

2019 SUSTAINABILITY REPORT

Fulfil Sustainability



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FERROVIE DELLO STATO ITALIANE SPA

COMPANY OFFICERS

Board of Directors

Chairman	Gianluigi Vittorio Castelli
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CEO and General Manager	Gianfranco Battisti
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Directors	Andrea Mentasti
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	Francesca Moraci
--	------------------

	Flavio Nogara
--	---------------

	Cristina Pronello
--	-------------------

	Vanda Ternau
--	--------------

Board of statutory auditors

Appointed on 4 July 2016

Appointed on 3 July 2019

Chairman	Carmine di Nuzzo	Alessandra Dal Verme
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Standing statutory auditors	Susanna Masi	Susanna Masi
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	Roberto Ascoli	Gianpaolo Davide Rossetti
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Alternate statutory auditors	Paolo Castaldi	Letteria Dinaro
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	Cinzia Simeone	Salvatore Lentini
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Court of auditors' magistrate appointed to audit Ferrovie dello Stato Italiane S.p.A.

Angelo Canale¹

Manager in charge of Financial Reporting

Roberto Mannozi

Independent auditors

KPMG S.p.A. (2014-2022)

¹ Giovanni Coppola replaced Angelo Canale as Chairman on 1 January 2020.

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01



2019 SUSTAINABILITY REPORT

Letter to the stakeholders

LETTERA AGLI STAKEHOLDER

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Dear stakeholders,

In a world grappling with profound and sudden changes, the development of sustainable and increasingly integrated mobility for everyone is one of the most complex challenges that society faces today. Demographic shifts (expanding cities and the ageing population), environmental concerns (climate change and the loss of biodiversity), technological innovation (digitalisation and artificial intelligence) and industrial issues (labour, resources and innovation) are transforming the transport sector and forcing it to play a crucial role in the community's well-being and quality of life.

The course that FS Italiane Group has charted leads in this direction. Acting sustainably is the main development and value creation driver for people, the company and all the areas – in Italy, Europe and around the world – where the FS Italiane Group companies operate. Our compass is the United Nations Global Compact, and we have embraced its human rights, labour, the environment and anti-corruption and bribery principles and included them in our Sustainability Policy. Specifically, we have committed to achieving six of the 17 Sustainable Development Goals endorsed by the General Assembly of the United Nations on 25 September 2015 in the Agenda 2030: improve the sustainability of infrastructure, promote inclusive and sustainable industrialization and foster innovation; make cities inclusive, safe and resilient; combat climate change; promote economic growth and employment; and strengthen global partnerships to promote sustainable development.

On 1 February 2020, Trenitalia took one real step in this direction when it kicked off a project planned in 2019, which also meets one of the objectives of the European Commission's Green New Deal: the reduction of single-use plastic in food service on board Freccia trains, in FRECCIALounges and FRECCIAClubs. This plan will eliminate 300 tonnes of plastic every year.

2019 was a year that marked various milestones, reminding us of the importance of building on past experience to face the challenges of the future. We celebrated the 180th anniversary of one of the most important moments in Italian railway history, the opening of the Naples - Portici route, which, after its inaugural journey on 3 October 1839, fostered connection, well-being and development throughout the country.

On 5 December 2019, we celebrated the first ten years of Italy's high-speed (HS) system (Turin – Milan – Bologna – Florence – Rome – Naples – Salerno), which revolutionised mobility in Italy, shortening distances and bringing people closer.

It is a success story that has made Italy the benchmark for HS excellence in Europe, as we continue to refine our services for the mobility of young people, families and workers, without overlooking sustainability. Our current top priority is relaunching regional railway transport. The new Rock and Pop trains are now a reality. Partly financed with FS Italiane's green bonds, they are up to 97% recyclable and, in accordance with major environmental standards, consume up to 30% less energy than the previous generation trains. In addition, the new hybrid trains already ordered are slated to arrive soon. Equipped with diesel engines for the diesel fuel lines, with pantographs for the electric lines and with batteries to travel the first/last mile on diesel fuel lines. Within five years, 80% of Trenitalia's regional transport fleet will be updated.

This substantial investment in new trains was combined with a significant hiring campaign: approximately 9 thousand new employees joined the Group in 2019. This figure is far above the 4 thousand hirings planned for the same year in the FS Italiane Group's 2019-2023 business plan, and another 15 thousand people will be directly hired over the next five years. The newly hired professionals were mainly assigned to on-board services, sales and customer assistance and the maintenance of trains and road and railway infrastructure.

The 2019-2023 business plan sets a record for investments: €58 billion, making the FS Italiane Group one of the country's largest investors. Over the five-year period, the plan allocates €42 billion per national road and railway infrastructure, €12 billion to purchase new trains and buses and €4 billion for innovation and technology. The strategy marks a change of paradigm for FS Italiane, which has considered the needs of people – passengers and employees – and made them the foundation of an integrated mobility plan capable of contributing to the development, connectivity and sustainability of the transport system.

One new aspect is the Group's increasingly strong and significant commitment to tourism. FS Italiane created the tourism hub to meet growing tourism demand (20% more international arrivals in 2019 than in 2018) and people's mobility needs. The goal is to offer an accessible, sustainable national tourism ecosystem that connects the country's three ports of entry (train stations, airports and sea ports), without neglecting the lesser known, yet highly attractive, small and medium-sized destinations.

Future endeavours will also see the Group extremely active abroad, thanks to the technical and specialised know-how for which it is known. A distinguished name in the international railway and mobility sector for many years, the FS Italiane Group now operates in over 60 countries around the world. Its achievements in 2019 include the start-up of Avanti West Coast, a UK franchise between Trenitalia (30%) and FirstGroup (70%), operating Intercity services between London and Edinburgh/Glasgow (2019-2031); having been awarded HS services in Spain on the Madrid - Barcelona, Madrid - Valencia/Alicante and Madrid - Malaga/Seville routes and continued activities to open new Frecciarossa 1000 connections in France by 2020.

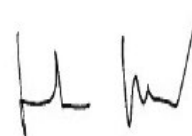
To formalise our commitments, hand-in-hand with you, we have set the first long-term goals (2030-2050) on three key aspects for the FS Italiane Group: safety, sustainable mobility and reducing carbon emissions. We are committed to working towards these three goals and will make them the basis of our everyday activities and future plans.

The Sustainability Report is meant to provide a complete and transparent overview of what sustainability means for the FS Italiane Group. It is a snapshot of the actions, results, approaches and strategies that we are using to create long-lasting, widespread value that is consistent with the needs of all our stakeholders and respectful of ecological balances. We recognise that the path to sustainability is one that changes all the time and requires intense work every day.

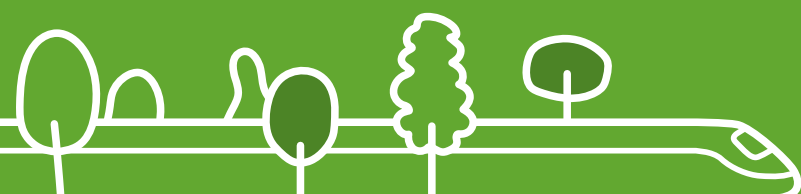
Chairman
Gianluigi Vittorio Castelli



CEO and General Manager
Gianfranco Battisti



02



2019 SUSTAINABILITY REPORT

Introduction

INTRODUCTION

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The information in the 2019 Sustainability Report is compared with the previous two years². Any differences with respect to the information published in previous Sustainability Reports are due to the refinement of the reporting methods. Since 2011, the company has used SuPM – Sustainability Performance Management software for data collection.

This report has been prepared in accordance with the “GRI Sustainability Reporting Standards” guidelines issued by the Global Reporting Initiative (GRI) in 2016, using the comprehensive reporting option. The data and information published in this report were provided directly by the department heads in SuPM or were taken from other official sources³. Ferrovie dello Stato Italiane S.p.A.’s Board of Directors approved the 2019 Sustainability Report, together with the Group’s Annual Report, during the meeting held on 31 March 2020. In accordance with Legislative decree no. 254/16 (the “Decree”), which transposed into Italian legislation Directive 2014/95/EU, the Annual Report includes the consolidated non-financial statement, which also reports some of the sustainability information included in this report.

This report covers the economic, social and environmental activities deemed to be the most significant for the Group and its stakeholders, as described in the following paragraph. Further details are provided in the “Performance indicators” section attached to this report and in the “Content index” (available online in the “Sustainability” section of the website www.fsitaliane.it). Furthermore, the key environmental information for each company included in the reporting scope is also provided both online in the aforementioned section and as an annex to this report (“Company highlights: the environment”).

MATERIALITY ANALYSIS

Each year, the Group updates its materiality analysis to identify material topics, i.e., those that play, on one hand, a decisive role in defining the Group’s strategic and, on the other hand, which influence stakeholders’ interests and expectations.

The Group identified the topics’ materiality for external stakeholders through an artificial intelligence (AI) tool to map structured information and clear signs of change in the external business environment (based on national and international peers and comparable benchmarks, analyses of traditional media, social networks, sustainability trends and binding and non-binding regulations). The relevance of the topics was also defined thanks to the direct involvement of internal stakeholders through an online survey: approximately 380 managers were involved at different level within the Group: the board of directors of FS, Group committees and companies managers.

The participation rate was high, with over 64% of recipients having responded.

Below are listed the material topics rated in 2019, with reference to the associated Sustainable Development Goal (SDG) of the UN’s Agenda 2030 on which the Group’s activities have a significant impact⁴:



CIRCULAR ECONOMY

Responsible use of resources, based on life cycle analyses and a circular approach that maximises the use of renewable materials and minimises the waste of resources. Prevent soil and water pollution.



² The Sustainability Report is published annually. The previous edition of this report, which referred to 2018, was published in April 2019.

³ For additional details, in certain cases, reference should be made to the Group’s 2019 Annual Report.

⁴ Furthermore, in its daily operations, the Group also contributes to the achievement of other SDGs not associated with the material topics.



ENERGY, CLIMATE CHANGE AND AIR QUALITY

Develop strategies to reduce emissions, promote the efficient use of energy resources and renewable sources.



ETHICS AND INTEGRITY

Combat any form of corruption and bribery, foster a company culture based on integrity and transparency.



RESPONSIBLE VALUE CHAIN

Integrate sustainability principles in the supply chain, helping to improve environmental, human rights and occupational health and safety performance.



INNOVATION AND DIGITALISATION

Search for innovative ideas and new digital technologies to continuously improve services, driving social progress and meeting customers' needs in terms of more safety and least environmental impact.



SUSTAINABLE MOBILITY

Promote intermodal, alternative and collective transport for passengers and freight, driving a shift towards increasingly efficient, environmentally-friendly and low-impact means of transport.



IT PRIVACY AND SECURITY

Protect the Group's IT assets and those of all its stakeholders with a commitment to safeguarding the privacy of customer data and guaranteeing information security and cyber security.



SERVICE QUALITY

Commitment to ensuring high quality services for increasingly greater customer satisfaction, listening to feedback on customers' needs and expectations.



SAFETY

Commitment to the highest level of safety for passengers and the community, which includes reinforcing a risk management and prevention culture.



EMPLOYEE VALUE

Commitment to the highest level of health, safety and the physical and mental well-being. Promote merit-based promotion, talent attraction/retention policies and dialogue with trade unions.



The Group is currently committed to six goals in particular on which was set out long-term objectives⁵.

FS ITALIANE GROUP'S COMMITMENT TO THE SDGS



The reporting scope was defined based on the economic/financial materiality of each topic within the Group⁶ and considering the size of the companies and how they are controlled (e.g., direct subsidiaries are included in the Level 1 scope). Furthermore, qualitative aspects envisaged by non-financial reporting were also considered (in accordance with the reporting standards applied), which entailed the inclusion of other consolidated companies in the Level 1 scope (reference should be made to the attached "GRI content index" for details).

⁵ Reference should be made to "Our agenda for the future of transport" for details.

⁶ In this report, the terms parent, FS Italiane or FS S.p.A. are used to identify the company Ferrovie dello Stato Italiane S.p.A., while the terms Group and FS Italiane Group refer to all companies included in the reporting scope.



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2019 SUSTAINABILITY REPORT

2019 highlights

2019 HIGHLIGHTS

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RESULTS OF OPERATIONS

Profit for the year	€ million	584
Directly generated economic value	€ million	12,536
Economic value distributed	€ million	10,202
Investments	€ million	8,117

PASSENGER AND FREIGHT TRAFFIC

Rail traffic - passengers		
- passenger-km	billion	46
- train-km	million	310
Rail traffic - freight ⁷		
- Tonne-km	billion	22
- train-km	million	41
Road traffic - passengers		
- passenger-km	billion	2.9
- bus-km	million	206.6

⁷ Includes foreign traffic.

DIALOGUE WITH STAKEHOLDERS

Stakeholders	no.	over 200
Proposals approved by the Stakeholder Panel (since 2013)	no.	85
- Proposals implemented	no.	71
- Impractical proposals	no.	11
- Proposals being implemented	no.	3

FOCUS ON THE ENVIRONMENT

Energy - total Group energy consumption	GJ million	30
Emissions - Total greenhouse gas emissions (location based)	tCO ₂ million	2.6
Water consumption	million m ³	20
Waste produced	thousand t	391
- sent for recycling	%	95
ISO14001-certified companies	n	18

PUTTING CUSTOMERS FIRST

Service quality - Punctuality

Railway passenger transport		
- Market services (Freccie)	0-10 minutes	78.5%
- Universal services (Intercity day and night)	0-15 minutes	81.5%
- Regional services	0-5 minutes	91.0%
Road transport		
- Urban transport	0-5 minutes	90.3%
- Suburban transport	0-15 minutes	88.3%

Customer satisfaction (Italy)

Railway passenger transport (overall journey)

- Medium and long haul transport	satisfaction %	93.0
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- Regional transport	satisfaction %	86.5
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Road transport (overall score)

- Urban transport	satisfaction %	87.9
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- Suburban transport	satisfaction %	83.9
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Infrastructure

- Comfort during time at stations (overall perceived quality of the station)	satisfaction rate	97.1
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Travel safety

Investments in safety (non-routine maintenance)

Infrastructure	€ billion	approximately 2.9
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Transport	€ million	over 430
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SUSTAINABILITY IN THE SUPPLY CHAIN

Economic value of core supplies	€ billion	5
- generated in Italy	%	85

PEOPLE, OUR CAPITAL

Total personnel	no.	83,764
- women	%	17.5
- men	%	82.5
Recruitment from outside the Group	no.	9,068
Training	man-days (thousands)	over 680

FOCUS ON THE COMMUNITY

Re-use of assets

Total surface area under free loan for use	square metres	165,714
- for social activities	square metres	21,514
- for other uses	square metres	144,200
Average market value	€ million	over 248

FONDAZIONE FS ITALIANE

Value of assets	€ million	10.6
Value for local communities (2014-2018)	€ million	26.7

04



2019 SUSTAINABILITY REPORT

The transport sector and the FS Italiane Group's role

THE TRANSPORT SECTOR AND THE FS ITALIANE GROUP'S ROLE

The infrastructure and transport sector is highly complex. While on one hand, technological and digital innovation is radically changing the ways in which services are provided and used, on the other, the need to reduce the negative effects (greenhouse gas emissions, noise pollution, soil pollution, traffic congestion, accidents, etc.), is revolutionising the design of transport vehicles (zero-emission and self-driving vehicles, etc.) and infrastructure (smart roads, smart systems to manage road and waterway transport, etc.).

Not only is this sector essential for the economy, but it is decisive for the environment and people's quality of life as well.

Transport is one of the main sources of environmental impacts in the European Union. Specifically, it contributes nearly one-quarter of total EU greenhouse gas emissions, the culprit of climate change⁸. In response, with its Transport 2050 strategy, the European Commission has set the target of reducing transport emissions by 60%. Key goals include no more conventionally-fuelled cars in cities and a 50% shift of medium distance intercity passengers and freight journeys from road to rail and waterborne transport.

Furthermore, the National Integrated Energy and Climate Plan requires a substantial contribution from the transport sector in terms of efficiency, innovation and investments in renewables and biofuels, as it mandates a 33% (respect to 2005) cut in the greenhouse gas emissions of sectors excluded from the EU emissions trading scheme (ETS) by 2030. (Non-ETS sectors include small and medium-size industry, transport, the civil sector, agriculture and waste.)

While the transport sector contributes to greenhouse gas emissions, it also suffers the devastating effects of climate change, such as rising seas and more frequent, higher-intensity atmospheric events. Even in the best case scenario (if the average temperature increase since the pre-industrial era is limited to 1.5°C), nearly half the world's population would still be exposed to the risks of climate change and Europe is one of the continents most severely affected by the consequences of these changes. Italy is one of the European nations at highest risk of expected annual damage (EAD⁹) to critical infrastructure caused by extreme events triggered by climate change. According to estimates, EAD to critical infrastructure¹⁰ in Italy will total roughly €5 billion per year up to 2050, putting the country second only to Spain considering the absolute value of damage, out of the European total of around €20 billion per year. Heat waves, cold spells, floods and fires will have the greatest impact on road and railway infrastructure.

This means that the transport sector stands to be heavily impacted by the consequences of climate change, which could entail damage to at-risk assets and service disruptions.

A change of paradigm in daily mobility routines is crucial if we are to avoid even more disastrous outcomes. The new paradigm must encourage a transition towards collective forms of transport with a lower environmental impact, while both improving safety (fewer accidents, lower costs due to accidents, etc.) and reducing traffic (shorter travel times, better quality of life, etc.).

⁸ <https://annuario.isprambiente.it/ada/basic/6827>.

⁹ Escalating impacts of climate extremes on critical infrastructures in Europe - <https://ec.europa.eu/jrc/en/publication/escalating-impacts-climate-extremes-critical-infrastructures-europe>.

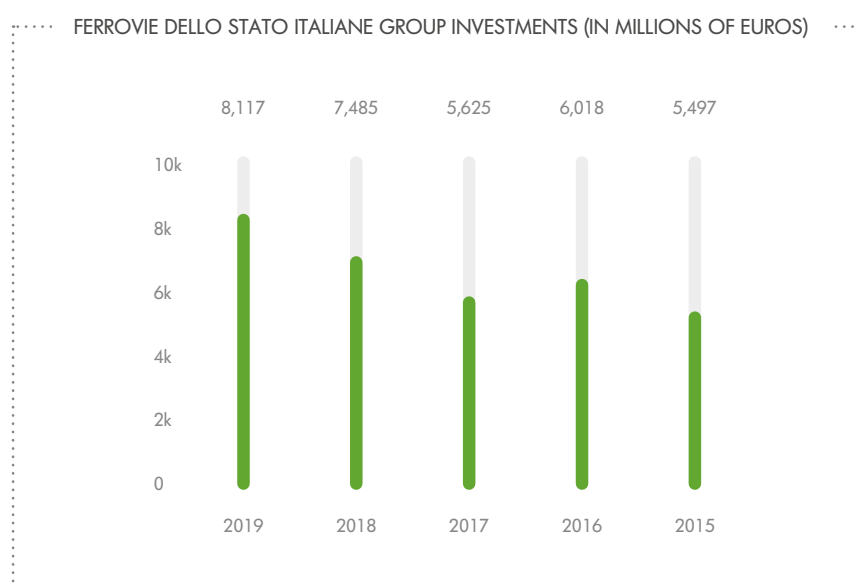
¹⁰ In transport-related sectors (e.g., railway and road networks), energy (e.g., electricity transmission and distribution), industry (e.g., steel) and society (e.g., schools).

Since 2008, FS Italiane has increasingly committed to transform shared, collective mobility in Italy, anticipating the challenges of the future and creating long-term value for the country. Even the 2019-2023 business plan integrates the principles of social, environmental and economic sustainability with the aim of offering people personalised, high-quality services. Indeed, the plan envisages €58 billion in investments to reduce the number of private cars on the road (for 400,000 fewer cars and 600,000 fewer tonnes of CO₂ per year), with FS Italiane Group carrying 90 million more passengers to their destination each year.

CONTRIBUTING TO THE DEVELOPMENT OF INFRASTRUCTURE AND TRANSPORT

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Despite the country's economic slump, the FS Italiane Group has managed to continuously increase investments, with an upwards trend in investment spending again in 2019, remaining one of the largest investors in Italy and supporting the development and renewal of the transport, infrastructure and logistics sector.

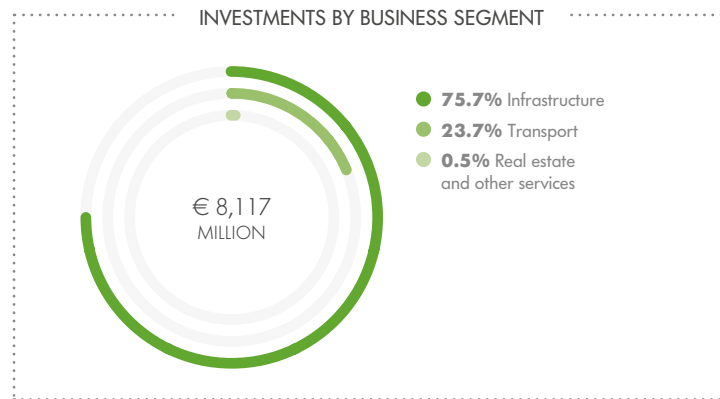


The FS Italiane Group's capital expenditure¹¹ totalled €8,117 million in 2019, up by more than 8% on the recognised investments in 2018, thanks to growth in transport sector investments (over 72% more than in 2018). Specifically, Trenitalia invested €1,451 million, the Busitalia Group companies invested €192 million and the Mercitalia Group companies invested €174 million.

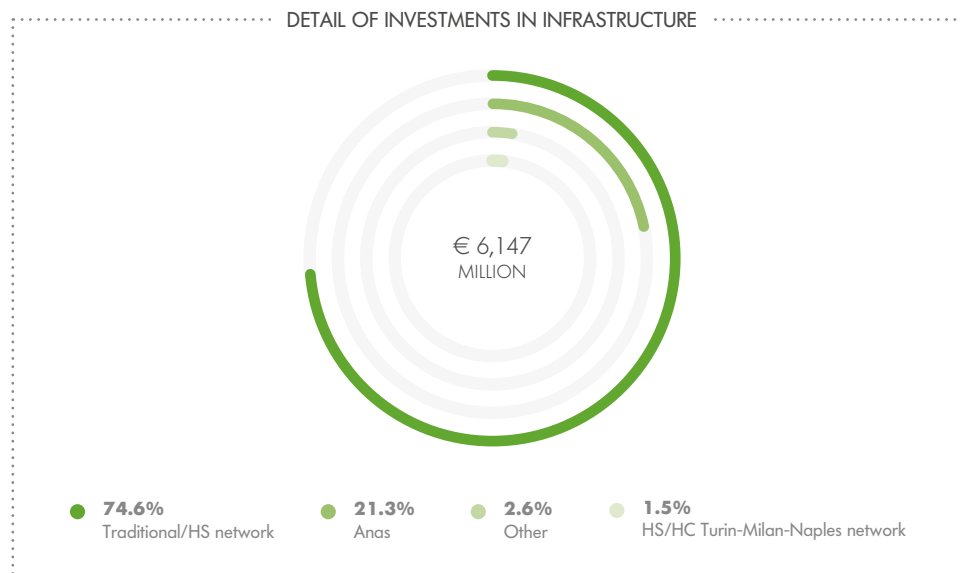
The FS Italiane Group's investments prioritised Italy (96%), with only the residual 4% allocated to companies operating abroad.

¹¹ These include investment programmes and projects (including those through leases or special purpose vehicles) managed by the Group to support business development, in property, plant and equipment, assets under concession or other intangible assets, excluding financial investments (in connection with equity transactions).

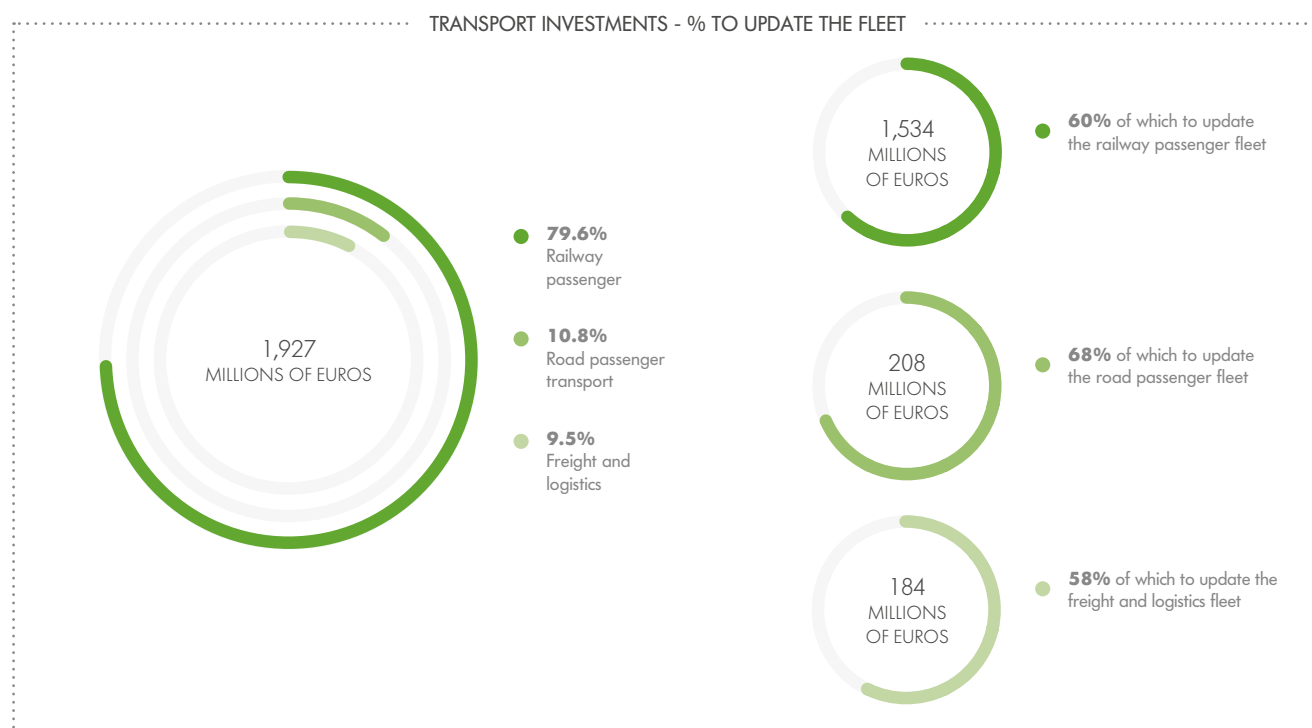
Investments are analysed below by segment.



Approximately 47% of investments in the Infrastructure segment were earmarked for safety, technologies and maintaining efficiency (including €247 million to apply last-generation technologies to the railway network), while the remaining 52% went towards new works (roads and rails).



In the Transport segment, the updating of the railway passenger and freight fleet and the road transport fleet absorbed around 60% of investments¹².



In 2019, the FS Italiane Group invested €24.6 million in development,¹³ approximately 85% of which in train traffic safety technologies, 13% to research and test new components and systems and the remaining 2% for environmental and land protection.

¹² Updates for railway passenger and freight transport and logistics included the purchase and revamping of rolling stock.

¹³ These investments are classified with those for the Infrastructure segment.

05



2019 SUSTAINABILITY REPORT

Business model



BUSINESS MODEL

The purpose of our business model is to make the most of the different types of capital (financial, physical, human and relational, intellectual and organisational, natural) by organising activities and processes to create value in the medium and long-term for all stakeholders. As in other public utilities sectors, the Group's activities are subject to specific regulation by independent national and international authorities, in order to safeguard the correct working of the market and the customers rights.

OUR VISION

HOW

INPUTS



FINANCIAL CAPITAL

Resources necessary to finance our activities:

- › share capital
- › debt capital (bonds, green bonds and bank loans)
- › government grants (Government Programme Contract, EU funds, etc.)



PHYSICAL CAPITAL

The tangible assets needed to provide high quality services:

- › railway infrastructure
- › road infrastructure
- › trains
- › buses



HUMAN AND RELATIONAL CAPITAL

The skills, abilities and experience of our people and relationships with all stakeholders



INTELLECTUAL AND ORGANISATIONAL CAPITAL

Intangible assets which contribute to creating value:

- › patents, rights, etc.
- › trademarks
- › organisational procedures
- › IT systems



NATURAL CAPITAL

Natural resources managed (renewable and finite):

- › energy
- › soil
- › water
- › materials



¹⁴ According to the IIRC (International Integrated Reporting Council) framework.

Be a business that will create an offer of integrated and sustainable mobility and logistics services, in compliance with safety, using transport infrastructures in synergy with other operators and creating value in Italy and abroad.

WE OPERATE

PUTTING PEOPLE FIRST



- › planning new infrastructures
- › management, monitoring and maintenance of the railway/road infrastructure and fleets (trains, trams and buses)
- › defining intermodal transport services
- › providing passenger and freight transport services (market services¹ and universal services²)
- › monitoring and investments in travel safety



- › energy management
- › environmental management systems

SERVICE QUALITY

RESULTS



- › regional services
- › high speed services
- › intermodal services
- › integrated logistics services



- › new infrastructures
- › international services
- › engineering services

IMPACTS



Putting people's needs first



Financial performance and investments



Value creation and competitiveness for the country



Service punctuality and regularity



Technological skills and progress



Attracting and satisfying employees



Environmental sustainability

**SUSTAINABLE
DEVELOPMENT
GOALS**

¹ Services offered without commercial restrictions and without any government grants.

² Public transport services offered at the request of the government or regions under service contracts, whereby the transport companies receive considerations in exchange for meeting agreed requirements in terms of the frequency of service, fares, service levels and stops

OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS

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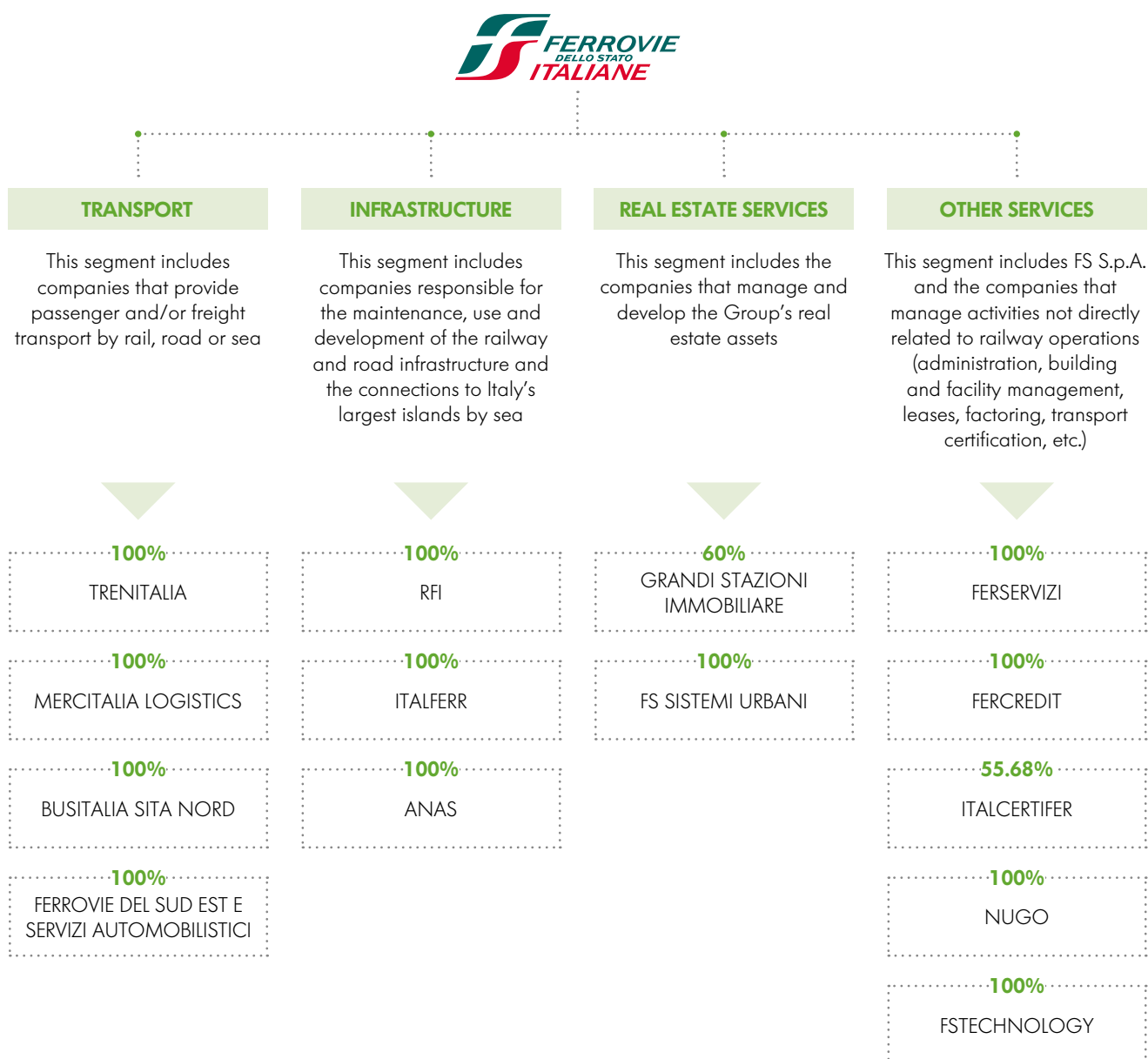
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Ferrovie dello Stato Italiane Group, active in Italy and abroad, creates and operates passenger and freight railway, road and motorway transport works and services. As required by the organisational model, which reflects the by-laws, activities are mainly, though not exclusively, carried out through investees¹⁵.



¹⁵ The map of Ferrovie dello Stato Italiane's operating segments and investees was updated in February 2020. The chart shows the parent's consolidated direct subsidiaries and FS S.p.A. itself.



Ferrovie dello Stato Italiane Group is organised into four operating segments: Transport, Infrastructure, Real Estate Services and Other Services. The parent heads the operating companies in the various operating segments along the chain and other companies that provide services and support for the Group's operations. The companies have their own corporate characteristics and independently manage operations to achieve their respective business targets.

TRANSPORT



The Group companies active in passenger and/or freight transport by rail, road or water operate in the Transport segment.

In particular, the leading operator in the railway segment is Trenitalia S.p.A., which provides passenger mobility services in Italy and abroad, managing both regional services and medium and long haul transport, above all high speed Freccie trains.

The segment results also include Netinera Group, which operates in rail and road transport on the German local public service space and metropolitan market with roughly 40 investees; Trainose SA, which operates in Greece between Athens and Thessaloniki; c2c Ltd, which provides passenger transport in the UK; and FSE S.r.l., the concession holder for rail and road services in Puglia.

The companies which mainly provide freight transport form the Mercitalia Group, which was set up in 2017 and currently consists of 7 companies operating nationally and internationally: Mercitalia Logistics, the parent of the Mercitalia Group, specialised in developing real estate assets for logistics and integrated logistics activities; Mercitalia Rail, which is Italy's largest rail freight company and one of Europe's largest; TX Logistik Group, which is Germany's third-largest railway freight carrier, operating in many other European countries as well; Mercitalia Intermodal, Italy's largest combined road/rail transport operator, and the third largest in Europe; Mercitalia Shunting & Terminal, an Italian leader in first and last mile railway services and one of the largest inland terminal operators in Italy; Mercitalia Maintenance, which specialises in maintaining railway cars; TERALP (Terminal AlpTransit), specialised in the construction of cutting-edge terminal infrastructures;

The transport segment also includes the urban and suburban road mobility transport services provided by Busitalia-Sita Nord S.r.l. and its investees, in addition to the aforementioned FSE S.r.l.¹⁶.

INFRASTRUCTURE



The Group's Infrastructure segment boasts Europe's leading integrated railway and roadway infrastructure hub, serving the largest number of residents with the most investments. The hub is operated by Rete Ferroviaria Italiana S.p.A.¹⁷, the main national railway infrastructure operator, and by Anas S.p.A., the national operator of the Italian roadway and motorway network. Italferr S.p.A. contributes to this segment through its engineering activities, which it has consolidated in over 30 years of experience in infrastructural projects for traditional and high-speed railways, metropolitan and road transport and the design of ports and stations in Italy and abroad. In addition, Grandi Stazioni Rail S.p.A., a company controlled by RFI, also contributes to the results of this segment, as it manages the key station businesses for passengers and everyone working there (safety, cleaning and maintenance, ticketing, parking, office lease and engineering).

¹⁶ Busitalia Sita Nord is also active in the Utrecht and Groningen – Drenthe area through QBuzz, Holland's third largest local public transport operator.

¹⁷ With the merger deed dated 16 July 2018, Centostazioni S.p.A., responsible for redeveloping and managing the commercial spaces at 103 medium-size stations, merged into Rete Ferroviaria Italiana S.p.A..

REAL ESTATE SERVICES



The Real Estate Services segment includes FS Sistemi Urbani S.r.l., which manages, markets and develops the Group's real estate assets not used in operations.

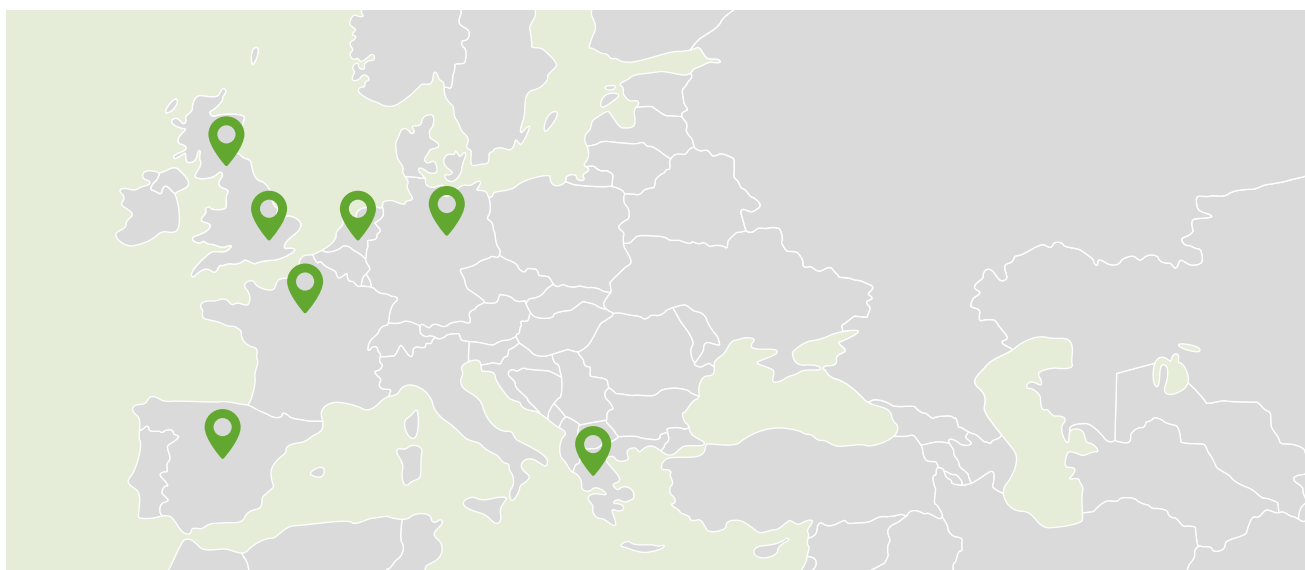
In addition, the parent's real estate management activities contribute to the results of this segment, in that the parent provides strategic guidelines with respect to real estate and asset allocation (e.g., mergers, demergers, contributions to vehicles, etc.) to the Group companies and it trades in owned land and properties.

OTHER SERVICES



Ferrovie dello Stato Italiane S.p.A. operates in the other services segment as the Group's holding company, and establishes and coordinates the operating companies' policies and business strategies that are not part of the above-mentioned real estate management. The other companies that operate in the segment are: Ferservizi S.p.A., which manages outsourcing for the main Group companies and activities not directly related to railway operations; Fercredit S.p.A., which mainly aims to develop credit factoring and leasing on the captive market, in addition to expanding consumer credit transactions for Group employees; Italcertifier S.p.A., which certifies, evaluates and tests transport and infrastructure systems; and FSTechnology S.p.A., specialised in technology and innovation (and which began operating on 1 August 2019).

For additional information on the Group companies' businesses and activities, visit website www.fsitaliane.it ("Group companies" section).



FS Italiane is unwaveringly committed to consolidating its leadership in European railway transport and in the international market.

The FS Italiane Group is an international benchmark in the transport sector, known for its excellence in railway expertise and the innovative technologies it uses.

The Group operates in various European countries through its subsidiaries: Netinera and TX Logistik, respectively providing passenger and cargo transport in Germany, Thello in France, c2c in the UK, Trainose in Greece, Qbuzz, a road and rail LPT company in the Netherlands and ILSA in Spain.








The ILSA joint venture between Trenitalia and Air Nostrum is one of the first private players to access the Spanish market. ILSA expects to begin operating the service in January 2022 and for ten years. It has chosen to use the Frecciarossa 1000 train.

OUR AGENDA FOR THE FUTURE OF TRANSPORT

102-14

102-15

In 2018, the process to define FS Italiane Group's long-term strategic goals began¹⁸. The first three goals approved by the Companies' Boards of Directors in 2019 are priorities on which Ferrovie dello Stato Italiane and its subsidiaries will invest in forthcoming years to contribute to shape create a sustainable future.

Objective	Target	Contribution on the SDGs
Sustainable mobility Increase the percentage of passengers and freight transported using alternative, collective mobility solutions	Passengers: 5% modal shift from privately-owned cars to shared public mobility and soft modes of transport by 2030 (15% by 2050), compared to 2015. Freight: 50% of transport by road and 50% of transport by rail by 2050 (for distances over 300 km).	  
Energy and emissions Achieve a carbon-neutral energy mix	Carbon-neutral by 2050 (including traction).	 
Safety Become Europe's best-in-class	Zero fatalities involving passengers on FS Italiane Group vehicles (trains, buses and other mobility systems), people interfering with the railway ecosystem, FS Italiane Group personnel and employees of contracting companies, by 2050. 50% fewer fatalities on roads operated by Anas by 2030, compared to 2015.	 

THE 2019-2023 PLAN

In a break with the past, the new business plan marks a deep change in paradigm and sets the target of sustainable development in the long term, putting people and their needs at the centre of its strategy.

IN APRIL 2019,
THE FS ITALIANE GROUP APPROVED
**THE FIVE-YEAR BUSINESS PLAN
FOR 2019-2023**

¹⁸ Reference should be made to "Stakeholder engagement" for details.

The plan envisages the following strategic lines:

- › **delivering a service that meets the specific needs of people**, prioritising people who use public transport every day and devoting particular attention to safety, assistance, accessibility, punctuality, reliability and intermodality. Improving customer care by providing new services and new vehicles and exploiting the opportunities that digitalization offers.
- › **contributing to the country's development by improving the connectivity and sustainability of the transport**. Promoting initiatives that bring to fruition a modal shift towards collective railway transport. Helping restore Italy's leadership on the tourism market nationally and internationally.
- › **making the most of the Group's distinctive skills and assets** with a specific focus on targeted measures that encourage the creation of expertise and business hubs, the revision of processes to boost efficiency, the use of the Group's unique know-how on new markets, the development of the Group's real estate assets, including for urban regeneration, and the spread of a culture that embraces meritocracy, diversity and inclusion.

The Group will pursue the objectives in the 2019-2023 plan without losing profitability, deploying the most investments in its history and therefore remaining one of the country's largest industrial investors.



Overall, for the 2019-2023 five-year period, the plan allocates investments of €58 billion, €42 billion of which for the national railway and road infrastructure, €12 billion to purchase new rolling stock and buses and €4 billion mainly for innovation and technology.

Safe, technologically advanced railway infrastructure network, efficient road network to encourage intermodality, in addition to two thousand new vehicles, including trains, buses, locomotives and freight wagons to improve travel and logistics, widespread technology are at the basis of the Group's investment plan, all while maintaining the high levels of safety and reliability that the Group has achieved.



As the population density of metropolitan areas is expected to grow, a substantial part of new vehicles, which will supplement and improve the existing fleet, will be devoted to local transport, with 600 new regional trains and more than 1,400 buses, over 500 of which are low-environmental impact. (electric/hybrid/natural gas).

In the current time of important industrial transformation, the FS Italiane Group plans to act in the country's long-term interests, by creating job opportunities for young people.



The Group will also uphold its commitment to quality and growth by hiring more than 15,000 people.

On-board train crew, ticketing and assistance agents and maintenance workers for trains and road and railway infrastructure are the main professional positions to be filled. New employees will be recruited to improve service quality levels, especially in the regional transport segment, to make the day-to-day lives of those who choose collective mobility easier.

The plan incorporates the Group's commitment to the environment and sustainable development with the conviction that the only way to contribute to the company's and the country's solid, long-lasting development is by basing strategic decisions on a balance of economic, social and environmental aspects.

SUSTAINABLE FINANCE AS A TOOL FOR CHANGE

Recent legislative developments and the growing pressure of public opinion are encouraging collaboration between institutions, the financial sector and businesses to join forces in keeping global warming within the limits of the Paris Climate Agreement and to ensure future generations have the chance to live in a more sustainable world.

The new European Commission, which took office in 2019, unveiled an investment plan (the Green Deal), a taxonomy and common rules for sustainable finance in the shift towards a greener continent, to improve personal well-being and achieve carbon neutrality by 2050.

Aware of its role in Europe, throughout the country and, especially, in the transport sector, the Group has decided to promote increasingly integrated, inclusive, collective and environmentally-friendly mobility (infrastructure and services).

In this context, it has chosen sustainable finance instruments to fund the purchase of rolling stock (for passengers and freight) and, more generally, projects that boost the Group's performance.

In addition to requiring the allocation of the proceeds to sustainable projects, sustainable finance increases transparency with stakeholders through reporting on the ways in which the financing is used and its environmental and social impacts.

To finance projects with positive impacts in terms of environmental and social sustainability, Ferrovie dello Stato Italiane has developed a Green Bond Framework in line with the Green Bond Principles of the International Capital Market Association.

The Green Bond Working Committee was set up on 27 March 2018 to implement and update the Green Bond Framework, with specific regard to the identification and assessment of eligible green projects, which includes holding discussions with the counterparties involved in the analysis of the projects' greenness and the implementation of reporting procedures and management of the proceeds from the bond placements.

Over the course of the past three years, two green bonds were issued¹⁹ for a total of €1.3 billion.

The first green bond, amounting to €600 million, financed the purchase of rolling stock for public transport:

- › 17 new ETR 1000 trains called Frecciarossa 1000 for HS passenger transport;
- › 7 new electric multiple unit trains named Pop and Rock for regional passenger transport.

¹⁹ The documentation is available at the following address: <https://www.fsitaliane.it/content/fsitaliane/it/investor-relations/debito-e-credit-rating/green-bond-framework.html>.

The purchase of these trains helped reduce emissions by approximately 13 thousand tonnes of CO₂²⁰.

In June 2019, the second green bond was issued, totalling €700 million and financing the purchase of another round of new regional Pop and Rock trains and, for the first time in Europe, to purchase electric engines and wagons for freight transport.

