strict approach, we focused on the development of new generation platforms, fully supporting the innovation with significant investment, almost Euro 300 million over the last three years. This has prepared us to

take orders with low execution risk and higher profit margins. It was a gamble, but one that worked out well, given the exceptional growth in demand recorded since 2014 and the trust expressed by the market, which has enabled us to confirm and reinforce the leadership positions we had gained.

Integrating sustainability within the operating methods of the modern company is the next challenge. What do sustainability and sustainable growth mean to you and how are these two concepts integrated within the strategic goals? And more generally, what are the challenges, in your opinion, to making the shipbuilding industry more sustainable?

In our industry commitment means innovation. The path we have taken to arrive at today's results has been possible thanks to a few essential mainstays, one of which is without a doubt technological progress. As the only shipbuilding group in the world with a presence in every high value-added sector, it is essential that we continually review and respond to all the specific challenges we encounter in our business. This means not only offering an efficient product that meets our customers' needs but also responding effectively to commercial, productive, regulatory and environmental issues that will determine the future scenarios in which we will be operating. We are aware that the prestige and image of the company is now measured by its ability to combine professionalism and quality with strict respect for the law and expectations regarding the protection of local communities. Fincantieri's mission is to become a model of excellence in environmental protection, and it therefore adopts, in its strategic choices and business processes at all levels, the environmental sustainability principles of short, medium and long term. This begins with a preventive approach and continues with responsible management of the production chain and raising awareness among all those involved.

You mentioned a highly pertinent issue: eco-sustainability. Today the market is focusing more and more on this topic, looking for efficient ships with low fuel consumption and pollutant emissions. What is Fincantieri's objective, and what type of commitment does it have to green technologies?

Specifically in terms of fuel consumption and low emissions, over the last few years we have actively examined numerous innovative technologies in order to offer shipowners a range of options to take into consideration. Today we can evaluate and compare different design solutions through the latest new-generation simulators as well as using tools developed internally based on our experience. In relation to this, it is very important to highlight another crucial factor, which is Fincantieri's multi-business approach. We have always been present in the cruise and military markets, contributing our know-how and skills from the mega yachts, offshore, repair and conversion markets and we have also brought in-house our entire production of strategic components, including cabins, electric systems and much else. This allows us to support our customers in reaching their environmental objectives, which go far beyond strict respect for international standards. In terms of sustainability, I would like to mention another important milestone that we reached in 2017. For the first time, one of our production sites received Integrated Environmental Authorization (IEA), which covers a full range of parameters, including limiting of noise pollution and atmospheric emissions. This is a fantastic result for a shipyard, especially as it was obtained by our largest facility, the one in Monfalcone.

Coming back to the sustainability strategy of the Fincantieri Group, what are the main results that have been reached?

One goal that we have been working on for five years is the National Legality Framework Agreement, signed by the Minister of the Interior in February 2017, which aims to prevent attempts

at infiltration by organized crime. Based on our experience of several such agreements signed by the Company at a local level, this text is a *reductio ad unum* of the anti-mafia checking procedures used for contractors and subcontractors at all Fincantieri Group locations.

Another result that is truly important for our Group is the latest supplementary labour agreement, signed unanimously by all of the labour unions, which has enhanced the value of the service and effective performance of each worker and has established an innovative participative model, with worker co-responsibility as its core, that guarantees higher levels of efficiency and competitiveness.

Business integrity is a crucial factor for competitiveness and business continuity, capable of directly influencing the trust of key stakeholders. This is especially true for large publicly held companies, which play an essential role on world markets as well as in the domestic economy. What does business integrity mean to you, and how does this translate into Group practices?

Business integrity, defined as the ability to develop the business fairly and transparently, is a key part of our identity and the element that our reputation is founded upon.

The need to ensure fair and transparent conditions when conducting business affairs and, in general, in all of our activities, protecting the company's image and reputation, meeting stakeholder expectations, and safeguarding the work of our employees, has led Fincantieri to adopt, since 2002, an Organizational, Management and Control Model under Legislative Decree 231/2001, to prevent unlawful behaviour by administrators, employees and self-employed contractors.

The values and principles we believe in are listed in our Code of Conduct, disseminated to all levels, which states that respect for the law and an ethical approach to performing business are fundamental to business conduct in Fincantieri. These values have grown in importance as the

process of internationalization of our Company has evolved, to the point that we considered it necessary to reinforce them through the adoption, in 2014, of an anti-corruption policy to underscore the Group's commitment to combating any form of corruption, with a "zero tolerance" approach. The adoption of specific company procedures along with dedicated training on this issue have helped to steer internal conduct towards principles of integrity and transparency, with a positive influence on the external perception of Fincantieri and its reputation. For these reasons, I believe that the preparation of a dedicated report can be considered the ideal conclusion to the strategy embarked upon some time ago, with the aim of highlighting our commitment to environmental, social and governance sustainability.

Shipyard activities often indirectly create social issues, due to phenomena such as immigration and integration.

Nevertheless, shipyards can be seen as a laboratory for experiments with inclusion and cohabitation as well as a driver of economic development and community wellbeing. What strategies have Fincantieri adopted to manage social impact?

Our Group has chosen not to transfer its production abroad, and to accomplish this we have had to perform a sort of reverse delocalization, which means using foreign personnel in our plants. We realize that this mechanism has an impact on the areas where we are located, but we cannot disregard the fact that some solutions can only come from the local administrations and that, above all, a shipyard that works is a source of income for the entire reference area.

In fact, in Italy Fincantieri feeds a network of more than 5,000 small- and medium-sized, highly specialized enterprises in numerous macro-categories. Just think that each year our purchases of goods and services amount to almost € 5 billion, 85% of which is with Italian

companies. Our current order backlog guarantees full employment for a number of years in all our shipyards, with the prospect of this horizon being further extended: in my opinion there can be no better strategy than this.

The strategic choice not to transfer production abroad, but to reinforce links with the local economy has, on the one hand, increased the burden associated with contracting, but on the other hand it has generated a significant satellite economy, employment and a wealth of knowledge and skills that will remain in the area.

How does Fincantieri guarantee integrity and respect for employment regulations and how does it intend to conserve the value shared with its production supply chains?

The Fincantieri production model, based on contracting, is common to the entire European shipbuilding industry. This is due to the nature of the object produced, the ship, which is the most complex and expensive in the world. It involves a vast set of activities that are coordinated by the shipyard but that require experts to ensure optimal performance. Given this, Fincantieri has always worked with the maximum transparency, observing agreements and laws governing contract work.

With the National Legality Framework Agreement that I mentioned previously, the flow of information is improved, guaranteeing the maximum transparency in provisions, contracts and subcontracts and making it possible to check and prevent joint interests with parties directly or indirectly related to organized crime as well as ordinary criminals.

It is well known that Fincantieri is highly committed to protection and safety. What current projects are underway to meet the commitments made regarding continuous improvements in worker health and safety?

In 2011 we launched "Towards Zero Accidents", a cutting-edge project for worker health and safety, which involves the Company and the

labour unions at all levels, as well as suppliers that perform activities in our shipyards. This project is a true change management plan, as it has promoted deep cultural change, as preparation for the implementation of a development strategy. Among the activities planned, a central place goes to personnel training as a tool for improving skills and raising standards of health and safety in the workplace as well as spreading the culture of safety throughout the Company. As proof, just consider that in 2017 we spent more than 36,500 hours training more than 4,550 people. The data says we are on the right path: compared to 2010, in 2017 we recorded a 74% drop in total accidents and a 55% fall in hours of absence due to accidents. Over the same time period, the frequency rate, which relates the number of accidents to the number of working hours, fell by more than 70%.

Human and intellectual capital are among the main assets of your Group. What policies have been put in place to increase the value of internal resources and to promote their growth and development?

I would like to answer by citing an initiative which is particularly close to my heart. To restore a higher level of knowledge and skills in the field, we launched the Training for Quality project in 2016, which continued into 2017. Its purpose is to improve the final quality of our product, checking that each phase of the shipbuilding process is correctly performed. Following the technical assessment phase, which involved almost 12,000 workers, both internal ones and ones at satellite companies, and more than 1,500 shipyard supervisors dedicated to the production of cruise ships, we began a significant training program to strengthen technical knowledge and specific skills, divided into targeted technical courses, which could be selected using a training Catalogue, also for personnel from contractor companies. Another fundamental and ambitious change management project launched recently is Fincantieri for the Future, based on the active

involvement of all workers, within a growing, continuous and transparent information and communication campaign met by a growing ability to listen. Most of all, the change path undertaken serves firstly to increase the sense of belonging and the spirit of cohesion, strengthening our distinctive footprint by sharing the values and principles upon which the Group's identity is based, and thus contributing to an improved work environment. In December 2016 an anonymous questionnaire was distributed to the entire company population, hourly workers, salaried employees, management and directors. The survey results were shared during organizational meetings with all employees which were held at the various company sites, involving more than 6,500 people. At the end of 2017, the same monitoring process was initiated for the change initiatives which had started and to collect suggestions from personnel with the aim of continuous improvement.

THE FINCANTIERI PLANET

SHIPYARDS AND DOCKS

EUROPE

ITALY

- Trieste
- Monfalcone
- Marghera
- Sestri Ponente
- Genoa
- Riva Trigoso - Muggiano
- Ancona
- Castellammare di Stabia
- Palermo

NORWAY

- Aukra
- Brattvaag
- Brevik
- Langsten
- Søviknes

ROMANIA

- Braila
- Tulcea

ASIA

VIETNAM

- Vung Tau

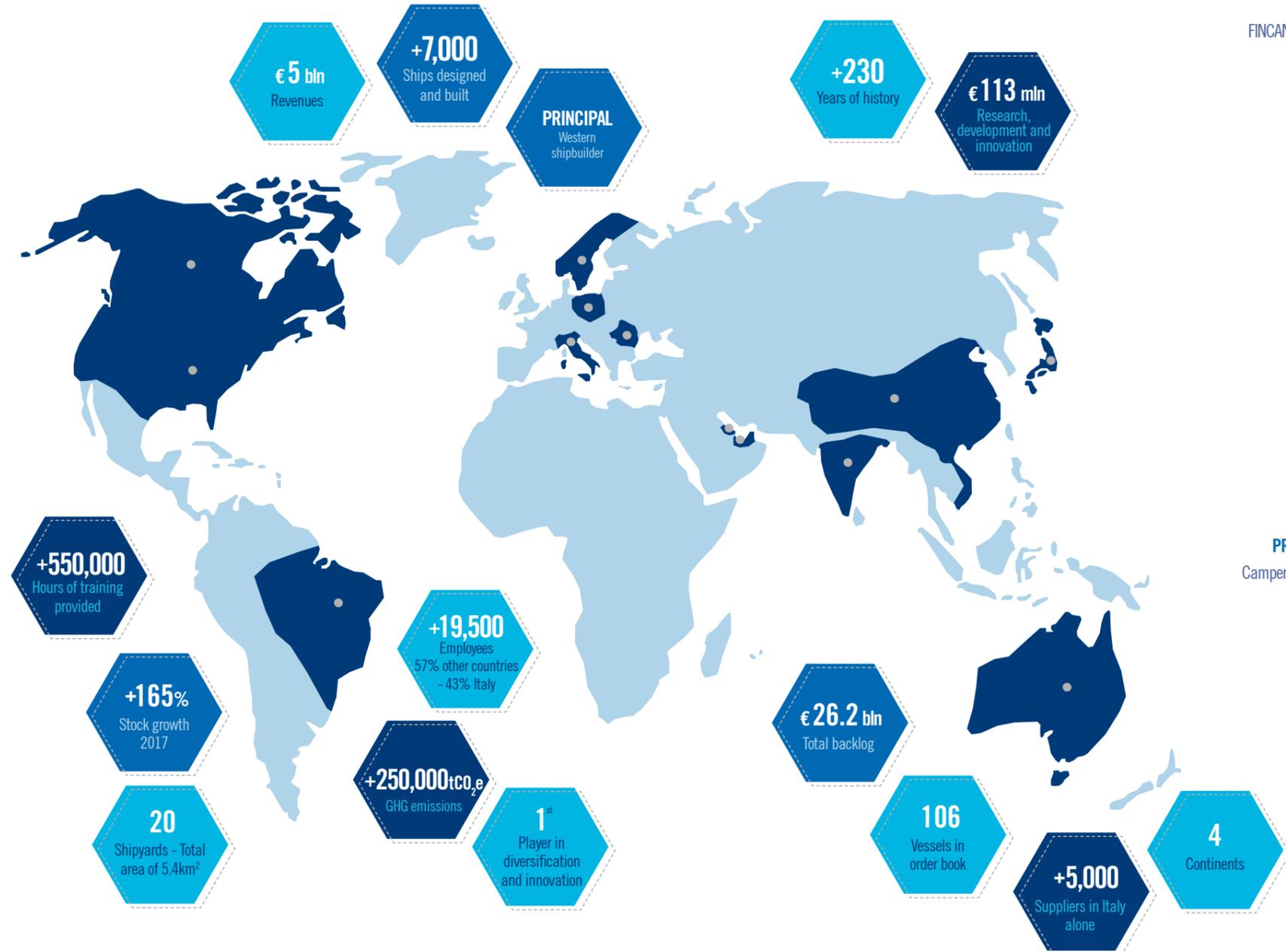
AMERICAS

USA

- Marinette
- Sturgeon Bay
- Green Bay

BRAZIL

- Suape



MAIN SUBSIDIARIES

EUROPE

ITALY

- FINCANTIERI S.p.A. (Headquarter)
- Orizzonte Sistemi Navali
- Cetena
- Delfi
- Seastema
- Isotta Fraschini Motori
- Fincantieri Oil&Gas
- Seaf
- Marine Interiors
- Fincantieri SI
- Fincantieri Infrastructure
- Issel Nord

NORWAY

- Vard Group (Headquarter)
- Vard Design
- Vard Piping
- Vard Electro
- Vard Accomodation
- Seonics

PRINCIPALITY OF MONACO

- Camper&Nicholsons International

SWEDEN

- Fincantieri Sweden

POLAND

- Seonics Polska

ASIA

CHINA

- Fincantieri (Shanghai) Trading
- CSSC - Fincantieri
- Cruise Industry Development

INDIA

- Fincantieri India
- Vard Electrical Installation and Engineering (India)

BAHRAIN

- FMSNA

UAE

- Etihad Ship Building

QATAR

- Fincantieri
- Services Middle East

SINGAPORE

- Fincantieri Singapore R.O.
- Vard Holdings
- Vard Shipholdings Singapore

JAPAN

- FMSNA YK

AMERICAS

USA

- Group Holdings
- Fincantieri Marine
- Systems North America
- Fincantieri Services USA
- Fincantieri USA
- Vard Marine US

CANADA

- Vard Marine

BRAZIL

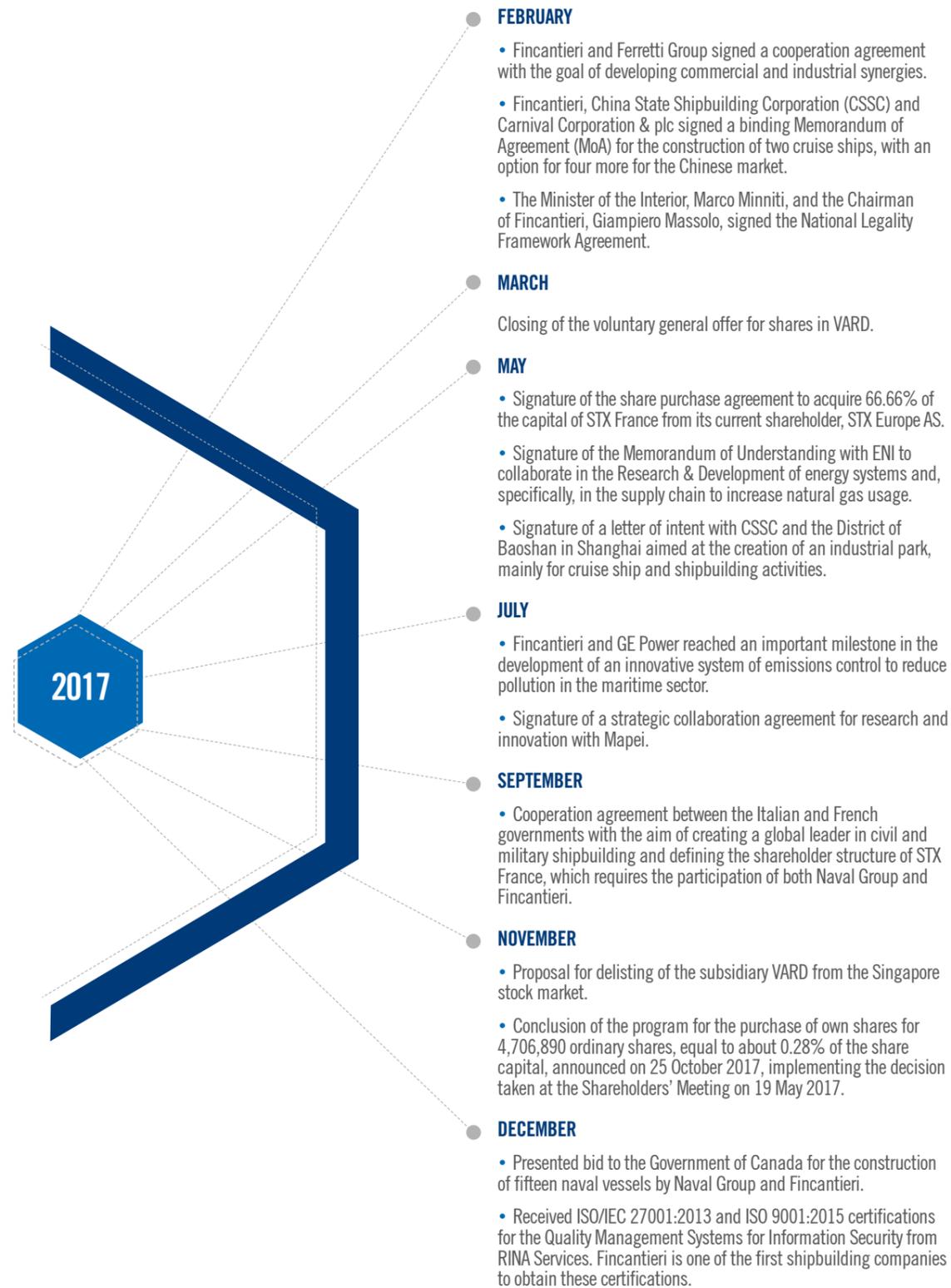
- Fincantieri do Brasil
- Participacoes

OCEANIA

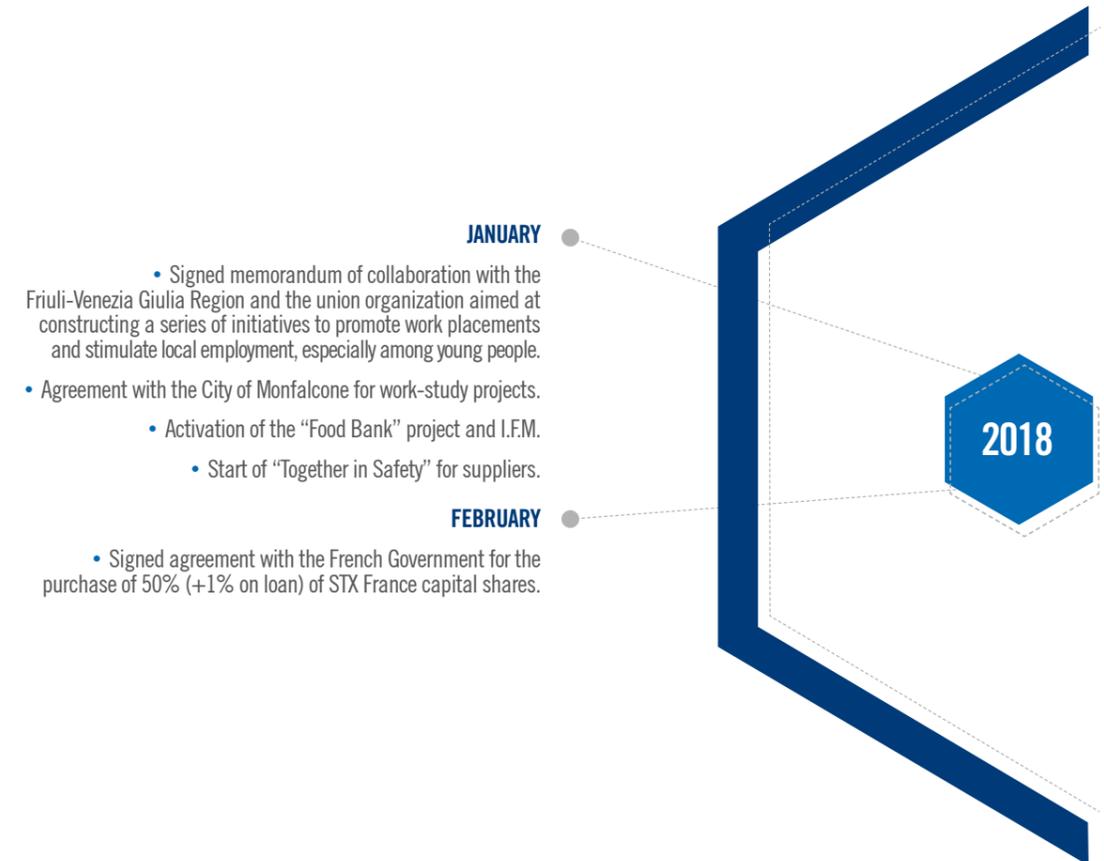
AUSTRALIA

- Fincantieri Australia

SIGNIFICANT EVENTS IN 2017



SIGNIFICANT EVENTS IN FIRST MONTHS OF 2018





THE FINCANTIERI GROUP



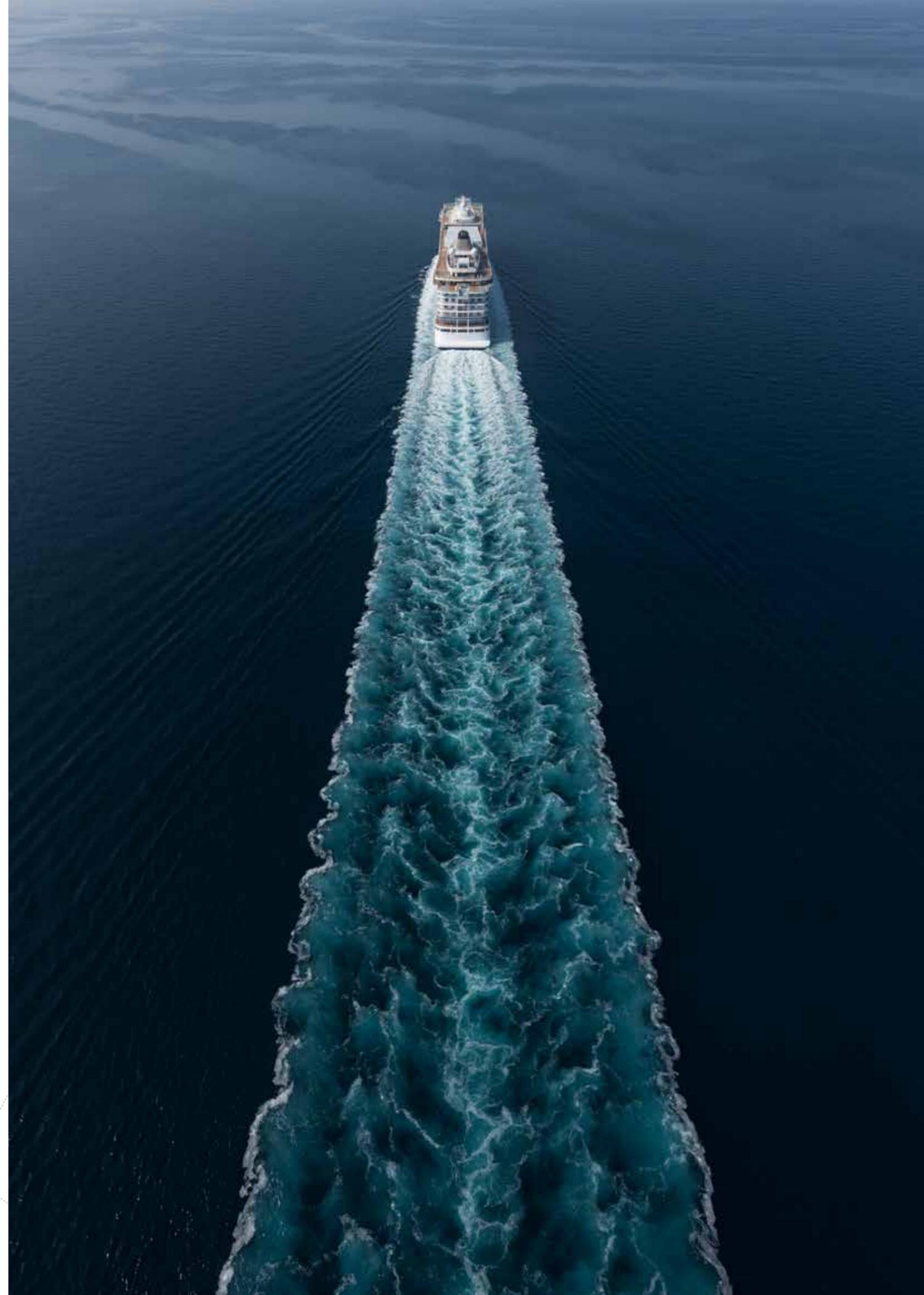
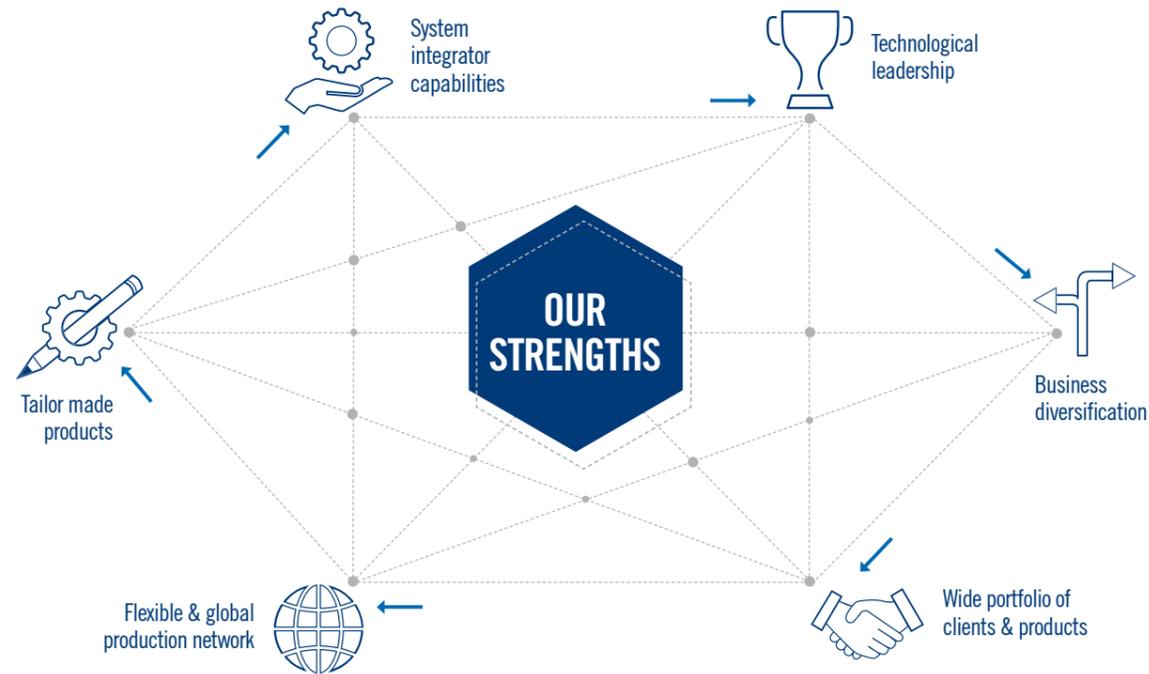
- OUR HISTORY: THE BOND WITH THE SEA
- GROUP OVERVIEW
- VISION, MISSION AND VALUES
- BUSINESS MODEL
- ITALIAN REGIONAL TECHNOLOGICAL DISTRICTS
- MEMBERSHIPS AND PARTICIPATION
- CREATION AND DISTRIBUTION OF ECONOMIC VALUE

A global Group with a leading role in all the high value-added maritime and world markets

Quoted on the Milan Stock Exchange, Fincantieri is one of the world's largest shipbuilding groups and number one in terms of diversification and innovation. It is leader in cruise ship design and construction and a reference player in all high-tech shipbuilding industry sectors, from naval to offshore vessels, highly complex special vessels and ferries to mega yachts, as well as in ship repairs and conversions, the production of systems and components and after-sales services.

The Group, which has its headquarters in Trieste, has built more than 7,000 vessels in its over 230 years of history. With 19,545 employees, including more than 8,300 in Italy, and 20 shipyards spanning 4 continents, Fincantieri is now the leading Western shipbuilder. Its customers include the major cruise operators, the Italian and US Navy, as well as several foreign Navies, and it is a partner of some of the main European defence companies within supranational programs.

Fincantieri bases its technological and operational excellence on specific strengths:



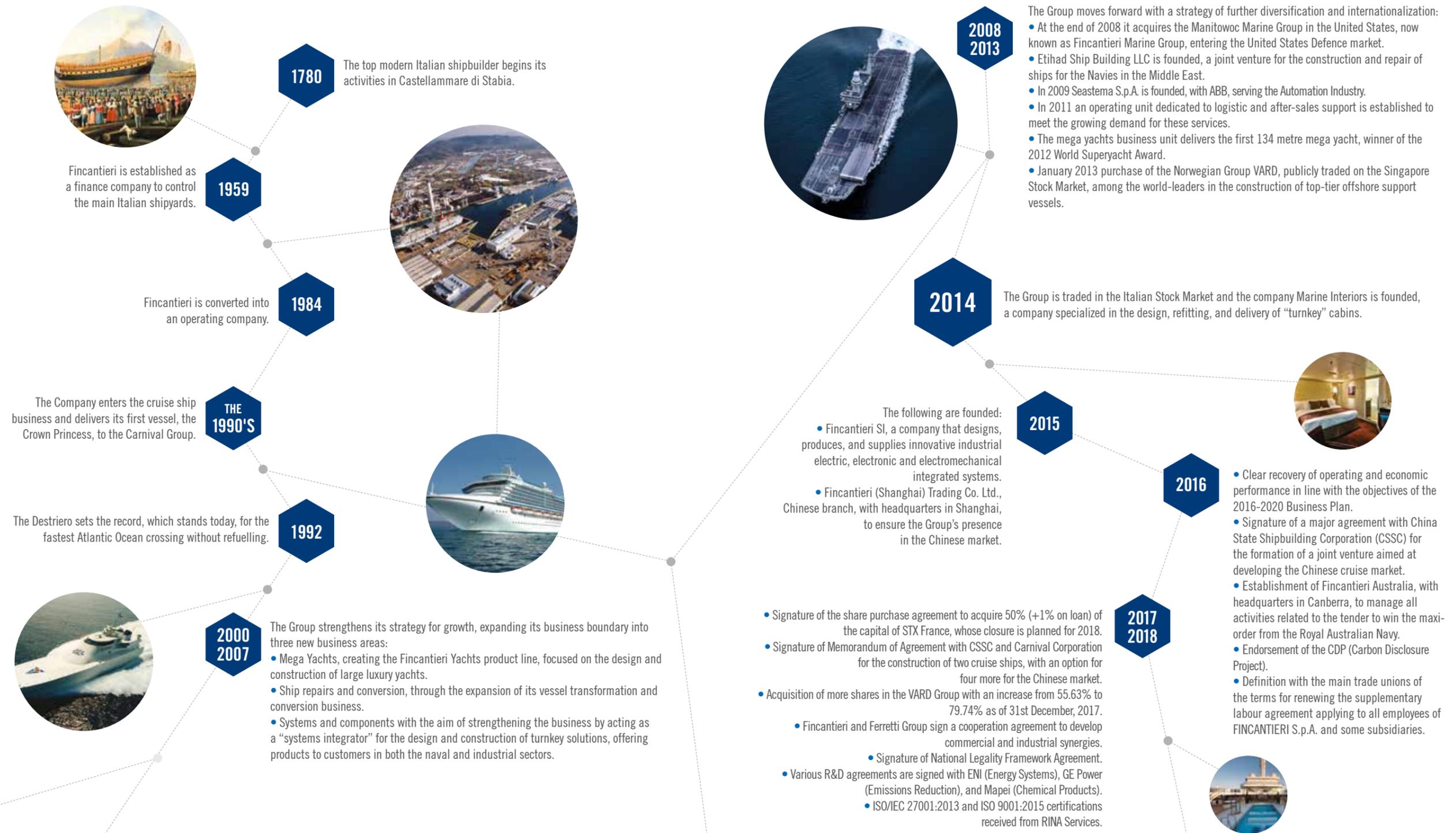
OUR HISTORY: THE BOND WITH THE SEA

The Fincantieri Group has produced legendary ships in its shipyards, for example the Amerigo

Vespucci, the educational ship of the Italian Naval Academy, and the trans-Atlantic Rex, winner of the Blue Riband for the fastest Atlantic crossing by a passenger ship. Within this path

of constant growth and development, the Group's calling-card continues to be, as it was two centuries ago, an in-depth knowledge of the sea, a natural bond that defines it, along with

the courage to change combined with tradition, experience and innovation.



GROUP OVERVIEW

Over the years, Fincantieri's organization has continuously evolved to adapt the Group's structure to its strategies and to respond to

customer requirements in a timely manner. Today the Group consists of a number of companies with headquarters in Italy and around the world, and follows an integrated production model, designed to achieve excellence.

Fincantieri has 72 subsidiaries, 14 of which are Italian and 58 of which are foreign. The main ones are: VARD, Group with operational headquarters in Norway, publicly traded on the Singapore Stock Market, Fincantieri Marine Group LLC,

Fincantieri Marine Systems North America Inc., Isotta Fraschini Motori S.p.A., Marine Interiors S.p.A. and CETENA S.p.A. Below is a diagram which highlights the macro-organization of the Group and the main companies by business area.

SEGMENTS

BUSINESS AREAS

PRODUCT PORTFOLIO

SHIPBUILDING

OFFSHORE

EQUIPMENT, SYSTEMS AND SERVICES

OTHER



Cruise ships

- Contemporary
- Premium
- Upper Premium
- Luxury
- Exploration/Niche



Ferries

- Cruise ferry
- Ro-Pax
- Dual fuel ferries



Naval Vessels

- Aircraft Carriers
- Destroyers
- Frigates
- Corvettes
- Patrol vessels
- Amphibious ships
- Logistic support ships
- Multirole and Research Vessels
- Special Vessels
- Submarines



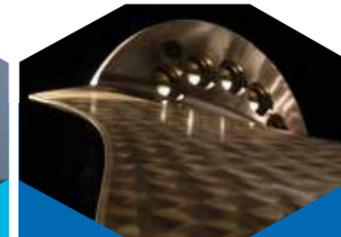
Mega Yachts

- Mega yachts > 70 m



Offshore

- Drilling units
- Offshore support vessels (AHTS-PSV-OSCV)
- Special Vessels
- Aquaculture
- Offshore Wind
- Expedition cruise vessels



Systems and Components

- Cabins
- Public areas
- Electrical, electronic and electromechanical integrated systems
- Automation systems
- Entertainment systems
- Stabilization, propulsion, positioning and power generation systems
- Steam turbines
- Steel structure for large scale projects



Services

- Ship repairs
- Refitting
- Refurbishment
- Conversions
- Product lifecycle management
- Integrated logistic support
- In-service support
- Refitting
- Conversions
- Training and assistance



MAIN SUBSIDIARIES / ASSOCIATES / JOINT VENTURES

- FINCANTIERI S.p.A.
- Monfalcone
- Marghera
- Sestri Ponente
- Cantiere Integrato Navale Riva Trigoso e Muggiano
- Ancona
- Castellammare di Stabia
- Palermo
- Bacini Palermo S.p.A.
- Gestione Bacini La Spezia S.p.A.
- Fincantieri Holding BV
- CETENA S.p.A.

- Fincantieri Marine Group Holdings Inc.
- FMG LLC
- Sturgeon Bay
- Marinette Marine Corporation LLC
- Marinette
- ACE Marine LLC
- Green Bay
- Fincantieri India Pte Ltd.
- Fincantieri do Brasil Participações SA
- Fincantieri USA Inc.
- Fincantieri Australia PTY LTD.
- Fincantieri (Shanghai) Trading Co. Ltd.
- Camper & Nicholsons International SA
- Etihad Ship Building LLC.
- Orizzonte Sistemi Navali S.p.A.
- CSSC - Fincantieri Cruise Industry Development Ltd.

- FINCANTIERI S.p.A.
- Fincantieri Oil&Gas S.p.A.
- VARD Group AS
- Aukra • Langsten
- Brattvaag • Brevik
- Sjøviknes
- Vard Tulcea SA
- Tulcea
- Vard Braila SA
- Braila
- Vard Promar SA
- Suape
- Vard Vung Tau Ltd.
- Vung Tau
- Vard Electro AS
- Vard Design AS
- Vard Piping AS
- Vard Accommodations AS
- Vard Marine Inc.
- Seonics AS

- FINCANTIERI S.p.A.
- Riva Trigoso
- Seastema S.P.A.
- Seaf S.p.A.
- Isotta Fraschini Motori S.p.A.
- Bari
- Fincantieri SI S.P.A.
- Marine Interiors S.p.A.
- Fincantieri Infrastructure S.P.A.
- Fincantieri Sweden AB
- Unifer Navale S.r.l.

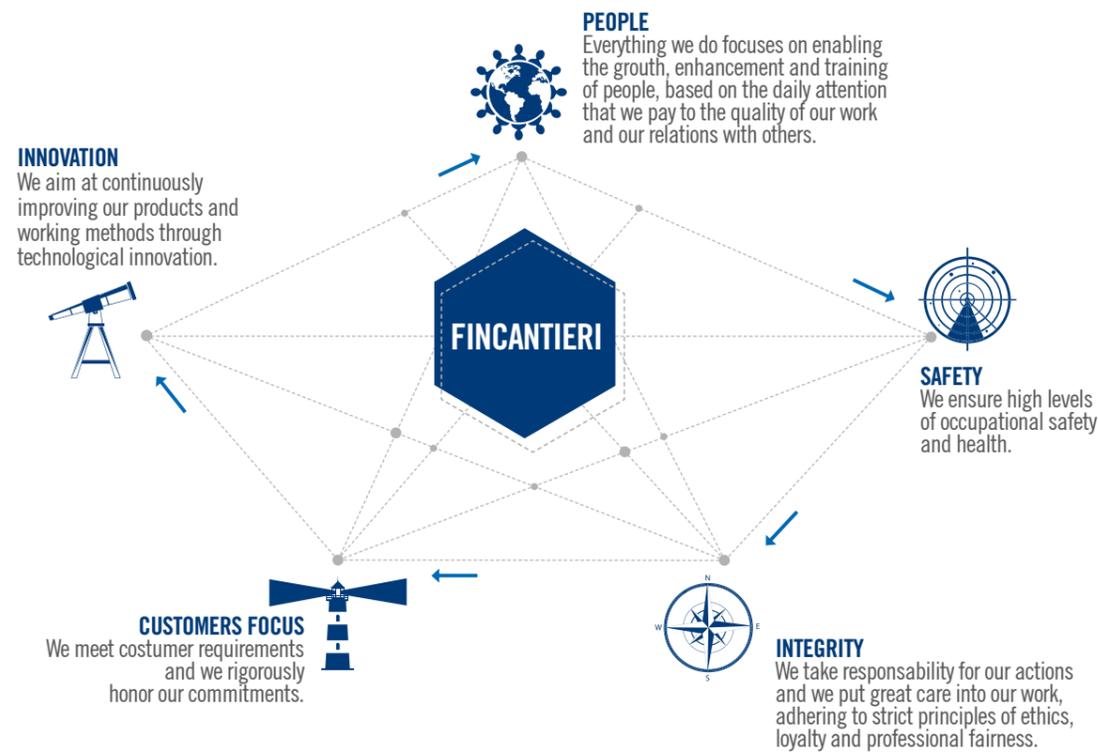
- FINCANTIERI S.p.A.
- Arsenal Triestino San Marco
- Bacino di Genova
- Delfi S.r.l.
- Issel Nord S.r.l.
- FMSNA Inc.
- Fincantieri Services Middle East LLC
- Fincantieri Services USA LLC

- FINCANTIERI S.p.A.

VISION, MISSION AND VALUES

The Vision, Mission and Values of Fincantieri are the supporting pillars of the Group culture.

VISION	MISSION
<p>We aspire to become world leaders in all sectors requiring cutting-edge marine solutions, and to stand out for diversification and pioneering work.</p> <p>The Sea Ahead: all those who work for the Fincantieri Group steer for this course: talented men and women working responsibly to help develop our idea of a future increasingly characterized by technology, performance and sustainability.</p>	<p>Technological development and continuous improvement are the goals that we have set for ourselves, and we are determined to pursue them. Our every action, project, initiative or decision is based on principles and guidelines that are implemented across the Group: strict observance of the law, labour protection and protection of the environment, safeguarding the interests of our shareholders, employees, clients, trade and financial partners, local communities and groups, creating value for every stakeholder.</p>
VALUES	



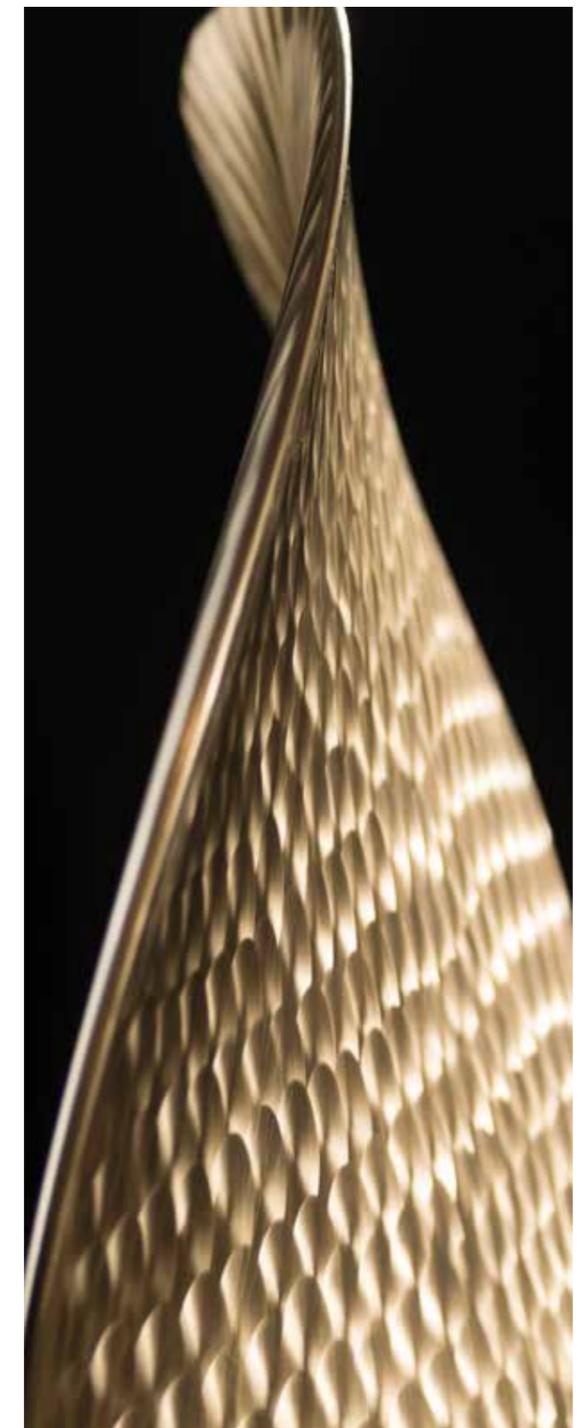
The Fincantieri value system is a large design, which includes a global network of connections of skills and knowledge, at sea and on land. The values are fundamental guidelines, cornerstones of the business, recognized and adopted by all who work in the Group, in individual, corporate and team actions. They mark out a shared course into an increasingly sustainable, technological and high performance future.

During 2017, following an important change management project called **Fincantieri for the Future** arising from the need to address the competitive challenges the Company will face in the medium and long term, the Fincantieri Group values have been redefined. The first step in this project was the distribution of a questionnaire to the Italian workforce to obtain opinions, expectations and suggestions from employees, evaluate their attitude to change, willingness to get involved, and to identify all potential barriers that need to be removed to ensure the success of the Company. The questionnaire also included an open question where responders were asked what they felt the Group values were; the most common words were used to create a new Charter of Values consisting of five principles.

One of the four “change work areas” identified following processing of the results of the questionnaire is focused on the consolidation and communication of the values and principles on which the Group’s identity will be based and on which the new organizational culture will be founded to support the strategic objectives. The values were officially presented to all employees during the Town Hall Meetings held at all Italian headquarters and shipyards starting in April 2017; in October 2017 a far-reaching communications campaign was started with the objective of making the Charter of Values a constant, clear presence in all offices and bases to guide each individual in performing their work.

Each value is represented by an icon and a distinguishing phrase to make the values expressed more familiar and to create a high degree of awareness.

Starting from the concept that the values of a company represent the base for its business, its mission and its objectives, the square was chosen as the key visual, a base which must be solid and concrete, associated with the claim: **“We have framed our idea of the future”**.