In particular:

- › the new regional Pop trains (medium capacity) and Rock trains (high capacity) are equipped with high-energy efficiency technologies (e.g., natural ventilation engines, light alloys, LED lights, sensors for optimal air conditioning, smart parking mode, etc.), cutting CO₂ emissions by approximately 20% on the other trains in the same market segment. Furthermore, these trains are 92%-96% recyclable, offer more space and charging stations for e-bikes and are eligible for white certificates (incentives for high-energy efficiency technologies);
- › the new locomotives (E494, the most recent model in the TRAXX single-system locomotive family) were designed to reduce energy consumption, vibrations and noise pollution, using new technologies like parking mode and eco-mode (in which consumption is reduced when, inter alia, loads are light), a dynamic braking system (that recovers the energy generated by braking) and a last-generation air conditioning system. The new wagons also boast technological features that improve safety (electronic sensors to prevent accidents) and reduce energy consumption (they are approximately 1,400 kg lighter).

With this green bond, FS Italiane became the first company in Italy to be certified by the Climate Bonds Initiative - a non-profit organisation that promotes sustainable finance around the world as a way of combating climate change.

Demonstrating the Group's interest in using sustainable financial instruments to support investments that reduce the environmental impact of its sector, it has increased its green bond ratio²¹ to 40% in three years alone.

²⁰ Avoided emissions (in a year) were calculated using the previous generation trains as the baseline for ETR 1000 trains, while the same class of trains on the market was used as the baseline for regional trains. For additional details, reference should be made to the Green Bond Report, which can be downloaded at https://www.fsitaliane.it/content/dam/fsitaliane/Documents/investor-relations/FS_Italiane_GreenBond_Report_Third%20Party_Opinion_EMTN_Series_7.pdf

²¹ The total amount of outstanding green bonds (at year end) divided by the total amount of outstanding bonds (five-year average).

06



2019 SUSTAINABILITY REPORT

Innovation to the benefit of stakeholders



INNOVATION TO THE BENEFIT OF STAKEHOLDERS

Continuous, systemic innovation is a strategic driver for the Group's strengthening of its leadership positions in the sectors in which it operates. Through innovation, the Group aims to offer increasingly higher quality services tailored to the specific needs of passengers and industrial customers. Innovation covers every link in the Group's value chain, from design, to construction and maintenance and, finally, to the delivery of safe, integrated, made-to-measure transport services.

2019 was a successful year for the Group, in which it received abundant recognition for its innovation activities. Its efforts to build and enable the internal and external innovation ecosystem led to the start of many initiatives, such as:

13 Call4Ideas

to select the most innovative or most interesting projects for the business through calls for ideas on specific themes or an open-ended basis;

2 Hackathon

one- or two-day challenges for IT experts to leverage technological innovation as a solution for a specific issue, based on intense teamwork;

5 Vertical Scouting

on a specific topic of interest to the group companies, in collaboration with start-ups, small and medium-sized companies, spin-offs and qualified external partners.

Furthermore, eight challenges were given to non-group contestants to gather ideas and/or products on specific themes, which led to co-innovation projects with the FS Italiane Group companies:

- › GreenHubs, i.e., stations powered by renewable energy using innovative technologies to offer customers new services;
- › a system for control room operators to monitor the real-time status of train and network signals;
- › internet of things (IoT) infrastructure to control and monitor Frecciarossa wagons;
- › instant messaging system for communications in ordinary and extraordinary company security activities;
- › chatbot for customer loyalty processes (i.e., to analyse buying habits) to learn customers' preferences through gamification techniques;
- › project to control and monitor video-surveillance systems on trains and at stations;
- › integrated management solution for images sent by drones and satellites for area acquisition and work site surveillance;
- › IoT (Internet of Things) platform to acquire and process data to plan railway network maintenance.

TO THE AVANT-GARDE OF INNOVATION

"Open Italy" award for the following projects:



► D.EoS - Digital Eyes On Site – the aim of this project is to develop an integrated solution for the collection, processing and certification of data and images from various sources to digitalise area acquisition and work site surveillance. Using object detection, artificial intelligence and machine learning technologies, D.EoS enables the automated management of the target's data and images, supporting on-site activities remotely. D.E.oS. also allows operators to:

- 1) recognise specific targets to define the current "status" when the areas are acquired;
- 2) support Works Management in construction of the works.

► S.I.M.B.A.S. - Smart Innovative Model Based System – this project is based on the SyEnMaint Platform testing, in which on-board sensors are installed (on selected rolling stock: PV7) for the notification of irregularities to activate predictive maintenance on rolling stock and infrastructure. By communicating irregularities in real time to the technical managers, the system makes it possible to maximise operating availability of rolling stock, optimise maintenance activities and reduce costs, minimising the risk of breakage and faults that cannot be predicted using the current maintenance protocol.

The other awards received in the year were the SMAU innovation award and the "Rome Innovation Summit" award. CDI Labs' "Innovation for change" award



In addition, thanks to the strategic partnerships established with leading universities and research and innovation centres around the world, various proof of concepts projects have been launched to identify, test and apply innovative solutions and new business models.

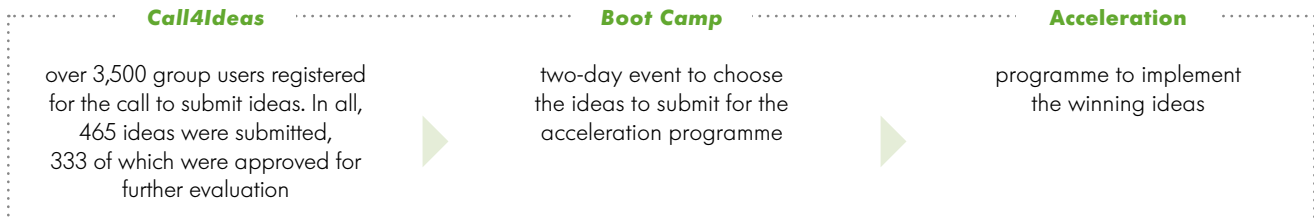
In particular, the Sentinel project will apply AI technologies to offer people safe, high-quality personalised services (ticket recognition and validation, baggage monitoring, tracing and anti-theft and detection of threats, attacks, damage or theft).

As part of international planning and research, the group collaborates with associations and European institutions to help define the future of European research into integrated digitalisation, mobility and logistics. Furthermore, the group plays an active role in coordinating and participating in research and development projects funded by European programmes like Horizon 2020 and Shift2Rail.

FUNDED RESEARCH AND INNOVATION PROGRAMMES

In 2019, 10 funded projects funded by the European Horizon 2020 / Shift2Rail programmes in digital security, rolling stock, signalling, railway infrastructure, integrated mobility and IoT technologies were completed. Two new projects were launched and another six were continued, and in the same period, the group companies were involved with their European industrial partners and European universities in 18 important international research and innovation projects. In addition, the Group is playing an active role in the definition of the future European research framework programme "Horizon Europe" and the new public-private partnership "Transforming the Rail System", which builds upon the environmental sustainability and social inclusion ambitions of the previous Shift2Rail.

In 2019, the second edition of the Innovate programme was also kicked off and is slated for completion in 2020, which provides for the following stages:



This edition was based on the Group's long-term goals:

- 1. Mobility:** ideas that, through technologies, processes and business models, encourage people to leave their cars at home or companies to transport freight by rail;
- 2. Safety:** ideas that, through technologies, processes and business models, improve the safety of customers, employees and everyone who operates using the FS Italiane Group's vehicles and infrastructure;
- 3. Energy and emissions:** ideas that, through technologies, processes and business models, reduce the CO₂ emissions produced by the Group to zero.

At the end of the process, five teams were selected to transform their idea into a tangible business project through an acceleration programme:

- › **SPGR – Security Power Augmented Railways:** this project consists of using augmented reality for maintenance, to give operators immediate, contextualised access to all technical information by simply looking at a device;
- › **TaBii - Battery-powered trains on a hybrid infrastructure:** this project is to build a hybrid infrastructure, i.e., install a line for electric traction near railway stations to partially charge battery-powered trains at each halt or stop during operations;
- › **Virtual Warehouse:** the purpose of this project is to create a virtual warehouse filled with 3D models of spare parts to revolutionise supply times, producing the exact amount of spare parts in real time when they are effectively needed and thereby avoiding waste;
- › **SafeME - Remote smart badge holder:** this project will equip on-board train crew with a smart badge holder using GSM technologies. The device enables workers in dangerous situations to make immediate contact with the control room (or emergency manager);
- › **SMART RAILWAY WITH IoT:** the purpose of the project is to monitor the conditions of railway infrastructure (in particular, bridges, viaducts, tunnels, etc.) using a network of IoT devices that detect instability, structural failures and changes in the works in real time.

For the new edition of Innovate, the FS Italiane Group also set up an Idea and Knowledge Management for the end-to-end management of the innovation process to coordinate the full process workflow and monitor, on a centralised basis, the progress of ideas and projects. The platform also supports scouting activities and open innovation piloting and may be used for the Group companies' innovation activities.



07



2019 SUSTAINABILITY REPORT

Transparency and business responsibility



TRANSPARENCY AND BUSINESS RESPONSIBILITY

“What are values? They are the principles that guide our behaviours. We all have our own values by which we are guided every day. In our Group, our common basis of fundamental values makes us an integral part of our Company.” (FS Italiane Group’s Code of Ethics). The values and rules of conduct in the Code of Ethics reflect our commitment to ensuring that all people in or outside the Group always act lawfully and ethically.

Sustainability, responsibility, transparency, ethics and integrity are the principles that guide the Group in the creation of governance processes and that inspire it to continue growing and increasingly contributing to the development and well-being of the countries in which it operates.

INTEGRITY AND HONESTY

Integrity and honesty can be seen in both big decisions and daily choices. They mean more than just following the rules, which alone does not suffice; they entail sincere, upstanding and transparent conduct that makes you feel good about what you’re doing, even when no one is watching. They are the foundation of proper conduct and clear, coherent communication.



IF YOU ARE NOT SURE,
ASK YOURSELF:

Is this behaviour legal?
Is it ethical?
What would other people think about it?

RESPONSIBILITY AND AWARENESS

Responsibility is in the DNA of our people. It is the awareness of the important role that each of us holds for passengers, colleagues and the places where we operate. We are aware of the safety and value of our passengers, our people, vehicles and infrastructure, the environment and local communities.



IF YOU ARE NOT SURE,
ASK YOURSELF:

If it were “mine” would I act this way?
Am I ensuring the utmost safety of myself and those around me?



CORPORATE GOVERNANCE

102-5	102-11	102-12	102-14	102-15	102-16	102-18	102-19	102-22	102-24	102-25	102-26	102-27
102-28	102-29	103-2	103-3	405-1								

The corporate governance²² structure of FS S.p.A. and its main subsidiaries is organised according to the traditional system: the shareholder appoints a Board of Directors (the parent's BoD is responsible for management and is currently comprised of seven directors) and a board of statutory auditors (the parent's board of statutory auditors is responsible for controls and is currently comprised of three standing statutory auditors and two alternate statutory auditors). The shareholder also appoints the independent auditors, responsible for performing the statutory audit. Pursuant to article 12 of Law no. 259/1958, the Court of Auditors' Magistrate appointed to audit FS S.p.A. attends the meetings of the Board of Directors and the board of statutory auditors, integrating the corporate governance system.

In accordance with the by-laws, the Board of Directors: (i) appoints a CEO; (ii) may assign proxies to the Chairperson, with the shareholder's approval, with respect to issues that may be delegated by law; (iii) sets up committees, where necessary, to provide consultation and make proposals (two committees were set up in FS S.p.A.: the Remuneration and Appointment Committee and the Audit, Risk Control and Corporate Governance Committee); (iv) appoints the Manager in charge of financial reporting. The board also appoints the general manager (the general manager's responsibilities have been assigned to the CEO).

The following chart represents FS S.p.A.'s corporate governance structure.

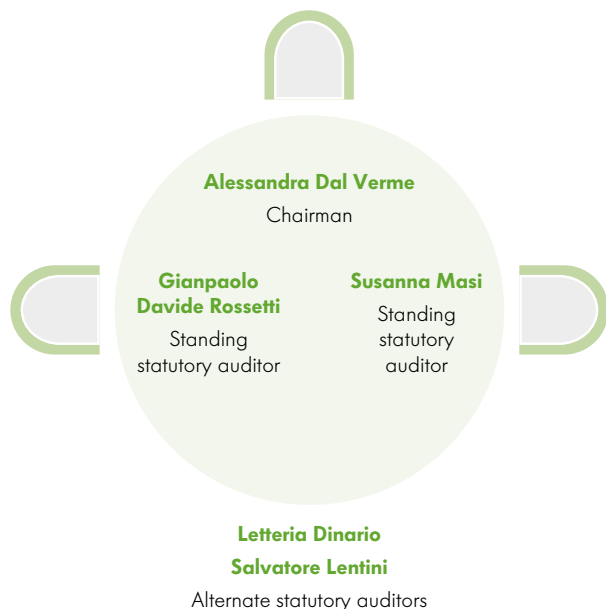
Additional information is given in the Group's 2019 Annual Report (Directors' report, Report on corporate governance and ownership structure).

²² KPMG S.p.A. was engaged to perform the statutory audit for both the parent and the subsidiaries beginning from 2014. Based on the applicable special provisions provided for by Legislative decree no. 39/10 (article 16 and subsequent articles), after FS S.p.A. became an "entity of public interest" by issuing the listed bond in 2013, the engagement lasts for nine years (2014-2022).



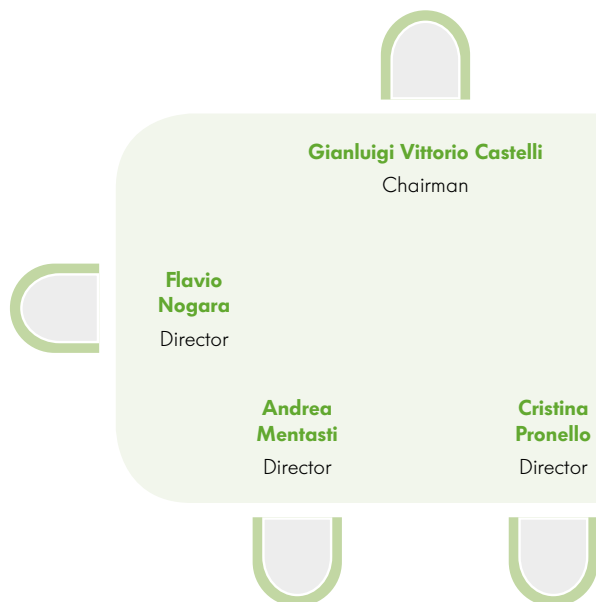
Board of statutory auditors*

The board of statutory auditors monitors compliance with the principles of correct administration, particularly with respect to the adequacy of the parent's organisational, administrative and accounting system and that it functions properly. When the parent became an entity of public interest, its board of statutory auditors also became the "Internal Control and Audit Committee" pursuant to article 19 of Legislative decree no. 39/2010, responsible for supervising financial reporting, the efficiency of internal control systems, internal audit and risk management, as well as the statutory audit and, finally, the independence of the independent auditors.



Board of Directors

Has exclusive powers for the Group's financial and strategic aspects and the appointment of the main subsidiaries' boards of directors and boards of statutory auditors.



INDEPENDENT AUDITORS

KPMG SpA

COURT OF AUDITORS' MAGISTRATE

Angelo Canale**

Cristiana Rondoni
Delegate

AUDIT, RISK CONTROL AND CORPORATE GOVERNANCE COMMITTEE

Vanda Ternau (Chairwoman), Flavio Nogara and Cristina Pronello are the members of this committee, which is responsible for providing proposals and advice to the Board of Directors in the latter's assessments and decision on the internal control and risk management system, its approval of periodic financial reports and assessments on the size/composition of the Board itself. The committee also advises the Board on the parent's and the Group's corporate governance and social responsibility.

GREEN BOND

The Green Bond Committee implements, maintains and updates, where necessary, the Green Bond Framework, with specific regard to the identification and assessment of eligible green projects, holding discussions with the counterparties involved in the analysis of the projects' greenness and the implementation of reporting procedures and management of the proceeds from the bond placements

FOREIGN INITIATIVES COMMITTEE

This committee guarantees strategic oversight of development initiatives in the Group's interests abroad

INVESTMENTS

This committee provides guidelines on investments and divestments, directing the Ferrovie dello Stato Italiane Group's planning process, expresses fairness opinions on the investment and divestment plan, monitors the development of the plan and proposes any corrective action to be taken

ETHICS COMMITTEE

This committee carries out advisory activities and sets guidelines within the framework of the principles and rules of FS Italiane Group's Code of Ethics. Its main responsibility is to clarify the meaning and application of the Code of Ethics and propose any improvements, examine any reports received, promote the appropriate investigations and provide support in the definition of ethics communication/training initiatives

IMPLEMENTATION OF THE FOURTH RAILWAY PACKAGE

Considering the significant impact of the European delegated law for 2016-2017 on Group operations, this committee is responsible for conducting a detailed assessment of the new legislation and its effects on Group activities, monitoring the development of the implementation of directives in other EU member states and coordinating the preparation of FS Italiane Group's positions with respect to the adoption of legislative texts implemented in Italy

IT SYSTEMS AND INFORMATION SECURITY COMMITTEE

It steers FS Italiane Group's data security strategies, makes proposals to Group companies for critical business processes in relation to emerging risks with respect to the use and management of IT resources, monitors IT initiatives and evaluates and approves proposals for the regulation of evaluations and certifications with respect to the security of information and IT systems

SUSTAINABILITY COMMITTEE

The Sustainability Committee guarantees the integration of social and environmental aspects in the Group's economic-financial strategies and promotes the values and principles of sustainable development, in line with stakeholders' needs and expectations

* The shareholder's meeting on 30 April 2019, which was called to approve the 2018 financial statements, marked the end of the term of office of the board of statutory auditors consisting of standing statutory auditors Carmine di Nuzzo (Chairman), Susanna Masi and Roberto Ascoli, and alternate statutory auditors Cinzia Simeone and Paolo Castaldi. During the meeting on 3 July 2019, the shareholder therefore appointed a new board for three years and, in any case, until the shareholder's meeting called to approve the 2021 financial statements, consisting of standing statutory auditors Alessandra dal Verme (Chairwoman), Susanna Masi and Gianpaolo Davide Rossetti and alternate statutory auditors Letteria Dinario and Salvatore Lentini.



Gianfranco Battisti
CEO and General Manager

Federica Moraci
Director

Vanda Ternau
Director

Marcello Torregrossa
BoD Secretary



REMUNERATION AND APPOINTMENT COMMITTEE

Francesca Moraci (Chairwoman), Flavio Nogara and Vanda Ternau are the members of this committee, which provides proposals and recommendations to the Board of Directors with respect to, inter alia, the criteria and procedures for the appointment of key managers and the management and control bodies of the companies directly controlled by FS S.p.A., the co-opting of FS S.p.A.'s Directors, remuneration and incentive system guidelines and criteria and the remuneration of FS S.p.A.'s CEO and Chairman (if they have operational duties).

SOD (SEGREGATION OF DUTIES) COMMITTEE

It is an advisory and steering body with respect to the segregation of duties. This committee is also responsible for defining, validating and safeguarding the Group's SoD risk matrix, analysing and monitoring the implementation of the appropriate remediation actions to manage/resolve SoD risks that are detected throughout many Group companies' staff processes

CREDIT

This committee monitors the performance of Group loans and receivables, highlighting any critical areas and promoting the necessary corrective action, while also assessing consolidated exposure to each counterparty and any possibility of offsetting amounts

231 STEERING COMMITTEE

This committee steers the work of the 231 team and assesses its proposals. The 231 team was set up in 2017 to provide the parent with permanent, expert, technical support on the updating of FS S.p.A.'s organisational, management and control model, defined pursuant to Legislative decree no. 231/2001, and to guarantee a periodic flow of information to the CEO and General Manager, the Supervisory Body and other control bodies

EQUAL OPPORTUNITIES

This committee promotes initiatives and proactive measures to offer women workers more favourable working conditions and work distribution, to help them achieve a better work/family balance

Shareholder's meeting

The shareholder's meeting is attended by the sole shareholder, the Ministry of the Economy and Finance, which exercises the shareholder's rights in agreement with the Ministry of Infrastructure and Transport.

231 Supervisory Body

Carlo Piergallini
Chairman

Gianfranco Cariola***
Gustavo Olivieri

Manager in charge of financial reporting

Roberto Mannozi



MANAGEMENT

Institutional and Regulatory Affairs	Company Security
Administration, Financial Statements, Tax and Control	Human Resources and Organisation
Audit	Strategies, Planning, Innovation and Sustainability
External Communications	General Counsel, Corporate Affairs and Compliance
Finance, Investor Relations, Insurance and Assets	Chief Risk Officer
FS International	

LEGAL PROTECTION

It provides legal assistance to employees who have decided to take legal action after having been, in the performance of their work duties and/or in any case in relation to their work duties, victims of violence by identified or unidentified third parties

VILLA PATRIZI COMPLEX

Promote discussion between the owner, the property manager and the tenants for more effective and efficient management of complex real estate issues

Legenda: COMMITTEES
.....

OTHER COMMITTEES****

** Giovanni Coppola replaced Angelo Canale as Chairman on 1 January 2020.

*** Gianfranco Cariola was Central Audit Director and a member of the Supervisory Body until 30 November 2019.

**** The Antitrust Compliance Committee was eliminated with Group measure no. 274/AD of 3 October 2019 concerning the FS Italiane Group's antitrust policy.

SUSTAINABILITY GOVERNANCE

We believe that economic development, social inclusion and environmental protection can be pursued only through good sustainability governance. This is why we have defined and adopted a sustainability governance model and made the highest internal governance body, the FS Italiane board of directors, accountable for it. In 2016, we established a Group Sustainability Committee to advise the Group's CEO (as Chairman of the Sustainability Committee), guaranteeing the integration of sustainability principles in business strategies.

Board of Directors

The board examines and approves strategic, business and financial plans, including the business plan, which includes objectives and guidelines to promote a sustainable business model and create long-term value.

The board is responsible for approving the Sustainability Report and the consolidated non-financial statement pursuant to Legislative decree no. 254/16 (NFS), with the Audit, Risk Control and Corporate Governance Committee's prior approval.

**Audit, Risk Control
and Corporate
Governance
Committee**

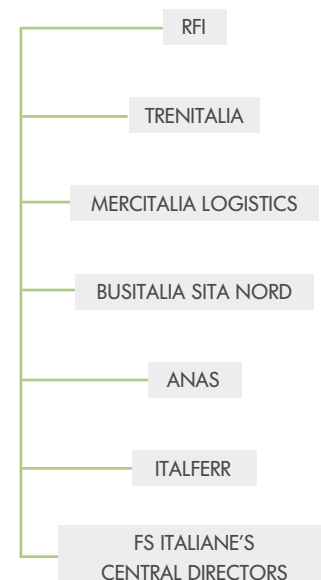
CEO and general manager

Chairman of the Sustainability Committee, assesses and approves the proposals of the board of directors regarding the integration of social and environmental aspects in the Group's strategies, including through dialogue with stakeholders, examines and validates the draft Sustainability Report.

**Sustainability
Committee**

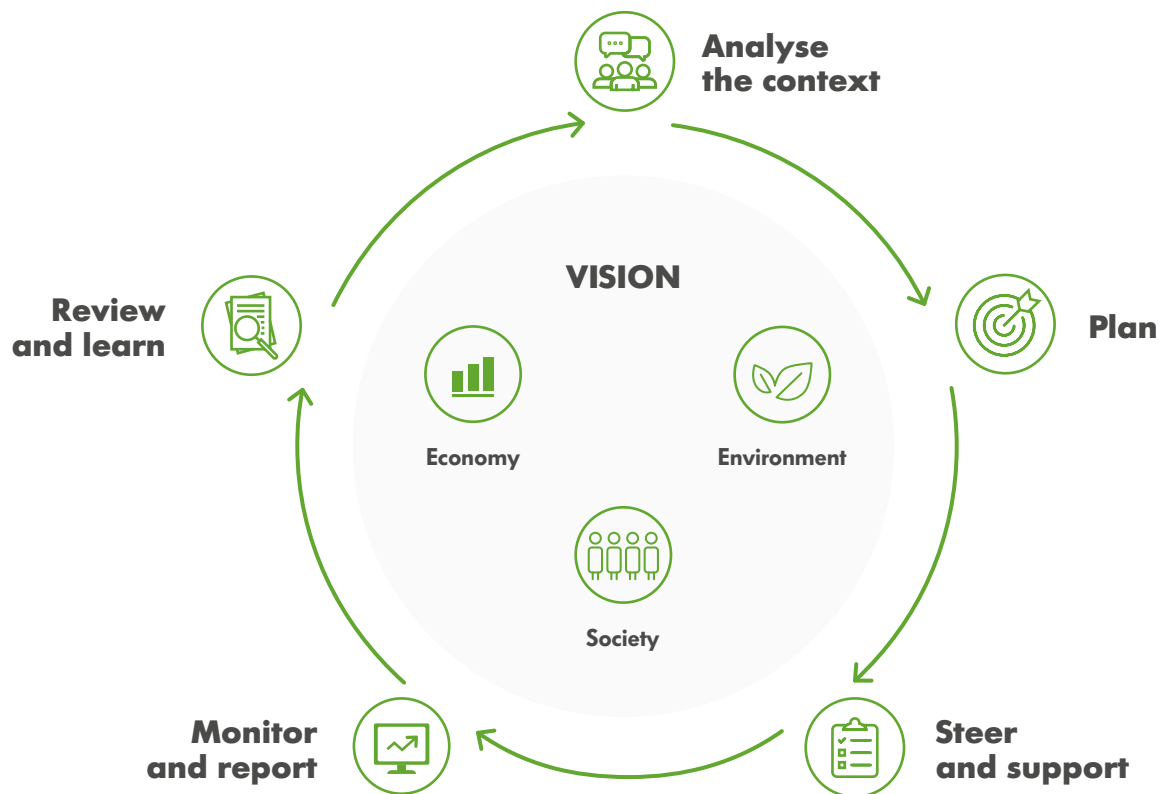
Central Strategies, Planning and Sustainability Department

It defines guidelines, methodologies and models for the proper implementation of sustainability policies and also acts as technical secretary for the Sustainability Committee.



In 2019, FS S.p.A.'s board of directors approved the sustainability governance model, a management tool to encourage the integration of sustainability in the Group's business.

This model establishes governance and the management processes that the parent intends to use for the integrated safeguarding of the three dimensions of sustainability (economic, social and environmental).



To reinforce top management's awareness of and commitment to sustainability, the Group launched an induction programme in 2016 with the involvement of members of FS S.p.A.'s board of directors and Sustainability Committee (a total of three meetings were held). This programme continued in 2019 with another induction cycle to adequately inform all boards of directors at the main Group companies²³ of the sustainability reflections in business strategy and activities. The programme will be completed in 2020. In addition, at the end of 2019, the awareness campaign was extended to over 200 managers, including the CEOs and management of Italian and foreign direct and indirect subsidiaries, with the aim of reaching the second and third professional tiers by the end of 2020.

²³ It includes FS S.p.A.'s Board of Directors and the members of the Group's Sustainability Committee. In 2019, the boards of directors of Trenitalia, Italferr and RFI participated in the induction.

BUSINESS INTEGRITY

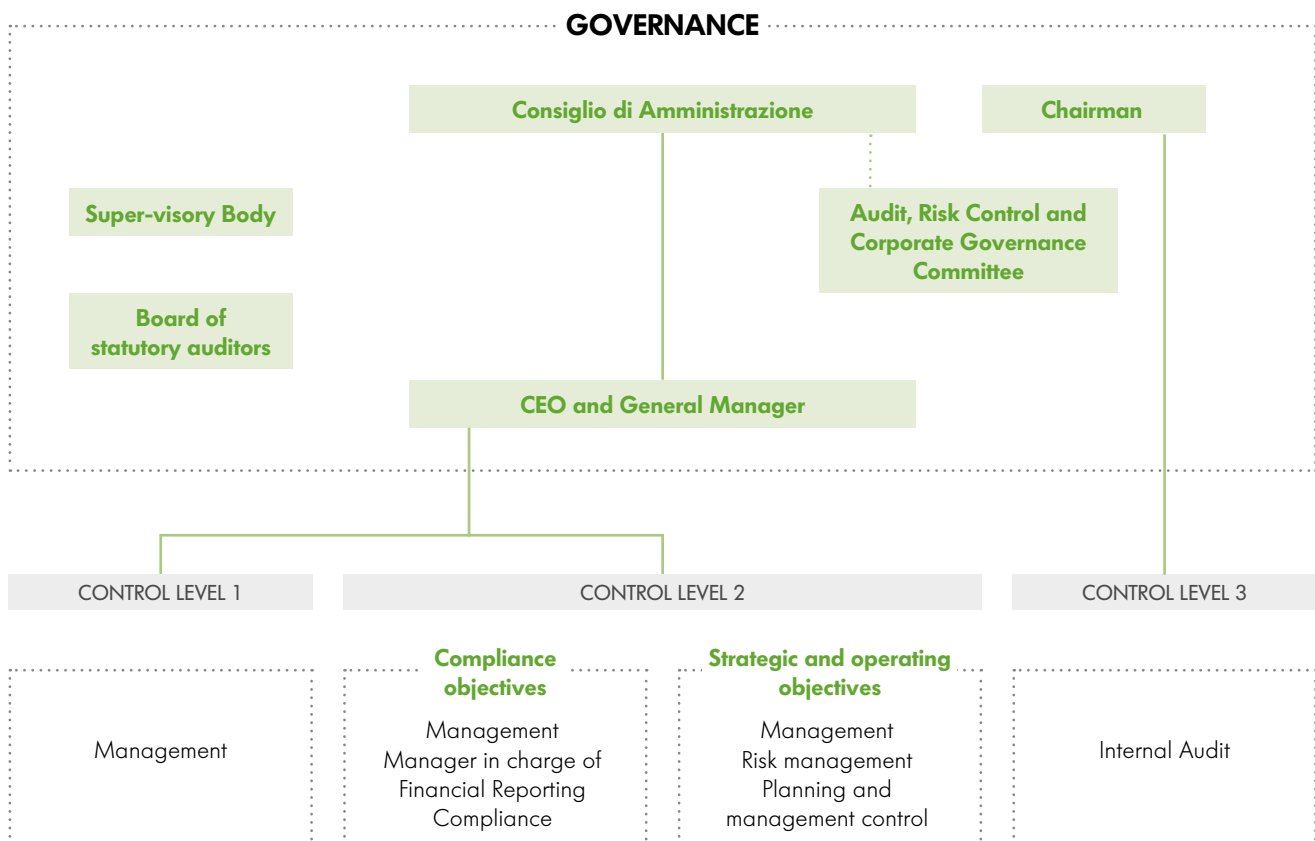
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We promote a company culture based on integrity, ethics, loyalty, probity, transparency and respect for the law, which are determinant principles in governing the complexity, encouraging knowledgeable decisions. We prevent and abstain from any situation presenting a conflict of interest and repudiate and discourage any form of corruption at any level in Italy or abroad. To ensure transparency with stakeholders in the management and control of the business, we have defined best practices through a solid system, consisting of rules, tools, activities, procedures and organisational structures, to protect the Group's reputation and integrity and the same stakeholders.

INTERNAL CONTROL SYSTEM

The internal control and risk management system (ICRMS) is a series of tools, organisational structures, standards and rules aimed at sound and proper business management in line with the business targets set by the Board of Directors, with an adequate process for the identification, measurement, management and monitoring of main risks, and the structuring of adequate flows of information to ensure its circulation.

FS S.p.A. uses the internationally renowned Internal Control Integrated framework (the "CoSO Report"²⁴) as its reference framework for the implementation, analysis and measurement of the internal control and risk management system.



²⁴ "Internal Control – Integrated Framework" published by the "Committee of Sponsoring Organizations of the Treadway Commission".

The internal control and risk management system consists of the following three control levels:

- › **Control level 1:** to ensure the correct performance of operations and an adequate response to the related risks. These activities include periodically checking the effectiveness and efficiency of the design and functioning of controls to: i) ensure that they are tailored to their objectives, ii) check that they are updated to any changes in operations, iii) identify and promote any improvement actions. Management is responsible for defining and conducting these controls.
- › **Control level 2:** to monitor the main risks with the aim of ensuring the effectiveness and efficiency of the related risk management and to monitor the adequacy and functioning of controls (for main risks). Control level 2 also supports level 1 in the definition and implementation of adequate management systems for the main risks and related controls. Management and other specific functions, like Risk Management, Compliance and the manager in charge of financial reporting conduct the level 2 controls.
- › **Control level 3:** to provide independent and objective assurance on the adequacy and effective functioning of the level 1 and 2 controls and, in general on the overall ICRMS. Independent, non-operating units, such as the Internal Audit Department, perform level 3 controls.

A brief description of the duties and responsibilities of the main parties involved in the internal control and risk management system is given below:

The manager in charge of FS S.p.A.'s financial reporting

In 2007, upon the shareholder MEF's explicit request, FS S.p.A. created the position of "manager in charge of financial reporting" on a voluntary basis, and the position became legally mandatory in 2013 pursuant to article 154-bis of the Consolidated finance act when the parent subsequently issued bonds listed on the Irish Stock Exchange (EMTN programme), resulting in FS S.p.A.'s status as a public interest entity pursuant to article 16 of Legislative decree no. 39/2010 as an "Issuer of listed financial instruments".

The manager in charge of financial reporting is responsible for establishing adequate administrative and accounting procedures for the preparation of the separate and consolidated financial statements and issuing, jointly with the CEO, attestations on the adequacy of the control systems.

The manager in charge of FS S.p.A.'s financial reporting defines and updates the Group's financial reporting control model ("262 Model") in accordance with aforementioned article 154-bis of the Consolidated Finance Act and international standards (CoSO Report "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission). The model requires that the parent and main subsidiaries have managers in charge of their financial reporting. The manager in charge of FS S.p.A.'s financial reporting defines the Group's annual action plan and monitors its compliance with Law no. 262/2005. This manager also issues guidelines for the preparation of administrative/accounting procedures, audits on their adequacy and whether they are operational and the issue of attestations on the internal financial reporting control system. The managers in charge of the various companies' financial reporting implement and maintain the internal financial reporting control systems, continuously exchanging information with the parent's manager in charge of financial reporting. The 262 process consists of the following annual stages: definition of in-scope companies and processes, process mapping, risk and control assessments, issue/review of procedures, self-assessment to check that the controls are designed adequately and that they are effectively operational, independent tests, assessment of weaknesses and definition of action plans and attestations.

Compliance

The compliance department monitors the national and international legislation and best practices which the company and Group rules must reflect, ensuring and providing the necessary support for the definition of actions to take to ensure compliance with new laws and regulations, as well as the resulting organisational, strategic and business implications; it checks that the company and Group guidelines, requirements and procedures are in line with legislation, proposing areas of improvement for the purpose of correct legal orientation. It also provides specialised support, coordinating with other relevant company units,

for the implementation and management of internal control models and compliance programmes relating to the ABC system, and the anti-trust compliance programme and the data protection framework and, under the coordination of the 231 Team, updates FS Italiane's 231 Model with respect to developments in the application regulations and changes in the organisation and processes. It supports decision-making processes by analysing business and trade compliance profiles with respect to trade development initiatives abroad (Sales Promoters, Sales Consultants and Business Partners), M&As, sponsorships and other strategic initiatives. The FS Italiane Group's compliance model was defined in 2019, describing its organisational aspects and processes.

ISSUE OF THE GROUP COMPLIANCE MODEL

Risk prevention controls were strengthened, especially for corruption, with the adoption of the Group's compliance model, which is part of the broader internal control and risk management system.

This model protects against the risk of violating national or international regulations or internal rules which could harm the companies' and Group's reputation and lead the national, foreign or supranational legal or administrative authorities to impose sanctions, including restrictive measures and bans, driving the implementation of specific organisational controls to identify, assess, mitigate and monitor compliance risks and prevent behaviour that could be in violation of internal and external rules and regulations and ensure strict compliance with them to promote a company culture based on integrity, ethics, loyalty, probity and substantial compliance.

Risk Management

The risk management unit designs, implements and governs the integrated enterprise risk management model and the integrated business risk monitoring process, coordinating strategies, policies, processes and operating mechanisms for the identification, assumption, management, mitigation, monitoring and reporting of the Group's main risks, oversees the definition of the parent's risk profile and coordinates the Group's various risk management safeguards.

The risk assessment process includes mapping the main business objectives and identifying and assessing the risks that compromise their achievement, the related controls and any proposed risk containment improvements.

The Group has adopted the Risk & Control Self Assessment (RCSA) method for risk assessment, which is characterised by the active participation of the respective process owners in the identification and assessment of the risks related to their activities.

Planning and management control system

In line with the strategic guidelines and objectives that the Board of Directors has defined:

- › the Central Strategies, Planning, Innovation and Sustainability Department (CSPISD), which, to generate economic, environmental and social value for all stakeholders, defines the Group's strategies and the related planning, monitoring and strategic control process. It also defines the investment planning and control processes and the optimisation and development of the Group's business portfolio;
- › the Central Administration, Financial Statements, Tax and Control Department (CAFSTCD), which, inter alia, implements the Group's planning and management control system through the operational implementation of strategies (the budgeting process), the calculation of actual results and their analysis.

Internal Audit

Internal auditing is independent and objective for assurance and advisory purposes in order to improve the organisation's efficiency and effectiveness. It is responsible for: i) checking that the internal control and risk management system is

operating and adequate, both on an ongoing basis and in relation to specific needs and to provide assessments and recommendations to promote efficiency and effectiveness; ii) providing specialist support concerning the internal control and risk management system to management, in order to improve the effectiveness, efficiency and integration of the controls in the business processes and to promote the constant improvement of governance and risk management.

The organisational and operational structure of the Group's Internal Audit unit provides for:

- › the introduction of an internal audit department for the parent, FS S.p.A. and its main consolidated subsidiaries. Considering their characteristics and respective risk profiles and the guidelines established by FS S.p.A.'s Central Audit Department, these subsidiaries assess their internal audit structure - with respect to the efficiency criteria and the effective protection of their internal control and risk management system.
- › the Central Audit Department's coordination of the Group's internal audit departments by: i) defining and updating audit guidelines and methodologies; ii) managing the professional internal audit family, as Group process owner.

The Internal Audit Departments report hierarchically to the Chairperson of the board of directors and functionally to the CEO and Audit Committee (where applicable)²⁵.

The Internal Audit Departments provide operational support to the supervisory bodies of their respective companies in the performance of supervisory activities.

Internal audits are conducted on all functions, units, processes and/or sub-processes and IT systems with respect to the following risks and consequent objectives:

- › effectiveness and efficiency of business processes;
- › reliability of financial reporting;
- › compliance with laws, regulations, by-laws and applicable standards;
- › protection of company assets.

With resolutions of their respective boards of directors, the subsidiaries' Internal Audit Departments adopted an Audit Charter defining internal auditing guidelines, identifying roles and responsibilities and clearly establishing the areas, scope, the macro modus operandi and information flows (specifically with senior management and the supervisory/control bodies).

External controls

- › **Independent auditors:** since 2014, KPMG S.p.A. has performed the statutory audit of the parent and its subsidiaries;
- › **Court of Auditors' control:** the Court of Auditors verifies FS S.p.A.'s financial management, using a Magistrate present at the meetings of the Board of Directors and board of statutory auditors.

Organisational, management and control models pursuant to Legislative decree no. 231/2001 and supervisory bodies

Group measure no. 209/P of 9 June 2016, which replaced the previous measures issued since 2002, requires that FS Italiane Group companies adopt organisational, management and control models that adequately prevent the illegal conduct covered by Legislative decree no. 231/2001 and set up supervisory bodies responsible for monitoring that the models function and are complied with and for updating them, dictating the requirements and criteria for the appointment of their members to ensure their professionalism, autonomy and independence.

²⁵ In addition to Ferrovie dello Stato Italiane, the main consolidated companies with internal audit departments are: Trenitalia, RFI, Ferservizi, Italferr, Busitalia Sita-Nord, Fercredit, FS Sistemi Urbani, Grandi Stazioni Immobiliare, Italcertifer, Ferrovie Sud Est, Mercitalia Logistics, FSTechnology and Anas.

According to the aforementioned Group measure, as a rule, the supervisory bodies are set up as boards with a chairperson from outside the company with significant, specific expertise in this respect, an internal audit manager and a legal expert from outside the Group or, alternatively, a member of the board of statutory auditors. Pursuant to article 6.4 of Legislative decree no. 231/2001, the “small” group companies whose organisations are less complex and/or smaller may set up a body with only one member from outside the group with significant and specific expertise in this respect.

COMPLETION OF THE RISK ASSESSMENT AND GAP ANALYSIS FOR THE UPDATE OF THE 231 MODEL

The activities in preparation for the update of FS S.p.A.’s organisational, management and control model pursuant to Legislative decree no. 231/2001 have been completed through:

- › **a risk assessment:** mapping of potential risks, with a specific focus on corruption crimes, involving and interviewing 43 staff members during 25 sessions;
- › **gap analysis:** check of existing procedures and control safeguards;
- › **implementation plan:** strengthening of the internal control system and assessment of the operational integration of the 231 Model with the ABC management system.

THE TAX CONTROL FRAMEWORK (TCF) WAS ISSUED

TO PROTECT AGAINST TAX RISKS IN BUSINESS PROCESSES, WHILE ALSO ENSURING THE PROMOTION OF A CULTURE BASED ON THE PRINCIPLES OF HONESTY, INTEGRITY AND COMPLIANCE WITH TAX REGULATIONS.



With the TCF, another specific control was added to the internal control and risk management system (ICRMS) for the specific purpose of minimising the tax risk that could arise from business operations in the form of higher taxes, fines and interest (costs that could potentially cause economic damage and, worse, harm to the group’s reputation).

Management systems

Ferrovie dello Stato Italiane and the main Group companies remain committed to implementing, certifying and maintaining their management systems for the ongoing improvement of the Group’s performance²⁶, using these tools to strengthen the environmental and occupational health and safety components of the internal control and risk management system.

	Quality	The environment	Occupational health and safety
			
			
			

²⁶ For more information about the certification scope of the Group’s operating companies’ management systems, see the final table in the “Company highlights: the environment” attached to this Report.

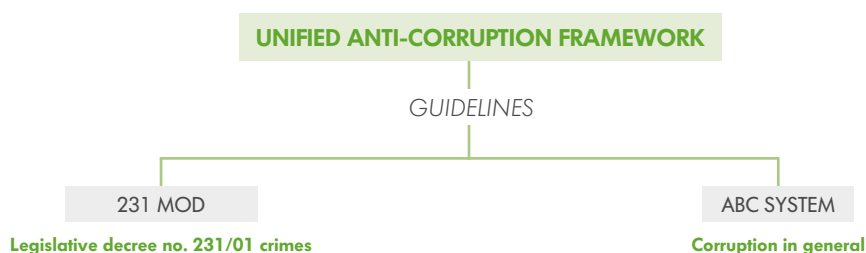
	Quality	The environment	Occupational health and safety
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ABC SYSTEM

FS Italiane Group conducts its business in compliance with the principles of integrity, ethics and zero tolerance for corruption. The Group has adopted a Code of Ethics and 231 Models, issued specific guidelines for the prevention of corruption between private parties within FS Italiane Group and joined the United Nations' Global Compact, the tenth principle of which is to "work against corruption in all its forms", demonstrating its commitment to operating in accordance with these principles.

To further support this commitment, since 2017, the parent has voluntarily used a self-regulatory tool to prevent corruption. Called the unified anti-corruption framework, this tool is based on two management and control models:

- › the 231 model, for suspected corruption within the scope of Legislative decree no. 231/2001 (including between private parties, undue soliciting to give or promise benefits and misconduct);
- › the anti-bribery & corruption management system ("ABC system"), set up to implement the "Anti-corruption policy guidelines" which also form an integral part of the framework and contain directions for the creation of an effective anti-corruption system at FS S.p.A..



²⁷ FS S.p.A.'s direct and indirect subsidiaries have adopted their own respective frameworks, which they adjust to their specific organisation and business, while remaining in compliance with the applicable legislative obligations. In 2019, the unified anti-corruption framework implementation process was completed at FS S.p.A.'s consolidated direct subsidiaries, with the exception of foreign companies (which became FS S.p.A.'s indirect subsidiaries in 2019) and recently established companies presenting peculiarities related to the applicable legislative context and incomplete organisational structure.

The ABC system covers corruption in a broad sense, which includes offering and accepting bribes directly and indirectly in relationships with the public administration and with individuals, as well as acts and conduct that may not constitute a specific crime but that could result in “abuse” to gain an undue advantage (for oneself or a third party) and/or maladministration and thereby act in contract with the principles of probity, lawfulness and integrity.

The ABC system centres around an analysis of at-risk events in the processes identified in the anti-corruption policy guidelines, in accordance with the relevant legislation and best practices, as being the most exposed to the risk of corruption: procurement and contracting, advisory engagements, international business development, membership fees, sponsorships, co-marketing, gifts and donations and human resources.

The ABC system establishes of a set of risk prevention tools consisting of general control principles and specific prevention tools (standards of conduct²⁸ and indicators of possible irregularities) for each risk process considered.

Specific training and communication are provided on the content of the prevention tools to ensure addressees fully understand them and to foster a culture of integrity. In general, training and communication on the issues of prevention and legality and the content of the ABC system are one of the main actions to ensure complete knowledge and the consequent accountability of all parties in risk management and the prevention tools.

In terms of governance, the ABC system identifies the actors, roles and responsibilities for its own implementation, development, updating, monitoring and control. It also defines the information and coordination flows. Management plays a central role given its knowledge of the processes and procedures, its direct relationship with the resources that these processes implement, regular monitoring and other prerogatives consistent with its responsibilities.

The main actors include the Anti-Bribery & Corruption unit, which, among other things, monitors the ABC system to promote continuous improvement, supports process owners in the identification of risks and the definition of the corruption risk prevention tools and monitors the implementation and enforcement of the measures envisaged by the ABC system, including through specific flows of information.

The schedule is an integral part of the ABC system identifying the activities for the implementation of the measures it describes and who will carry them out, as well as the deadlines. Approved by the board of directors each year, the schedule reflects the company's commitment to pursuing an anti-corruption policy that is truly effective and goes beyond mere compliance.

The section of the ABC system dedicated to addressees was revised in 2019, refitting its scope to cover the company's organisation and requiring the establishment of adequate instruments so that third parties can learn the system's principles and rules insofar as they are applicable, with the awareness that, in addition to company officers, control/supervisory bodies (and their members) and management, employees, contract workers and, in general, anyone with a relationship with FS S.p.A. participate in risk management and are asked to help implement risk prevention measures.

ISSUE AND REVISION OF RULES AND POLICIES SAFEGUARDING CERTAIN PROCESSES AT RISK OF CORRUPTION

The following rules and policies were issued in 2019 to safeguard certain processes at risk of corruption: “Procedure for Sales Promoters, Sales Consultants and Business Partners in commercial or business development initiatives on international markets (Business Compliance)”; “Bidding procedures in the scope of business development and consolidation initiatives on international markets”; “Entertainment expenses and acts (hospitality and gifts)”; “Management of relationships with public and private academic, training and research bodies”; “Management of participation in professional associations”; “Non-approval clause in contracts with the use of manual labour and group guidelines”; “Risk management governance rules”). The questionnaire for any conflicts of interest in consultancy and similar professional services was also distributed and made operational.

Furthermore, the following rules and policies to safeguard processes at risk of corruption were updated: “Group talent acquisition measures”; “Group policy for HR development”; “Regulation for bargaining with FS Italiane Group companies”.

²⁸ The standards of conduct are the formalisation of a series of steps to standardise the performance of certain sensitive activities and promote the spread of conduct based on the principles of integrity, fairness and transparency.

Whistleblowing and whistleblower report management procedure

On 18 June 2019, FS S.p.A.'s board of directors approved the parent's procedure for handling whistleblower reports²⁹, implementing Law no. 179/2017 (i.e., the whistleblowing law).

The procedure governs the receipt, analysis and handling of reports that anyone sends or transmits on events or conduct deemed to be illegal or in violation of the law, the organisational, management and control model pursuant to Legislative decree no. 231/2001, the ABC system or the FS Italiane Group's Code of Ethics, guaranteeing that the whistleblower receives full protection in accordance with the law.

The Group's Code of Ethics, which was updated in February 2018, states that anyone may refer to their company's Ethics Committee should they have questions or doubts or need clarifications. They may contact the committee by e-mail, post or using the other communication tools that the company provides.

In 2019, FS S.p.A.'s Ethics Committee managed 84 reports, 32 of which referred to previous years and 52 of which were opened in 2019, and FS S.p.A.'s Supervisory Body managed six reports, two of which referred to previous years and four of which were opened in 2019.

Anti-corruption policy awareness, communications and training

By implementing the directive criteria of the anti-corruption policy guidelines, the ABC system requires management accountability, a culture of risk prevention and ongoing training and communication, among other important elements".

The guidelines recognise the importance of spreading awareness about anti-corruption to FS S.p.A.'s management and personnel, which includes specific training and communications projects, with the conviction that knowledge of the rules in place to protect business conduct and a culture of integrity constitute an essential condition for the knowledgeable application of regulations as a means of preventing corruption.

OVER 10,000 MAN-DAYS OF
ANTI-CORRUPTION TRAINING

The first online course about the ABC system was offered in 2019, extending basic training on the reason behind the ABC system, its purposes and main tools to all FS S.p.A. personnel, while specific classroom sessions were held in 2018 for senior management and the heads of the macro units. In addition, specific training was offered on individual FS Italiane processes³⁰, with additional initiatives to steer and coordinate the group companies in the adoption and implementation of their own ABC systems³¹.

²⁹ Issued with Group organisational communication no. 34 of 24 September 2019.

³⁰ Recruitment process and international activities.

³¹ Mercitalia Logistics and Busitalia Sita Nord.

Between the publication of the 2019 update to the ABC system and the start of the online course, four short videos capsules were successively uploaded to the company intranet³². About one and a half minutes long, each focused on key concepts of the model (the framework, the concept of corruption in general and prevention tools). The internal communication activities in 2019 for the ABC system included updating the ABC system intranet page. A message from the FS S.p.A.'s chairman was published on the page - in which the chairman confirmed the group's commitment to fighting all forms of corruption and maladministration and encouraged daily actions inspired by integrity, transparency and fairness - along with two sections containing i) a brief introduction on FS S.p.A.'s anti-corruption policy and its anti-corruption governance model and ii) FS S.p.A.'s and the subsidiaries' anti-corruption policy and ABC system guidelines. The page also includes a sub-section on "Training" with information on courses and the course material.

Anti-corruption training on specific rules and policies

FS International's personnel was offered face-to-face training in 2019 following the issue of the "Procedure for Sales Promoters, Sales Consultants and Business Partners in commercial or business development initiatives on international markets (Business Compliance)" with specific focus on the compliance risks arising from violation of anti-corruption rules on international markets and considering the due diligence process and the assessment of Sales Promoters, Sales Consultants and Business Partners.

As part of the intragroup training on the "Talent acquisition guidelines" issued in 2019, a course on recruitment process controls was added, analysing, with examples from case stories, the main risk factors and prevention measures in personnel recruitment.

Additional information regarding transparency and business responsibility is given in the Group's 2019 Annual Report (Directors' report, Report on corporate governance and ownership structure).

³² The videos are available and permanently accessible on the company intranet's ABC system page.

PROTECTION OF HUMAN RIGHTS

FS Italiane promotes the protection of human rights for its employees, customers, citizens, suppliers and business partners, helping create a responsible supply chain and operating in accordance with the United Nations' Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization.

The principles on which the Group's Sustainability policy is based, issued in 2019, include respect for human rights and the commitment to contribute to the creation of a responsible supply chain, also established in the Code of Ethics (which guides the Group in its relationships with stakeholders). Furthermore, the Group promotes open and inclusive employment relationships and rejects any type of discrimination or harm against people, prevents any form of illegal labour and endorses policies aimed at psychological and physical well-being of personnel.

Since 2017, the Group has joined the UN's Global Compact ("GC") network, undertaking to comply with the ten principles - human rights, labour, environmental and anti-corruption - and include them in its business. These principles integrate and reinforce the Group principles previously established in the Group's Sustainability policy, Code of Ethics, 231 model and the anti-corruption policy and ABC management system guidelines.

The Group maintains its commitment to prevent any type of human rights violation through:

- › the use of standard clauses³³ about respect for human rights in contracts with suppliers, having suppliers sign the Group's Code of Ethics and introducing³⁴ a sustainability criterion in the supplier qualification process;
- › promoting the improvement of supply chain management by joining Railsponsible round tables, an initiative that brings together major railway companies;
- › protecting the rights of passengers with disabilities or reduced mobility. The Group offers assistance services at over 300 stations for passengers with physical, sensory or motor disabilities that temporarily or permanently affect their mobility, ensuring their right to travel with ease;
- › protecting the rights of disadvantaged people who seek shelter at railway stations. For several years, the Group has conducted a solidarity project in collaboration with local bodies and social organisations/community groups by loaning spaces inside or near railway stations for free use to associations and bodies that relieve marginalisation and social distress³⁵.

³³ With specific regard to the assignment of contracts and concessions for works and services entailing significant manual labour, the FS Italiane Group applies social clauses and requirements to comply with certain social and labour protection standards to promote the occupational stability of personnel.

³⁴ In the second half of 2017, RFI introduced a new criterion for supplier qualification in tenders which take in consideration also human rights (the fight against child and forced labour, anti-discrimination and support for the fundamental human rights). Inspired by RFI's initiative, the Group began a supply chain sustainable management project to improve the sustainability of FS Italiane Group suppliers.

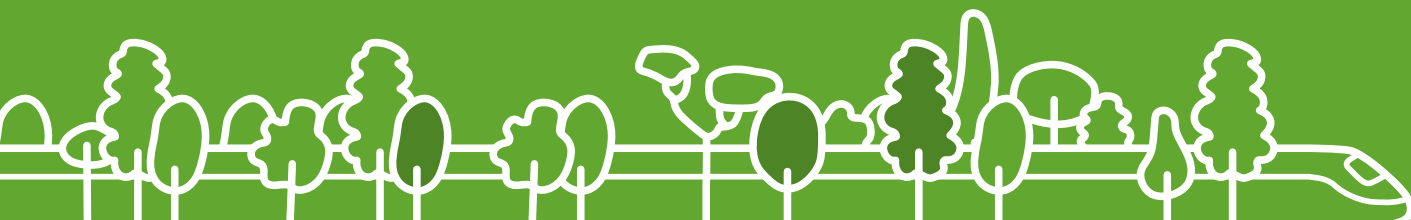
³⁵ Reference should be made to "Promoting social cohesion" for details.

08



2019 SUSTAINABILITY REPORT

Integrated management of risks and opportunities



INTEGRATED MANAGEMENT OF RISKS AND OPPORTUNITIES

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The FS Italiane Group operates in sectors with highly complex and varied activities (design, build and maintain infrastructure, operate railway and road networks, provide passenger and freight transport services and manage real estate assets), which may generate risks and uncertainties, some of which may be significant.

Controlling these risks is therefore vital to ensure the Group's continuity and sustainability in the medium to long-term. The Group has therefore defined a risk control model, as described in the paragraph on the Internal control system.

In this context, the Group Chief Risk Officer coordinates the overall management of the Group's risk governance process with respect to the functions within its scope of responsibility (e.g., risk management and data protection).

For additional information, reference should be made to the 2019 Annual Report (Directors' report, Risk factors).




The Group constantly monitors current and expected risks and opportunities, including social and environmental aspects, particularly those relating to climate change. In the preparation of this paragraph, in addition to that provided for by Legislative decree no. 254/2016, the Group analysed the "Guidelines on non-financial reporting: Supplement on reporting climate-related information" updated by the European Commission in June 2019, and the recommendations of the Task Force on Climate-related Financial Disclosures – TCFD, which describe the methods for managing and monitoring the risk and opportunities of climate change and the estimate of the related financial implications:

Risk	Description	Safeguards	Opportunities
Business risks 	i. competition due to the opening of markets	i. assessment and ongoing monitoring of competitors' bids and market presence	i. possibility of expanding presence in Europe and continuous improvement of services offered
	ii. domestic consumption trends and main economic factors	ii. improvement and maintenance of the service quality delivered and rapid adjustment to changes in demand	ii. offer of services that increasingly meet people's needs and growth of digital services
	iii. financial management in connection with relationships with public entities, both in terms of credit collection and the funding of investments for short-term concessions	iii. strengthening and updating the fleet, as a part of innovation and way to attract potential customers	iii. offer of integrated services to exploit synergies and the possibility of offering related services
	iv. potential instability of relevant legislation	iv. ongoing credit monitoring, with policies to fund invested capital at competitive rates	
		v. monitoring contracts and their financial balance, monitoring changes in regulations and promoting coordination and dialogue with government and regulatory authorities	



Operational risks




Risk	Description	Safeguards	Opportunities
Operational risks	i. ability to retain certain suppliers operating in the maintenance and construction of rolling stock	i. structured supplier qualification procedures that include financial assessments as well as technical evaluations	i. increasingly closer partnerships with suppliers to contribute to the Group's growth
	ii. performance of complex projects that require substantial financial resources and a structured organisational and project management structure	ii. management and control procedures to constantly monitor physical and financial performance of infrastructural projects	ii. continuous improvement of processes and the construction of high-quality, efficient infrastructure
	iii. interruptions/issues due to system and technology faults, serious natural events and vandalism	iii. avant-garde security, control and monitoring systems and the creation of specific network maintenance cycles, adopting procedures for the management of irregularities and emergencies with a constant focus on public information and the provision of accessory services to customers	iii. improved safety, punctuality and quality of services
	iv. saturation of high commercial value routes	iv. implementation of systems to optimise railway timetabling and traffic management	iv. continuous improvement of the work environment and safety performance
	v. alleged potential violations of occupational safety regulations	v. update of design criteria based on the route catalogue	
		vi. projects to improve traffic flow and improve traffic capacity at large urban hubs and launch of investment programmes for technological upgrades	
		vii. constant assessment and monitoring of occupational safety by senior management and the competent units	

Risk	Description	Safeguards	Opportunities
Country risk 	<ul style="list-style-type: none"> i. dynamic international context and significant political and economic instability in certain geographical segments 	<ul style="list-style-type: none"> i. in-depth quarterly analyses of the countries identified by the Group as potential new markets and countries where it already performs business or trade activities ii. update of the Group's framework for the classification of areas based on the country's attractiveness iii. offer definition process incorporating a risk-based approach 	<ul style="list-style-type: none"> i. expansion of international presence
Project risks 	<ul style="list-style-type: none"> i. potential impacts on project objectives in terms of timing, costs and quality with broad, direct and indirect consequences 	<ul style="list-style-type: none"> i. experimenting and implementing project risk management systems in line with the most sophisticated international standards and certification requirements 	<ul style="list-style-type: none"> i. improved project management and increased Group capacity and process efficiency driving the Group's investments
Compliance, legal and contractual risks 	<ul style="list-style-type: none"> i. non-compliance risks generally arising from potential non-compliance with the rules characterising the legislative and regulatory framework, with potential consequences consisting of legal or administrative sanctions, financial losses and reputational damage 	<ul style="list-style-type: none"> i. definition of the compliance model, establishment of organisational units (internal audit, compliance and DPO) to verify that guidelines and company and Group measures and procedures comply with relevant legislation and national and international best practice 	<ul style="list-style-type: none"> i. continuous improvement of processes and activities and alignment with best practices ii. more transparency and improved Group reputation

Risk	Description	Safeguards	Opportunities
IT and cyber risks 	<ul style="list-style-type: none"> i. adopt new technologies, like blockchain, AI and IoT could enable future cyber attacks to steal confidential information or block essential services, including acts of terrorism 	<ul style="list-style-type: none"> i. adopt an integrated safety management system to steer and govern security that converges the management of physical and cyber security in one command and control centre and ensures the application of consistent general principles and operating logic ii. create and begin operating a specialised cyber security operation centre where the most expert human resources and advanced technologies converge to prevent, detect and fight cyber attacks iii. set up a company specifically dedicated to overseeing ICT at Group level, defining strategies and achieving synergies and economies of scale 	<ul style="list-style-type: none"> i. improved ability to prevent cyber threats ii. the new digital dimension could drive more efficient and personalised services
Environmental risks 	<ul style="list-style-type: none"> i. non-compliance with environmental laws and regulations ii. risks related to climate change (see the table below) 	<ul style="list-style-type: none"> i. unit dedicated to safeguarding environmental issues and defining environmental management systems (ISO 14001 certified) 	<ul style="list-style-type: none"> i. ability to compete through the development of new services and processes with reduced greenhouse gas emissions ii. better reputation and positive perception of the Group by passengers and industrial customers
Social risks and risks related to the protection of human rights 	<ul style="list-style-type: none"> i. failure to respect human rights by the Group, its people and industrial and commercial partners 	<ul style="list-style-type: none"> i. definition of standard contractual clauses for compliance with the Group's Code of Ethics and workers' health and safety standards ii. joining the UN's Global Compact and the introduction, for tenders, of supplier assessment criteria, including the respect for human rights as a requirement 	<ul style="list-style-type: none"> i. improvement in the Group's reputation

Risk	Description	Safeguards	Opportunities
Human resources management risks 	<ul style="list-style-type: none"> i. failure to monitor personnel management risk factors (presence of key resources, difficult-to-find specialist skills, motivation and professional development) could compromise the achievement of the objectives in the business plan 	<ul style="list-style-type: none"> i. relationships with trade unions based on transparency and collaboration ii. personnel training and continuous updates, accompanied by specific recruitment campaigns for professionals on the market outside the Group as well iii. incentive and corporate welfare plans iv. digitalisation of recruitment processes v. strategic organisational approach for Diversity&Inclusion 	<ul style="list-style-type: none"> i. improved work environment and personnel motivation, increased attractiveness and retention capacity
Corruption risks 	<ul style="list-style-type: none"> i. crimes could be committed, bribery in particular 	<ul style="list-style-type: none"> i. preventing corruption and illegality with FS S.p.A.'s adoption of the 231 Model and the issue of specific guidelines for the prevention of corruption between private parties in the FS Italiane Group ii. definition of the Unified Anti-corruption Framework (including the ABC management system) iii. ongoing training and communications, including specific online courses on the ABC system iv. approval of the whistleblowing management procedure 	<ul style="list-style-type: none"> i. promoting the Group's reputation, both within and outside of the organisation, through a commitment to compliance with ethics and organisational and procedural safeguards

Risk	Description	Safeguards	Opportunities
<p>Procurement risks</p> 	<p>i. the prices of services, raw materials, energy and transport can vary based on market trends and it may not be possible - or only possible to a limited extent - to translate the higher energy procurement costs into higher selling prices to customers with consequent effects on the Group's profit margins</p>	<p>i. creation of department and units that oversee trends in the prices of materials and services that are fundamental for business operations and any applicable regulations. A project began to redesign the procurement process based on an analytical model to determine optimal procurement prices, with the additional aim of speeding up and simplifying the process while making it traceable and paperless.</p>	<p>i. continuous improvement of procurement processes</p>

Risks related to climate change could have significant consequences on the Group's business (infrastructure and services). In accordance with that defined by the European Commission in June 2019, these risks are monitored and classified as:

Macro risk	Risk	Description	Impact on the business	Potential financial impact	Mitigation action
Transition risk	Risk of regulatory change	Change in the greenhouse gas emission regulatory framework	Application of energy efficiency requirements, revision of emissions fees, introduction of a carbon tax	i. Higher operating costs	i. Constant tracking of regulations with monitoring of changes in the greenhouse gas emissions authorisation system
				ii. Higher investment costs and asset impairment	ii. Definition and monitoring of energy consumption and emissions targets
Transition risk	Legal risk	Exposure to legal disputes in the event of failure to adopt climate impact mitigation measures	Possible reputational and financial impacts in the event of failure to control this risk	Higher operating costs	Implementation of an environmental management system to control compliance with the applicable regulatory framework
Transition risk	Risk related to the relevant market	Change in the habits of passengers and customers interested in greener products and services and uncertainty on the procurement market	More competition and reduction in transport demand	i. Less revenue	i. Monitoring the needs of passengers and customers and the development of new customised services
				ii. Higher operating costs for the procurement of raw materials (e.g. energy)	ii. Promotion of a modal shift towards collective mobility and railway transport for passengers and freight, respectively

Macro risk	Risk	Description	Impact on the business	Potential financial impact	Mitigation action
Transition risk	Risk related to technological evolution	Spread of new low-emission technologies	Failure to adopt cutting-edge (low carbon) technologies and non-development of the related management expertise	i. Less revenue ii. Higher operating costs (R&D)	Continuous investments in new, low-environmental impact technologies, in employee training and in the recruitment of personnel highly specialised in the management of new technologies
	Reputational risk	Loss of reputation connected to the increase in public concern about climate change	Possible stakeholder dissent with new works (e.g., new infrastructures) due to potential external negative factors, resulting in possible delays in construction	i. Less revenue ii. Higher operating costs	i. Participation in national and international targeted initiatives to strengthen the commitment to reducing emissions ii. Stakeholder engagement initiatives to transparently report the possible positive or negative impacts of new works iii. Monitoring and reporting on long-term targets to combat climate change

Macro risk	Risk	Description	Impact on the business	Potential financial impact	Mitigation action
Physical risk	Acute physical risk	Deriving from extreme weather events such as hurricanes, floods and drought, which are increasing in frequency and intensity because of global warming	Disruptions of operations, failure to provide services and damage to infrastructure and assets, with possible repercussions on safety	i. Less revenue due to a smaller offer	i. Recovery plan and business continuity system
				ii. Higher operating costs (e.g., costs for higher insurance premiums and to restore the normal functioning of assets)	ii. High-tech tools to monitor and control the conditions of railway infrastructure and plants
				iii. Impairment of existing assets	iii. Processing of scenarios consistent with national and European carbon emissions reduction targets
				iv. Higher investments to increase the infrastructure's resilience capacity	iv. Inclusion of climate change issues in strategic plans
					v. Continuous maintenance and control of assets
					vi. Design, construction and maintenance of infrastructure to make it more resilient to the effects of climate change, including the use of redundancy

Macro risk	Risk	Description	Impact on the business	Potential financial impact	Mitigation action
Physical risk	Chronic physical risk	Deriving from longer-term climate change (higher temperatures, scarcity of water, rising seas, loss of soil stability, etc.)	Disruptions of operations, failure to provide services and damage to infrastructure and assets	<ul style="list-style-type: none"> i. Less revenue due to a smaller offer ii. Higher operating costs (e.g., costs for higher insurance premiums and to restore the normal functioning of assets) iii. Impairment of existing assets iv. Higher investments to increase the infrastructure's resilience capacity 	<ul style="list-style-type: none"> i. Recovery plan and business continuity system ii. High-tech tools to monitor and control the conditions of railway infrastructure and plants iii. Processing of scenarios consistent with national and European carbon emissions reduction targets iv. Inclusion of climate change considerations in strategic plans v. Continuous maintenance and control of assets

Climate change may also create opportunities for the Group:

Scope	Type of opportunities	Description	Impact on the business	Potential financial impact	Possible action
Efficiency of resources	More efficient modes of transport	Use of more energy efficient modes of transport for passengers and freight	Lower energy consumption and emissions and offer of distinctive services with respect to the competition	i. Higher revenue	Constant tracking of new low environmental impact technologies and continuous monitoring of customers' needs
				ii. Lower operating costs	
Sources of energy	Use of renewable and/low-impact energies	Use of renewable and/low-impact energies	Reduction of GHG emissions and offer of distinctive services with respect to the competition	i. Lower operating costs	Constantly following new low environmental impact technologies
				ii. Higher revenue	
Products and services	Offer of green services	Development or expansion of low CO ₂ emissions	Improvement in the services offered and the Group's reputation	i. Lower capital costs	i. Constant tracking of new low environmental impact technologies, continuous monitoring of the customers' needs and offer of distinctive services ii. Monitoring the opportunities of sustainable finance
				ii. Lower operating costs	
				iii. Higher revenue	
Markets	Access to new markets	Offer of distinctive services on foreign markets as well and possibility of gaining competitive edge	Increase in revenue by entering new markets and more competitive edge on domestic markets	Higher revenue	Continuous monitoring of customers' needs and offer of distinctive services with a low environmental impact
Resilience	Resilient infrastructure	Design, construction and maintenance of infrastructure to make them more resilient	Lower asset impairment and service disruption risks	i. Lower operating costs	Design, construction and maintenance of infrastructure to make it more resilient to the effects of climate change, including the use of redundancy
				ii. Higher revenue	
				iii. Protecting asset value	



09



2019 SUSTAINABILITY REPORT

Commitment for current and future generations



COMMITMENT FOR CURRENT AND FUTURE GENERATIONS

Become a mobility business of tomorrow, capable of upholding sustainability principles in its operations, as summarised in the three commitments on which the Group's business model is based.

Promotion of integrated mobility

which contributes to regenerate natural capital

Dissemination of transport and infrastructure services efficiency model

with ambition of making the Company as mobility leader

Development of an equitable and inclusive society

through a virtuous business model

These expressions of intent lay the foundation for shared values and beliefs that guide the FS Italiane Group's decisions and operations in accordance with the United Nations' Agenda 2030. In 2019, the Group took tangible steps in this direction when it implemented the Sustainability Policy and formalised its first three long-term goals 2030-2050. These, goals, which the management defined together with stakeholders, were approved by the subsidiaries' and the parent's Boards of Directors.

Sustainability Policy

The Group has defined the principles that underpin its operations in the Sustainability Policy to make sustainability as the guiding element in the definition of strategic and operating decisions and to drive sustainable growth in the medium and long term. This policy, which the Board of Directors approved on 16th of April 2019, is based on the Sustainable Development Goals (SDGs) and the principles of the UN's Global Compact and consists of specific commitments in the Group's most important areas:



SHARED VALUE CREATION

Balance economic goals with social and environmental ones, creating value for the Company, stakeholders and all the areas in which the Group operates



COMMUNITY AND STAKEHOLDER ENGAGEMENT

Initiate systematic stakeholder engagement processes



SAFETY FOR TRAVELLERS AND WORKERS

Ensure an increasingly higher level of health and safety and consolidate a risk management and prevention culture

**SERVICE QUALITY**

Improve the customer experience, focusing on the quality provided and that perceived

**EMPLOYEE VALUE**

Actively contribute to caring for and developing people, preventing any form of discrimination

**EFFICIENT USE OF RESOURCES AND ENVIRONMENTAL PROTECTION**

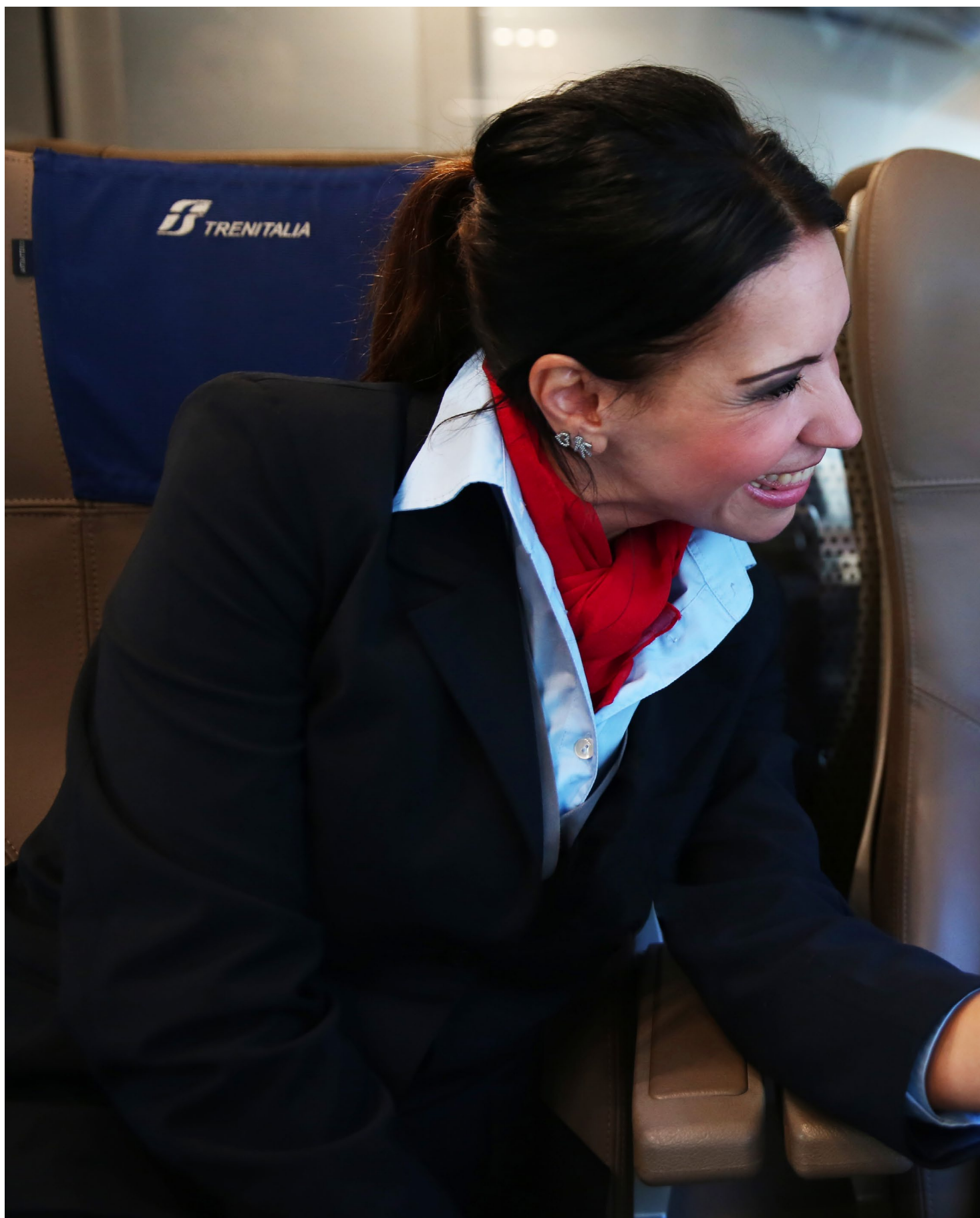
Promote the efficient use of energy resources and encourage an LCA approach in all processes

**RESPECT FOR HUMAN RIGHTS**

Protect human rights in its operations and between suppliers and business partners, contributing to the creation of a responsible supply chain

FERROVIE DELLO STATO SIGNS THE CALL TO ACTION FOR A SUSTAINABLE EUROPE

In September 2019, the Group joined the CEOs Call to Action for a New Deal in Europe, sponsored by CSR Europe, a European business network for corporate sustainability and responsibility; it is also an advisor to the European Commission on sustainability. In the call to action, CEOs urged European leaders to implement a comprehensive strategy for Europe by 2030. Signed by the CEOs of over 250 European companies, the call to action brings together the largest group of CEOs every mobilised in Europe.





STAKEHOLDER ENGAGEMENT

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The Group continuously communicates with its stakeholders to gain an understanding of their expectations and to identify shared solutions, as it firmly believes that this kind of open relationship guarantees effective creation of value. The Ferrovie dello Stato Italiane Group's stakeholders are indicated in the map below.



The stakeholder panel

The Group strives to ensure structured, collaborative dialogue with its stakeholders using a variety of methods, including the Stakeholder Panel, an important annual event which the Group organises because it knows that creating value for stakeholders is synonymous with creating value for the business³⁶.

The Group's fifth Stakeholder Panel was held in May 2018. Based on input from the Sustainability Committee, it promoted a new, shared, collaborative process with stakeholders for the definition of the long-term sustainability goals for 2030-2050. Discussions were held by technical single-issue round tables and multi-stakeholder groups, chaired by representatives of the Sustainability Committee and management of the operating companies, with the participation of around 70 external stakeholders. Discussion focused on the three issues selected on the basis of the priorities that resulted from the Group's materiality analysis: safety, energy and emissions and sustainable mobility.

Considering the main outputs of the discussion, the Sustainability Committee set out three ambitious goals³⁷ that were presented on the 18th of July 2019 at a public event attended also by the Minister of Transport and other key figures in the Italian transport sector.

The panel scheduled for the second half of 2020 will identify additional long-term goals.

At the same time, work continued to update the Company web page devoted to dialogue with stakeholders where, since 2013, the progress of the proposals submitted at each of the four editions of the Group's Stakeholder panel is reported. A total of 85 proposals have been submitted in the course of the panels, and 71 of these have been implemented, while 3 are still being implemented and 11 were not considered feasible.

³⁶ The first Stakeholder Panel was held in 2013.

³⁷ Reference should be made to "Our agenda for the future of transport".

Other forms of dialogue

The Group has many other forms of dialogue with its stakeholders, including institutionalised feedback collection (e.g., customer satisfaction surveys), relationships with the consumer and environmental associations and the trade unions. Each year, the Group promotes a number of initiatives to inform, advise, discuss and partner with the various stakeholders. In 2019, the Ferrovie dello Stato Italiane Group took part in activities with the following associations: Confindustria and its local branches, Agens/Federtrasporto, Federturismo, Assonime and Accredia. In addition, it met with the Conference of Regions and Autonomous Provinces, the Unified Government and Regions Conference and the relevant Ministries. At European level, it³⁸ collaborated with Confindustria, ERA (European Union Agency for Railways), CER (Community of European Railway and Infrastructure Companies), UIC (International Union of Railways) and the European Commission.

Furthermore, the FS Italiane Group collaborates with the following organisations: United Nation Global Compact, the Foundation for Sustainable Development, Green Building Council Italy, Carbon Disclosure Project, Railsponsible and the Kyoto Club.



As a member of UPA (the Italian association of advertising users)³⁹, the Group also endorses the advertising Code of Ethics. There were no non-conformities in advertising in the year. No form of financial assistance and no benefits are granted to the aforementioned associations other than the membership fees. The Group does not pay any direct or indirect contributions to political parties, movements, committees or organisations or trade unions.

Relationships with associations for people with reduced mobility

As part of the Group's activities with associations for people with reduced mobility, in 2019, it planned inspections at the Torino Porta Nuova station with the UICI (Italian union for the blind and visually-impaired) to resolve critical issues in the tactile walkways and, in the same area, began procedure to install them at the Florence SMN station. UICI and the Group also worked together to establish the process for extending and issuing Carte Blu (cards that enable carers to travel for free) to blind people.

In view of the upcoming installation of automatic barriers at 600 Italian stations, an inspection was conducted with disabled persons associations at the Roma Termini station to test accessibility and gather findings to consider when making technical decisions.

The Group has continued the collaborative process with UICI, ADV and ANPVI, three associations for the visually-impaired, to make the RFI, Trenitalia and Nugo apps more accessible to people with this disability. Leading disabled people associations were also involved in the design, construction and delivery of Pop and Rock trains, and the partnership has commenced for the new regional hybrid trains as well.

³⁸ The chairman of Ferrovie dello Stato Italiane has been the chairman of the UIC since 3 September 2018.

³⁹ An association that represents the interests of the most important industrial, commercial and service companies investing in advertising.

Media relations, publishing and multi-media material

In 2019, the Group was active with the national, local and international media (press agencies and national, local and international newspapers, free press, general and trade magazines, radio, television and photographic, radio and television agencies) as well as online publications, websites and blogs. Its media work included external communications, such as:

- › the online newspaper FSNews.it;
- › the Group's website *fsitaliane.it*;
- › *La Freccia* and *Note* magazines;
- › the online *Nugo Magazine*;
- › the radio station FSNews Radio;
- › social networks;
- › the #Opentreno blog.

Over 5,000 press releases and articles were written, including some 600 articles for FSNews.it and 90 press releases. The multi-media department provided support for streaming, with photo shoots and photographs for 160 events and 195 institutional/promotional/ documentary videos which were used for visual communications in the Group's media and on monitors at stations and on-board trains.

FSNews Radio

The FSNews Radio editorial department broadcast 3,000 hours of live content, providing over 5,400 updates on train circulation and 92 audio programmes, including 53 podcasts. *La Freccia* and *In Regione* publish the printed magazines *La Freccia*, the online weekly *Note* and the e-zine *Nugo Magazine*, in addition to special volumes and series. All their publications are available on ISSUU and in the media and events section of *fsitaliane.it*. They are printed on Forest Stewardship Council® certified paper and using recycled materials. *La Freccia* publications include:

- › *La Freccia*, FS Italiane Group's general-interest monthly publication (12 issues);
- › *La Freccia Junior*, the children's supplement to *La Freccia* (12 issues);
- › *La Freccia Collection* (2 issues);
- › *La Freccia 10 years of HS*, a special edition commemorating the tenth anniversary of the high speed railway.

The *In Regione* publication is:

- › #Note, the weekly pocket edition about regional transport (43 issues).

Nugo magazine

A mobile-friendly travel magazine (in Italian and English) designed to simplify and enhance the travel experience for people on the move and travellers who use Nugo, the integrated door-to-door mobility app. The magazine recommends itineraries and unique travel ideas and highlights shows, events and festivals.

Web Strategy

In March 2019, FS Italiane's website (fsitaliane.it) was revamped for mobile screens, with an updated format and graphics to make the site easier to use and more appealing to users.

Some of the most important initiatives of 2019 were the social awareness campaigns (International Day for the Elimination of Violence against Women, the National Civil Protection week, Frecciarosa, "I'm not taking any risks" and the Christmas fund raising campaign), the 2019-2023 business plan, the creation of the tourism hub, the 10th anniversary of the Italian high speed railway, the 10th anniversary of sustainability and the new RAILWAY heART photography feature.

The Group can also be found on:



For its internal stakeholders, the Group:

- › spread the new **company intranet** named "**we**" and, at the same time, launched the we are digital plan to support the adoption of digital workspace tools, along with training in digital skills and the tools provided by the new intranet;
- › launched the **internal communication plan** based on the pillars of the new business plan, which has inspired the new broadcasting schedule with contributions from **80 content owners** and all the individual companies' internal communications departments;
- › launched **500 pilot communities** for line personnel, as a new way of managing projects, coordinating processes and promoting and spreading best practices;
- › identified **3 pilot sites** for the installation and inspection of the first three video-wall devices.

CREATION OF VALUE FOR STAKEHOLDERS

201-1 203-2

Creating value for the Group and its stakeholders is a priority for the sustainability of the business in the medium to long-term.

Based on reclassification of the consolidated income statement, the table below illustrates the impacts of the Group's activities on its stakeholders. Specifically:

- › economic value generated is an indicator of measurable wealth generated by the Group in the year. The analysis of value added provides an objective evaluation of the Group's economic/social impact by measuring the wealth it has created for stakeholders;
- › economic value distributed is a qualitative/quantitative indicator of the Group's social impact and the distribution of value to the various stakeholder categories.

The value not distributed by the Group (over €2.3 billion) consisted substantially of self-financed investments and accruals to reserves, to be reinvested and thereby ensure the continuity of non-current business and, therefore, indirectly benefit FS Italiane Group's stakeholders (such as employees and the community through, for example, improvements in service quality).

In millions of Euros

Generation and distribution of economic value	2019	2018	2017
Directly generated economic value	12,536	12,196	9,369
Revenue from sales and services	11,957	11,560	8,993
Other sundry income	579	636	376
Economic value distributed	10,202	9,877	7,202
Operating costs for materials and services	4,813	4,679	2,754
Personnel expense	4,945	4,853	4,178
Payments to financial backers	286	221	176
Payments to public bodies	158	124	94
Economic value withheld	2,334	2,319	2,167

In view of further integrating strategies with sustainability aspects, using the creating shared value (CSV) approach, the Group has kicked off a project to create a model that incorporates multi-faceted (social, environmental and economic) assessments of activities and investments.







PUTTING THE NEEDS OF PEOPLE AND CUSTOMERS FIRST

103-2

103-3

What we have accomplished...

THE SEM (SMART EVENT MANAGEMENT) PLATFORM

was completed and launched to remotely control and manage lighting and other civil systems for energy savings and efficiency (smart station project)

Completion of

20 STATION INFRASTRUCTURE UPGRADE PROJECTS

to make stations easier to use for passengers and users (easy station project)

Agreement with the

SENSEABLE CITY LAB CONSORTIUM OF THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT)

to study the feasibility of applying mobile sensors to increase oversight of bridges and viaducts on the road and motorway network

Implementation of the

PALERMO AIRPORT SERVICE

...what we aim to do

Start the process to have the new line between Bergamo and the Orio al Serio airport

CERTIFIED IN ACCORDANCE WITH THE ENVISION PROTOCOL

Continue development of the

NEW HUB STATION PROJECT

to recast stations in the role of modal integration hub for the surrounding area. Talks are already under way with local authorities

Continue the

SMART ROAD PROJECT

to reduce the accident rate, increase travel comfort, manage and improve traffic conditions and handle extraordinary critical events, make the transport network more resilient and ramp up digital interaction with areas through which the roads pass and interoperability with vehicles

Project to

REDUCE SINGLE-USE PLASTIC

in food service on board Freccie trains, in FRECCIAClubs and FRECCIALounges

What we have accomplished...

Delivery of

NEW POP AND ROCK TRAINS FOR REGIONAL SERVICE

in Emilia Romagna, Sicily, Veneto, Liguria and Marche

Launch of

THE NEW MULTI-OPERATOR WI-FI FAST SERVICE ON FRECCIAROSSA ETR 1000 AND FRECCIARGENTO ETR 700 TRAINS

over 70% of the ETR 1000 fleet and the entire ETR 700 fleet have been equipped with the Wi-Fi

371 NEW BUSES

including 105 Euro 6 diesel buses, 12 Euro 6 compressed natural gas (CNG) buses, 44 Euro 6 mild-hybrid buses and 210 electric buses

Launch of

FLORENCE CASHLESS EXPERIENCE

on 15 Busitalia buses for two historic lines operated as part of the market service, The Mall and Volainbus and on all Ataf Gestioni buses for the purchase of tickets on board, without any surcharge

...what we aim to do

Supply of

SWING TRAINS

in addition those that are already operating

Introduction of

NEW SERVICES AND FUNCTIONS ON THE FRECCIE PORTAL

including background music and meals that can be ordered for delivery to one's seat

Inclusion of

148 NEW BUSES

including 143 Euro 6 diesel buses and five Euro 6 hybrid plug-in buses

Launch of the

NEW "E" LINE

in Todi, to be operated with electric buses

What we have accomplished...

The first

TRAINING COURSE FOR 200 DRIVERS

was held as part of the Group's fleet energy efficiency project for passenger road transport to improve drivers' performance. The potential energy efficiency target for green driving was defined based on the results (the difference between performance before and after the training)

The

CUSTOMER SATISFACTION SURVEY

for the freight sector was implemented

Launch of the

SMART ROAD PROJECT ON THE ANAS NETWORK

to improve drivers' comfort and safety

...what we aim to do

Introduction of a

GREEN TICKET FOR FREIGHT

certifying the environmental performance of railway transport

As part of the

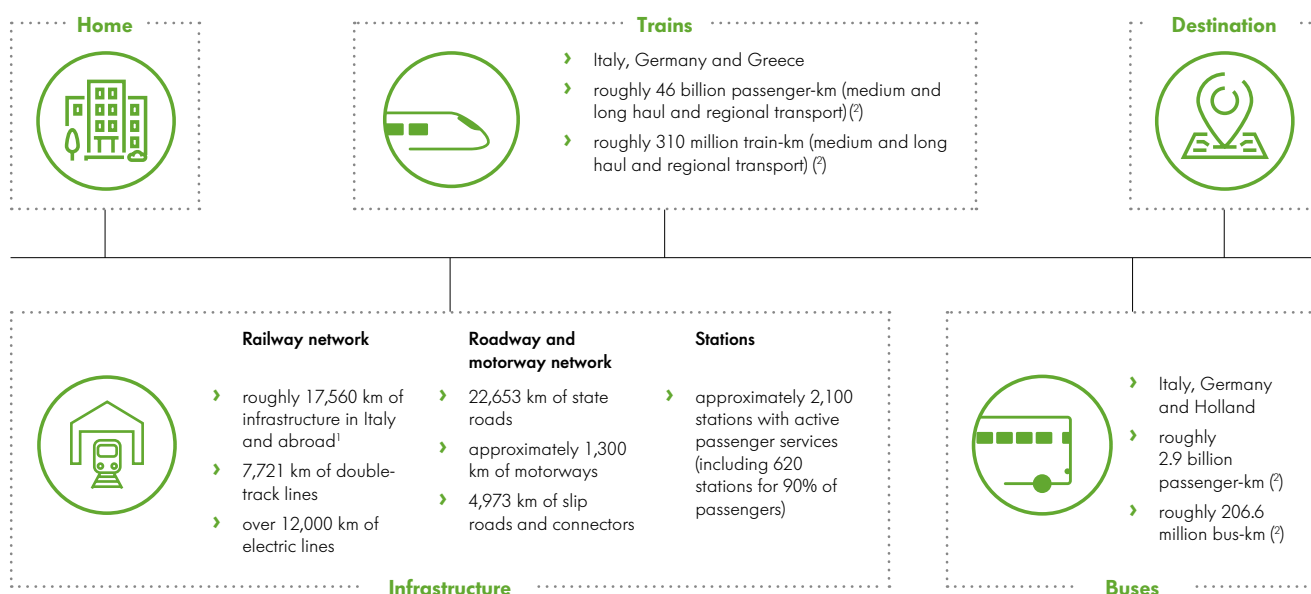
TURNSTILE 2.0 PROJECT

complete turnstiles and accessory works in 20 stations, along with the installation of 23 security systems (video surveillance, controlled access/access prevention systems and passive safety measures) at as many railway sites to improve passenger and personnel security

TRAVEL

102-2 102-4 102-6 102-7 102-43 102-44 419-1

The purpose of offering integrated services is to guarantee a travel experience that meets people's travel needs, focusing especially on those who use public transport every day.



¹ The infrastructure managed by FS Italiane Group companies in Italy and abroad covered roughly 17,560 km in 2019, with the national railway infrastructure managed by the subsidiary Rete Ferroviaria Italiana S.p.A. accounting for 16,779 km. In addition to the network operated by RFI S.p.A., FS Italiane Group manages 474 km of Ferrovie del Sud Est e Servizi Automobilistici S.r.l. (FSE S.r.l.) lines in Italy. The Group's remaining infrastructure consists of the roughly 300 km operated by Netinera Group in Germany.

² It also includes traffic operated abroad by the Group's subsidiaries.

The Group's commitment to improving the travel experience is demonstrated by the roll-out of the new Rock and Pop trains for regional service in 2019, offering more comfort and better performance.

NEW REGIONAL TRAINS: ROCK AND POP

The new Rock and Pop trains (which were financed by FS Italiane's green bonds) improve comfort, reliability (the standard model is equipped with remote diagnostics), security and environmental performance standards, while consuming 30% less energy than previous generation trains and are made out of up to 96% recyclable materials. A total of over 600 new regional trains will be delivered, for an investment of approximately €6 billion. Within five years, about 80% of the national fleet for regional transport will be replaced.

*Reference should be made to "Sustainable finance as a tool for change" for details.

Furthermore, in line with the 2019-2023 business plan, which envisages transporting 20 million more tourists than the current 100 million, the FS Italiane Group has launched a series of actions to redistribute tourist flows and improve accessibility to art cities and holiday destinations, celebrating the country's image, cultural heritage and natural assets.

In this context, the FS Italiane Group is distinguishing itself as a major player in the national tourism ecosystem. An actor capable of facilitating connections between the gateways to Italy (airports, stations and ports) and supporting its economic growth.

The tourism development hub has involved the FS Italiane Group companies involved in passenger transport services and the management and development of infrastructure and real estate assets.

The Group has planned actions in eight areas: its commercial offer, intermodality, historic trains, soft tourism, experiential tourism, culture and music, real estate assets and digital infrastructure.

COVID-19 outbreak

After the end of the year, the outbreak of a novel coronavirus, COVID-19, was widely reported in January 2020. The epidemic rapidly spread to many other countries around the world, leading the World Health Organisation to define it a "pandemic".

Italy is currently one of the countries hardest hit and this has put extreme pressure on the country's healthcare system, with the government authorities consequently issuing a series of measures to contain the risk of further infection spreading throughout the population.

The COVID-19 emergency will affect the regular, ordinary performance of Group activities, despite the mitigation actions that the companies have already taken or are taking for the primary purpose of ensuring production continuity while protecting their workers' health and safety.

As COVID-19 (the "coronavirus") spread in Italy in the first few months of 2020, the transport market recorded significant overall drops in passenger volumes. During the initial stage of the emergency, as it waited to see how the situation would evolve, the Group maintained its commercial offer to ensure normal mobility services for passengers and freight. As this situation persists and the restrictions, including legislative measures, that have been necessary and may continue to be necessary to contain the emergency – potentially reducing the number of passengers below the drops already seen in both the market and universal segments – the Group will need to take decisions that, while continuing to ensure necessary service levels, take into account the reduced traffic volumes throughout the country, as well as decisions that could entail changes to traffic management from the way in which the infrastructure network is currently operated.

The Group is conducting a broad and extensive analysis of the effectiveness and efficiency of reorganising passenger and freight transport in response to the effects of lower demand as described above, and it cannot currently rule out selective projects and the temporary, partial and targeted suspension of its operations in certain units at operating and maintenance sites where it is impossible for workers to work remotely.

In order to ensure that this situation does not alter the Group's current, confirmed medium- and long-term prospects of a strong performance, management is constantly monitoring developments in the emergency. As soon as it is possible, this will enable the Group to accurately quantify the impacts of COVID-19 and, at the same time, identify, with equal accuracy, the potential targeted actions to spur recovery, including on the basis of exceptional measures taken by the Italian and European institutions deeply focused on preparing aid packages for production companies and businesses.

Stations

Often situated in the very heart of cities, stations are a hub for travel, services and meetings. They are, by vocation, a crucial centre for integration and exchanges between the various modes of urban and suburban transport. So they fully inhabit this role, the Group is deeply committed to infrastructure and management strategies that facilitate the connection and accessibility of stations, making them both the centre of a new sustainable mobility model, and, at the same time, inclusive, appealing service hubs for the local area that help develop smart cities.