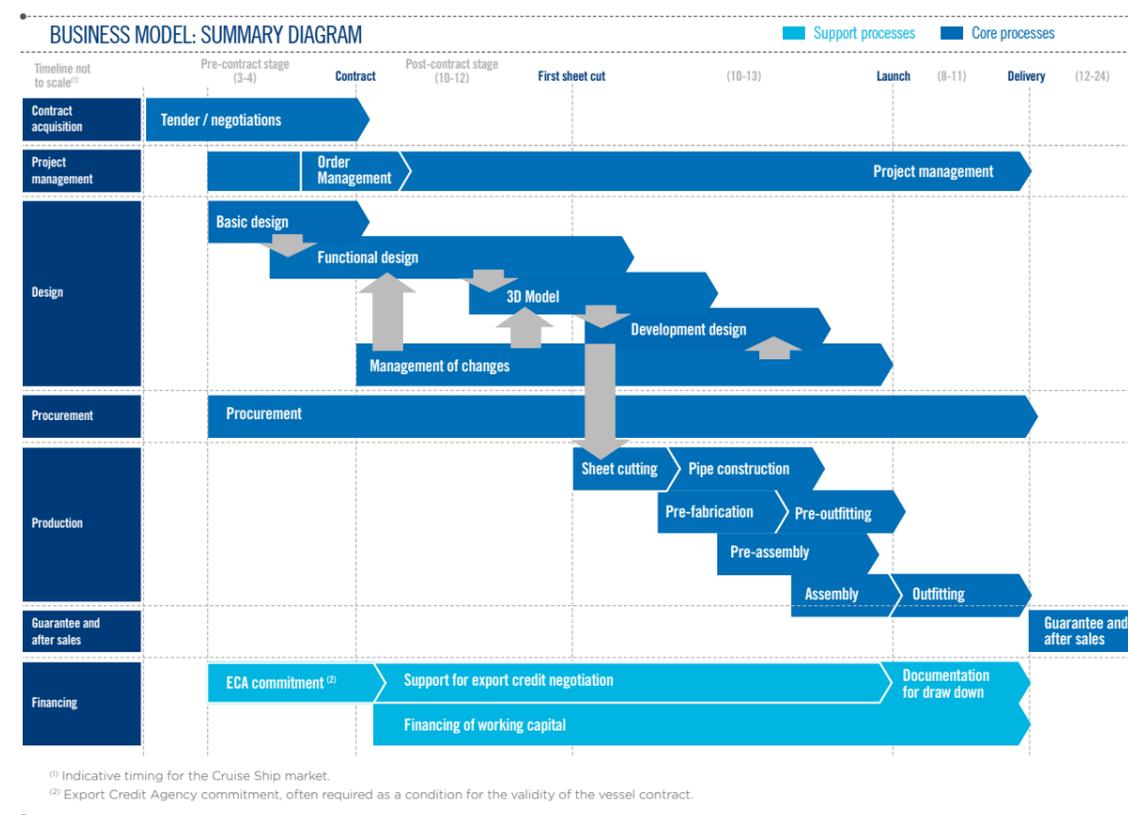
BUSINESS MODEL

The products made by the Group feature a high level of personalization and, in many cases, are prototypes with cutting-edge technological solutions. As such, they require significant efforts in terms of design, procurement, production, planning and order management. As part of its activities, the Group acts as a systems integrator, usually acting as the **prime/general contractor**, managing the project for vessel construction as a whole and taking on responsibility for this.

Typically, while there are differences due to the strategic business area and product type, for each order the Group directly develops project management, design, hull procurement and manufacture, while its role mainly involves integration and coordination of a qualified network of expert suppliers for the preparation of systems, accommodation and, for military vessels, weapons systems. The need for continuous research into methods to reduce costs and development and construction times for vessel orders has led the Group to develop a business model characterized by high flexibility and integration of the main business processes as well as cutting-edge technological solutions. In terms of business model the Group has adopted a **make or buy strategy** for each step of development and construction of the vessel order, with the objective of keeping core skills and high value-added activities within the Group and outsourcing to qualified suppliers specialist activities that are low value-added or non-essential. Generally, the Group contracts during all stages of development and construction of the order, especially for design and production areas, also to ensure effective and efficient management of fluctuations in the order backlog and optimize saturation of the Group workforce.

The main processes into which the Group value chain is divided, described below and illustrated in the following diagram, are: (i) contract acquisition; (ii) project management; (iii) design;

(iv) procurement; (v) production; (vi) guarantee and after sales; (vii) financing.



1. Contract acquisition process

The acquisition of a new contract is usually the result of a tender held by a shipowner which is participated in by numerous companies, although there are some situations in which the contract can be acquired through direct negotiation where projects have significant common elements with orders previously built. Participation in the tender occurs through direct involvement of the shipowner or through market representatives. For military vessels, acquisition can occur through direct negotiations with the governing body, government agreements, or tenders held by the government authority (typically in countries without a relevant national player).

Given the highly complex nature of the product, with significant technical content and customization, the order acquisition process requires the involvement of a multi-functional work team, coordinated by an Offer Preparation Manager (OPM) who typically belongs to the marketing and sales department, and consists of representatives from the quotation department and the main functions that will be involved in the construction of the order, such as design, purchasing, production, project management, management planning and control, finance and naval contracts. A critical success factor at this stage is the effectiveness of the inter-departmental coordination in a multi-offer context, with the departments

involved in parallel also in the development of acquired orders, and with contract acquisition times that vary greatly, characterized by frequent periods of standstill and sudden accelerations. In this context, it is crucial for the profitability of the project that the activities are planned efficiently and that there is a timely assessment of the risks related to the order.

2. Project management process

With order acquisition, following conclusion of the contract, there is a handover between the offer preparation manager and the project manager who will manage the following stages of development and construction. The involvement of the project manager, or more generally speaking the project management department for the specific operating area, during the order acquisition phase encourages the direct assumption of responsibility by the project manager who follows the order during definition of the quotation. Acquired orders are therefore managed, within the various operating divisions, by a project management team directed by a project manager and consisting of resources with specific professional responsibilities ranging from planning and control of the order to risk management, from contract management to monitoring of project compliance and progress. Direct management of the development and construction activities for the order is entrusted, based on area of responsibility, to the design, purchasing and production department. The latter is represented by the shipyard (or shipyards) where the order will be built. The project manager is responsible for the outcome of the order in terms of timing, costs and quality and is the Group contact for the shipowner. Project managers, with their teams, are responsible, therefore, for the overall economic progress of a project over the entire life of the order, from signature

of the contract through to delivery of the vessels and throughout the guarantee and after sales period.

3. Design process

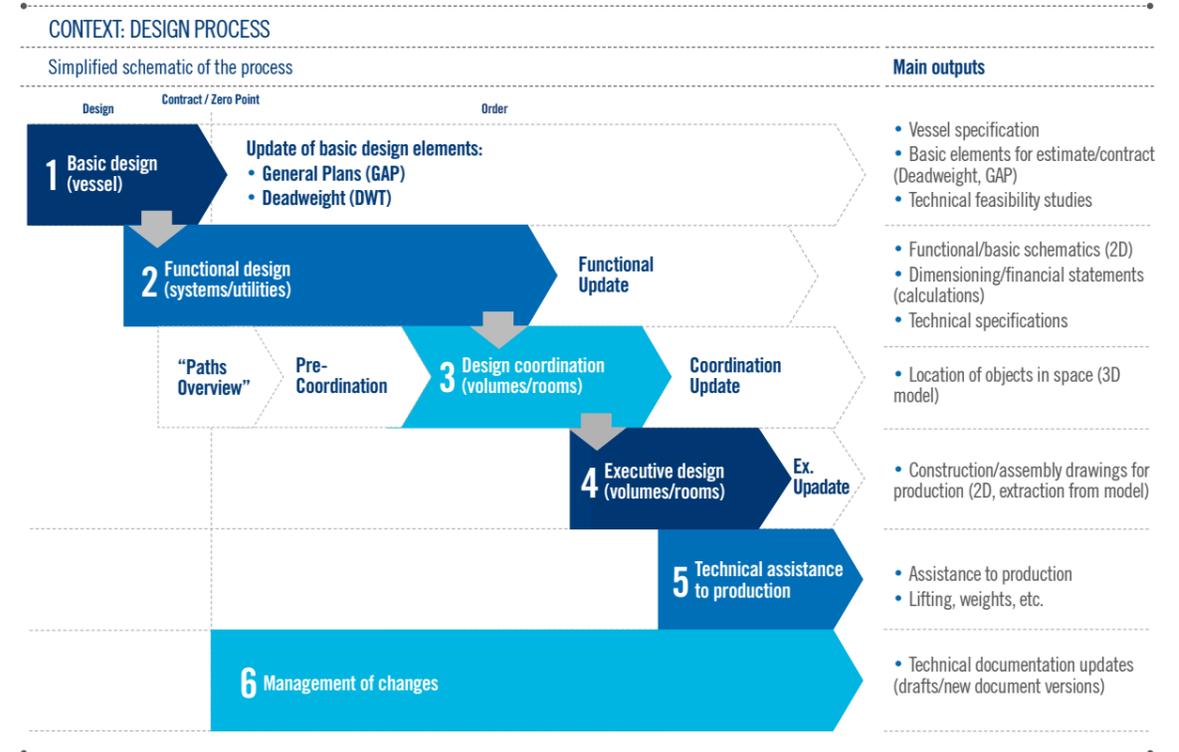
The design process is divided into a number of steps:

- basic design;
- functional design;
- development design;
- technical assistance to production;
- management of changes.

The various phases of the design process are highly integrated and interconnected, and linked with the processes of order acquisition, procurement and production. For the development of the various design phases, systematic Concurrent Engineering and Carry Over approaches are applied, with the support of a “technological database” which is the technical custodian of all design solutions and standard components for the development of projects.

4. Procurement process

A large part of the overall value of each order depends on the materials, parts, components and turnkey systems supplied by third parties. The Group actively manages its make-or-buy procurement strategies and therefore the size



of the contribution of third party suppliers in relation to the overall value of the project. Suppliers work in close contact with the Group for the construction of vessels, often working in the same production locations in which the vessel is being built. Given the high percentage of project value related to third party supplies, the purchasing process is critical for each vessel construction project and is therefore managed internally by units in the operating divisions or relevant units in other Group companies and the central coordination units. Typically, operational managers oversee the purchasing processes

and monitor the times - and, if necessary, adopt corrective actions - for the supply. The purchasing development function instead deals with the marketing processes of purchasing, selecting suppliers and acquiring cross-cutting services and raw materials or components common to different areas.



5. Production process



6. Guarantee and after sales process

Delivery of the vessel generally signals the start of a guarantee and after sales phase, basically related to the commitments made to the shipowner during contract acquisition, during which the Group guarantees the scheduling and management of the operations necessary to eliminate any problems encountered during the contract period, starting from the delivery of the vessel through a predefined period, supplying the necessary know-how and appropriate co-ordination of the suppliers.

After delivery of military vessels, there are frequently after-sales logistics service activities that fall within the set of activities related to the supply of spare parts and customer service (such as technical interventions following customer calls, planned maintenance or machine shop repairs).

7. Financing process

The main processes into which the Group's value chain is divided are flanked by a series of support processes that contribute to the efficient management of the order. The ability of the Group to manage complex projects is based on an result-oriented organization, with central functions that control and support operating division activities according to their respective areas of skill (management planning and control, administration, treasury and corporate finance, information technology, human resources, legal, operations, quality, coordination of R&D initiatives, development of industrial systems, industrial methods and auditing).

These functions, located centrally within the corporate centre, play a role in the overall governance of the Group's business as well as providing shared services to the various operating divisions. These support services ensure, in some cases, key activities for winning contracts and the resulting margins, for example the concession of financing for

export credit, the development of resources and acquisition of new talents, the operation and updating of information technology systems, the management of disputes with customers or suppliers, etc. The centralization of these services in the corporate core is aimed at exploiting synergies between the various operating divisions due to greater standardization/harmonization of the processes and the tools employed, from the most simple transfer of knowledge and practice to better use of resources in the face of fluctuating workloads.



ITALIAN REGIONAL TECHNOLOGICAL DISTRICTS

Fincantieri makes use of a network of subsidiaries, joint ventures, supply chains, and industrial and technological districts of excellence in the cruise ship, ferry, and military and offshore vessel markets, which contribute to maintaining its competitive leadership in terms of skills and know-how. Fincantieri is an example of Made in Italy around the world with a strong export vocation. It represents a valid driving force for a large range of Italian Small to Medium-sized Enterprises (SME) which would not otherwise be able to access foreign markets due to size limitations, thus supporting a number of supply chains and technological districts of excellence.



Especially in Italy, Fincantieri feeds and invests in regional technological districts, acting as a motor for the economic growth of the area and the entire national economic system. Its role as a system integrator allows, in fact, for the effective and efficient integration of suppliers within the production cycle; the creation of long-lasting relationships allows dedicated technological areas to be consolidated, with a consequent reduction in costs, increase in quality and, above all, reduction in risk. In 2016, the Italian Ministry of Education, Universities and Research (MIUR) completed the definition of its "clusters policy", establishing the National Technology Clusters (NTC) as the key reference bodies in their respective areas of expertise and strengthening their function of soft-governance between



scientific research and industry. The purpose of the cluster is to mobilise the industrial system, research system and Public Administration to jointly create extensive national partnerships that address shared priorities, as well as to develop strategies for research, development and training of human resources, and the relative implementation plans and impact on the economic system, in line with the need for innovation and increased competitiveness emerging from companies in the country. 2017 saw a continuation of the activities of the "Trasporti Italia 2020" NTC and the formation of the Blue Italian Growth NTC.

Trasporti Italia 2020 National Technology Cluster

Fincantieri participates in the maritime Working Group of the Trasporti Italia 2020 NTC, one of the eight Italian Technology Clusters initiated by the Minister of Education, Universities and Research (MIUR) in 2012.

The objective of Italy "Trasporti Italia 2020" is to create synergy between the various supply chains and to identify future research and innovation trajectories for the surface transportation industry. Fincantieri has implemented its role of reference point for the central Administration of the country by intervening to support the Government in its presentation of Italian innovations during the Transport G7, which was held in Cagliari in June 2017 and on various diplomatic missions,

including those to China and the United States. During 2017, the Transport NTC has held round table discussions on cross-industry topics emerging from previous work to promote the presentation of projects in response to the call for projects for the Italian Operational Programme (IOP) of the MIUR for industrial research projects within the terms of reference of the National Technology Clusters.

Blue Italian Growth National Technology Cluster

During August, the proposal to the MIUR for the foundation of the Italian Technology Cluster Blue Italian Growth (BIG) was accepted. The more than 130 advocates took action to put in place the Action Plan prepared and the NTC BIG was formally established, defining a transition period for its activation, which ends at the end of the year. NTC BIG generates the opportunity for innovative technology development for the marine and maritime industrial system of the country. Specifically, it will conduct consultation and coordinate with the main players in the public and private research system on the topic of Blue Italian Growth, also in cooperation with the responsible Ministries. This approach is in complete harmony with the objectives of the United Nations Agenda 2030 for sustainable development, specifically with Objective 14 (SDG 14) "Conserve and sustainably use the oceans, seas and marine resources for sustainable development".

Regional Setting: associations, committees, programs and projects

At a regional level, the cluster policy has strengthened the roles of the districts; Fincantieri works with five technology districts located in the areas of its shipyards:

- **The Friuli Venezia Giulia Maritime Technology Cluster** (MareTC FVG), which has the objective of promoting and developing scientific and applied research, technological development

and training, as well as the communication of results, the stimulus for innovative activities, the exchange of knowledge and experience, technology transfer, publishing on the internet and communication of information between companies and research organizations, and internationalization, to promote the growth of the intangible value of the Friuli Venezia Giulia Region maritime technology system.

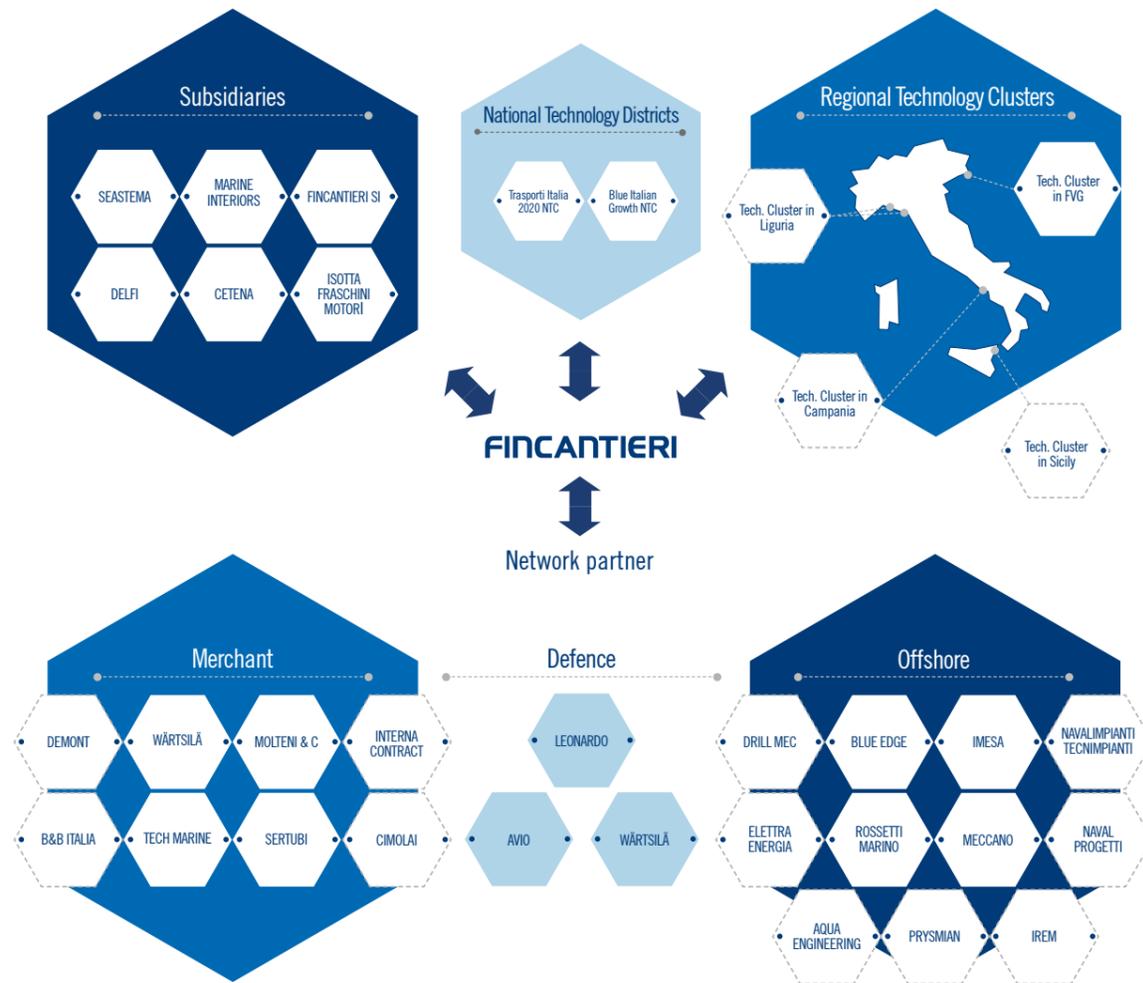
- **The Liguria District for Marine Technology** (DLTM), focused on the development of new solutions for vessel systems for naval and recreational shipyards, for vessel systems for defence and security, and for monitoring, reclamation and safety of the marine environment.

- **The Liguria Technology District for Integrated Intelligent Systems** (SIIT), created for the development of virtual reality, simulation and support tools for the automation of processes and logistics.

- **The Polymeric and Composite Materials and Structures Engineering District** (IMAST) in the Campania region, founded for the development of cutting-edge skills in innovative materials for the aerospace, maritime, automotive, bio-medical, polymer electronics and construction industries.

- **Sicily Technology District for Naval Transport** (NAVTEC), focused on improving the skills of the network of strategic suppliers within the field of maritime repair and conversion in Sicily.

The objective of the districts is to integrate the skills present in the research system and the business world, and to allow suppliers, universities and research centres to interact in close contact with the Group for the development of technological solutions. The graph below shows an example of the model of cooperation that can be developed within the Italian Technology Clusters or the Italian Regional Technology Districts.



MEMBERSHIPS AND PARTICIPATION

To support the development of its business, Fincantieri participates in the governance of various national and international associations,

stimulating, along with the other associates, effective, systematic action in the areas of research and development and promotion of the industry's interests.

ASSOCIATIONS THAT FINCANTIERI PARTICIPATES IN

ASSOCIATION	DESCRIPTION	GOVERNING BODY
Confindustria FVG	Industrial association	Chairman
Confindustria Venezia Giulia	Industrial association	Board of Administration
Confindustria Venezia	Industrial association	Vice-Chairman
Confindustria Ancona	Industrial association	Council member
Confindustria Genova	Industrial association	Board of Administration
Confindustria La Spezia	Industrial association	Vice-Chairman
Confindustria Napoli	Industrial association	General Council
Confindustria Pordenone	Industrial Union	General Council
Federmeccanica	Association of mechanical engineering industries	Vice-Chairman
Assonave	Italian Association of the Naval Engineering Industry	Chairman
Club Diplomazia	Association	Steering Committee
I.A.I.	Institute of International Business	Steering Committee
Aspen Institute Italia	Association	Steering Committee
Consiglio per le relazioni tra Italia e U.S.A.	Association	Board of Directors
I.S.P.I.	Institute for the study of international relations	Chairman
Assonime	Association of Italian Joint-Stock Companies	Council member
Euroyards	European association for the promotion of shipyard interests	Executive committee
Promostudi La Spezia	Foundation of Participation for the Promotion of University Studies in La Spezia	Chairman
Vessel For The Future	European Association for research in the field of vessels	Vice-Chairman
ECMAR	European Council for Maritime Applied R&D	Vice-Chairman
A.I.A.D.	Federation of Italian companies for Aerospace, Defense and Security	Steering Committee
Atena	Italian Naval Technology Association	Steering Committee
MareTC FVG	Technology Cluster (Monfalcone)	Chief Executive Officer
Trasporti Italia 2020 NTC	Trasporti Italia 2020 National Technology Cluster	Committee of strategic direction and management
NTC BIG	Blue Italian Growth National Technology Cluster	Chairman
D.L.T.M.	Liguria District for Marine Technology (La Spezia)	Board of Directors
S.I.I.T.	Liguria Technology District for Integrated Intelligent Systems	Board of Directors
I.M.A.S.T.	Campania Technology District for Polymer Material Engineering	Board of Directors
N.A.V.T.E.C.	Sicily Technology District for Naval Transport	Board of Directors
Nautica Italiana	Association affiliated with the Altgamma Foundation	Board of Administration

Foreign subsidiaries also participate in the industrial associations in their countries and work with a number of associations

and organizations in the industry, also participating in voluntary initiatives.



CREATION AND DISTRIBUTION OF ECONOMIC VALUE

Stock performance

The stock gained 164.7% over 2017, going from a price of € 0.47 on 30 December 2016 to € 1.25 on 29 December 2017. The FTSE MIB, the index comprising Italy's 40 largest stocks, gained 13.6% over the same period, while the FTSE Mid Cap, of which Fincantieri is part, gained 32.3%. In 2017, the market performance of the FINCANTIERI S.p.A. stocks showed a constant growth trend. Fincantieri shares benefited from the positive results of the period, which proved the solid foundation of the Group and its capacity for growth in line with management guidelines. The stock recorded an average price for the year of € 0.89 per share, with a peak value for the period of € 1.32 on 11th December. In terms of stock liquidity, a total of 1.8 billion shares were

traded during the year, with an average daily trading volume of around 7.1 million shares. In 2017, Fincantieri started and concluded the programme for the purchase of its own shares according to the "Performance Share Plan 2016 - 2018" incentive scheme, implementing the decision made at the Shareholders' Meeting of 19 May 2017. In the period from 30th October 2017 and 30th November 2017, Fincantieri purchased on the online stock exchange (MTA), organized and managed by the Borsa Italiana S.p.A., as well on Bats, Chi-X and Turquoise, through Exane BNP Paribas, 4,706,890 of its own shares, equal to about 0.28% of the shares representing the company share capital.

KEY FIGURES		31.12.2016	31.12.2017
Share capital	euro	862,980,725.70	862,980,725.70
Ordinary shares issued	number	1,692,119,070	1,692,119,070
Own shares	number	-	4,706,890
Market capitalization (*)	euro/million	800	2,118
PERFORMANCE			
Price at year end	euro	0.47	1.25
Year high	euro	0.47	1.32
Year low	euro	0.27	0.47
Average price	euro	0.38	0.89

(*) Number of shares outstanding multiplied by reference share price at period end.



Distribution of Economic Value

The Group believes in an economy that is a system of relations based on trust and transparency, an integrated dynamic network of cross-cutting communities, built over time to create and exchange value. In this context, the distribution of Economic Value represents

the economic impact of the Group's business for the main stakeholder categories. In terms of Economic Value distribution, it is important to observe that the impacts produced are mostly limited to the local area, specifically with reference to personnel and suppliers.

ITEMS	DESCRIPTION		2016	2017	VAR 2017/2016
ECONOMIC VALUE GENERATED DIRECTLY		euro/million	4,472	5,047	12.9%
a) Revenue	Sales revenue	euro/million	4,434	5,020	13.2%
b) Finance income	Interest income and return on equity investments	euro/million	39	27	-31.9%
c) Capital gains/losses on business profits	Business profits	euro/million	(1)	-	-
DISTRIBUTED ECONOMIC VALUE		euro/million	4,277	4,804	11.0%
a) Operating costs	Payments to suppliers	euro/million	3,285	3,734	13.7%
b) Cost of personnel	Payments to employees	euro/million	858	912	6.3%
c) Dividends	Payments to suppliers of capital (shareholders)	euro/million	-	-	-
d) Interest paid and financial costs	Payments to suppliers of capital (shareholders)	euro/million	115	115	-0.3%
e) Duties and taxes	Payment of duties, taxes and other financial and legal fees	euro/million	17	40	138.0%
f) Donations to associations	Community investments	euro/million	2	3	47.4%
ECONOMIC VALUE RETAINED		euro/million	195	242	19.2%

Calculated as the difference between the economic value generated and the economic value distributed

Indirect impact: economic satellite businesses

Thanks to a competitive production model that is strongly linked to the Italian production network, Fincantieri generates additional impact on the national economy.

greater, mostly benefitting the area where it is located, through the involvement of a wide and diverse network of companies, many of which are highly specialized small or medium-sized enterprises. Each cruise ship built by Fincantieri develops on average € 2.7 to € 3.6 billion of business volume for the Italian System:



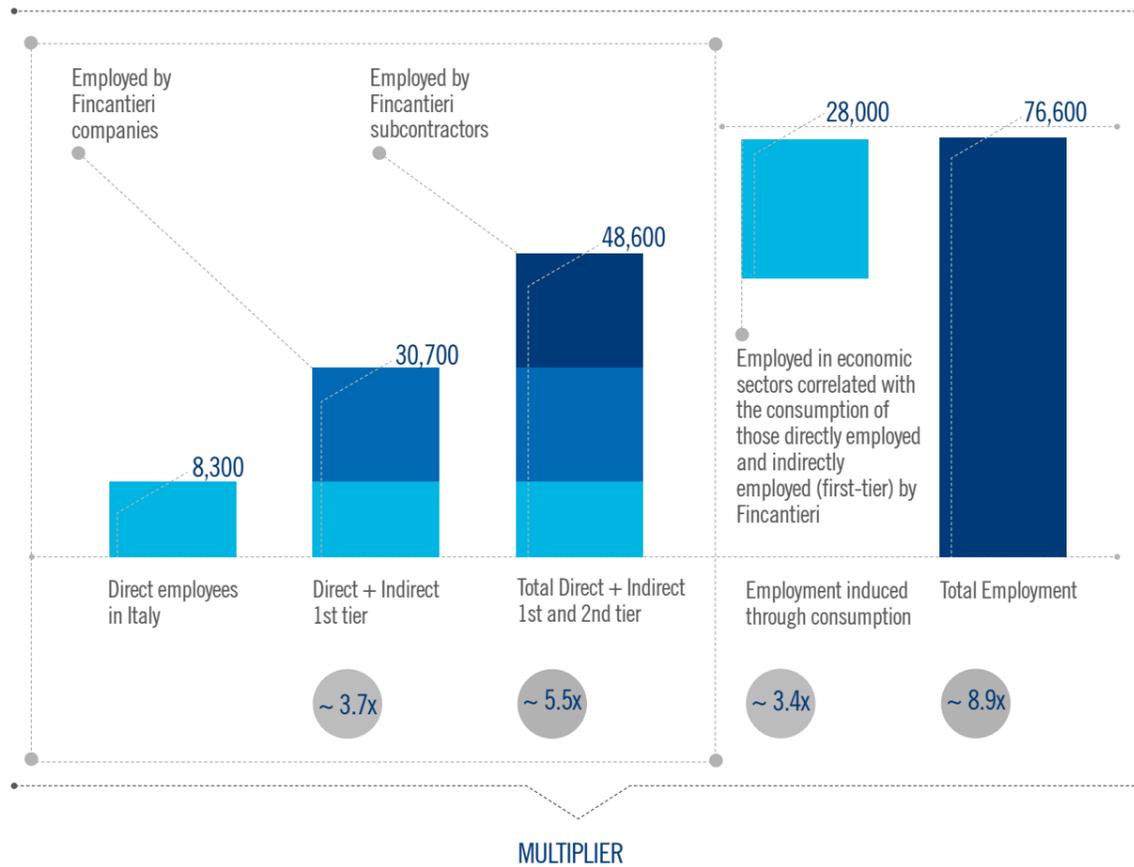
- Directly generated by Fincantieri: about € 600 to 800 million;
- Additional through stimulation of satellite businesses: about € 2.1 to 2.8 billion.

According to a Censis study, the Fifth Report on the Economy of the Sea 2015, every euro invested in shipyards produces a value 4.5 times

With the current record level of order backlog, over the next few years, Fincantieri will have, due to the multiplier effect of its activities, an average annual impact of 1% on the Italian GDP.

The impact on employment can be calculated by initially considering direct employment, that is direct jobs at Fincantieri in Italy, to which first-tier indirect employment is added, that is jobs at Fincantieri contractors, as well as second-tier employment, represented by

jobs at sub-contractors. In turn, it is necessary to add to this final employment figure the satellite business jobs due to consumption by the families of all employees.

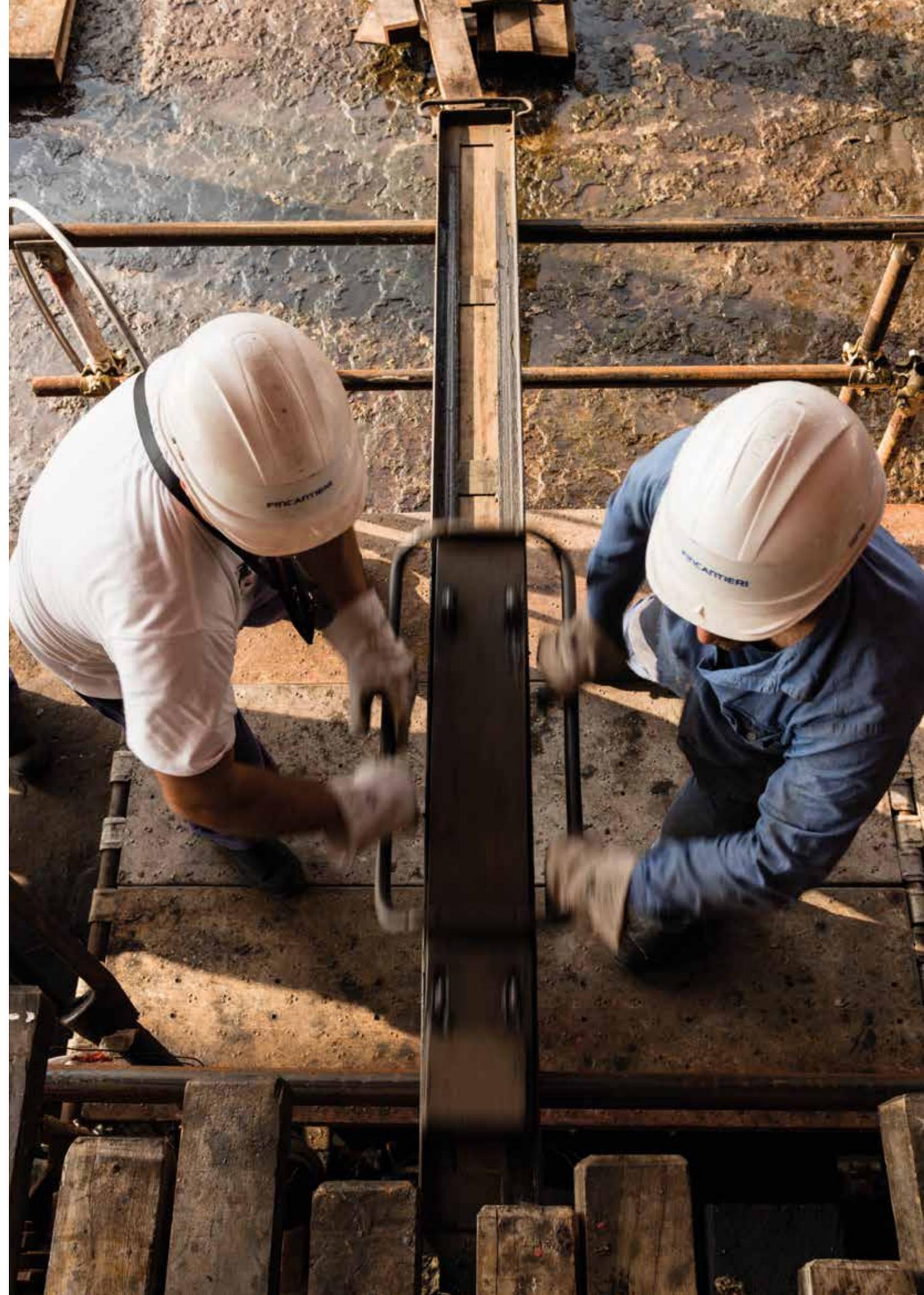


Source: FC estimates based on Censis data.

From the graph it can be seen that:

- the approximately 8,300 direct resources at Fincantieri activate in Italy more than 48,600 employment units in industry (considering contracts and subcontracts) in the manufacturing industry;
- adding to this the induced effect of family consumption, employment exceeds 76,000 units.

Considering both the effects upstream and downstream of its production organization, Fincantieri has a significant employment multiplier effect of about 8.9, confirming the broad impact the Company has on the country's economic system.





CREATION OF SUSTAINABLE VALUE

- SUSTAINABILITY GOVERNANCE
- OUR STAKEHOLDERS
- MATERIALITY MATRIX
- OUR COMMITMENTS



Value is created through responsible management of growth that is and will be increasingly intelligent, sustainable and inclusive, to the advantage of the company, the citizens, and the community

A company is sustainable when each person has understood its value and reflects in their everyday work the fundamental principles of responsibility, commitment and consideration for stakeholder expectations, creating a virtuous cycle that generates synergy and shared, proactive commitment. Fincantieri is one of the world's leading shipbuilders and this position comes with the responsibility to act in a sustainable manner. In fact, it is in Fincantieri's interest to combine competitiveness with environmental sustainability and social responsibility. For Fincantieri, sustainability is a way of working, it is the commitment to create long-lasting value. Sustainability translates into strict respect for the law, protection of workers, environmental protection, and safeguarding the interests of the shareholders, employees, customers, commercial and financial partners, local communities and groups, creating value for all stakeholders. Sustainability in Fincantieri is a long journey whose destination is the creation of sustainable value.

SUSTAINABILITY GOVERNANCE

To guarantee adequate protection and monitoring of sustainability processes, in 2016 the Board of Directors at Fincantieri established the **Sustainability Committee**, nominating the relevant members. The Sustainability Committee, composed of four independent members, defines the strategic guidelines, commitments and projects for sustainable development and social responsibility.



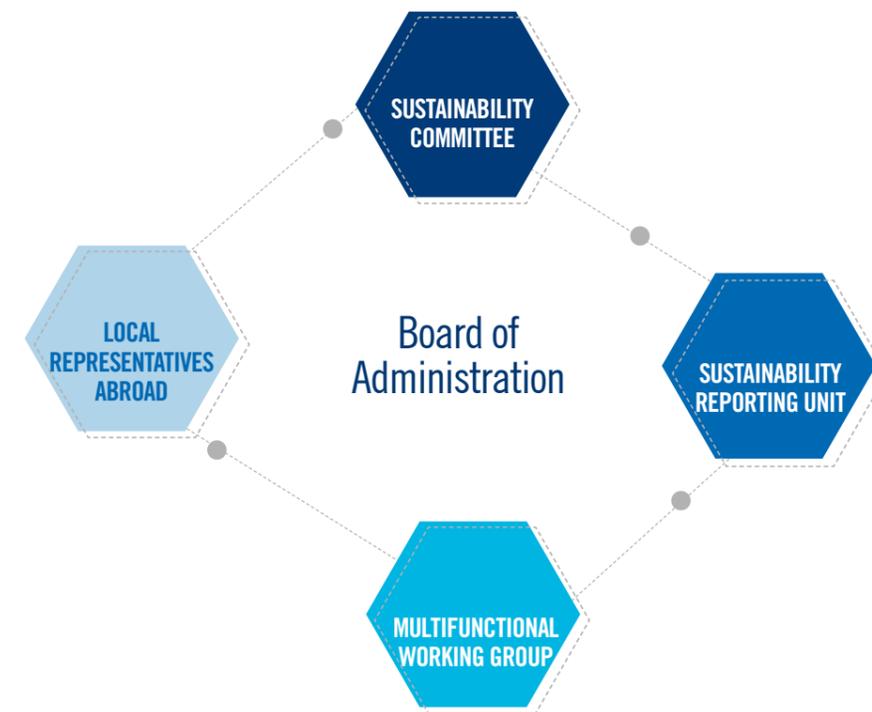
Furthermore, the Committee provides the Board of Directors with proposals and consultation services, specifically it:

- adequately investigates issues related to the sustainability of Company activities and the dynamics of its interaction with all stakeholders;
- supports the Board in relation to the Company's respect for and promotion of human rights, the right to employment, the environment, the battle against organized crime, health and safety within the Company's activities, the rights of all stakeholders, and product responsibility.

The chairman of the committee reports on the committee's activities at each Board of Directors meeting. For the 2017 year, the Committee agreed to meet, as a rule, at the same time as the Board of Directors.

In order to prepare the Sustainability Report, defining and implementing the relative processes for reporting the necessary information, a **multifunctional Working Group** was established, coordinated by the Administration, Finance and Control Department. The Working Group includes representatives nominated by the Legal Affairs, Human Resources and Industrial Relations, Marketing, Communication and Media Relations, Internal Auditing, Research and Innovation, and Administration, Finance and Control departments/units. To coordinate

all aspects of sustainability, the **Sustainability Reporting unit** was also established, reporting to the Group Accounting and Administration unit. To collect and manage the information for the Sustainability Report from foreign companies, local project managers were identified for the VARD Group and for the Fincantieri Marine Group, who coordinate in turn with a working group, specifically dedicated to sustainability: the foreign sustainability representatives report directly to the Sustainability Reporting Unit and/or the Working Group.



For more information on the Sustainability Committee please refer to the Report on Corporate Governance and Ownership Structure 2017, available on the website www.fincantieri.com/en/governance

OUR STAKEHOLDERS

Fincantieri considers the process of listening to and involving its stakeholders an essential tool for the organization to take action and obtain the best results: the values that emerge and are affirmed by dialogue strengthen the Group's reputation and ethics.

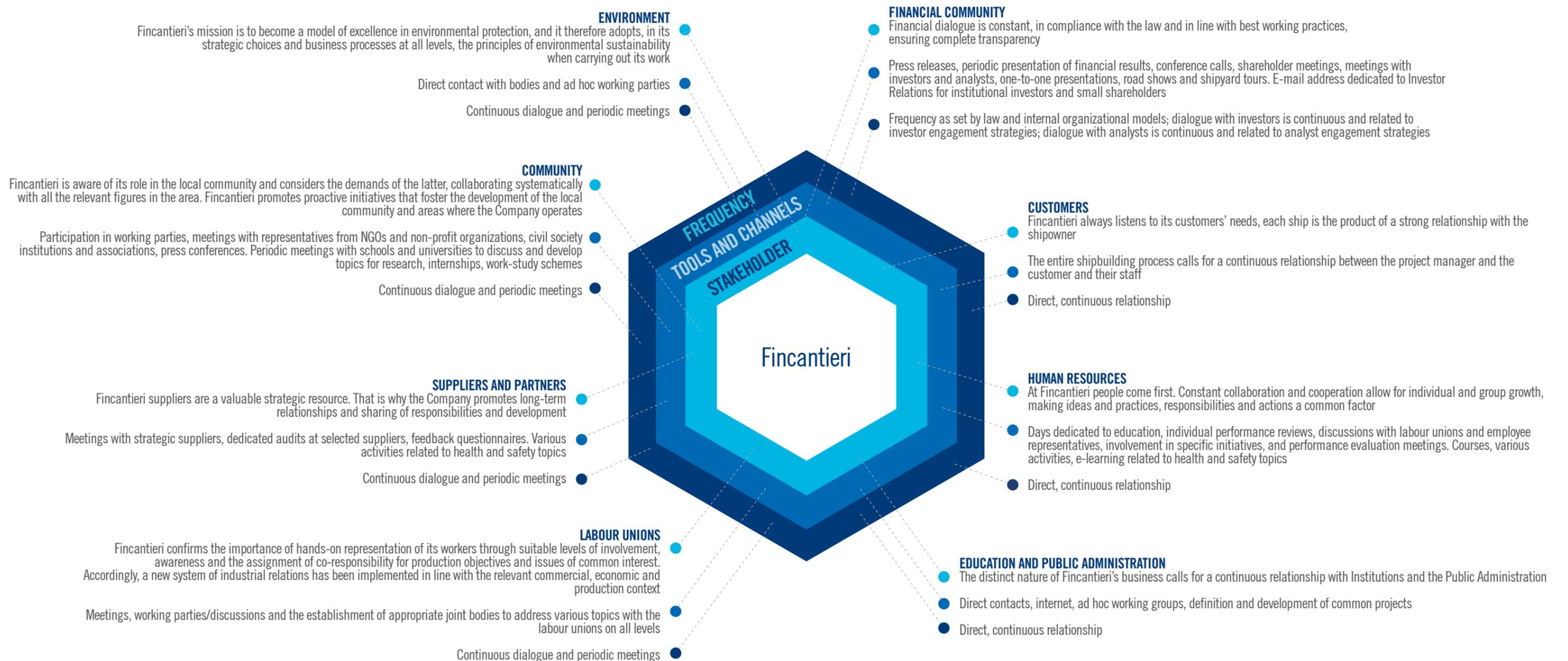
A lack of integrated dialogue leads to the risk of local conflict on environmental

and social topics, and can even result in both direct and indirect negative financial impact. Furthermore, Fincantieri considers that stakeholder involvement allows for the development of intangible assets which translate into long-term relationships, thus becoming a source of competitive advantage. This dialogue involves the creation of a common knowledge base among the Group and its stakeholders, which allows sensitive

topics to be highlighted, facilitating the definition of a strategy for communication and implementation of existing relationships, which takes into account the social impact of the topic and the organisation's response to it. In 2016 the Group's stakeholders, both internal and external, were identified and divided into seven macro groups. The analysis highlighted the heterogeneity of Company's stakeholders, with widely differing needs,

making the stakeholder engagement process particularly complex. Information was then collected regarding the methods and tools for communication between the Company and the major stakeholders.

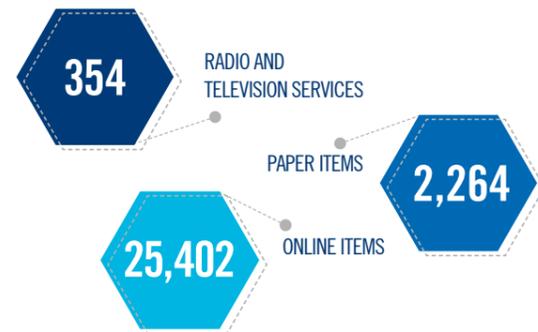
The approaches adopted and the types of dialogue identified are set out below:



Continuous dialogue with stakeholders is ensured by the **Media Relations** department, established to transmit corporate messages to the press, as well as to distribute news stories across the Group. These prerogatives are the sum of multiple activities that all start with direct discussion with management to determine strategies and communication needs, which range from texts like press releases, support and in-depth notes, and speeches, to constant and widespread monitoring of printed, web and social network sources, with related press surveys, and relationships with national, international and trade media system representatives, both on a routine basis and when there are corporate events, during which the department fully manages press participation, from invitations to calibration of the message to be passed on.

In 2017 the initiatives promoted produced:

NUMBER OF ITEMS



Added to this are the relationships with internal and external customers, i.e. other Group functions involved in office activity and the corresponding functions of the various merchant shipowners, Navies, national and local institutions, private bodies, and companies with which Fincantieri works.

Another important tool in Fincantieri's communications strategy is use of **social networks**. The Company has been present for some time on LinkedIn, YouTube and since 2017 on Instagram.



LinkedIn, the main social network for professional contacts, allows Fincantieri to give the Company prestige through the publication of high-quality content and the contribution of its employees, using the method of employer branding. The contents promoted through LinkedIn are corporate and related to recruiting, including:

- press releases;
- financial reports (quarterly, six-monthly, financial statements and shareholders meetings);
- Group news: communication of events such as deliveries of vessels, presence at fairs, and partnerships;
- job posting;
- presence at career days.