Over the years, the Group has pursued a number of projects and initiatives in this direction: in close collaboration with national and local institutions, it has, for example, redesigned the areas around the stations and developed connections and intermodal services as part of Sustainable Urban Mobility Plans (SUMP). It has developed other projects in connection with initiatives to improve the quality and performance of urban railway transport, the Easy Station projects (to improve physical spaces in stations, public information and security) and the Smart Station projects (for the digital upgrading of systems and public services).

STATIONS FOR ALL

The **SalaBlu+ app** was unveiled in 2019, facilitating special assistance services for people with disabilities or reduced mobility (even temporarily) who choose to travel by train.

Using this app, passengers may request assistance at stations directly from their device (smartphone, tablet, etc.) and stay in constant contact with operators. The app also enables users to easily plan their journey, check train times and receive information and constant updates.

The assistance service for people who are hearing impaired is a webchat, so they can access the Sala Blu portal and request assistance in real time.

To make it easier to travel and use the services in the station, the Group is eliminating architectural barriers and offering assistance services for passengers with disabilities and reduced mobility. In particular, it offers a special assistance service at over 300 stations in the Sale Blu network throughout Italy to help passengers with physical, sensory or motor disabilities to get around easily.

In 2019, roughly 410,000 services were provided to people with reduced mobility (+15% on 2018, confirming the growth trend seen in previous years).

Railway network

To keep the national railway network operating efficiently and ensure maximum traffic and operation safety, the Group is continuously committed to protecting, maintaining and strengthening the infrastructure and its technological features, building new lines and systems and designing ever more efficient production and operating methods.

OPERATING RAILWAY LINES 16,779 KM ¹					
Classification		Type		Power	
Main lines	6,468 km	Double-track lines	7,721 km	Electric lines	12,016 km
Complementary lines	9,361 km	Single-track lines	9,058 km	- double track	7,644 km
Hub lines	950 km			- single track	4,372 km
				Diesel fuel lines	4,763 km

¹ including 70 km outside Italy



Roadway and motorway network

The Group builds, manages and maintains the network of state roads connecting all Italian cities. It designs new, highly-engineered solutions to overcome connection limits on Italy's geologically complex land. It is also committed to strengthening the existing road system, improving access to cities and expanding intermodal connections, without ever losing sight of safety and efficiency.

OPERATED ROAD NETWORK 29,239.385 KM

Classification

Directly operated motorways	939.646 km
Motorway connectors	355.101 km
State roads	22,653.624 km
Roads being classified or declassified (NSA)	317.670 km
Slip roads and connectors	4,973.344 km

Trains

Railway passenger transport can be split into two main segments:

- › medium and long haul transport
- › regional

NATIONAL

Medium and long haul transport

Frecciarossa	Up to 300 km/h. 187 daily connections between Italy's main cities (Turin, Milan, Venice, Bologna, Florence, Rome and Naples).
Frecciargento	Up to 250 km/h. 48 daily connections between Rome and some of the main metropolitan areas in the north and south of the country.
Freccia Bianca	42 trains per day connect medium and large cities from 5 in the morning to 2 at night.
Intercity	Day and night Intercity trains travel on the traditional lines and connect large and medium cities.
Internazionali	Eurocity and Euronight trains connect the main Italian cities with major cities in Austria, Germany, Switzerland and France.

Regional



Widespread network

Metropolitan, regional and inter-regional network of trains all day long.

Services

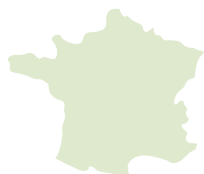
Frequent service in cities and fast connections between major regional hubs, ensuring that the two different service levels intersect at the "gateway stations".

Fleet

Purchase of new, more modern and comfortable trains (Pop and Rock) and revamping activities (completed and planned), leading to the update of roughly 80% of the fleet within five years.

INTERNATIONAL

France



Day connections between France and Italy and night connections between Paris and Venice.

Germany



Regional public transport in Bavaria, Saxony, Thuringia, the Czech Republic and Austria.
In the metropolitan areas of Berlin, Brandenburg, Bremen and Hamburg.
A network spanning approximately 260 km with a fleet of 358 trains.

Greece



Passenger transport in three segments: intercity (connections between main prefectures – from Patras to Alexandroupolis; Dikaia to Florina; Athens to Thessaloniki), suburban (regions of Athens, Thessaloniki and Patras) and international (Sofia, Belgrade).

UK



Passenger transport from London (Fenchurch Street) to Basildon, Southend and Grays, passing through 26 stations in East London and South Essex.
From London to Birmingham, Manchester, Liverpool, Preston, Chester, Edinburgh and Glasgow.

Buses and trams

The road passenger transport completes the Group's integrated offer.

NATIONAL

Local



Local public transport (urban and suburban) in major Italian cities like Florence, Padua, Perugia and Salerno, in addition to other cities in Campania, Puglia, Tuscany, Umbria and Veneto.

Long haul

Freccialink

Integrated service consisting of dedicated buses that connect medium-sized cities and tourist cities with the HS Freccie trains from, inter alia, Bologna, Bolzano, Florence, Lecce, Milan, Naples, Rome, Salerno, Turin, Venice and Verona.

INTERNATIONAL

Germany



Public road transport, with a fleet of 978 buses in North Rhine-Westphalia, Frankfurt, Hamburg and Hannover.

The Netherlands



Local public transport in the metropolitan area of Utrecht, in the province of Groningen-Drenthe and in the Dordrecht, Molenlanden and Gorinchem (DMG) area.

A FLEET WITH ZERO DIRECT EMISSIONS

The Group plans to invest increasingly in technologies for local transport that have zero or low direct emissions (hybrid, electric and hydrogen buses).

Hybrid and electric buses were purchased in 2019 (over 370 new vehicles) to reduce or completely eliminate direct CO₂ emissions in Italy and abroad.

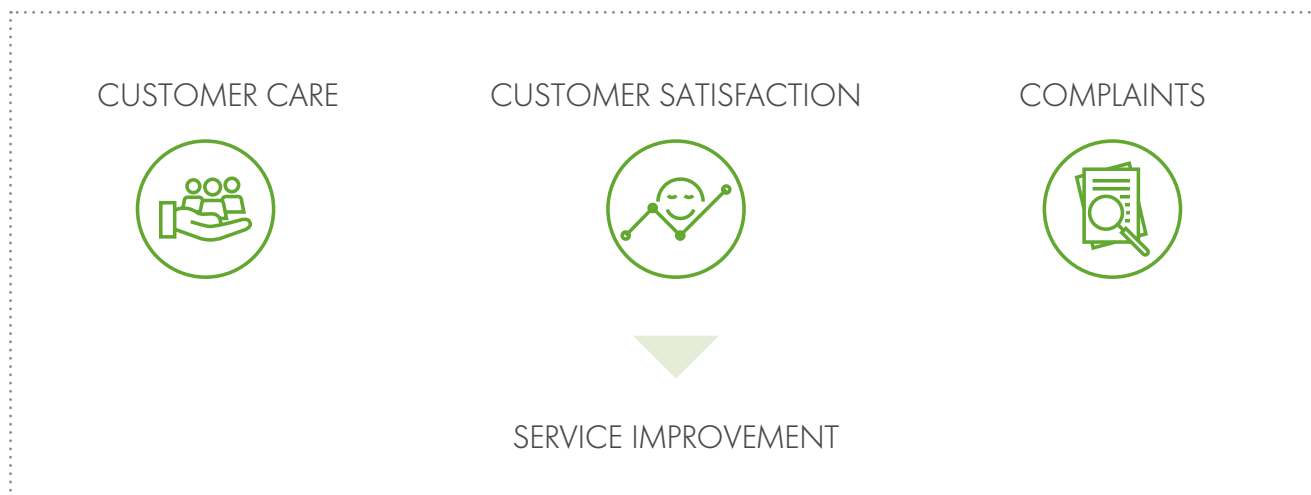
In particular, in the Netherlands (partly thanks to the government's policies) the Group is a frontrunner in buses with zero direct emissions, boasting the largest zero-emission fleet of buses in Europe.

WE STAND WITH PEOPLE

Delivered and perceived service quality is of strategic importance to the Group to improve the travel experience of each and every train or bus passenger, to offer increasingly personalised services and to satisfy the needs of the customers who trust the Group to transport their freight every day.

Some time ago, the Group implemented a process to monitor customer care on the basis of the parameters stated in the service charters and to monitor customer satisfaction through⁴⁰ interviews with a sample of passengers/customers, aimed at understanding their expectations and their respective level of satisfaction. Furthermore, in order to guarantee appropriate feedback⁴¹, a complaints monitoring system was implemented to help the Group actively listen to their needs, improving the efficiency and effectiveness of services.

The following paragraphs give a summary of the Group's performance indicators.

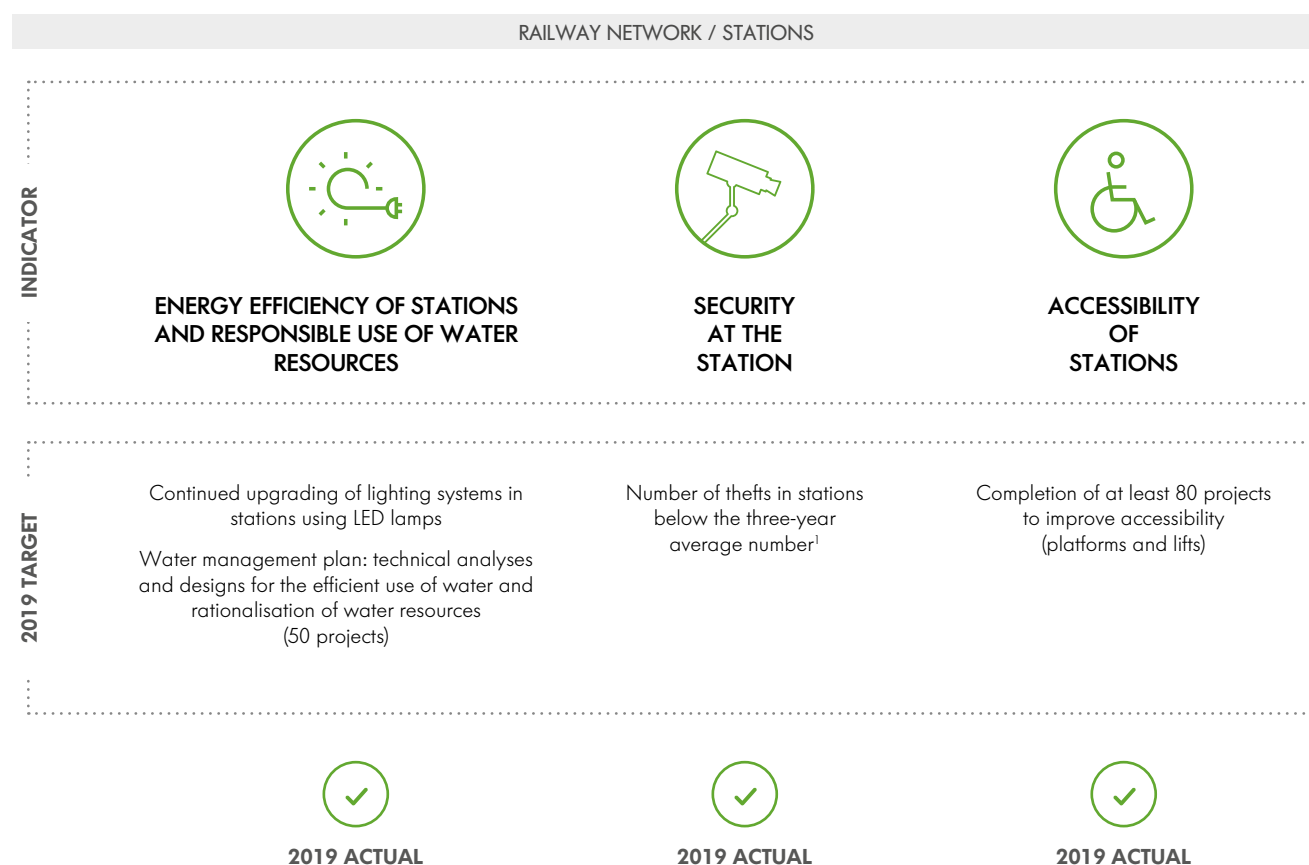


⁴⁰ Companies publish the Service Charter to express their principles and commitments to improve the services they offer.

⁴¹ In this document, "complaints" means reports received, while "inefficiencies" means issues associated with "complaints". In particular, a complaint may refer to more than one inefficiency.

Infrastructure – railway network and stations

The quality targets established in the service charter (drawn up in compliance with the relevant legislation for public transport services - Directive of the Prime Minister of 27 January 1994 and the Prime Minister's decree of 30 December 1998) for the railway network and stations are constantly monitored and reported. In 2019, all targets were achieved, including both the perceived quality targets measured on the basis of customer satisfaction surveys and delivered quality targets measured through internal monitoring and by third parties.



¹ Excluding thefts in shops. During the 2008-2010 three-year period, which is considered the consolidation period for the effects produced by the agreement active from 2007 between the parent, FS Italiane and the Ministry of the Interior for the development of joint actions to improve the safety of the customer and Group assets.

Legenda:  Target achieved

The results of the customer satisfaction surveys for the perceived quality targets showed that the percentage of passengers satisfied (i.e., they rated their satisfaction as between 6 and 9) with the services offered at stations was substantially in line with 2018, remaining above the 90% threshold for nearly all macro-factors for the entire network⁴².

⁴² The following charts and pages use "p.p." to indicate percentage point changes in the indicators.

ENVIRONMENT IN THE STATION


QUALITY

Percezione della qualità della stazione nel complesso

+0.5 p.p.

2019 actual: 97.1%
2018 actual: 96.6%


INFORMATION AT THE STATION

Perception of information under critical operating conditions

+0.8 p.p.

2019 actual: 94.8%
2018 actual: 94.0%


ASSISTANCE

Satisfaction with the assistance service provided by the Sale Blu network

+0.4 p.p.

2019 actual: 99.9%
2018 actual: 99.5%



Legenda:



Improved



Stable



Worsened

The upwards trend in complaints and the related inefficiencies continued (+9% on 2018). As in 2018, this increase was the result of the fact that the webform in the special section of RFI's website for complaints is easier for users to use and access (around 50% of complaints are sent online) and the fact that response times are faster, giving rise to more fruitful and dynamic communication between the operator and customers. The main complaints (approximately 80% of the reported inefficiencies) related to public information, security at the station, comfort in the station, architectural barriers and the cleanliness of spaces in the station.

Roadway and motorway network infrastructure

The Group monitors the targets established in the service charter for the roadway and motorway network:



¹ main indicators in the Anas service charter

Legenda:  Target achieved  Target partly met

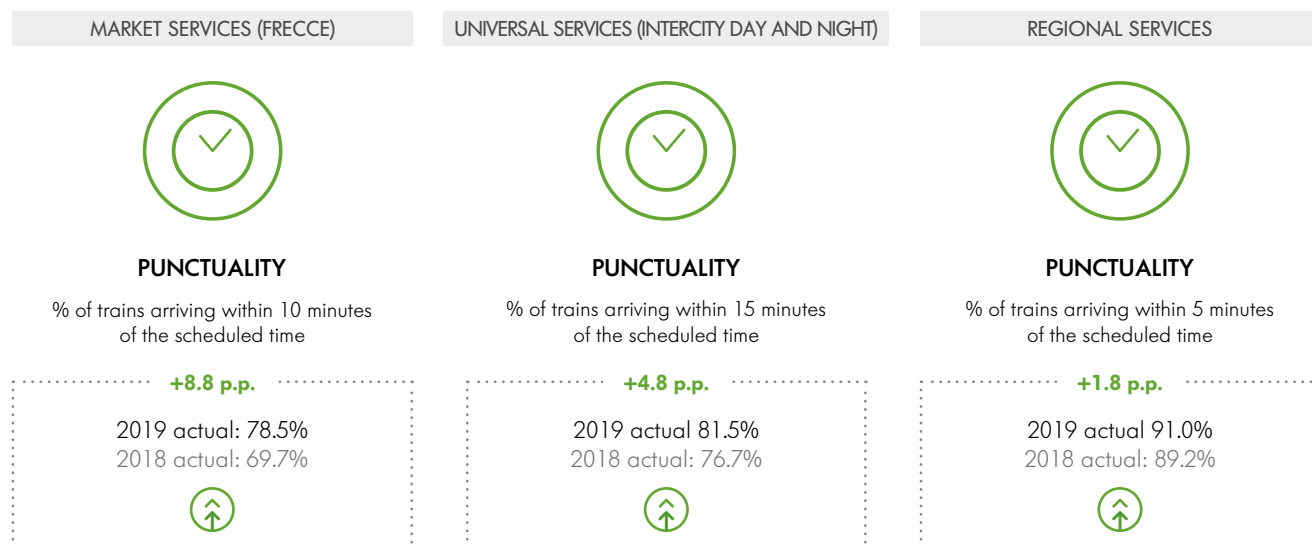
A customer satisfaction survey was also conducted during the year to gather feedback on the opinions and satisfaction of customers who had contacted the central and peripheral public relations offices.

Survey respondents reported a satisfaction rate of 7.8 out of 10 (compared to 7.4 in 2018).

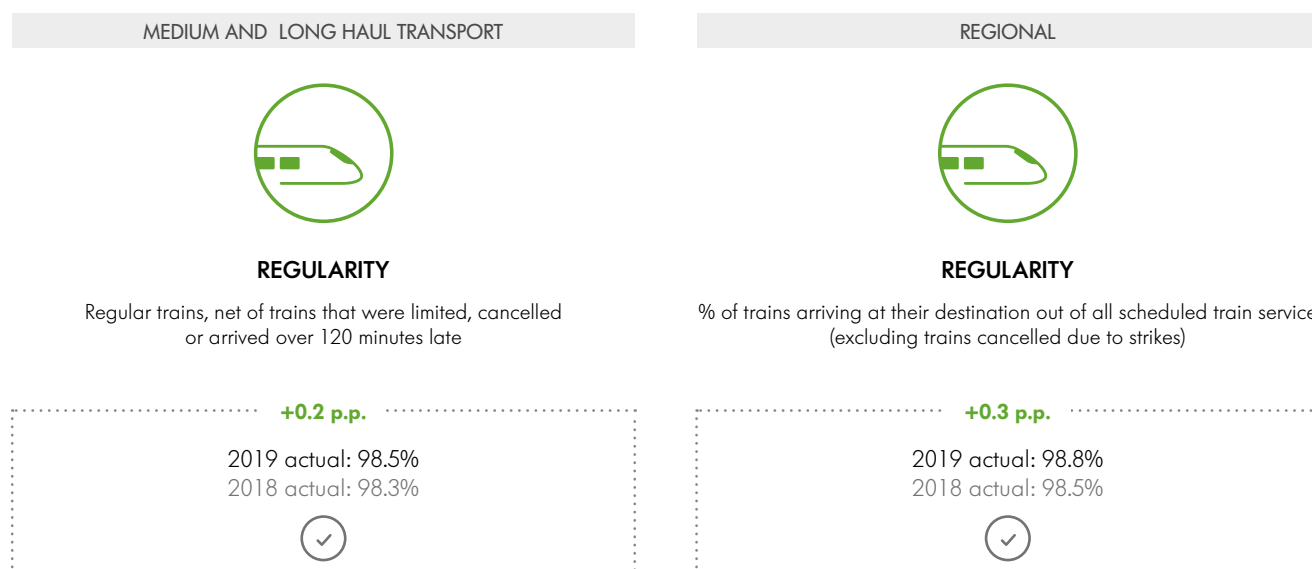
There were 426 reports of inefficiencies (in 598 complaints, not all of which referred to Group activities), mainly relating to inconveniences associated with "construction work on the infrastructure", issues in connection with the "pavement" and "road signs".

Trains - Italy

Punctuality improved considerably for all service types⁴³.



Regularity remained substantially in line with its previous excellent rates in both medium and long haul transport services and regional services.



Legenda:  Improved  Stable  Worsened

⁴³ Trains are considered late if they arrive after the limit indicated below (considering all trains with no exceptions).

10 YEARS OF HIGH SPEED: THE TRANSPORT SYSTEM THAT CHANGED THE COUNTRY

Over the past 10 years, the HS railway system has transported 350 million passengers throughout the peninsula over 380 million km and between 80 cities. Those who chose to travel in Freccie trains have avoided 20 million tonnes of CO₂ (2008-2018) by taking trains rather than driving or flying.

The Italian HS network has set the bar for success around the world, starting in Great Britain, where we are operating the intercity service between London and Glasgow/Edinburgh.

In addition, in 2022, we will begin operating the following HS links: Madrid-Barcelona, Madrid-Valencia/Alicante and Madrid-Málaga/Seville.

Perceived quality is measured through periodic surveys of passengers aged 14 years and up about their experience travelling on the Group's trains (medium/long haul⁴⁴ and short haul journeys and local/regional transport⁴⁵). Surveys are conducted using face-to-face and telephone interviews⁴⁶.

Passenger satisfaction with medium and long haul transport services was generally steady. Overall satisfaction with the overall journey⁴⁷ was substantially the same as in the previous year, with 93.0% of passengers satisfied in 2019, compared to 92.5% in 2018. More specifically, the satisfaction rate with the passenger experience on board trains was also substantially steady (+0.3 p.p. compared to 2018), comfort on board (+0.2 p.p. on 2018) and cleanliness (+0.3 p.p.).

MEDIUM AND LONG HAUL TRANSPORT



OVERALL JOURNEY

+0.5 p.p.

2019: 93.0%
2018: 92.5%



TIME ON BOARD (OVERALL SCORE)

+0.3 p.p.

2019: 93.5%
2018: 93.2%



CLEANLINESS

+0.3 p.p.

2019: 90.8%
2018: 90.5%



COMFORT

+0.2 p.p.

2019: 93.4%
2018: 93.2%



Legenda:



Improved



Stable



Worsened

⁴⁴ Surveys are conducted once every two months for a total of six surveys per year and entail 5,000 interviews with a sample of passengers selected using a probability-based procedure in connection with three different aspects: traffic, station and brand.

⁴⁵ Surveys are conducted once every two months for a total of six surveys per year and entail 7,666 interviews. Such a high number of interviews makes it possible to survey passengers travelling on the 35 main regional railway lines throughout all of Italy.

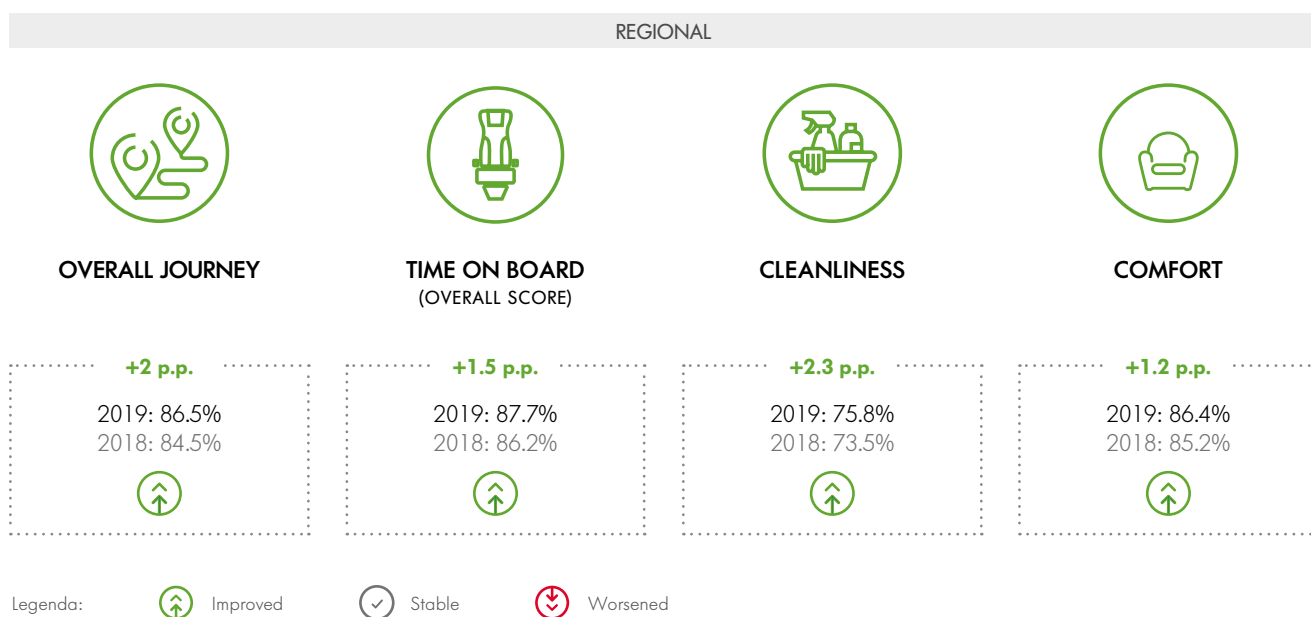
⁴⁶ Face-to-face interviews are conducted at the station before the interviewees board their trains. Telephone interviews using CATIs (computer assisted telephone interview), are conducted through call-backs to interviewees within three days of the journey. The score for each variable considered in the survey is on a scale of one to nine, where nine corresponds with the highest satisfaction and one with the lowest. Passengers who report a satisfaction rate equal to or greater than 6 are considered satisfied.

⁴⁷ Overall journey satisfaction considers all stages of the journey: pre-departure, arrival at the station, time at the station, journey on board the train, leaving the station and post-arrival.

The regional transport survey results reflect higher passenger satisfaction with all main aspects of the journey, in line with the Group's efforts and investments in regional transport to improve the customer experience for everyone, but especially commuters, who ride the train every day.

Satisfaction with the overall journey⁴⁸ improved significantly, with 86.5% of passengers stating they were satisfied, approximately 2 percentage points higher than in 2018.

An analysis of the individual aspects of the journey highlights how all factors improved, especially satisfaction with time on board the train (+1.5 p.p.), cleanliness (+2.3 p.p.) and comfort (+1.2 p.p.).



While the regional transport customer satisfaction indicators were positive in general, they were particularly high at local level in Friuli Venezia Giulia and the province of Bolzano, where over 95.5% of interviewed passengers were satisfied with their time on board the train. In the Abruzzo, Piedmont, Umbria, Valle d'Aosta and Veneto regions, over 93.0% of passengers were satisfied with their time on board the train.

The regions with the lowest customer satisfaction, but which nevertheless show the greatest improvements on 2018, are Calabria (+3.9 p.p.) and Puglia (+2.9 p.p.).

CREATING A BETTER CUSTOMER EXPERIENCE

In partnership with IBM, FS Italiane Group plans to develop a new digital platform to provide passengers with more efficient services and to improve the customer experience. With a new cloud-based cognitive solution, we will offer increasingly efficient and personalised around-the-clock assistance services. This "travel buddy" virtual assistant is available 24 hours a day, seven days a week, recommending customised offers to simplify ticketing choices and providing tips and suggestions whenever anything unexpected occurs.

⁴⁸ Overall journey satisfaction considers all stages of the journey: pre-departure, arrival at the station, time at the station, journey on board the train, leaving the station and post-arrival.

The careful management of complaints is a vital tool for interaction with customers because it enables the Group to monitor and analyse reported inefficiencies, improve performance and provide a service that is increasingly tailored to travellers' needs.

For the systematic and efficient management of complaints, the Group relies on an organisation spread throughout Italy consisting of:

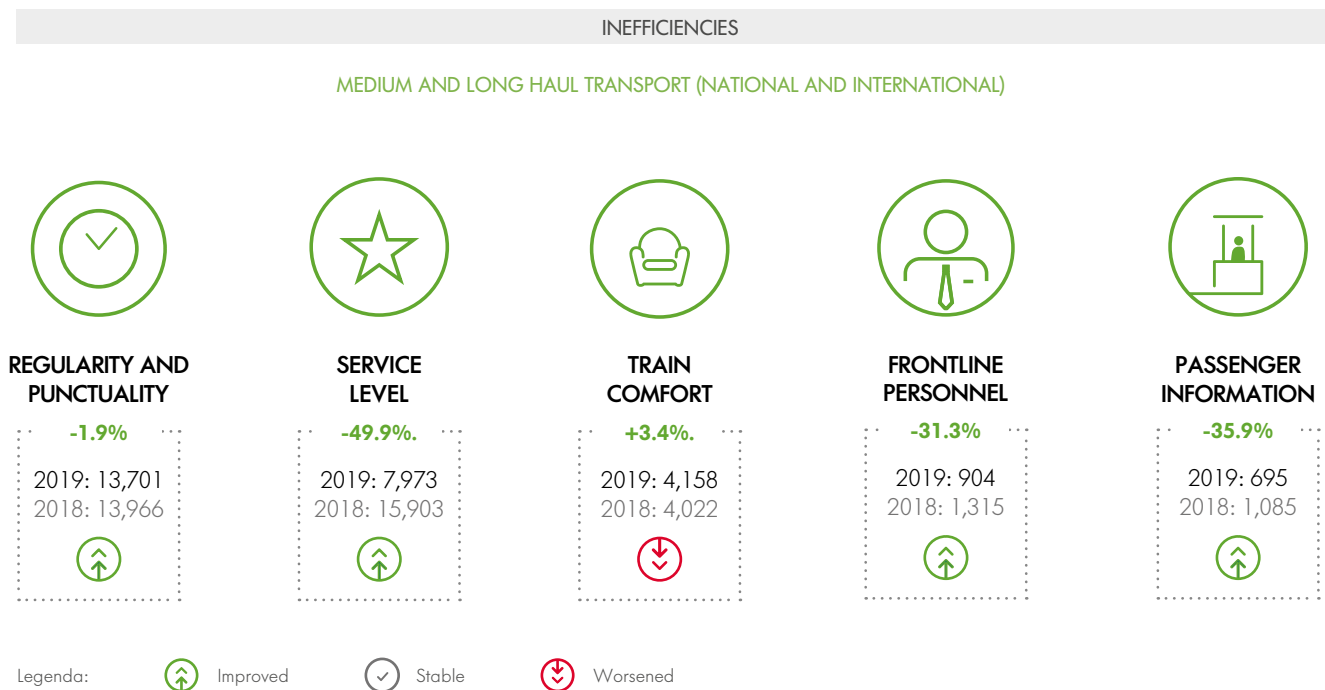
- › local offices that manage complaints paperwork and replies to customers;
- › a network of focal points capable of identifying the issues that customers report and taking the appropriate action for resolution.

Complaints are managed on an integrated IT customer relationship management platform that analyses and handles complaints in synergy with other means of customer contact (such as ticketing offices, customer care centres at stations, online, the call centre, post and e-mail). The complaints are broken down by type: pre-travel (e.g., information, ticketing), travel (e.g., assistance, on-board comfort, environment, functioning of equipment, comfort categories) and post-travel (e.g. assistance with delays, refunds/compensation).

In 2019, 45,990 complaints related to medium and long haul transport (in line with 2018), and 27,898 referred to regional services (+2.7% on 2018).

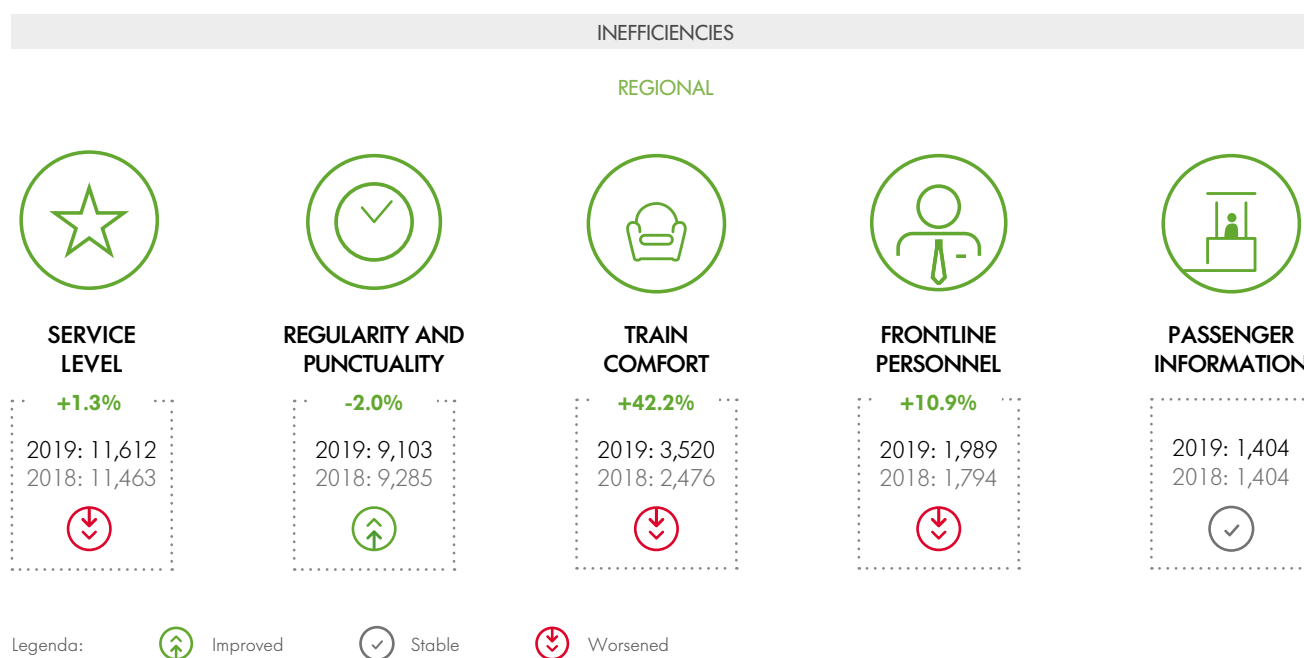
The main inefficiencies reported for medium and long haul transport concerned punctuality (slight decrease on 2018), the service level (down by approximately 50% on 2018) and comfort (up by 3.4% on the previous year).

The main inefficiencies reported in complaints are broken down below:



The main regional transport inefficiencies reported relate to the service level (slightly higher than in 2018), the regularity and punctuality of trains (slightly down on the previous year) and comfort (up on 2018).

The main inefficiencies reported for regional transport are broken down below:



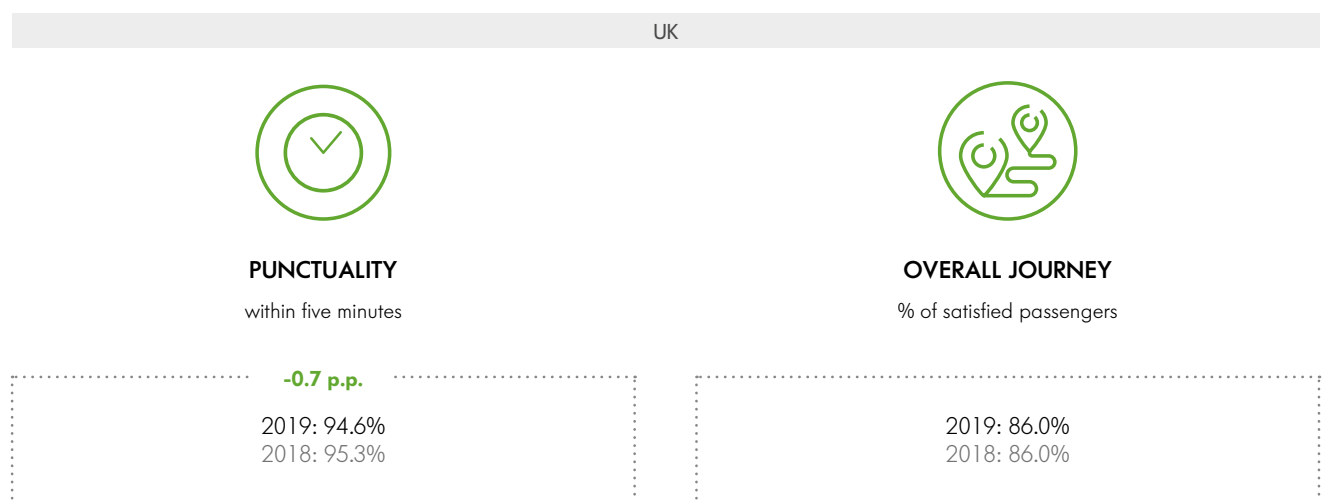
In 2019, the Group also introduced a fair settlement procedure whereby customers who are dissatisfied with the response they have received to a complaint or request for a refund/indemnity can have the Settlement Commission re-examine their complaint or request.

This procedure is free and non-binding for customers, who may decide whether to accept the proposed solution or not. The European Commission recognises the fair settlement procedure as a best practice in Europe and Italy. In 2019, 1,048 requests were received and the outcome of 95% of those admitted for assessment was positive, with an average fulfilment time of 38 days.

Trains - UK

Trenitalia c2c, which operates the passenger transport service between London and Essex, was the most punctual railway company in the United Kingdom, with 83.5% of trains arriving at their destination within one minute of the scheduled time. The percentage of trains arriving on time increases if trains arriving within five minutes of the scheduled time are also considered (a slight drop on 2018).

Passenger satisfaction is measured in the half-yearly National Rail Passenger Survey. The 2019 results are substantially in line with those of the previous year. The rate of satisfaction with the overall journey was 86% (in line with the previous year).

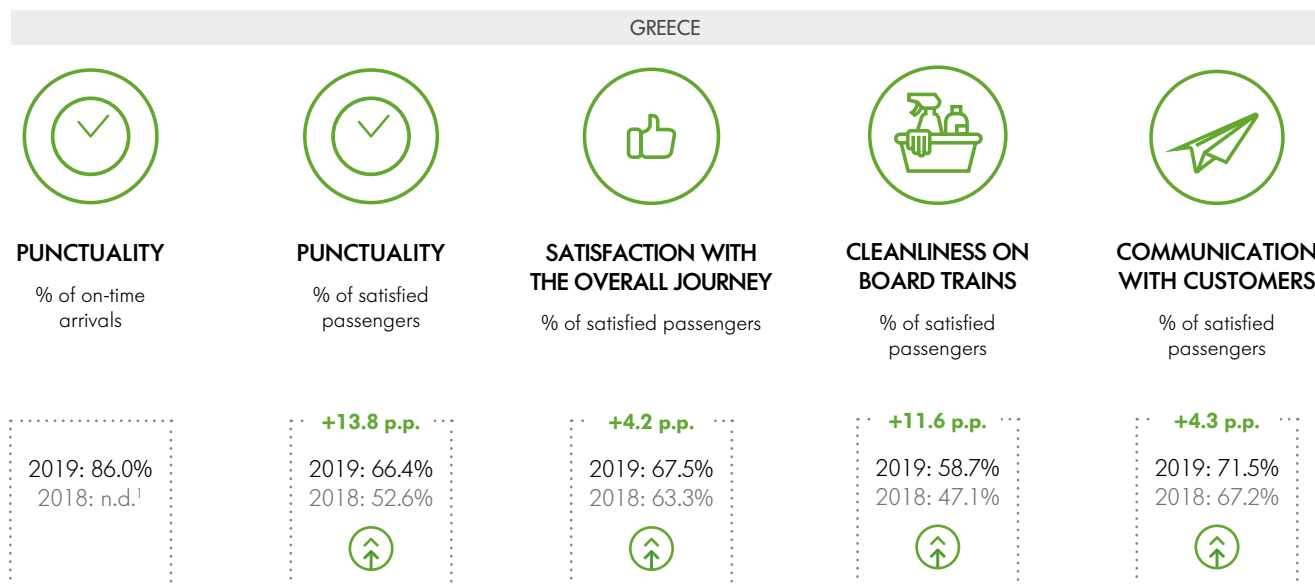


TRENITALIA C2C: BEST PERFORMANCE IN THE LONDON AREA

In 2019, Trenitalia c2c was awarded the "Golden Whistle" at the ceremony held by "Modern Railways" for the best operational performance in London.

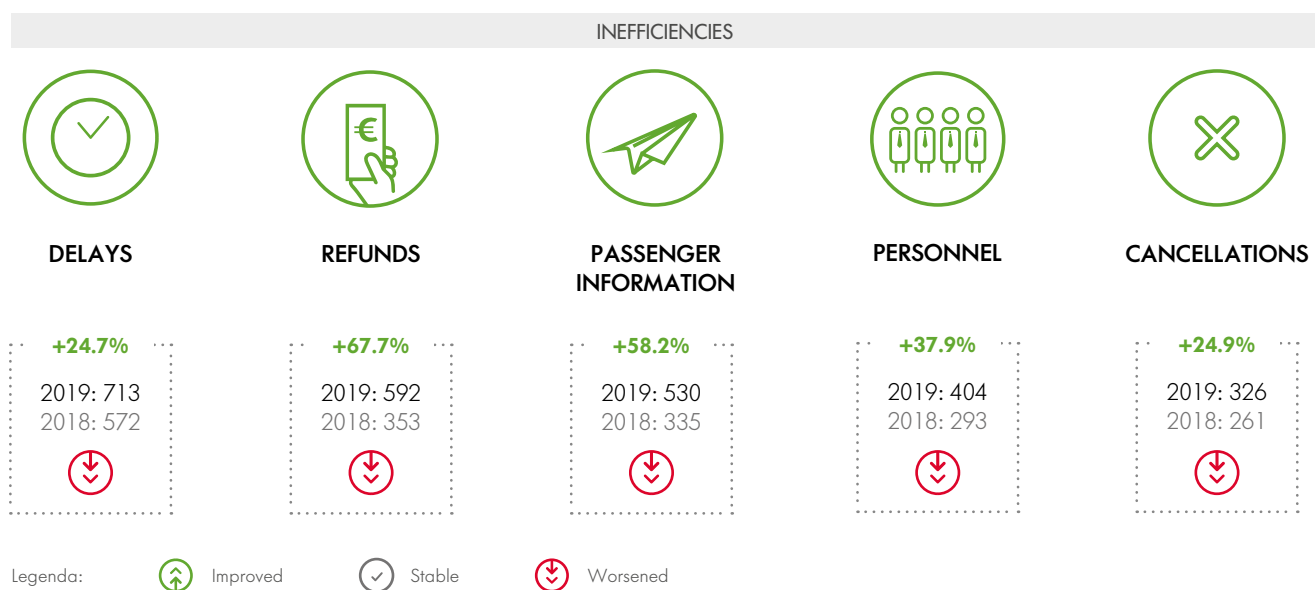
Trains - Greece

Trainose measures passenger satisfaction quarterly (e.g., surveys and mystery clients) using an independent party. All parameters improved on 2018. In particular:



¹ No comparative data are available because of a change in the calculation method.

2,795 complaints were received in 2019, up on 2018 (+41.7%), mainly due to certain inefficiencies caused by works on the infrastructure/problems with the infrastructure (which are managed by a company owned by the Greek government), as well as by the increase in passenger volumes, which translated into a physiological increase in the number of complaints and a change in the train schedule in the second half of 2019.



Trains - Germany

Netinera Group uses the methodology defined by the Public Transport Authority to monitor punctuality and passenger satisfaction on a regional basis and according to the type of service offered. This is why summary indicators are not available at Group or company level.



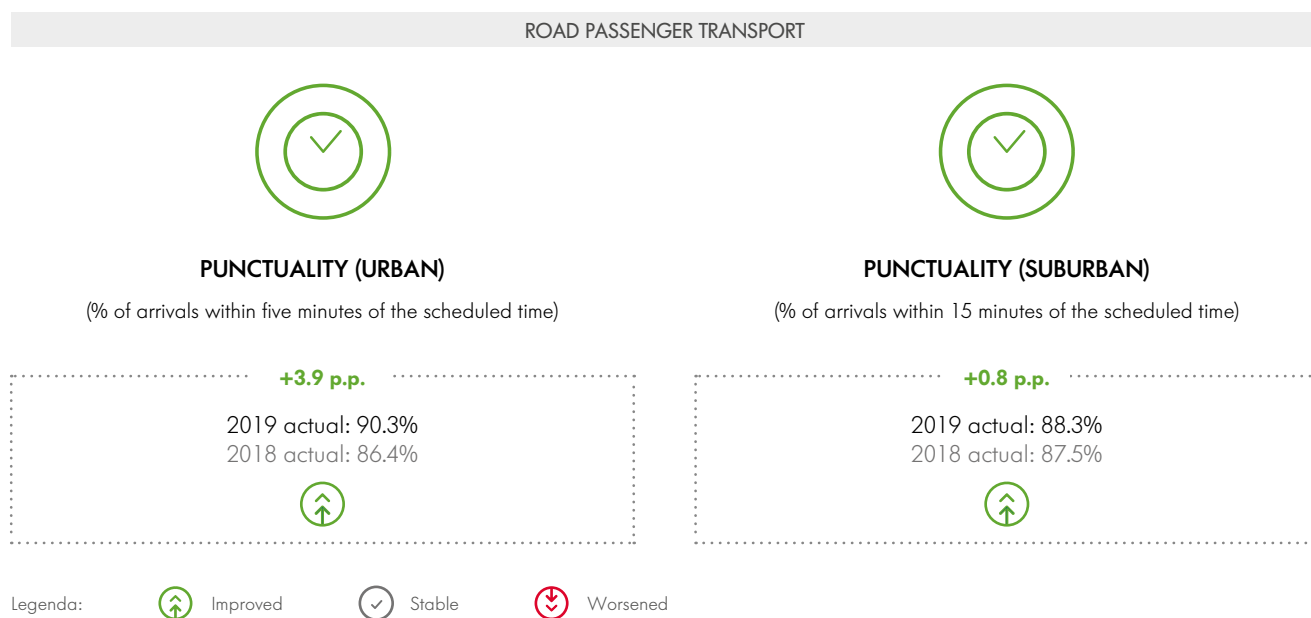
Buses and trams⁴⁹

Road passenger transport completes the Group's integrated offer, operating on a national and international level.

Italy

Customer satisfaction targets are reported in the various service charters prepared on a regional, provincial and municipal basis and separately for the urban and suburban services.

Customer satisfaction with punctuality (i.e., the percentage of delays out of total runs) improved on the previous year in both urban and suburban services (the figure is calculated as the ratio of recorded delays to monitored runs, weighted by the number of runs operated in the year).



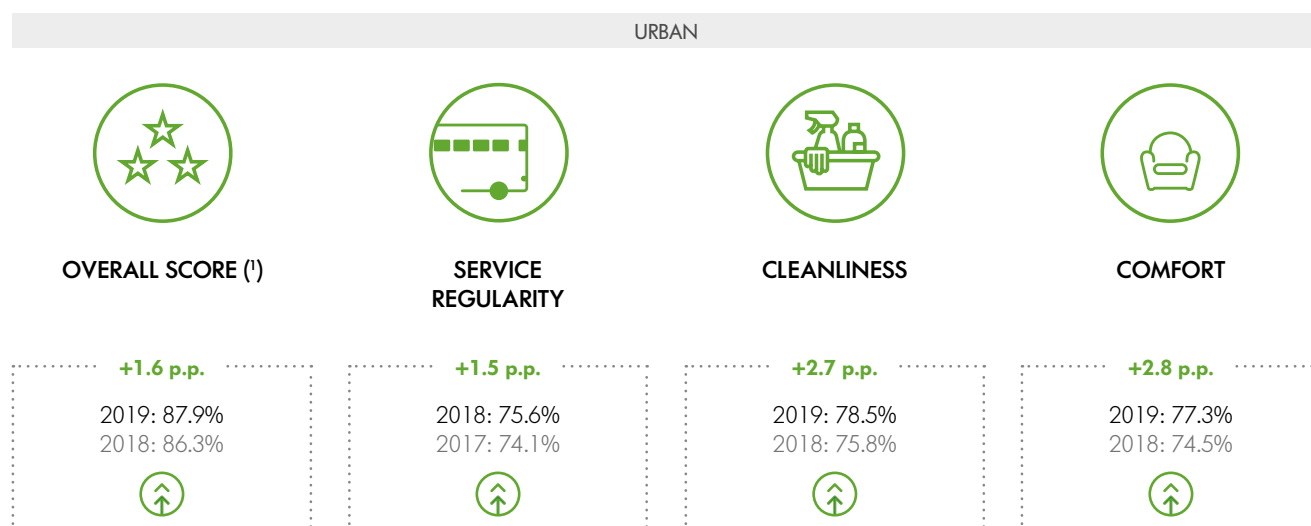
The Group monitors customers' perceived quality through periodic surveys. These are carried out on public transport pass holders, using customer-assisted telephone interviews (CATIs) and on all passengers through face-to-face interviews and through questionnaires filled out by the interviewees while using the service. During the analysis, customers that expressed a rating of 6/10 or more are considered "satisfied". The published satisfaction scores are a weighted aggregate of results of telephone interviews and face-to-face interviews.

Extraordinary events beyond the company's control (they were not due to controllable business decisions) that occurred in 2019 should be taken into account in order to correctly interpret the perceived quality rates. These events affected Umbria and Campania in particular and had an adverse impact on passengers' perceived quality. For example, they included the substantial cuts in the offer of transport services ordered by the relevant authorities in Umbria in the summer of 2019, which led to an average elimination of roughly 30% of the services offered, as well as unannounced strikes in Salerno. Both of these events mainly affected suburban transport, which was particularly penalised considering the characteristics of this service.

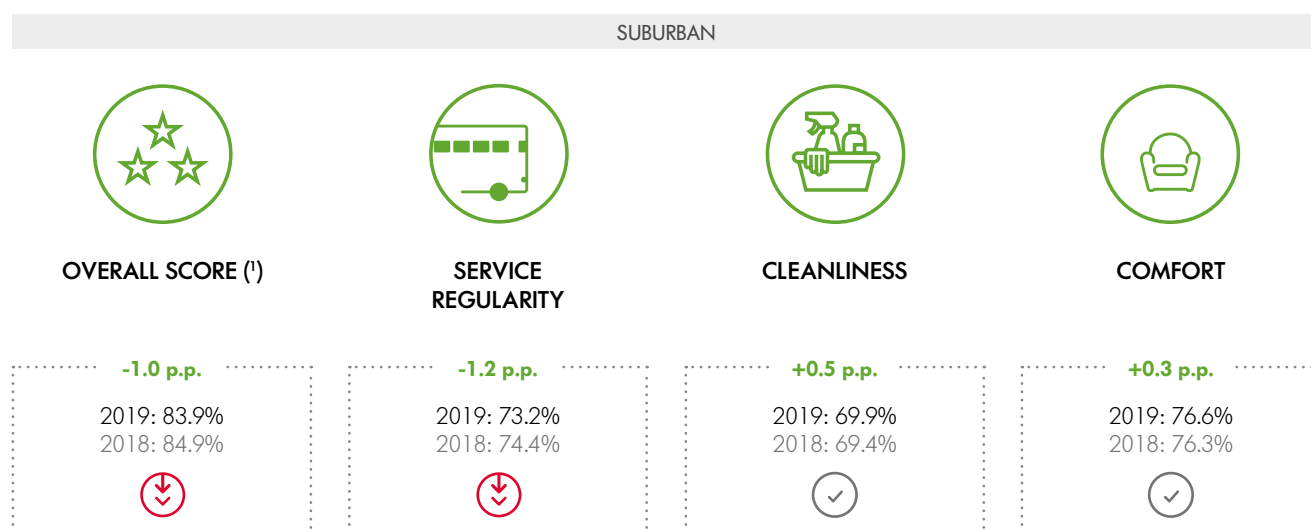
⁴⁹ It was not possible to include customer satisfaction data for transport services provided in the Netherlands in this report since the independent party that conducts the national OV-Klantbarometer survey of urban and regional public transport passengers has not yet made the data for 2019 available.

⁵⁰ CATIs were conducted in June/July 2019 in the areas where Busitalia operates, CAPIs (computer assisted personal interviews) were conducted in June/July in tourist-destination cities in the Umbria region and CAPIs were conducted and passengers filled out questionnaires in November/December in all the areas where Busitalia and its subsidiaries operate. The interviews were conducted by Mediatica-MG Research on a total of 4,900 suburban transport passengers and 7,647 urban transport passengers (aggregate data).

The results for the urban transport service show a general, considerable increase in passenger satisfaction overall.



The suburban service shows a slight dip in passenger satisfaction with the service as a whole and service regularity, while the other parameters are substantially unchanged.



Legenda: Improved Stable Worsened

¹ The table reflects actual customer satisfaction (the overall score) resulting from the 2019 surveys, weighted by the number of transported passengers. To compare the 2018 and 2019 trends, which refer to samples of differing sizes and conditions, the trend must be considered using interval estimation techniques.

It follows that, when considering the interval estimation, the point score in the 2019 surveys is the median of the confidence interval determined on the basis of the standard sample error resulting from the number of passengers in the sample and the desired level of confidence.

In Busitalia's customer satisfaction survey, 99% probability was considered for the confidence interval, which generated following ranges of estimation:

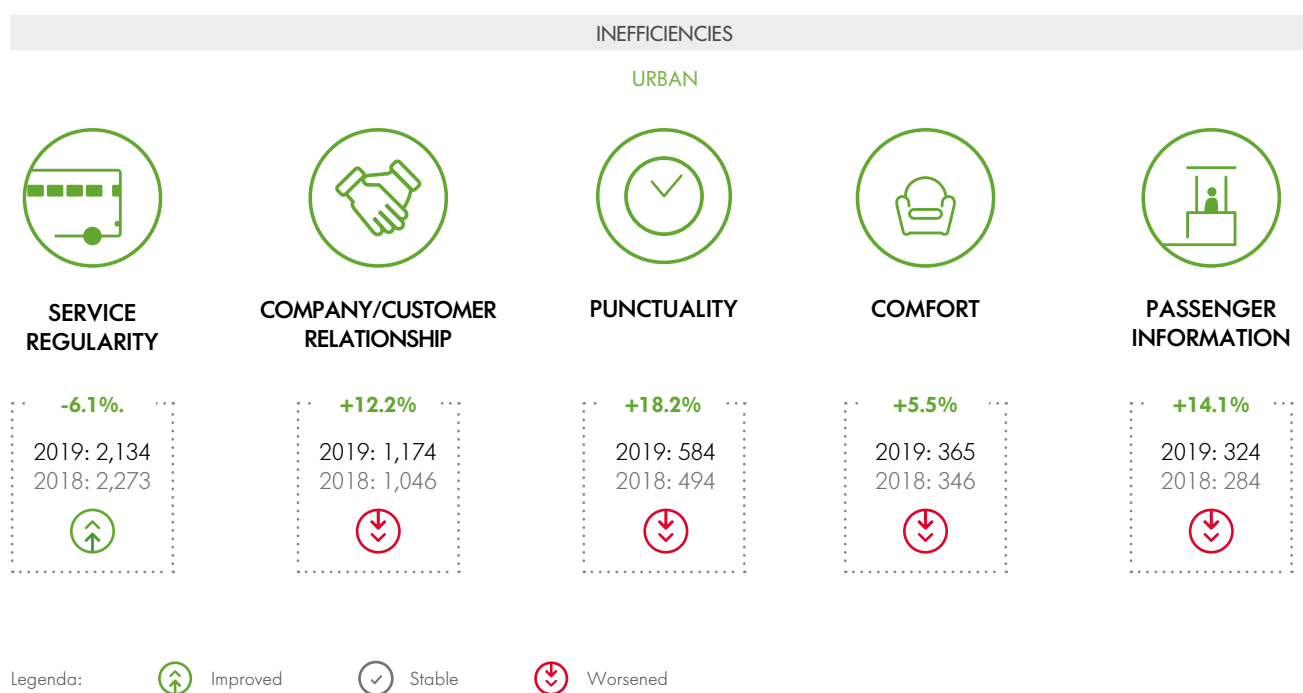
- Overall customer satisfaction score for urban transport: 87.9 in a range of 87.0 – 88.8
- Overall customer satisfaction score for suburban transport: 83.9 in a range of 82.5 - 85.3

The Group's commitment to carefully handling complaints for the road transport segment in order to rapidly respond to customers extends to the road passenger transport segment as well. The complaints that the Group received are analysed so it can focus on the areas that passengers perceive as being the weakest, in order to perfect the services provided and improve customer satisfaction.

6,719 complaints were received (for both the urban and suburban segments), slightly down on 2018 (-4%).

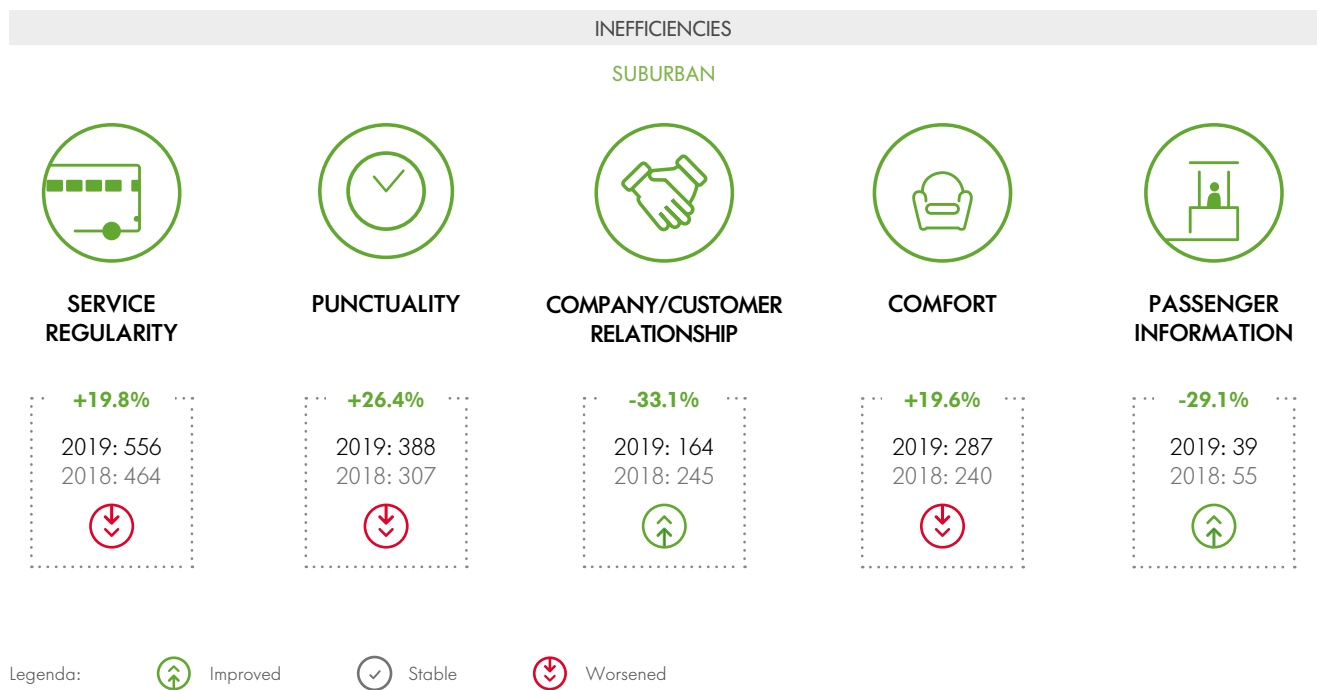
The most frequent type of complaints regard service regularity, punctuality, on-board comfort, customer care and information provided.

In particular, the urban segment saw a general decrease in the total number of complaints received (-10% on 2018), while the number of inefficiencies associated with them grew slightly (reported in complaints) regarding punctuality, company/customer relationship and customer information.



The total number of complaints received in connection with the suburban transport segment increased (+23.6% on 2018), as the number of inefficiencies (reported in the complaints) for service regularity, punctuality and comfort was also higher, whereas inefficiencies related to company/customer relationship and passenger information decreased.

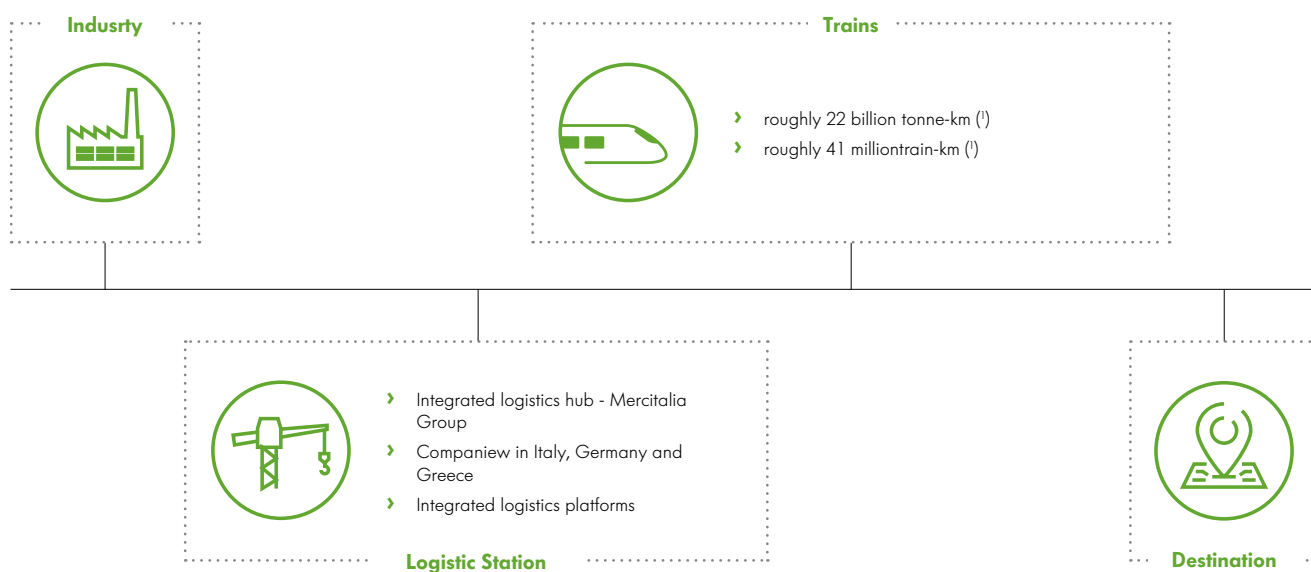
The rise in the number of complaints is also due to the extensive simplification and strengthening of company/customer communications, which was made possible by the new platform to manage reports. One of the features of this platform is faster, more efficient management of communications with customers.



INTEGRATED LOGISTICS

102-2 102-4 102-6 102-7 102-43 102-44 419-1

The Group intends to present itself as an integrated logistics operator, both in Italy and abroad, contributing to improving the freight transport system and promoting the modal shift: from road transport to rail, with fewer social repercussions (accident rate, traffic congestion) and environmental repercussions (lower atmospheric emissions and less energy consumption).



¹ It also includes traffic operated abroad by the Group's subsidiaries.

The Group's commercial offer⁵¹ is based on a wide range of Italian and international connections. It satisfies the needs of the different product sectors, which has also entailed structuring a business unit which guarantees less time-to-market for customers:

NATIONAL FREIGHT TRANSPORT



INDUSTRY

Services for steel, chemicals and automotive chains



INTERMODAL

Complete selection of railway and logistics solutions dedicated to the transport of containers, mobile homes, semi-trailers and lorries

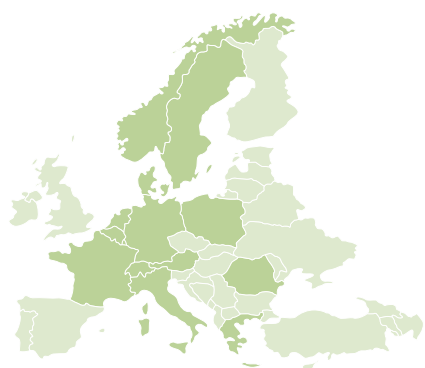


GENERAL FREIGHT

Transport for manufacturing and work sites, products for large-scale distribution and military transport

⁵¹ The Group's freight business is centralised under the Mercitalia Group. For additional information on the companies in the Mercitalia Group, reference should be made to "Operating segments and geographical segment".

INTERNATIONAL FREIGHT TRANSPORT



At international level, the Group offers logistics and rail solutions in Austria, Denmark, France, Germany, Greece, Norway, the Netherlands, Poland, Romania, Sweden and Switzerland. The main freight traffic sectors to which the Group offers dedicated services are: chemical, wood and paper, raw materials, mining, agriculture and automotive.



NEW ELECTRIC LOCOMOTIVES

The Group is investing in upgrading its fleet with new interoperable electric locomotives that will replace approximately one-third of owned engines over the next two years, offering customers greater transport capacity and more reliable, punctual services.

With regenerating braking systems and the innovative eco-mode, these new locomotives will boast significantly lower energy consumption than current standards.

In 2019, the Mercitalia companies conducted a customer satisfaction survey on its main customers.

The Group demonstrates customer centrality by:

- › providing tailor-made services;
- › delivering flexible transport solutions that are more efficient and competitive, in line with expectations;
- › forging valuable company/customer relationships to ensure adequate, timely and customised offers;
- › innovating and developing strategic drivers, combined with updating the Mercitalia Group's vehicles and infrastructures.

In particular, the customer satisfaction surveys highlighted how the aspects with the highest perceived quality are those relating to customer assistance by personnel (care at sales offices, sales and administrative assistance and the expertise of personnel) and safety. On the other hand, the aspects with the lowest customer satisfaction relate to inefficiencies and the transport tracking & tracing service.

Customers rated Mercitalia Rail's overall services 7.2 out of 10⁵², up by approximately 22% on 2018. Service safety received an average score of 7.7 and administrative assistance to customers was rated 7.1 (both show improvements on 2018). Ongoing management of inefficiencies remains the area that needs the most work, although it improved substantially on the previous year (5.7 compared to 4.5).

Mercitalia Logistics' Multimodal Transport and Logistics business unit⁵³ conducted a survey to gauge customers' satisfaction with the services provided. In particular, the sample considered in the survey represent the largest supermarket chain customers that used its services in the year.

The aspects that customers rated the highest were those relating to customer assistance by personnel, with a score of 8.4, while the transport tracking & tracing service was rated lowest, with a score of 6.

The Mercitalia Group confirmed its attention to customers and service quality by maintaining quality certification in accordance with the UNI EN ISO 9001:2015 standard.

The Group's commitment to carefully handling complaints in order to provide services that are increasingly tailored to its customers' needs extends to the freight segment as well. In 2019, the complaints received by all freight companies totalled 1,145, down on 2018 (-11.0%).

⁵² The Mercitalia Group company that transports the most freight volumes.

⁵³ This BU ensures the development and control of the transport and logistics chain for consumer goods, retail and beverages through the management of an integrated logistics network.



PROMOTING SAFETY

416-1

416-2

Not only is the safety of people a priority for the Group, but it is a strategy as well, and one that translates into a daily commitment to providing all services according to the highest standards on its railway and roadway networks.

This commitment has led the Group to adopt certified maintenance processes, use sophisticated diagnostics tools and invest significantly in non-routine maintenance, security and technologies, which in 2019 amounted to:

- › approximately €2.9 billion in infrastructure (-4% on 2018);
- › over €430 million in the transport segment (+6% on 2018).

Railway passenger transport - train traffic safety

The Group devotes utmost attention to the train traffic safety of the various client railway companies that offer passenger and freight transport services on the network operated by RFI, a subsidiary of FS Italiane, spanning over 16,700 km (with roughly 2,200 stations⁵⁴).

Most of the network is managed by complex remote command and control technologies (CCS, ACCM - computerised multi-station central apparatus system and CTC) governed by central coordination stations:

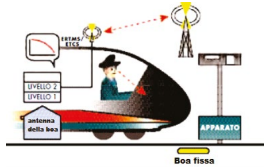


⁵⁴ Systems with active/possible passenger services.

TECHNOLOGIES FOR NETWORK SAFETY*

km of line

ERTMS/ETCS



The Group is one of the first in Europe to have adopted the level 2 European Rail Traffic Management System/European Train Control System (ERTMS/ETCS) on the new HS/HC network lines. The system, in compliance with European standards, ensures the seamless transfer of trains on all European lines that are equipped with the ERTMS/ETCS and capable of guaranteeing safe travel through the adoption of cutting-edge functions and technologies.

709

SCC, CTC and ACCM



CCS - Command and control systems, adopted on the main routes and at the main metropolitan rail transport, and developed for the high speed lines (CCS-HS), are innovative integrated remote management systems for train operation.

Centralised traffic control (CTC), a precursor of CCS, allows for the remote management and regulation of lines and stations from central posts (CP)

The computerised multistation central apparatus system (ACCM), which is the technological evolution of the central computerised devices, simultaneously controls several systems in the station and the related block sections.

CTC on 8,072
SCC on 3,434
ACCM on 1,604

SSC



The train speed control systems (TSCS) is a safety system that helps the driver and provides the control of the maximum speed permitted instant by instant, in relation to constraints put in place by signalling, the infrastructure's characteristics and the train's performance both in normal and deteriorated conditions. The system can be used on electrified lines on main, complementary and hub networks and on single or double tracks. It is certified for up to maximum speeds of 250 km/h.

3,561

SCMT



The train speed control systems (TSCS) is a safety system that helps the driver and provides the control of the maximum speed permitted instant by instant, in relation to constraints put in place by signalling, the infrastructure's characteristics and the train's performance both in normal and deteriorated conditions. The system can be used on electrified lines on main, complementary and hub networks and on single or double tracks. It is certified for up to maximum speeds of 250 km/h.

12,493

GSM-R



GSM-R (R stands for railway) is a proprietary system for both traditional voice and data communications and the exchange of information between the most advanced technological systems for signalling and traffic control. Over 1,250 km of tunnel lines are also part of the GSM-R network, using proprietary radio coverage or roaming.

11,633

* Visit the following link <http://www.rfi.it/rfi/SICUREZZA-E-INNOVAZIONE/Tecnologie> for additional details.

In addition to these traffic control technologies, technical and instrumental checks are continuously carried out on infrastructure with the use of mobile diagnostics instruments and processes. These checks are governed by procedures and protocols defining how the checks are performed, their frequency and who is responsible for them.

Diagnostics enable operators to automatically determine the conditions of various infrastructure components, verifying their wear and tear through an efficient IT system. Diagnostic systems may be fixed or mobile.

In particular, fixed diagnostics provide for the permanent application of measurement devices on specific parts of the infrastructure to continuously read the most important functioning parameters for systems comprising the railway station and line infrastructure. Continuously collecting measurements on the characteristics of the infrastructure and processing the data enable operators to base the maintenance strategy on predictive policies, identifying potential malfunctioning before they occur.

Mobile diagnostics entail equipping rolling stock with measurement systems that give important infrastructure readings. Diagnostic trains can accurately diagnose the infrastructure by monitoring the functioning parameters of the track, contact line, signalling systems and telecommunications to order maintenance when the parameters are not within the standard levels.

Infrastructure maintenance parameters are systematically monitored using a fleet of diagnostic trains, which are genuine travelling laboratories that take readings along railway lines, classified in accordance with European standards on the basis of the stresses to which they are subject.

The diagnostics fleet is continuously subject to developments and implementations, including through specific investments. The fleet currently consists of:

- › **Diamante e Aiace;**
- › **Archimede;**
- › **Talete;**
- › **Caronte 2;**
- › **Galileo;**
- › **diagnostics cars.**

The data recorded by the diagnostics trains are rapidly analysed and validated before the operator's procedures establish the measures to either be taken immediately or planned, considering safety and quality standards established by regulations.

EQUIPMENT, TE, IS, TLC

1st Class
(2 weeks)

Diamante, Aiace

Two diagnostics trains named **Diamante** and **Aiace**, which are made with the same rolling stock as Frecciarossa trains, that can reach speeds of 300 km/h and inspect high speed lines”.

2nd class
(2 months)

Archimede

A diagnostics train named **Archimede**, consisting of rolling stock that can reach speeds of 200 km/h to inspect the main lines that are not used for high speed service.

3rd - 4th class
(4-6 months)Talete
+15 diagnostic
wagons

A wagon named **Talete**, which can reach up to 160 km/h and it is dedicated to inspect the electrified complementary lines. The 15 diagnostic wagons, to which are added 10 courtesy wagons, are used for inspections that supplement and substitute the national diagnostics service (nodes, interconnections, service area, non-electrified lines).



US

(6-12-24 months)

Galileo
+ SR240
+ SR242

A diagnostics rolling stock named **Galileo**, and two diagnostic wagons, named SR240 and SR242, for ultrasound inspections of the rail infrastructure. The two wagons, managed by a qualified company (Sperry) worldwide leader in this field, are also equipped with an “Eddy currents” innovative system.

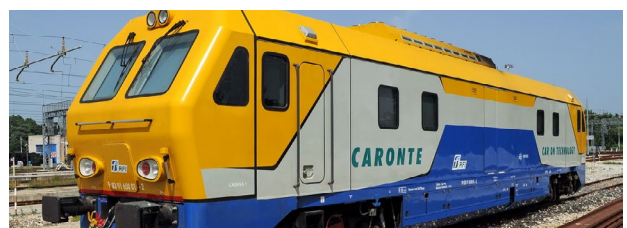


SCMT

(6-12-24 months)

Caronte

A diagnostics railcar, named **Caronte 2**, which inspects ground equipments, that are components of the signalling systems.



Based on the type of work to be carried out and its purpose, maintenance may be routine or non-routine.

The following strategies help achieve maintenance targets:

- › specific performance indicators, which serve as the benchmark parameters to ensure the reliability of the various types of systems;
- › an efficient information system for constant, widespread monitoring of network assets;
- › sophisticated diagnostics measure the various degrees of wear and tear on the lines.

Routine maintenance aims to limit the normal infrastructural deterioration and is carried out both cyclically, at prearranged intervals, and to resolve any critical issues.

Non-routine maintenance is planned and carried out for the replacement/updating of subsystems or their parts, in order to improve reliability, productivity, efficiency and safety.

Furthermore, over the past few years, predictive criteria have been defined to determine the most appropriate maintenance work to be carried out at the right time, based on the historic performance of diagnostics data, maintenance activities and the trend in faults, with an expected positive impact consisting of the optimisation of vehicles, resources and safety.

Maintenance is carried out following standardised processes in accordance with regulations and plans to standardise the conduct of maintenance operators throughout the country, through different maintenance policies:

- › corrective maintenance: performed after a weakness is detected and meant to restore functional conditions;
- › preventive maintenance (cyclical, predictive and based on conditions): carried out at scheduled intervals or according to established criteria and for the purpose of reducing the probability of faults or functional deterioration;
- › improvement/productive maintenance: improvements/small changes that do not increase the value of assets;
- › non-routine maintenance: maintenance specifically undertaken to improve reliability and/or strengthen infrastructure through projects that increase the value of assets.

Italy

Railway safety on the national railway infrastructure is monitored using indicators calculated on the basis of data in the infrastructure operator's database (danger database to monitor accidents) in accordance with current international criteria (defined by the ERA). For some of these indicators, the ERA has prepared and assigned common safety targets (⁵⁵"CST") at European level and national reference values ("NRV"), based on historical data⁵⁶.

The table below shows the Group's actual safety data for the national railway infrastructure in 2019 compared with certain common safety targets (unit of measure expressed in FWSI⁵⁷ ⁵⁸on a graduated scale).

COMMON SAFETY TARGETS					
Risk category	Unit of measure	Graduated scale	Targets ⁵⁹		Actual (2019 actual)
			CST Common (x 10 ⁻⁹)	NRV Italy (x 10 ⁻⁹)	RFI cumulative (x 10 ⁻⁹)
Passengers	Number of passenger FWSI per year calculated based on significant accidents/passengers train-km per year	passengers train-km per year	170.00	38.10	3.22
	Number of passenger FWSI per year calculated based on significant accidents/passenger-km per year	passenger-km per year	1.65	0.257	N.A.
Employees or contract companies	Number of employee FWSI per year calculated based on significant accidents/number of train-km per year	train-km per year	77.9	18.90	0.54
Users of railroad crossings	Number of users of railroad crossings FWSI per year calculated based on significant accidents/number of train-km per year	train-km per year	710.00	42.90	16.43
Other people on the pavement	Annual number of FWSI to people classified as "Other" due to significant accidents/number of train-km per year	train-km per year	14.50	6.70	0.27
Other people not on the pavement					
People crossing the tracks inappropriately	Number of FWSI to people per year calculated based on significant accidents/number of train-km per year	train-km per year	2,050.00	119.00	133.34

⁵⁵ Common Safety Targets.

⁵⁶ National Reference Value: specific value assigned to the railway system of each member country based on the various CST.

⁵⁷ Fatalities and Weighted Serious Injuries ("FWSI").

⁵⁸ Data updated to 3 January 2020.

⁵⁹ The CST and NRV refer to the entire Italian railway system. Accordingly, they cover damage caused by events on both the national railway infrastructure and on other networks operated by other infrastructure operators in Italy.

An analysis of the table above shows that the only target that was not reached was that for people who cross the tracks inappropriately (violation of safety rules by people outside the railway system), although the data reflect a decrease on the previous year (174.40).

Significant accidents⁶⁰ constitute a significant part of railway accidents given the seriousness of the consequences.

In 2019, there were 79 significant accidents, a decrease of 25 on 2018. This reduction was mainly due to there being fewer accidents to people involving rolling stock in motion (-18 events compared to 2018). The other indicators also showed a decrease in the number of events, except for level crossing events, which increased (+3 events compared to 2018).

An analysis of the causes of significant accidents shows that the percentage of accidents caused by internal factors out of all significant accidents decreased significantly, as they now only account for 10% of total events (8 out of 79), compared to 19% in 2018 (20 out of 104), underscoring how the majority of events is caused by events outside the railway system.

The consequences for people involved in significant accidents is shown in the table below, which summarises 2019 data⁶¹.

A railway accident occurred on 25 January 2018 in Seggiano di Pioltello, involving the railway company Trenord S.r.l.'s regional train no. 10452, which was operating the commercial service on the section between Cremona and the Milano Porta Garibaldi station. It caused the death of three passengers and injured others. In the proceedings, the preliminary investigation has been completed with the issue of the notice pursuant to article 415-bis of the Italian Criminal Code. The term to prepare a defence is pending. RFI S.p.A.'s CEO and eight of its officers have been indicted. RFI S.p.A. is also charged for administrative liability pursuant to Legislative decree no. 231/2001. The notice of the conclusion of the preliminary investigation also states that a director of ANSF and one of its officers have also been indicted, while the charges against Trenord S.r.l. have been dropped.

Another railway accident occurred on 6 February 2020 in Livraga (Lodi), involving Frecciarossa train no. 9595, operating the commercial service between Milan and Salerno. The accident caused the death of two drivers and injured many passengers. Reference should be made to the Group's 2019 Annual Report (Directors' report, Other information) for additional information.

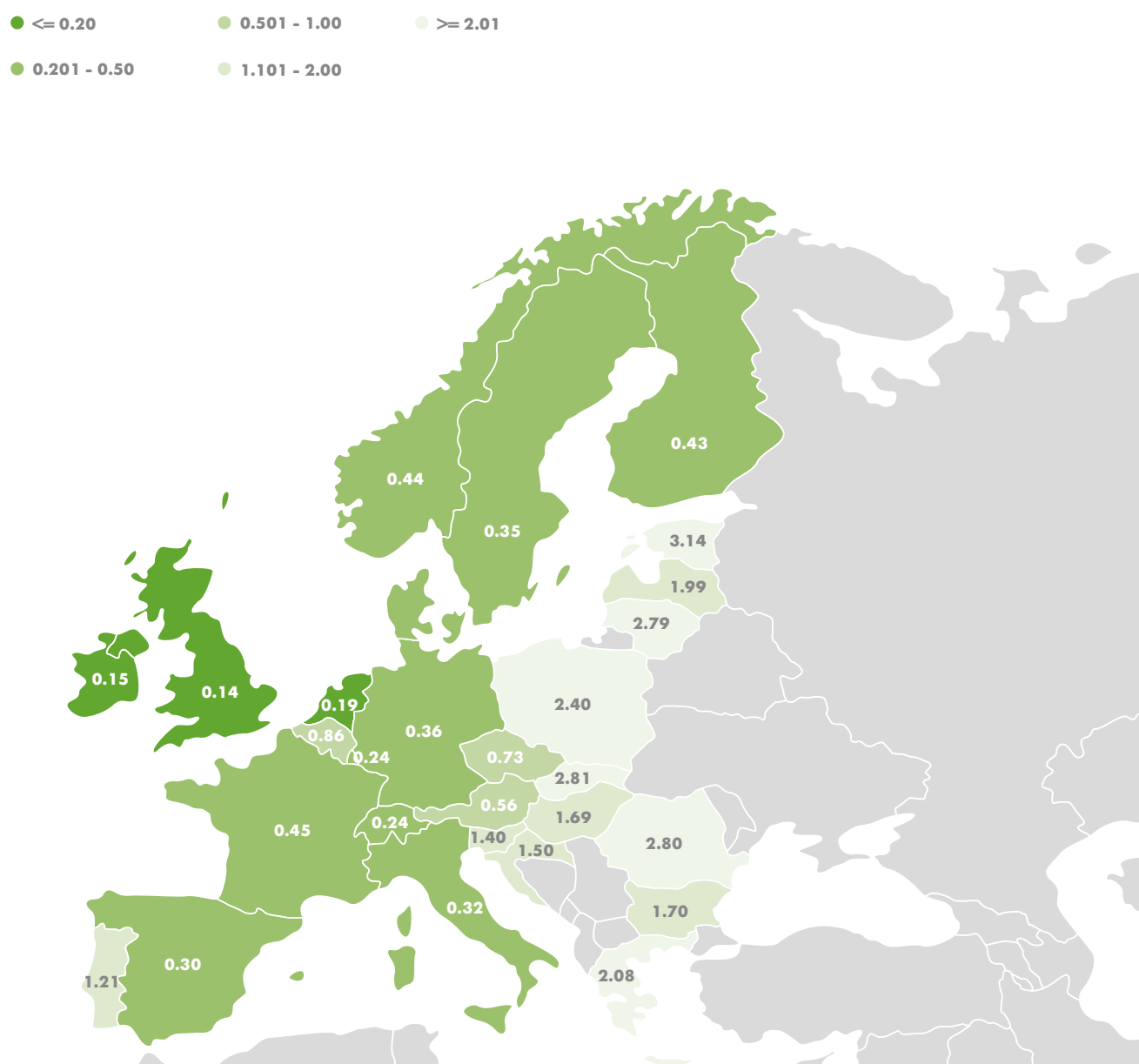
HARM TO PEOPLE				
Type	Deaths		Serious injuries	
	2019	2018	2019	2018
RFI employees (including contract companies)	0	2	2	8
Railway company employees	0	1	0	2
Passengers	1	4	0	58
Users of level crossings	6	3	1	0
People crossing the tracks inappropriately	48	62	15	14
Other people on the pavement	0	0	0	1
Other people not on the pavement	0	0	1	0
Total	55	72	19	83

⁶⁰ According to the ERA classification criteria, a significant accident is any accident involving at least one rail vehicle in motion, resulting in at least one killed or seriously injured person, or in significant damage to stock, track, other installations or environment, or extensive disruptions to traffic. Accidents in workshops, warehouses and depots are excluded.

⁶¹ Last updated on 3 January 2020. Data to be definitively consolidated upon completion of the preliminary activities that the competent authorities are currently carrying out to calculate deaths and injuries due to suicides/attempted suicides.

The Group's commitment to safety has reduced Italy's average accident rate to one of the lowest recorded for 2006 – 2017 (normalised for production data expressed as train-km), as shown in the following chart.

AVERAGE ACCIDENT RATE (2006-2017) FOR PRODUCTION DATA EXPRESSED AS TRAIN-KM



Source of data: CSI of the ERA. The purpose of the map is not to classify railway safety levels in European countries.

The map compares the average accident rate for the period (2006-2017) based on production (train-km) in Italy and other EU countries, Switzerland and Norway. Italy has one of the lowest rates recorded.

There was one significant accident in Italy in 2018 for every 3,315,000 km (approximately) travelled by trains.

Safety is also monitored at international level according to the UIC's criteria⁶² to measure the intrinsic safety of railway systems: in 2019, there were 11 RFI accidents classified as typical accidents, 45% fewer than in 2018, two for which the operator was held directly responsible.

The Group has dedicated structures to oversee operational safety, which cover activities in accordance with the current European and national legislative context. The management systems are the heart of the Group's safety oversight. In particular, various activities are carried out to keep operational risk under control. These activities range from data analysis, continuous monitoring and risk assessment and control to the identification of risk prevention measures and risk mitigation. Where necessary, specific indicators and/or projects are defined to reduce risks and are reported within the safety plans each year. The indicators and projects may relate to one or more of the three key parts of the management systems: machines (technology), people (human factor and organisation) and procedures (how processes are performed).

The maintenance of railway vehicles is one of the key processes in ensuring that operational safety is maintained and improved and to meet established quality standards.

In particular, the Group ensures the planning, performance, control and improvement of maintenance processes on rolling stock through an organisation that provides for:

- › a unit that supervises and coordinates all stages of maintenance to ensure safe conditions for railway system vehicles;
- › a maintenance engineering unit that establishes the criteria and general provisions for the maintenance of vehicles, including the operating conditions for the functioning of vehicles and to learn from experience;
- › operating units that manage taking the vehicles out of service, sending them to repair workshops and subsequently returning them to operations;
- › maintenance systems at two organisational levels: the first level consists of the divisions' current maintenance systems, responsible for light and corrective maintenance work included in vehicle shifts, while the second level consists of cyclical maintenance workshops responsible for work with a significant impact on the asset value of the rolling stock, which is carried out beyond the scope of the vehicle shifts.

⁶² Typical accidents according to the UIC are: collisions, derailing, fires involving rolling stock, accidents involving dangerous goods and accidents at level crossings (collisions with obstacles or vehicles). They exclude accidents in which people are hit (including at level crossings), injuries to people as they inappropriately board/deboard moving trains, suicides and attempted suicides.

The UIC's criteria for injuries/damage caused by the accidents are consistent with those for significant accidents:

- › at least one death either immediately or within 30 days of the incident;
- › at least one person seriously injured and hospitalised for over 24 hours;
- › damage to rolling stock/infrastructure/third parties greater than or equal to €150,000;
- › disruption of traffic on a primary line for a period of time greater than or equal to six hours.

This classification is meant to measure the intrinsic safety of railway systems, assigning less weight to accidents caused by conduct in violation of railway regulations on the part of people unrelated to the railway system (violations of Presidential decree no. 753/80) in railway contexts.

Greece

The subsidiary Trainose, which only provides the passenger and freight transport service (the infrastructure is operated by a company owned by the Greek government) monitors accidents according to the ERA classification for security indicators. The purpose is to present, in a structured manner, the causes and consequences of its activities.

The main indicators for 2019 are reported below:

ERA type	Number of accidents
Train collision with railway vehicle	2
Train collision with an obstacle blocking the tracks	50
Train derailment	20
Level crossing accident, including accidents involving pedestrians at crossings	15
Accident to people involving rolling stock in motion (excluding suicides and attempted suicides)	14
Fire on board rolling stock	5
Other types of accidents	4
Total	110

Road infrastructure safety

The Group strives to ensure road safety throughout its network, which requires a constant, scrupulous commitment covering around 30,000 km of roads.

It pursues this goal by spreading a culture of safety and respect for the rules of the traffic code and through daily surveillance of the network, as operating personnel take immediate action if needed and the national operating room and compartmental operating rooms carry out ongoing operations.

The Group has a road management tool (RMT) to continuously monitor the network. The RMT consists of various modules that manage road safety information and devices: fixed and mobile cameras, scrolling information panels, system diagnostics in tunnels and events management.

The Group is also constantly committed to analysing the roadway and motorway network incident rate based on data acquired through reports from operating personnel and the police.

However, this commitment is not sufficient, since over 90% of accidents are due to the driver's conduct and, as data for recent years show, distraction is the greatest driver safety risk factor. To reduce the impact of this factor, the Group holds awareness campaigns to promote a culture of safety.

PROMOTING ROAD SAFETY

In 2019, the Group continued implementing the **Smart Road** and **Green Light** projects. Smart Road is to equip roads with systems like sensors and video cameras that can update drivers in real time with crucial road information, like weather forecasts, traffic and road conditions. Green Light entails the replacement of electricity and lighting systems (in tunnels and outdoors) with last-generation, highly energy-efficient and low-environmental impact devices designed to offer more visibility in low-light conditions or during the night.

The Group also guarantees scheduled routine maintenance on the road network that it operates under concession, to protect assets and traffic safety, ensuring surveillance and immediate action in the event of emergencies on directly managed roads and motorways, by coordinating and directing the local offices, the situation room and the management of relationships with the traffic police and civil protection.

In 2019, roughly 900 scheduled maintenance projects worth €1.5 billion were approved and work totalling over €1.1 billion was delivered, mainly financed by the 2016-2020 Government Programme Contract. This work was mainly to restore the road surface and foundations, as well as road signs, recondition and update small and large works of art, repair slopes and sides and revamp technological and lighting systems.

In addition, inspections continued on bridges and viaducts during the year, using a specific app installed on the inspectors' tablets containing all specialised data for each individual inspected work. The activity is carried out on a quarterly basis and 51,000 inspections were conducted on more than 14,600 structures.

Safety of road passenger transport

The Group is committed to guaranteeing the safety of personnel and passengers with:

- › video surveillance systems on board vehicles and protection for the driver's cabin;
- › automatic vehicle monitoring (AVM) systems for the fleet;
- › driver-assistance devices (ABS, ESP, ASR, etc.) with newly acquired last-generation active safety systems (e.g., active braking assistance, distance sensors, lane departure warnings) and passive safety systems (e.g., collision warnings).

Furthermore, the Group conducts maintenance on the fleet through KPIs to monitor vehicle performance and safety and the performance of in-house maintenance units. The new fleet monitoring systems installed in all last-generation vehicles can collect increasingly more data and information for predictive maintenance, immediately ensuring greater guarantees and safety.

Safety of freight transport

The procedures promulgated by the Operational Safety Management System, in accordance with European standards (EU Reg. no. 1158 and EU Reg. no. 445 for vehicle maintenance), are implemented to ensure the safety of freight transport.

Performance is also periodically monitored through audits and inspections by the national agencies for railway safety (ANSF in Italy and EPSF in France).

Locomotive are equipped with diagnostics systems to detect faults and sensors are mounted on last-generation wagons to monitor a series of parameters and flag any malfunctioning in advance.

Furthermore, personnel is constantly trained to gain and maintain expertise and is periodically tested by qualified instructors.

SECURITY, INFORMATION SECURITY AND PRIVACY

Safety

The security and protection of personnel, passengers/users at stations, assets and know-how are essential for the Group.

The Group constantly invests to guarantee and monitor travel safety and the security of the infrastructure and stations. To monitor operational security indicators, the Group strengthened a partnership with the railway police (the branch officially responsible for preventing and repressing crimes in the scope of railway transport).

Security indicators	2019	2018	2017	% change 2019/2018	Trend 2019/2018
Assaults on railway personnel	395	387	463	+2.1%	▼
Thefts at the station	1,151	1,579	1,746	-27.1%	▲
Thefts on board trains	2,692	2,710	3,206	-0.7%	▲
Copper thefts during operation	254	355	484	-28.5%	▲
Copper thefts at depots	18	17	5	+5.9%	▼
Total	4,510	5,048	5,904	-10.7%	▲

The improvement in nearly all security indicators underscores the success of the Group's prevention and mitigation measures.

With respect to passenger security, the Group recorded the following:

- › 2,692 thefts suffered by passengers on board trains, substantially in line with 2018;
- › 1,151 thefts suffered by passengers at stations, down 27% on the previous year.

The Group's measures to prevent and stop the theft of company assets in collaboration with the police achieved the following results:

- › 28.5% decrease in thefts of copper along the line compared to the previous year;
- › 31.2% decrease in kg of copper stolen compared to the previous year (2018: 97,084 kg of precious material stolen; 2019: 66,867 kg stolen);
- › 12.2% decrease in total economic losses due to thefts compared to the previous year (2018: approximately €1.2 million; 2019: approximately €1 million).

The Group continued to work with the National Civil Protection Service, renewing the agreements with the Molise, Emilia Romagna, Friuli Venezia Giulia, Veneto and Campania regions. Training was held with 38 drills to verify and improve

communication flows and the intervention plan for critical or emergency situations.

In addition, three training sessions were held for the Group's operating personnel. The training modules covered communications with the local Civil Protection units and relationships between the Group and the National Civil Protection Service, with a specific focus on how weather alerts are processed and spread and their meaning.

The Group is also investing in new security technologies, which should also improve all stakeholders' perceived security. These technologies include the "Board Support" app which monitors police officers on board regional trains in accordance with the conventions provided for in the regional contracts. When the alarm button is pushed, this app connects the train manager's tablet to the police officer's mobile phone.

Furthermore, sophisticated, last-generation video surveillance systems continued to be installed with live views on on-board monitors, frontal cameras to monitor lines and integration with the MUVI platform to transmit the images to Trenitalia and railway police control rooms.

The Group is also investing in innovative projects like command and control platforms for remote-controlled drones in partnership with ENAC and ENAV, to monitor assets and implement barriers for tracking passenger flows at railway stations (the "modern turnstile" project).

Cyber security

In recent months, legislators have made intense efforts to issue important decrees that identify providers of essential services for citizens and define the scope of the technological systems used, which must function in order to guarantee service continuity.

The recent EU directive on NIS (network and information security) concerning cyber security, transposed into Italian legislation with decree no. 65 of 18 June 2018, identifies the FS Italiane Group as an essential service operator and, as such, requires that it adopt technical and organisational measures to strengthen management of cyber risks and prevent cyber attacks as part of a national and European model based on cooperation and the integration of information between member states.

Furthermore, the national cyber security scope was established with Legislative decree no. 105 of 21 September 2019. In addition to public entities, it includes private entities considered strategic operators whose protection is essential for the country to function. They are required to apply adequate technical and organisational security measures.

Considering the legislative obligations and rapid evolution of security threats, the Group has adopted an integrated physical/cyber security steering and governance model in which physical security and cyber security converge under one command and control point, ensuring the adoption of general principles and consistent operating logic, to identify as quickly and reliably as possible the sources of a threat regardless of where it arises and irrespective of whether it is a physical, cyber or hybrid attack, in order to intervene immediately.

In 2019, the Group created and launched the cyber security operation centre to prevent, detect and fight cyber attacks. This specialised centre (operating around the clock seven days a week, 365 days a year) protects the Group's 80,000+ work stations, detects, fights and neutralises over 10,000 cyber attacks per year (10,139 in 2019, over 60% more than in 2018) and features the most recent technologies on the market to use AI to detect and fight cyber threats

During the year, the Group also implemented the new fraud management system, which uses specifically designed software for the railway sector to constantly monitor transactions to prevent fraud committed by purchasing railway tickets using stolen or cloned credit cards.