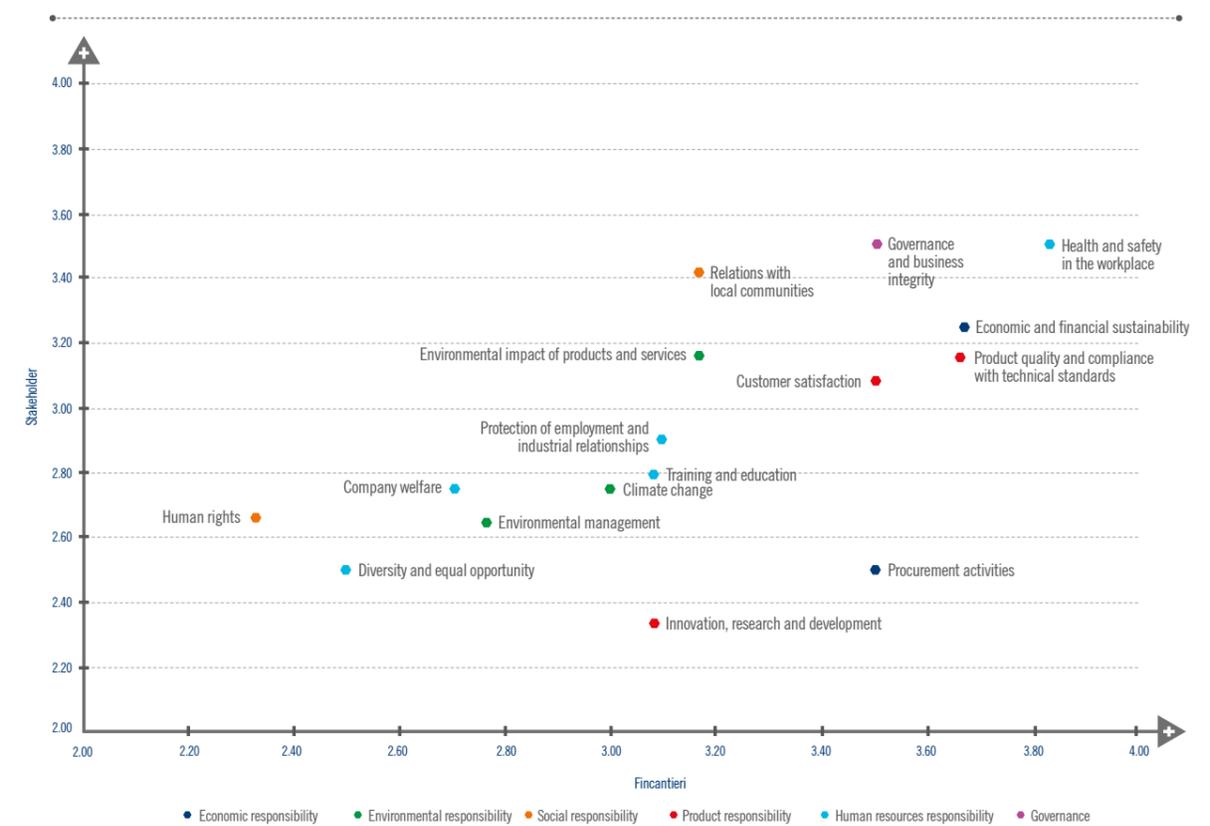
In January 2018, the Fincantieri profile had about 58,000 followers. Since 30 March 2017 Fincantieri has also been active on **Instagram**, the third most popular social network after Facebook and YouTube. On this platform, the Company publishes high-impact photographs that create, through the strength of the image, a daily dialogue with the user, raising awareness and improving the reputation of the brand among its stakeholders. In January 2018 the channel had more than 4,200 followers, with a monthly growth rate of between 300 and 400 new users. Fincantieri Yachts has its own profile on Instagram, dedicated to the luxury segment, established just a few months after the Corporate channel. With the same objectives, some of the Group's subsidiaries are also present on this social platform. Specifically, Fincantieri Australia, CETENA, VARD and Fincantieri Marine Group have helped to expand the follower base of the Group to more than 90,000 people.

MATERIALITY MATRIX

Also in 2016, for the first time, the Fincantieri Group performed a Materiality Analysis which was updated in 2017 in compliance with the Global Reporting Initiative Guidelines, Version 4 (GRI-G4). The purpose of the materiality analysis is to identify, using a matrix, the material topics, that is those themes that have significant economic, environmental, social, and reputational impacts on the organization and a significant influence on the evaluations and decisions of the relevant stakeholders. The assessment of the importance of the topics identified must be performed based on the significance of i) their impact on the organization (economic, social, and environmental) and ii) their level of influence on stakeholders' decisions.

The evaluation of each aspect, with a scale from 1 to 4, where 4 is "highly relevant", was performed by the multifunctional working group members taking into account 2 aspects (relevance for Fincantieri, relevance for stakeholders) and validated by the heads of the units/departments involved. A materiality threshold (2) has been defined, beyond which an issue must be accounted for. Based on the evaluation, the graph highlights a linear correlation between the topics that are relevant for Fincantieri and those that are relevant for the stakeholders, indicating a substantial overlap of interests within and outside the Group.

All topics indicated in the matrix are subject to inclusion in the Sustainability Report.



The description of the material topics is available in the annexes p.168



OUR COMMITMENTS

Through the involvement of the stakeholders and materiality analysis, Fincantieri has identified the material issues considered most relevant for both the Group and its stakeholders. For these topics, Fincantieri must develop concrete and consistent actions and initiatives. Fincantieri's commitment to increasingly sustainable and responsible development is expressed through its communication of the sustainability culture, promotion of a responsible supply chain, employee involvement, continuous improvement of health and safety at work, support for technological innovation, maintenance of high levels of customer satisfaction and loyalty, reduction in environmental impact, and its contribution to the fight against climate change. The figure indicates the main sustainability commitments.

MACRO AREA	MATERIAL TOPIC	COMMITMENT
 Governance	Governance and business integrity	<ul style="list-style-type: none"> Promotion of the sustainability culture in line with the Group Values. Encouraging managers to think in a sustainable manner within their sphere of influence Maintenance of the Corporate Governance system and risk management (including sustainability risk) in line with international best practices Respect for the law and prevention of corruption in all spheres of influence Integration of sustainability topics in dialogue with stakeholders (timeliness, accuracy, and exhaustive flow of information to stakeholders) Implementation of a reporting system for the non-financial information with the aim of informing stakeholders of the sustainability policies/strategies and the results attained in a transparent manner
 Economic resp.	Economic and financial sustainability	<ul style="list-style-type: none"> Increasingly sustainable and responsible corporate performance, creating the conditions for development that ensures the needs and expectations of all stakeholders are met
	Procurement activities	<ul style="list-style-type: none"> Promotion of a responsible and sustainable supply chain based on long-lasting relationships founded on integrity, transparency and respect
 Human resources resp.	Protection of employment and labour union relationships	<ul style="list-style-type: none"> Employment and job protection to promote economic and financial sustainability
	Training and education	<ul style="list-style-type: none"> Promotion of growth, training and enhancement of human capital
	Company welfare	<ul style="list-style-type: none"> Increase the wellbeing of personnel through innovative solutions rather than traditional ones
	Diversity and equal opportunity	<ul style="list-style-type: none"> Promotion of programmes to promote diversity and inclusion within the Group
 Social resp.	Health and safety in the workplace	<ul style="list-style-type: none"> Pursue improvements in workers' health and safety
	Relations with local communities	<ul style="list-style-type: none"> Dialogue with and support for local communities through social, cultural and educational initiatives. Collaboration with governments, national and international associations to adopt policies and strategies to contribute to a healthy, resilient and sustainable society for everyone
	Human rights	<ul style="list-style-type: none"> Respect for human rights through the adoption of policies and creation of programmes to promote diversity and inclusion within the Group
 Product resp.	Product quality, compliance with technical standards	<ul style="list-style-type: none"> Continuous improvement of quality and respect for technical standards, in all phases of the production process to meet the high standards required by the business
	Innovation, research and development	<ul style="list-style-type: none"> Investments in research and innovation with the aim of developing sustainable, efficient, safe and competitive products and processes
	Customer satisfaction	<ul style="list-style-type: none"> Listen to expectations/demands and maximize customer satisfaction
 Environmental resp.	Climate change	<ul style="list-style-type: none"> Support for research to improve the analysis and management of risks associated with climate change
	Environmental management	<ul style="list-style-type: none"> Action to raise energy efficiency and reduce carbon dioxide (CO₂) and other pollutant emissions Conservation of natural resources, biodiversity, and reduction of environmental impact Increase employee awareness of environmental impact and promote virtuous behaviour
	Environmental impact of products and services	<ul style="list-style-type: none"> Development of ecologically sustainable products and services with the aim of contributing to a low carbon economy



R RESPONSIBLE BUSINESS MANAGEMENT

- CORPORATE GOVERNANCE
- SUSTAINABILITY IN RISK MAPPING
- OUR RULES
- PRIVACY PROTECTION



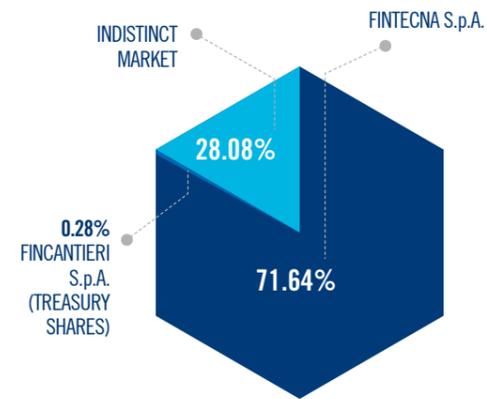
Transparency, propriety, legality and dialogue create the culture of responsibility



71.6% of Fincantieri's share capital is held, through the subsidiary Fintecna S.p.A., by Cassa Depositi e Prestiti (CDP) S.p.A., a company controlled by the Ministry of Economy and Finance.

The composition in terms of shareholder structure is shown below:

SHAREHOLDER STRUCTURE

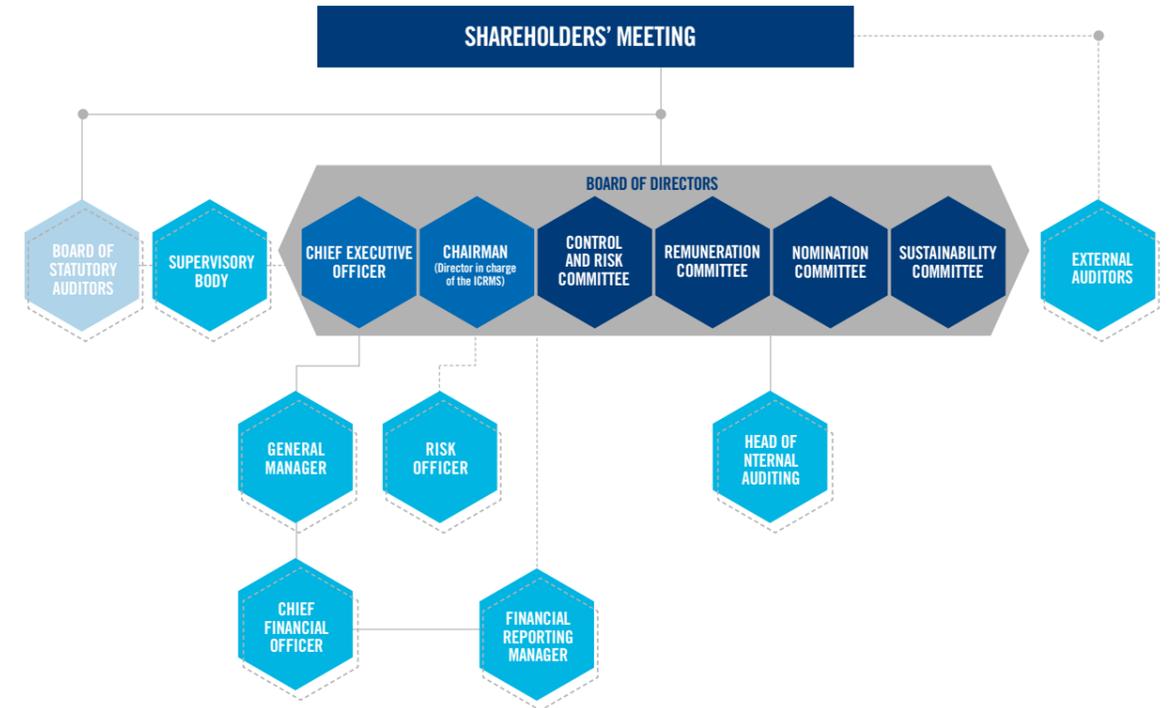


CHARACTERISTICS OF THE SHAREHOLDER STRUCTURE	YES/NO	% capital
Shareholder Agreements	No	-
Shareholding threshold for the submission of slates for the appointment of corporate bodies and officers	-	1%

CORPORATE GOVERNANCE

The corporate governance model has a central role in the clear, responsible performance of the Group's business, contributing significantly to the creation of sustainable value in the medium to long term. It is in line with the recommendations of the Corporate Governance Code issued by the Italian Stock Market.

Corporate governance at Fincantieri has the following structure:



Shareholders' Meeting

The Shareholders' Meeting is the company body through which the shareholders participate in Company decisions on topics reserved for them according to law and Company Bylaws.

Board of Directors

The Company's Board of Directors (BoD) is the Company's central organization for corporate governance, holding the widest

powers for its ordinary and extraordinary administration, including the definition of strategic direction, organization and control of the Company and the Group. The Board of Directors currently consists of nine members, six of whom are independent. The Board of Directors was nominated during the Ordinary Shareholders' Meeting held on 19 May 2016 for financial years 2016, 2017, and 2018.

COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES ON THE DATE OF THE REPORT

DIRECTOR	OFFICE	EXPIRY OF TERM	ROLE	INDEP. BY LAW	INDEP. BY CODE	CRC	RC	NC	SC
Giampiero Massolo	Chairman	Sh. meeting to app. fin. stat. 2018	Executive	-	-	-	-	-	-
Giuseppe Bono	CEO	Sh. meeting to app. fin. stat. 2018	Executive	-	-	-	-	-	-
Gianfranco Agostinetti	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	X ¹	-	-	P
Simone Anichini	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	-	-	X	X
Massimiliano Cesare	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	P	-	-	X
Nicoletta Giadrossi	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	X	-	-	X
Paola Muratorio	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	-	P	-	-
Fabrizio Palermo	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	-	-	X	X	X	-
Donatella Treu	Director	Sh. meeting to app. fin. stat. 2018	Non-Executive	✓	✓	-	X	P	-

¹ The Member of the Control and Risk Committee who replaces the Director Palermo when the committee, meeting as the IPT Committee, examines major operations with related parties.
 CRC: Control and Risk Committee.
 RC: Remuneration Committee.
 NC: Nomination Committee.

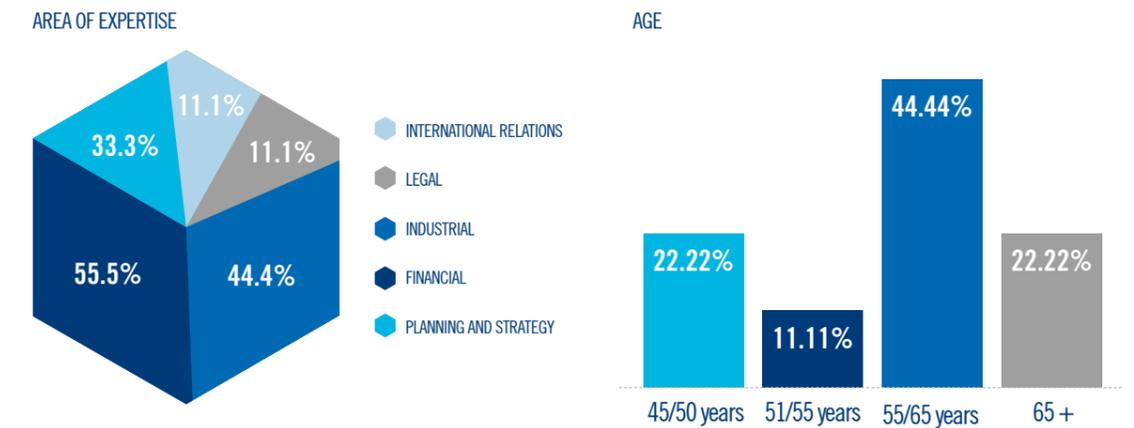
SC Sustainability Committee.
 C: Chairman of the Committee.
 (✓): Satisfies the requirements.
 (-): Not applicable.
 (X): Member of the Committee.

OTHER INFORMATION ON THE BOARD OF DIRECTORS*

	FINCANTIERI	AVERAGE FOR LISTED COMPANIES (**)	
		ALL-SHARE	MID CAP
Number of Directors	9	10.0	10.7
% executive	22.2	26.6	24.7
% non-executive	77.8	73.4	75.1
% non-executive not qualifiable as independent under the Code	11.1	-	-
% independent under the Code	66.7	43.8	46.2
% less represented gender	33.3	-	-
Average age of Directors	59.2	57.2	57.8
No. of BoD meetings	10	11.2	10.8
% attendance at BoD meetings	97.77	91.6	-
Average duration of BoD meetings	127.10 min.	137 min.	149 min.
Board evaluation	Implemented	80.1%	91.5%
Position on multiple offices	Adopted	45.7%	57.6%

* The statistical data of this table for Fincantieri refer to the composition and operation of the Board of Directors during 2017.
 ** Latest available data taken from the Assonime - Emittenti Titoli S.p.A. report: "Corporate Governance in Italy: corporate governance, remunerations and comply-or-explain (year 2017)" of February 2018.

CHARACTERISTICS OF THE MEMBERS OF THE BOARD OF DIRECTORS



The Board of Directors has structured its organization, also establishing four dedicated **Board Committees**, that provide consultancy and proactive functions: the Control and Risk Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. Their composition, responsibilities and methods of operation, as well as the powers and means assigned, are regulated by specific regulations approved by the Board of Directors when these committees were established and later amended based on changes introduced over time to the Corporate Governance Code. All members of

the committees are non-executive directors, mostly independent, and have functional areas of expertise for performing the roles they have been assigned. Furthermore, in the Control and Risk Committee at least one member has adequate expertise and experience in accounting and finance or risk management, while in the Remuneration Committee at least one member has adequate expertise and experience in pay policies or finance.

Board of Statutory Auditors

The Board of Statutory Auditors consists of

shareholders. To this end, an Auditor who, independently or for a third party, has an interest in a specific Company operation, must inform all the other Auditors and the Chairman of the Board in a timely, exhaustive manner of the nature, terms, origins, and extent of their interest. Auditors also respect the rules

regarding the limits on the cumulative number of administration and control offices taken within Italian joint stock companies as required by the current regulations and the Bylaws.

INFORMATION ON THE COMMITTEES*

	FINCANTIERI	AVERAGE FOR LISTED COMPANIES (**)	
		ALL-SHARE	MID CAP
No. of CRC meetings	7 ⁽¹⁾	7.74	7.97
% attendance at CRC meetings	80.91	-	-
Average duration of CRC meetings	79 min.	116 min.	118 min.
No. of RC meetings	6	4.65	4.63
% attendance at RC meetings	83.3	-	-
Average duration of RC meetings	84.16 min.	71 min.	70 min.
No. of NC meetings	4	5.5	5.0
% attendance at NC meetings	74.94	-	-
Average duration of NC meetings	51.25 min.	57 min.	56 min.
No. of SC meetings	4	-	-
% attendance at SC meetings	81.25	-	-
Average duration of SC meetings	94 min.	-	-

(*) The statistical data of this table for Fincantieri refer to the composition and operation of its internal Committees during 2017.
 (**) Latest available data taken from the Assonime - Emittenti Titoli S.p.A. report: "Corporate Governance in Italy: corporate governance, remunerations and comply-or-explain (year 2017)" of February 2018.
 (1) Of which one also as the RPT Committee and one exclusively as the RPT Committee.

three Standing members and three Alternate members, nominated at the ordinary Shareholders' meeting with following a dedicated procedure. The Auditors in office

meet the requirements of good reputation, professional attitude and independence. The Auditors act completely autonomously and independently with regard to all of the

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

MEMBERS	ROLE	EXPIRY OF TERM
Gianluca Ferrero	Chairman	Meeting to approve financial statements 2019
Roberto Spada	Standing member	Meeting to approve financial statements 2019
Fioranna Vittoria Negri	Standing member	Meeting to approve financial statements 2019
Alberto De Nigro	Alternate member	Meeting to approve financial statements 2019
Flavia Daunia Minutillo	Alternate member	Meeting to approve financial statements 2019
Massimiliano Nova	Alternate member	Meeting to approve financial statements 2019

OTHER INFORMATION ON THE BOARD OF STATUTORY AUDITORS*

	FINCANTIERI	AVERAGE FOR LISTED COMPANIES (**)	
		ALL-SHARE	MID CAP
Number of Auditors	3	-	-
Average age of Auditors	55.6	56.4	56.6
No. of meetings	7	12.8	12.0
Average duration of meetings	266 min.	145 min.	145 min.
% attendance by Auditors	100	95.6	-

(*) The statistical data of this table for Fincantieri refer to the composition and operation of the Board of Statutory Auditors during 2017.
 (**) Latest available data taken from the Assonime - Emittenti Titoli S.p.A. report: "Corporate Governance in Italy: corporate governance, remunerations and comply-or-explain (year 2017)" of February 2018.

 For more information on Corporate Governance please see the Report on Corporate Governance and Ownership Structure 2017, available on the website www.fincantieri.com/en/governance

Remuneration Policy

The Fincantieri Remuneration Policy is approved annually by the Board of Directors, on the proposal of the Remuneration Committee. The Board of Directors is also the company body responsible for proper enactment of the Policy, that relies on the support of the Remuneration Committee, which acts to provide consultancy and proposals. The adequacy, overall consistency, and concrete application of the Remuneration Policy are evaluated by the Remuneration Committee, as recommended by the Corporate Governance Code and as indicated in the regulations for the committee. The Remuneration Committee consists of three non-executive members, two of whom are independent and at least one of whom has adequate knowledge and experience in finance or pay policy, evaluated by the Board of Directors when nominated. The parties covered by the Remuneration Policy are the Chairman, the Chief Executive Officer,

the General Manager, Key Management Personnel and other Key Management Personnel. Management of the Remuneration Policy is delegated to the Chief Executive Officer, supported by the Human Resources and Industrial Relations Management. Verification of the qualitative and quantitative performance objectives and consequent determination of any sums of money due to the interested parties is performed following approval of the financial statements for the year following verification by the Chief Executive Officer.

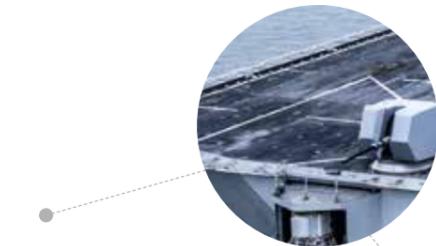
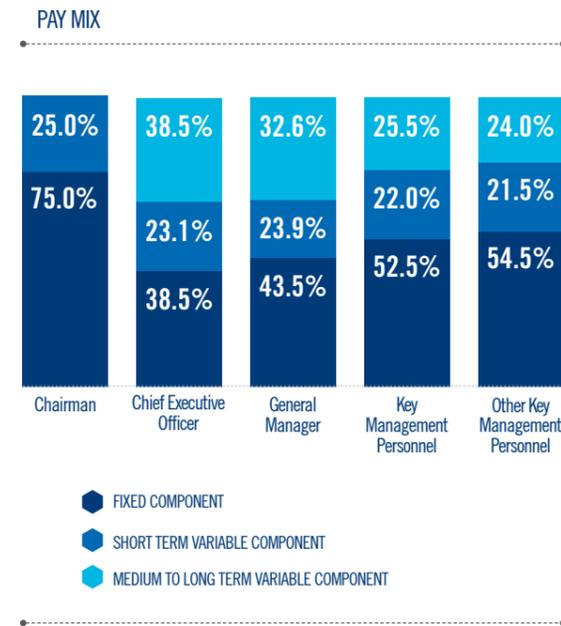
The Remuneration Policy is aimed at valuing sustainable performance and attainment of the strategic priorities of the Company, ensuring that:

- there is adequate balance between the fixed and variable components, and, for the latter, between the short-term and medium- to long-term variable components;

- the fixed component is sufficient to remunerate the work of the party, should the variable component not be issued due to failure to meet performance objectives;
- a significant part of the remuneration of those concerned comes from three-year incentive programs, distributed after the performance objectives have been attained, which also have a duration of three-years and which are predefined, measurable, and indicative of the operating efficiency of the Company as well as the ability to remunerate the invested capital and generate dividends for the shareholders in the medium to long term;
- the Company has the right to request the return of all or part of variable components of remuneration paid (or to withhold deferred sums) that were calculated on the basis of data subsequently revealed to be clearly wrong (claw-back).

On 19th May, 2017 the Board of Directors approved a medium to long term (Performance Share Plan 2016-2018) for the Company management. The creation of sustainable value in the medium to long term, alignment of the interests of management with those of the shareholders and support for retention capacity are the primary objectives of this Plan, in line with the indications in the Corporate Governance Code and the best and most widespread market practices.

Below is a graphic representation of the pay-mix:



The structure of the remuneration package is set out below:

TYPE OF REMUNERATION	PURPOSE	POPULATION INVOLVED
Fixed Remuneration	Remunerates the role and, specifically, the responsibility given to the recipients considering, among other things, experience, the quality of the contribution given to reaching the business results and the level of excellence with respect to the functions assigned.	<ul style="list-style-type: none"> • Chairman • Chief Executive Officer • Non-executive directors • General Manager • Key Management Personnel • Other Key Management Personnel
Short term variable remuneration (annual MBO)	Remuneration of results obtained in the short term, aimed at converting the strategies of the business plan into a series of yearly objectives, for the individual and the Group, capable of having a decisive influence on the performance of the managers involved.	<ul style="list-style-type: none"> • Chairman • Chief Executive Officer • General Manager • Key Management Personnel • Other Key Management Personnel
Medium to long term variable remuneration (Performance Share Plan)	Remuneration for results attained in the medium to long term, aimed at improving the alignment of the interests of the beneficiaries with those of the shareholders and supporting the retention capacity for key resources.	The beneficiaries are identified individually with the final judgement of the Board of Directors, after hearing the Remuneration Committee, from among the following parties: <ul style="list-style-type: none"> • Chief Executive Officer and also based on the indications of the Chief Executive Officer, among the following subjects: • General Manager • Key Management Personnel • Other Key Management Personnel

Below is a summary of the characteristics of the various components of the variable remuneration:

VARIABLE REMUNERATION	SHORT TERM	MEDIUM TO LONG TERM
Type	Management by Objectives (MBO)	Performance Share Plan (LTI)
Reference period	Annually	1st cycle 2016-2018; 2nd cycle 2017-2019; 3rd cycle 2018-2020
Vesting period	NA	Indicatively every three years
Recipients	CEO, Chairman, GM, Key Management Personnel, Other Key Management Personnel	Identified by the BoD, CEO, Chairman, GM, Key Management Personnel, Other Key Management Personnel
Success Metrics	Identified performance objectives in line with the Business Plan, predefined and measurable	Performance objects related to the EBITDA (70% for the 2nd cycle), TSR vs. FTSE All Share modified 10%, vs. Peer Group 20% (30% for the 2nd cycle)
Members	Monetary prize equal to 35% to 55% GAI (38.2% to 59.25% in the event of overperformance); for CEO 60% GAI (65% in the event of overperformance)	Free shares equal to 40% to 75% GAI (52% to 97.5% in the event of overperformance); for CEO 100% GAI (130% in the event of overperformance)
Other information	Claw-back	Claw-back/lock up/cap



For further information, see the Remuneration Report 2017, available on the internet site: www.fincantieri.com/en/governance

System of internal control and risk management

The system of internal control and risk management (hereinafter referred to by its Italian acronym "SCIGR") is formed by a set of tools, organisational structures, and Company procedures aimed at contributing business conduct which is honest, fair and consistent with the objectives set by the Board of Directors. The SCIGR is integrated within the general organisational aspects and corporate governance system adopted by the Company and, taking into account the main reference models, allows and promotes the identification, measurement, management, and monitoring

of the main risks as well as the dependability, accuracy, reliability and timeliness of the financial report. This system, based on leading international practices, is divided into the three traditional levels of control:

- 1st level: the operational functions identify and evaluate the risks and implement specific treatments for their management;
- 2nd level: the functions responsible for risk control define the methods and tools for risk management and perform monitoring activities;
- 3rd level: the Internal Auditing Function provides independent evaluations regarding the entire system.

The Risk Management System development and optimization project, begun in 2015, has been assigned to the Risk Officer. During 2017, following issue of the risk management policy at the end of 2016, a procedure was issued that identifies the common operating modes for all of the Company's business areas and departments for risk assessment and mitigation activities. A process of alignment with ERM (Enterprise Risk Management) concepts was begun. Finally, the Risk Assessment update reports were issued by the Company to enact the ERM procedure, to the benefit of the SCIGR participants.

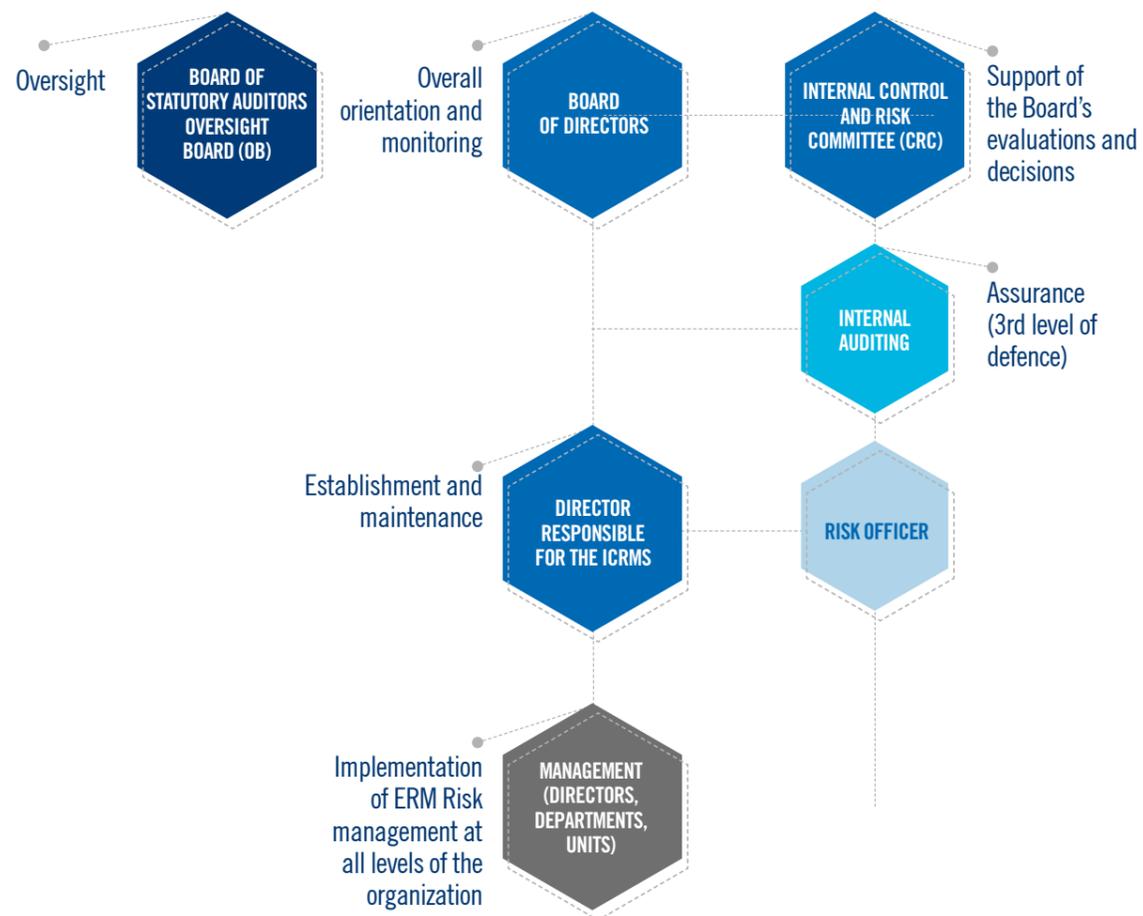
The Guidelines, approved by the Board of Directors, identify the main parties involved in the preparation and implementation of an effective internal control and risk management system, involving, based on their area of expertise the following parties, in addition to the Board of Directors and the Control and Risk Committee:

BODY/FUNCTION	CONTACT	NOTES
Director responsible for the SCIGR	Chairman of the Board of Directors	-
Internal Auditing Function	-	Inside the Company
Head of Internal Auditing	Stefano Dentilli	Reporting hierarchy of the BoD
Risk Officer	Stefano Dentilli	-
Financial Reporting Manager	Carlo Gainelli	Group Accounting and Administration Head
Oversight Board	Guido Zanardi (Chairman) Giorgio Pani Stefano Dentilli	External member External member Internal member
Board of Statutory Auditors	Gianluca Ferrero (Chairman) Roberto Spada Fioranna Vittoria Negri	-
Independent auditors	PricewaterhouseCoopers S.p.A.	Expiration: Financial statement 2021 approval meeting



It is also required that all employees of the Group, as part of their functions and responsibilities, actively intervene according to the methods defined in the Group's regulatory system and internal procedures for the maintenance, updating, and correct operation of the SCIGR.

Following is a representative diagram of the parties involved in Risk Management at various titles:



Internal Auditing Function

The mission of the Internal Auditing function is to monitor the adequacy of the internal control system of the Company and its subsidiaries, ensuring continuous improvement of its effectiveness and efficiency by providing an independent, autonomous and objective audit service involving verification, validation and consultancy. The Internal Auditing activities are performed based on an Audit Plan, approved by the Board of Directors, based on the risk analysis and prioritization, according to the assessment performed at Group level. Since 2015, the VARD Holding Ltd Board, upon the proposal of the Audit Committee, has entrusted to the Fincantieri Internal Auditing function the responsibility for performing the internal audits for the VARD Group. The Head of Internal Auditing is appointed to this role by the Board of Directors, based on the proposal of the Director responsible for SCIGR, following a positive opinion by the Internal Control and Risk Committee and after consulting the Board of Statutory Auditors. The Head of Internal Auditing reports directly to the Board of Directors and Control and Risk Committee for the planning, execution and communication of his activities; whereas for administrative aspects, he reports to the Chief Executive Officer. The main activities performed by Internal Auditing are the following:

compliance aspects, specifically regarding compliance activities under Legislative Decree 231/2001, including the audits requested by the Supervisory Body (Oversight Board) of the main Italian Companies in the Group;

- **Financial&Reporting Audit** this mostly involves internal audits (according to Law No. 262/2005) at Group level, as well as specific activities and audits required by the Board of Statutory Auditors and/or the Control and Risk Committee and/or the Financial Reporting Manager;
- **Risk Management** with reference to the main activities of Risk Assessment and interfacing with and supporting the Company functions engaged in risk management as well as other aspects relating to internal audit, such as segregation of duties (SOD).

- **Operational&Compliance Audit** with reference to operational audit and legal and regulatory

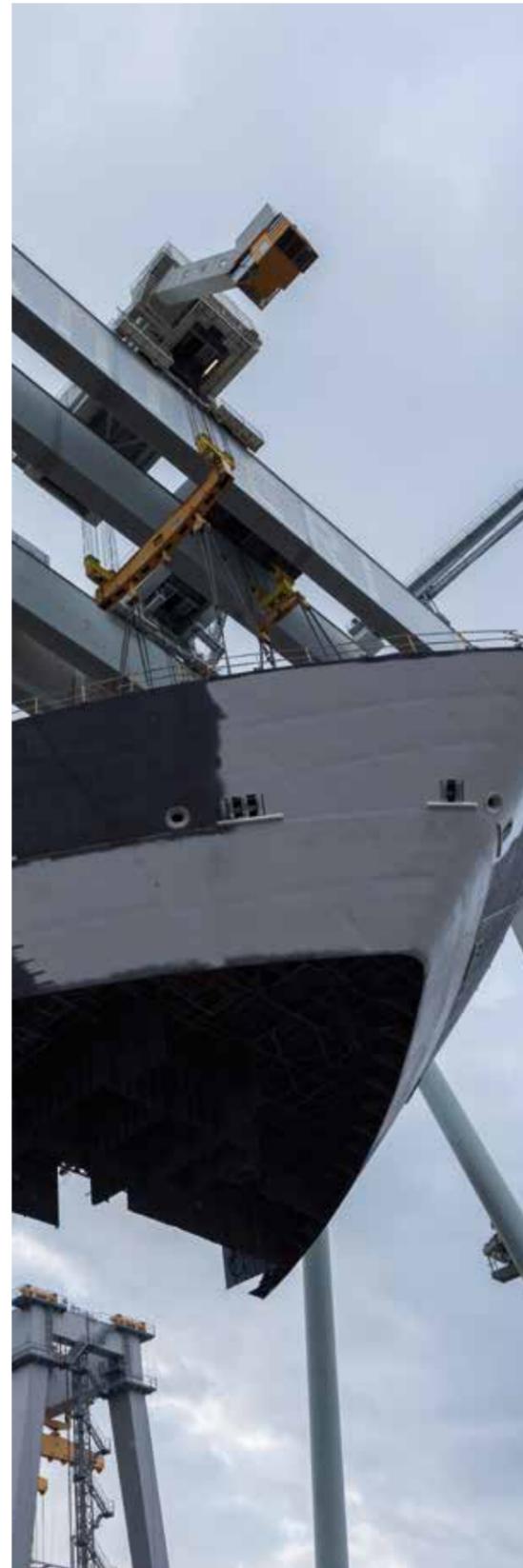


For more information on the Internal Control and Risk Management System please refer to the Report on Corporate Governance and Ownership Structure 2017, available on the website www.fincantieri.com/en/governance

SUSTAINABILITY IN RISK MAPPING

At Fincantieri, the Risk Officer is responsible for mapping the main corporate risks as well as reporting the mitigation actions that the business takes to manage the risk (Enterprise Risk Management). In the second half of 2017, the Risk Officer function considered it necessary to integrate the company risk model (Fincantieri Risk Universe) with additional risks concerning the company's social responsibility following a structured process specifically centred on sustainability. The Fincantieri Risk Universe has been defined as part of the "ERM project" which provided the Company with an Enterprise level process for detecting, evaluating and monitoring the main corporate risks, in compliance with the requirements for listed companies as per the Corporate Governance Code for the Italian Stock Market. The process is divided into parts, starting with risk (and opportunity) mapping in terms of sustainability and climate change, using specific tools to identify the main risks by business area. The objective is to provide a vision of the set of pervasive and evolving risks and the interconnections that may pose a threat to the creation of value and achievement of the Company's objectives in a context similar to that of Fincantieri. From this process, 16 potential categories of sustainability risk were identified. These risks were then compared with the Fincantieri corporate risk model and with the materiality matrix in the Sustainability Report, to check whether it was necessary to add them to the Risk Universe. From the analysis it emerged that some sustainability risks are already present in Fincantieri's Risk Universe; others, following more in-depth checks, were not considered applicable to

the Company. Consequently, the Risk Map and specific Corporate Social Responsibility (CSR) category was integrated; the following is the list of the 10 sustainability risks included in Fincantieri's Risk Universe.



MACRO AREA	RISK EVENT	DESCRIPTION OF RISK	MANAGEMENT METHOD
	Rating agencies and sustainability indices	Risk of not achieving an excellent sustainability rating with specialized rating companies and analysts, or of a negative impact on reputation following a poor sustainability rating.	Chapter: Creation of value/Our stakeholders
	Reputation risk	Risk of damage to the Company brand that exposes it to loss of clients, profits and the competitive advantage gained on the market.	Chapter: Responsible business management/Business Model
 Governance	Investor&Public Relations	Risk of not adopting Public Relations strategies on the sustainability issues or transmission of inconsistent Company messages regarding environmental, social and governance initiatives. Risk of not using the lever of sustainability to build and broaden relations with stakeholders. This category includes the risk that relationships with local, national and international counterparties (local cities and authorities/associations, legal and government authorities, industrial associations, etc.) are inefficient or ineffective, influencing the Company's ability to compete.	Chapter: Creation of value/Our stakeholders
	Governance, Strategy and Sustainability Compliance	Risk that the Governance Model is not adequately communicated to all levels of the Company, creating ineffective communication regarding sustainability issues among the stakeholders, Board of Directors, and company management, incorrect delegation of powers, and inappropriate decisions on sustainability. This category also includes the risk of lack of implementation of monitoring programs for activities related to sustainability or the risk of inadequate preventive or investigative checks and controls relative to sustainability performance.	This risk has been identified but has not yet been evaluated
	Implementation of the Mission and Values in terms of Sustainability	Risk of lack of integration or poor integration in company processes and activities of the sustainability principles (including ethics) defined in the Sustainability Governance Model. This category includes the risk relating to the absence or inadequacy of a monitoring and control process for environmental and social issues, as well as inadequate assignment of resources for this purpose.	This risk has been identified but has not yet been evaluated
 Human Resources resp.	Training, incentives, and assessment of the sustainability performance	Risk of the absence or inadequacy of training programmes with consequent lack of skills in relation to sustainability issues. This category also includes the risk that individual performance objectives are not aligned with or specific enough to guide conduct to support the sustainability strategy, and/or there are no adequate indices to measure sustainability performance.	Chapter: People/Training and development/Health and safety
	People	Risk that the Company, within its strategy of sustainable growth, does not implement processes aimed at valuing human capital, guaranteeing respect for diversity and equal opportunity, protecting human rights, and ensuring the health and safety of the workers.	Chapter: People/Training and development/Health and safety/ Diversity and equal opportunity
 Product resp.	Ecologically compatible product development	Risk that the Company invests in and builds products and/or uses materials incompatible with environmental protection.	Chapter: Responsible business management/Business Model
 Governance, economics, human resources, social and environmental resp.	Sustainable Supply Chain	Risk that due diligence on potential suppliers is not conducted adequately and of lack of monitoring of respect for environmental and social regulations in contracts concluded, with consequent execution of activities not in line with the sustainability principles (correct use of natural resources, protection of individual rights, etc.).	Chapter: Responsible business management/Our rules
 Environmental resp.	Environment	Risk that the Company adopts inadequate measures for incorporating sustainability principles in its evaluation of environmental issues and performs activities not in line with sustainability principles. This category also covers lack of activation of controls aimed at preventing environmental damage or lack of/inadequate evaluation and implementation of programmes for the recovery of biodiversity following environmental damage.	Chapter: Environment and Climate change

In compliance with the business procedures governing risk assessment and mitigation which require two yearly meetings in conjunction with the year end financial statements and the half-year report, an initial sustainability risk assessment is prepared in time for the approval of the financial statements, to allow the Board of Directors to formulate an opinion based on their areas of expertise on the company's internal control and risk management system. The reports required for the information to be provided to the company bodies will from now on be supplemented by a specific report on CSR risks to the Sustainability Committee, with the objective of facilitating its function of providing guidance to the Company.

OUR RULES

Fincantieri performs its business with respect for the law, internal regulations and professional ethics. To this end, it has developed a set of policies and guidelines that support its business.

In particular:

- Organizational Model
- Code of Conduct
- Anticorruption Policy
- Legality Agreement
- Health and safety Policy

 For more information on the Health and safety Policy, please see the section People p. 82

- Environmental Policy

 For more information on the environmental Policy, please see the section Environment and Climate change p. 152

Organizational Model

Fincantieri has adopted an organisation, management and control model according to Legislative Decree 231/2001 (Organizational Model), the latest version of which was approved by the Board of Directors on 9 November 2017. It consists of a general section, which illustrates the principles, departments and basic components of the Organizational Model, and special parts, which identify the activities at risk of crime, the principles of conduct, and the control procedures for the specific types of crimes considered relevant.

 The organisational model is available on the internet site www.fincantieri.com/en/sustainability/governance

Code of Conduct

All of the Group's activities are performed observing the laws, international conventions and in strict respect for human rights as sanctioned by the Universal Declaration by the United Nations. Fincantieri works within a framework of fair competition with honesty, integrity, decency and good faith, with respect for the legitimate interests of its stakeholders, shareholders, employees, customers, commercial and financial partners, civil society and the local communities in areas in which Fincantieri is present with its business. Fincantieri believes that success can be long lasting only with responsible, ethical business management; the Group's actions are performed with integrity, honesty and dedication and based on mutual trust, so that growth is also guided by the principle of shared values. Anyone who works at Fincantieri, without any distinction or exception, is committed to observing these principles and ensure they are observed within their area of operations and responsibility. In no way does the conviction of acting in the interest or advantage of the Company justify adopting conduct that goes against these principles. The complexity of the



circumstances in which Fincantieri operates means that it is important to clearly reaffirm the set of values the Group recognizes, accepts and shares, and all the responsibilities that it assumes both internally and externally. This is the reason for which the Code of Conduct was prepared. Observance of the code by all of the people within the Company is of fundamental importance for the efficient operation, reliability and reputation of the Group. These factors add up to a significant asset for the success of the business. Fincantieri employees must not only comply with the general duties of loyalty, fidelity and propriety and fulfil their employment contract in good faith, but they must also refrain from competing with the Group, observe company rules and abide by the standards set out in this Code. Employee relationships at every level must be based on transparency, propriety, loyalty and mutual respect. The directors and every member of the business must be familiar with the contents of the Code, must actively contribute to its implementation and report any weaknesses and breaches. Fincantieri is committed to encouraging and promoting knowledge of the Code among employees and including any constructive contributions. All conduct

contrary to the words or spirit of the Code will be subject to sanctions as outlined in the Code. The principles outlined in the Code of Conduct can be supported by specific directives, regulations or internal procedures aimed at making its application more concrete and effective. The Code is shared with all parties who have business relations with Fincantieri. Fincantieri monitors observation of the Code, providing suitable tools for information, prevention and control, and ensuring the transparency of existing operations and conduct. Verification of implementation of the Code of Conduct and its application is the responsibility of the Board of Directors and the company management, who can also be promoters for proposals to be integrated or modifications to be made to its contents.

CODE OF CONDUCT

1
COMPLIANCE WITH LAWS, REGULATIONS AND THIS CODE OF CONDUCT
Fincantieri respects the laws and regulations in force in each Country or context in which it operates, consistent with the principles, objectives and commitments defined in the Code.

All actions and activities performed or planned by Fincantieri must be legitimate, checkable, comply with the established regulations, procedures, and regulations and be based on correct and complete information. In commercial, promotional, and industrial relationships, the Company acts according to ethical and legal regulations.

2
BUSINESS ACTIVITIES AND RELATIONS

3
RELATIONS WITH CUSTOMERS AND SUPPLIERS
Fincantieri seeks correct, transparent relationships with its customers and suppliers by offering competitive products and respecting the rules of fair competition. Supplier selection and determination of purchase conditions, performed by Group companies, must be based on an objective evaluation of the quality, price and ability of the supplier to guarantee an adequate level of service.

4
COMPANY'S ASSETS
Each employee must conserve and protect the assets and resources that the Company entrusts them with to perform their responsibilities.

5
HUMAN RESOURCES, SAFETY AND ENVIRONMENT
Fincantieri is committed to guaranteeing the professionalism of its employees as well as the health and safety of its employees, external collaborators, customers and communities affected by its business and to reducing its environmental impact.

6
ACCURACY AND TRANSPARENCY OF ACCOUNTS AND RECORDS
Fincantieri's financial, accounting and management proof must be based on precise, complete, and verifiable information, in line with the hierarchical structure and organisation of the Company.

7
LOYALTY TO THE COMPANY AND CONFLICT OF INTERESTS
Fincantieri maintains a relationship of trust and loyalty with each of its employees. They must be loyal and faithful and pursue the Company's interests. Employees must avoid any situation or activity that could lead to a conflict of interest or that could interfere with their ability to make impartial decisions, in the best interests of the Company.

8
CONFIDENTIAL INFORMATION
Information must not be shared that is of a confidential nature, in relation to knowledge or data that belongs to the Company. This information must not be used, communicated or disclosed without specific authorization by the individuals responsible for this information, knowledge or data.

9
RELATIONS WITH PUBLIC OFFICERS WITHIN NATIONAL, EUROPEAN AND FOREIGN PUBLIC INSTITUTIONS AND WITH OTHER PARTIES REPRESENTING COLLECTIVE INTERESTS
Contacts with public officials or government authorities, the public administration, and Italian, European or foreign institutions are limited to those that, upon specific authorization, are assigned to negotiate with or contact these administrations, public officials, authorities, organisations, and/or institutions.