In addition, security activities included the definition of a specific model to guarantee that security standards are met when personnel travel, considering the Group's increasingly larger international presence.

Data Protection and the Data Protection Officer

The General Data Protection Regulation ("GDPR") expands the protection of natural persons' rights and freedoms in relation to their personal data, as these rights and freedoms have been recognised as fundamental for EU citizens.

After the GDPR was introduced, Ferrovie dello Stato Italiane Group designed and implemented an organisational framework to protect the data of its customers, employees, suppliers and other third parties. The data protection framework is structured by general areas and specific organisational communications for the GDPR's requirements. It defines the key personal data protection principles, the roles and related macro-responsibilities and information flows to/from the Board of Directors, senior management, the units involved in the creation of the data protection framework and those involved in the processing of personal data, as well as the data subjects.





ENVIRONMENTAL SUSTAINABILITY

102-15

103-2

103-3

What we have accomplished...

DEFINED LONG-TERM GOALS

to achieve carbon neutrality by 2050

Signed the

RAILWAY CLIMATE DECLARATION

renewing the railway sector's commitment to fighting climate change

Savings of

OVER €15 MILLION

thanks to **environmental projects and initiatives** pursued by the Group

...what we aim to do

Include

GREENHOUSE GAS EMISSIONS TARGETS

in top management's remuneration policies

Define a

MODEL TO ASSESS EXTERNAL ECONOMIC

social and environmental issues to be applied to the Group's main projects

Strengthen the

CONTROL MODEL FOR ENVIRONMENTAL PERFORMANCE DATA

necessary for Group reporting

Designed in 2019 and launched by Trenitalia on 1 February 2020

THE PLAN TO REDUCE SINGLE-USE PLASTIC

in food services on board Freccie trains, in FRECCIALounges and FRECCIAClubs. This plan will eliminate 300 tonnes of plastic every year.

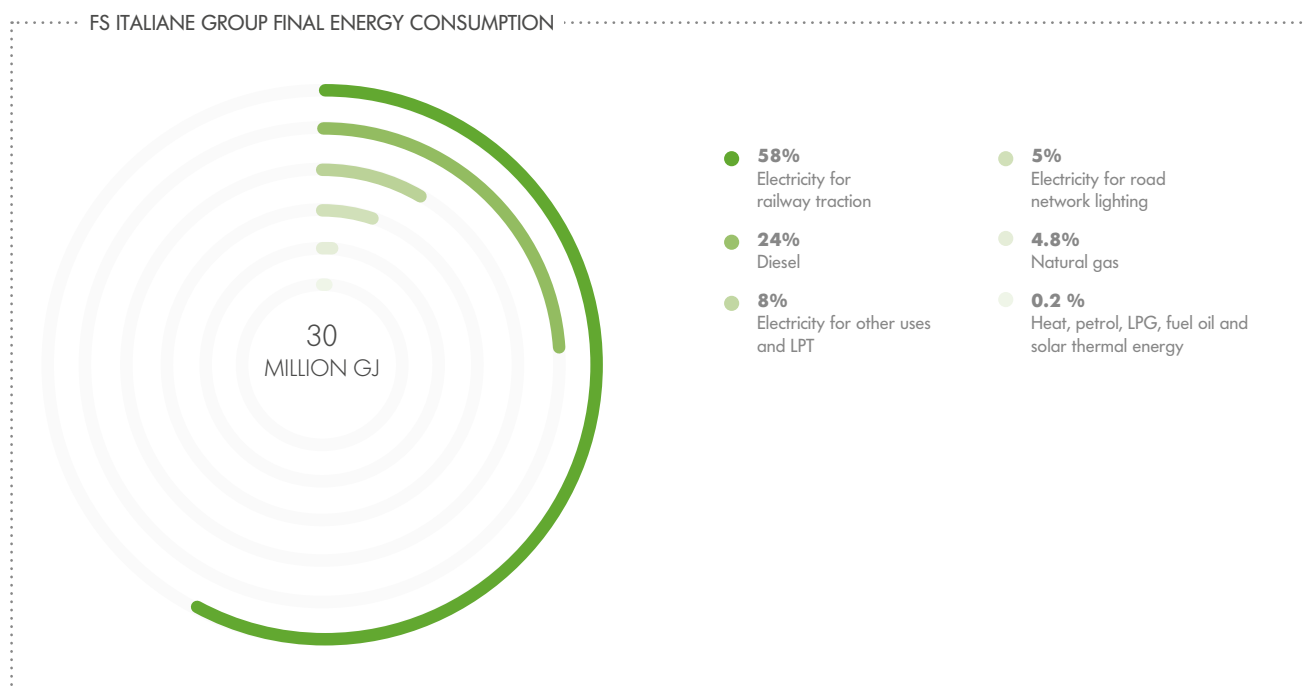
The FS Italiane Group's greatest contribution to the creation of an environmentally sustainable development model is that it offers the countries in which it operates a mode of transport that maximises the benefits of sustainable mobility. To this end, the FS Italiane Group is focused on continuously improving the environmental performance of its entire transport chain (covering vehicles, design, construction, management and maintenance of infrastructures and properties) to encourage sustainable choices. Different mobility choices in our daily lives can lead to improvements in traffic, safety, pollution and emissions, benefiting people's quality of life and reducing environmental risks.

As it strives for continuous improvement, the FS Italiane Group has implemented a set of rules to promote consistent, effective management of environmental issues. The Group companies are required to analyse each life cycle stage throughout the entire value chain, considering the environmental aspects that they control and influence.

The environmental policy emphasises FS Italiane Group's commitment as a mobility operator, developing integrated and efficient transport infrastructure and modes of transport and minimising - when it cannot eliminate - harmful environmental impacts.

ENERGY AND EMISSIONS

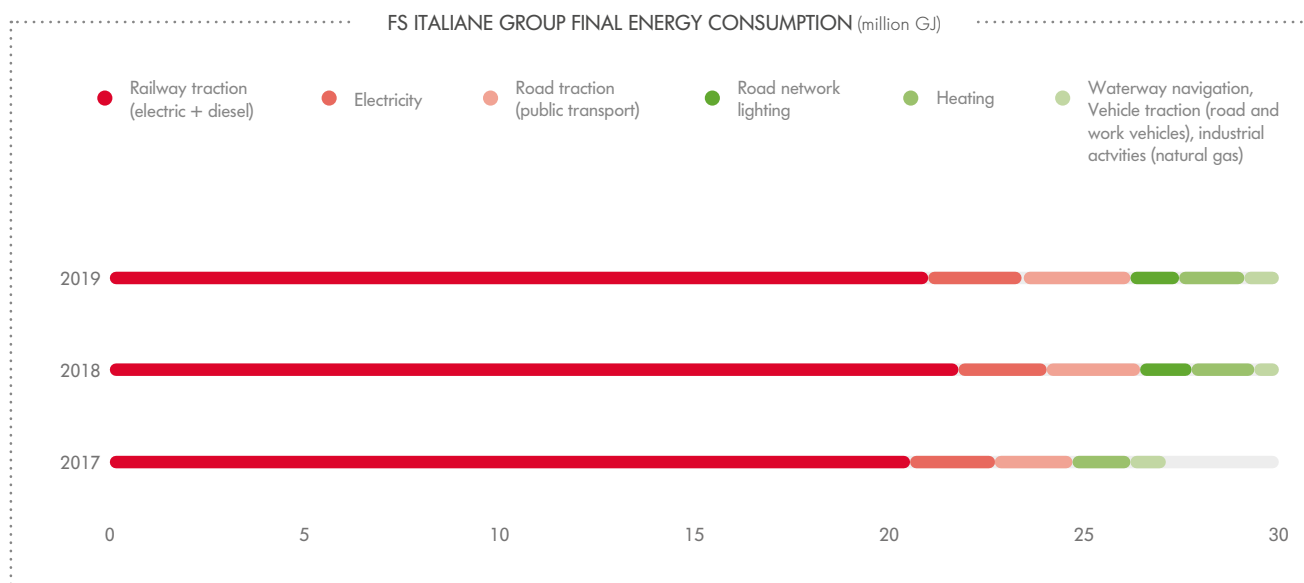
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Energy consumption is a crucial environmental aspect in the FS Italiane Group's activities. In addition to transport services, which require the use of vast quantities of energy, the maintenance and management of road and railway infrastructure also absorb a significant amount of energy.

The total volume of energy consumption in 2019 was similar to that consumed in the previous year and totalled 30 million GJ (-0.6% on 2018), with electricity far and away the largest component. Considering electricity for railway traction, road network lighting and other uses, electricity made up more than 70% of total energy consumption.

There were no considerable changes in energy consumption compared to the previous year, although the ways in which energy was used did change: electricity and diesel consumption for railway traction decreased, as did consumption to heat rooms, while energy consumption for road traction and road network lighting increased.



An analysis of the individual sources of energy highlights how electricity for railway traction accounted for 58% of total consumption. This is due to the fact that most trains travel on an electrified network (over 70%, in Italy), and therefore benefit from the renewable sources of energy in the domestic supply mix (in which renewable resources make up more than 30%), and only a residual part of trains run on diesel.

Fs Italiane Group energy consumption	Unit of measure	2019	2018	2017	% change 19/18
Electricity for railway traction	GJ	17,247,395	17,410,696	17,028,663	-0.9%
Electricity for other uses and LPT	GJ	2,555,917	2,484,763	2,362,673	2.9%
Electricity for road network lighting	GJ	1,379,451	1,324,019	-	4.2%
Diesel	GJ	7,310,833	7,247,308	5,938,842	0.9%
Natural gas	GJ	1,418,306	1,635,604	1,665,663	-13.3%
Heat, petrol, LPG, fuel oil and solar thermal energy	GJ	61,031	62,900	59,585	-3.0%
TOTAL	GJ	29,972,933	30,165,289	27,055,426	-0.6%

Looking at electricity as a whole, i.e., the three ways in which it is used (for railway traction, road network lighting and for other uses and LPT⁶³), there is no significant change in consumption (-0.2%) compared to 2018, nor is there for diesel (+0.9%). Natural gas was the type of energy presenting the greatest change, which decreased by approximately 200 thousand GJ (-13.3% on 2018), due to the rationalisation and efficiency of heating systems and the road transport companies' campaign to update vehicles, which entailed the end-of-life replacement of natural gas-powered vehicles.

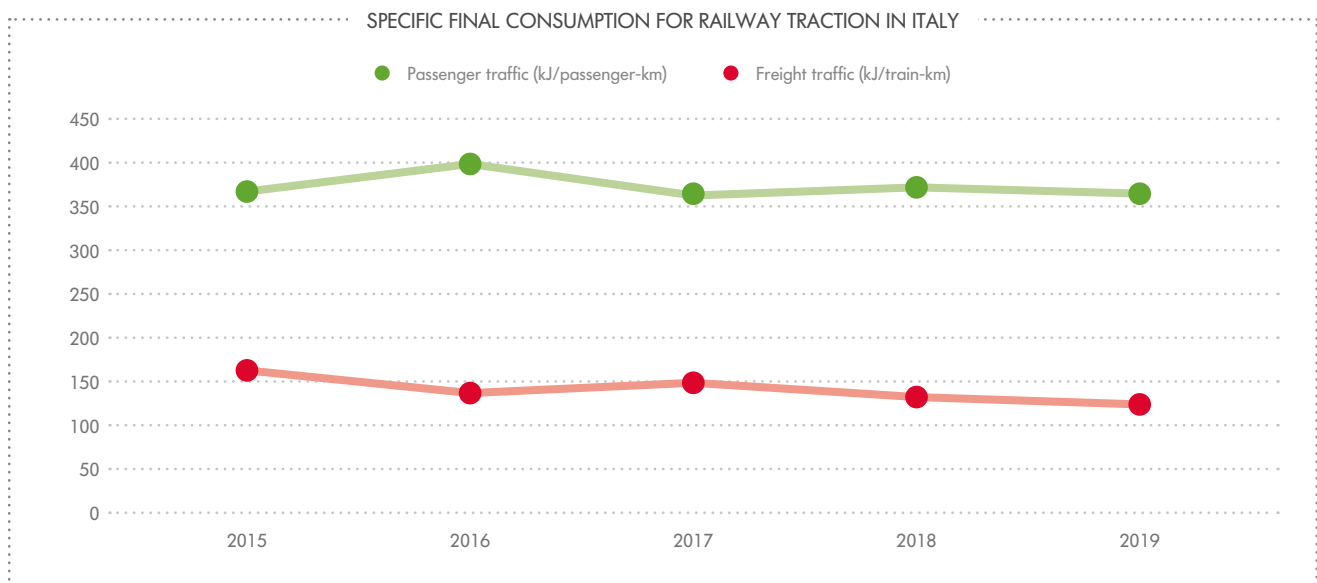
⁶³ This caption refers to urban transport (road, trams, etc.). The railway transport component is included in the railway traction captions.

An examination of use by individual source shows how railway transport significantly affects the two main types of energy (electricity and diesel), although the impact varies. The FS Italiane Group consumed 5,884 GWh of electricity, an amount comparable to all electricity consumed by the Liguria region⁶⁴, and railway traction accounted for more than 80% of this electricity consumption, while traction only accounted for slightly half of the Group's total diesel consumption. Indeed, nearly all of the 204.4 million litres of diesel consumed by the Group was for transport, particularly on roads and waterways transport, in addition to railway transport, and for other transport activities and the movement of machines for railway and road infrastructure maintenance and management.



⁶⁴ See 2018 Regional Statistics, Terna (2020), https://download.terna.it/terna/Statistiche%20Regional_2018_8d7b93cbf9ad480.pdf.

Natural gas is mainly used for heating rooms (over 80%) and only residually for transport and exclusively to power part of the road fleet (approximately 16%). Total consumption in 2019 of approximately 41.4 million cubic metres of gas is down on the previous year for the reasons described above.

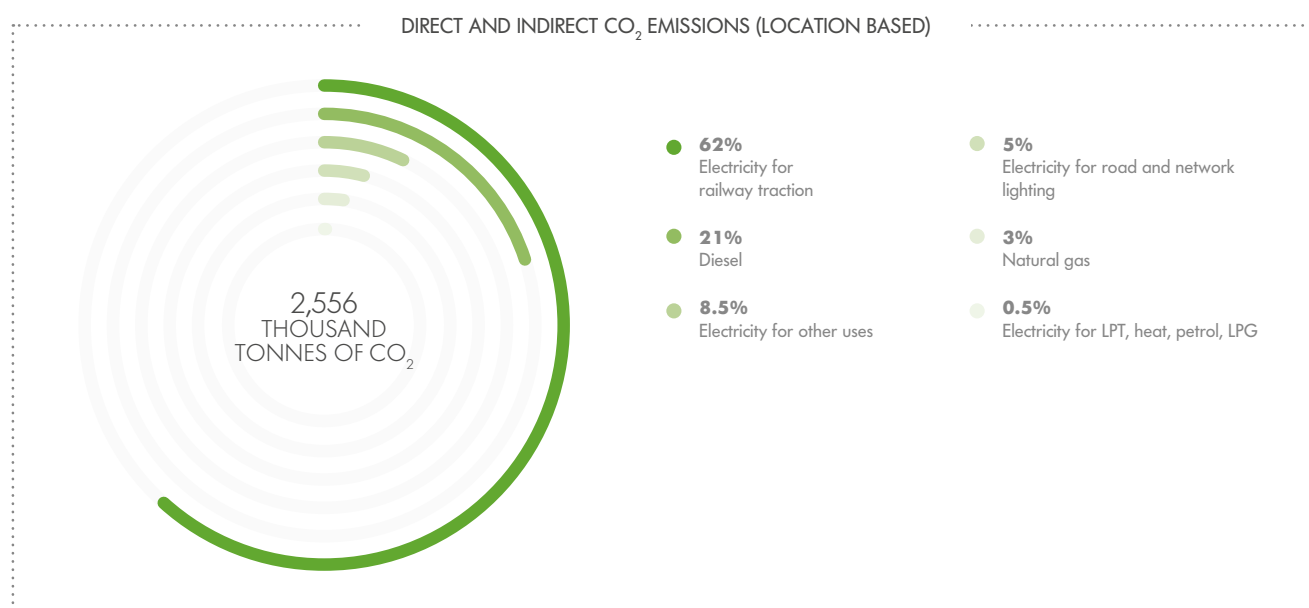


Specific end consumption is calculated as the ratio of energy used for railway activities in Italy on electric and diesel trains to the traffic units used to measure railway transport. Affected by a variety of factors (e.g., speed, altitude, vehicles, load factor, transported weight, atmospheric conditions, etc.), this ratio did not show any material changes for passenger transport in the five years considered, coming to 361 kJ/passenger-km, whereas the ratio for freight transport decreased to 125 kJ/train-km in 2019.

In 2019, the FS Italiane Group's CO₂ emissions totalled 2.6 million tonnes⁶⁵. Because they are produced directly by energy consumption, greenhouse gas emissions reflect the same trends as the Group's consumption, both collectively and considering the separate components, and highlight the reduction in emissions due to natural gas, as a result of the factors described above.

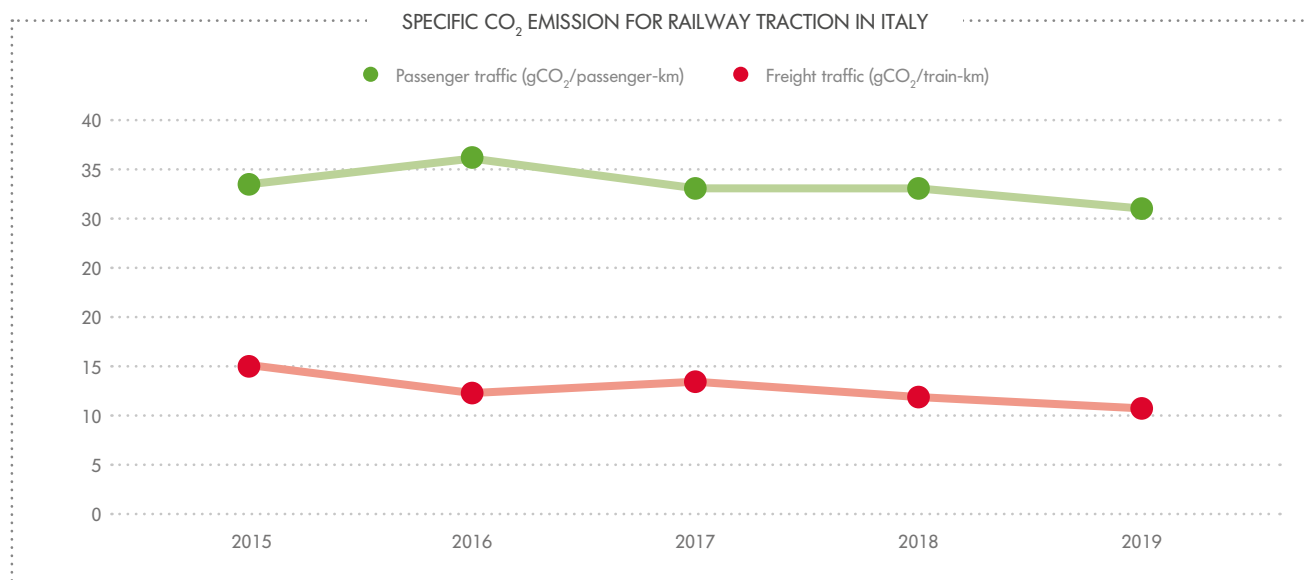
⁶⁵ This value is calculated using a location-based approach according to GHG Protocol standards (reference should be made to the attached performance indicators for details).

Within the total, there was a relative increase in CO₂ emissions from electric road vehicles used for local transport, which the Group is progressively adding to its fleet.



The performance of specific emissions is similar to that of specific consumption: emissions by traffic units for passengers and freight transported in Italy amount to around 31 gCO₂/passenger-km and less than 11 gCO₂/tonne-km, respectively. The former decreased slightly after registering growth between 2014 and 2016, while the latter has remained more or less the same as in the previous two-year period.

Direct and indirect emissions of CO ₂	Unit of measure	2019	2018	2017	% delta 19/18
Electricity for railway traction	tCO ₂	1,580,811	1,621,342	1,635,529	-2.5%
Electricity for other uses	tCO ₂	220,346	220,977	217,921	-0.3%
Electricity for road network lighting	tCO ₂	121,238	118,178	-	2.6%
Electricity per LPT, heat	tCO ₂	11,884	5,861	4,613	102.8%
TOTAL (Scope 2 location-based)	tCO₂	1,934,278	1,966,358	1,858,063	-1.6%
Diesel	tCO ₂	538,657	533,923	437,372	0.9%
Natural gas	tCO ₂	81,720	94,363	95,351	-13.4%
Petrol, LPG, fuel oil	tCO ₂	1,219	1,506	1,388	-19.0%
TOTAL (Scope 1)	tCO₂	621,596	629,792	534,111	-1.3%
TOTAL (Scope 1 + Scope 2)	tCO₂	2,555,874	2,596,150	2,392,174	-1.6%



The FS Italiane Group aims to provide transport solutions that increasingly combine impeccable service quality with excellent environmental performance. The new Pop and Rock trains were rolled out in 2019. Designed to meet important environmental standards, they consume up to 30% less energy than previous-generation trains and are equipped with smart air conditioning energy management systems and the smart parking function, which minimises energy consumption. The market has recognised the environmental performance of this new generation of trains, alongside the performance of the Group's Frecciarossa 1000 trains, enabling the Group to place green bonds⁶⁶. In 2019, the green bond led, for the first time in the railway sector's freight transport segment, to the allocation of proceeds for the purchase of last-generation wagons and engines, improving the efficiency and sustainability of the transport service.

Curtailling greenhouse gas emissions and improving energy efficiency are priorities for the FS Italiane Group and all Group companies are involved in developing initiatives to this end. They are signing electricity supply contracts from certified renewable sources, covering up to 100% of the supply, and various projects are in progress to install photovoltaic and thermal solar plants for self-production of the energy they consume, in addition to other plans to improve the efficiency of environmental performance overall, as detailed in the attached "Company highlights: the environment". These projects will lead to substantial savings in costs, for total estimated savings of €15 million.

⁶⁶ Reference should be made to the paragraph on Sustainable finance as a tool for change.

FS SIGNS THE RAILWAY CLIMATE DECLARATION, PLEDGE 2019

During the COP 25 in Madrid, FS Italiane's CEO and general director, Gianfranco Battisti signed the Railway Climate Declaration - New 2019 Pledge, which the UIC created to renew the railway sector's commitment to fighting climate change. This commitment comes in the wake the Low Carbon Rail Transport Challenge signed at the COP 21, which emphasised the need for railway companies to cut their specific consumption, and adds the goal of achieving carbon neutrality by 2050 and actively supporting the United Nations' 17 sustainable development goals (SDGs) for its signatories.

In line with the UIC's statement and with the conviction that the transport sector must play a key role over the next decades, the FS Italiane Group has endorsed the SDGs and is pursuing strategies that integrate them in its businesses. To this end, in 2019, the FS Italiane Group defined three long-term goals (reference should be made to "Our agenda for the future of transport" for details), two of which are closely related to climate change, as they formalise the Group's commitments to becoming carbon neutral by 2050 (emissions target), achieving a 15% increase in the modal shift towards shared, collective mobility in Italy by 2050 and transporting 50% of freight by rail by 2050 (sustainable mobility target).

The transport sector is also responsible for the emission of pollutants that reduce air quality, with repercussions on people's health, especially in urban settings, and on the environment. Although the railway sector's emissions are marginal compared to other environmental aspects, atmospheric emissions should in any case be monitored. Nitrogen oxide and sulphur oxide emissions and particulates are mostly the result of combustion. The FS Italiane Group's road transport companies are committing to upgrading the fleet, preferring more modern engines with significantly lower emissions that are harmful for the environment and health (CO₂, NO_x, PM).

Other atmospheric emissions	Unit of measure	2019	2018	2017	% delta 19/18
NO _x	t	7,760	7,926	6,845	-2%
SO ₂	t	482	447	464	8%
PM ₁₀	t	208	214	181	-3%

SUSTAINABLE INFRASTRUCTURE

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413-1

413-2

An extensive infrastructure involves not only physical resources, but also social, economic and land resources as well, as it fits into society and culture, affecting the future of people, their families and social activities and influencing local and national structures.

To ensure the adequate inclusion of highly complex engineering projects, such as railway and roadway infrastructures, the Group devotes specific attention to the integrated assessment of environmental, social and economic impacts over the infrastructure's entire life cycle. This local approach entails systematic dialogue with all stakeholders in the construction process, which begins in the initial design stages and continues through infrastructure construction and operation.



Stakeholders may consult the environmental analyses, which have been published on the website of the authorities: the Ministry of the Environment and Protection of Land and Sea (MATTM), the regions, etc.; the start of the procedure is always announced on the MATTM's website, giving citizens the chance to participate in the preliminary stage by submitting their observations.

Environmental analyses focus on an analysis of the local context in which the infrastructure will be built, assessing its final impact on the area, the interferences caused by all site aspects during construction and the mitigation/compensation measures that will be taken.

With respect to social monitoring, specific attention is devoted to engaging local communities, establishing technical panels and service conferences to steer project decisions.



The data and information acquired through monitoring are filed and managed in a specific database called SIGMAP (an information system for the geographical monitoring of the environment and projects) and adequately sorted, then made available to the public on websites that publish information for people, bodies and administrations.

Monitoring the social context means understanding, analysing and explaining the changes that occur while the work is performed with an impact on the main socio-economic and socio-cultural variables that characterise the lifestyles of the communities affected by the project. In economic terms, a project may generate changes in local income because of the project's direct and indirect influences (employing the local work force, creating jobs, impacting different business sectors, etc.). It may also trigger sector-related changes in agriculture, industry and services (affecting the number of companies, their quality and size, their degree of specialisation, level of sector concentration, turnover, number of staff, etc.), changes in tourism (number and capacity of hotels, presence of tourists, etc.) and changes in the employment rate and structure.

The expertise it has gained in designing sustainable infrastructure led the Group to choose Envision™ for the certification of its commitment to finding the most effective design solutions.

To minimise the impacts of new infrastructure or upgrades to existing infrastructure during construction and operations, work is planned to reduce the residual environmental impact, such as creating green areas and naturalistic engineering near roads, art work and the opening of tunnels. Impact minimisation also entails maintaining connectivity through ecoducts and wildlife crossings, treating surface water using first flush rainwater treatment tanks and handling accidental spills, as well as reducing air pollution with plant barriers to capture dust.

ENVISION™



In 2019, the project for the Frasso Telesino – San Lorenzo Maggiore section of the Naples - Bari line was awarded platinum Envision certification (the highest possible score) for the sustainability of the project. The project is the first in Europe to receive this certification. Envision™ is the first rating system for the design and creation of sustainable infrastructures. It was created by ISI (Institute for Sustainable Infrastructure), a non-profit organisation established to develop sustainability rating systems for civil infrastructure, in collaboration with Harvard University. The protocol, which consists of 60 sustainability criteria for the design and construction of sustainable infrastructure, affords a holistic view of infrastructure development in the local area and its long-term sustainability. Under Envision, projects must be assessed and certified by an independent body.



Anas' commitment to reducing noise pollution entails the systematic monitoring of noise levels, in response to both requests from individuals and notification by the local authorities.

In the three years from 2017 to 2019, Anas' noise abatement work has entailed approximately 800 days of on-site surveys to determine noise exposure and approximately 360 days of processing the data recorded at the homes of those affected.

The environmental impact is also monitored through environmental management systems and in accordance with green procurement policies to adopt criteria, guidelines and procedure that reduce the environmental impacts of sites.

Specific focus has been devoted to infrastructure design, and this has involved the use of BIM (building information modelling) software for which Italferr, a pioneer in this field, won the Year in Infrastructure 2019 award in the Railway and Transport category for its design of the new HS/HC Naples-Bari railway line. This new infrastructure will significantly reduce travel times with the construction - and partial update - of the existing railway link between the Tirthenian and Adriatic backbones.

Thanks to Italferr, the Group also joined the prestigious Top 150 Global Design Firms, an international ranking by Engineering News Record.

YEAR IN INFRASTRUCTURE 2019 - BIM CONFERENCE AWARD



The FS Italiane Group, through Italferr, was named first in the world at the "The Year in Infrastructure - 2019 Conference_Advancing BIM through Digital Twins, held in Singapore and organised by Bentley Systems, which specialises in the development of digital software. Over 440 engineering firms from more than 60 countries participated in the event and a panel of experts examined over 570 projects, naming the Italian project the best out of 54 finalists.

The Group's commitment does not end with the design, construction and operation of infrastructure. In the pursuit of a circular economy, the Group has designed solutions that regenerate infrastructure that is no longer used in operations (stations, railway lines, worker housing, etc.) through redevelopment projects that extend their end-of-life and create new value for stakeholders⁶⁷.



The travel atlas of retired railways was republished in 2019, describing editorial products on sustainable mobility and social aims.

The atlas illustrates the retired railway lines owned by the Group and highlights those that have been transformed into greenways.

For additional information about infrastructure design, refer to the "Sustainability" section of www.fsitaliane.it, as well as RFI's website (www.rfi.it), Anas's website (www.stradeanas.it) and Italferr's website (www.italferr.it).

⁶⁷ Reference should be made to "Promoting social cohesion" for details.



OTHER IMPACTS - Management of water resources

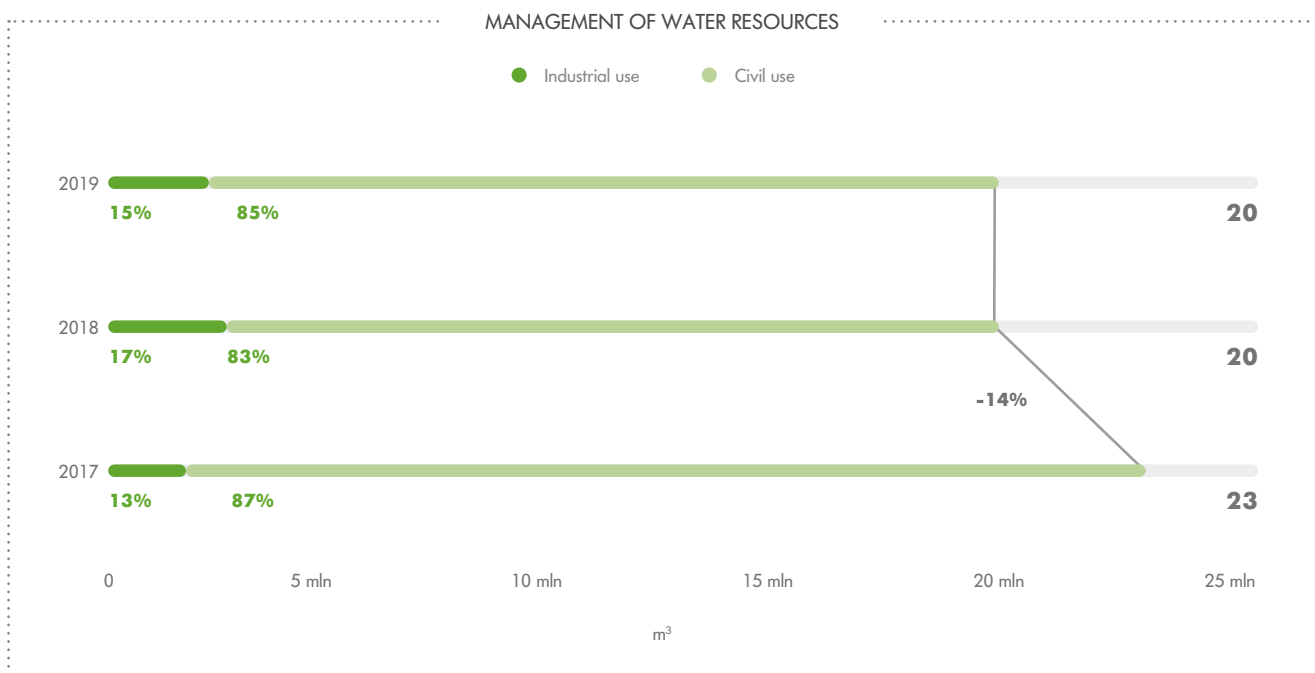
303-1 303-2 303-3



20 MILLION
CUBIC METRES
≈ compared to 2018

Even though the Group's core business segments require a limited use of water, which is mostly for civil use (over 85% of water consumption is for offices, bathrooms, workshop showers, bathrooms on board trains and drinking fountains at stations) and residually for industrial purposes (train and bus washing), efficient use of water resources, the treatment of wastewater, the protection of water quality and network control and monitoring are all activities that the Group companies carry out with utmost attention.

The Group companies hold frequent awareness campaigns to inform passengers about the responsible use of water and, for industrial uses, efforts mainly focus on reducing consumption and efficiently collecting and treating wastewater⁶⁸.



The 2019 data show a steady trend, confirming the need to continue rationalising water accounts and reducing waste.

⁶⁸ Water withdrawn for industrial use undergoes a different treatment from that for civil use, considering the specific characteristics of the pollutants.

Waste management

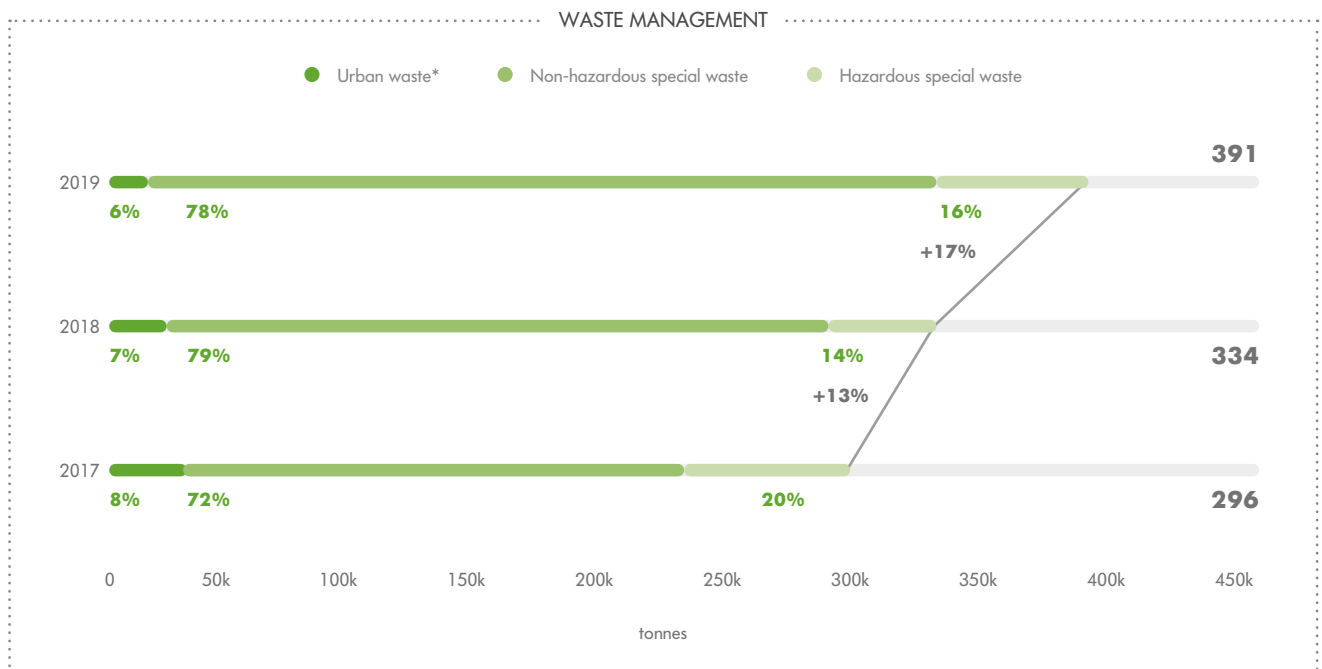
306-2



391 THOUSAND
TONNES

Over 95% sent for recycling

The transition to a circular economy is a priority for FS Italiane Group, as demonstrated by its implementation of management models geared towards preventing, reusing and recycling waste⁶⁹ from industrial activities and the search for solutions to improve waste collection in passenger services.



*Includes waste classified as urban waste in public areas at stations.

Waste from the infrastructure and transport companies' activities accounts for over 99% of all waste produced in 2019 by the Group. The demolition of railway carriages and the increase in railway infrastructure maintenance increased waste production by approximately 17% on 2018. The percentage of special waste sent for recycling – mainly iron, steel, cement and wood sleepers – remains more than 95%.

⁶⁹ Waste is classified by origin: special waste and waste classified as urban waste. Special waste is due to the production activities of industries and companies and, considering the concentration of pollutants, it is classified as hazardous or non-hazardous. Waste classified as urban waste is special waste with the characteristics or composition of commodities, which allow for it to be recycled or disposed of in plants originally designed for the treatment of urban or domestic waste from residential buildings and managed by the public administration.

Noise management



650 KM

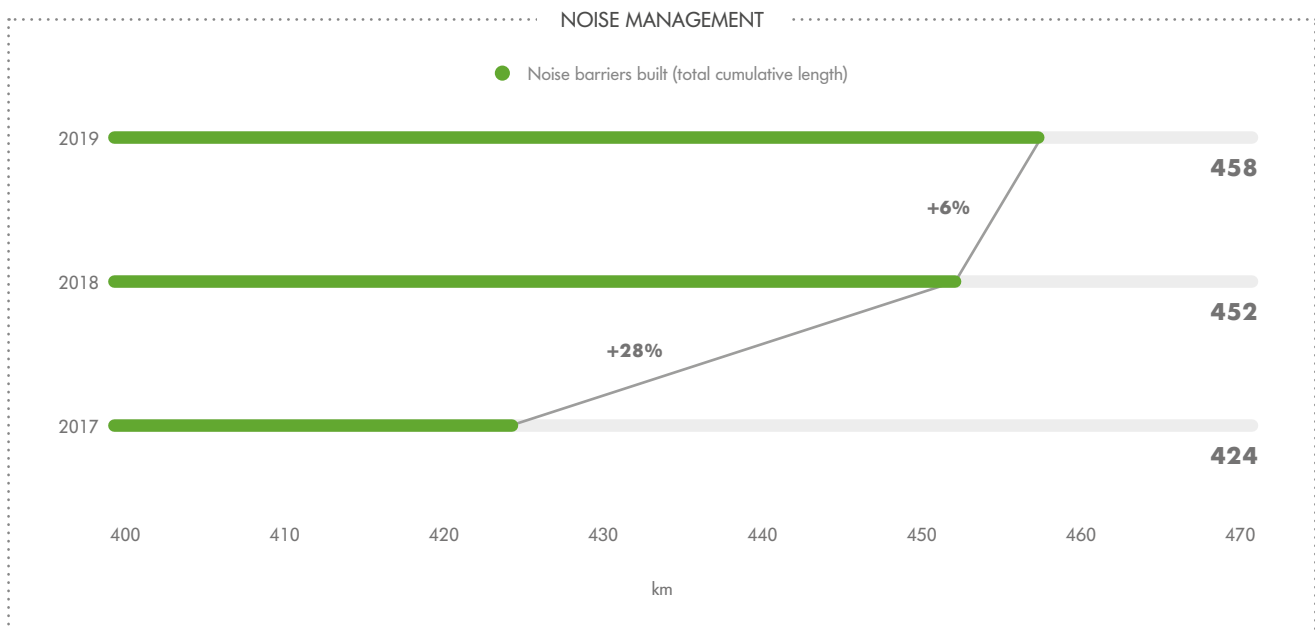
**of noise dampening
barriers in Italy
458 km of which along
railways**

The Group's commitment to reducing the impacts of noise has translated into the design of new infrastructures (new lines and new systems for passenger and freight traffic, including intermodal solutions) and projects to maintain and improve the existing network (new traffic technologies, electrification, double tracks, upgrading, redevelopment of stations, maintenance, noise-dampening asphalt, etc.).

For the road network, the Group's efforts to find solutions that dampen noise along roads and comply with environmental and landscape restrictions cover two fronts: not only does it seek solutions on the market to meet its quality and sustainability requirements, but it also develops innovative solutions, like integrated multi-functional barriers (photovoltaic energy, safety, environmental and catalytic).

For the railway network, new rolling stock slated to begin operating is compliant with the most recent applicable technical specifications.

The results of the Group's efforts on new railway lines, those that it is strengthening and lines that are already operating include:









SUSTAINABLE SUPPLY CHAIN

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102-16

103-2

103-3

What we have accomplished...

We have spent roughly

€5 BILLION

for core purchases, with more than 85% from suppliers based in Italy

We have spent

OVER €600 MILLION

for non-core purchases

THE TARGETS AND KPIS WERE DEFINED FOR THE DEVELOPMENT OF CLIMATE CHANGE, SUSTAINABLE PROCUREMENT AND SOCIAL RESPONSIBILITY ACTIONS AS PART OF RAILSPONSIBLE

an initiative that brings together major railway companies to promote sustainable procurement

Over 100 of the main Group companies' strategic suppliers were given

THE NEW SELF-ASSESSMENT QUESTIONNAIRE ON SUSTAINABILITY

SUSTAINABLE PROCUREMENT PROJECT TO DEFINE GROUP STANDARDS

of sustainable procurement

...what we aim to do

Continue working to

IMPROVE THE SUPPLY CHAIN'S SUSTAINABILITY PERFORMANCE

while reducing environmental and social risks

OUR SUPPLIERS

102-9

102-12

204-1

The FS Italiane Group negotiates purchases in accordance with EU anti-trust directives the Group's own "Regulation for Negotiations of Ferrovie dello Stato Italiane Group companies"⁷⁰.

The Group's relationships with suppliers (including external contractors, consultants, intermediaries, sub-contractors, sub-suppliers and, in general, all parties in the supply chain) and business partners are based on upholding the principles of honesty, integrity, impartiality and sustainability.

We base all our actions and conduct on utmost integrity and legality, excluding any form of favouritism. We only work with reliable, honourable and highly reputable people and businesses.

This is why, as noted in the Code of Ethics, the Group undertakes to:

- › encourage suppliers and business partners to promote respect for human rights and environmental protection;
- › guarantee total and effective competition and fair treatment;
- › select suppliers, business partners and their products based on quality, price, environmental performance and company needs and use, in accordance with declared and transparent methods;
- › guarantee diligence, good faith, integrity and respect for internal procedures in negotiations and contract performance with suppliers and business partners;
- › guarantee the transparency of transactions and the traceability of financial flows;
- › respect and enforce the confidentiality of information, documents and data;
- › not exploit any contractual grey areas or economic weaknesses.

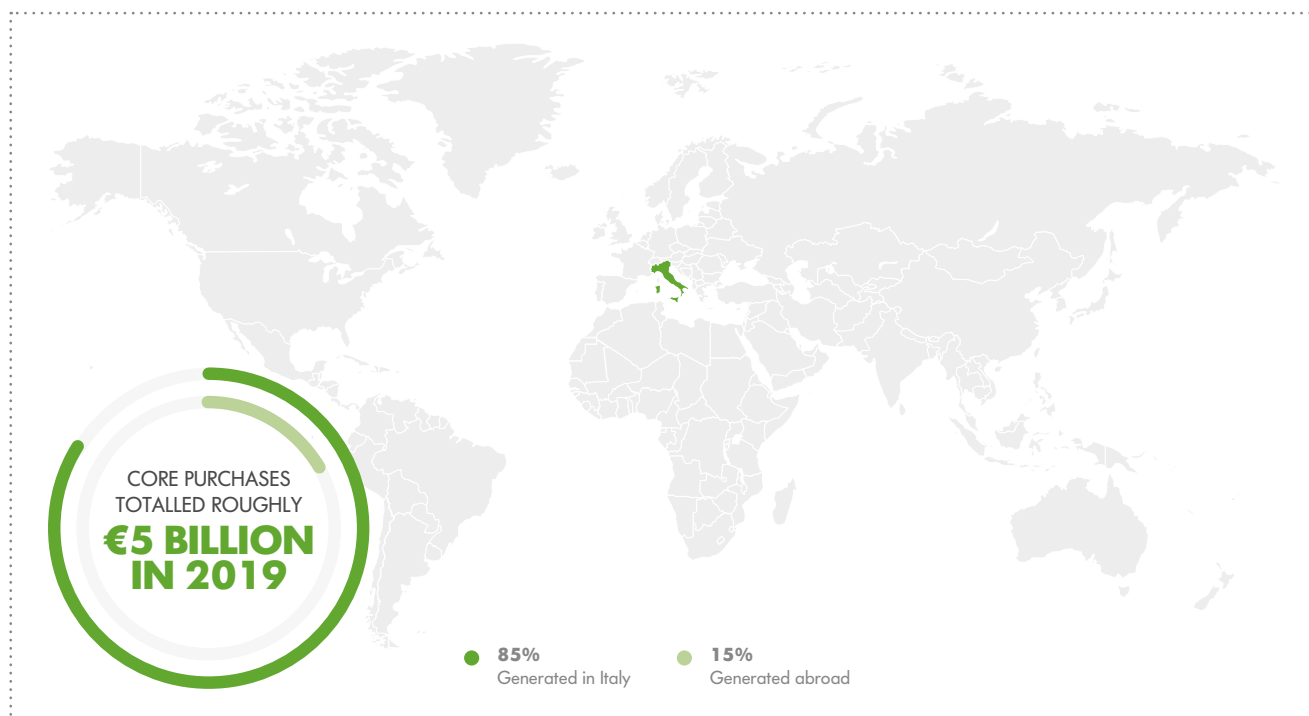
The Group companies' contractual standards require the suppliers to know and comply with the commitments signed within the Code of Ethics, which encourages the development of virtuous practices to improve working conditions and reduce environmental impacts along the entire value chain.

The inclusion of sustainability criteria in the contracts awarded to the most cost-effective bids is a practice that the Group has implemented for years, in line with the rules of the new Contracting Code (published with Legislative decree no. 50/2016), and mainly refers to:

- › ISO 14001, ISO 9001 and ISO 45001 certification;
- › the use of ecological materials and product certification;
- › energy efficiency and the use of energy from renewable sources;
- › measures for the protection of health and safety in the workplace.

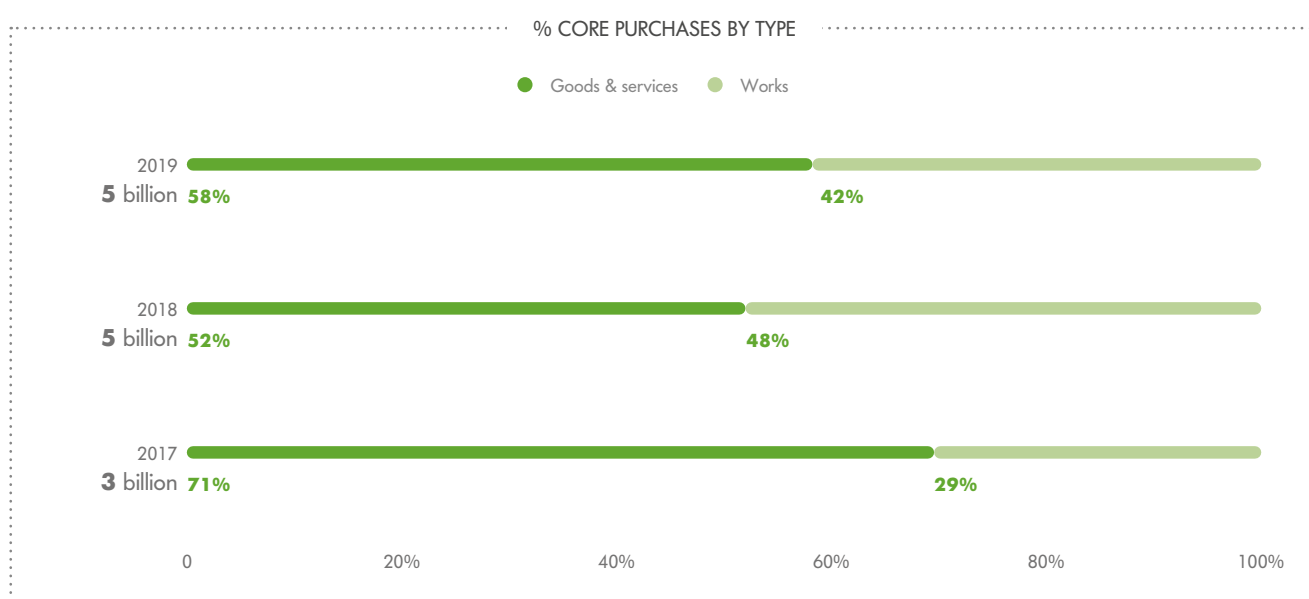
⁷⁰ The Code of Ethics is available online in the Group companies' procurement policies.

In 2019, the Group companies managed core purchases of approximately €5 billion, over 85% of which related to direct suppliers⁷¹ based in Italy that directly or indirectly generate income and job opportunities in the country.



Over €600 million related to tenders managed by Ferservizi S.p.A. in 2019 for non-core purchases, i.e., those not closely related to the Group companies' core business.

RFI S.p.A., Anas S.p.A. and Trenitalia S.p.A. managed approximately 75% of the Group's core purchases⁷², which may be broken down as follows:



⁷¹ Non-Group companies with which the Group companies have direct transactions.

⁷² This amount refers to invoices issued during the year for the purchase of goods, services and works.

RESPONSIBLE MANAGEMENT AND VALUE CREATION

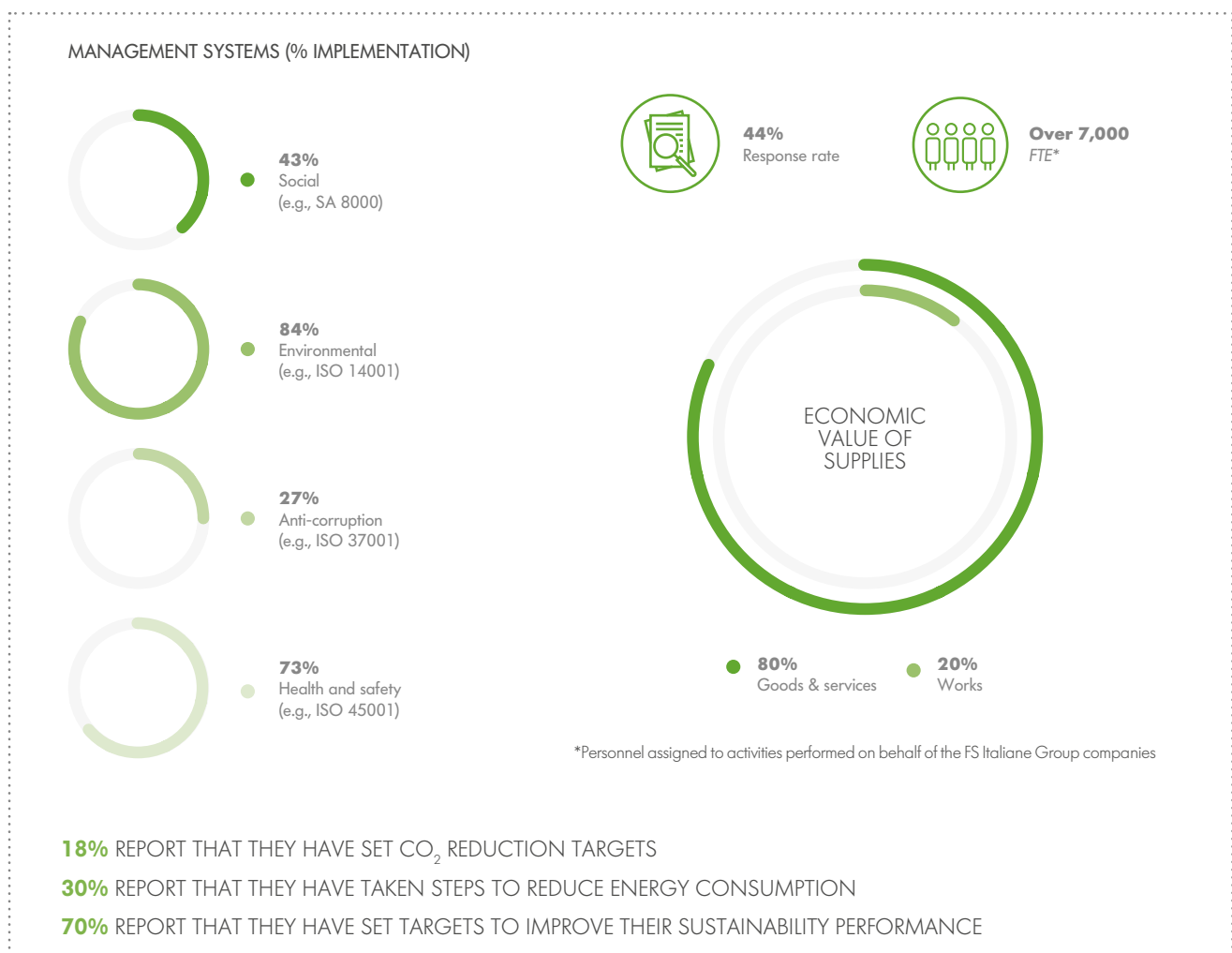
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Responsible management of the Group's supply chain begins with the inclusion of rules (social security, Code of Ethics, occupational health and safety, the environment, etc.) in standard contractual clauses and continues, in certain instances as part of the Group companies' management systems, with a process to improve the environmental and social performance of their suppliers.

The Group continued this process in 2019 by:

- › developing the sustainable procurement project to define Group standards of sustainable procurement;
- › updating the self-assessment questionnaire on the environmental and social impacts of the supply chain, consisting of over 70 questions in six sections (general information, human rights, the environment, society, occupational health and safety and continuous improvement), which more than 100 strategic suppliers of the Group's main companies filled out online⁷³.

The data collected via the self-assessment questionnaire are reported below:



⁷³ Strategic suppliers were identified considering the percentage of their supplies out of total purchases for 2019.

As part of RAILSPOSSIBLE, an initiative that groups together the main companies in the railway sector with the aim of promoting sustainable purchases, targets and KPIs were defined for the development of actions in three significant areas:

- › climate change;
- › sustainable procurement;
- › social responsibility.

Furthermore, based on RFI S.p.A.'s experience in the second half of 2017 with the introduction of a new sustainability performance criterion for supplier qualification in tenders using the monitoring platform developed by EcoVadis (in the image below showing performance data), the Group has formalised at organisation level supply chain sustainable management responsibilities to launch a process to improve supply chain performance while reducing environmental and social risks in the three-step process described on the following page.



THE SUPPLY CHAIN SUSTAINABLE MANAGEMENT JOURNEY



SITE MANAGEMENT AND OVERSIGHT

403-9

During the construction of the infrastructures, the Group entrusts the works to third-party companies, mainly assigning Group companies the role of technical party in addition to, depending on the requirements and specific type of contract, coordination and/or supervision of the works, with the duty of directly performing any agreed-upon monitoring activities before, during and after the works, identifying any critical issues and suitable corrective measures.



Construction contracts for railway works require the contractors to adopt specific management systems that meet UNI EN ISO 9001 and 14001 and OHSAS 18001 standards.

Through this procedure, the Group has contributed to establishing a growing awareness of and focus on environmental management issues, land protection and workers' health and safety in the construction sector.

Environmental control at sites includes inspections and periodic supervisory audits conducted by a team of experts and environmental monitoring activities to check whether the construction work has caused any changes to the environment.

Environmental status monitoring enables Italferr to:

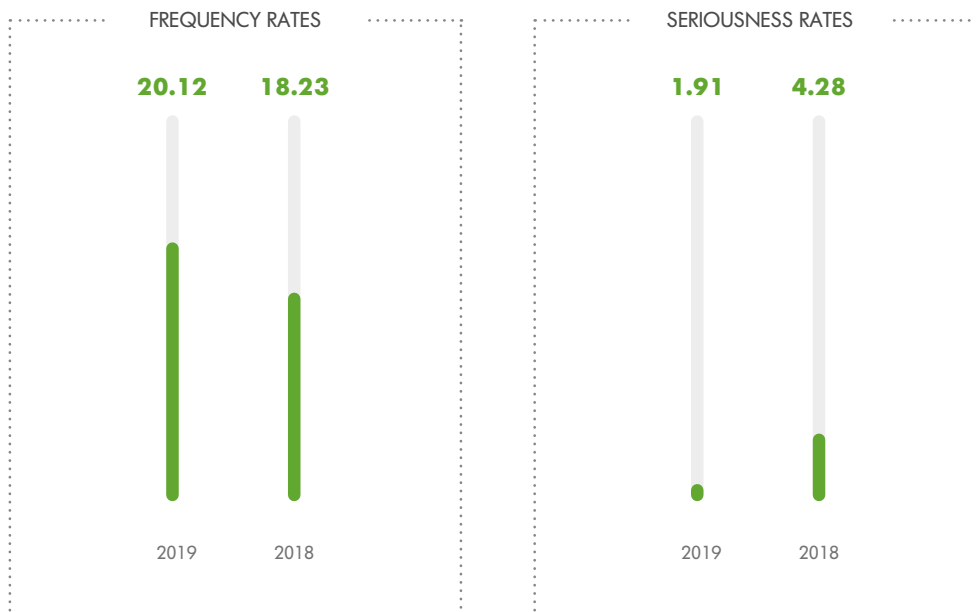
- › check whether the expected impact has actually occurred;
- › check that the mitigation systems in place are effective;
- › ensure proper environmental management at the site;
- › monitor and immediately manage any environmental emergencies.

The Group has always devoted utmost attention to making contractors aware of the importance of safety at sites and holding them accountable for site safety.

The main safety indicators are reported below⁷⁴:

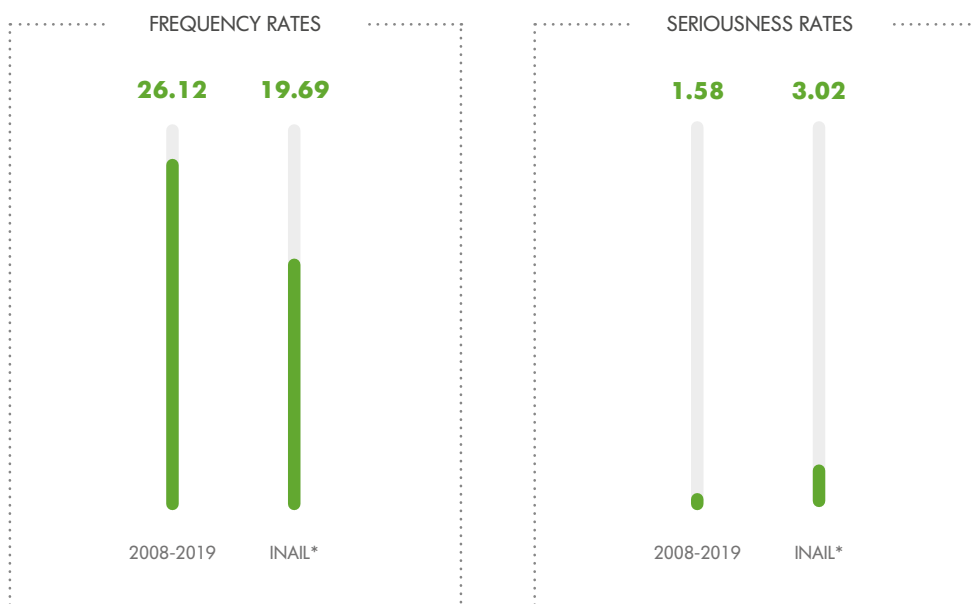


⁷⁴ The data refer to sites for civil and technological contracts in which Italferr is involved as works manager and/or coordinator during performance and for the related contracts for the new HS/HC lines awarded to general contractors in which Italferr provides works management and top safety oversight. The data also refer to general contracts in which Italferr provides top oversight for both works management and safety. The 2019 data relate to all 92 contracts which entailed work site activities in the year.



The 2019 frequency rate is higher than the 2018 rate (F= 18.23) while the seriousness rate decreased significantly (it was 4.28 in 2018 due to three fatal accidents that occurred at the work sites for the Bologna-Padua connector, the Brescia station and the Giovi third crossing).

ITALFERR AND SECTOR AVERAGE (INAIL)



*average INAIL (national labour insurance institutions) rates for the construction sector for the years from 2008 to 2010 based on online publications and reflecting the most up-to-date information available at the preparation date of this document

An analysis of the average data show how, while the frequency of accidents at work sites increased on the INAIL average, Italferr's seriousness rate is far lower than INAIL's rate for the entire sector.

For additional information about the management and control of work sites to build infrastructure, refer to the "Sustainability" section of www.fsitaliane.it, as well as RFI's website (www.rfi.it), Anas's website (www.stradeanas.it) and Italferr's website (www.italferr.it).







PEOPLE AND THEIR VALUE

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What we have accomplished...

FS Italiane was named

BEST EMPLOYER OF CHOICE 2019

for the fifth year in a row, and was recognised as the best employer with the

RGS BEST AWARENESS IN 2019

FS Italiane topped the

DIGITAL TALENT COMMUNICATION RANKING

prepared by Potential Park to rate companies with the best experience in online recruitment

TALENT ACQUISITION POLICIES AND POLICIES

were published for **relationships with universities and training and research centres**

The new

GROUP POLICY FOR HR DEVELOPMENT

was issued, formalising the new talent management model

...what we aim to do

Develop

SMART RECRUITING

as a tool for increasingly digitalised talent acquisition processes and implement an **ad hoc project to attract talent and develop skills in line with the Group's business objectives**

Improve

THE INTEGRATION OF RECRUITMENT, DEVELOPMENT AND TRAINING PROCESSES

to ensure consistent career paths that respect diversity and consider the person's life in the company from their very first day

TARGETED GROWTH PATHS

based on the results of the pilot projects for the **replacement tables**

Digitalisation and development of the Group's

TRAINING MODEL

to create an **academy model**

What we have accomplished...

Based on two pilot projects

REPLACEMENT TABLES

were prepared to identify critical aspects and opportunities in filling important positions within the organisation and support the development of growing resources

OVER 680,000 DAYS OF TRAINING

approximately 19% more than in 2018; development of digital learning: 44,000 digital users in training, approximately 50% more than in 2018

DROP IN ACCIDENTS AND THE FREQUENCY RATE

with confirmed overperformance of objectives; new guidelines and prevention objectives within 2023 were identified, in line with the business plan

WIM (WOMEN IN MOTION)

a best practice in Europe on the EU Platform for Change, consisting of over 100 meetings with the participation of more than 14,000 students

The European Transport Commissioner, Violeta Bulc, named

GIANFRANCO BATTISTI "EUROPEAN AMBASSADOR FOR DIVERSITY"

as part of the Women in Transport – EU Platform for Change

PEOPLE PROJECT

development of people with presentations about their jobs and their stories to represent the Group; two videos were made

...what we aim to do

IMPLEMENTATION OF ISO 45001

to manage safety at **FS S.p.A.**: in addition to all the activities to prepare the documentation for the new standard, pre-audit activities were carried out in view of the occupational health and safety certification

Continue

REDUCING ACCIDENTS AND THE FREQUENCY RATE

AWARENESS COURSES

on sexual harassment in the workplace and disabilities

CROSS-COMPANY MENTORING

to support women's talent through empowerment and appointment to **the most challenging positions in the organisation**

NEW PEOPLE PROJECT

to highlight the Group's unique human capital

Invaluable assets, people are at the centre of the Group's strategy. It undertakes to ensure their well-being and growth through communications, training and development programmes at all organisational levels. The recruitment of new talent, development and career advancement are based on equal opportunities and merit.

In line with this approach, the Group considers diversity as a source of value and inclusion as the founding principle of the organisation and is committed to guaranteeing equal and non-discriminatory treatment regardless of gender, age, culture, ability, sexual orientation, socio-economic status, political convictions and religious beliefs, guaranteeing an open and inclusive work environment. In this context, the Group is committed to implementing a strategic organisational approach of diversity and inclusion as a business change process to help understand, respect and value the skills, aptitudes and expertise that every employee can offer the company, based on the conviction that recognising and promoting diversity is a source of organisational well-being and competitive edge.

Furthermore, the Group is committed to improving health and safety at work, through ongoing investments in technology, training, maintenance and the development of management and monitoring systems. This commitment in the Group's specific long-term objectives aimed at reducing both the number and frequency of accidents and eliminating fatalities.

The Ferrovie dello Stato Italiane Group employs 83,764 people at 31 December 2019, reflecting a net increase of 820 resources compared to 2018⁷⁵.

FS Italiane Group workforce	2019	2018	2017
Managers	999	972	778
% of women	19.8	18.1	17.2
Junior managers	12,298	12,901	10,996
% of women	19.9	19.2	16.9
White collars	40,299	39,688	33,948
% of women	24.4	22.7	21.6
Blue collars	30,168	29,383	28,714
% of women	7.2	7.1	7.0
Total at 31 december	83,764	82,944	74,436
% of women	17.5	16.6	15.2
% of men	82.5	83.4	84.8
Annual average	83,181	81,662	72,441

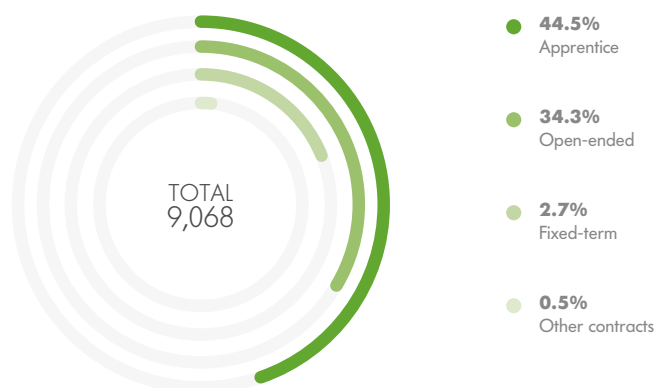
The growth trend in new hires, up 20% on 2018 to 9,068, demonstrates what the Group has done with respect to employment policies for the management of generational change using multiple tools, including collective agreements, and helping to meet the country's long-term interests in terms of employment of young people.

⁷⁵ This balance includes the 517 resources gained in corporate acquisitions and the 141 resources lost in sales.

TREND IN NEW HIRES AND RESIGNATIONS/DISMISSALS

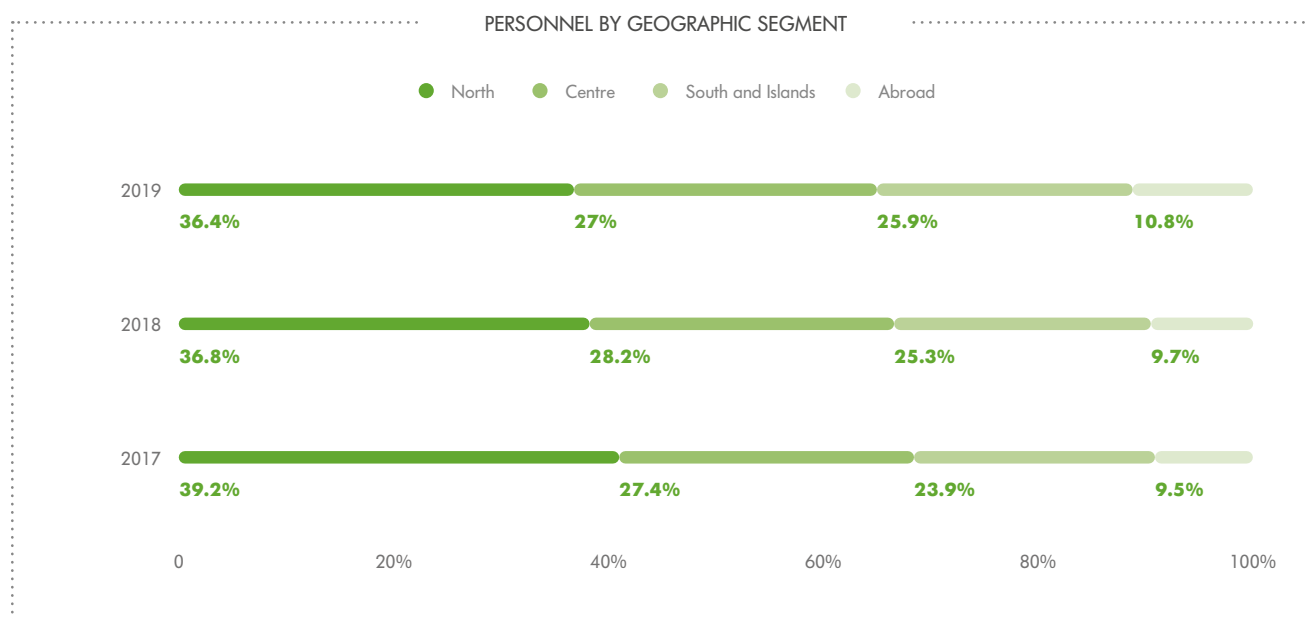
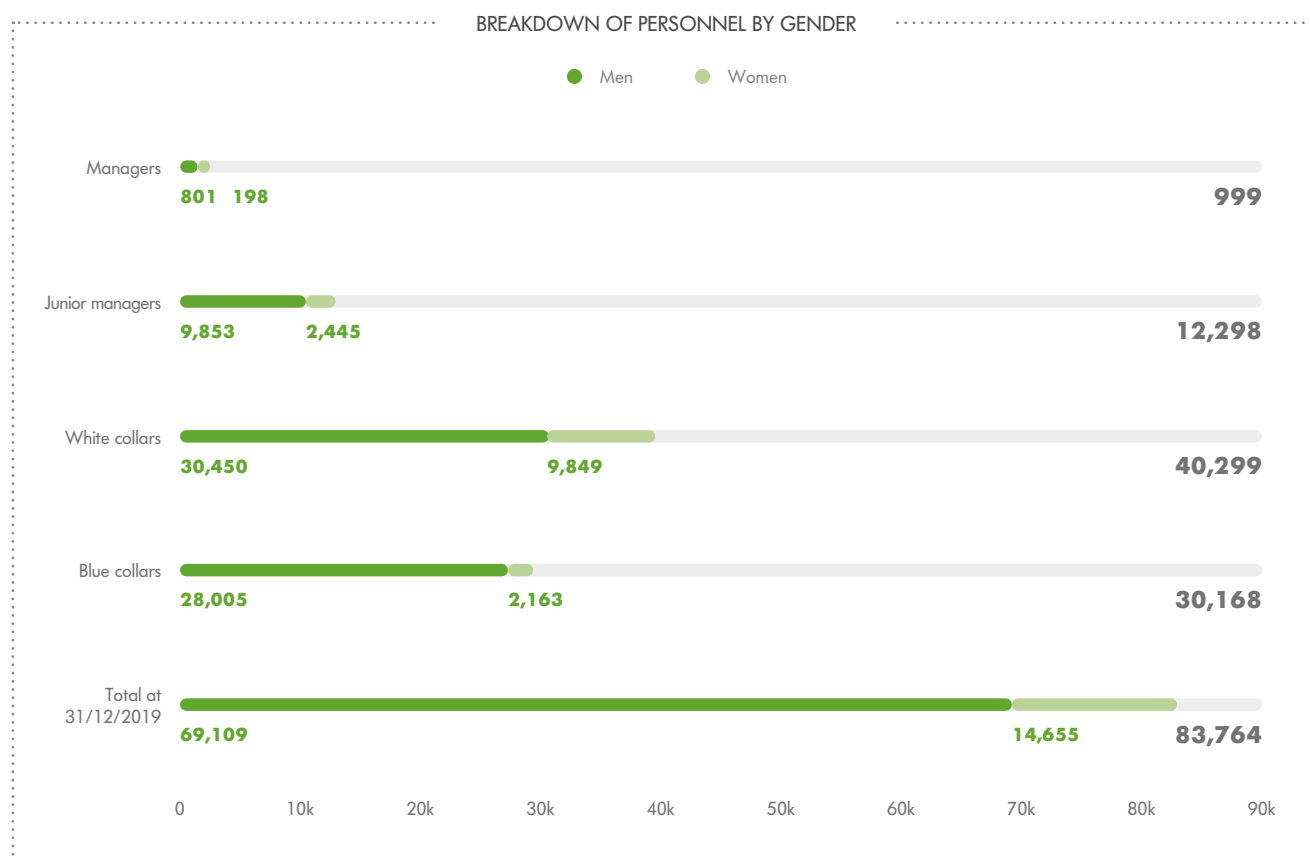


HIRES BY TYPE OF CONTRACT

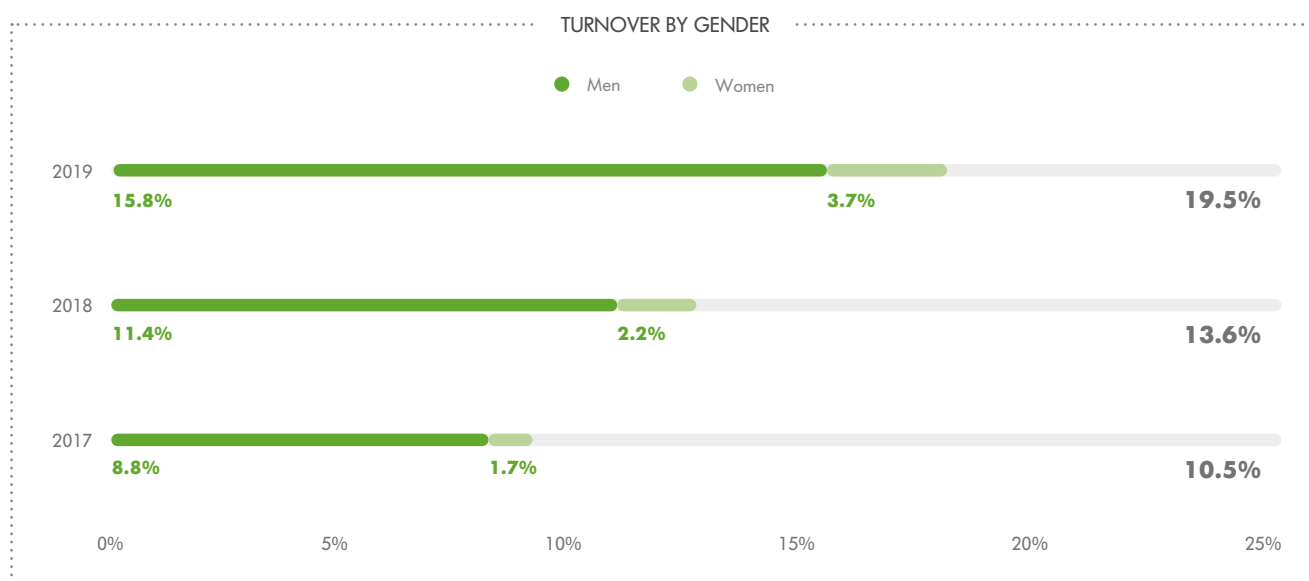


The percentage of women in the workforce has increased constantly, reaching 17.5% of total employees in 2019 (+0.9 percentage points), in both management positions (+1.7 percentage points) and non-management positions (+0.9 percentage points), reflecting the Group's actions to reduce the gender gap.

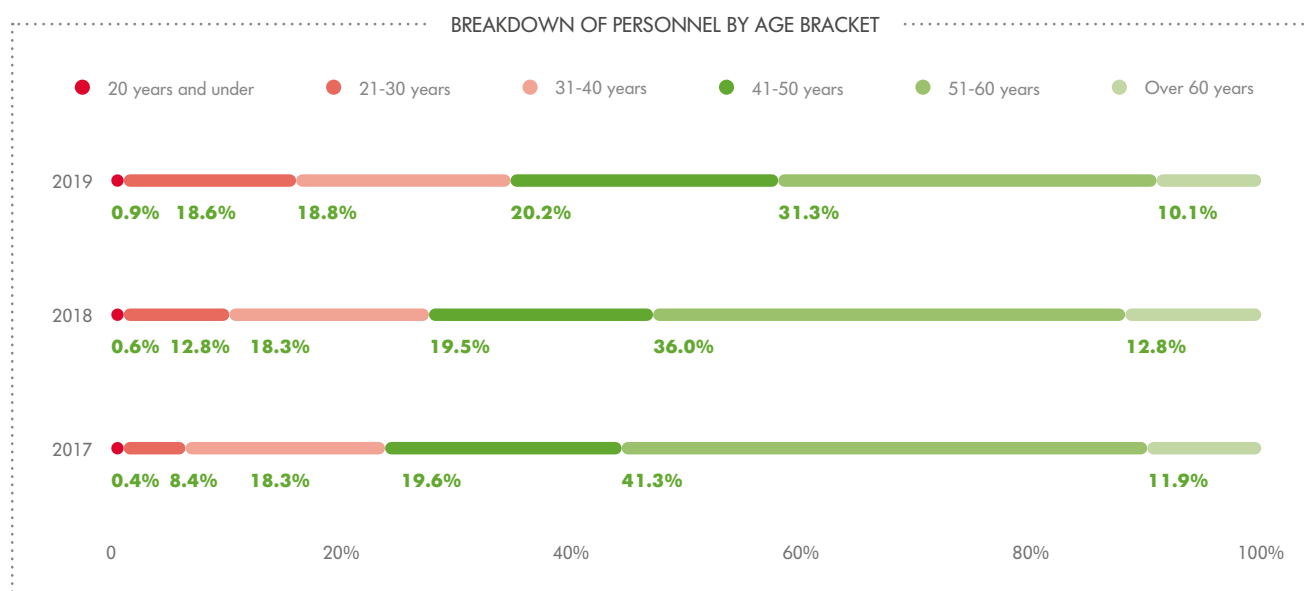
Over 10% of employees work in companies based abroad.



The following graphs show a detailed breakdown of the year's figures⁷⁶.



The turnover rate was 19.5%, compared to 13.6% in the previous year. The increase was due to the higher number of incoming and outgoing employees in 2019.



The average age of employees in 2019 was 45 years, 2.2 years younger than in 2018, which highlights how the Group is investing in young people.

⁷⁶ The data refer to the following companies: FS S.p.A., RFI, Trenitalia, Ferservizi, Italferr, FS Sistemi Urbani, Mercitalia Logistics, Mercitalia Rail, Mercitalia Intermodal, Busitalia Veneto, Busitalia Ral Service, Busitalia Campania, Grandi Stazioni Rail, Grandi Stazioni Immobiliare, Terminali Italia, Italcertifier, Nugo, FS Technology and Cremonesi Workshop. The total number of employees in this scope of analysis is 61,753, approximately 74% of the Group's total workforce.

RECRUITMENT AND HR MANAGEMENT

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Recruitment

The Group promoted professional diversification continuously in 2019, with the added objective of developing the Group's internal resources, via job postings managed in accordance with the principles of transparency and equal opportunities. During the year, it worked to fill a total of 107 positions and to encourage intragroup mobility, involving over 300 people.

At the same time, to best meet the new business challenges of a rapidly changing global context, on the labour market the Group recruited young talent and professionals with specific expertise to help it achieve its targets.

Recruitment on the market outside the Group, which is always conducted in accordance with the principles of fairness, merit, transparency and equal opportunities and to promote diversity and inclusion, has become an increasingly innovative and digital process. In 2019, recruiting focused on recent graduates in the fields of engineering, technology, economics and law, and professionals. Over 400,000 CVs in the Group's database were evaluated, over 150,000 of which had been submitted in response to published ads, creating a pool of 427 attractive candidates who recently graduated from university and are interested in working for the Group. Of these, 80 were recruited through collaboration with the network of universities (through which over 8,000 young people were met and around 5,000 CVs received during the year) and various employer branding efforts. In particular, the Group has continued promoting ongoing dialogue with university graduates throughout Italy, using the tools, channels and types of language that are familiar to them, with continuous online and social recruitment campaigns, including planning and holding eight #FSRecruitingdays to attract, engage and recruit students and recent graduates whose ideas can be applied to mobility. Through a completely digitalised recruitment process, around 12,000 candidates were invited to take online recruitment tests (soft skills and English tests based on video interviews) and the top picks moved on to the next stage of on-site tests which differed according to the position to be filled, from team project management activities to collaboration games and technical/motivational interviews. Another benefit of this recruitment approach is that it creates additional groups of candidates to draw on for future needs. The Group held 9,500 more video interviews and gave over 1,600 cognitive tests to candidates for other jobs, reducing the amount of time and the costs to fill positions, while improving the quality of results.

Breeding grounds were also developed for professional positions and led to the identification of over 400 candidates with diversified experience in the various business processes.

In the external recruitment of operational personnel, while upholding the Group's principles and guidelines, each company followed its own specific procedures, considering the candidate's residence in the region where the job was based as a preferable prerequisite.

To develop skills that will benefit the Italian economy and cultivate potential pools of attractive candidates for operational positions, the Group has focused significantly on high school students through job orientations - like Job Orienta in Verona and Future Job in Milan - as well as training and school/work projects and testimonials from women, expanding the existing network to include 80 active partnerships. Overall, 2,200 students were involved and 274 school/work programmes carried out (training, open days, tours and summer programmes).

To consolidate talent attraction and recruitment across all targets, communication and promotional channels for job opportunities were expanded, especially those using digital technologies: the career website "FSItaliane.it/LavoraConnoi", the Group's main means of recruitment attracted an average of 225,000 visitors per month, who uploaded or updated their CVs in Italian and/or English, or logged on to learn about job opportunities with the FS Italiane Group. The Facebook page previously devoted to Recruiting Days was transformed into the official FS Careers page, which now boasts around 10,000 followers. In addition, FirSt, the Group's first chatbot for talent acquisition, was designed, tested and launched. Using machine learning technologies, every day it answers hundreds of requests for information, assistance or cooperation from job

applicants and stakeholders outside the Group. Moreover, the tender for the development of the smart recruiting platform was awarded and will enable all Group companies to use online testing in recruitment processes. The preliminary design for a new AI system to support talent acquisition activities also began.

FS ITALIANE IS THE NUMBER ONE EMPLOYER OF CHOICE AMONG YOUNG ONLINE JOB SEEKERS



Recent university graduates rated the FS Italiane Group number one in Cesop Communication's Best Employer of Choice context for yet another consecutive year, and the Swedish talent communication company Potential Park put it at the top of its ranking of the most popular businesses among students and recent graduates for their best experience in the online job search. It also ranked first in the candidate experience ranking.

FS Italiane came in first place out of 50 national companies and more than 730 companies worldwide in the general ranking.

The Group remains committed to promoting and implementing employer branding and networking initiatives with universities – over 600 young people participated in ad hoc training programmes - through ongoing contact with young people. In particular:

- › eight master's degree programmes, higher training institutes and academies in partnership with universities provide support in the recruitment and organisation process, classroom testimonials by FS managers, research labs, project work and work experience at Group companies and, for top students, scholarships (around 67 with leading Italian universities);
- › training initiatives and prestigious speaker engagements to drive internationalisation, comparison of best practices, the development and exporting of our know-how abroad, including: participation as speakers at the 5th UIC World Congress on Rail Training 2019 in Rabat, Morocco; participation in the 2019 Bootcamp at Cambridge University for attracting talent and developing digital skills, along with the biomedical campus in Rome to provide training in avant-garde fields (IoT and data science)⁷⁷; designing the master's degree programme in Mobility Engineering (to begin in 2019-20) and a study programme in Mobility: Infrastructures & Services, in its second year at the Milan Polytechnic University, as a master's degree course in mechanical and electrical engineering; the master's degree in Transport Systems Engineering at the Sapienza University in Rome (in English, with many foreign students);
- › work experience and support in the preparation of university theses to foster an exchange of company and university know-how through the stipulation and renewal of conventions with target universities and the development of training projects and/or innovative topics for university theses (88 work experience projects throughout the Group, 30 conventions and over 160 lessons and testimonials by our managers, plus technical tours and workshops to test/begin research);
- › company presentations, seminars and workshops in specialisations and soft skills to guide young people and develop technical skills for railways and support staff processes - e.g., a seminar titled "Know how to be, know how to do" to prepare young people for job interviews or candidate assessments, and joint courses in electrical engineering at the Department of Engineering Faculty – Department of Studies on Large Companies at La Sapienza University; and a round table with companies on electrical engineering (24 sessions) with the Milan Polytechnic University, Electrical Engineering and Telecommunications Department;
- › 19 career days and job meetings throughout Italy, providing the opportunity to meet, listen, guide and recruit thousands of young people, in which company ambassadors presented the Group and job opportunities in the various companies and existing businesses.

⁷⁷ FS Italiane participated with a case study as a member of the panel in the hackathon.

Remuneration and pensions⁷⁸

FS Italiane Group uses the following types of contracts: open-ended contracts (part-time, full-time and apprenticeships) and fixed-term contracts (part-time and full-time)⁷⁹. 94.8% of FS Italiane Group employees have open-ended contracts.

Employees are also covered by collective agreements; in nearly all cases the national labour agreement for the Mobility/Railway sector⁸⁰ is the agreement used for the Group's non-management personnel, supplemented by the Group's contract of 16 December 2016. The contractual minimum wage for employees' respective positions is applied in both fixed-term and open-ended contracts.

Employees with apprenticeship contracts are, for the first 24 months, assigned remuneration that is higher than that established for one level lower than their position. They are then, for the subsequent 12 months, assigned remuneration equal to the initial remuneration established for their final position.

All employees, including newly hired employees, receive the contractual minimums plus the fixed remuneration items provided for by the national labour agreement (including seniority rises) and additional amounts related to the various types of employment. In addition, they may also receive extraordinary raises and one-time bonuses.

As provided for by the national labour agreement, the Group offers its employees supplementary healthcare plans consisting of a standard package (with costs borne by the worker's employer) and the option to extend the coverage to their families and purchase additional packages at particularly advantageous rates.

The 2018 agreement⁸¹ implemented working from home as a structural solution to balancing workers' professional lives with their personal lives. The guidelines and procedures for managing work-from-home at the FS Italiane Group were updated in 2019. The experience gained by testing it in 2017 and 2018 showed how working from home is more than just an efficient way of creating a balance between workers' personal lives and jobs, as at the same time it encourages the organisation of work to maximise the achievement of objectives and improve efficiency through a combination of flexibility, autonomy and collaboration.

The remuneration system for Ferrovie dello Stato Italiane Group managers implements that set forth by the relevant national labour agreement for managers of goods and service production companies with respect to the definition of the minimum guaranteed salary. Total remuneration - both fixed and variable - is defined considering the professional and managerial duties of each position and annual management and performance reviews. Each position is evaluated using a specific weighting method to obtain objective elements for planning and managing remuneration policies, organisational decisions and career paths.

The method adopted to evaluate positions and compare their remuneration with similar positions within the Group and on the market was developed by a leading international Group in the rewards sector which, in addition to having created the method, boasts one of the most extensive databases on remuneration in the world.

Remuneration policies for Group managers are based on market benchmarking to check that the remuneration offered is consistent with the market, to motivate managers, while also considering the complexity of the position held.

Remuneration policies are updated to support internal management and development policies and to reward personnel with a view to increasing their sense of belonging and motivation over time. Annual one-time bonuses are meant to reward and recognise the contribution of each manager based on their performance in terms of ongoing excellence.

⁷⁸ The scope of analysis includes the companies listed in the note at the start of this section, covering about 74% of all Group employees.

⁷⁹ Refers to the Group's consolidation scope. Approximately 1.2% of open-ended contracts are part-time and roughly 10.6% are apprenticeships.

⁸⁰ The other national labour agreements applied are: the Logistics, Freight Transport and Shipping agreement for Mercitalia Intermodal, the national labour agreement for the tertiary sector, applied by GS Rail and GS Immobiliare, and the railway, tram and shipping workers' (Mobility-LPT) contract for Busitalia Campania, Busitalia Rail and Busitalia Veneto.

⁸¹ On 20 April 2018, the Group companies that apply the national labour agreement for the Mobility/Railway sector of 16 December 2016 signed the agreement with the trade unions.

In the 2019 MBO (management by objective) process, occupational safety, service quality and environmental sustainability were confirmed as crucial principles and values to be used as the basis for growing the culture and awareness of Group employees.

Managers also receive short-term incentives as part of the MBO plan, in which the variable component of remuneration is linked to the achievement of specific performance targets for the company and the Group⁸².

Total remuneration to managers is integrated with a series of benefits, mainly consisting of: insurance coverage for both occupational and other accidents and permanent disability due to illness and death, the supplementary health care plan (FASI), the supplementary pension fund (PREVINDAI) and additional supplementary healthcare insurance (ASSIDAI).

Junior managers heading micro-organisational units that are key to the company's mission and to achieve the Group's main purposes, also receive the same incentives as managers.

The compensation model for these employees is intended to offer remuneration that is consistent with the employee's position in the organisation and the assigned duties and to reinforce a goal-oriented approach by rewarding continuous performance improvement.

These employees' remuneration includes a fixed component based on the complexity of their positions and an assessment of their potential, along with a variable component linked to the achievement of formally assigned objectives. Raises and bonuses are closely linked to duties and the continued achievement of the subjective and objectives targets associated with the position.

There are no differences in remuneration based on gender. Any average differences in remuneration between men and women, as reported in the table below, are due exclusively to the fact that they hold different positions in the companies, the ways in which they provide service and their responsibilities. For example, there are fewer women in transport operation jobs and, accordingly, average remuneration is affected by this factor (less compensation for shifts, working on holidays, working at night, etc.).

Employee remuneration		2019	2018	2017
The gender pay gap				
Managers	Gross annual remuneration	-8.0	-4.3	-5.1
	Total annual remuneration	-11.6	-2.7	-4.7
Junior managers	Gross annual remuneration	2.0	1.9	1.8
	Total annual remuneration	-2.5	-3.0	-3.1
White collars	Gross annual remuneration	-3.6	-2.9	-2.4
	Total annual remuneration	-15.7	-15.8	-15.7
Blue collars	Gross annual remuneration	1.5	1.7	1.6
	Total annual remuneration	-4.2	-4.4	-4.0

⁸² The objectives must reflect the priorities of business strategies and should be identified transparently so they can be measured and certified objectively through the Group's accounting and reporting systems.

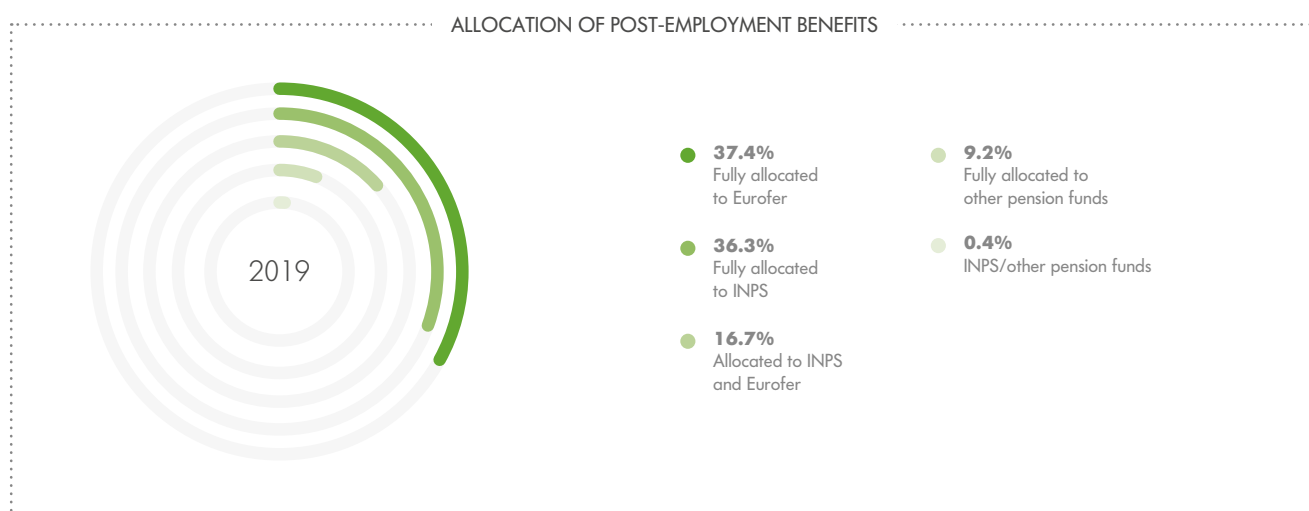
The Group's gender pay gap, calculated as total gross remuneration, was approximately 6.7% in 2019. The gender pay gap in EU countries is 14.8% and Italy's is 5% throughout all economic sectors as a whole ⁸³.

Employees' pensions are financed through specific mandatory contributions shared by employees and employers. Employees pay contributions equal to 9.19% of their remuneration base. This percentage is increased by 1% if the monthly base for the calculation of contributions exceeds €3,929. On the other hand, employers pay contributions equal to 23.81% of each employees' remuneration base for the calculation of contributions. Employers in the Group cover, for all employees, additional costs for maternity leave, illness, social employment insurance (NASpi^{84 85}) and ordinary contributions to the fund for income and employment assistance. Such fund implements actions for Group company employees to promote training programmes for professional retraining and/or re-qualification, set up active income and employment assistance policies, and provide extraordinary allowances to support income due to employees under voluntary redundancy. With regard to the supplementary pension fund, Group employees participate in the negotiation fund provided for by the railway national labour agreement (Eurofer) or certain open-end fund in accordance with the scheme established by law.

The employer and the employee share contributions to the Eurofer fund equally. Employees may increase their contributions on a voluntary basis, without any obligation for the employer to increase its share of the contributions. Furthermore, the Mobility Contract and FS Italiane Group's contract of 16 December 2016 introduced additional increases in contributions to the Eurofer fund, including an annual contribution of €100 each for all employees, another €100 per employee for those who did not receive work/life balance benefits and a voluntary contribution of all or part of the premium according to the provisions of FS Italiane Group's agreement of 21 October 2019.

The employer is not required to match contributions to the open-end funds, to which the full amount of post-employment benefits required by Italian law is transferred.

The chart illustrates employees' selection of where to allocate their post-employment benefits.



⁸³ Source: Eurostat website <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/6776.pdf>, updated in February 2020.

⁸⁴ INPS (the Italian social security institute) maximum according to circular no. 6 of 25 January 2019.

⁸⁵ New social labour insurance.