10
RELATIONS WITH POLITICAL ORGANIZATIONS AND TRADE UNIONS
Fincantieri regulates its relationships with political organizations and labour unions exclusively based on the current laws, regulations and agreements/contracts, guaranteeing the highest principles of transparency and correct conduct.

11
RELATIONS WITH THE PRESS AND MEDIA
Information for external use must be truthful and transparent.

12
EFFECTS OF THE VIOLATIONS
Violation of the Code of Conduct compromises the trust between the Company and employee.

Anti-corruption Policy

Key to Fincantieri's reputation is the ability to develop its business with integrity, decency, transparency, honesty and integrity, with respect for national and foreign law and regulations. For this reason, Fincantieri is determined to update its activities in respect for the values and principles contained in its Code of Conduct, adopted and communicated extensively since 2002, in the conviction that business conduct must be based on correct, respectful, and ethical behaviour and respect for the regulations in force. Considering the broad geographic context in which Fincantieri operates, the Company has adopted a number of internal standards aimed at identifying and applying a global anti-corruption policy that defines the expectations for performing business, in strict compliance with the best international standards regarding anti-corruption legislation. The first of these instruments is the anti-corruption Policy adopted by the Company in 2014. The primary objective of the anti-corruption Policy, along with the procedures related to it, is to underscore Company and Group commitment to fighting organized crime in all its forms and our zero tolerance for this phenomenon, by constantly reinforcing the level of integrity and transparency within internal conduct, with a positive effect on the Company's reputation within its current operating context. Specifically, through the anti-corruption policy, Fincantieri prohibits all forms of corruption: illegitimate favours, collusion, requests, direct and/or made through third parties, for personal or career advantage, for oneself or for others. Firstly, it is prohibited to procure, promise or offer objects of value to any one, including Public Administration officials, to obtain or maintain business in an inappropriate manner or to secure undue business advantages. Secondly, it is prohibited to accept gifts or objects of value in return for conduct contrary to the principles listed in the Policy and the Code of Conduct, as well as in the applicable documents and laws. Thirdly, Fincantieri collaborates only



with counterparties with proven reputation. For this reason, the Company subjects every commercial partner to a mandatory process for the preliminary checking of ethical requirements. Fourthly, it is necessary that Fincantieri and the Group Companies maintain accurate accounting books and recordings. The Group's anti-corruption commitment, established first of all within the Code of Conduct, is stated in a series of corporate documents that constitute the existing safeguards for fighting corruption (anti-corruption documents) in the operational and geographical areas where the Group is present. This regulatory body, which evolves continuously, calls for the following confidential topics, each regulated by specific documents: (i) management of relations with the Public Administration; (ii) agency, intermediary and commercial service agreements; (iii) donations, gifts, sponsoring, presents, and hospitality; (iv) external collaborations; (v) conflicts of interest and (vi) compliance in terms of financial statements and resolutions in application of Legislative Decree 231/01. These instructions are valid for all Fincantieri employees and are expressly shared by all suppliers upon acceptance of the purchase order and by business partners upon signing of the contract. A role of primary importance is played by the managers who must respect and ensure that their collaborators respect anti-corruption procedures and monitor compliance.

During 2017 a structured process was examined and drafted for contracts with foreign governments or companies that require offset agreements, with the objective of generating business or creating production capacity or economic value in the customer's Country. This working document, which will be converted into an operating procedure during 2018, further expands and reinforces the procedural framework of the Company in terms of anticorruption safeguards, providing uniform criteria for managing highly confidential contracts for a company that works internationally.

In addition to the above, since 2009 the Company has also adopted a system for reporting violations to the Oversight Board (so-called whistleblowing), defined in the Organisational Model, which allows employees and third parties to report problems regarding lack of the respect for the Code of Conduct, the Organisational Model, the Company procedures adopted by the Company or legal regulations. The main characteristics of the Company's "whistleblowing" system are:

- two information channels, one of which is a information and technology system, open to employees and third parties;
- confidentiality guarantee regarding information and identity of the registering party, with the exception of legal obligations;
- commitment not to retaliate (with disciplinary sanctions, demotion, suspension or termination) or discriminate against personnel in the Company who have made reports in good faith;
- application of the sanction system to parties that violate the commitments, obligations and protection guaranteed by the Company.

This system is in line with recent legal regulations (Law No. 179 dated 30/11/2017).

With reference to the Parent Company, the Internal Auditing function examines and independently evaluates the internal

controls to verify if what is required by the anti-corruption procedures has been met within the range of the annual planned audits, approved by the Board of Directors. The Oversight Board plays a special role. Its activities call for the periodic collection of confidential information in order to identify potentially risky conduct with reference to corruption both with respect to Italian and foreign Public Administrations, and to private parties. The Organizational, Management and Control Model according to Legislative Decree No. 231/01 and the company regulatory framework are subject to a continuous updating process to comply with organisational and legal changes and to adequately respond to the possible risk of committing crimes.

Communication and training on the anti-corruption procedures and policies

Since 2016, the Internal Auditing function, along with the Oversight Board, has provided support to the Human Resources Management with preparatory activities for the expanded on-line training project based on Legislative Decree No. 231/01 which began in the same year. The training system for this course, primarily focused on anti-corruption and safety at work, has been divided into differentiated paths in order to allow targeted distribution of the information based on the roles of the people involved. It was held in e-learning mode over the platform adopted by the Company with the objective of expanding the population reached, offering greater flexibility of use for the users, guaranteeing the provision of uniform information, as well as reducing the costs of training and refresher courses. The course, held by a lawyer as part of a collaboration agreement with a top international consultancy company, is divided into paths

differentiated based on the resources involved. The “general” path has been delivered to all employees of the Parent Company (equipped with company PC and email), while agents and specific company functions were also given specific modules. During 2017, the program initiated in 2016 continued with the administration of a specific on-line course focusing on safety at work and the environment, and a new edition of the general course on Legislative Decree No. 231/01 was begun for those who had not participated in the previous edition. For employees of subsidiaries, specific anticorruption training meetings are held, organized by their oversight boards, while at this time the extension of this training to the e-learning mode is only at the planning stage. The Board of

Directors receives an annual report from the Oversight Board on the activities performed, including training. Regarding foreign subsidiaries, the Fincantieri Marine Group, Fincantieri Marine Systems North America Inc. and VARD Group have held training on the Code of Conduct and business ethics. The table below shows the data on the overall number of employees who received training in 2016 and 2017.

	2016		2017	
	NUMBER OF EMPLOYEES WHO HAVE BEEN TRAINED	% OF TOTAL EMPLOYEES PER CATEGORY	NUMBER OF EMPLOYEES WHO HAVE BEEN TRAINED	% OF TOTAL EMPLOYEES PER CATEGORY
Senior managers	214	59.8%	184	51.8%
Middle managers	619	56.7%	488	44.3%
White collar employees	4,114	67.0%	3,626	54.7%
Blue collar employees	4,294	37.1%	1,465	12.8%
Total	9,241	48.2%	5,763	29.5%

The data refer to the entire Fincantieri Group

Legality Agreements

FINCANTIERI S.p.A., having identified in the tender system a key element for its ability to develop and raise its competitive standing in its reference markets, has always paid maximum attention, also in this context, to ensuring transparency and compliance with agreements and laws regulating the job market. To this end, a strict regulatory procedure was adopted for the presence of personnel from contractor companies in the plant. It is in fact in the interest of the same Company to ensure respect for legality and to defend the market from interference by organized crime, as well

as undue interference and pressures from common criminals, preventing any possible infiltration attempt by organized crime during the process of assignment of tenders, in capital expenditure, and in production activities. To this end, starting in 1999, Fincantieri began close cooperation with the responsible area authorities regarding some of its production units, in time reaching the signature of the Legality Agreements with the Prefectures of Palermo, Naples, Venice and Ancona, and Transparency Protocols with the Prefectures of Gorizia and Venice. These Agreements, which guarantee the exchange of information

among the parties, serve to combat attempts at infiltration by organized crime, through a more intense and constant collaboration with the responsible bodies, within a framework of guaranteed, participative public safety. This choice was determined by our experience that, also on a local level, showed how similar agreements have significant value in terms of ability to adjust the threshold of audits and, consequently, organized crime prevention, as they strengthen the monitoring network and allow the extension of controls to supplies and services otherwise excluded from measures against organized crime. Therefore, the Company has given the Prefecture full authority to perform, through the responsible bodies, timely audits through access to shipyards and, in conjunction with the commitments undertaken in the agreements in question, provides the inspecting authorities with the documentation on the contractors and subcontractors. Drawing on the experience gained over time with the various agreements endorsed by the Company locally, on 27 February 2017, Italy’s Minister of the Interior and Fincantieri Chief Executive Officer signed the **National Legality Framework Agreement** at the Ministry’s headquarters in Rome with the objective of preventing infiltration attempts by organized crime. The agreement represents a fundamental milestone that unifies the procedures for control against organized crime on a national level in companies operating on contracts and sub-contracts in all locations of the Fincantieri Group.

PRIVACY PROTECTION

During the year, Fincantieri received ISO/IEC 27001:2013 and ISO 9001:2015 certifications for the Quality Management Systems for Information Security from RINA Services. Specifically, the ISO 27001 certification process verified the compliance of ICT (information and communications technology) business processes with the requirements of the reference international standards for information security management. This fully positive result represents a decisive step towards satisfying the new European regulation regarding data protection (GDPR), to be fully applied in May 2018. Furthermore, as far as privacy protection regulations are concerned, implementation of the Regulator’s requirements dated 25/6/2009 concerning the duties of the system administrator continued during the year.



PEOPLE



- RECRUITMENT POLICIES, MANAGEMENT AND ENHANCEMENT OF HUMAN CAPITAL
- TRAINING AND DEVELOPMENT
- DIVERSITY AND EQUAL OPPORTUNITIES
- HEALTH AND SAFETY
- COMPANY WELFARE
- INDUSTRIAL RELATIONS
- REMUNERATION

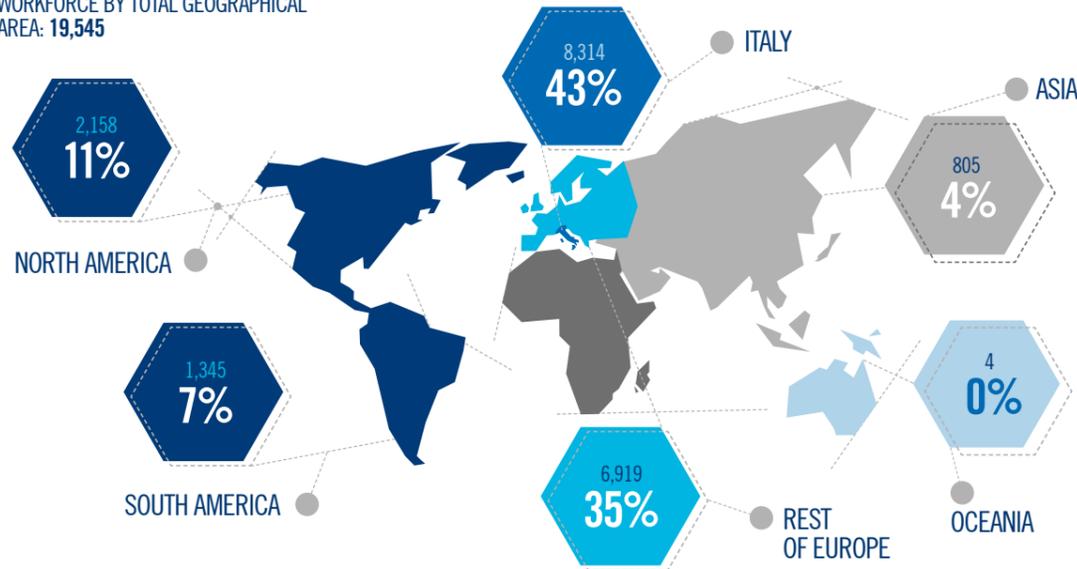
Fincantieri believes that people come first, and it pursues sustainable growth through shared changes

For Fincantieri, people come before everything else, they are the Company's most important asset. Talented women and men from all over the world represent the Company's potential for knowledge and innovative capabilities. Individual and Group growth takes place with the constant collaboration and cooperation of all, bringing together ideas and practice, skills and actions, international and multidisciplinary exchanges and dialogue. The Company's future is based on the ability to share risks, achievements and create value in a shared manner, with the contribution of all.

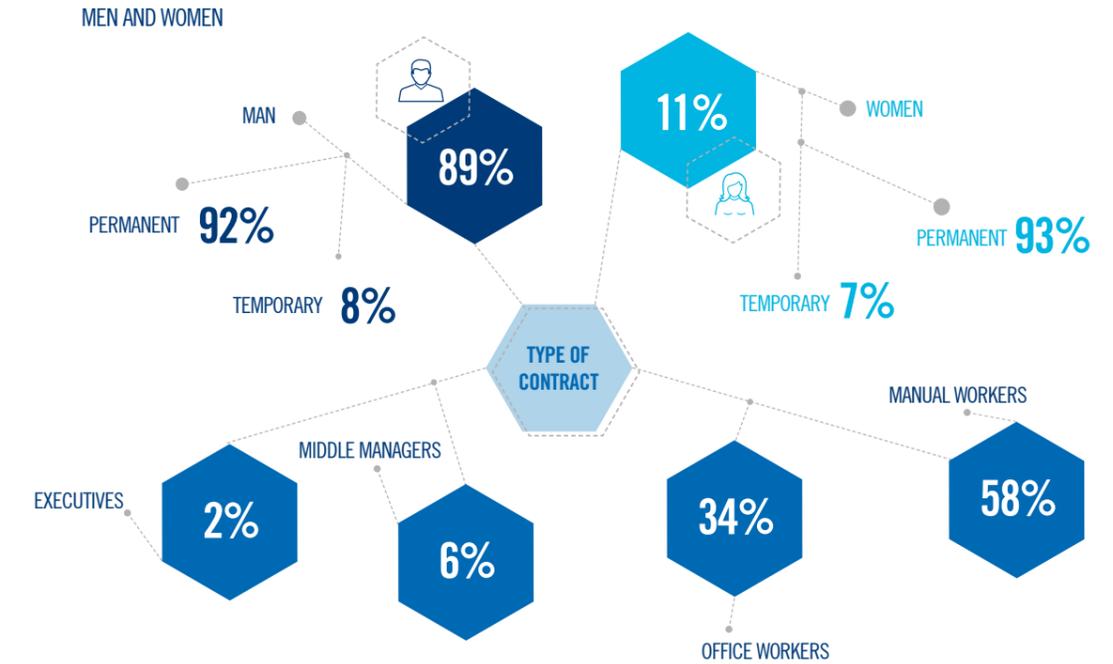
It is precisely with the aim of "putting people at the core" that at the end of last year, the Company launched an important change management project, **Fincantieri for the Future**: an organic management change pathway based on the active

involvement of all employees, with growing, constant and transparent information and communication and an increasing ability to listen. Having started on the path of change, the Company above all wants to increase the sense of belonging and the spirit of cohesion, reinforcing this distinctive mark by sharing the values and principles on which the Group's identity is based, as well as contributing to an improvement in the work environment and company atmosphere. In December 2016, an anonymous questionnaire was distributed to the entire company population (manual workers, office workers, middle managers and executives), and the results of the survey were shared during meetings with all the employees, which were held at the various company offices, involving almost 6,500 resources. At the end of 2017, the same procedure was used for a monitoring process set up to review the new change initiatives and collect people's suggestions, with a view to continuous improvement.

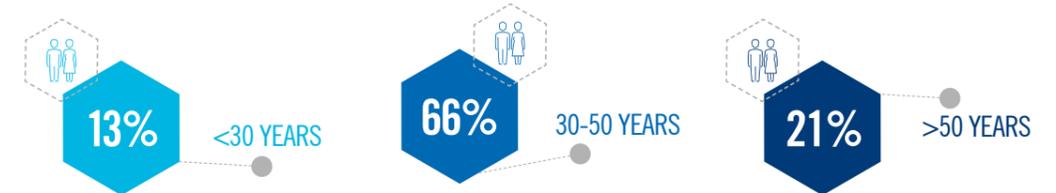
WORKFORCE BY TOTAL GEOGRAPHICAL AREA: 19,545



The data refer to the entire Fincantieri Group.



EMPLOYEES BY AGE RANGE



The data do not include the 11 employees of the smaller foreign companies that carry out new business development initiatives.



RECRUITMENT POLICIES, MANAGEMENT AND ENHANCEMENT OF HUMAN CAPITAL

To support, promote and implement the development of its business, Fincantieri continues to carry out recruitment and employer branding activities aimed at identifying and recruiting the best talent on the market. Over the years, Fincantieri has developed active and direct partnerships with the Upper Technical Schools of the regions where the Company operates, with national and international Universities and leading Business Schools, to attract young talent leaving schools and academies. In 2017, Fincantieri received more than 3,000 applications from young school-leavers and university graduates, which led to the establishment of over 200 internships. In the same year, at the end of their work experience, over 90 young resources were hired by the Company.

Fincantieri is also looking for professionals with specific and cross-functional technical skills and solid experience, in order to promote the development of the Group's internal know-how. In the **selection phase**, the focus is equally divided between evaluation of candidates' technical knowledge and their cross-functional and interpersonal skills, specifically detailed by the Fincantieri skills model. In accordance with its Charter of Values, behaviours in relation to People, Safety, Integrity, Customer Care and Innovation are given high priority. Furthermore, Fincantieri continues to strengthen its **employer branding** measures, both through the main social media tools and through collaboration with Universities, Upper Technical Schools and the Alumni associations of the most important national and international Business Schools.

Fincantieri actively participates in the main group and orientation initiatives organized by the Public Education System in order to meet the demand from companies for new and highly technical and technological skills, helping to orient students

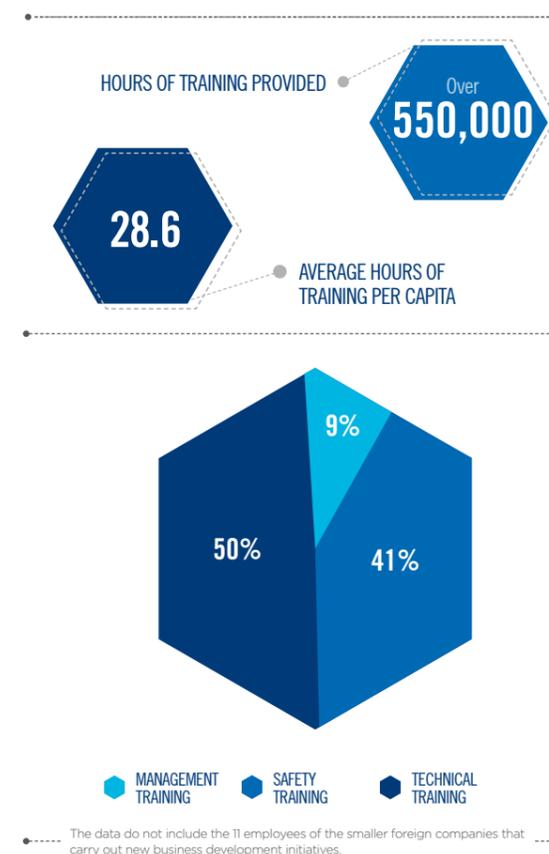
towards Professional Technical Education and Training and promoting an effective link with the professional needs expressed by the world of work and research.

The activities organized by the Public Education System that Fincantieri subscribes to notably include: company visits, conferences and seminars, educational initiatives by business managers and internships, work-study projects, and collaborations in the research and innovation sector. To increase the effectiveness of its international recruitment, in 2017 Fincantieri carried out some detailed mapping of the technical/engineering skills present on the various markets, both in terms of design and production. The VARD Group continued its change management plan focused on the four shipyards in the Møre og Romsdal area, funded by the regional agency of the Norwegian Labour and Welfare Administration. This contribution was directed at the redevelopment of resources in the light of the product diversification strategy adopted by the Norwegian Group. The recruiting campaign for technical resources and skilled workers was also particularly significant, driven by the increasing workloads of the Romanian VARD shipyards. The difficulty of finding resources in sparsely populated areas such as those of the Danube Delta led to use of a wide range of search tools, although on the labour front the best results were achieved through the partnership with publicly controlled Vietnamese companies and the collaboration between the Romanian and Vietnamese shipyards for selection and training. In terms of policies for hiring managers, it is significant that the majority come from the country of operation.

TRAINING AND DEVELOPMENT

Over the course of 2017, Fincantieri put in place specific measures to increase and define the expertise of internal resources in terms of skills related to the technological solutions being used.

The goal was also and above all to train and increase cross-functional skills related to the management and promotion of innovation, change management and project management, as well as soft skills such as shared leadership, emotional intelligence and advanced communication.



The **Fincantieri Corporate University**, a management training school set up by Fincantieri in 2013 with the most renowned Italian Business Schools as partners, hosted the annual edition of **Competency Management**, a training programme aimed

at accompanying newly appointed middle management towards positions of greater responsibility and creating a strong sense of belonging and group spirit. Many editions of the **Academy** training course were also offered, updated in terms of content and extended to the entire population of recently hired young people, with the aim of involving them in the change path that the Company has undertaken in recent years. The technical training mainly focused on issues related to design (rules and regulations) and also involved relevant suppliers. In terms of support for technology development, the **Integrated Ship Design&Manufacturing (ISDM)** project is particularly important; this involves the development of an integrated platform for use of technical software in document design and management. Over 3,550 hours of training have already been dedicated to this project in 2017, and cascade training for all future users is planned over the coming years. Under the **Quality Improvement** plan developed by the Merchant Shipping Division, the Training for Quality project, launched in 2016, has continued; this aims to improve the final quality of the ship product by monitoring the correct implementation of each phase of the construction process. Following the assessment, which involved almost 12,000 workers and over 1,500 supervisors, in Fincantieri and in the subcontractor network, a specific Training Catalogue was developed, also available for the personnel of contracting companies, to enhance technical skills with specific training sessions. In the training category dedicated to **process support software** and working methods, significant training was given in 2017 on Primavera P6, a system for planning, scheduling and monitoring complex projects. Tablets were assigned to supervisors, for direct use in production, and this required the development of a bespoke

training plan that has already involved over 600 resources. With the aim of significantly improving the level of linguistic competence of Company personnel, in 2017 a **Company Language Policy** was established and a new method of language training was introduced, also delivered through an advanced e-learning platform. In order to promote a growing sense of responsibility among employees, training and information were provided on the **Organizational Model** and the administrative responsibility of legal entities under Legislative Decree No. 231/01. Furthermore, a course on **Enterprise Risk Management** was developed, a process for identifying, assessing, managing and monitoring the main risks within the Company.

Confirming its constant commitment in the field of **Health&Safety** at work, which is a fundamental corporate value. Only for FINCANTIERI S.p.A., in 2017, training activities in this field included almost 1,000 training events, with 4,500 people taking

part and a total of over 35,200 hours of training provided. To protect the safety and health of its personnel, increasingly involved in foreign countries, a **Travel Security** course was devised over the course of 2017 to raise employees' awareness of the risks in the various countries and develop useful behavioural strategies to manage any crisis situations effectively. As part of the human capital development processes, for several years now the Group has adopted an annual performance assessment system, which in 2017 was also extended to the manual workers. In order to evaluate, enhance and develop the wealth of management skills in the Company, set up individual development plans and define managerial growth paths, Fincantieri established some time ago a process for **assessing the potential of resources**. This aims to highlight strengths, areas for improvement and motivation for growth of individual resources, allowing them to develop self-awareness of their abilities and to identify

effective development plans in terms of training activities in the short/medium term, coaching, planning of career paths and job rotation. Training and development activities also continued in the foreign subsidiaries. In the United States, Fincantieri Marine Group offered training to various employees about different specific aspects, over the course of 2017. Fincantieri Ace Marine and Fincantieri Bay Shipbuilding set up weekly health and safety meetings for people involved in production and management, focused each time on different specific aspects. Focused training sessions were also organized, aimed at enhancing various skills to improve efficiency and comply with quality standards. Fincantieri Bay Shipbuilding completed the Birthday Safety Training, an annual review of all relevant safety issues with reference to the position and responsibilities of each employee. Leadership training sessions are then delivered every two years to corporate employees selected on the basis of their potential and achievements. The working groups are made up of about 20 employees from all departments (Finance, HR, etc.), selected by their managers and senior management. Fincantieri Marine Systems offers employees technical training based on the department they belong to. Furthermore, all employees are encouraged to take part in training and professional development seminars throughout the year. At the Group level, VARD continued its mandatory training on health and safety at work, favouring e-learning methods compared to traditional lessons. In Romania, the training mainly concerned the analysis and strengthening of the various skills, in order to prepare the shipyards to meet a growing order backlog and the increased demand for skilled workers. VARD Tulcea and the local Chamber of Commerce continued their partnership, focusing their



TRAVEL SECURITY IS IMPORTANT, FIND OUT WHY



Code of Conduct
When travelling for Fincantieri, employees undertake to promote the Group's interests. Employees must follow the laws, customs and regulations of the host country and behave in a manner that does not harm the interests of the Company.

The tips included in this guide can help you travel safely: this is our goal! Also remember to keep in mind your colleagues travelling with you. **If someone has a problem**, but hesitates to ask for help, **contact Fincantieri Corporate Security**, which is always there to lend a hand.



Prepare for travel
Before leaving, remember to read carefully the directions provided by the Travel Security office. They will help you better understand the situation you are about to face. **Learn about customs, laws and local culture** by consulting the T.R.I.S. company platform, **Travel Security section**, available on the company intranet. Do not forget that it is better to avoid discussing politics, religion or personal beliefs in public and that in some countries the consumption of alcohol and/or drugs is strictly prohibited.

Attention to frauds
Once you arrive at your destination, **do not rely on unofficial services**. Be extremely careful when someone offers to help you. Do not accept lifts from strangers or improvised taxis.



Protect company information
• Remember **not to talk out loud about business matters**: someone might be listening!
• Do not forget that using free Wi-Fi can be extremely dangerous: **do not use open networks, they are not secure!** (e.g. at hotels or airports).
• If you are carrying **company assets** (mobile phone, laptop, etc.), **do not leave them unattended**; they contain confidential data



Keep your eyes open
Pay attention to what is happening around You. Criminals could take advantage of your carelessness; do not help them. Do not go to isolated areas, especially if you are alone. Try to vary your routine and the route from home/hotel to the office.

Make a copy of your documents
Losing documents is a common problem, so keep a copy in a safe place. Do not show your passport/identity card unless requested by a public authority.



Behave appropriately
As a Fincantieri employee, you must always behave in **compliance with the laws of the country you are visiting**.

Remember that Fincantieri is committed to fighting corruption and inappropriate behaviour.



Your health is important
When you're abroad, always try to drink bottled water. Eat cooked food. Wash/disinfect your hands often: this simple routine helps avoid illness. **Before leaving, consult the occupational physician and/or the Health and Safety Department Manager** of your office if you have health problems or would like more information on the health aspects of travelling.



actions on the workers selection process and the professional training of new welders. The efforts on safety and trade induction of the new Vietnamese employees in Romania also absorbed significant resources, with the use of Vietnamese-language media developed by the colleagues from Vung Tau. VARD continued to support training activities at the Vietnamese shipyard, enhancing local skills. The Vietnamese employees completed many training initiatives dedicated to leadership development, as well as initiatives on health, safety and quality.

DIVERSITY AND EQUAL OPPORTUNITIES

Fincantieri considers the diversity within the Group to be a valuable asset. Like other elements that characterize the economic and social framework, diversity allows the Company to capture the ideas and opportunities brought to light by the transformations and changes taking place. Working within a professional context based on diversity and multiculturalism allows

each person to build an open, flexible and helpful approach, essential for the Company's success.

In recent years, starting from a context historically associated with a significant male presence, due to the type of work in the shipbuilding-manufacturing sector, Fincantieri has made a strong push towards **gender diversity**, for technical design roles and for staff in managerial positions. In Italy, the presence of women has been increasing since 2015, reaching about 7% in 2017. This increase was distributed across the categories of office workers, middle managers and executives. The increase in new entries for women is particularly significant as a share of the total number of hires, which was 21% in 2017, up by 3 percentage points compared to 2015. Furthermore, if the focus is restricted to young hires under the age of 30, the percentage of women rises further and is rising, reaching 17% in 2015, 24% in 2016 and 29% in 2017. In the period 2015-2017, for women, every exit corresponded to the entry of 2.8 resources, while in the same

period the figure for men stood at 1.5. Over the last 6 years there has been a percentage increase in the number of women who have been affected by professional improvements in terms of level or qualification (in 2017, 10.5% of the measures concerned the female population). With regard to multiculturalism, Fincantieri is putting in place recruiting, job rotation and employer branding policies aimed at creating an increasingly broad interaction and integration among the Group's people worldwide, with a view to enhancing and sharing know-how and disseminating best practices. Fincantieri is careful to protect and nurture its multicultural context, in particular in the production sites, where people of dozens of different nationalities work together every day. To this end, over the course of the year the Company promoted various initiatives aimed at increasing the sense of belonging to the Group and the inclusion not only of employees, but also of people working for suppliers. Examples included ship delivery ceremonies and family days. Fincantieri Marine Group and Fincantieri Marine Systems offer employees annual training on diversity, using recruiting agencies that share the same principles in terms of diversity. Every year they produce an Affirmative Action Plan that governs programmes focused on enhancing diversity, with specific targets to be achieved, providing information on possible improvement initiatives.

Human rights

All the Group's activities are carried out in compliance with the law, the International Conventions and in strict observance of the human rights enshrined in the United Nations Universal Declaration. Fincantieri undertakes to ensure that company policy are designed to create and maintain the skills and competences of each employee, recognizing merits, respecting

equal opportunities and protecting human rights. Even in countries with the greatest risk for human rights such as Vietnam and Brazil, the Company constantly monitors this issue.

HEALTH AND SAFETY

OUR POLICY

Safety

- It is of fundamental importance for the Fincantieri Group and the priority in all the choices our Company has made.
- It is a necessary condition both for our present and for the future we are building.
- It means all sharing the same example to follow - for our top management and for each one of us.
- It means growth for our Company, in terms of efficiency and quality.
- It means training and information: more knowledge, more safety.
- It means cultural change.

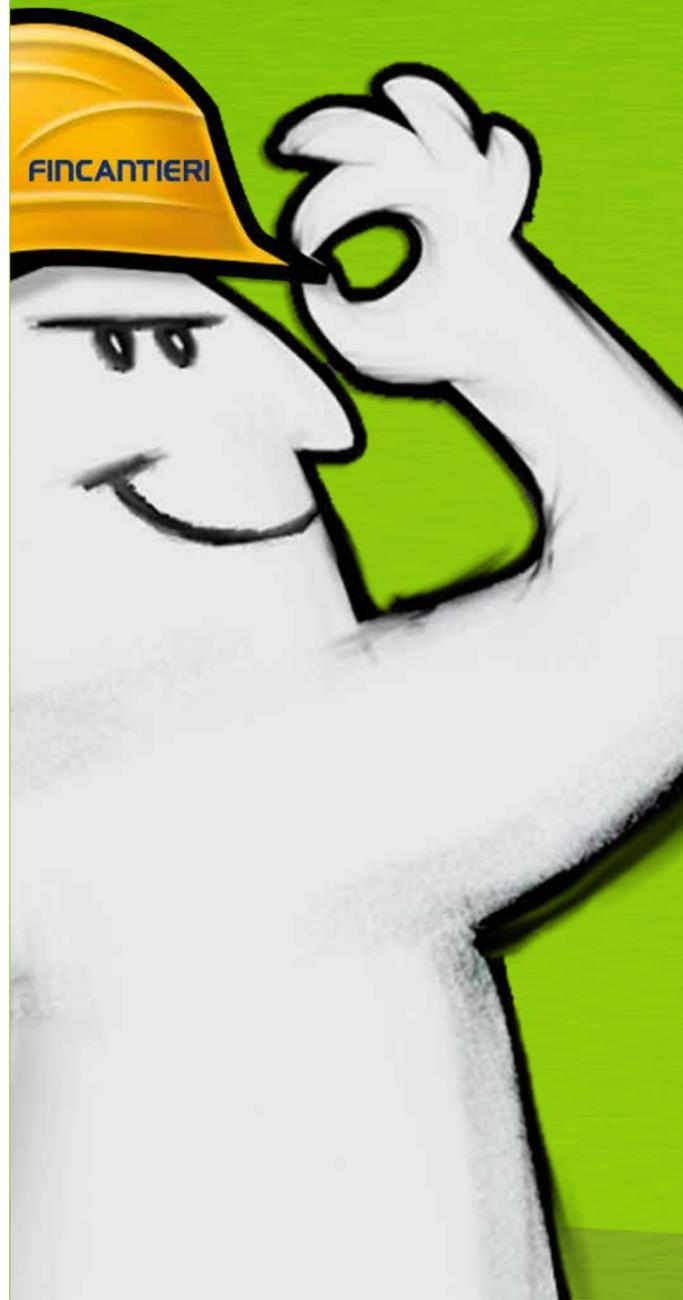
This is the only way to achieve our **"Zero Accidents"** target, our one and only top priority.

Giuseppe Bono

GIUSEPPE BONO
Chief Executive Officer of FINCANTIERI S.p.A.

FINCANTIERI
Lavoriamo in sicurezza

**SICUREZZA?
SICURO!**
**SAFETY?
SURELY!**

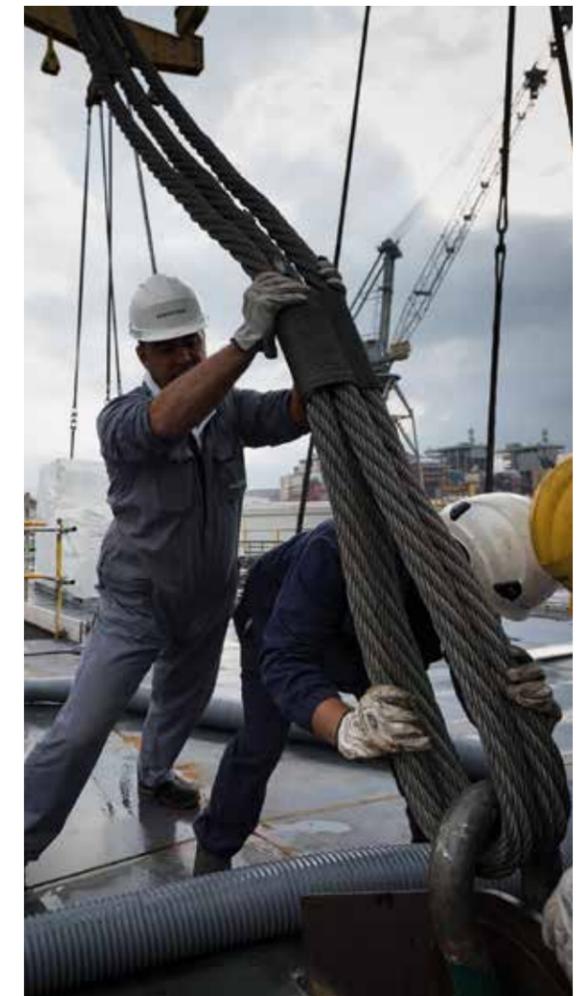


The Company is committed to constantly developing an active role in the field of occupational health and safety through the following actions:

- always acting in full compliance with mandatory laws and reference standards;
- managing the hazards and risks identified in relation to activities and duties, constantly updating knowledge on the subject in order to prevent accidents and injuries;
- periodically reviewing the Health&Safety policy and targets;
- raising the skills and awareness of all people involved in its activities by means of adequate information and training, in the belief that more knowledge brings more safety and ensures the cultural change necessary to improve results;
- cooperating with stakeholders on policy and continuous improvement, so as to create alignment between the Company's top management and all employees.

During 2017, FINCANTIERI S.p.A. strengthened the cultural and professional development path of staff working on business processes, with particular attention to environmental protection and the health and safety of workers. These activities, also implemented through specific projects, have actively involved employees of Fincantieri and of its contractors. The implementation of the certification tools of the company management systems for environment, sanitation, and health and safety at work has further contributed to the sharing and strengthening of the growth path of company culture on these issues. The need for prompt information about newly-published rules and regulations affecting the business has been fulfilled with a special management tool, allowing immediate evaluation of the necessary requirements and continuous compliance. With regard to the reduction of accidents, 2017 also confirmed the positive trend recorded in recent years, further improving the figures

from the previous year, both in terms of events and frequency. The objective of promoting a corporate health and safety at work culture has resulted in various initiatives within the **Towards Zero Accidents** project and the development of activities to certify the occupational health and safety management systems in the various business units in accordance with OHSAS 18001. In this regard, it is worth mentioning the introduction and development of special software for controlling access to work areas which qualify as a "confined space", as part of a plan to improve the related process. Computerization has also begun for the management of the safety data sheets used to manage chemical risk.



The table below shows the main indicators concerning health and safety:

HEALTH AND SAFETY INDICATORS	2016	2017
Severity index	0.2	0.3
Rate of occupational disease	0.0	0.0
Rate of absenteeism	4.9	4.4
Accident rate	13.4	10.2
Number of injuries	423	381
- of which women	30	39
- of which fatal	0	0

The data do not include the 11 employees of the smaller foreign companies that carry out new business development initiatives.

Towards Zero Accidents project

The Towards Zero Accidents project involves all the resources working at the Group's Italian production sites. Initiatives to support the project continued over the course of 2017, to consolidate best practices, such as safety and environmental coordination meetings, carried out with the participation of all the supervisors involved in the individual areas, and the documented analysis of accidents and near misses. There was growing interest and appreciation in the project called **Active Safety** (in addition to the compulsory training courses required by Italian Legislative Decree 81/08 and the State-Regions Agreement), whose innovative element relates to the direct involvement of supervisors (production managers for Fincantieri, site managers for external companies) in the training and information of employees. In parallel with the monthly presentation of the topical data sheets, shown as part of the Active Safety campaign, a **Visual Information** initiative was implemented, which included putting up posters and showing videos about the specific risks described in the data sheets. As regards VARD, similarly to Towards Zero Accidents, the **Vision Zero** project was implemented with the aim of averting any kind of incident, both for people and for the environment.

The project confirmed a positive trend in its results. Other initiatives carried out by the subsidiary include:

- using the Safety Observation tool to report irregularities;
- reporting health and safety indicators at the monthly management meetings;
- organizing the prevention week to reduce internal accidents;
- monthly discussions on health and safety (required by law in Brazil);
- electing an internal commission for the prevention of accidents;
- the internal distribution of a booklet with the ten golden rules that are fundamental for occupational health and safety, based on the Group guidelines.

The US subsidiaries continued their commitment in line with the objectives set by the communication and training projects in the field of safety and the environment. This year both for the Marinette and the Sturgeon Bay shipyards won **numerous awards** for excellence, including the James S. Cogswell Outstanding Industrial Security Achievement and the Wisconsin Corporate Safety Award by the Defence Security Service and the Wisconsin Manufacturers & Commerce (WMC), in addition to the Safety Excellence Award



and Safety Improvement Award already won during 2016.

BS OHSAS 18001 and SA 8000 certifications

During 2017, Fincantieri continued implementing and consolidating the occupational health and safety management systems in its operating units, with the aim of supporting the implementation of the related policy adopted by the Company. The sites that had already been certified (Muggiano, Riva Trigoso, Ancona, Navy Division ships, Arsenale Triestino San Marco, Marghera, Castellammare di Stabia, Sestri) continued to be monitored by RINA, while new certificates of compliance were obtained by the plant in Monfalcone and the Merchant Ship Directorate. Over the course of the year, the Palermo plant implemented its management system in compliance with the requirements of the BS OHSAS 18001 standard. The 2018 objective is to start the certification activity with RINA conducting the "Stage 1" audit. In 2017, the US site of Marinette also achieved the certification of its health and safety at work management system, in compliance with the requirements of BS OHSAS 18001. The VARD Group obtained the OHSAS 18001 certification for the VARD Braila and Tulcea (Romania) shipyards, as well as VARD Vung Tau (Vietnam). All VARD shipyards are aligned with SA 8000 standards, which are based on the International Labour Organization (ILO) conventions and the Universal Declaration of Human Rights (Vung Tau is also certified).

COMPANY WELFARE

Fincantieri considers welfare to be a strongly innovative tool compared to traditional remuneration and incentive measures, destined to become an integral part of modern and efficient resource management. The 2016 corporate agreement introduced an annual **Social Bonus**, to be used exclusively on welfare services. As an alternative to monetary benefits, this also gave workers the option to convert the variable awards linked to the achievement of the assigned targets into welfare entitlements. The Company also adds a further 10% to the value converted into welfare by employees who decide to convert their bonuses. Thereby, achieving production objectives can lead to a strengthening of the overall welfare system. Fincantieri's welfare system covered all employees and also extends to Italian subsidiaries and/or associates falling within the scope of the supplementary labour agreement (Isotta Fraschini Motori S.p.A., CETENA S.p.A. and Orizzonte Sistemi Navali S.p.A.). Through a dedicated portal, it gives access to a wide range of goods and services (education, health, culture and leisure, mortgages and loans, supplementary pensions and fringe benefits). The diversification assured by the wealth of options in the welfare portal, the information disseminated to staff and the periodic support provided by the "welfare corners" have fostered the emergence of a welfare "culture" as a useful tool for responding effectively to the needs of employees and their families, as evidenced by the high levels of use of the available services. The growing importance of welfare has also been confirmed by the provisions of

the new National Collective Bargaining Agreement for the metalworking industry, signed in November 2016, which included the introduction of welfare tools for the first time at the National Collective Bargaining Agreement level. The mechanism provides for the possibility of allocating part of bonuses to the supplementary pension fund, which has encouraged a significant increase in the number of subscribers.

In relation to **supplementary health care**, the 2016 Company agreement had already increased the annual per capita contribution paid by the Company. With the subsequent implementing agreement of February 2017, an annual supplementary health care plan was set up, which fully renewed and strengthened employee benefits. As part of the Company's contribution, this agreement has extended the Health Plan to dependent family members, as well as to civil union partners. Health services were provided both directly, through the facilities contracted by the operator (identified in agreement with the Trade Unions) and in the form of "reimbursement". The February 2017 agreement on health care also confirmed our most favourable arrangement for pensioners, namely the option to continue taking advantage of supplementary health care with contributions at their own expense. In December, an agreement was defined with the Trade Unions (at the national level) for the adjustment of the new 2018 Health Plan, which will guarantee a considerable increase in the level of services offered to employees and a further extension of the family unit covered with the contribution paid by the Company. Fincantieri Marine Group provides benefits to all employees who work

for at least 30 hours a week. Benefits include enrolment in the Group Health Medical Plan, which includes various services, medical coverage and a vision coverage plan that includes eye care. The costs are borne partly by the Company and partly by the worker. In addition, there are other benefits not included in the above plans, such as the on-site clinic, vacation and holiday pay, the policy on short/long term disability, life insurance for accidental death & dismemberment, the retirement plan and the employee assistance programme.

The VARD Group provides its employees with medical assistance, internal catering services, food cards and training incentives.

INDUSTRIAL RELATIONS

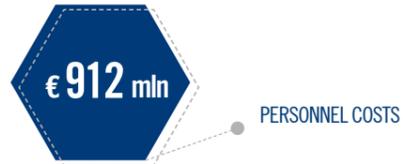
Industrial relations in Fincantieri are based on a participatory model, developed through various **Joint Bodies**, which in some cases include workers. Within the respective joint committees, at the national level, the **Training Plans** and the initiatives to reduce accidents and protect the environment (projects Towards Zero Accidents and Active Safety) have been published and disseminated. In terms of health and safety, the planned initiatives involving the suppliers were also illustrated. In 2017, the meetings with the national Trade Unions continued with the aim of constantly monitoring and improving the services offered in the field of corporate welfare and supplementary health care. In particular, the **supplementary health care** services for 2017 were regulated, and with a subsequent agreement, the new Health Plan starting from 2018 was defined. As regards **trade union leave permits**,

an agreement was signed which entirely replaces all the previous provisions on the subject in force in the Company, streamlining the management and use of leave permits, with a simultaneous reduction of the total number of working hours. At the local level, agreements have been reached in most of the production sites to govern hours in terms of **work/life balance** (entry/exit) and for a different shift work structure. The trade union agreements that instituted **solidarity leave** are also worth mentioning, offering the option of passing holiday and leave entitlements to factory colleagues who have a serious need in Ancona e Palermo shipyards. A specific agreement provided for the transfer of the Systems and Components Department from Genoa to Riva Trigoso. As for the foreign subsidiaries, the constructive industrial relations climate was confirmed when Fincantieri Marine Group signed a long-term collective agreement with the Trade Union. Finally, it should be noted that in 2017, the FINCANTIERI S.p.A. unionisation rate was 43.7%.



REMUNERATION

The remuneration of our employees is defined in line with the market and in accordance with National Collective Bargaining Agreements and Company Supplementary Contracts or local regulations.



With regard to Italian operations, the ratio between Gross Annual Remuneration earned on average by female workers and the average for men is 1.0 for executives, 0.9 for middle managers, 0.9 for office workers, and 0.9 for manual workers. On the other hand, as far as American activities are concerned, using the same parameters, the ratio is 1.6 for executives, 0.8 for middle managers, 0.8 for office workers and 0.7 for manual workers.



RATIO BETWEEN BASIC SALARY OF WOMEN AND MEN - 2017

	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES
Fincantieri	1.0	1.0	1.0	0.9
VARD Group	0.4	0.9	0.7	0.8
Fincantieri Marine Group	1.7	1.0	0.8	0.9
Fincantieri Marine Systems North America Inc.	0.0	0.7	0.9	0.0

RATIO BETWEEN THE GROSS ANNUAL SALARY FOR WOMEN AND FOR MEN - 2017

	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES
Fincantieri	1.0	0.9	0.9	0.9
VARD Group	0.4	0.7	0.7	0.7
Fincantieri Marine Group	1.6	1.0	0.8	0.9
Fincantieri Marine Systems North America Inc.	0.0	0.6	0.9	0.0

The data do not include the 11 employees of the smaller foreign companies that carry out new business development initiatives.



RESEARCH AND INNOVATION

- PARTNERSHIP
- WIDESPREAD NETWORK
- SIGNIFICANT PROJECTS



Innovation is growth and Fincantieri never ceases to innovate

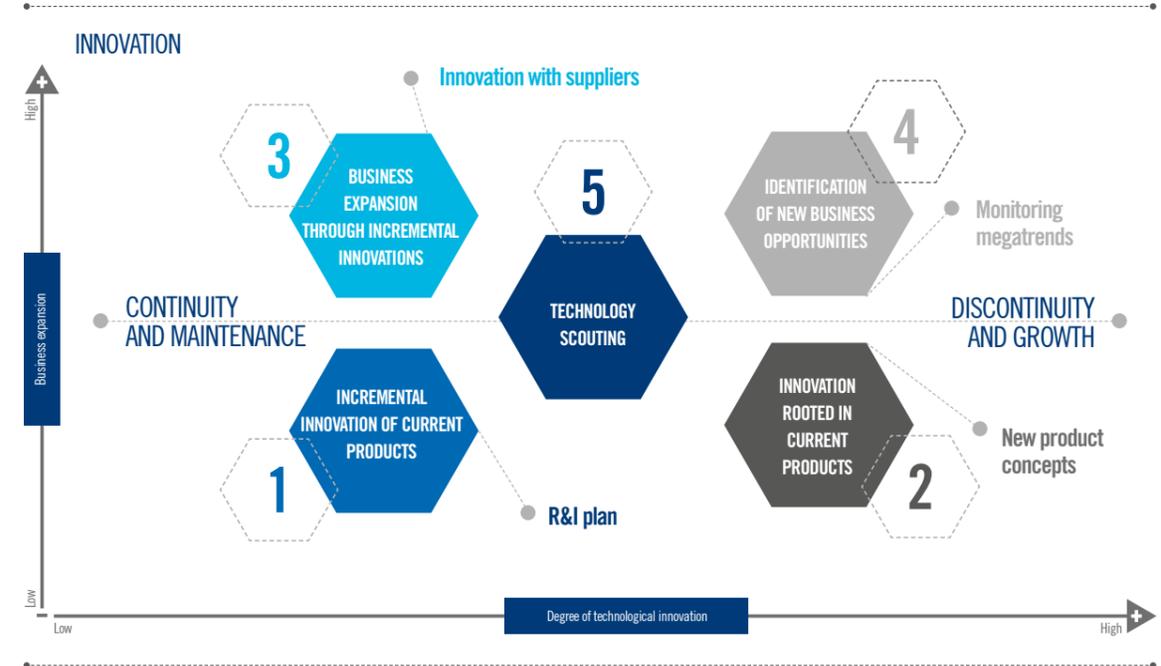
For the Fincantieri Group, innovation is one of the key factors for maintaining competitiveness. Fincantieri's strategic positioning on high-tech, high value-added products and the globalized competitive environment in which the Group operates require a significant and constant commitment in terms of research and development on new technologies and new products. The vessels designed and built by the Group are essentially tailor-made products, created according to the needs of the shipowner and at the forefront of technology and innovation, particularly in the areas of safety, environmental compatibility, stability and speed of operation as well as automation systems.

For this reason, the Group's research and development activities are divided into three main arms:

- **development of technologies and innovation applied to the order**, i.e. activities aimed at developing technological solutions, materials and innovative systems, carried out during the design of ships and necessary to meet the specific needs of shipowners;
- **off-the-shelf innovation**, i.e. activities aimed at developing specific design solutions that are not directly applicable to orders, but are necessary to anticipate customer needs, for example in areas such as energy efficiency and reduction of operating costs, maximizing payload and perceived quality and improving safety;
- **long-term innovation**, i.e. activities aimed at developing the Group's technologies also in order to support entry into new sectors.



With regard to the Italian activities, in order to align the Research and Innovation initiatives with the strategic objectives of the company, the Company has defined a structured and articulated process for preparing the Research and Innovation Plan (R&I Plan) (1), consistent with the needs of the market. The R&I Plan has a three-year duration and is redefined annually in order to maintain consistency between developed activities and company objectives. The R&I Plan represents the operational tool with which the Company gains greater competitiveness on the international market, allowing it to generate and maintain a competitive edge against the competition. The Company also continuously studies new concepts (2) to bring innovation within its business perimeter, collaborates with suppliers (3) to produce innovative solutions that also lead to business expansion, and constantly monitors megatrends (4) to anticipate market trends. These different processes are supported by the Technology Scouting, aimed to the identification of emerging technologies and to the technology transfer.



The **VARD Group** conducts a wide range of Research and Development (R&D) activities, both in-house and in collaboration with industrial and academic partners. Innovation is a dynamic process that leads to a constant evolution of projects aimed at improving performance and increasing product value. The projects pay particular attention to vessel safety, functionality, efficiency, fuel consumption and environmental impact. The diversification strategy launched by VARD at the beginning of 2016 had a profound impact on its R&D activity. In order to enter new market segments, in parallel with its commercial initiatives VARD has developed several new projects using its extensive R&D, engineering and design expertise acquired

in the offshore sector, and in particular its experience with ships able to operate in extreme weather conditions. As far as **Fincantieri Marine Group** is concerned, research and innovation initiatives begin in the evaluation phase of new shipbuilding contracts, in order to guarantee a functional design, responding fully to the challenges imposed by the shipbuilding, development and improvement processes. New projects are presented in informal meetings to examine the idea, its feasibility and the related costs/risks. After an initial assessment, the project is presented to the management and, thus, entrusted to different work groups.



PARTNERSHIP

Fincantieri develops innovation processes both internally and in partnership with various external stakeholders. These initiatives aim to strengthen the collaboration network and implement the "Open Innovation" paradigm, a model of collaboration between companies and research structures.

In order to ensure the integration of internal and external innovation processes, the R&I Plan takes into consideration the various stakeholders:

- **Suppliers:** in recent years, the Company has launched the Innovation project with Suppliers, where the main technological systems of the ship product are established, the development roadmap is defined and the main strategic partners are identified. A common strategy is identified with these partners for coordinated and joint technological development capable of supporting roadmap implementation. Individual R&I initiatives with external technology partners are then included in the R&I Plan;
- **Customers:** a Voice of the Customer (VoC) analysis is conducted by product type through direct contacts and market studies. This makes it possible to identify areas that are important to the client, also associating them with a level of perception, satisfaction and importance. The correlated analysis of these data, both qualitative and quantitative, identifies the technological priorities to be developed, categorized as short, medium, long and very long term. The R&I Plan therefore represents a tool for implementing strategies to meet customer needs;
- **Classification bodies:** responsible for certifying the consistency of the product and the production methods applied to the product, they are a significant partner throughout the entire production chain;

- **Network of Universities and research institutions:** the Company collaborates systematically with the main European and international institutes, developing important territorial partnerships with both the National Technological Clusters and the Regional Technological Districts, supporting the development of breakthrough ideas to be transferred to the product through the Innovation Challenge with different universities, and through the systematic study of conceptual technical solutions to be validated in the industrial field. These partnerships are complementary to the activities carried out by the Fincantieri "CETENA" research centre, which is the key element of the Group's pre-competitive research.

WIDESPREAD NETWORK

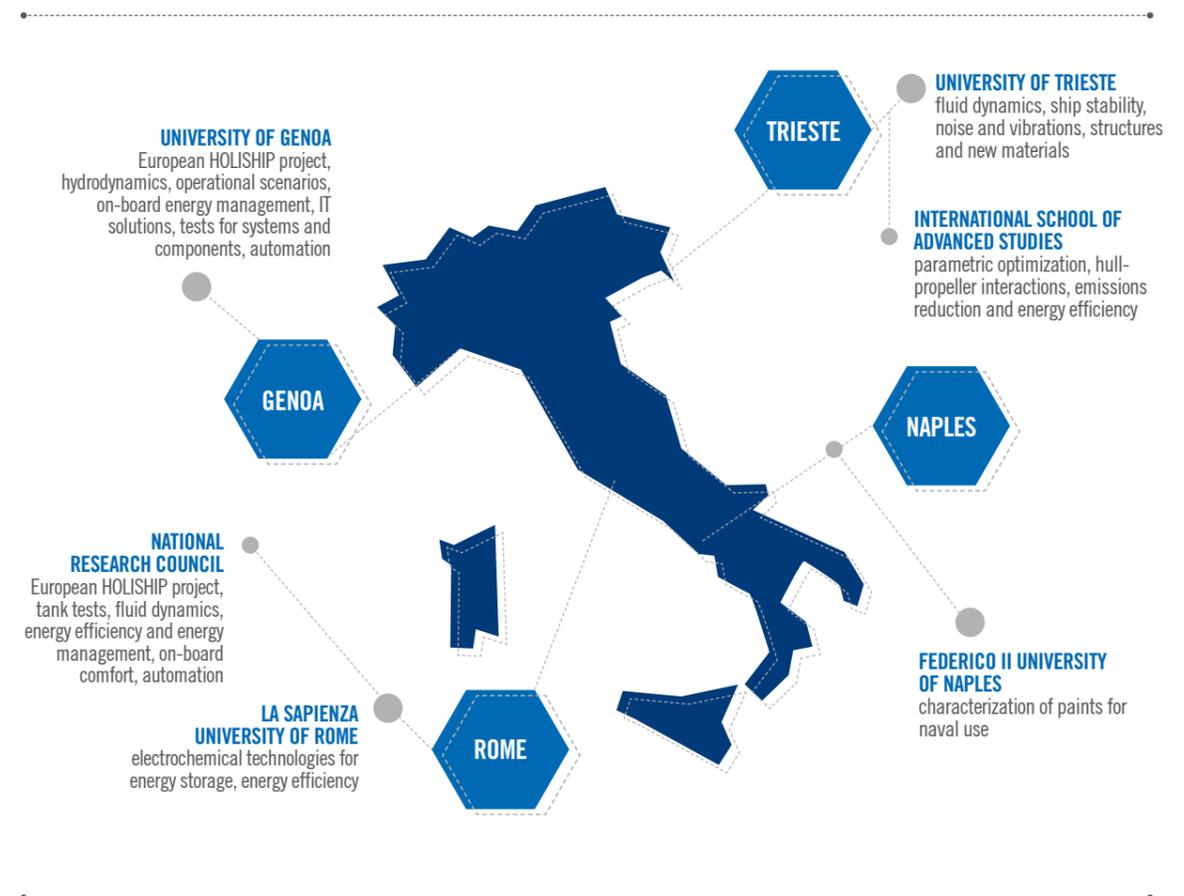
Main national partnerships

As regards the activities carried out by the Italian companies of the Group, Fincantieri, together with the subsidiary company CETENA, is a partner in many research and collaboration activities with numerous research centres. This is above all, but not solely, based on participation in many research and innovation projects conducted on a regional, national, European and international scale. The Group is very active in national and international cooperation, and interacts with various institutions to raise awareness of the importance of research for the naval sector, steer the technological agenda and promote support measures. Fincantieri has launched specific partnerships for the development of theme-based innovation projects, which allow technological knowledge to be increased while promoting the development of innovative solutions applicable on board. The collaboration initiatives that started in 2017 with the **Consiglio Nazionale di Ricerca** (CNR, National Research Council) on the basis of the

partnership agreement in force since 2011 are particularly significant. Fincantieri has involved the CNR in three important multidisciplinary research projects within the framework of the tender for the Ministry of Infrastructure and Transport (MIT) in the field of shipbuilding and design. This collaboration is an important example of Open Innovation between private industry and the main Research Centre in the Country. The latter also serves as a focal point for collaboration with a wider academic network, ensuring the coordinated development of innovative solutions by 10 CNR research institutes and 3 leading Italian universities. One of the projects making up the existing collaboration, namely the E-Cabin project, was

mentioned in November 2017 in a study by the Italian Association for Industrial Research (AIRI) as the first concrete case of private/public collaboration. Overall, the programme consists of 6 main research lines, which are complementary to each other. The topics being developed range from the design of an energy-smart cabin to the optimized development of production technologies, management and consumption of on-board electric power, innovative navigation solutions that rely on augmented reality technologies, and systems for the safety and rescue of passengers and crew.

The chart below shows the main partnerships launched by Fincantieri with research bodies.



Main partnerships in Europe

During 2017, European stakeholders in the maritime sector focused their efforts on restoring and relaunching the WATERBORNE European Technology Platform, which changed the membership procedures, opening it up to a wider range of private entities and not just associations. Fincantieri, recognizing the importance of participating in the industrial consultation processes that lead to definition of the guidelines for research in the maritime field, therefore joined the European WATERBORNE platform at the end of 2017. The **WATERBORNE European Technology Platform** aims to be the strategic partner of the European Commission in the consensus-building phase of the research priorities in the maritime, naval and blue growth fields. Fincantieri intends to actively participate in the activities of the working groups in order to contribute to the operation of the platform and to promote the strengthening of the maritime sector within the wider European context. The industrial research association Vessels for the Future, co-founded by Fincantieri, has provided an important meeting point in recent years for European stakeholders in terms of defining Maritime Research and Innovation priorities, and was one of the promoters of WATERBORNE's relaunch. Lastly, Fincantieri continues its active support for the efforts of the Italian Ministry of Education, Universities and Research (MIUR) on industrial issues in connection with the Joint Programming Initiative Health and Productive Seas and Oceans (JPI Oceans), and the Blue Med - research and innovation initiative for blue jobs and growth in the Mediterranean, designed to focus more attention on Mediterranean issues, which is part of the Horizon 2020 Blue Growth programme. Also in relation to the latter, the Blue Growth Coordination and Support Action (CSA) continued its work, presenting guidelines to the European Commission concerning new Work Programmes.



Main partnerships in the United States

The American subsidiary **Marinette Marine** carries out most of its research and innovation initiatives in collaboration with research centres and universities, through the National Shipbuilding Research Project (NSRP) funded by the American Government. NSRP was founded in collaboration with US Shipyards, which studies and develops new processes and designs to improve ship production in the United States and make it more efficient. This project allowed Marinette Marine to launch collaboration initiatives for the development of research projects and innovations with important partners belonging to NSRP, such as NSWC Carderock Division, Ship Design USA, Praeses LLC, Newport News Shipbuilding, DRS Technologies, and BAS Engineering.

The table shows the Group's collaboration initiatives and partnerships with universities and research centres:

ITALY	MEASUREMENT UNIT	2016	2017
Significant partnerships, started or underway	No. of partnerships	55	53
Number of projects, started or underway	No. of projects	24	21
Number of researchers involved	No. of people (FTEs)	over 20	about 16
EUROPE			
Significant partnerships, started or underway	No. of partnerships	77	86
Number of projects, started or underway	No. of projects	13	13
Number of researchers involved	No. of people (FTEs)	over 8	over 10
UNITED STATES			
Significant partnerships, started or underway	No. of partnerships	N.A.	6
Number of projects, started or underway	No. of projects	N.A.	2
Number of researchers involved	No. of people (FTEs)	N.A.	0.4

SIGNIFICANT PROJECTS

Close collaboration with the classification bodies, as well as with the shipowners and the main European research organizations, allows the Company to identify in advance the main regulatory innovations that will require technical solutions specifically designed to keep product and safety standards well above the regulatory minimums and guarantee the technical and economic feasibility of the solutions implemented.

Energy efficiency

Fincantieri shares the vision of the European Commission, which has set the energy priorities for the next ten years and the actions to be taken to meet the challenges of energy saving, achieve a market with competitive prices and strengthen European technological leadership. The R&I activities developed in 2017 focused on various areas with a view to increasing the overall energy efficiency of the ship. Improvements in the energy balance have been studied for both the production and storage of electricity, by analysis and **optimization of on-board energy** consumption and **energy recovery** and through the correct management of heat sources. In particular, in 2017 a research programme was launched in cooperation with the Engine Institute of Naples and the University of Trieste, with the aim of studying a series of wide-ranging measures to increase the global energy performance of ships. In parallel, innovative fluid-hydrodynamic solutions were developed for propellers, hulls and superstructures both in calm sea conditions and in the presence of wave motion. In addition, various materials were evaluated to reduce ship weight and improve overall efficiency. Particular consideration was given to optimizing the hull of the ship, with many projects aimed at reducing the hydrodynamic drag associated with improved propulsion efficiency, minimizing the impact



of appendages and studying the calculation models for the introduction of new materials. In 2016, a solution was designed for **energy recovery** and the reduction of environmental impacts through a system that produces about 1 MW of electricity using waste heat from diesel engines. In 2017, studies were developed to improve the efficiency of this form of energy recovery in a future series of ships. This system can be considered an evolution of the one already conceived and implemented on other constructions equipped with a steam turbo-alternator that exploits the heat from diesel engine exhaust gases. The on-board application of **dual-fuel** engines able to use traditional fuels and liquefied natural gas (LNG) has already been implemented on a recently built ferry. The experience gained on this prototype will be applied to the future cruise ships currently being studied, characterized by LNG storage and treatment facilities serving dual-fuel electric generators whose polluting emissions are greatly reduced.

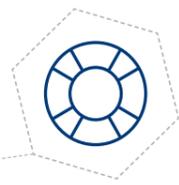
Environmental sustainability

The sustainability of maritime transport is one of the fundamental objectives, included in the wider context of the greatest global challenges, which demand the constant reduction of ships' emissions into the air and the water. In this context, the main challenge for Fincantieri is to select the most effective future technologies with the greatest potential for application. Since the ships produced by Fincantieri, and in particular passenger ships, must be able to operate anywhere in the world, even in protected areas, the **reduction and treatment of effluents into water** represents another important technological challenge. This must be overcome by introducing over the long term innovative technologies that affect wastewater treatment systems (grey and black), bilge water and ballast water. Systems and solutions to free future ships from fossil fuels as well as

innovative plant configurations enabled by **renewable sources** are continuously being analysed and evaluated.

Specific mention should be given to the reduction of **noise emissions**, both as vibrations on board and as sound emissions in water or air, produced both by on-board machinery and by propulsion systems. In this regard, specific components that reduce noise have been studied and predictive models have been developed. In 2017, one of the topics developed by the research activities was the **reduction of air emissions**, which has been addressed in the various companies of the Group, developing generation systems that anticipate future regulations in the naval field, through the study of new power generation and distribution architectures together with systems to reduce emissions. For example, MSC class ships delivered in 2017 have been equipped with exhaust gas scrubbing systems for the removal of sulphur oxides from the exhaust gases, a hybrid type able to work both with sea water and in closed cycle. Also in 2017, the exhaust gas treatment systems were further improved with the introduction of nitrogen oxide abatement systems for Virgin and NCL class ships. These plants will enable compliance with the lowest IMO Tier III emission limits.





Safety

Safety is also one of Fincantieri's main drivers for the development of new technologies, in particular for cruise ships, following product discontinuities due to the introduction of new international safety regulations (e.g. Safe return to Port). The issue of safety at sea is developed through a holistic approach with the aim of achieving **Zero-Accidents** at sea.

In this extremely important area, the human factor is the fundamental component for limiting, mitigating and resolving emergencies at sea. Furthermore, the development of sophisticated systems for monitoring and controlling ship's performance and systems, allow us to provide fundamental support during the decision-making phase of emergencies. The main R&I activities developed in 2017 focused on improving the control of ship manoeuvrability in any operating condition and the management of on-board systems even in the case of accidental events. A second topic that was developed is the continuous monitoring of the ship and the on-board systems in order to continuously check the state of efficiency, anticipate possible malfunctions and facilitate preventive management of maintenance operations on board. Since coming into force in 2002, the SOLAS II-2/17 and III/38 rules on alternative design have increased the technical/economic design opportunities, leaving more room for both the designer, the manufacturer and the customer. Even though it is expensive in terms of time and resources, this method allows the creation of innovative solutions, and thanks to a tailored design approach, it ensures a degree of safety that is even higher than that required by prescriptive rules, with great benefits in terms of quality of the final product. The adoption of alternative design techniques also increases the degree of flexibility in design and favours the immediate application of technological innovations. Over the years, with the experience gained, the Fincantieri

methodology linked to Alternative Design has gradually evolved, moving beyond the simple design of ships, which is already cost-effective, to encompass individual items of plant and equipment (firebreaker shutters, ventilation ducts, etc.).



Automation

The Fincantieri Group also includes among its subsidiaries Seastema, a company specializing in the field of controls and automation, which operates both nationally and internationally. The topic of autonomous navigation is increasingly emerging as one of the most important technological trends in the naval field. To improve its positioning on the market, the Group is investing in enabling technologies for the "unmanned" management of ships. In this regard, the Company's R&I team has set itself the following objectives:

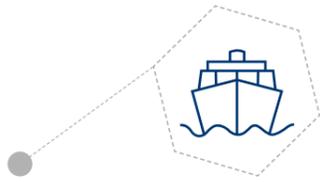
- increase the pervasiveness of automation systems, integrating new sub-systems/ functions;
- evolve decision support systems, moving from a "passive" system that limits itself to alerting the operator of any critical issues to an "active" system that offers the operator an action to mitigate the reported critical issue;
- increase the intelligence in the system, both in controlling on-board systems and controlling navigation and manoeuvre systems;
- improve land-to-ship integration, for monitoring/services from land, as well as the management, performance analysis and optimization of plant operations; on the basis of land data ("big data");
- examine the issues related to cyber-security of both on-board networks and land-to-ship communications.

The main R&I activities developed in 2017 focused on two main topics: the development of solutions for decision support and the study of technological solutions related to the topic of autonomous ships. The area of **decision support** is constantly evolving; the activities of the year concerned the in-depth analysis of some particular aspects, including the development of a decision support system for managing ship stability in the event of damage, a support system for Collision Avoidance and for the recovery of a man overboard. Regarding the topic of **"unmanned" vessels**, several projects have been set up aimed at developing different types of vessels for air, surface and submerged use. Additionally, measures were implemented to ensure the security of communication networks (cyber-security), vessel and personal safety at sea, and environmental protection.

In 2017, some results of the R&I activities in the automation field were applied to the most recent orders. In particular:

- advanced autopilot for automatic navigation, in normal conditions and in war situations, for the Offshore Multi-purpose Patrol Vessel (PPA) project enacted by the latest Italian Naval Law;
- simplified version of the advanced autopilot, for the automatic maintenance of the route both for the Logistic Support Ship (LSS) and for the Landing Helicopter Dock (LHD) recently ordered by the Italian Navy;
- Land CBM for the ATX ship automation project for the South Korean Navy.





Competitiveness of products and processes

Close relationships and long-term partnerships allow us to maintain contact and relations with key customers, ensuring the maximization of product performance and its perceived quality. This makes it possible to identify areas that are important to the client, also associating them with a level of perception, satisfaction and importance. Furthermore, Fincantieri's positioning depends on its ability to maintain the high quality of the final product at a cost that is competitive on the market. With this in mind, the ship is designed and built to maintain the highest quality standards and the best overall lifetime cost profile, thanks to an overall analysis of the Life-Cycle-Performance. In particular, the Voice of the Customer (VoC) analysis is defined starting from the relationship with the client concerning R&I topics. This analysis intersects with the process for managing innovation with suppliers, during which the main technological systems of the ship product are identified and the technological roadmap is defined. The main R&I activities of 2017 were focused on the development of **new concepts** both for ships with new operational features and for new systems (engines, turbines, appendages, etc.), for the reconfiguration of **new system** architectures and the introduction of new materials. In the early design phase, IT tools were developed to enable a better definition of the final product. During the design phase, the topic of standardization and modularization of specific on-board systems was addressed, aimed at reducing design and production time and costs, and 3D and virtual reality technologies were studied to identify solutions both for the benefit of the designer and to make the project under development easier to view. In the cruise field, the recently delivered MSC Seaside presents solutions that increase the number of cabins and open

spaces by introducing the largest outdoor 360-degree promenade ever built on a ship. The subsidiary VARD will also build the first **arctic cruise ship** (Polar Class 2) with liquefied natural gas (LNG) propulsion. On the other hand, in the military field, the logistic support ship set up in 2016 for the Italian Navy is equipped with health capabilities thanks to the presence of a fully **equipped hospital**. Moreover, the submarine Romeo Romei, delivered in May 2017, features highly innovative technological solutions and is entirely made of non-magnetic material.





CUSTOMERS AND PRODUCTS



- OUR CUSTOMERS
- PRODUCT PORTFOLIO
- QUALITY POLICY AND ASSURANCE
- CUSTOMER SATISFACTION AND RETENTION



Listening to customers to combine tradition with innovative solutions

Fincantieri is a player with consolidated leadership positions in the shipbuilding industry. In addition to its carefully maintained leadership in the cruise sector, Fincantieri achieves outstanding performance in various sectors of the shipbuilding industry, such as offshore, mega yacht construction, maintenance and refitting, mechanical systems and component design, all of which contribute to a dynamic and very competitive industry that places our country among the top rankings in the world.

OUR CUSTOMERS

One of the keys to the success of the Fincantieri Group is strong diversification of its activities by final market, geographical area and customer portfolio.



CRUISE CUSTOMERS

The customers who purchase cruise ships produced by the Merchant Shipping Division of FINCANTIERI S.p.A. and VARD are the leading cruise operators in the world. The customer portfolio has expanded considerably over the last few years, thanks to the ability to design and build widely differing types of cruise ship, with strong customization by customer, geographical area and market segment served.

NAVAL CUSTOMERS

The customers who purchase the products of the Naval Vessels Division of FINCANTIERI S.p.A. and Fincantieri Marine Group are government entities, both Italian and foreign, including the Ministry of Defence, the Navy, the Coastguard and all entities appointed to make acquisitions in the Defence sector.

FERRY CUSTOMERS

Ferries designed and built by FINCANTIERI S.p.A. and VARD are intended for private and public clients, both Italian and foreign, operating in the Mediterranean, the North Sea and the Baltic Sea, and meet the most demanding requirements in this sector in terms of technological innovation, low environmental impact, energy saving and diversification.

MEGA YACHT CUSTOMERS

The mega yachts designed by Fincantieri are intended for private customers who fall into the category of ultra high net worth individuals.

REPAIR AND NAVAL CONVERSION CUSTOMERS

The customer portfolio for repair and transformation services includes:

- cruise ship owners;
- shipowners from the offshore segment with vessels operating in the Mediterranean area and West Africa;
- shipowners for ferries and other types of vessels;
- private owners of mega yachts with vessels moored in the Mediterranean area;
- shipowners active in the merchant sector working with ships in the Mediterranean and the Great Lakes area.

The main operators of the Group's offshore division are shipowners and charter companies that provide logistical support and services for the establishment and operation of offshore facilities for companies active in the Oil & Gas industry. These also include large contractors specializing in offering turnkey services for the commissioning of large projects and offshore infrastructure, as well as the main drilling contractors specializing in the management of semi-submersible drilling vessels and platforms.

In addition to the design and production of offshore support units, VARD also supports the production of special vessels such as ferries powered by liquefied natural gas (LNG) or hybrid (battery) systems, mainly for shipowners in Northern Europe, and vessels used by customers active in the aquaculture sector and icebreakers.

OFFSHORE CUSTOMERS

SYSTEMS AND COMPONENTS CUSTOMERS

The Group offers its naval systems and components to the internal captive market and to other shipbuilders and industrial operators (such as, for example, engineering companies active in the installation of power plants as well as companies responsible for carrying out complex projects, for instance in the Oil & Gas sector). The main customers of these systems and components include the customers of each of the other business sectors, both civilian (owners of passenger ships) and military (i.e. Italian Navy, US Navy, etc.). In addition, the main customers include shipbuilders such as the Meyer Werft and Naval Group and industrial operators such as Saipem among the EPC contractors, and Cofely, Vinci Construction and Atzwanger among the industrial operators.

The table summarizes the main customers by business segment:

	CUSTOMERS DIVERSIFICATION				LONG-TERM CLIENT RELATIONSHIPS		NEW CUSTOMERS	
	2002	TODAY ⁽¹⁾			Ships delivered since 1990	Vessels in order book ⁽¹⁾		
CRUISE					63 11 74 ⁽²⁾	>25 YEARS		
NAVAL					36 13 49	>50 YEARS		
OFFSHORE					58 2 60	>20 YEARS		

⁽¹⁾ Updated at 31.12.2017.
⁽²⁾ Including the MOA signed in Q4 2017 for 1 vessel for Cunard.
⁽³⁾ Through the subsidiary Manitowac Marine Group (now Fincantieri Marine Group).

⁽⁴⁾ DOF includes: DOF, DOF Subsea, Norskan Offshore, DOF Deepwater, Techdof Brasil and Docon Navegação.
⁽⁵⁾ Through the subsidiary VARD.

Participation in exhibitions

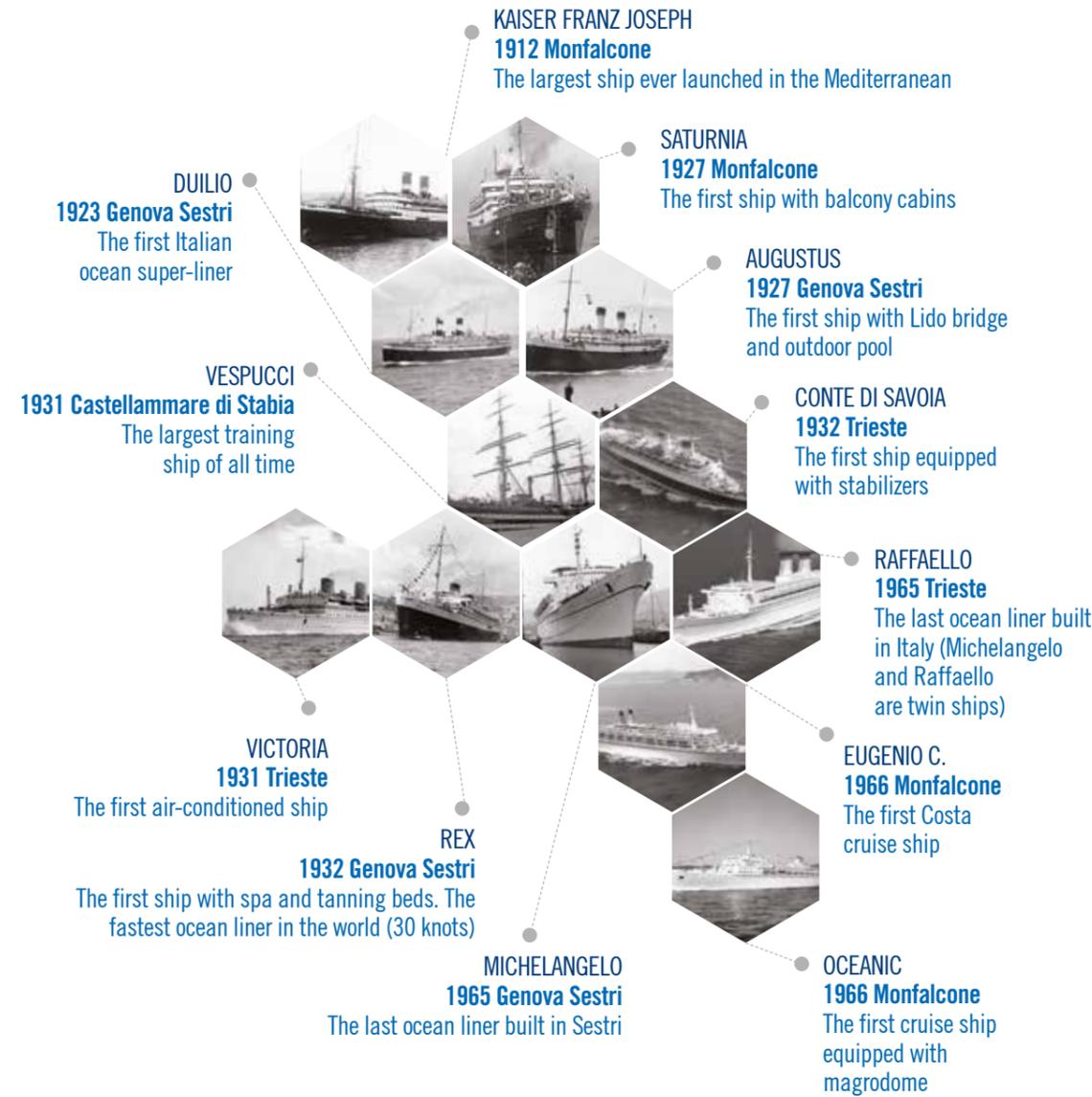
Participation in trade shows is a very important activity for the Group as it provides direct contact with customers and suppliers, reinforces the consolidation of the

brand in the reference markets, and can be an opportunity to communicate the launch of new products. FINCANTIERI S.p.A. took part in 15 exhibitions in 8 countries in 2017.



PRODUCT PORTFOLIO

Our historic ships

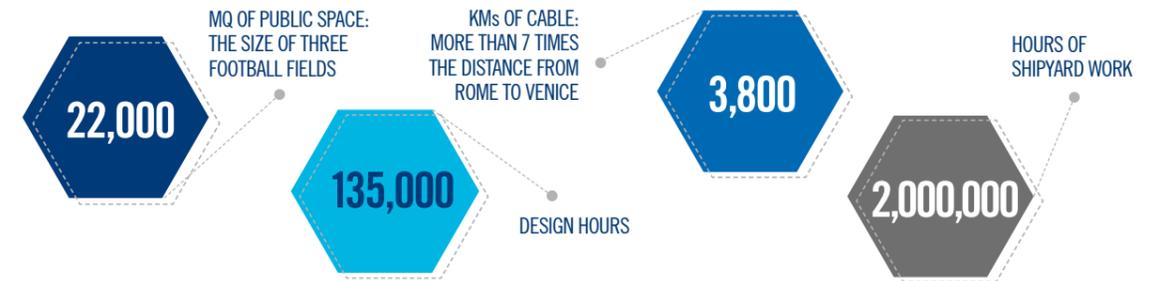


Cruise ships

A cruise ship is an ideal and self-sufficient floating city that communicates constantly with land. It is designed, built and managed to safeguard the health and life of those temporarily living there for work or fun, thousands of people from different countries and cultures, who live together and comply with its rules of governance. For this reason, the Group has an active and proactive role in the development of international safety regulations. Fincantieri is a accredited representative with the **International Maritime Organization** (IMO), the specialized United Nations Agency for protecting the safety of human life at sea and the environment. The activities of the Group, which is directly

involved in the development of international regulations, are carried out in close collaboration with the Italian Flag Agency, the Classification Bodies, the sector's Industrial Associations, the Shipping Companies and the main international research bodies. Monitoring of regulatory developments is therefore a fundamental element, at a strategic and technological level, in identifying in advance the possible trends in the market and being able to anticipate the emergence of new needs by proposing solutions that are innovative, competitive, and comply with the technical and economic feasibility standards at the product and process level.

THE NUMBERS OF COMPLEXITY - What you need on average to build a cruise ship



Fincantieri ships represent a technological benchmark at the European and global level. They feature the most advanced technologies, with technical solutions that provide **energy savings, emission reduction, high performance** and **high quality**, guaranteeing very high

standards of comfort on board. In its strategies, the Fincantieri Group has embraced the objectives of the International Maritime Organization, summarized in the slogan "Safe, secure and efficient transport on clean oceans".



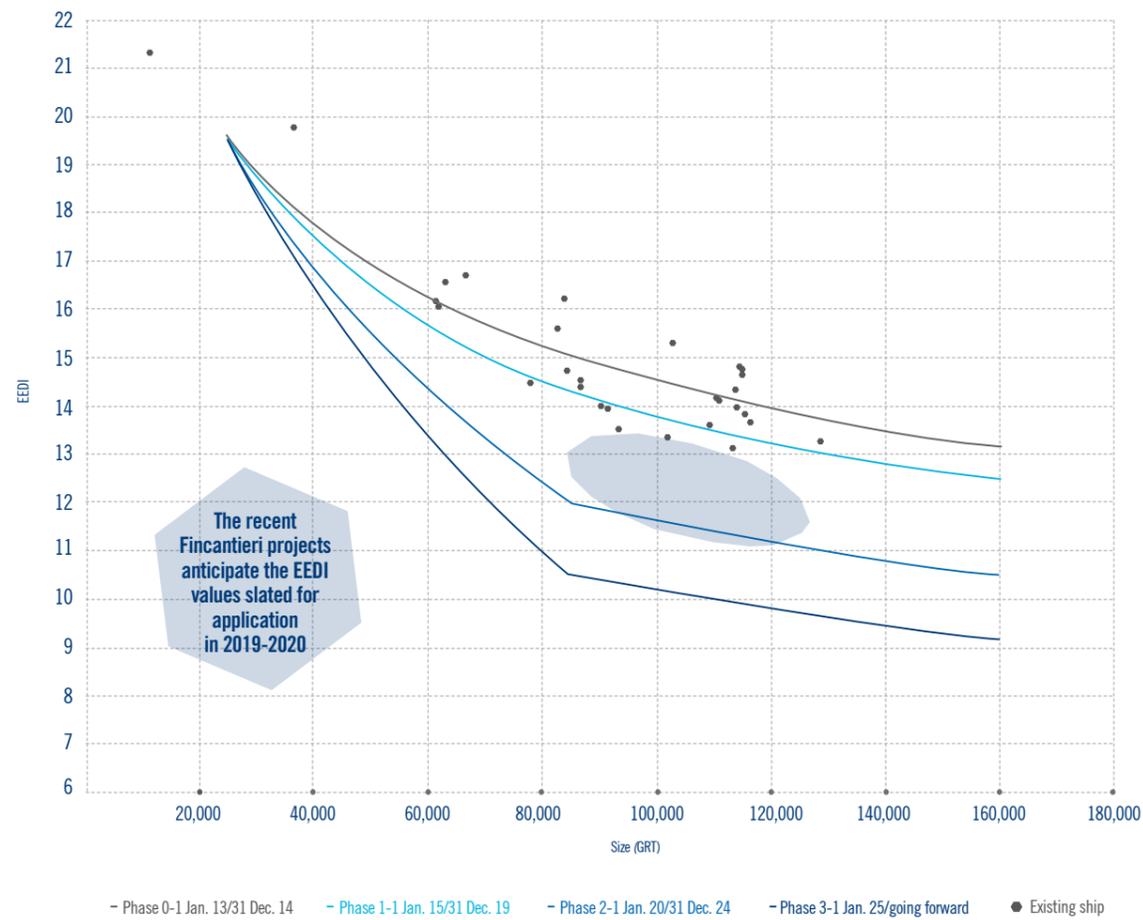
Sustainability in the cruise sector

The environmental impact of cruise ships today is potentially high. The regulatory framework, with regulations at a global and local level, requires a rapid reduction of emissions into the air and water. The reduction of environmental impact has become one of the most important drivers for design and innovation in the field of cruise ships.

I. Energy saving and reduction of carbon dioxide emissions (CO₂)

The Energy Efficiency Design Index (EEDI) is the main regulatory reference for measuring energy efficiency. Lower values of the index correspond to greater energy efficiency. Regulations impose a decrease in values over time.

Below is a graph that represents the provisions of the regulations on the index values, divided into time phases by type of ship.



The regulations impose decreasing EEDI values over time.



Fincantieri has developed, validated and applied on its ships more than 100 initiatives aimed at:

- improving hydrodynamic and propulsive efficiency;
- exploiting waste heat (fumes and cooling water) with recovery and cogeneration systems;

• systematically reducing the energy needs of users on board.

Below are some examples of energy saving solutions:

SOME EXAMPLES OF ENERGY SAVING SOLUTIONS

REDUCED CONSUMPTION PER SHIP BY CA 130,000 GRT (t fuel/year)

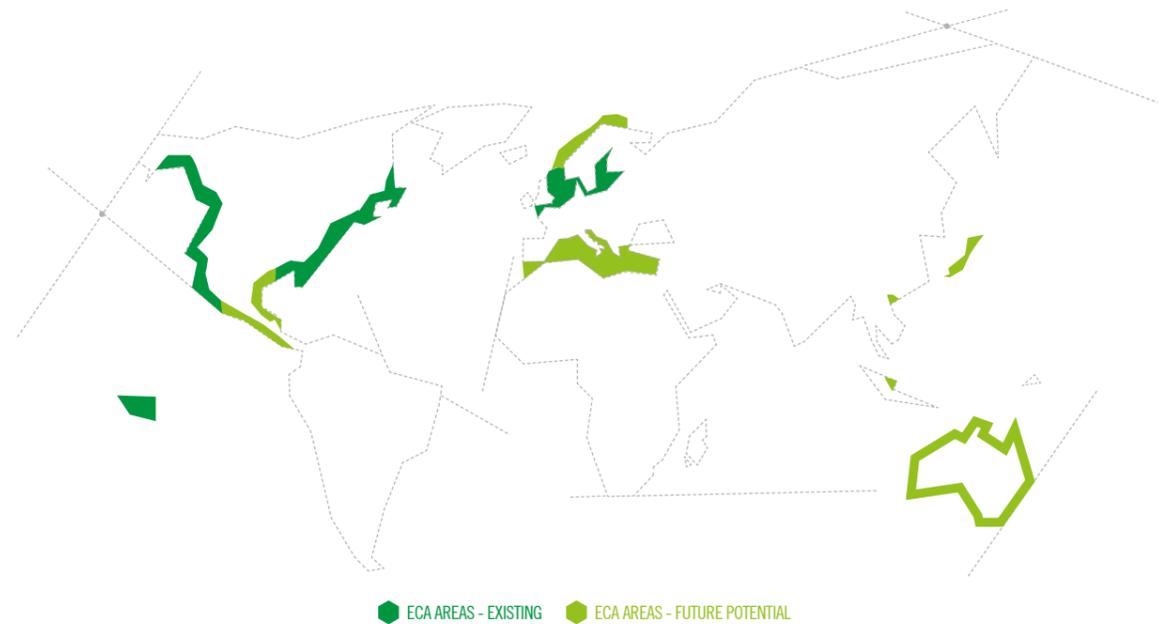
Fan coil installation in cabins	290 t/year
Fan coil installation in public areas	160 t/year
Variable speed adjustment systems for electric motors	220 t/year
Heat recovery system optimization	270 t/year
Recalibration of drinking water generation system	48 t/year
Increase of electric motor energy class	75 t/year
LED and high efficiency lighting and automatic lighting control	130 t/year

II. Reduction of harmful air emissions

The International Convention for the Prevention of Pollution from Ships (MARPOL) requires a progressive reduction in emissions of harmful gases, in particular sulphur oxides (SOx) and nitrogen oxides (NOx). The constraints are growing over time, and they are particularly stringent in Emission Control Areas (ECA), where the most stringent values for reducing

harmful emissions are applied, and which coincide with the main operating areas of the cruise industry. European legislation (Directive 2012/33/EU) sets further emission limits, particularly in port areas.

ECA AREAS



The currently most common configuration for emissions reduction is based on **latest generation diesel engines** with the installation of fume purification systems in the exhaust systems:

- NOx reduction: "catalytic muffler", in which the nitrogen oxides are made to react with urea in a high-temperature process, obtaining pure nitrogen (N₂) and water vapour;
- SOx reduction: "Scrubber", i.e. fume scrubbers. There are various applied technologies (wet, dry, open cycle, closed cycle

and hybrid scrubber), all aimed at reducing the sulphur oxide content in the fumes.

The near future brings definite environmental advantages with the **use of LNG** through dual fuel diesel engines. The technical issues related to the construction of passenger ships powered by LNG are now being resolved and consolidated. Fincantieri has already built a special ferry for Canada and is designing large-scale gas ships.

The VARD Group has contracts and offers for various units equipped with electric batteries to cover all or part of the energy requirements of small/medium-sized vessels.

From the design and operating point of view, we can distinguish two types of use of the battery modules installed on ships:

- supplementation of the electric power supplied by the batteries with a traditional generation system (similar to the concept of hybrid cars): the energy supplied by the batteries is used either exclusively in particular situations (e.g. in port) or supplemented by the on-board diesel engines at times of maximum power demand (e.g. maximum speed navigation). In particular, VARD is delivering two ferries to the Norwegian operator Torghatten Nord and a dual-powered electric hybrid cruise ship with icebreaker features, equipped with high capacity batteries and LNG storage on board;
- use of electric batteries to cover the entire load on board (hotel and propulsion): VARD will install this system on the recent order for a 70-metre bidirectional ferry operating on a fixed route between the two sides of a fjord.

Below is a table that summarizes the emission impact by type of power supply:

EMISSIONS (diesel cycle)	HEAVY FUEL OIL	LNG
CO ₂ (g/KWh)	500	417
SO _x (g/KWh)	11	0.08
NO _x (g/KWh)	12.91	1.8

However, there are critical issues related to this technology: in general, the technologies/systems added for the protection of the environment occupy volumes previously used for the payload. In particular for LNG, accommodating the tanks on board (in addition to the liquid fuel tanks) and installing the related operating and safety systems entails a significant reduction of the useful space on board. The development of a logistics system capable of ensuring the availability of LNG (including intermediate storage and bunkering systems) in all major cruise destinations is still at a preliminary stage. At present, a cruise ship operating on LNG would have a limited area of operation. The future lies in the application of **fuel cells**, electrochemical conversion devices that generate electricity and heat by combining a fuel (typically hydrogen, methanol or methane) and a comburent (oxygen), in the absence of combustion. In this way, no polluting substances are actually produced. After the initial development phase, linked to space exploration and the naval field (submarines), terrestrial applications for the generation of electricity and propulsion (for example prototype trains fuelled by fuel cells) are spreading. Studies and research are being carried out on their application for generating energy for cruise ships.



III. Complete treatment and storage of liquid and solid waste

Waste treatment is regulated by MARPOL (Annexes I, IV, V). The increasingly stringent regulations in force in areas with a strong cruise vocation, such as Alaska, determine the characteristics of the latest generation cruise ships. Only bacteriologically and chemically pure water can be discharged into the sea (under certain conditions). Any other residue must be stored on board and unloaded in port for further treatment.

The processes for solid waste are:

- collection, dehumidification, kitchen waste treatment;
- sorting and recycling of hotel waste;
- compaction and/or incineration (where permitted) of solid waste;

- pelletizing, storage of waste for subsequent unloading in port.

The processes for liquid waste are:

- physical and biological treatment (in line with the best "land" standards) of all on-board wastewater (sewage, grey water, kitchen effluents and laundries);
- storage of purified water;
- thickening and drying of residual sludge for subsequent unloading in port.

IV. Ballast water treatment

The ballast water treatment regulations, International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM 2004), require ships to sterilize ballast water before discharging it, to

avoid contamination with species from different ecosystems. Modern cruise ships are equipped with the latest generation of ballast treatment systems, based on the pre-filtering of plankton and subsequent sterilization with ultraviolet rays.

Naval vessels

Also for military vessels, Fincantieri follows a procedure for the design of eco-sustainable ships, in order to reduce the environmental impacts both during the construction phase and the operational life of the ship.

The renewal process for the Italian Navy fleet has a distinctly dual approach, typical of the Armed Forces. The Navy is often engaged in non-military tasks such as aiding populations affected by natural disasters, monitoring and protecting archaeological heritage, and transporting humanitarian materials and basic

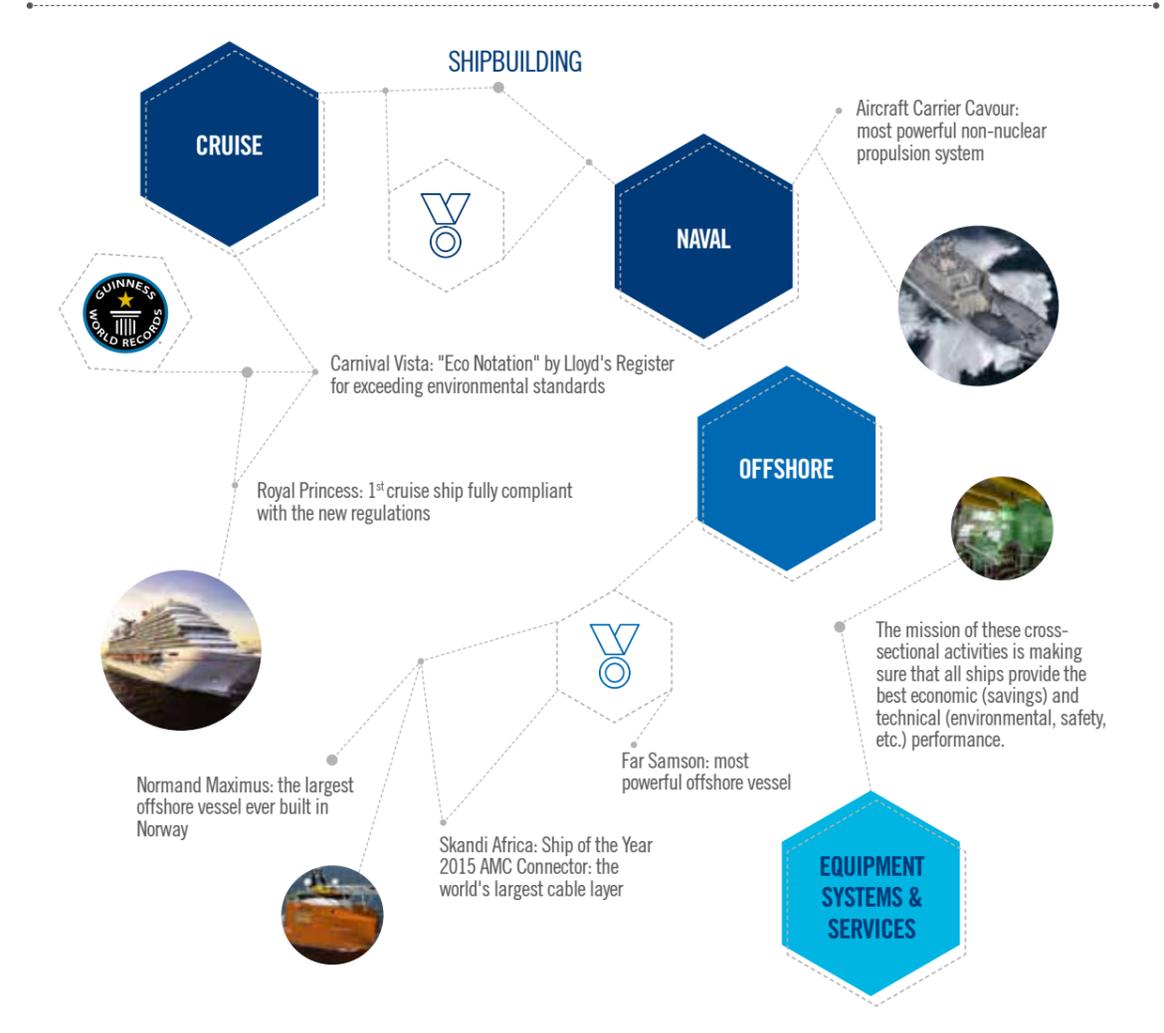
necessities, which is influencing the current use of the fleet and the way in which the renewal process is taking place. The new constructions are designed right from the preliminary phase of the project to be flexible, modular and reliable, with low environmental impact, easily reconfigurable and upgradable. In the event of an operation to support populations affected by a natural disaster, the new vessels will be able to provide drinking water, electricity and health support through its own hospital facilities. In addition to the particular attention giving to reducing emissions of fumes, the treatment of wastewater and the use of bio-fuels, the vessels will be able to intervene to contain a contaminated tract of sea, with the possibility of collecting and stowing the polluting substances.



The following is a list of eco-sustainable design criteria for the construction of naval vessels:

ACTIVITY	ENVIRONMENTAL REPERCUSSIONS	ENVIRONMENTAL ASPECT
Optimization of hull shapes	Reductions in consumption	Thermal engine emissions for lower installed power
CODLAD (Combined Diesel Electric and Diesel Engine) propulsion	Pace under electric propulsion	Thermal engine emissions for higher diesel generator efficiency
Introduction of LED lights	Reduction of electricity consumption for the lighting system	Thermal engine emissions (Diesel generators) for lower energy consumption (difference between traditional and LED lighting)
Sewage treatment control	Limit on emissions at sea	Biochemical oxygen demand (BOD5/COD) - commonly used parameters for indirect measurement of organic matter content in a water
Bilge control	Limit on emissions at sea	Dispersed oils
Converter	Reduction of volume and weight of waste produced	Volume and weight
Diesel engines (power generation/propulsion)	Reduction in fuel consumption following the adoption of common rail fuel injection control	NOx emission reduction
Diesel engines (power generation/propulsion)	Reductions in air emissions following the adoption of UREA injection system	NOx emission reduction
Hull treatment	Use of paints without antifouling	No releasing of biocidal substances at sea/reduction of resistance to forward motion
Paint treatment	Use of water-based paints for indoor areas and use of low sun absorption paints for superstructures	Less polluting waste material during modernization/demolition work and lower energy consumption for heating, ventilation and air conditioning (HVAC)
Insulation of internal areas	Optimized study for the installation of thermal insulation and surface finish insulation for technical areas	Less energy consumption of HVAC activities due to lower heat input and elimination of paint coatings to finish the insulation

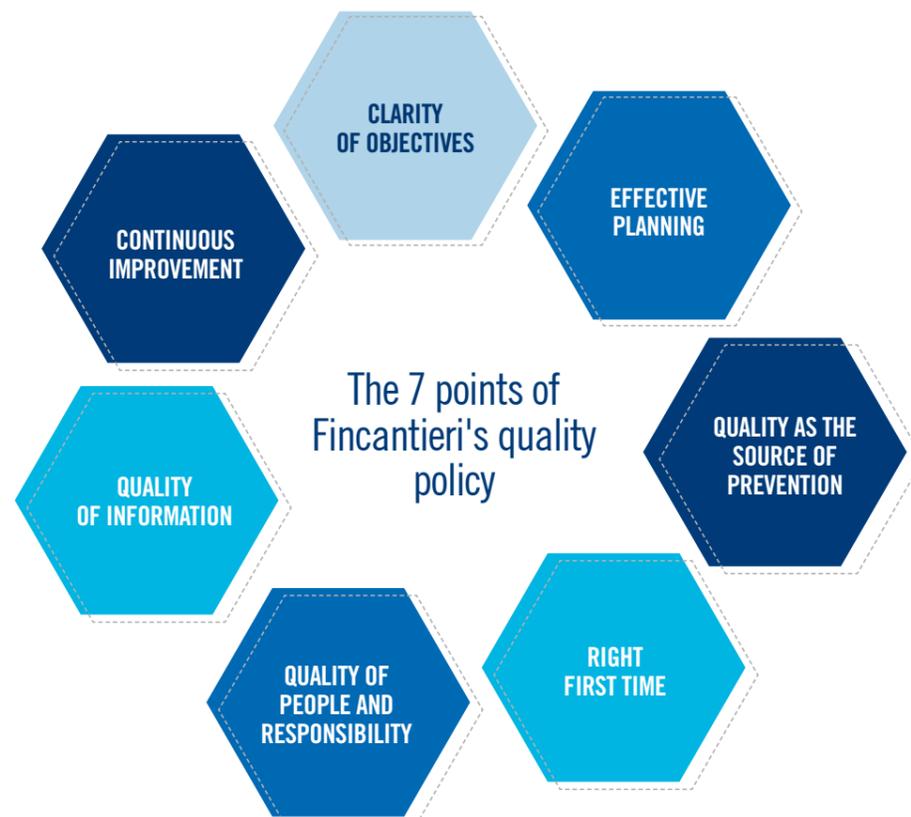
Below is a summary of the main awards obtained by the ships produced by Fincantieri:



QUALITY POLICY AND ASSURANCE

Aware that the complexity of its business requires high standards in terms of quality, cost and time of products and services offered, Fincantieri has adopted a Quality Policy able to convey the commitment of the Group's resources on specific key points. The goal is to achieve and maintain an excellent level of quality in strategic choices, business processes and every activity. Every Company or Division adopts a Quality Management System (QMS), certified according to the ISO 9001 standard, which ensures compliance with the best standards.

Quality assurance at each stage of the process, from the acquisition of the contract to the design and procurement, down to the production or provision of the services, is entrusted to each process owner.



In 2017, the boundary of the Italian certified organizations expanded thanks to the achievement of ISO 9001:2015 certification by the following organizations:

- Fincantieri Infrastructure S.p.A.: new certification;
- Services Division: extension of the scope of the ISO 9001 certificate to the Genoa Basin and to the logistical and post-sales support activities of the naval section;
- Parent Company Information Technologies

Department: new ISO 9001:2015 certification integrated with ISO 27001;

- Issel Nord S.r.l., acquired in 2017, a company highly specialized in Integrated Logistic Support services for civil and defence companies, already certified ISO 9001:2015.

Below is a summary of the 22 ISO 9001 certifications as at the end of the year obtained in Italy:

CERTIFICATION BODY	ISO STANDARD	COMPANY - OPERATIONAL UNIT
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Ancona Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Genova Sestri Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Castellamare di Stabia Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Marghera Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Monfalcone Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DMC - Palermo Shipyard
RINA	9001:2015	FINCANTIERI S.p.A. DMM - Muggiano Shipyard
RINA	9001:2015	FINCANTIERI S.p.A. DMM - Riva Trigoso Shipyard
RINA	9001:2015	FINCANTIERI S.p.A. DMM - Genoa
RINA	9001:2008	FINCANTIERI S.p.A. DMY - Muggiano Shipyard
RINA	9001:2008	FINCANTIERI S.p.A. DSC - Riva Trigoso Site
RINA	9001:2008	FINCANTIERI S.p.A. DTN - ATSM Site - Trieste
RINA	9001:2008	FINCANTIERI S.p.A. - IT Function - Trieste
RINA	9001:2015	FINCANTIERI SI S.p.A. - Trieste
SGS	9001:2015	Fincantieri Infrastructure S.p.A. - Verona
RINA	9001:2008	Orizzonte Sistemi Navali S.p.A. - Genoa
RINA	9001:2008	Marine Interiors S.p.A. - Site of Caneva (PN), Pordenone, Monfalcone (GO), Venice (VE), Ancona (AN)
KIWA	9001:2015	Delfi S.r.l. - Follo (SP)
UNAVIA	9001:2015	Issel Nord S.r.l. - Follo (SP)
RINA	9001:2008	Seastema S.p.A. - Genoa
RINA	9001:2015	CETENA S.p.A. - Genoa
RINA	9001:2008	Isotta Fraschini Motori S.p.A. - Bari

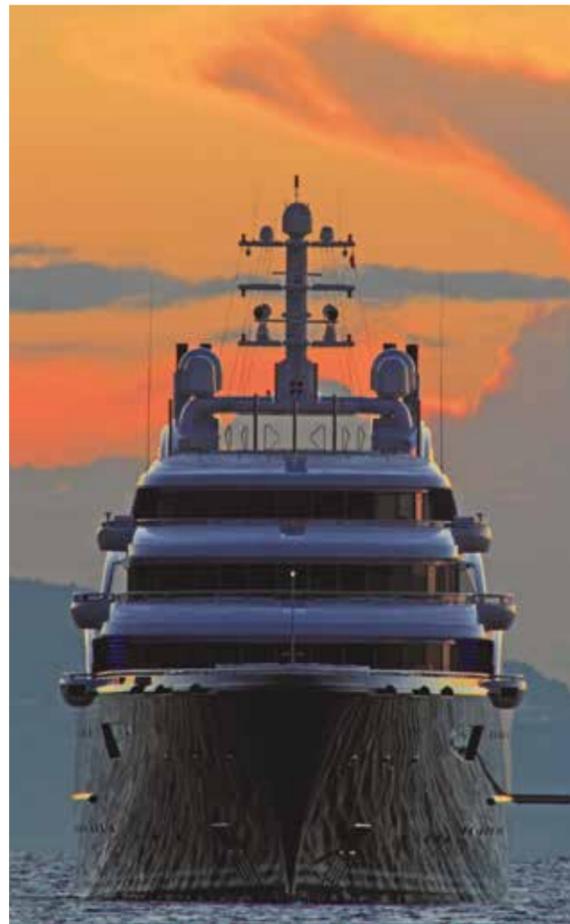
With regard to the VARD Group, all activities are carried out in accordance with the Health, Safety, Environment and Quality (HSEQ) of the Group, whose principles and strategies are based on ISO standards.

Below is a summary of the 14 ISO 9001 certifications obtained by the VARD Group as at 31.12.2017:

CERTIFICATION BODY	ISO STANDARD	COMPANY - OPERATIONAL UNIT
DNV-GL	9001:2015	VARD Group AS (sites: Aukra, Brattvaag, Brevik, Langsten and Søviknes) - Norway
Bureau Veritas	9001:2015	VARD Braila SA - Romania
Bureau Veritas	9001:2015	VARD Tulcea SA - Romania
Bureau Veritas	9001:2015	VARD Vung Tau Limited - Vietnam
Bureau Veritas	9001:2008	VARD Promar SA - Brazil
DNV-GL	9001:2015	VARD Accommodation AS - Norway
DNV-GL	9001:2015	VARD Piping AS - Norway
DNV-GL	9001:2015	VARD Electro AS - Norway
Lloyd's Register	9001:2008	VARD Marine Inc. - Canada
Lloyd's Register	9001:2008	VARD Marine US Inc. - United States
Bureau Veritas	9001:2008	VARD Enginnering S.r.l. - Romania
DNV-GL	9001:2015	VARD Design Liburna d.o.o. - Croatia
DNV-GL	9001:2015	VARD Offshore Brevik AS - Norway
DNV-GL	9001:2015	VARD Engineering Brevik AS - Norway

All ships are delivered with a Green Passport and Clean Design Notation certification, in accordance with the provisions of the Hong Kong International Convention for the safe and environmentally friendly recycling of ships, which contains information on potentially hazardous materials used in the construction of the ship, its equipment and its systems.

The American shipyard of Fincantieri Marinette Marine also achieved ISO 9001:2015 certification.



Quality monitoring

In Italy, the Quality Management System is also applied to job orders, whether they be naval or other products, through the Job Quality Plan, a set of documents and Control Plans attached to the contract, which governs all aspects related to Quality Control and Assurance valid for the job in question. It guides the operating structures in the correct design, construction and testing of the product.

Job quality plan

- object of the project;
- main characteristics of the job;
- applicable documents:
 - for the project;
 - rules, laws and regulations;
 - quality system standards and procedures;
 - standard to be applied;
- organizational aspects:
 - organization and resources for the job;
 - interfaces and communications;
- control and inspection plans.

When designing and building complex products and systems, such as cruise ships, military submarines or industrial diesel engines, there is always the possibility that the process may be subject to deviations from standards, design changes, unexpected events and supply or execution errors. These "non-quality" events are normally detected and tracked by internal structures, by the customer's inspection staff and by the Classification Bodies, or more rarely after delivery, with interventions in the guarantee and after sales period. The remedial actions follow the industrial practice that involves increasing costs/times to adjust, repair, redo and replace in order to minimize the impact for the customer. The quantitative and qualitative analysis of these events, appropriately recorded and classified,

gives rise to mechanisms for reviewing the projects; in the case of shipbuilding, the analyses trigger the processes of continuous improvement, in order to ensure that the same errors are not repeated in subsequent jobs. A closing report/booklet is produced, with the main lessons learned, in order to extend the countermeasures to the various types of errors and the resulting prevention and improvement actions to other operating sites. Fincantieri regularly monitors quality indicators, at a divisional level (for homogeneous business areas) and at production level:

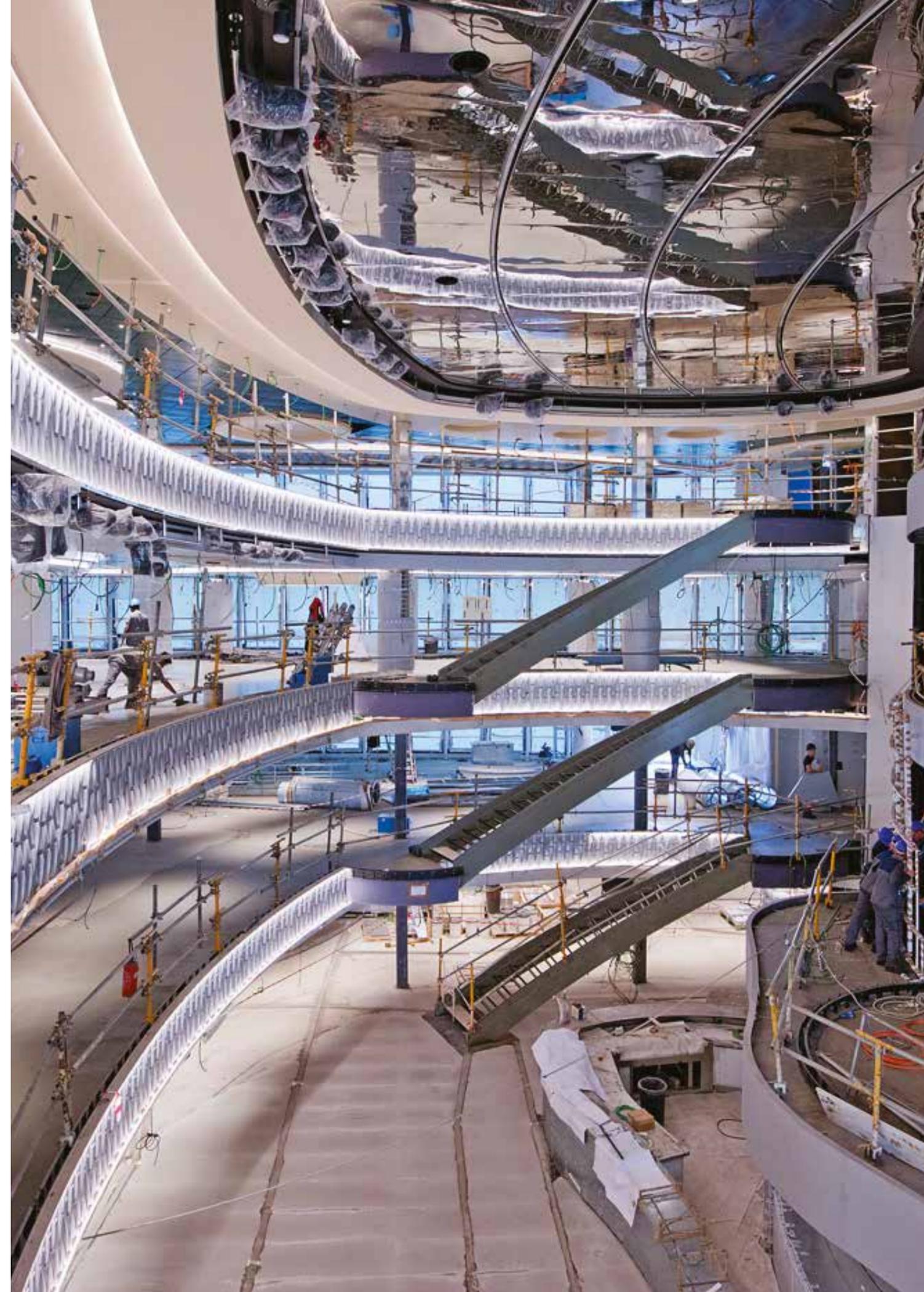
- shipbuilding sectors (cruise ships, naval vessels, mega yachts), are classified by job and by construction, which allows detailed comparisons to be made with regard to homogeneous "objects" and "phases";
- in the plant and components sector (for example diesel engines, turbines, naval systems and systems, cabins for passenger ships), the classification is by production process, facilitated by repetitions in small and medium-sized series.

The quality indicators and the achievement of the related annual objectives constitute a fundamental part of the incentive programmes of the entire Fincantieri organization. From 1996 to 2017, the Group's divisions and companies were subjected to official audits by the RINA certification body, with consistently improving results in terms of the main findings. Regarding the management of military orders, during 2016 three audits were carried out by the Government Quality Assurance of the Italian Navy (AQG), which involved the FREMM and Naval Law Programmes.

CUSTOMER SATISFACTION AND RETENTION

The main sector in which Fincantieri operates is intrinsically characterized by a limited number of competitors and customers. The measure of customer satisfaction and retention cannot therefore be based on significant data and statistical samples. It requires instead a long-term analysis of the relationship between market trends, assignment of orders and jobs to the various players, the time taken to transform negotiations into orders, the maintenance of historic customers, and the acquisition and retention of new customers. Fincantieri regularly surveys the market and the competition, from which certain "loyalty" factors can be deduced. In Italy, 5 new ships and a submarine were delivered in 2017. For 4 of these, the remarkable "zero defects" result was achieved, a significant recognition by the respective customers. As a side note to the MSC Seaside delivery, the shipowner company stated that the ship's quality exceeded all expectations. The new orders obtained in 2017 confirm the customer satisfaction. As for Fincantieri Marine Group, customer satisfaction is surveyed three times a year through meetings with representatives of Lockheed Martin and the US Navy. These sessions cover the following areas: technical, testing, planning, quality, after-sales and ILS (Integrated Logistics Support). During these sessions, the Company receives feedback on the degree of customer satisfaction and on any problems. The corrective actions are defined at that time, with subsequent follow-up.

At VARD, Customer Satisfaction is monitored periodically, and from the time of delivery to the end of the guarantee and after sales period, each product is subject to voluntary feedback by customers.





SUPPLY CHAIN

- CHARACTERISTICS OF THE SUPPLY CHAIN
- SUPPLY CHAIN MANAGEMENT
- CHARACTERISTICS AND MANAGEMENT OF THE SUPPLY CHAIN OF FOREIGN COMPANIES



Fincantieri manages complexity through monitoring of an increasingly responsible and transparent supply chain supervision

Fincantieri is a highly complex industrial entity, focused on high value-added segments with high engineering content. The Group produces ships that are not standard vessels, but tailor-made products, created specifically to meet customer expectations. This makes Fincantieri one of the most dynamic and diversified operators in the industry, and is reflected in the supply chain, an integral part of the business model.

CHARACTERISTICS OF THE SUPPLY CHAIN

The Group actively manages its make-or-buy procurement strategies for every single phase of development and implementation of the naval job. For the characteristics of the production process, Fincantieri comes into close contact with its suppliers, who during the shipbuilding phases often work in the same production facilities that host the ship's construction. Considering the critical value linked to external supplies, the purchasing process receives great attention for each shipbuilding project and is therefore managed internally through special structures belonging to the operating divisions or the central divisions of the Group.

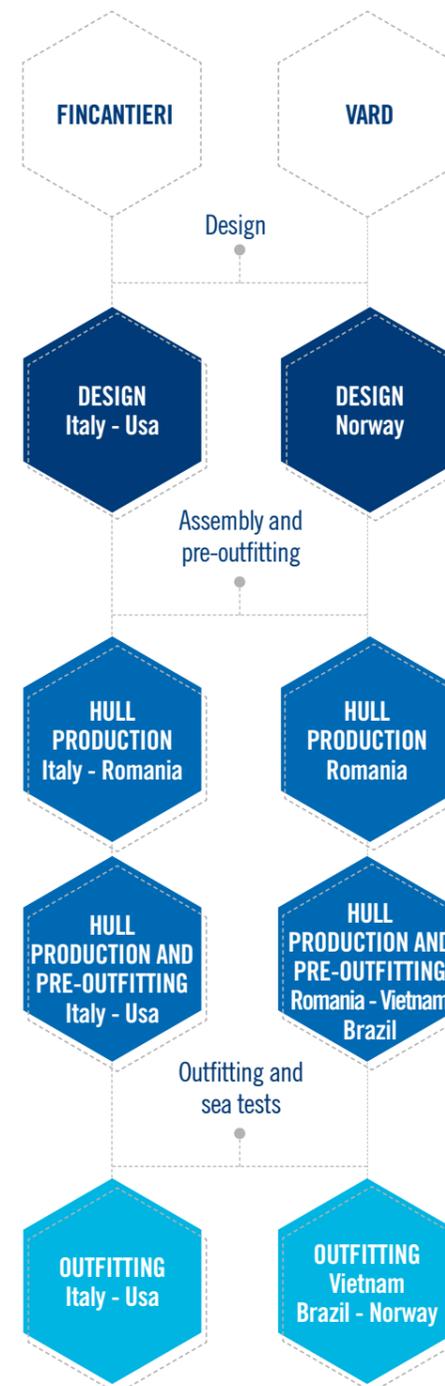
FINCANTIERI SUPPLY CHAIN



A significant portion of a ship, about 80%, is made with the contribution of suppliers. Fincantieri operates as a system integrator, taking responsibility for the shipbuilding project as a whole. The Group takes care of all the processes, from the design and

engineering of the ship to the construction of the hull and the outfitting, coordinating a wide network of specialized suppliers and ensuring the integration of the key components within the platform.

The chart below highlights the geography of the various activities in the shipbuilding process:



As regards the **Italian activities**, Fincantieri acts as leader and group hub for a large number of Small and Medium Enterprises (SMEs), an important factor in the flexibility and wealth creating capacity of local production systems, allowing them to access projects of great breadth and value, taking on a global market they would otherwise be excluded from due to their small size. The Company supports a large network of highly specialized Italian SMEs in various macro-sectors (furniture suppliers, air conditioning systems, electrical/electronic systems, etc.).

In particular, Fincantieri, through its shipyards, is able to contribute to the maintenance and development of the industrial system of the regions in which it operates.



In 2017, the growth trend in purchasing volumes was confirmed, despite relative stability in the docks employment programme.

This phenomenon is essentially due to two factors:

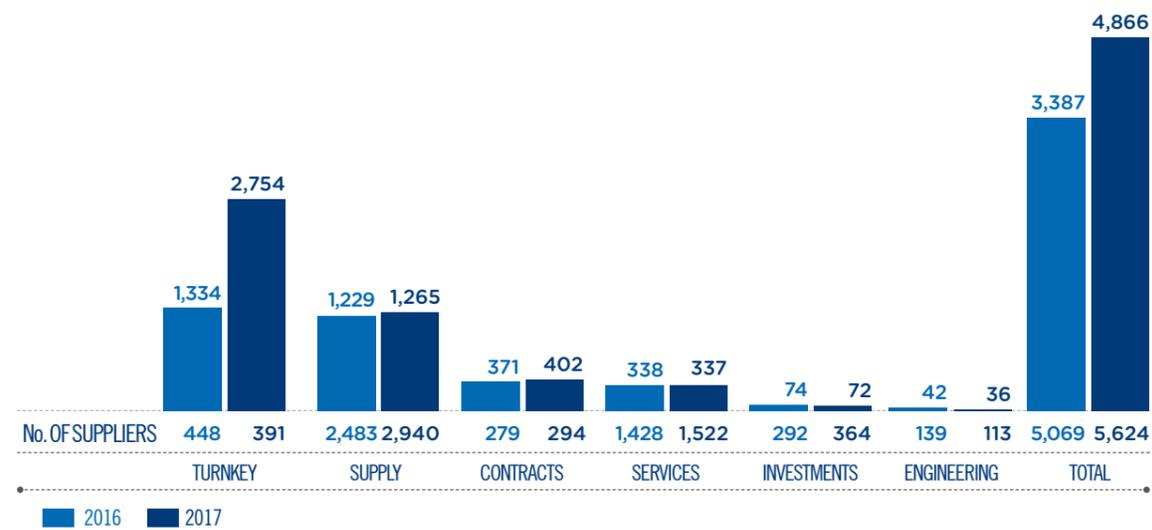
- the stabilization of the production structure based on sections, which involved bringing forward the procurement of some orders and increasing overall capacity in terms of Gross Tonnage (GRT)/year, with clear impacts on the annual growth of orders;

- review of the planning criteria, performed early compared to the traditional approach of some processes (including the purchase process) that would otherwise have been developed subsequently.

As for the non-cruise business, there is the strong non-recurring impact of the multi-year contract carried out in collaboration with Leonardo, for which about half of the value of the entire programme in terms of order intake has already been issued.

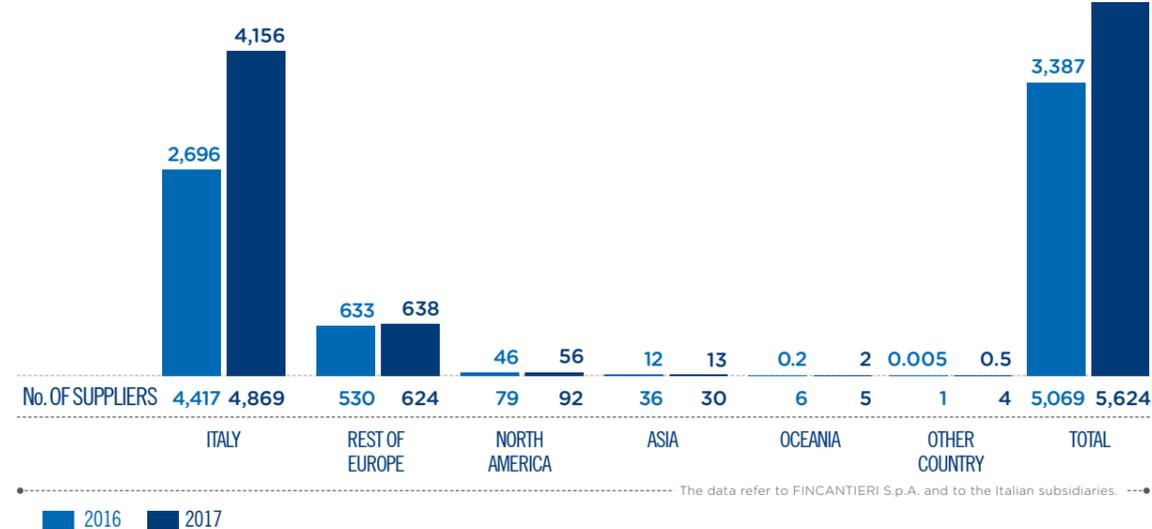
SUPPLIERS BY PRODUCT CATEGORY

VALUE OF ORDERS ISSUED BY CATEGORY IN MILLION OF €



SUPPLIERS BY GEOGRAPHICAL AREA

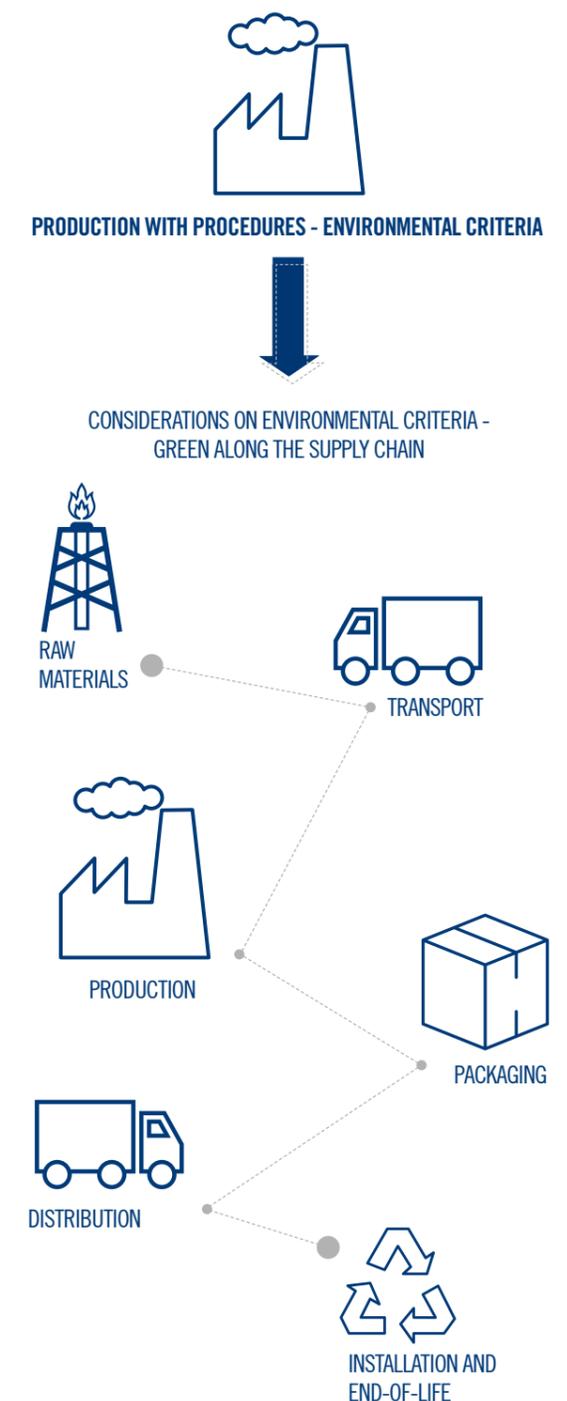
VALUE OF ORDERS ISSUED BY COUNTRY/AREA IN MILLION OF €



The data refer to FINCANTIERI S.p.A. and to the Italian subsidiaries.

SUPPLY CHAIN MANAGEMENT

FINCANTIERI S.p.A. monitors its own supply chain through a management process with a **life cycle** approach, aiming to minimize the environmental and social impact of a product or service along its life cycle. This is a departure from a model that sees the environmental and societal impact solely of the production activities, and instead widens the analysis of the possible negative externalities to all links of the chain. To this end, Fincantieri believes above all that close collaboration with its supply chain is essential to achieving high quality levels in the finished product and the entire production process. The ultimate goal is therefore to establish long-term partnerships characterized by transparency and collaboration. The creation of partnerships, the dissemination and sharing of best practices throughout the supply chain, and cooperation in various areas are some of the ways in which the Group involves its business partners. The suppliers must not only meet the minimum requirements of safety, quality and financial soundness so as to minimize potential operational disruptions and unexpected costs, but must also guarantee the integration of environmental and social sustainability considerations. Fincantieri operates in a framework of fair competition with honesty, integrity, fairness and good faith, respecting the legitimate interests of all stakeholders. The **Code of Conduct** of the Group contains the principles and rules that all those operating in the Company are required to respect, and dictates the rules to be followed also with suppliers. From this point of view, therefore, suppliers are asked to comply with certain requirements:



SUSTAINABILITY REQUIREMENTS FOR SUPPLIER SELECTION

Innovation

Innovation is at the centre of entrepreneurial activity: a distinctive feature of the ships we build is the high technological content. The continuous adaptation to new conditions and the constant search for better solutions for our customers are the values that guide the Company and its suppliers in their everyday work. See also the chapter Research and Innovation.

Quality

Suppliers are selected on the basis of a strict qualification process, aimed at guaranteeing product quality, safety and environmental protection, compliance with timetables, achievement of economic objectives, customer satisfaction, and the image of the Company. The assessment parameters concern the technical, productive and service capabilities, financial soundness, quality business systems and safety management. The supplier must ensure that the entire value chain is subject to an adequate quality management system (QMS).

Health and safety

Occupational health and safety is an essential value for the Fincantieri Group and a priority in corporate decisions also in its relations with suppliers. These must in turn play an active role in the field of protection and safety at work and they must commit to spreading the culture of safety at every level and in every corporate setting. This commitment must have a concrete effect on the workplace in

managing safely the activities of the human resources employed to carry them out, as well as complying with the regulations governing behaviour also within the Fincantieri plants.

Environment

Fincantieri recognizes a policy of choices aimed at environmental protection as a priority in compliance with national, international and industry regulations, and for this reason it adopts a preventive approach, requiring its suppliers to adopt attitudes and choices that are equally responsible along the entire supply chain.

Responsibilities

Fincantieri's guiding principle is that of acquiring the necessary goods/services with the best quality/price ratio to meet the objective of containing costs and ensuring quality and service levels appropriate to the satisfaction of the end customer. It must also take into account operational risks and comply with general guidelines on the environment, occupational safety and the overall sustainability of its choices in terms of social impact. Fincantieri expects suppliers and subcontractors to assume their responsibilities throughout the entire end-to-end supply chain, from manufacturer to supplier to end-user, to comply with safety and environmental regulations and therefore to maintain conduct that respects the values that guide the Company.

Furthermore, in order to prevent any possible infiltration of organized crime in the procurement phase, in investments and in production activities, the Group has established a stronger cooperation with the local competent Prefectures, stipulating Legality and Transparency Protocols, merged since 2017 into a National Protocol (for more details see the chapter Responsible Business Management/Our Rules). Experience at the local level has shown that these tools have significant value in terms of ability to anticipate the audit thresholds and, consequently, anti-mafia prevention. They strengthen the monitoring network and allow controls to be extended to supplies and services otherwise excluded from the anti-mafia precautions.

Selection process and qualification of suppliers

The management, maintenance and continuous improvement of a reliable supplier base capable of assisting Fincantieri in achieving its economic and sustainability objectives are based on a rigorous process of **qualification** and **monitoring** of the performance of strategic suppliers. Fincantieri believes that the selection of innovative and reliable partner suppliers, willing to build together a common success starting from a high value-added, commitment and flexibility is the fundamental requirement for a lasting relationship. The goal is to establish long-term partnerships characterized by transparency and collaboration. Development, growth and efficiency start immediately at the supplier selection phase, which follows a documented procedure in order to guarantee impartiality and equal opportunities for all the parties involved.

SUPPLIER QUALIFICATION PROCESS



A continuous performance evaluation system has also been implemented (in which all the relevant company departments take part) in order to guarantee the required standards over time. Through the use of specific purchase methods adapted for the different product categories, Fincantieri strives to obtain the best conditions in terms of performance, price and quality, throughout the entire life cycle of the product.

The supplier, as component specialist, is increasingly involved in the initial phase of the project in order to share technical and economic commitments with the final customer.

Of the 823 qualified strategic suppliers at the end of 2017, 82% were subject to an evaluation, with the following results:

- 89% satisfactory;
- 10% with some independently recoverable gap;
- 1% with serious problems, improvement plan or replacement.

All suppliers can ask to participate in the selection process regarding Italy by registering on the **Fincantieri Suppliers** portal, following clear and precise rules.



SUPPLIERS		
QUALIFICATION/TRAINING ACTIVITIES	2016	2017
No. of orders issued	78,237	83,852
Total number of suppliers registered on the portal	2,433	2,993
% orders run through the portal	66.0%	82.0%
Total number of qualified suppliers (strategic in the register)	760	823
No. of audit visits carried out during the year	63	65
Total number of qualified suppliers in the year	330	268
No. of new suppliers qualified in the year	94	50

The data refer to FINCANTIERI S.p.A.

FINCANTIERI SUPPLIERS

An e-procurement system is available (www.fincantieri-suppliers.com) with which Fincantieri and the system-enabled suppliers communicate quickly and environmentally.

The system is used for:

- requests for offers, which are made available to selected suppliers in digital format, to which they can respond by sending their economic and technical offers on the same platform;
- purchase contracts, which are digitally signed and made available electronically to suppliers who in turn can accept them directly on the system without printing and sending paper to Fincantieri.

Using the e-procurement system saves a lot of time, transport costs (and related emissions of CO₂), printing and use of paper throughout the procurement process.

SUPPLIER MONITORING



Fincantieri ensures **monitoring** of performance that allows suppliers to maintain their qualified status and manages any critical issues. Systematic monitoring of the performance of qualified suppliers is carried out through specific scorecards. A supplier remains qualified as long as the reasons for its inclusion in the Register of Suppliers continue to exist and until the monitoring of its performance is considered critical to the point of expulsion. The supplier portfolio is recognized as an important asset of the entire Company. Therefore, the procedure for managing the Register requires that the main problems are examined through cross-involvement within **Supplier Oversight**, the body that gathers the different functions and business units of the company and takes decisions resulting based on examination of these critical issues. The supplier qualification and performance monitoring process is focusing increasing attention on aspects related to safety and protection at work

Fincantieri is sharing with its suppliers an improvement and optimization path for the procedures that regulate subcontracts, to create a **greater responsibility of the subcontractor** and guarantee growth for the supplier and a higher quality of the activities carried out for the Company. In this regard, the Fincantieri-supplier relationship is governed in such a way as to eliminate any conflicts of interest. Fincantieri is working to avoid situations of dependency with its suppliers, aiming not to operate under any supply monopoly in the same product segment.



both in the document collection phase and in the inspection phase at the supplier's premises. It evaluates elements such as the technical/professional suitability of the company under examination, the regularity of contributions and remuneration of employees, the existence of a structure dedicated to occupational safety, etc. A preliminary analysis is carried out before any supplies or services are received from the suppliers. There are also a series of specific checks, carried out by the competent site structures, to verify compliance with the above obligations by suppliers from the time they enter the factory until the activity is completed.

Management of contracting companies

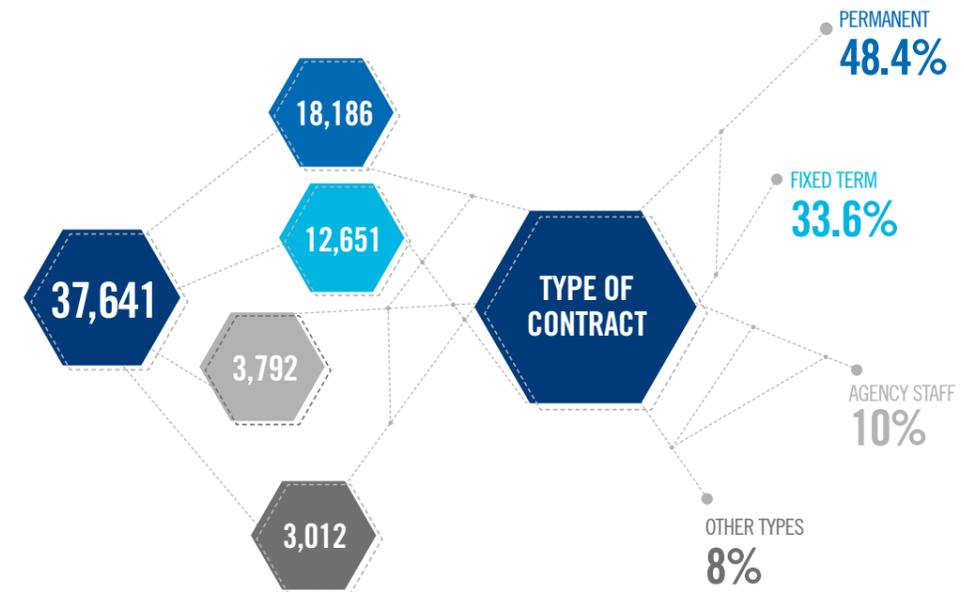
The participation of the resources involved in company business processes and the sharing of common principles, behaviours and objectives are fundamental for achieving continuous improvement in the production Fincantieri model. In this regard, the consolidation of the relationship with suppliers and, as a result, a joint commitment to continuity is of primary importance. This possibility helps both sides to better understand and share the processes of change, to refine the relational dynamics and consequently align their behaviours. This also applies to workers engaged in contracted activities, for whom a reduction in turnover is desirable. This objective was shared at the trade union level and implemented in the most

recent company agreements. In order to provide the sector with a pool of qualified local resources which suppliers can draw on, regardless of who acquires the individual contract, the Company has shown its transparency by also signing a series of agreements with leading work agencies. The prospect of stabilizing the supplier base, as far as possible, pursuing long-term partnerships characterized by transparency and collaboration, and continuity in terms of worker presence in the areas involved at individual production sites, also meets the expectations formulated by some institutional stakeholders, who see in these elements the prerequisite for a better scaling of infrastructures and social services, as well as for identifying appropriate integration policies. Some key indicators have been identified in order to monitor these phenomena: supplier turnover, employee turnover, employment contract type and geographical origin of the contracting companies' personnel. The findings that emerged during the year provide a revealing picture: from January to December 2017, **2,090** companies entered the Company's Italian shipyards, of which 830 were not present at the beginning of the year.

In the same period, the shipyards hosted **37,641** employees of contracted companies, mainly Italian nationals (51.6%) or coming from EU countries (22.4%). Non-EU citizens totalled

20.5%. In the field of employment relationships, permanent contracts accounted for 48%, while fixed-term contracts exceeded 33%. Staff leasing contracts equal 10%.

NUMBER OF CONTRACTING COMPANY WORKERS



The most prevalent ethnic groups (excluding Italians) were Romanians (16.9%) and Bengalis (14.6%).

ORIGIN OF CONTRACTING COMPANY WORKERS



PERIOD	No. OF COMPANIES PRESENT IN ITALIAN SHIPYARDS IN THE MONTH	No. OF OTHER COMPANIES THAT ENTERED IN THE SUBSEQUENT MONTHS	No. COMPANIES THAT ENTERED ITALIAN YARDS IN 2017
January 2017	1,260 (A)	-	2,090 (A+B)
February - December 2017	1,219	830 (B)	-

The data refer to FINCANTIERI S.p.A.

The data refer to FINCANTIERI S.p.A.

CHARACTERISTICS AND MANAGEMENT OF THE SUPPLY CHAIN OF FOREIGN COMPANIES

Fincantieri Marine Group: supply chain

Fincantieri Marine Group (FMG) is one of the leading manufacturers of medium-sized ships in the United States and operates for civilian customers and government agencies. The US Government is the main customer of Fincantieri Marine Marinette (FMM) and requires high quality, high performance goods and services provided by suppliers with proven experience. In order to fulfil the objectives of Congress, the Company supports small and medium enterprises in selecting its suppliers, in particular those run by women, economically and socially disadvantaged individuals, veterans, and companies that are part of the Historically Underutilized Business Zone Program (HUB zones). Founded in 1997, the HUBZone Program aims to promote economic development and employment growth in disadvantaged areas, helping small businesses located in these areas through privileged access to opportunities in the public procurement sector. In 2017, 1,094 suppliers received a purchase order from FMM, almost 100% of which are located in the United States, with almost 52% in Wisconsin and over 51% small businesses. With the exception of indirect purchases, almost all purchases are managed directly with the manufacturer, unless it is necessary to go through an agent or there is a cost advantage in resorting to a wholesaler or distributor. All suppliers working in the government programme are required to sign a specific Non-Disclosure Agreement (NDA) and are selected according to a **specific procedure** which defines the process and the methods to guarantee the selection of suppliers based on criteria of quality, technical capability, delivery times and continuous improvement. The goal is to select a supplier able to sustain

the programme, seeking the best compromise in terms of price and quality, in order to support the business and satisfy the customer. Specific **audits** are carried out on suppliers, which are also subjected to reassessments. In particular, when a supplier does not maintain the capabilities and qualities that led to its enrolment in the register and becomes critical to the FMM business, it is expelled from the list of usable suppliers. The purchase process is defined through various procedures that describe all the steps that must be followed to issue a purchase order according to the needs of FMM. Suppliers are selected according to various criteria, starting from their experience in the marine sector. Other additional factors that are considered include: estimated cost, purchase frequency, size, position, shipowner's recommendations, customers, other suppliers, recorded non-conformities and visits to production sites, if required before starting the work. An orientation course is provided to suppliers performing services in shipyards before the works begin, to verify that they meet certain insurance requirements. They also carry out shipyard safety training courses and are familiarized with the correct contact representatives within the Company, in order to ensure an appropriate communication flow. The procedure followed for requests for offers/quotations begins with the development of a list of suppliers that are able to guarantee the supply and meet all the working, environmental and government requirements as per FMG terms and conditions. For complex systems or larger services, the supplier subscribes and accepts the supply purpose and certain technical specifications.

SUPPLIERS BY PRODUCT CATEGORY

PRODUCT CATEGORY	2017	
	No. OF SUPPLIERS	VALUE OF ORDERS ISSUED BY CATEGORY IN €
Supply	588	82,616,772
Procurement and services	378	41,884,472
Turnkey	36	27,892,039
Raw materials	92	14,098,003
Total	1,094	166,491,285

SUPPLIERS BY GEOGRAPHICAL AREA

COUNTRY/GEOGRAPHICAL AREA	2017	
	No. OF SUPPLIERS	VALUE OF ORDERS ISSUED BY COUNTRY/AREA IN €
Italy	1	867
Rest of Europe	8	3,862,187
North America	1,084	162,554,274
Asia	0	0
Oceania	0	0
South America	1	73,957
Africa	0	0
Total	1,094	166,491,285

The data refer to Fincantieri Marine Group.

VARD Group: supply chain

Approximately 78% of VARD Group suppliers are located in Norway and another 16% in the rest of Europe. The selection criteria used are based on the maker list, but also on supply history and previous purchasing experiences. The most used suppliers are attributable to companies in the VARD Group, representing 53% of the total value of 2017 purchase orders.

Turnkey contracts are the most commonly used type of purchase orders, followed by materials and equipment. Together they represent 79% of the total orders issued by the group. Purchasing management is entrusted to the Alesund headquarters, while purchase plans are managed by the procurement teams of the various sites. The numbers relating to suppliers and other data on purchase orders are described in the following tables.



SUPPLIERS BY PRODUCT CATEGORY

PRODUCT CATEGORY	2017	
	No. OF SUPPLIERS	VALUE OF ORDERS ISSUED BY CATEGORY IN €
Supply	578	428,983,760
Turnkey	58	289,549,817
Procurement and services	383	191,811,294
Investments	32	7,603,520
Total	1,051	917,948,391

SUPPLIERS BY GEOGRAPHICAL AREA

COUNTRY/GEOGRAPHICAL AREA	2017	
	No. OF SUPPLIERS	VALUE OF ORDERS ISSUED BY COUNTRY/AREA IN €
Italy	476	419,872,443
Rest of Europe	418	371,900,116
North America	1	668,386
Asia	99	60,739,296
Oceania	0	0
South America	57	64,768,151
Africa	0	0
Total	1,051	917,948,391

The data refer to the VARD group.

Goods and services are purchased from suppliers who can guarantee specific quality levels. Suppliers must be selected from those that have been registered as approved suppliers (maker list) through a direct evaluation or an evaluation by other companies within the group. For activities relating to the cruise sector, a new market segment for VARD, the central purchasing management team also uses qualified suppliers approved by the Parent Company. Providers who work for VARD Group first receive safety and training courses, available in 5 different languages.

The acquisition of goods and services is based on technical and commercial information. Requests for proposals are sent to the possible suppliers, and after the technical and commercial approval, a winning supplier is selected. A contract/agreement is signed and a purchase order is issued. Purchase orders are issued on two complementary systems, through which the entire procurement process is managed: production specifications, order approval processes, delivery times and payment conditions.





COMMUNITY



- OUR INITIATIVES
- THE FINCANTIERI FOUNDATION

The activities and the commitment of the Fincantieri Group generate social value and contribute to the development of communities

Developing relationships with communities where Fincantieri Group is present has always been one of its priorities. In its areas of operation, the Group is an important local reference point, and over time it has built a solid relationship of collaboration with the shared goal of creating value and opportunities for growth and development. The activities involving local communities are spread over various areas, from social and recreational to cultural and sporting. As evidence of the priority given to the relationship with local communities, the Parent Company includes in its organizational structure the Central and Local Administration Relations function, which interacts with Public Administrations, associations and committees in order to channel the requests from and to the local areas. Fincantieri is deeply aware that each shipyard has its own social characteristics, closely linked to the territory in which it operates.

OUR INITIATIVES

Fincantieri has identified various areas of intervention and tries to contribute actively to each initiative. In 2017, approximately € 2.8 million was invested in donations, membership fees, gifts and non-repayable investments.



Social area

The Group seeks to support and involve local communities and the local area through many social initiatives aimed at:

- fostering employment and integration;
- enhancing diversity and supporting the vulnerable;
- promoting education programmes;
- protecting health and promoting research.

Fincantieri offers donations to support various organizations, including:

- **FIABA Onlus** (Rome) - non-profit organization that promotes the elimination of all physical, cultural, psychological and sensory barriers, for the dissemination of a culture of equal opportunities in favour of an environment with total accessibility and usability.
- **Amateur Sports Association CALICANTO Onlus** (Trieste) – engaged in integrated projects for young people with disabilities.
- **Goffredo de Banfield Non-Profit Onlus Association** (Trieste) – whose primary objective is to enable elderly people who are not self-sufficient to stay as long as possible in their homes, with the best possible quality of life.
- **Workers Moral Religious Assistance Foundation** (Genoa) – engaged in works of religious and social support for workers. Since 1943, occupational chaplains have had a guaranteed presence in factory environments.
- **Italian Association for Cancer Research** (AIRC) - support for research on paediatric tumours in place of a part of the corporate Christmas gifts. Every year the association guarantees funding to over 110 Italian research institutes involving about 5,000 Italian and foreign researchers.
- **Masters of Labour Federation of Italy** (Provincial Consulate of Trieste) - one of the main purposes of the Association is to



promote and raise the moral value of the collaborative contribution of the Masters of Labour in society and in work environments.

- **Giuseppe Verdi Opera House Foundation** (Trieste) - one of the 14 opera/symphonic foundations to which the Italian State has entrusted the tasks of conservation, enhancement and promotion of opera and symphonic music. It also serves as an economic driver, giving employment to over 250 workers.

Art and ingenuity through reuse

Ricrearti is a training and job placement project that involves unemployed or disadvantaged people, through which Fincantieri has created gadgets by reusing promotional materials that are no longer usable and are otherwise destined for disposal. Fincantieri, together with Ricrearti, wanted to combine art and ingenuity in social and environmental terms, in line with the Company's own sustainability policy. This initiative produced:

- 400 keychains;
- 30 PVC shopping bags;
- 200 folders for documents;
- 200 pouches for documents;

- 100 business card holders. The gadgets were included in the 2017 Christmas gift catalogue, and the foundations for continuing this collaboration for 2018 have already been reconfirmed.

Food Bank Agreement

On 15 December 2017, at the Sestri Ponente shipyard, an agreement was signed between Fincantieri, the Non-Profit Food Bank of Liguria Onlus and the I.F.M. S.p.A. food goods supplier. Starting from 2018, the food surpluses of the plant's canteen will be recovered through of the Food Bank network solely for social solidarity purposes.

Furthermore, through its companies, the **VARD Group** promotes many initiatives related above all to social and educational/cultural issues. In Norway, VARD actively supports young people who want to have new experiences, for example encouraging students to participate in the Erasmus project, the European Union's mobility programme for education, training and sports (as part of this programme, a Norwegian apprentice worked for a period in the Fincantieri shipyard in Monfalcone). VARD has been collaborating with a number of volunteer organizations for many years.

A pilot project was promoted in 2017, sponsored by national television, which saw some volunteer Company employees involved in raising funds to construct a building. In Romania, where VARD has the two shipyards, VARD Braila and VARD Tulcea, the Company supports foundations, associations and schools committed to supporting the elderly, people with disabilities and young people. The initiatives include:

- support through the donation of funds to the Tulcea hospital;
- contribution to the Dunarea de Jos University to purchase specialized software for the naval hydrodynamics laboratory and establish some student scholarships;
- creation of a corporate library to encourage reading;
- donation of surplus food after sea trials to the Red Cross, to be distributed to the elderly in need.

VARD Vung Tau in Vietnam offered financial aid to 141 families in 10 provinces of central Vietnam hit hard by storm Damrey in November 2017.

Social engagement is a cornerstone for the American subsidiaries, which are active in various charitable initiatives and support for local non-profit organizations dedicated to children and young people. Employees are involved in a series of events (around 10 a year) that involve fundraising and donations.

The subsidiary **Fincantieri Marinette Marine** established collaboration initiatives with local schools to raise students awareness of the importance of the manufacturing industry.

Recreation area

Some notable recreational initiatives include:

Ship delivery event

Ship delivery events represent a particularly important occasion. They are an opportunity for the Company to celebrate with all its employees the achievement of an important goal. These events are organized both for deliveries to cruise ship owners and for the launch of naval vessels. In 2017, Fincantieri organized events for every cruise ship delivered during the year, which were attended by all those who worked on the construction of the vessels. These are opportunities to celebrate the completion of a job that lasted many months, and in addition to the employees, these events are also shared with the suppliers and the community. All the ceremonies include a Workers' Visit, during which the ship is opened up to the workers and external companies for a visit to the public areas. 2017 also saw the introduction of a new event dedicated to children. This first edition of Bimbi a Bordo [Children on Board] was organized onboard two cruise ships, Majestic Princess and MSC Seaside. The event was dedicated to all the children of employees from Fincantieri and



the external companies aged between 4 and 11, allowing them to board and see the ship built by their family members. A theatre show was also offered by the shipowner and created expressly for them. The Company was very committed to this initiative, which involved a total of about 1,800 children and 900 parents for the visit to the two ships. Moreover, the MSC Seaside ship was also opened up to a group of 16 disabled people with a companion from UNITALSI of the Gorizia chapter and about eighty former workers from the local section of the Associazione Nazionale Lavoratori Anziani (ANLA) [National Association of Elderly Workers].

Visits to the shipyards

During the year, the Monfalcone shipyard in Italy and the Norwegian shipyards VARD Brevik, Langsten and Bratvaag hosted high school and university master's students, who were shown the naval production process, with appropriate explanation.

In February 2017, the "Small feet, curious eyes and oversize helmets" initiative involved the children of the Søvik kindergarten who visited the VARD Søviknes shipyard. From there, they boarded an offshore support vessel for very unusual day out.

Company clubs

All the social units of Fincantieri present in Italy feature a Company Club where employees and retired former employees can engage in recreational, sporting and cultural activities. The premises of the company clubs, the staff in charge of the administrative management and the economic resources necessary for their maintenance are predominantly provided by Fincantieri, as a result of agreements with the trade union representatives. In 2017, more than 16,000 registered members benefited from the activities of the 8 company clubs at national level, of which approximately 9,000 were current and former Fincantieri employees.

The foreign subsidiaries also offer recreational activities. The VARD Group encourages its employees to travel and explore the Norwegian territory also through hiking competitions. In the United States, Fincantieri Marine Marinette's employees and their families are involved each year in the annual Christmas tree lighting ceremony.

Scientific area

Fincantieri participates and sponsors activities to disseminate research and innovation through the development of scientific and educational projects and open dialogue with experts in the field:

- **European Turbomachinery Conference** (Stockholm/Sweden) - one of the most important conferences in the world in the field of fluid dynamics for turbomachinery with application also in the naval field. Fincantieri presented the results obtained from the research and development of the supersonic flows of steam turbines that it produces.
- **Future Surface Fleet** (Portsmouth/England) - conference on new technologies applied to military ships.
- **The radar and electro-optical signature of modern naval vessels: significance, methods for control, and technological developments** (University of Pisa - Department of Information Engineering) - analysis of specific topics related to radar and infrared signatures.
- **International School of Advanced Studies** (Trieste) - as part of the Summer School initiative, Fincantieri held a series of lectures at this advanced training school.
- **International symposium on the developments in the design, construction and management of high-speed vessels** (University of Naples Federico II - Department of Industrial Engineering, Naval Section).
- **Regional Seapower Symposium** (Venice) - symposium that sees the presence of the highest representatives of the world's biggest

Navies, members of industry and international organizations.

- **Science Festival Event** (Genoa) - promotion, enhancement and dissemination of scientific and technological culture, with a particular focus on scientific and technological resources of the Liguria region.
- **Trieste Next** - Festival of Scientific Research - an event that promotes dialogue and debate among the most representative personalities in the field of scientific and applied research, as well as innovative companies.

Sports area

Barcolana

For many years now, Fincantieri has supported the Barcolana, a historic international sailing regatta that has been held for 50 years in the Gulf of Trieste, on every second Sunday of October. With a busy schedule of around 350 events, capable of attracting over 200,000 people and focusing a lot of attention on Trieste and Friuli Venezia Giulia, the Barcolana is a natural driver for brand promotion. Specifically, the Fincantieri Cup sees world-class crews racing on board high-tech ships. Foreign subsidiaries are very active in supporting sports initiatives. The Brazilian shipyard of VARD Promar sponsored a Paralympic swimmer through the Bolsa Atletas state programme.



THE FINCANTIERI FOUNDATION

Founded in March 2008, the Fincantieri Foundation aims to promote the recovery and protection of the Company's historical heritage, consisting of historical documents relating to naval, military and civil constructions and products of industrial archaeology.

The Foundation intends to sustain the business culture in a continuous, organic and authoritative way, giving space to the way of thinking that joins together concrete industrial experience with historical memory. The intention is to act as a supporting element among national institutions dedicated to safeguarding business culture. The Foundation is a non-profit organization that also pursues social solidarity goals, promoting cultural initiatives and activities aimed at achieving welfare, education and support for citizens, dedicating part of its resources to the promotion of studies, research and conferences in the cultural and scientific field. These aims represent a significant and consistent vehicle of the Company's social function in its local area and in the debate on civil and economic society of our day. Through its activities, the Foundation has enabled the recovery of tens of thousands of publications, technical drawings and images related to the industrial production of ships, documents that have been produced in Italian shipyards since the late nineteenth century. By participating in conventions, exhibitions and conferences the Foundation has contributed to disseminating and promoting the historical heritage of Fincantieri, ideally positioning itself between the world of culture and the world of business. During 2017, the Fincantieri Foundation continued to promote social initiatives and give further impetus to its institutional activities, marking its presence in activities promoting the cultural heritage, with editorial works, thematic exhibitions, theatrical performances as well as participating in conventions and conferences. The initiatives supported by the Foundation are as follows:



- 25 Years of the Destriero, photographic exhibition, Cantiere della Memoria alle Grazie, La Spezia.
- Metamorphosis exhibition. From liners to cruise ships - Monfalcone Contemporary Art Gallery and Fincantieri Wartsila Recreational Club, Trieste.
- 100 years of Porto Marghera industrial exhibition, Vega Centre of Marghera.
- Barcolana 2017, Research and Innovation Space, Salone degli Incanti in Trieste.
- 90 Years of the Panzano district, Monfalcone Contemporary Art Gallery.
- Another World. Meeting with the film director Thomas Torelli, Gallery of Modern and Contemporary Art, Rome.
- Atlantic Lightning. The feat of the Destriero, Lerici.
- Republication of the book Michelangelo and Raffaello by M. Eliseo and S. Baldini, with a preface by the Fincantieri Foundation.
- Contribution to the making of the celebratory video for the 25th Anniversary of the feat of the Destriero.

ENVIRONMENT AND CLIMATE CHANGE



- ENVIRONMENTAL MANAGEMENT SYSTEM
- ENVIRONMENTAL ASPECTS
- ENVIRONMENTAL INVESTMENTS

Navigation is about the sea and Fincantieri has a natural bond with this element: a profound awareness that binds us to follow the rules of environmental friendly, safe and sustainable growth

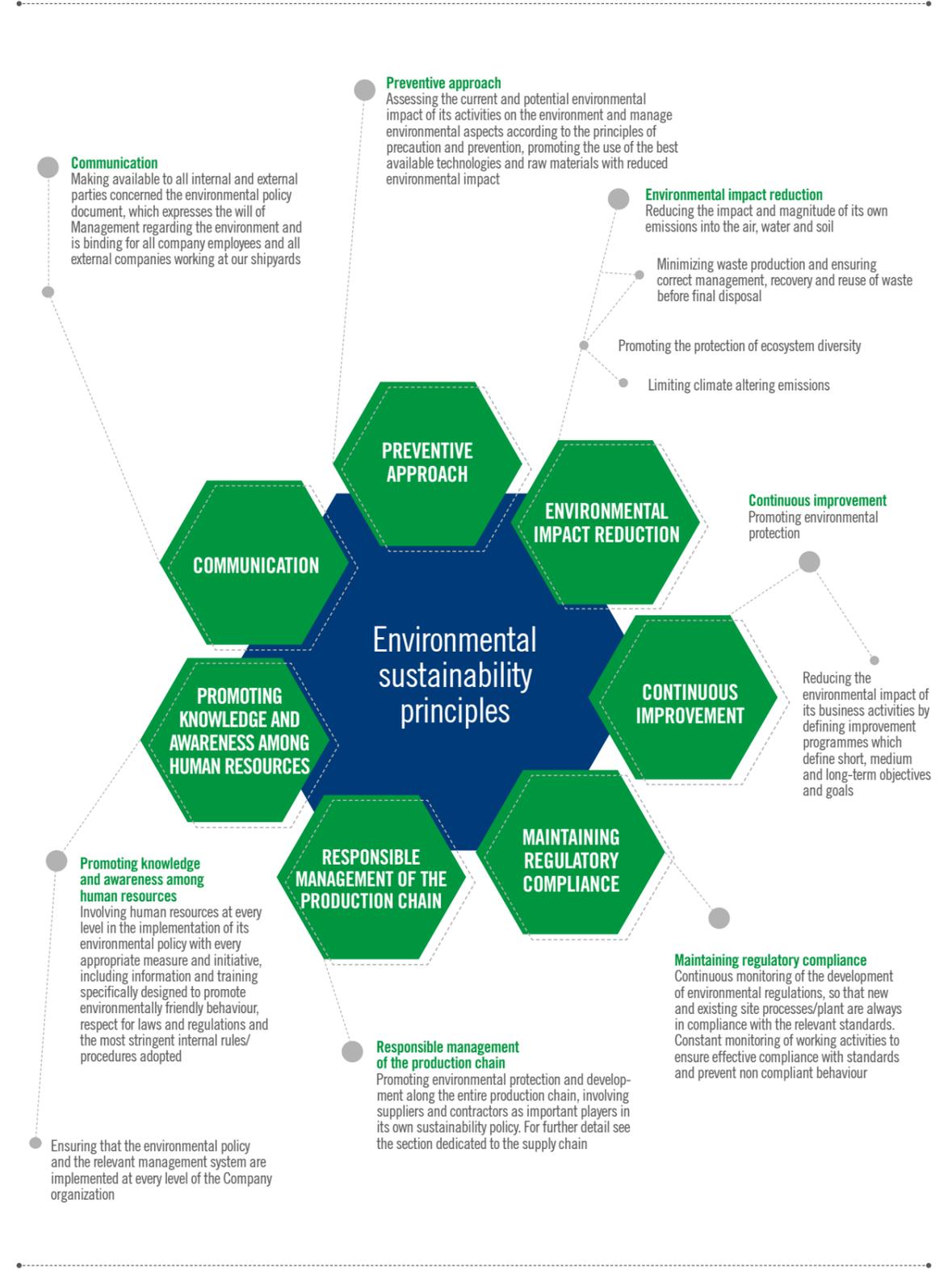
Environmental threats dominate the panorama of global risks: extreme weather, natural disasters and the failure to implement adequate measures to mitigate and adapt to climate change are considered the most likely threats for the next ten years. Fincantieri is aware of its environmental responsibilities and is committed to safeguarding natural resources and integrating the principles of environmental sustainability in its strategic choices and business processes in the short, medium and long term. As proof of this commitment, in 2016 Fincantieri joined the **CDP Climate Change Programme**, a prestigious British organisation subscribed to by 827 investors throughout the world, with \$100 trillion under its management, which aims to use transparent disclosure as a lever for improving environmental risk management. The Group is also bound by laws and regulations to protect the environment and people's health by imposing limits on atmospheric emissions, discharges into water and soil and setting rules for the treatment of hazardous waste and the reclamation of any polluted sites.

ENVIRONMENTAL MANAGEMENT SYSTEM

Environmental policy

Fincantieri is aware that its level of responsibility is judged by its ability to combine, in its work, professionalism and quality with strict respect for laws and consideration for the needs and expectations of the community in relation to the protection of public goods. Fincantieri wants to represent

a model of excellence also in terms of maximum environmental protection. To manage the more significant environmental aspects and prevent its business having an environmental impact, Fincantieri is committed to implementing and maintaining an Environmental Management System and obtaining the relevant certification in accordance with international standard ISO 14001 at its sites. In 2017 the Italian sites that had already obtained certification (Muggiano, Riva Trigoso, Ancona, Naval Ships Department, Arsenale Triestino San Marco, Marghera, Castellammare di Stabia, Sestri Ponente) and which continue to be monitored by the certification body, RINA, were joined by Monfalcone and the Merchant Ships Department. The Palermo plant also implemented its own management system in accordance with the requirements of ISO 14001, with the aim of starting work on certification in 2018 with the conduct of a Stage 1 audit by RINA. With regard to foreign subsidiaries, in 2017 the US site of Marinette obtained ISO 14001 certification and within the VARD Group, the shipyards VARD Braila, VARD Tulcea in Romania and VARD Vung Tau in Vietnam were certified.

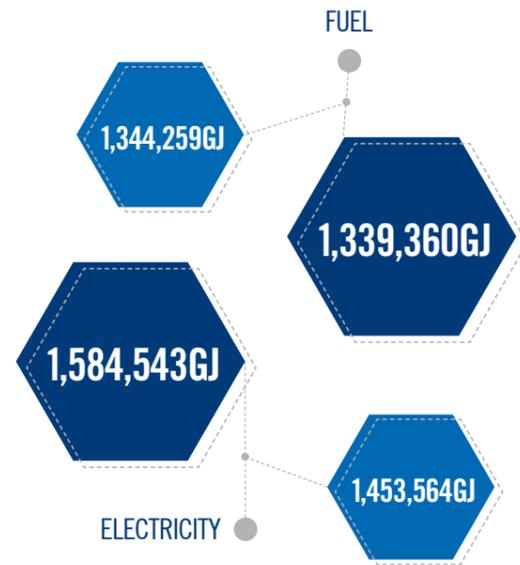


ENVIRONMENTAL ASPECTS

Energy

Energy efficiency and saving are priorities for Fincantieri, which is committed to progressively improving its energy performance to obtain greater efficiency and guarantee the sustainability of its activities. Most of the Group's energy use is in shipyards where, in addition to the direct consumption of the production machinery and equipment, significant consumption is linked to the services required for safe production in optimal conditions, such as ventilation equipment, lighting and compressed air system. The other type of consumption worthy of note is the fuel used on board for operating tests when the ship is being delivered.

ENERGY CONSUMPTION (GJ)



The data relate to the Fincantieri Group.

2016 2017

The figures have increased over the previous year due to increased production volumes.

The Parent Company, in line with the gradual process of raising production efficiency, following various improvement initiatives already put in place in recent years and also in accordance with European and national energy legislation, has created an organisational unit and process for annual site **energy diagnosis** and the identification of improvement plans aimed at the continuous improvement of company energy performance. In 2015 the unit enabled legal obligations connected with the implementation of European Directive 2012/27/EU to be met and 2016 saw the start of a gradual process aimed at better definition of individual site performance and programming of improvement actions linked to capital expenditure and managerial measures to reduce consumption. In particular action was taken to **raise awareness** concerning the correct use of energy resources in offices and, subsequently, with pilot initiatives, in some shipyards. These were focused on coordinating production units to reduce or contain energy consumption. During 2016 and 2017, in parallel with analysis activities, the first **energy efficiency** measures were piloted, with a particular focus on the replacement of lighting systems with LED technology (Riva Trigoso and Marghera). Further measures to improve energy efficiency involved the compressed air generation plant (rebuilding and automation of the compressed air plant at Monfalcone). In line with the Parent Company's approach, the foreign subsidiaries also started initiatives targeted at both a reduction in energy consumption and the implementation of more efficient technologies. Specifically at the US production sites a full-scale campaign to replace lighting with LED technology was

launched and automatic switching off systems were installed for the ventilation, suction and air conditioning plant. Purchase and production of energy from renewal sources is not currently significant at any site.

Water

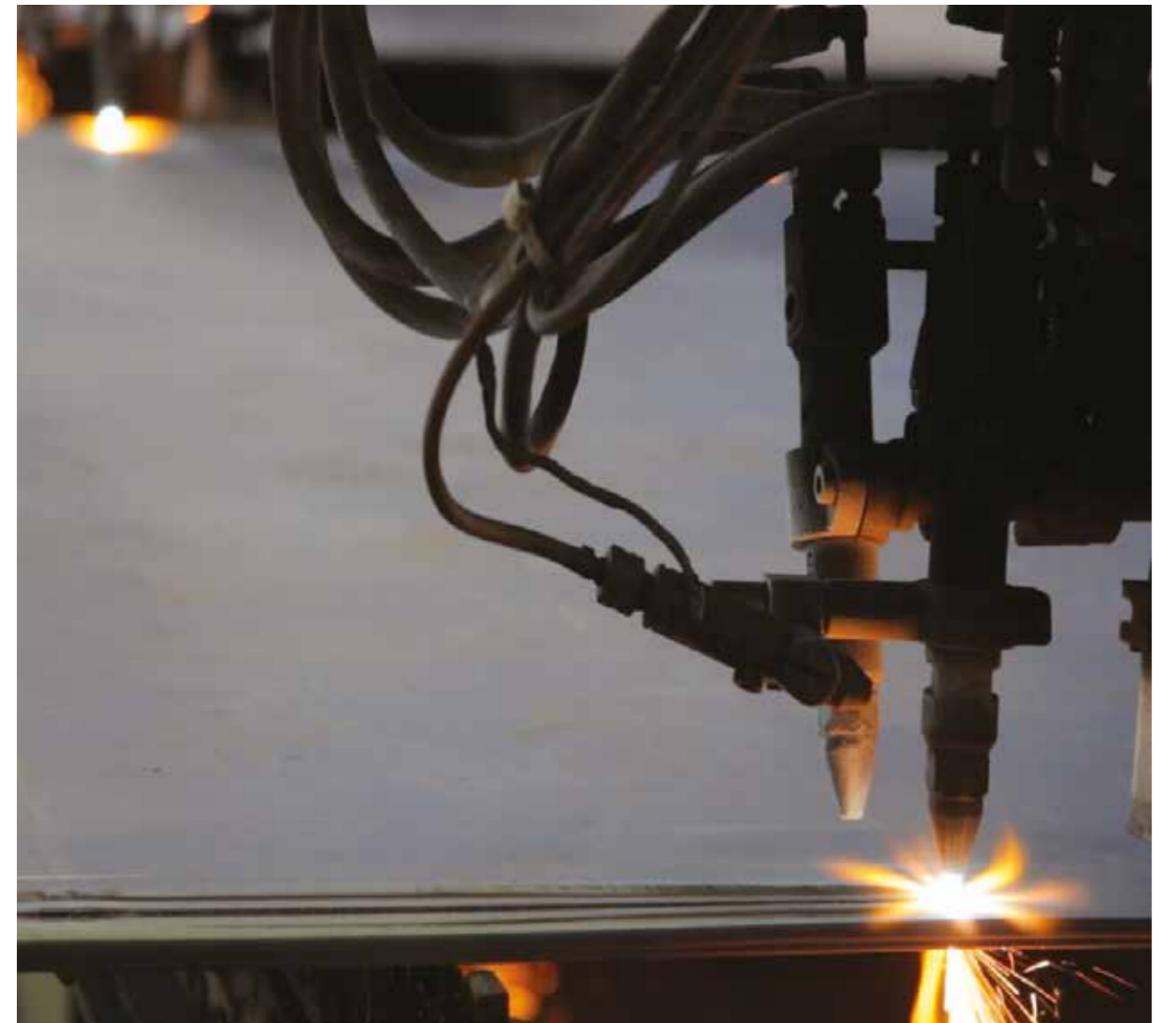
Responsible water management is also an important issue for the Group, which monitors its consumption of water during the production cycle and provides for initiatives to promote virtuous and eco-sustainable behaviour also in the offices, with everyday actions.

WATER CONSUMPTION (THOUSANDS OF M³)

TOTAL WATER	3,093 m ³	3,124 m ³
WITHDRAWALS FROM URBAN WATER TREATMENT PLANT	347 m ³	395 m ³
WITHDRAWALS FROM THE SEA	-	-
WITHDRAWALS FROM WELLS	1,230 m ³	1,312 m ³
WITHDRAWALS FROM INDUSTRIAL WATER SUPPLY	21 m ³	32 m ³
WITHDRAWALS FROM AQUEDUCT	1,366 m ³	1,516 m ³

The data relate to the Fincantieri Group.

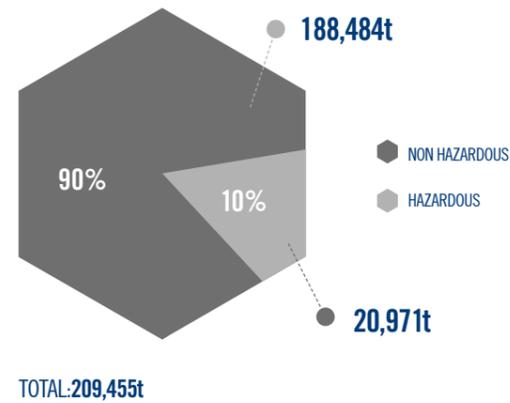
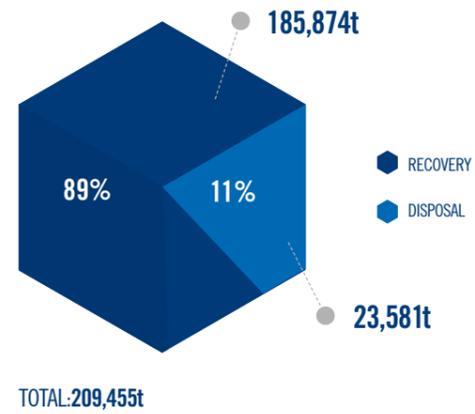
2016 2017



Waste

The Parent Company has prepared a specific company procedure for the collection of machining residues and waste disposal, which sets out the criteria to be adopted for the removal of materials and product residues during shipbuilding and guidelines on responsibilities and procedures. In Italian sites the percentage of **waste recovery** is about 80%. For the VARD Group the **recycling** of waste is a priority; in 2011 a regulation was introduced on the management of waste and the Group continues to record an increase in the amount of waste recycled, which has risen from 65% in 2012 to over 90% in 2017. In the United States the Marine Fincantieri Group has specific waste management policies and procedures and aims to continuously improve its waste management processes. By monitoring waste produced, the organisation is able to ensure that all the material for recovery is collected and managed correctly, seeking innovative solutions for reusing scrap materials, like wood, for which the recycling percentage is about 40%. Fincantieri Marinette Marine is also reviewing the waste management process in order to reduce the quantity sent to the dump, aiming to increase the quantity of waste treated using **energy recovery** processes.

WASTE BY DISPOSAL METHOD



..... The data relate to the Fincantieri Group.

Raw materials

The main raw materials consumed by the Group consist of:

- steel for the hull;
- copper for the electric wiring and automation;
- steel, iron, plastics and other iron and non-iron alloys for the piping installed onboard;
- welding material, paints and primers.

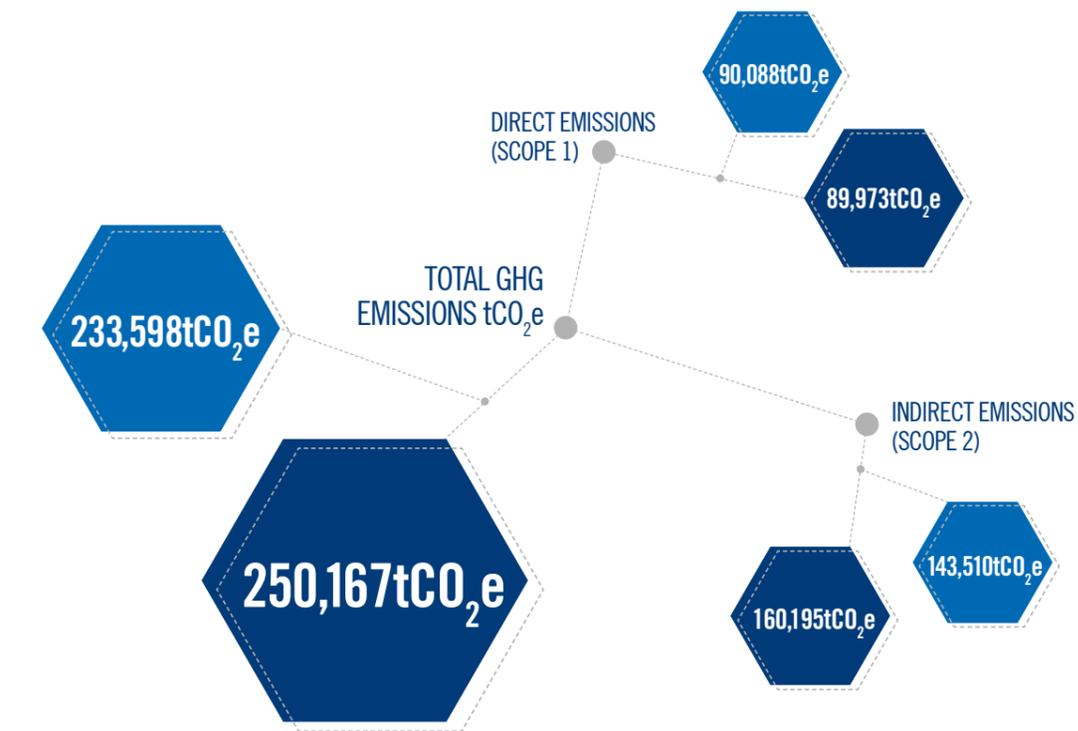
Greenhouse gas emissions

The Fincantieri Group constantly monitors its emissions of greenhouse gases (GHG) with the aim of achieving continuous improvement in terms of impact. At the level of initiatives to reduce emissions of carbon dioxide (CO₂), the most important ones, starting from 2015, are the measures taken to **reduce losses from networks** for the distribution of CO₂ (used in welding) and the implementation of plans to construct **electricity supply** points to service ships under construction or maintenance, to limit the need to produce energy using the on-board systems. In relation to the last point, there has been a progressive start-up, since 2015, of new 50/60 Hz frequency conversion systems to supply ships in the Ancona, Muggiano (SP) and Sestri Ponente (GE) shipyards.

The VARD Group has put into operation similar systems at the Norwegian Brattvaag, Langsten and Aukra shipyards. The Norwegian Group is always sensitive to these areas and is continuing to carry out research into new methods to improve its own practices and to minimize the emissions resulting from industrial activities. The Group's commitment is also demonstrated by its participation, since 2008, in the Confederation of Norwegian Enterprises' NOx-Fund, whose primary objective is to reduce emissions of greenhouse gases.



GHG EMISSIONS (tCO₂e)



■ 2016 ■ 2017

 Scope 1: Direct emissions, from sources owned by or under the control of the Group.

 Scope 2: Indirect emissions from electricity consumption.

 The data refer to the entire Fincantieri Group.

 The emissions have been estimated following the guidelines of the Greenhouse Gas (GHG) Protocol and using the emission factors of the World Resources Institute (WRI), the higher institute for environmental research and protection (ISPRA), the Intergovernmental Panel on Climate Change (IPCC) or International Terna Comparisons 2014/USA.

Corporate Mobility

As regards Company transport, Company policy gives priority to the use of **public transport** whenever this is possible and does not create excessive difficulties for travel, thus avoiding recourse to car use. As for transport for the supply of materials, deliveries are managed centrally to reduce the number of vehicles needed to meet production requirements. In the United States Fincantieri Marinette Marine has implemented a **car pooling** policy to encourage employees to travel together, making travel more efficient. In addition **cycle parking** has been made available to provide employees with an alternative means of

transport. The use of company vehicles inside shipyards is limited.

Biodiversity

Fincantieri considers safeguarding of the natural value of the areas involved in its shipyard activities very important. To protect these places, which must be preserved, specific and special precautions are put in place in accordance with local legislation. The production sites in Muggiano (surface area of 147,000 m²), Riva Trigoso (surface area 173,000 m²) and Sestri (surface area 237,500 m²) are inside an International Marine Protected Area - Marine Mammal Sanctuary. Therefore activities linked to the flooding of

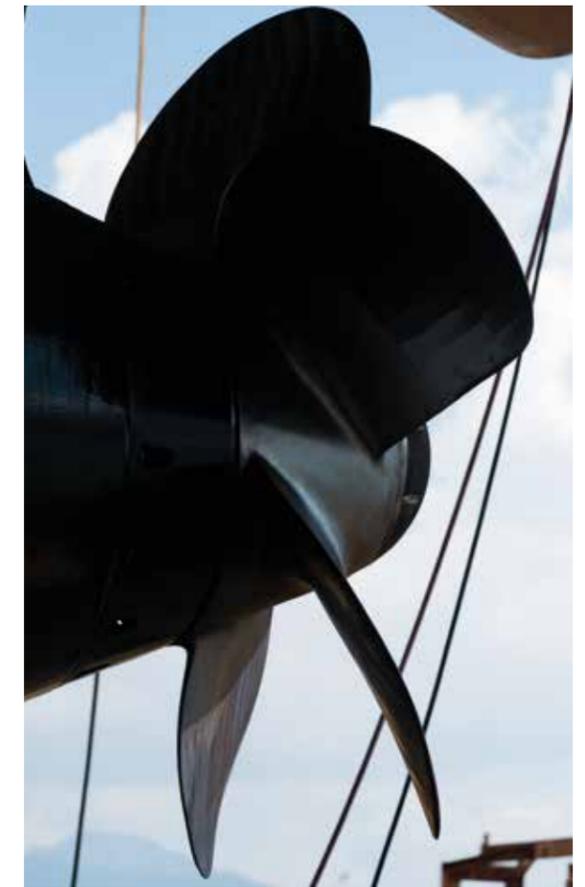
the dock, the production activities carried out on the quay and the sea tests may affect the protected area.



The protected area was introduced with the aim of protecting the following marine mammals:

The production site at Marghera (surface area 370,000 m²), which is on a natural lagoon, is considered part of the UNESCO site - Venice and its Lagoon, and therefore activities linked to the flooding of the dock, the production activities carried out on the quay and the sea tests may affect the protected site. In the United States Fincantieri Marinette Marine is positioned next to the Menomonee, in Wisconsin (for a surface area of 21,315 m²). The river in question is an area to be protected, especially due to the quality of the waters, the marshland and the ecosystem of aquatic flora and fauna. As regards the VARD Group, the Tulcea shipyard, in Romania, occupies a surface area of about 750,000 m², adjacent to the

Danube Delta, an area protected by UNESCO. The ISO 14001 certification, obtained in 2012, certifies the presence of the precautions required to safeguard the site. VARD Promar, in Brazil, occupies a surface area of about 800,000 m² and part of it (250,000 m²) is adjacent to the mangrove forest, considered by WWF to be a biome, that is, one of the fourteen major types of habitat into which the Earth is divided. Also in this case, specific and special precautions are put in place in accordance with local legislation.

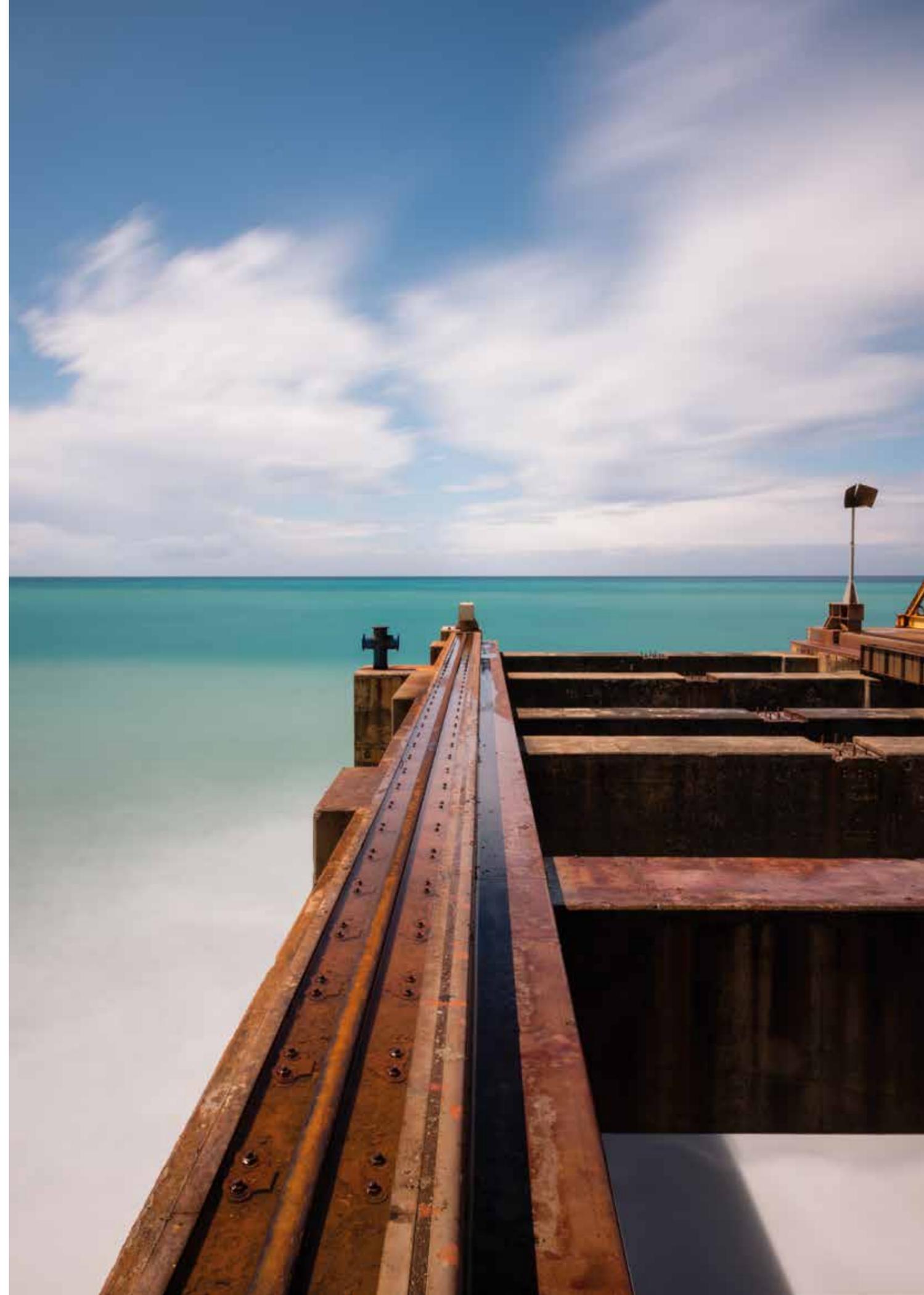


ENVIRONMENTAL INVESTMENTS

In 2017 the Fincantieri Group invested more than € 9 million in environmental protection. In particular, the Parent Company committed more than € 7 million to specific and innovative projects to reduce the environmental impact of its activities.



In relation to atmospheric emissions, during 2017 the Monfalcone shipyard completed construction of new facilities for sanding and painting of manufactured items in confined conditions. The design solution produced, with the adoption of extraction and post-combustion purification plant, is one of the best technologies available. This work is part of the wider improvement action undertaken at company level, which in recent years has also involved the Ancona, Marghera and Castellammare di Stabia shipyards, where similar systems have already been implemented. In terms of authorizations, at the end of 2017 the administrative process leading to the issue, for the Monfalcone shipyard, of the Autorizzazione Integrata Ambientale (AIA, Integrated Environmental Authorization) by the Friuli Venezia Giulia region was completed. This is the first of its type in the Company.





ANNEXS



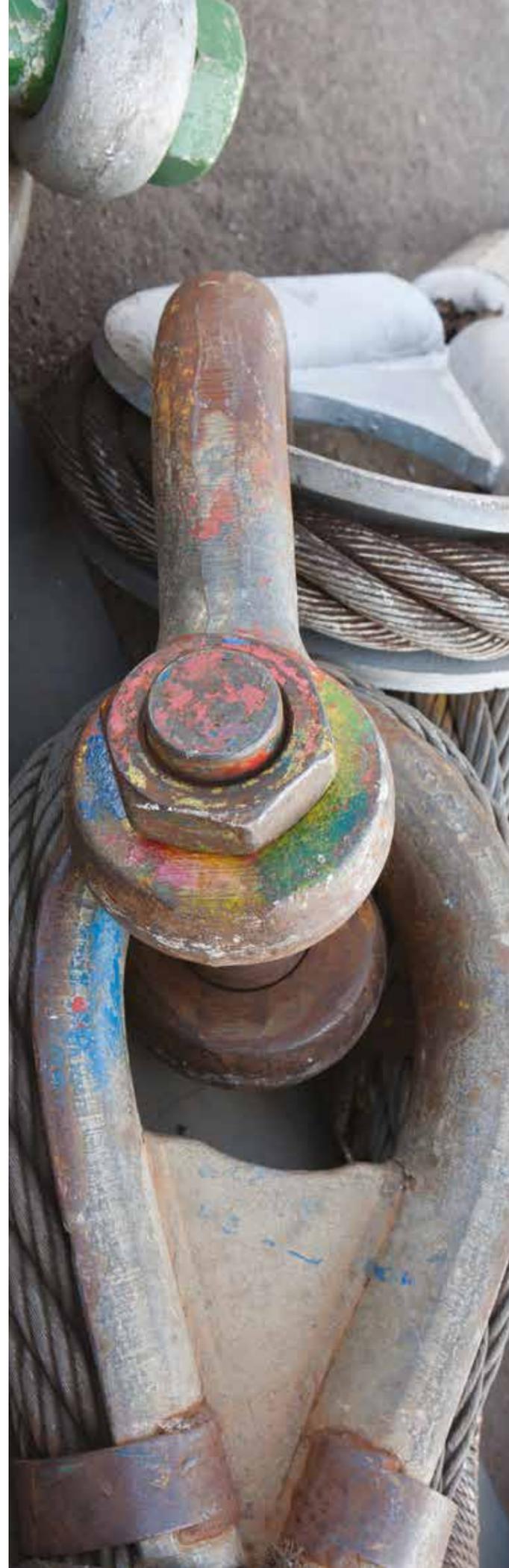
- METHODOLOGICAL NOTE
- DESCRIPTION OF MATERIAL AREAS
- GRI CONTENT INDEX
- INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

METHODOLOGICAL NOTE

The Consolidated Non-Financial Statement of the Fincantieri Group (hereafter also Sustainability Report), now on its first edition, is a communication tool that describes, in a transparent and structured manner, the economic, social and environmental results achieved, and demonstrates the Group's commitment to sustainable development, with the aim of creating value not only for itself, but also for its stakeholders. This document reports, to the extent necessary to ensure an understanding of the activities of the company, its progress, its results and its impact, in relation to the areas considered important and required by Article 3 of Legislative Decree 254/16, with reference to the 2017 financial year (from 1 January to 31 December 2017). As required by Article 5 of the Decree this document is a distinct report with the appropriate wording to identify it as the Consolidated Non-Financial Statement (NFS) required by the regulation. The Sustainability Report has been prepared according to the Global Reporting Initiative (GRI) Guidelines for sustainability reporting, G4 version, according to the "Core" option. For further detail on the information required by the GRI G4 Guidelines and the indicators reported, please refer to the table shown in the annex to this document. The contents reported have been included based on the results of the materiality analysis (see Materiality Matrix page 45), which allowed the material aspects to be identified, i.e. those which reflect the significant impacts for the organisation from an economic, environmental and social viewpoint, and which substantially influence stakeholders' assessments and decisions. It was also considered useful to provide, as part of this analysis, a comparison of relevant areas emerging from the materiality matrix with the best practices in the sector to

give a broad comparative picture. In order to standardize the reporting of the information and make it easier to relate to the contents indicated in the normative reference, for each theme evidence is given on its materiality in relation to Group activities, the risks connected with it, the Company's policies and commitments and the results obtained and monitored using ad hoc indicators capable of representing the results in terms of management. With reference to the requirements of Article 3, paragraph 2 of Legislative Decree 254/16, some information not considered relevant for an understanding of the company, its progress, results and impact has been excluded. The reporting boundary of the data presented in the Statement relates to the Companies fully consolidated (using the line-by-line method) in the consolidation area used for the consolidated financial statements. The main subsidiaries are: VARD, a Group based in Norway listed on the Singapore stock exchange, Fincantieri Marine Group LLC (FMG), Fincantieri Marine Systems North America Inc. (FMSNA), Isotta Fraschini Motori S.p.A., Marine Interiors S.p.A., and CETENA S.p.A.. Any changes in the reporting boundary specified above will be indicated in the relevant sections of the document. In particular, as regards the subdivision of personnel, the boundary does not include a marginal number of employees (11) belonging to foreign companies which carry out activities for the development of new business initiatives, for which no detailed information is available as data is managed in a way that is not integrated with the Group information systems. Moreover for the GRI indicators: EN1-Raw materials and LA14-Percentage of new suppliers assessed on the basis of work-related criteria, the boundary is reduced to just FINCANTIERI S.p.A. as there is no

common methodology available across the whole Group. The development of a common methodology will be the subject of a technical feasibility assessment in the short to medium term. Furthermore, in order to correctly show performance and guarantee the reliability of the data, the use of estimates was limited to the minimum possible and, if present, these are based on the best methods available and appropriately described. With regard to the analysis and description of the main indirect economic impacts associated with outsourcing of the production chain (G4 EC8), Fincantieri has used an econometric model developed by Censis (a Foundation recognized with Decree of the President of the Republic No. 712/1973). Based on this model, a better estimate was produced to represent the multiplier effects that Fincantieri is able to produce within the national economic system, based on the specific production and business model developed and pursued in recent years and the structure of the supply chain, with the relative levels of integration upstream of the production cycle for naval vessels. The economic values are expressed in euros (thousands and/or millions of euros). Sometimes the data are rounded to one decimal point or to a round number, and therefore their sum may not coincide exactly with the total value. The specification of the document contents involved an appropriately defined multifunctional Working Group, coordinated by the Administration, Finance and Control Department. To coordinate all the sustainability aspects a Sustainability Reporting unit was created, reporting to the Group Accounting and Administration function, which, in strict contact with the Sustainability Committee and with the aim of enabling a clear and precise indication of the information considered significant for stakeholders, identified the document contents according to the principles



of balance, comparability, accuracy, timeliness, clarity and reliability.

The reporting process is based on the current information systems used by the following company units in the different Group operating companies: management control, accounting, quality, environment, internal audit, safety, personnel management, etc. which were integrated using specific data collection and analysis tools (reporting sheets). The data were processed and validated by the various function managers.

This document was approved by the Board of Directors on 27 March 2018.

The document was also the subject of a limited assurance engagement according to the criteria indicated in the revised ISAE 3000 standard involving PricewaterhouseCoopers S.p.A. who, at the end of their work, issued the report required under Legislative Decree 254/16 and Consob Regulation 20267 of 2018 concerning the compliance of the information supplied in the Consolidated Non-Financial Statement prepared by Fincantieri under Legislative Decree 254/16 and in accordance with the reporting standard adopted.

The Consolidated Non-Financial Statement is required to be published annually. The NFS is also available on the website (www.fincantieri.com), in the “Sustainability” section.

For any further information it is possible to contact the Sustainability Reporting unit at the email address sustainability@fincantieri.it

MATERIAL ASPECTS

MATERIAL ASPECTS FOR FINCANTIERI		GRI ASPECTS	BOUNDARY OF ASPECT	
MACRO AREA	MATERIAL TOPIC		INTERNAL	EXTERNAL
 Governance	Governance and business integrity	Compliance; anti-competitive behaviour; organisational profile; anti-corruption	Group	
	Economic and financial sustainability	Economic and financial performance	Group	
 Economic resp.	Procurement activities	Procurement practices; environmental assessment of suppliers, labour practices, human rights, impact on society	Group	Supply chain
	Employment protection and trade union relations	Employment	Group	Community
 Human resources resp.	Training and education	Training and instruction	Group	
	Company welfare	Employment	Group	
	Diversity and equal opportunity	Diversity and equal opportunities; Equal pay for men and women	Group	
	Health and safety in the workplace	Health and safety at work	Group	
 Social resp.	Local communities and relations with the local area	Local communities; public policy	Group	Community
	Human rights	Compliance; grievance mechanisms	Group	Supply chain, Community
 Product resp.	Product quality and compliance with technical regulations and standards	Consumer health and safety; labelling of products and services; customer privacy; compliance	Group	Customers
	Innovation, research and development	-	Group	
	Customer satisfaction	Product and service labelling;	Group	Customers
 Environmental resp.	Climate change	Emissions; transport	Group	Community, Environment
	Environmental management	Materials, energy, water, biodiversity, discharges and waste, compliance	Group	Community, Environment
	Environmental impact of products and services	Products and services; work and industrial relations	Group	

DESCRIPTION OF MATERIAL TOPIC

Governance and business integrity

Business integrity is the capacity to develop the business fairly and transparently and is a key factor characterizing the identity of the Group, as well as an important element in its reputation. Responsible governance ensures fair and transparent conditions in the conduct of business affairs and the related company activities, protecting the company image and reputation, meeting the expectations of stakeholders and safeguarding the work of employees.

Economic and financial sustainability

The Company is committed to increasingly sustainable and responsible performance, creating the conditions for development which meets the needs and expectations of all its stakeholders.

Innovation, research and development

Technological excellence is a key element of the Group's entrepreneurial approach, which allows it to maintain and strengthen its competitiveness and leading position in complex, markets with high potential.

Employment protection and trade union relations

People are the key assets of the Group and their protection generates wealth for the company. Individual growth comes with constant collaboration and cooperation, factoring in common ideas and practice, skills and actions, international exchange and comparison and a multidisciplinary approach. Industrial relations in Fincantieri are based on a participative model which values and enhances the role of trade unions and workers, also through the establishment of appropriate joint committees.

Procurement activities

A significant portion of the overall value of each ship depends on materials, parts, components and turnkey systems supplied by third parties. The Group actively manages its make-or-buy procurement strategies and therefore the size of the contribution of third party suppliers to the overall value of the project, also through rigorous qualification processes.

Product quality and compliance with technical standards

Excellent levels of quality are in the DNA of the Group, because the complexity of its business requires high standards in terms of quality and compliance with technical regulations and standards, at each stage of the production process. Responsibility for ensuring quality is widespread and shared.

Customer satisfaction

Customers and their satisfaction are at the centre of the Group's interest; customer satisfaction is pursued by constantly involving the customer at the execution stage, in the continuous monitoring of quality and through the offer of innovative products.

Climate change

The Group is bound by laws and regulations to protect the environment and people's health which impose limits on emissions. The control of emissions is reflected in a commitment to continue carrying out research into new methods to improve practices and minimize the emissions resulting from industrial activities.

Environmental management

Environmental protection is at the centre of the activities of the Company, which must commit itself, in carrying out its activities, to making the principles of environmental sustainability its own, both in its strategic choices and in its business processes. To this end it must commit

itself to improving energy efficiency and saving, proper management of water resources and correct disposal of waste and effluent. Safeguarding the natural value of the areas affected by shipyard activities is also important. To protect these delicate places, specific and special precautions are put in place in accordance with local legislation.

Environmental impact of products and services

The Group operates with a "life cycle" approach, aiming to minimize the environmental and social impact of a product or service over its life cycle, departing therefore from a model which sees the impact on the environment and society of only production activities, and broadening the analysis of possible negative external effects to all the links in the value chain.

Diversity and equal opportunity

Diversity allows all the transformations and changes currently taking place to be embraced and represents an open, flexible and helpful relational approach. With regard to equal opportunities, significant commitment has been given to increasing the presence of women in the Company.

Company welfare

This is an innovative tool which permits efficient management of resources and provides an alternative to traditional pay and incentive mechanisms. The ultimate aim is to improve the quality of life and wellbeing of employees and their families.

Health and safety in the workplace

Safety at work is a condition for the performance of work without exposure to the risk of accidents or occupational disease. Historically Fincantieri has dedicated significant effort to the protection of health and safety; over the years it has promoted a profound

change in safety culture, as a first step towards further development. The key element is personnel training as a tool for risk prevention.

Training and education

Investment in staff training and development is of strategic importance in terms of restoring a high level of skill and know-how in the field, at all levels. Accordingly the training on offer has been expanded with new technical and managerial training programmes.

Local communities and relations with the local area

Local development is directly linked both with business activities and with the ability to systematically involve local players, showing awareness of the impact on the community. In terms of business activities, networks of small and medium-sized enterprises (SME), highly specialized in various macro-sectors, are engaged. In addition, initiatives to promote the development of local communities are stimulated and encouraged, with the aim of creating shared value.

Human rights

The Company has a strong commitment to ensuring that the skills and competencies of each employee are developed and maintained, both through recognition of merit and respect for equal opportunities, with the aim of safeguarding the human rights sanctioned by the Universal Declaration of the UN. Moreover the Group has always paid the maximum attention to ensuring transparency and observance of agreements and laws governing the contracting (tendering) system, a key element in its own development capacity and competitiveness in the relevant markets.

GRI CONTENT INDEX

The following table establishes the link with the “core” information requested by the GRI G4 guidelines.

Key:
 FC: FINCANTIERI S.p.A. and Italian subsidiaries
 VARD: VARD Group
 FMG: Fincantieri Marine Group
 FMSNA: Fincantieri Marine System North America Inc

G4 GENERAL STANDARD DISCLOSURES

CODE	INDICATOR DESCRIPTION	PAGE
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	6
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	FINCANTIERI S.p.A.
G4-4	Primary brands, products, and services	10
G4-5	Location of the organization's headquarters	16
G4-6	Number of countries where the organization operates	10
G4-7	Nature of ownership and legal form	16;34
G4-8	Markets served	10
G4-9	Scale of the organization	10
G4-10	Total number of employees by type, employment contract, region and gender	74

EMPLOYEES BY GEOGRAPHICAL AREA - 2017

	EMPLOYEES NUMBER	%
Italy	8,314	43%
Rest of Europe	6,919	35%
North America	2,158	11%
South America	1,345	7%
Africa	0	0%
Asia	805	4%
Oceania	4	0%
Total	19,545	100%

The data refer to the entire Fincantieri Group.

EMPLOYEES BY TYPE OF CONTRACT - 2017

	PERMANENT	FIXED TERM	TOTAL
FC	8,121	185	8,306
VARD	7,871	1,301	9,172
FMG	1,996	0	1,996
FMSNA	60	0	60
Total	18,048	1,486	19,534

PERMANENT EMPLOYEES BY TYPE OF CONTRACT - 2017

	PART TIME	FULL TIME	TOTAL
FC	140	7,981	8,121
VARD	42	7,829	7,871
FMG	2	1,994	1,996
FMSNA	0	60	60
Total	184	17,864	18,048

CODE	INDICATOR DESCRIPTION	PAGE	
WOMEN EMPLOYEES BY TYPE OF CONTRACT - 2017			
	PERMANENT	FIXED TERM	TOTAL
FC	673	37	710
VARD	1,102	106	1,208
FMG	258	0	258
FMSNA	10	0	10
Total	2,043	143	2,186
PERMANENT WOMEN EMPLOYEES BY TYPE OF CONTRACT - 2017			
	PART TIME	FULL TIME	TOTAL
FC	123	550	673
VARD	23	1,079	1,102
FMG	1	257	258
FMSNA	0	10	10
Total	147	1,896	2,043

The data do not include 11 employees of minor foreign companies who carry out work for the development of new business initiatives. 581 other collaborators (interns, apprentices, agency workers) are not included, including 86 women, as they are not part of the staff establishment.

G4-11	Percentage of employees covered by collective bargaining agreements. Comment: the percentage of employees covered by collective bargaining agreements is 100% in FINCANTIERI S.p.A. and its Italian subsidiaries compared to 72% for Fincantieri Marine Group, 0% for Fincantieri Marine System North America and a variable coverage in the countries worked in by the VARD Group (0% Canada, United States, Poland, Chile, Croatia, India, Scotland, Singapore, Estonia, 64% Norway, 96% Vietnam and 100% Brazil, Italy, Romania).	87
G4-12	Description of the organization's supply chain	128-140
G4-13	Significant changes during the reporting period	164
G4-14	Explanation of how the precautionary approach is applied	58-60
G4-15	Subscription to or endorsement of externally developed economic, environmental and social charters, principles, or other initiatives	33;96
G4-16	Memberships of national or international industry associations	33
MATERIAL ASPECTS AND BOUNDARIES		
G4-17	List of companies included in the consolidated financial statements and indication of any companies not covered by the report	164
G4-18	Process for defining the report content	164
G4-19	List of material aspects identified	45
G4-20	Indication of the consolidation boundary for each material aspect (within the organization)	167
G4-21	Indication of the consolidation boundary for each material aspect (outside the organization)	167
G4-22	Explanation of the effect of any calculation changes	164
G4-23	Significant changes from previous reporting period	164

CODE	INDICATOR DESCRIPTION	PAGE
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization	42
G4-25	Basis for identification and selection of stakeholders with whom to engage	42
G4-26	Approach to stakeholder engagement, specifying frequency of engagement by type and by stakeholder group	42
G4-27	Report key topics and concerns raised through stakeholder engagement; description of how the organization has responded to those concerns	42
REPORT PROFILE		
G4-28	Reporting period	164
G4-29	Date of most recent previous report	164
G4-30	Reporting cycle	164
G4-31	Contacts and addresses for questions regarding the report or its contents	164
G4-32	GRI Content Index and "in accordance" option chosen	170
G4-33	External assurance for the report	182
GOVERNANCE		
G4-34	Governance structure of the organization, including committees of the highest governance body and any committees responsible for decision-making on economic, environmental and social impacts	40;50; 54
ETHICS AND INTEGRITY		
G4-56	Organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	22
G4 SPECIFIC STANDARD DISCLOSURES		
CODE	INDICATOR DESCRIPTION	PAGE
CATEGORY: ECONOMIC		
ECONOMIC PERFORMANCE		
DMA	General disclosures on management procedures	
G4-EC 1	Direct economic value generated and distributed	35
G4-EC 2	Financial implications and other risks and opportunities for the organization's activities due to climate change	62;112-117; 152;160
INDIRECT ECONOMIC IMPACTS		
DMA	General disclosures on management procedures	
G4-EC 8	Analysis and description of the main indirect economic impacts, including the extent of impacts	35
<p>Comment: for the analysis and description of the main indirect economic impacts, Fincantieri has used an econometric model developed by Censis (a Foundation recognized with Decree of the President of the Republic 712/1973). The impact measures were calculated using the analysis and calculation methodology based on Leontief input-output tables, although this model was substantially modified to adapt it to the specific Fincantieri production and company structure. The estimates can be considered sufficiently robust proxies for the multiplier effects that Fincantieri is able to produce within the national economic system, given its specific production model, the business model that the Company has built in recent years and the structure of the supply chain, with the relative levels of integration upstream of the production cycle for naval vessels.</p>		

CODE	INDICATOR DESCRIPTION	PAGE	
PROCUREMENT ACTIVITIES			
DMA	General disclosures on management procedures		
G4-EC 9	Proportion of spending on local suppliers at significant locations of operation	129; 138-140	
CATEGORY: ENVIRONMENTAL			
MATERIALS			
DMA	General disclosures on management procedures		
G4-EN 1	Materials used by weight or volume	157	
TYPE OF MATERIAL	MEASUREMENT UNIT	2016	2017
Paints	l	1,043,825	1,636,211
Nitrogen	m ³	455,766	604,115
Oxygen	m ³	4,999,407	5,070,424
Carbon dioxide	kg	13,320,477	14,001,349
Argon	m ³	573,149	522,988
The data relate to the FINCANTIERI S.p.A. and the Italian subsidiaries.			
ENERGY			
DMA	General disclosures on management procedures		
G4-EN 3	Energy consumption within the organization	154	
TYPE OF MATERIAL	MEASUREMENT UNIT	2016	2017
Natural gas	GJ	456,303	443,154
Diesel	GJ	712,139	740,340
Fuel oil	GJ	157,276	133,700
Petrol	GJ	65	2,127
Acetylene	GJ	14,018	15,997
LPG	GJ	4,458	4,041
LNG	GJ	0	0
Total fuel	GJ	1,344,259	1,339,360
Total electricity	GJ	1,453,564	1,584,543
The data refer to the entire Fincantieri Group.			

CODE	INDICATOR DESCRIPTION							PAGE
G4-EN 6	Reduction of energy consumption							154
COMPANY GROUP	INITIATIVE	MEASUREMENT UNIT	BASELINE	CONSUMPTION	BASELINE CONSUMPTION	SAVING OBTAINED	% SAVING OBTAINED	
FINCANTIERI S.p.A.	Raising efficiency of lighting systems with LED technology in engineering workshop at Riva Trigoso	kWh	2016 (jun-dec)	134,170	430,822	296,652	68.9%	
	Raising efficiency of lighting systems at Marghera shipyard (boundary and car park lights, internal lighting in technical offices, lighting of sheet park)	kWh	2016	131,085	382,184	251,099	65.7%	
Total		kWh		265,255	813,006	547,751	67.4%	
VARD	Reduction in diesel use	GJ	2016	40,606	136,446	95,839	70.2%	
	Increase in electricity use	GJ	2016	863,304	884,003	20,699	2.3%	
Total		GJ		903,910	1,020,449	116,538	11.4%	
The data relate to the FINCANTIERI S.p.A. and the VARD Group. The American companies have not carried out any specific improvement actions in the year.								
WATER								
DMA	General disclosures on management procedures							
G4-EN 8	Volume of water withdrawn by source of supply							155
TYPE OF WITHDRAWAL	MEASUREMENT UNIT	2016		2017				
Withdrawals from aqueduct	m ³	1,515,569		1,365,701				
Withdrawals from industrial water supply	m ³	32,000		21,317				
Withdrawals from wells	m ³	1,230,169		1,311,876				
Withdrawals from the sea	m ³	0		0				
Municipal water treatment plant	m ³	346,756		394,531				
Total	m³	3,124,494		3,093,425				
The data refer to the entire Fincantieri Group.								
BIODIVERSITY								
DMA	General disclosures on management procedures							
G4-EN 11	Operational sites in, or adjacent to, protected areas and areas of high biodiversity value							158

CODE	INDICATOR DESCRIPTION				PAGE	
EMISSIONS						
DMA	General disclosures on management procedures					
G4-EN 15	Direct greenhouse gas emissions (Scope 1)					158
TYPE	MEASUREMENT UNIT	2016	2017			
Natural gas	CO ₂ e	24,118	23,508			
Diesel	CO ₂ e	36,818	54,610			
Fuel oil	CO ₂ e	27,712	10,240			
Petrol	CO ₂ e	5	103			
Acetylene	CO ₂ e	951	1,086			
LPG	CO ₂ e	484	426			
LNG	CO ₂ e	0	0			
Total fuel	CO₂e	90,088	89,973			
The data relate to the Fincantieri Group.						
G4-EN 16	Indirect greenhouse gas emissions (Scope 2)					158
TYPE	MEASUREMENT UNIT	2016	2017			
Electricity	CO ₂ e	143,510	160,195			
The data refer to the entire Fincantieri Group.						
EFFLUENTS AND WASTE						
DMA	General disclosures on management procedures					
G4-EN 23	Total weight of waste by type and disposal method					156
COMPLIANCE						
DMA	General disclosures on management procedures					
G4-EN 29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations					
Comment: no significant fines or sanctions have been received for actions referred to in the reporting period.						
TRANSPORT						
DMA	General disclosures on management procedures					
G4-EN 30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and impacts of transporting employees					158
Comment: there are no quantitative data available on the logistics of merchandise or the travel of employees (managed by external agencies).						

CODE	INDICATOR DESCRIPTION	PAGE						
GENERAL								
DMA	General disclosures on management procedures							
G4-EN 31	Environmental protection expenditures and investments by type	160						
TYPE (Euro/000) - 2017								
	Environmental liability insurance	34						
	Cost of environmental restoration, including cost of reclamation after spills	612						
	Personnel employed in education and training	71						
	External environmental management services	178						
	External certification of environmental management systems	182						
	Personnel employed in general environmental management activities	228						
	Specific research and development	5						
	Investments in environmental protection (including additional costs for the installation of cleaner technology)	7,579						
	Cost of equipment, maintenance, consumable materials and services, and related personnel costs	114						
	Other environmental management costs	6						
	Total	9,009						
The data refer to the entire Fincantieri Group.								
ENVIRONMENTAL GRIEVANCE MECHANISMS								
DMA	General disclosures on management procedures							
G4-EN 34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms Comment: no grievances were filed in the reporting period.							
CATEGORY: SOCIAL								
LABOR PRACTICES AND DECENT WORK								
EMPLOYMENT								
DMA	General disclosures on management procedures							
G4-LA 1	Total number and rates of new employee hires and employee turnover by age group, gender and region Comment: 3,015 people were hired, including 362 women, and there were 2,531 leavers, including 230 women. The rate of new employee hires was 15.4% (16.6% for women) while the turnover was 13% (10.5% for women).							
NEW HIRES AND LEAVERS - 2017								
	≤30	30 - 50	≥50	TOTAL				
	HIRES	LEAVERS	HIRES	LEAVERS	HIRES	LEAVERS	HIRES	LEAVERS
FC	163	23	213	102	39	42	415	167
VARD	859	556	1,297	1,094	218	275	2,374	1,925
FMG	75	130	106	172	37	128	218	430
FMSNA	4	3	4	6	0	0	8	9
Total	1,101	712	1,620	1,374	294	445	3,015	2,531

CODE	INDICATOR DESCRIPTION	PAGE						
WOMEN HIRES AND LEAVERS - 2017								
	≤30	30 - 50	≥50	TOTAL				
	HIRES	LEAVERS	HIRES	LEAVERS	HIRES	LEAVERS	HIRES	LEAVERS
FC	46	5	42	14	1	3	89	22
VARD	96	54	128	78	22	36	246	168
FMG	5	16	18	14	3	8	26	38
FMSNA	1	0	0	2	0	0	1	2
Total	148	75	188	108	26	47	362	230
The data do not include 11 employees of minor foreign companies who carry out work for the development of new business initiatives.								
G4-LA 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation							86
LABOUR/INDUSTRIAL RELATIONS								
DMA	General disclosures on management procedures							
G4-LA 4	Minimum notice periods regarding operational changes, including whether these are specified in collective labour agreements Comment: in the case of business reorganization, the Group applies, in Italy and abroad, the instruments provided for by national collective bargaining agreements and contracts and supplementary company contracts. The minimum notice period required by national contracts for FINCANTIERI S.p.A. and Italian subsidiaries is 15 days, for companies in the VARD Group it varies depending on the country (90 days in Scotland, 42 in Estonia, 30 days in Brazil, Chile, Croatia, India, Norway and Singapore, 15 days in Canada, Poland, the United States, 3 days in Vietnam). The indicator is not applicable for the American companies Fincantieri Marine Group and Fincantieri Marine System North America Inc. as it is not provided for within contracts.							87
OCCUPATIONAL HEALTH AND SAFETY								
DMA	General disclosures on management procedures							
G4-LA 6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender							84
	2017							
	FC	VARD	FMG	FMSNA	TOTAL			
Severity index	0.46	0.10	0.39	0	0.27			
Rate of occupational disease	0	0	0	0	0			
Rate of absenteeism	6.34	3.34	3.21	0	4.44			
Injury rate	17.86	5.28	7.63	17.57	10.23			
Number of injuries	244	99	36	2	381			
• of which in the workplace	208	96	35	1	340			
• of which while travelling	36	3	1	1	41			
• fatalities	0	0	0	0	0			
OF WHICH WOMEN								
	FC	VARD	FMG	FMSNA	TOTAL			
Severity index	0.07	0.20	0.37	0	0.19			
Rate of occupational disease	0	0	0	0	0			
Rate of absenteeism	5.53	5.32	3.43	0	5.10			
Injury rate	4.91	15.01	4.90	0	10.50			
Number of injuries	5	31	3	0	39			
• of which in the workplace	1	30	3	0	34			
• of which while travelling	4	1	0	0	5			
• fatalities	0	0	0	0	0			
The data do not include 11 employees of minor foreign companies who carry out work for the development of new business initiatives.								

CODE	INDICATOR DESCRIPTION										PAGE
TRAINING AND EDUCATION											
DMA	General disclosures on management procedures										
G4-LA 9	Average hours of training per year per employee by gender, and by employee category										77
TOTAL HOURS OF TRAINING - 2017											
	SENIOR MANAGERS	PER CAPITA	MIDDLE MANAGERS	PER CAPITA	WHITE COLLAR EMPLOYEES	PER CAPITA	BLUE COLLAR EMPLOYEES	PER CAPITA	TOTAL	PER CAPITA	
FC	2,640.0	11.0	7,599.4	17.6	86,482.7	20.7	31,300.0	9.1	128,022.1	15.4	
VARD	866.0	10.1	11,574.0	21.6	72,969.0	36.1	292,546.0	44.8	377,955.0	41.2	
FMG	53.0	1.9	894.0	7.0	5,999.0	14.6	45,520.0	31.8	52,466.0	26.3	
FMSNA	12.5	12.5	100.0	12.5	175.0	10.9	437.5	12.5	725.0	12.1	
Total	3,571.5	10.1	20,167.4	8.1	165,625.7	24.2	369,803.5	18.3	559,168.1	28.6	
HOURS OF TRAINING FOR WOMEN - 2017											
	SENIOR MANAGERS	PER CAPITA	MIDDLE MANAGERS	PER CAPITA	WHITE COLLAR EMPLOYEES	PER CAPITA	BLUE COLLAR EMPLOYEES	PER CAPITA	TOTAL	PER CAPITA	
FC	96.0	9.6	836.5	19.0	9,790.0	15.1	8.0	1.1	10,730.5	15.1	
VARD	136.0	15.1	1,038.0	18.9	15,563.0	26.3	32,110.0	58.2	48,847.0	40.4	
FMG	0	0	145.0	9.1	1,704.0	13.3	4,284.0	38.3	6,133.0	23.8	
FMSNA	0	0	12.5	12.5	100.0	11.1	0	0	112.5	11.3	
Total	232.0	11.0	2,032.0	8.8	27,157.0	18.7	36,402.0	17.5	65,823.0	30.1	
The data do not include 11 employees of minor foreign companies who carry out work for the development of new business initiatives.											
DIVERSITY AND EQUAL OPPORTUNITY											
DMA	General disclosures on management procedures										
G4-LA 12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity										52;54;75
EMPLOYEES BY CATEGORY - 2017											
	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES	TOTAL						
FC	240	431	4,181	3,454	8,306						
VARD	86	536	2,023	6,527	9,172						
FMG	28	127	411	1,430	1,996						
FMSNA	1	8	16	35	60						
Total	355	1,102	6,631	11,446	19,534						
WOMEN EMPLOYEES BY CATEGORY - 2017											
FC	10	44	649	7	710						
VARD	9	55	592	552	1,208						
FMG	2	16	128	112	258						
FMSNA	0	1	9	0	10						
Total	21	116	1,378	671	2,186						
EMPLOYEES BY AGE GROUP - 2017											
		≤30	30 - 50	≥50	TOTAL						
FC		387	6,250	1,669	8,306						
VARD		1,895	5,575	1,702	9,172						
FMG		318	929	749	1,996						
FMSNA		8	30	22	60						
Total		2,608	12,784	4,142	19,534						

CODE	INDICATOR DESCRIPTION		PAGE
EMPLOYEES BELONGING TO PROTECTED CATEGORIES - 2017			
	TOTAL	OF WHICH WOMEN	
FC	5%	9%	
VARD	6%	0%	
FMG*	67%	67%	
FMSNA	17%	10%	
Total	12%	11%	
*protected categories include: over 40s, minorities, people with disabilities and veterans.			
The data do not include 11 employees of minor foreign companies who carry out work for the development of new business initiatives.			
EQUAL REMUNERATION FOR WOMEN AND MEN			
DMA	General disclosures on management procedures		
G4-LA 13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		88
SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
DMA	General disclosures on management procedures		
G4-LA 14	Percentage of new suppliers that were screened using labour practices criteria		134
LABOR PRACTICES GRIEVANCE MECHANISMS			
DMA	General disclosures on management procedures		
G4-LA 16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms		
Comment: during 2017, 368 grievances were filed (344 for the VARD Group and 24 for the Fincantieri Marine Group), of which 153 (129 VARD Group and 24 Fincantieri Marine Group) were resolved in the reporting period.			
HUMAN RIGHTS			
GRIEVANCE MECHANISMS			
DMA	General disclosures on management procedures		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		
Comment: during 2017 16 grievances were filed, of which 13 were resolved in the reporting period.			
SOCIETY			
LOCAL COMMUNITIES			
DMA	General disclosures on management procedures		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs		144-149

CODE	INDICATOR DESCRIPTION												PAGE
ANTI-CORRUPTION													
DMA	General disclosures on management procedures												
G4-SO4	Communication and training on anti-corruption policies and procedures												69
NUMBER OF EMPLOYEES BY CATEGORY WHO RECEIVED ANTI-CORRUPTION TRAINING													
	2016						2017						
	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES	TOTAL EMPLOYEES	% OF TOTAL EMPLOYEES	SENIOR MANAGERS	MIDDLE MANAGERS	WHITE COLLAR EMPLOYEES	BLUE COLLAR EMPLOYEES	TOTAL EMPLOYEES	% OF TOTAL EMPLOYEES	
FC	166	297	2,964	0	3,427	43.2%	151	310	3,189	0	3,650	43.9%	
VARD	24	200	706	2,619	3,549	39.5%	4	43	10	0	57	0.6%	
FMG	24	114	429	1,636	2,203	100%	28	127	411	1,430	1,996	100%	
FMSNA	0	8	15	39	62	100%	1	8	16	35	60	100%	
Total	214	619	4,114	4,294	9,241	48.2%	184	488	3,626	1,465	5,763	29.5%	
The data refer to the entire Fincantieri Group.													
PUBLIC POLICY													
DMA	General disclosures on management procedures												
G4-SO6	Total value of political contributions by country and recipient/beneficiary Comment: the Fincantieri Marine Group made a contribution of 11,950 euros to the Political Action Committee.												
COMPLIANCE													
DMA	General disclosures on management procedures												
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations Comment: no significant fines were received.												
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY													
DMA	General disclosures on management procedures												
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms Comment: no grievances were filed in the reporting period.												
PRODUCT RESPONSIBILITY													
CUSTOMER HEALTH AND SAFETY													
DMA	General disclosures on management procedures												
G4-PR1	Product and service categories for which health and safety impacts are assessed for improvement											120-123	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle											Not applicable for the type of business	
PRODUCT AND SERVICE LABELLING													
DMA	General disclosures on management procedures												
G4-PR5	Results of surveys measuring customer satisfaction											124	
CUSTOMER PRIVACY													
DMA	General disclosures on management procedures												
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data Comment: no grievances were filed in the reporting period.												

CODE	INDICATOR DESCRIPTION												PAGE
COMPLIANCE													
DMA	General disclosures on management procedures												
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services Comment: no significant fines were received.											Not applicable for the type of business	

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT



RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE SULLA DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO AI SENSI DELL'ARTICOLO 3, COMMA 10, DLGS 254/2016 E DELL'ARTICOLO 5 DEL REGOLAMENTO CONSOB N° 20267

FINCANTIERI SPA

ESERCIZIO CHIUSO AL 31 DICEMBRE 2017



Relazione della società di revisione indipendente sulla dichiarazione consolidata di carattere non finanziario

ai sensi dell'articolo 3, comma 10, Dlgs 254/2016 e dell'articolo 5 del Regolamento CONSOB n° 20267

Al Consiglio di Amministrazione di Fincantieri SpA

Ai sensi dell'articolo 3, comma 10, del Decreto Legislativo 30 dicembre 2016, n° 254 (di seguito "Decreto") e dell'articolo 5 del Regolamento CONSOB n° 20267, siamo stati incaricati di effettuare l'esame limitato ("limited assurance engagement") della dichiarazione consolidata di carattere non finanziario di Fincantieri SpA e sue controllate (di seguito il "Gruppo Fincantieri") relativa all'esercizio chiuso al 31 dicembre 2017 predisposta ex articolo 4 del Decreto, e approvata dal Consiglio di Amministrazione in data 27 marzo 2018 (di seguito "DNF").

Responsabilità degli Amministratori e del Collegio Sindacale per la DNF

Gli Amministratori sono responsabili per la redazione della DNF in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e alle linee guida "Sustainability Reporting Guidelines" versione G4, definite nel 2013 dal GRI - Global Reporting Initiative (di seguito "Linee Guida GRI G4"), da essi individuato come standard di rendicontazione.

Gli Amministratori sono altresì responsabili, nei termini previsti dalla legge, per quella parte del controllo interno da essi ritenuta necessaria al fine di consentire la redazione di una DNF che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili inoltre per l'individuazione del contenuto della DNF, nell'ambito dei temi menzionati nell'articolo 3, comma 1, del Decreto, tenuto conto delle attività e delle caratteristiche del Gruppo Fincantieri e nella misura necessaria ad assicurare la comprensione dell'attività del Gruppo Fincantieri, del suo andamento, dei suoi risultati e dell'impatto dallo stesso prodotti.

Gli Amministratori sono infine responsabili per la definizione del modello aziendale di gestione e organizzazione dell'attività del Gruppo Fincantieri nonché, con riferimento ai temi individuati e riportati nella DNF, per le politiche praticate dal Gruppo Fincantieri e per l'individuazione e la gestione dei rischi generati o subiti dallo stesso.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sull'osservanza delle disposizioni stabilite nel Decreto.

Indipendenza della società di revisione e controllo della qualità

Siamo indipendenti in conformità ai principi in materia di etica e di indipendenza del *Code of Ethics for Professional Accountants* emesso dall'*International Ethics Standards Board for Accountants*, basato su principi fondamentali di integrità, obiettività, competenza e diligenza professionale, riservatezza e comportamento professionale. La nostra società di revisione applica l'*International Standard on Quality Control 1 (ISQC Italia 1)* e, di conseguenza, mantiene un sistema di controllo qualità che include direttive e procedure documentate sulla

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imp. Milano 12979880153 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0803640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wulher 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0937532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854543711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011536771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Pocolle 43 Tel. 043225789 - Varese 21100 Via Albazzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Fontelaudolfo 9 Tel. 0444393311



conformità ai principi etici, ai principi professionali e alle disposizioni di legge e dei regolamenti applicabili.

Responsabilità della società di revisione

È nostra la responsabilità di esprimere, sulla base delle procedure svolte, una conclusione circa la conformità della DNF rispetto a quanto richiesto dal Decreto e dalle GRI Sustainability Reporting Guidelines versione G4. Il nostro lavoro è stato svolto secondo quanto previsto dal principio "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (di seguito "ISAE 3000 Revised"), emanato dall'International Auditing and Assurance Standards Board (IAASB) per gli incarichi *limited assurance*. Tale principio richiede la pianificazione e lo svolgimento di procedure al fine di acquisire un livello di sicurezza limitato che la DNF non contenga errori significativi. Pertanto, il nostro esame ha comportato un'estensione di lavoro inferiore a quella necessaria per lo svolgimento di un esame completo secondo l'ISAE 3000 Revised ("*reasonable assurance engagement*") e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati con lo svolgimento di tale esame.

Le procedure svolte sulla DNF si sono basate sul nostro giudizio professionale e hanno compreso colloqui, prevalentemente con il personale della società responsabile per la predisposizione delle informazioni presentate nella DNF, nonché analisi di documenti, ricalcoli ed altre procedure volte all'acquisizione di evidenze ritenute utili.

In particolare, abbiamo svolto le seguenti procedure:

1. analisi dei temi rilevanti in relazione alle attività ed alle caratteristiche dell'impresa rendicontati nella DNF, al fine di valutare la ragionevolezza del processo di selezione seguito alla luce di quanto previsto dall'articolo 3 del Decreto e tenendo presente lo standard di rendicontazione utilizzato;
2. analisi e valutazione dei criteri di identificazione del perimetro di consolidamento, al fine di riscontrarne la conformità a quanto previsto dal Decreto;
3. comparazione tra i dati e le informazioni di carattere economico-finanziario inclusi nella DNF ed i dati e le informazioni inclusi nel Bilancio Consolidato del Gruppo Fincantieri;
4. comprensione dei seguenti aspetti:
 - modello aziendale di gestione e organizzazione dell'attività del Gruppo Fincantieri, con riferimento alla gestione dei temi indicati nell'articolo 3 del Decreto;
 - politiche praticate dall'impresa connesse ai temi indicati nell'articolo 3 del Decreto, risultati conseguiti e relativi indicatori fondamentali di prestazione;
 - principali rischi, generati o subiti connessi ai temi indicati nell'articolo 3 del Decreto;
 relativamente a tali aspetti sono stati effettuati inoltre i riscontri con le informazioni contenute nella DNF e effettuate le verifiche descritte nel successivo punto 5, lettera a);
5. comprensione dei processi che sottendono alla generazione, rilevazione e gestione delle informazioni qualitative e quantitative significative incluse nella DNF.

In particolare, abbiamo svolto interviste e discussioni con il personale della Direzione di Fincantieri SpA, Fincantieri Marine Group LLC, VARD Group AS e Centro per gli Studi di Tecnica Navale - Cetena SpA, e abbiamo svolto limitate verifiche documentali, al fine di raccogliere informazioni circa i processi e le procedure che supportano la raccolta, l'aggregazione,



l'elaborazione e la trasmissione dei dati e delle informazioni di carattere non finanziario alla funzione responsabile della predisposizione della DNF.

Inoltre, per le informazioni significative, tenuto conto delle attività e delle caratteristiche del Gruppo Fincantieri:

- a livello di capogruppo,
 - a) con riferimento alle informazioni qualitative contenute nella DNF, e in particolare a modello aziendale, politiche praticate e principali rischi, abbiamo effettuato interviste e acquisito documentazione di supporto per verificarne la coerenza con le evidenze disponibili;
 - b) con riferimento alle informazioni quantitative, abbiamo svolto sia procedure analitiche che limitate verifiche per accertare su base campionaria la corretta aggregazione dei dati;
- per le seguenti società, divisioni e siti: Fincantieri SpA (sede centrale di Trieste e stabilimento di Monfalcone), Fincantieri Marine Group LLC (sede di Green Bay, sede e stabilimento di Marinette, Wisconsin, Stati Uniti d'America), VARD Group AS (sede di Gruppo ad Alesund, Norvegia) e Centro per gli Studi di Tecnica Navale - Cetena SpA (sede di Genova), che abbiamo selezionato sulla base delle loro attività, del loro contributo agli indicatori di prestazione a livello consolidato e della loro ubicazione, abbiamo effettuato visite in loco nel corso delle quali ci siamo confrontati con i responsabili e abbiamo acquisito riscontri documentali circa la corretta applicazione delle procedure e dei metodi di calcolo utilizzati per gli indicatori.

Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che la DNF del Gruppo Fincantieri relativa all'esercizio chiuso al 31 dicembre 2017 non sia stata redatta, in tutti gli aspetti significativi, in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e dalle GRI Sustainability Reporting Guidelines versione G4.

Altri aspetti

Con riferimento all'esercizio chiuso il 31 dicembre 2016, il Gruppo ha predisposto un Bilancio di Sostenibilità, i cui dati sono utilizzati a fini comparativi all'interno della DNF. Detto Bilancio di Sostenibilità non è stato sottoposto ad esame in conformità dell'ISAE 3000.

Udine, 5 aprile 2018

PricewaterhouseCoopers SpA

Maria Cristina Landro
(Revisore legale)

Paolo Bersani
(Procuratore)

FINCANTIERI

Parent Company

Registered office Via Genova no. 1,34121 Trieste, Italy

Tel: +39 040 3193111 Fax: +39 040 3192305

fincantieri.com

Share capital Euro 862,980,725.70

Venezia Giulia Company Registry and Tax No. 00397130584

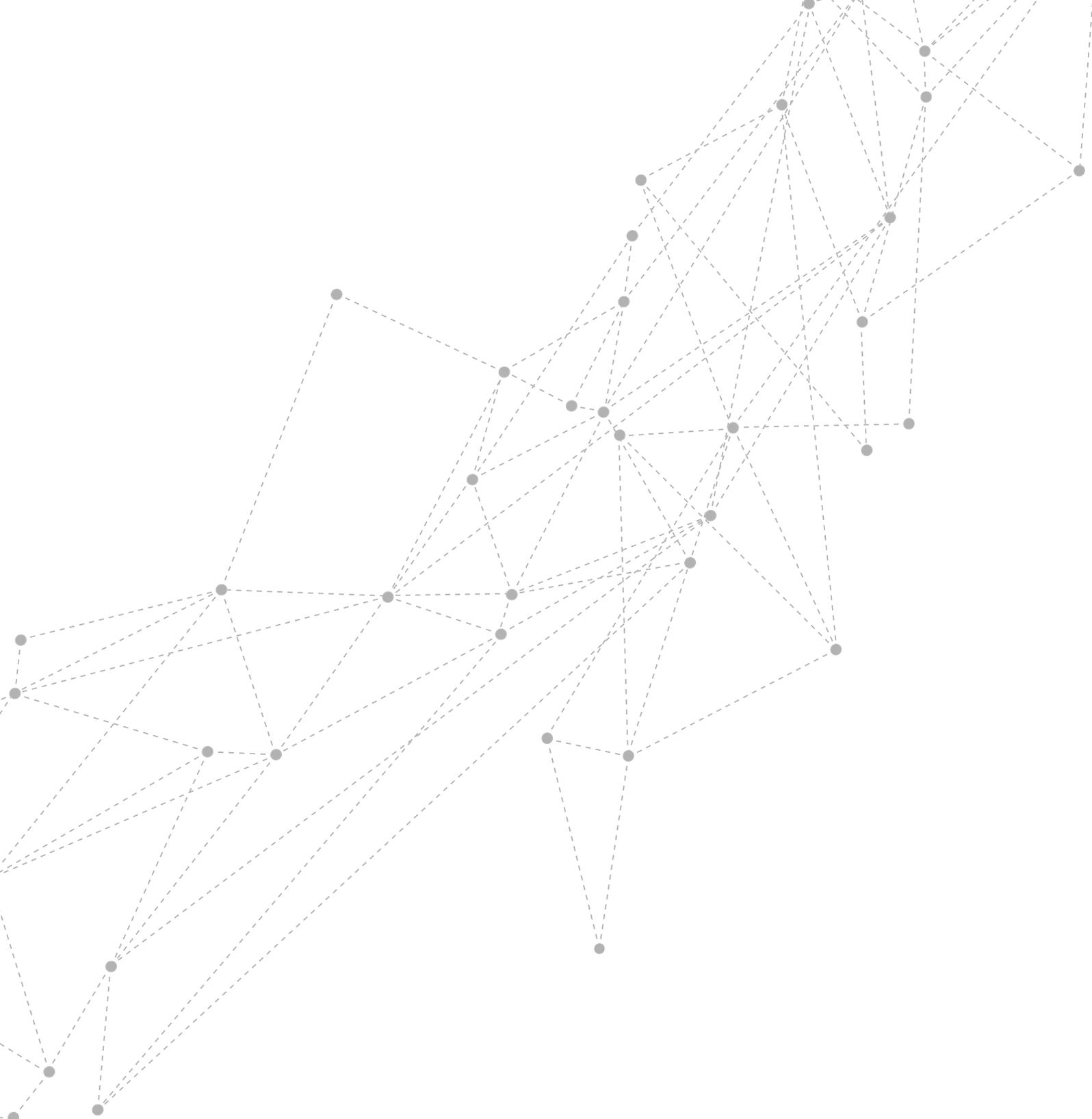
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FINCANTIERI
The sea ahead