ENCOURAGING AND DEVELOPING SKILLS

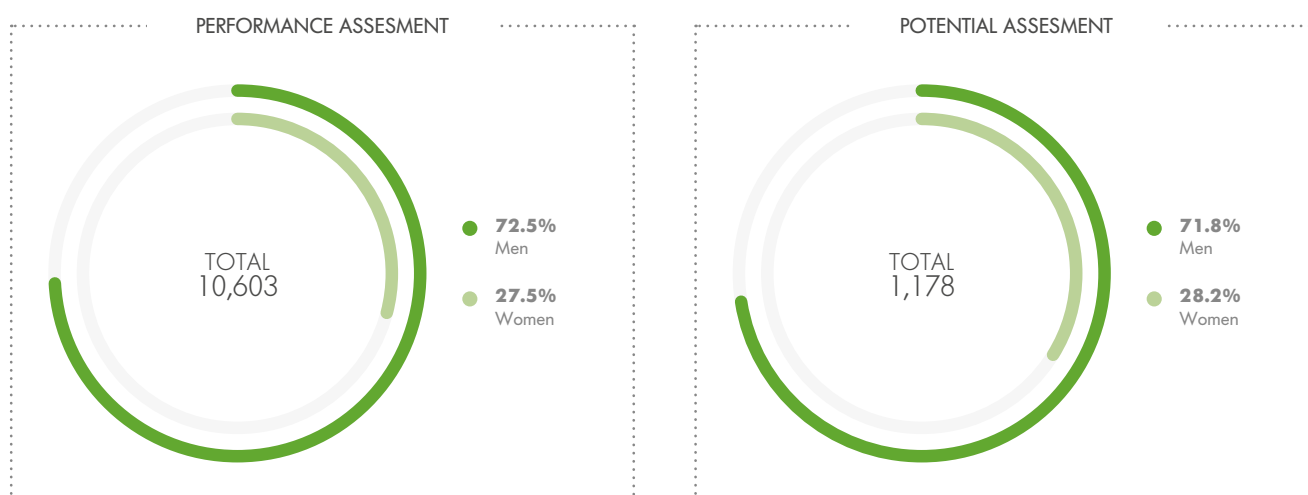
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The Group **rewards and develops people** according to transparent, merit-based criteria, in order to achieve the objectives in the business plan.

The new group policy for HR development was issued in 2019, formalising the new talent management model to develop people in terms of their soft and professional skills. This approach recognises and emphasises, in a targeted manner, the motivations and aspirations of the people involved in development processes, as well as their different professional backgrounds and the know-how they have gained through experience. The psychometric tools used to measure potential are gender-blind and culture-free to ensure equal treatment and opportunities.

The purpose of the development model is to ensure that the professional and managerial structure is consistent with the needs established in the business plan, business development requirements and those of the resulting organisational structure.

The purpose of performance management process is to encourage better business performance, encouraging growth in the performance of people. In a performance assessment, the person has the opportunity to receive clear, measurable objectives and share open, structured feedback with their supervisor, in order to highlight their strengths and take specific action on their improvement areas, consolidating on-the-job expertise.



Conducted by employees' supervisors on the integrated assessment system platform, the annual performance assessment involved 10,603 people, roughly 17.5% of the average workforce for the year^{86 87}. Resources not included in the integrated assessment process have their performance informally monitored each year by their supervisors (e.g., feedback on strengths and weaknesses).

Training is a vital tool for the development of labour and its transformations and a strategic lever to improve know-how and the competitiveness of Group companies on the domestic and international market.

In line with the business plan, in 2019, training helped break down strategies into measurable targets and actions through strategic, pilot and improvement projects, helping all employees gain and develop the skills and abilities needed to achieve business targets.

⁸⁶ Including 7% managers, 50% junior managers and 43% white collars.

⁸⁷ The percentage is calculated on the scope average (FS S.p.A., RFI, Trenitalia, Ferservizi, Italferr, Mercitalia Rail, Mercitalia Logistics, FS Sistemi Urbani and Busitalia Sita Nord).

Over 680,000 training days were provided in 2019 at Group level⁸⁸, approximately 19% more than 2018, in order to:

- › roll out education and training processes to develop the competences and skills of Group personnel;
- › develop knowledge and skills that will help support and improve the efficiency and quality of business processes and the operating ability of people;
- › retain and refresh specialised technical skills in all jobs and professional roles comprising the Group's ability to achieve results;
- › develop a stronger culture of safety in the workplace and in transport operations throughout the Group's various business units;

The increase on 2018 is essentially due to: larger volumes of training for refresher courses and the development of know-how and specialised technical skills; significant space given to key figures of instructors and tutors for apprentices (particularly in sales); increase in on-boarding and induction courses for recent university graduates and experts joining the Group.

In 2019, the Group invested significantly to develop digital learning to support know-how in various fields. This investment, in line with the digitalisation drivers of the Group's business plan, has three main objectives:

- › facilitating training and education processes by implementing smarter and more modern learning tools;
- › reaching more trainees with the mass distribution of contents to broaden participation in training processes and share organisational knowledge;
- › triggering culture changes in the approach to learning by giving self-learning opportunities to various positions and responsibility levels.

Furthermore, around 15,592 main-days of training were provided to non-group personnel belonging to supplier companies in order to ensure compliance with consistent standards of expertise and safety.

The total cost of training days solely for employees amounted to over €8.8 million and funding for training generated revenue of roughly €4.8 million.

The objectives of the parent's training are to:

- › accelerate innovation processes enabling the development of a mindset that is supportive of internal entrepreneurship and the acquisition of innovative skills;
- › develop the managerial culture and competences of Group personnel, particularly new employees and all employees involved in development plans;
- › accelerate the integration of new employees in the productive system through induction programmes;
- › sustain a culture of diversity management by promoting actions to raise awareness and acquire competences to support work/life balance and the ability to value and integrate differences;
- › encourage the spread of a business culture focused on internationalisation.

⁸⁸ The data refer to the following companies: FS Italiane, RFI, Trenitalia, Busitalia Sita Nord, Ferservizi, Italferr, FS Sistemi Urbani, FSTechnology, Mercitalia Logistics and Mercitalia Rail.

CHANGE MANAGEMENT: CREATING AN INCLUSIVE CULTURE ON THE PATH TO SUSTAINABILITY



Fullfill Sustainability.
Welcome on board. This is a travel in our future.
(It was "our campaign" to present our change management process).

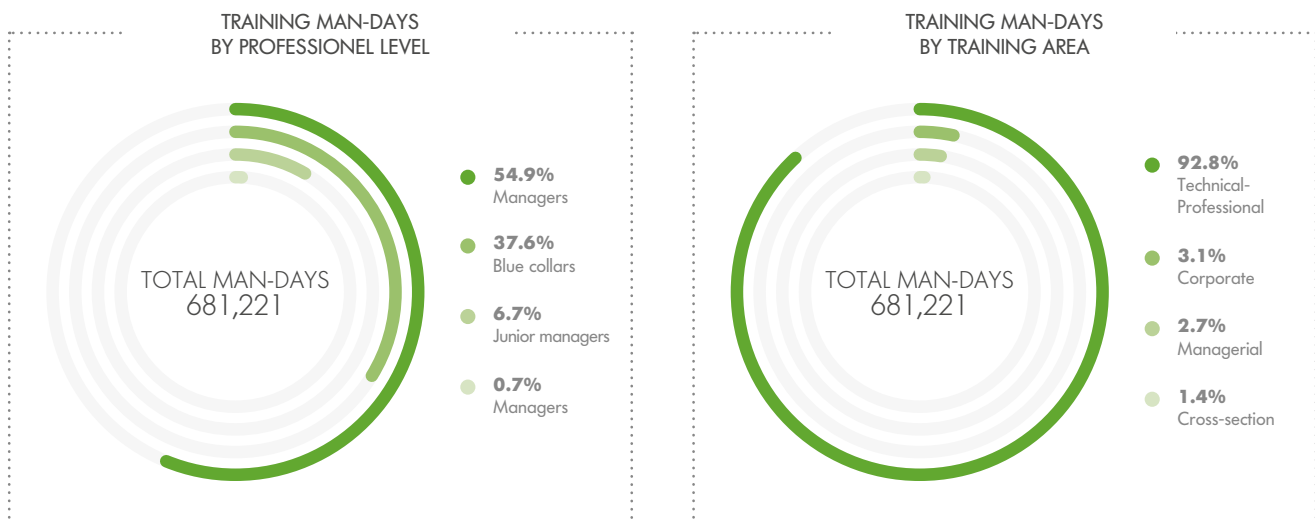
Reflecting the Group's commitment to sustainability issues and in accordance with the United Nations' Agenda 2030 for sustainable development, in 2019, FS Italiane undertook a "journey" of cultural transformation at all organisational levels to reward virtuous practices.

- › **Classroom induction** for the boards of directors of the Group's main companies, the Group's Sustainability Committee, over 200 managers, including the CEOs and senior management of the direct and indirect Italian and foreign subsidiaries. The objective is to complete this induction programme before extending it to tier two management by the end of 2020.
- › **Sustainability e-capsules** offered online to all Group employees. The four videos running for approximately 1 minute each address the following issues: what it means to be a sustainable business and what sustainability means for the Group; the international scenario and the Group's long-term goals; the Group's environmental and social commitment. The first capsule was published in December, to be followed by the subsequent three in the first half of 2020.
- › **Online training modules** for a specific target of the Group population. In order to raise awareness about the 17 goals of the UN's Agenda 2030, the Group promoted the ASVIS course on "Agenda 2030 and the sustainable development goals" for more than 380 people in the Group companies and all newly hired employees. The course will be provided to the entire Group population by the end of 2020.

The following types of Group-wide training are provided in the following categories:

- › **corporate:** training/information initiatives dedicated to presenting the Group and its strategic pathways;
- › **behavioural/managerial:** courses and seminars aimed to consolidate and/or develop specific managerial, behavioural and interpersonal skills;
- › **technical/professional:** training aimed at acquiring and updating both practical and theoretical technical/professional skills;
- › **shared/cross training:** training initiatives to teach and refresh skills shared by people at the same organisational level (languages, IT, etc.) and the professional skills required by Group policies.

The parent and operating companies are generally involved in all of the above training types. Specifically, the parent is, above all, directly responsible for corporate and managerial training for target groups, while the operating companies mainly look after technical/professional training for specific business roles.





HEALTH AND SAFETY

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Health and safety in the workplace are the primary components of the 2019-2023 business plan and contribute to enhancing the Group's leadership in domestic and international integrated and sustainable rail and road transport markets. They constitute the Group's social architecture, define the strong sense of belonging of all personnel and are the foundation for customers' trust, contributing to the growth of the Group's reputation among all stakeholders.

To this end, in late 2019, in line with the previous years, new prevention goals for Group companies were set, confirming the objective of guaranteeing an ever-higher safety level for all employee activities, in order to consolidate a culture of responsible and shared safety at all levels. This strong commitment compels Group companies to continue developing a prevention management model that is increasingly strict and reliable in controlling the risks inherent to all activities, that is able to adapt to all changes in the company and the outside context, to learn from errors and promote safe and exemplary conduct in employees. The new qualitative and quantitative objectives for the five-year period (including a reduction in accidents by at least 3% each year and reducing their frequency by at least 3% each year, particularly the more severe ones) will enable the Group to retain its position as European leader for health and safety in the workplace.

In October, coinciding with the European week for occupational health and safety, in order to strengthen the commitment to safety and raise personnel's awareness of prevention, Group companies promoted the Safety Day initiative, in which results, new projects and ideas for improvement on health and safety in the workplace were presented.

Considering, among other things, the continuous international growth of the Group's companies, the Group issued updated guidelines on the employer's obligations in terms of health and safety in the workplace for activities carried out abroad. In addition to confirming that in the international context, the companies' main commitment is to ensure the spread of a culture of responsible and shared health and safety, by strict following regulations and standards, in Italy and abroad, the updated guidelines refer to the general guidelines for employer obligations, as per Legislative decree no. 81/2008 in terms of health and safety in the workplace for the Group companies' employees working abroad and for EU employees in Italy.

Furthermore, the update of technical regulations for the assessment of earthquake risk health and safety in the workplace (pursuant to Legislative decree no. 81/2008 and subsequent amendments and integrations) was also issued, highlighting the roles and responsibilities of the employer and the building owner for the correct management of earthquake risk, for the assessment of the earthquake vulnerability of commercial buildings and to update emergency provisions to manage an earthquake emergency.

The Group's rigorous commitment to prevention focussed on the achievement of the accident reduction and prevention improvement targets for safety operating processes, prescribed by the new guidelines, continued in 2019.

The overall figures confirm the long-term trend of a steady reduction in the number of accidents and the frequency rate.

The following table provides data on indemnified accidents currently being defined, as provided by the national labour insurance institution, INAIL.

A general improvement can be seen at first glance. The number of accidents and the frequency rate decreased by 19% on 2018, considering a target rate of 3%, while accidents in transit and serious accidents decreased by 28%.

Accidents indemnified by INAIL ⁸⁹	2019 ⁹⁰	2018	2017
Accidents in the workplace	983	1,213	1,333
Accidents - women	145	149	175
Accidents - men	838	1,064	1,158
Fatal accidents	1	4	1
Fatal accidents - women	-	-	-
Fatal accidents - men	1	4	1
Serious accidents in the workplace⁹¹	262	365	364
Serious accidents - women	42	42	37
Serious accidents - men	220	323	327
Accidents in transit	234	324	338
Accidents in transit - women	65	95	88
Accidents in transit - men	169	229	250
Overall frequency rate⁹²	15.91	19.56	21.60
Frequency - women	13.97	15.44	17.20
Frequency - men	16.30	20.32	22.00
Seriousness rate⁹³	632	819	838

In 2019, Anas recorded 113 occupational accident reports, with a frequency rate of 17.7⁹⁴.

In Italy, occupational diseases, which lead to immediate damage to employees' health, are reported by the employer to INAIL within the scope of accidents at work, as required by relevant legislation, and INAIL counts them among the category of accidents at work. In the Group's case, specifically, there are reports of accidents at work relating to the post-traumatic stress of train drivers (in cases of hitting people along the train tracks, generally suicides).

In addition, there are professional diseases originating in the long term due to pathogenic factors found in the workplace. In the Group's case, professional diseases, which usually account for no more than 50% of reports, relate to organisational events dating back many years, in some cases decades. They arise slowly, gradually and progressively and mainly relate to obsolete organisations and work processes, which the companies have remedied by changing the environments and production processes.

The most common professional diseases in the railway sector are bone and joint or skeletal muscle problems as well as hearing impairment caused by noise. The following table sets out the data of the periodical medical check-ups, related to various risk factors, which are one of the most significant elements of Group companies' efforts to prevent occupational diseases.

Personnel who received check-ups	2019	2018	2017
Personnel who received health monitoring check-ups	44,454	45,561	51,502
Personnel who received railway safety medical check-ups	15,267	24,043	17,735

Over 10% of man-days in the technical/professional learning area were devoted to occupational health and safety and environment training, for a total of 69,000 man-days.

⁸⁹ INAIL data are partially consolidated. As the data were recorded at 31 January 2020, certain cases in the reporting period may be settled by the national labour insurance body after the reporting date due to longer settlement times (e.g., gaps in the reconstruction of events, appeals and claims that occurred in the last few days of the year).

⁹⁰ 2019 data refer to the following companies: FS Italiane, RFI, Trenitalia, Ferservizi, Italferr, FS Sistemi Urbani, Italcertifer, Mercitalia Logistics, Mercitalia Rail and Busitalia Sita Nord.

⁹¹ Serious accidents are those that result in more than 40 days of missed work.

⁹² Frequency rate: [no. of accidents at work/amount]x 1,000 employees, calculated in accordance with European ESAW standards.

⁹³ Seriousness rate: [number of missed days/amount]x 1,000 employees.

⁹⁴ The data are processed using the same criteria as for the other companies.

WELFARE AND DIVERSITY & INCLUSION

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"We all have a mix of diversities that makes us unique. The final purpose of Diversity & Inclusion Management is to fully enhance and use each employee's contribution to achieve corporate goals and best equip the Organization to face the challenges and uncertainties coming from the global market." (Code of Ethics, Ferrovie dello Stato Italiane Group).

The Group believes that diversity is a value to be recognised and reinforced. It undertakes to create an open and inclusive work environment with the conviction that the diversity of its people is a source of organisational well-being and competitive edge for the business.

In its Code of Ethics, the Group endorses, *inter alia*, "the creation of a respectful and collaborative work environment, repressing any form of harassment; policies for personnel's mental and physical well-being, striving to balance the needs of the business with their personal and family needs; refusal to exploit labour and, especially child labour, zero tolerance for any type of illegal labour and a commitment to ensure fair, merit-based, skills-based regulatory and remunerative treatment without any discrimination".

The activities and projects for the Group employees are supported by both the National and Local Equal Opportunities Committees and directly by specific internal structures⁹⁵.

Group initiatives

Diversity & Inclusion

- › **Unconscious bias awareness training** to promote a radical change by raising individual and organisational awareness of bias and preconceptions that unconsciously influence everyone's decisions, behaviour and leadership styles. Five focus groups were held to gain an idea of the group's position on D&I issues (60 people), along with four two-day workshops for HR resources to reflect on how bias and preconceptions can influence HR organisational processes, learning to manage and overcome them (60 people) and 1 capsule for managers to raise awareness on this theme and equip them with the tools to manage diversity (112 managers).
- › **Disability project** to see the inclusion of people with disabilities as an opportunity for the growth of the business, as it gains specific skills and professional expertise with a consequent improvement in the atmosphere of the organisation. Day-long workshops were held for a team of intercompany recruiters to overcome bias and stereotypes specific to disabilities and to teach bias-free recruitment methods (22 people);
- › **Parenting**: the MAAM⁹⁶ project was launched, consisting of various teaching methods for employees with children aged 0-3 to improve their soft skills with the ultimate aim of motivating people and boosting the productivity of the business. Approximately 200 people participated in this process between September and December, 61% of whom were men.

⁹⁵ A bilateral body with equal standing set up pursuant to article 1.3.C) of the national labour agreement for the Mobility/Railway sector and article 3 of the Ferrovie dello Stato Italiane Group's contract of 16 December 2016. There is one national committee and 15 local committees.

⁹⁶ Maternity As A Master.

- › **Women in Motion (WIM)**⁹⁷: the school orientation campaign continued in the year for female students in Italy, with 22 orientations held in 2019, bringing the total number of orientations at middle and secondary schools across the whole of Italy since 2017 to 104, with a total of 14,100 students involved. In 2019, WIM held orientation sessions during cross-section events like Open Days (four in all) for schools and students, giving them the opportunity to connect with the Group and technical businesses.
- › **Associazione Valore D**⁹⁸: Group personnel participated in 23 training sessions on D&I issues, nine welfare labs, six development programmes for women in management, three mentorships and two executive programmes with candidates subject to independent assessment (a total of 46 employees participated).



WIM: 100 schools, 50 cities, 10 health projects, 45,000 km, more than 14,000 students involved.

FS MAKES EQUAL OPPORTUNITIES A PRIORITY

WIM, European best practice

In May, the European Commission published FS Italiane's diversity management campaign on the EU Platform for Change Women in Motion, as an example of an outstanding corporate programme to overcome stereotypes linked to the employment of women.

Gianfranco Battisti was named European Ambassador for Diversity

The European Transport Commissioner, Violeta Bulc, named FS Italiane's CEO and general director European Ambassador for Diversity as part of the Women in Transport – EU Platform for Change, an important honour demonstrating the Group's commitment to promoting strategies that support inclusion and diversity, developing professional talent and implementing best practices in business processes.

The EU Platform for Change, which counts the FS Italiane Group as one of its members, aims to narrow the gender gap in the transport sector and encourage the employment of women.

Events and Campaigns

- › **Open day**: employees' children were invited to see where their parents work at the latest open day. They learned more about the railway, its professions and the regions of Italy. Not only were they given the opportunity to tour the places where we work, but they also enjoyed a special course of activities and games designed specifically for them to discover the beauty and traditions of the local area. In all, 1,607 people, including around 1,360 children aged three to 12, toured 26 plants throughout the country and various company offices.
- › **People Project**: development of people with presentations about their jobs and their stories to represent the Group, in which two videos were made:
 - › an institutional video collage of the Group's various areas:
 - › FS Stories - 21 colleagues from the Group companies told a story each week about the strength and uniqueness of our people and the dedication and passion they bring to their jobs every day for a Group that has made diversity an essential asset;

⁹⁷ The WIM project was kicked off in collaboration with "Valore D", an association of large companies focused on diversity and female leadership whose mission is to promote women's careers in technical fields and business sectors that until now have been predominantly male.

⁹⁸ The Group is a sponsoring member of Valore D, an association in line with its strategies to promote diversity and, specifically, to support female leadership.

- › **Joining forces to stop violence against women:** an awareness campaign about gender-based violence. Our Group's women – approximately 10,000 workers of all ages at various levels throughout the organisation and with different social status, sexual orientation and cultural backgrounds – competed in a collaborative contest to take group photographs of themselves wearing red shoes at work in a tribute to all victims of violence. 250 photographs were submitted and some were published outside the Group, going viral on social networks, especially Facebook and Instagram.
- › **NoicerAVamo:** to mark the first ten years of Italy's high speed railway and all the workers who actively contributed to its creation were invited to tell their story and the part they played in the start of the HS service, an anecdote or special memory of those historic times. Those who told the most interesting stories were invited to the screening of the short film entitled "The house that takes you home" by F. Ozpetek.
- › **Group convention:** for the first time, 12 non-management workers took the stage to talk about their jobs. In addition, 170 people representing the various professional families attended.

Welfare

- › **Welfare website:** launched at the end of 2017, this portal is the single, integrated method for finding all the welfare offered by the Group. In addition to offering a large selection of services and benefits for leisure activities and well-being, children's education and family care, it also allows employees to request the reimbursement of expenses for work/life balance services and to access websites for supplementary healthcare plan and the Eurofer fund for the supplementary pension fund;
- › **Unilateral donations:** in 2019, the Group planned to make a unilateral donation to support the payment of the crèche fees for employees' children and a unilateral donation for children's summer activities (grants of roughly €850 and €1,000 were given, respectively);
- › **Assistance for disabled children:** monetary assistance was offered to employees with disabled children in 2019 (approximately 400 families received the assistance);
- › **Customer care for employees:** a service was rolled out in June 2018 to support employees with welfare initiatives, including supplementary healthcare;
- › **Conversion of 2018 performance bonuses into welfare benefits:** employees were given the option to convert all or part of their individual performance bonuses into welfare benefits offered by the Group. The Group company tops up all converted amounts by 10%.

Equal Opportunities Committee initiatives

- › **Health prevention:**
 - › two local seminars were held to raise awareness about cancer prevention, nutrition, physical fitness and healthy lifestyles;
 - › as part of the "Prevention and health in the office" project, information was included in the technical specifications for food and beverage requirements for the automatic distributor machines at the central office in Rome, to improve the quality and variety of products available (according to guidelines shared with RFI's Health and Healthcare Department), and functional/environmental requirements for containers.

› **Working conditions:**

- › the first car park reserved for women working shifts was created in Emilia Romagna;
- › a project was completed in Lazio to install bookshelves filled with books in the break room for shift workers;
- › the Group participated in the Valore D focus group on sexual harassment;
- › the parent carried out activities to implement a code of conduct for cases of sexual harassment in the workplace. It was included in the FS Italiane Group's employment contract of 16 December 2016, including the opinion, with justification, on the appointment of a confidential female counsellor.

› **Meetings with equal opportunities directors, anti-violence centres and the spread of good practices:**

- › training with the regional or provincial directors about their roles, duties and the regulations applicable to gender policies;
- › training for the members of the national equal opportunities committee on regulations applicable to gender policies, with case studies;
- › awareness about violence against women with the Naples municipal anti-violence centre and the regional equal opportunities director;
- › discussion and brainstorming about the results achieved and future projects on violence against women between the national equal opportunities committee and volunteers from the help hotline for women.

› **Analysis of mobility and modal choices from a gender perspective:**

- › guidelines were provided for analysing mobility from a gender perspective, in conjunction with the revision of the employee commute questionnaire organised by the mobility manager.

› **Communication and awareness:**

- › a new page was created for the equal opportunities committee on the company intranet;
- › messages continue to be published to raise employees' awareness about equal opportunities and anti-discrimination efforts. Information published in the year included the results of a mini-survey on the meaning of International Women's Day, the analysis of the data in the 2019-2017 two-year report, compared with national and European data, an announcement on the intranet, on the FS website and on FS News to spread awareness about violence against women and provide helpful information on centres women can contact;
- › projects were launched to inform employees about violence against women locally as well.

› **Analyses and studies:**

- › the processing of data in the two-year report on FS Italiane Group personnel was completed⁹⁹;
- › data on the mini-survey of components of the national and local Equal Opportunities Committees were analysed and a sample of women was selected for discussion on the meaning of International Women's Day.

⁹⁹ The Equal Opportunities Code was prepared pursuant to article 46 of Legislative decree no. 198/2006.

RELATIONSHIPS WITH TRADE UNIONS

401-3 402-1

Relationships with trade unions are based on utmost respect for the commitments required by the relevant Italian legislation and applicable contracts.

The trade unions receive the required disclosures and carry out bargaining activities in accordance with the national labour agreement¹⁰⁰. Changes to the overall corporate organisational structures and those of the individual production units are disclosed to the trade unions.

The national labour agreement requires that before changes can be made to the organisation of labour and the structure of time shifts, they must be specifically negotiated, with the negotiation procedure ending within no more than 20 days after it begins. Negotiations with the trade unions take place centrally through the respective national divisions and locally through the regional divisions, in conjunction with the unit trade union representatives.

The Group has formal agreements in place with the trade unions protecting workers' health and safety, to promote projects that foster a culture of safety and prevention among workers by constantly updating employee training and with the introduction of new equipment and new technologies.

Additional information on relationships with trade unions is given in the Group's 2019 annual report (Directors' report, paragraph on Commitment to sustainable development - Human capital).

The percentage of Group employees who are members of trade unions in 2019 was 60.7%, slightly down on the two previous years (61.8% in 2018).

The absenteeism rate is 8.3%, compared to 8.7% in the previous year. This decrease is mainly due to the reduction in average hours of sick leave and the effects of Law no. 104.

Parental leave

FS Italiane Group applies the relevant legal and contractual regulations which include increasing the term of parental leave up to 12 years of the child's life: in addition to the mandatory maternity/paternity leave established by law, employees (father and/or mother) may opt to take a period of voluntary leave for up to a maximum of six months for each parent, but the parental leave may not exceed a total of 11 months for both parents.

The Group's supplementary contract establishes better economic conditions during the voluntary leave for any employee who takes it (for the first six years of the child's life).

The number of employees who took at least one day of parental leave in 2019 is detailed below:

Parental leave	number	days
Women	1,073	20,802
Men	4,276	52,768
Total	5,349	73,570

Measures to protect maternal healthcare include leave for prenatal check-ups and care, as well the baby's medical care¹⁰¹, with the Group's supplementary contract offering better remuneration than that guaranteed by the national labour agreement for leave for the baby's medical care.

¹⁰⁰ There are no risks to the freedom of association and bargaining within Ferrovie dello Stato Italiane Group.

¹⁰¹ 30 days of paid leave per year, up to the child's third year.







RELATIONSHIPS WITH COMMUNITIES

103-2

103-3

What we have accomplished...

Participation in the 16th

DO THE RIGHT THING

even in Milan on sustainable lifestyles

GREEN TRAIN

12 stops, over 30,000 visitors and 16,000 students to brainstorm the most innovative **sustainable mobility and intermodality ideas**

THE ETR250 ARLECCHINO WAS REVAMPED

the most sophisticated product of the post-war railway industry

VALUE CREATION FOR LOCAL COMMUNITIES AND THE COUNTRY

over €26 million thanks to historic train passengers

NATIONAL RAILWAY MUSEUM OF PIETRARSA

200.000 visitors

...what we aim to do

2020 FUND RAISING CAMPAIGN

SOLIDARITY TRAIN

fund to help extremely disadvantaged people purchase railway tickets

PUBLIC ART

street art on display in the railway underpasses in Rome (Santa Bibiana, Ponte Trastevere, etc.) **and Milanese metro stations** (Repubblica, Porta Vittoria, Dateo, Porta Venezia, Garibaldi, Lancetti, Villapizzone)

Involvement in solidarity initiatives is fundamental for FS Italiane Group, which is tangibly committed to carrying out projects and initiatives to help disadvantaged people.

In collaboration with associations and local bodies, Ferrovie dello Stato Italiane has implemented its own policy to support and plan social initiatives in railway areas, creating a new welfare programme at stations. This programme consists of collaborative welfare through a partnership between entities with the power to effect social change (local bodies and charitable organisations, along with networks and local businesses promoting community-based social responsibility).

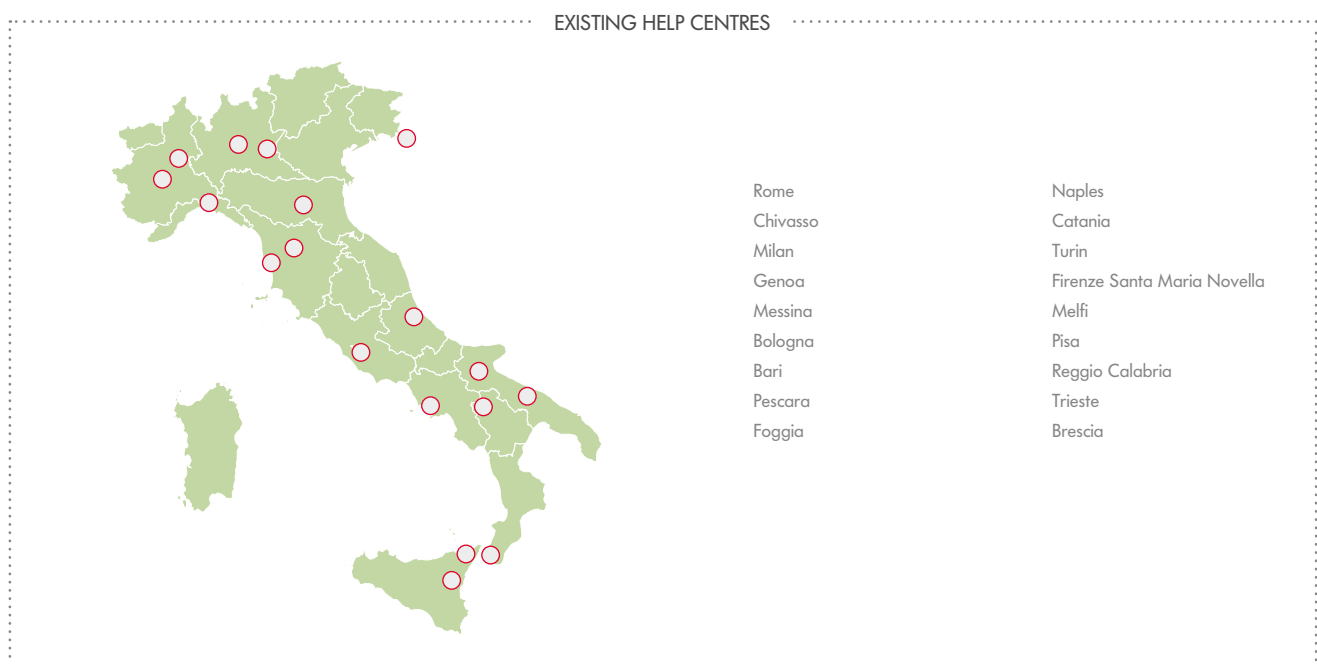
PROMOTING SOCIAL COHESION

Help Center

As the economic crisis continues and migration surges, all of Italy is in the midst of a social emergency, which can be especially seen at railway stations. Promoted and managed in collaboration with local bodies and non-profit associations, the help centres are the Group's answer to the growing phenomenon of social hardship and the considerable rise in migration to Europe and, in particular, Italy. The help centres are meant to welcome and shelter those who are most in need and help begin their rehabilitation with the city's social services and institutions. The Group plays a key role in this project, providing space inside or near to the station on free loan to associations and authorities engaged in combating social marginalisation and covering urgent needs so they can create the appropriate structures.

The help centre network currently spans 18 railway stations from Northern to Southern Italy.

The total surface area granted under free loan agreements covers 3,498 m², with a commercial value of €5,247 thousand¹⁰².



¹⁰² Estimating an average of €1,500 per m².

The co-design project to create a multi-function centre in Rovereto to be added to the network of 18 help centres around the country neared completion in 2019. The multi-function centre will be able to offer more services. Another help centre is also scheduled to open in 2020 in Cagliari¹⁰³.

In order for the help centres to work in synergy, the Group relies on the close collaboration of the National Observatory for the Disadvantaged and Solidarity at Stations (ONDS), which is managed by the social cooperative Europe Consulting Onlus. The ONDS coordinates all the centres, trains help centre workers and analyses social disadvantage. In 2019, the FS Italiane Group allocated €136,200 for activities and projects to help people facing social difficulties, as described below.

Activities	Detail of activities	Amount
Continued ONDS activities in 2019	Support for the social activities unit in the coordination and expansion of the help centre network, the monitoring of network data, international activities and specific training of social workers, including training on how to use the database.	€ 115,200
Social projects	Participation in the 16 th edition of "Do the Right Thing" as a mobility partner.	€ 15,000
The solidarity train project	As part of the solidarity train project, train tickets are issued free of charge for journeys involving the social and employment integration of people with serious social hardships highlighted by the ONDS.	€ 6,000
		€ 136,200

The help centre network's main services

In 2019, the help centre network assisted approximately 22,000 people, showing a 4% increase in the number of users compared to the previous year, mainly due to the rise in past users who returned to receive these services.

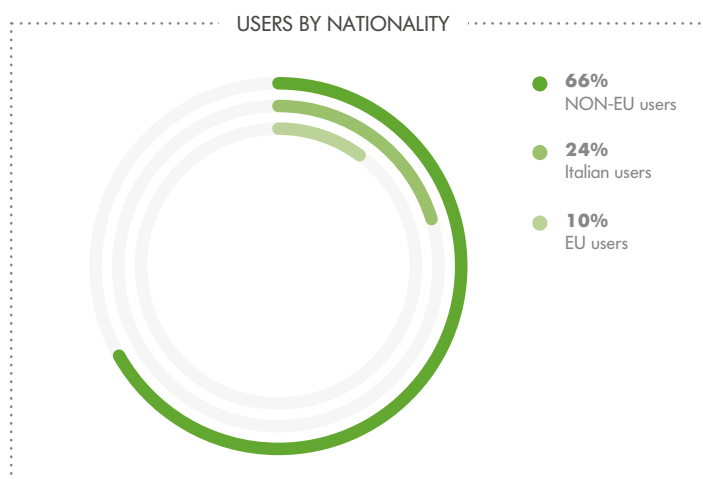
Although new users, i.e., those using the ONDS social services available at the station for the first time, seem to have decreased slightly (-4% compared to 2018), they still account for more than 50% of total users.

Main help centre indicators	2019	2018	2017	2019 vs 2018
Total days open	7,016	4,927	4,635	42%
Total hours open	43,791	27,546	25,614	59%
VISITORS	301,722	142,831	192,958	111%
Social orientation projects	98,191	93,774	95,181	5%
Low threshold projects	408,018	347,348	361,107	17%
TOTAL PROJECTS	506,209	441,122	456,288	15%
TOTAL USERS	21,716	20,919	25,890	4%
new users	13,325	13,834	13,254	-4%

¹⁰³ The FS Italiane Group has reached an agreement with the Tuscany regional authorities to open a centre in Grosseto in 2020 as well. The opening of additional help centres in Livorno, Montecatini, Terni and Cagliari is being considered, while plans are in progress to expand the centres in Pescara and Messina.

The centres provided over 98,000 support and social orientation projects and approximately 408,000 low threshold projects (providing necessities such as food, clothes, blankets or basic sanitary services), bringing the total to over 500,000 social projects, 15% more than in 2018. This increase was due to the growth in low threshold projects for people coming through stations.

Most of the beneficiaries were men (81%) and most users were foreign (66% outside the EU and 10% from the EU).



Shelters

In addition to the help centres, through major Italian nonprofit associations, many shelters have been set up in idle railways areas, particularly in Rome and Milan:

- › the Don Luigi Di Liegro shelter in Rome
- › the Rifugio Caritas shelter in Milan
- › the Binario 95 day shelter in Rome
- › the Progetto Arca shelter in Milan
- › the “Pedro Arrupe” shelter in Rome for those seeking asylum and political refugees, managed by the Centro Astalli association. ¹⁰⁴Operating out of the former Ferrotel (railway hotel) at the shunting site in Rome since 2002, the centre sheltered 51 people from 16 families.

A total surface area of roughly 11,000 m² has been granted on free loan for the social activities carried out in the shelters, with a total estimated value of around €16,524,000¹⁰⁵. Overall, the total surface area granted on free loan for social activities (help centres and shelters) is approximately 14,514¹⁰⁶m², with an estimated value of around €21,771,000 (average value of €1,500/m²).

¹⁰⁴ In 2019, nine families left the shelter, moving to their own homes or semi-independent arrangements.

¹⁰⁵ Average value of €1,500/m².

¹⁰⁶ Surface area includes the help centre network (3,498 m²) and shelters (11,016 m²). In addition, space has been granted to the Museo della Shoah foundation (7,000 m² at Milano Centrale) for a symbolic fee. The surface area granted for help centres also includes the square metres of the Cagliari help centre, although it will not open until 2020.

Re-use of property assets

In addition to assets that are functional for its core business, the FS Italiane Group also owns extensive assets, some of which are no longer used, consisting of railway stations, booths and tracks. To date, in collaboration with local bodies and non-profit associations¹⁰⁷, 403 stations have been dedicated to activities that enhance the value of the area or activate services for the public. Overall, roughly 144,200¹⁰⁸m² have been allocated for these purposes, with a total value of approximately €216,273,000. There are about 1,400 km of idle railway lines, including definitively discontinued lines pursuant to Ministerial decrees, and lines discontinued due to route variations, that could potentially be used for social initiatives and soft mobility. To date, over 450 km of idle lines have been converted into tourism lines, bike paths and greenways.

Fund raising campaign

Each year, the FS Italiane Group promotes and organises its traditional Christmas fund raising campaign in collaboration with leading social organisations. In 2019, in collaboration with ActionAid Italia, the Group held the “Their future in your hands” fund raising campaign to prevent students from dropping out of school and to create inclusive and responsible communities to encourage the educational development of teenagers and pre-teens. Roughly 200 Group volunteers on board trains distributed Altromercato chocolate bars to passengers in exchange for donations (€3 minimum). The proceeds will go to the OpenSpace project, which aims to improve access to inclusive, high-quality education and empower boys and girls through innovative workshops. Donations continued until the end of summer 2019 through self-service ticketing machines at stations and around €207,000 was raised.

At the end of the year, another round of fund raising, “I’ll pay today”, was held on board trains for the Rome Caritas to help promote the employment of homeless people through training and solidarity meals.

National and European projects and social awareness campaigns

In Europe, since 2008, the Group has been a signatory of the European charter for solidarity (European charter for the development of social initiatives at stations), as one of 17 partners from different European countries¹⁰⁹. The European social network includes non-railway operators that have signed parallel support pacts, including the European Federation of National Organisations Working with the Homeless (FEANTSA), the UIC and the Paris and Rome municipal authorities, among others¹¹⁰.

¹⁰⁷ The number refers to stations with at least one free loan agreement in place.

¹⁰⁸ The number refers to buildings granted on a free loan basis in and around stations. The increase of approximately 13,500 m² refers to the signing of five free loan agreements with various social associations in 2019. The Group has granted the use of yards outside stations and/or land for a total of 4,188,336 m².

¹⁰⁹ Romania (CFR), Slovenia (Zeleznice), Norway (NSB), Bulgaria (NRIC) and Denmark (DSB), the Czech Republic (CD), Sweden (Jernhusen), Germany (DB), Croatia (HZ), Greece (Trainose) and Serbia (SZ).

¹¹⁰ Additional members include the Spanish Railway foundation, ANCI (National Association of Italian Municipalities), the Sant’Egidio community, Fondazione Centro Astalli, the “Aux Captifs” association for the homeless, La Libération and FNARS, a leading federation of French organisations and associations that shelter socially disadvantaged people, and CINI, a non-profit organisation active at India’s largest railway stations.

PROMOTING CULTURE

The Group and culture

The Group constantly sponsors national events like concerts, exhibitions, performances, conventions, music festivals and initiatives to safeguard artistic, cultural and scientific heritage.

In 2019, not only the Group did renew major partnerships with the country's main foundations and museums, but it also pursued cultural partnerships, which increased substantially to create even more new travel opportunities by train as the ideal means to travel to art cities, experience the country's cultural highlights and visit the most important exhibitions. Major events in which the Group participated include:

- › the Venice Biennale (Art and Film Festival);
- › the Rome Film Festival;
- › exhibitions in Palazzo Strozzi in Florence, Palazzo Grassi and Punta della Dogana in Venice, Scuderie del Quirinale and Palazzo delle Esposizioni in Rome, Mudec (Museum of Culture) and Palazzo Reale in Milan.

In addition, the Group partnered with Zetema, Fondazione Musei Civici di Venezia, Mondomestre Skira, 24hours Cultura and Civita, which offered special benefits to visitors who travelled to the exhibitions by train. The Group is also a member of:

- › Associazione Civita, a landmark in the national debate for the protection and enhancement of cultural and environmental heritage
- › Accademia Nazionale di Santa Cecilia, on whose behalf it promotes concerts and events.

Other social issues

In 2019, in collaboration with leading charitable institutions and associations, the Ferrovie dello Stato Italiane Group developed initiatives to protect health, promote a culture of disability acceptance and accessible railway services, to encourage fair and equal sports, to prevent the risk of kids dropping out of school, to protect women and the environment. The Group's main projects included:

- › Frecciarosa: prevention travels at high speed. This initiative is dedicated to the treatment and prevention of breast-related diseases and education on correct lifestyles, sponsored by the Ministry of Health and promoted by the IncontraDonna non-profit organisation. The FS Italiane Group held a series of activities on board of regional trains, Freccia and Intercity trains, as well as in the Freccialounges in Rome and Milan and at stations with volunteer IncontraDonna doctors specialised in breast diseases who conducted exams, mammograms and consultations;
- › Children's train: this event was promoted and organised by the Pope's Council for Culture and the Cortile dei Gentili on the concept of a "Friendly City". Now in its seventh year, it brought 350 children from Genoa and Cagliari, who were students of schools that collapsed or were evacuated when the Morandi Bridge fell and Sardinia flooded in 2018, to Rome to meet the Pope.
- › Festival of Paralympic Culture: this initiative, promoted by the Italian Paralympic Committee and sponsored by the Group, promotes sports as a means of integration, well-being and overcoming any type of physical or cultural barrier;
- › Green train: this joint initiative with Legambiente is now in its 31st year and was once again recognised by the Ministry for the Environment and the Protection of Land and Sea. With 12 stops throughout Italy, it provided

over 30,000 visitors and 16,000 students with a hands-on learning experience about the era of fossil fuels and the importance of shifting towards light, collective, electric mobility;

- › Games without borders: designed by the art4sport non-profit association run by Italian Paralympic champion Bebe Vio, in collaboration with the Italian National Olympic Committee, this charity event aims to promote a culture in which sports serve as a means of integration and socialisation for children and teenagers;
- › Race for the Cure: the largest event in the fight against breast cancer. The 2019 event garnered over 200 Group participants;
- › #GUIDAeBASTA: this communications campaign for road safety in collaboration with the Italian Ministry of Infrastructure and Transport and police encourages road users to be more prudent and concentrated when driving;
- › #AMAMIEBASTA: this communications campaign in collaboration with Lega Nazionale per la Difesa del Cane (national dog defence league) seeks to discourage people from abandoning their dogs.



FONDAZIONE FS ITALIANE

Fondazione FS Italiane aims to preserve and make the most of the historical cultural heritage of the historic trains, from documentary material (books, documents and maps, audio-visual materials) which are evidence of the history of the railway sector and Italian society since the beginning of the twentieth century.

ITALIAN HERITAGE

- › 12,000 plans and blueprints of the network and the stations
- › 7,000 architectural drawings of stations and railway buildings
- › 7,000 rolls of technical drawings of historic locomotives and rolling stock
- › 10,000 photographs of trains, traction vehicles, carriages and wagons



- › 18 steam trains
- › 22 electric and diesel trains
- › 11 diesel railcars
- › 1 fast electric train
- › 111 carriages and luggage cars
- › 15 wagons
- › 3 presidential train carriages



- › 55 rolling stock on show
- › 39 to-scale plastic station models
- › 1 library with roughly 2,000 volumes
- › 1 plastic Trecentotreni model (18x2 m)

- › 50,000 historic volumes
- › 300 periodicals
- › 1,000 blueprints and profiles



- › 500,000 black and white and colour film and digital photographs
- › 5,000 video cassettes
- › 3,000 films

Ferrovie dello Stato Italiane, Rete Ferroviaria Italiana and Trenitalia are the patrons of Fondazione FS.

Its main activities include:

- › organising trips on historic trains¹¹¹;
- › promoting railway tourism;
- › maintaining and rolling out historic vehicles;
- › managing the Museum of Pietrarsa;
- › promoting and organising events, shows and exhibitions.

¹¹¹ The following railway lines reopened for tourism as part of the "Timeless rails" project, have been selected for inclusion in a genuine "moving museum": ("Ferrovia della Valsesia", "Ferrovia del Tanaro", "Ferrovia del Lago", "Ferrovia della Val d'Orcia", "Transiberiana d'Italia", "Ferrovia dell'Irpinia", "Ferrovia dei Templi", "Ferrovia del Sannio", "Ferrovia Pedemontana" and "Ferrovia del Monferrato").



JOURNEYS ON HISTORIC TRAINS

- › 918 individual journeys with historic trains for a total of 100,000 passengers
- › 500 journeys with historic "Binari senza tempo*" (timeless rails) trains for a total of 70,000 passengers
- › 72,000 train-km
- › €4.7 million in revenue

*railway lines, between nature and art, dedicated to historic-tourist trains, outside the main rail hubs and lines with intense traffic



NATIONAL RAILWAY MUSEUM OF PIETRARSA

- › 200,000 visitors
- › 3,000 historic train visitors
- › 50 major events
- › €1.2 million in revenue

In 2019, the Fondazione FS updated its website www.fondazionefs.it to make it more user friendly, publishing new images and creating new sections for a genuine online experience and to make it easier for users to search for journeys on historic trains. The site also includes a complete section devoted to the National Railway Museum in Pietrarsa and another section containing the historic archives, where visitors may consult documents, designs, photographs and digitalised film. They may also access the historic archive of rolling stock designs, which is the most direct and complete source of information for those interested in the history and technical development of FS rolling stock.

THE ETR250 - ARLECCHINO

A technological marvel of the national railway at the time and a train that made Italian railway history, the ETR250 Arlecchino was one of FS' most famous trains and one of the most technologically advanced in the post-war railway industry in Italy. Designed by FS engineers and produced by Breda, based in Sesto San Giovanni, it became a crucial means of serving the mobility needs for the Rome Olympics in 1960.

That summer, thousands of tourists and sports fans were able to travel between Naples, Rome and Milan with the railway's new electric trains, which embodied the country's success and its made-in-Italy prestige all around the world.

Today, thanks to investments by Fondazione FS, the only train left from the original fleet of four was restored from the state that wear and tear and time had left it in. In 2020, it will return to the tracks as a tourism train. Completely revamped and fully functional, it consists of four carriages for a total of 172 seats and can reach speeds of up to 160 km/h.

The Group has significantly expanded the presence of both Fondazione FS and the National Railway Museum of Pietrarsa on social networks, particularly Facebook and Instagram.

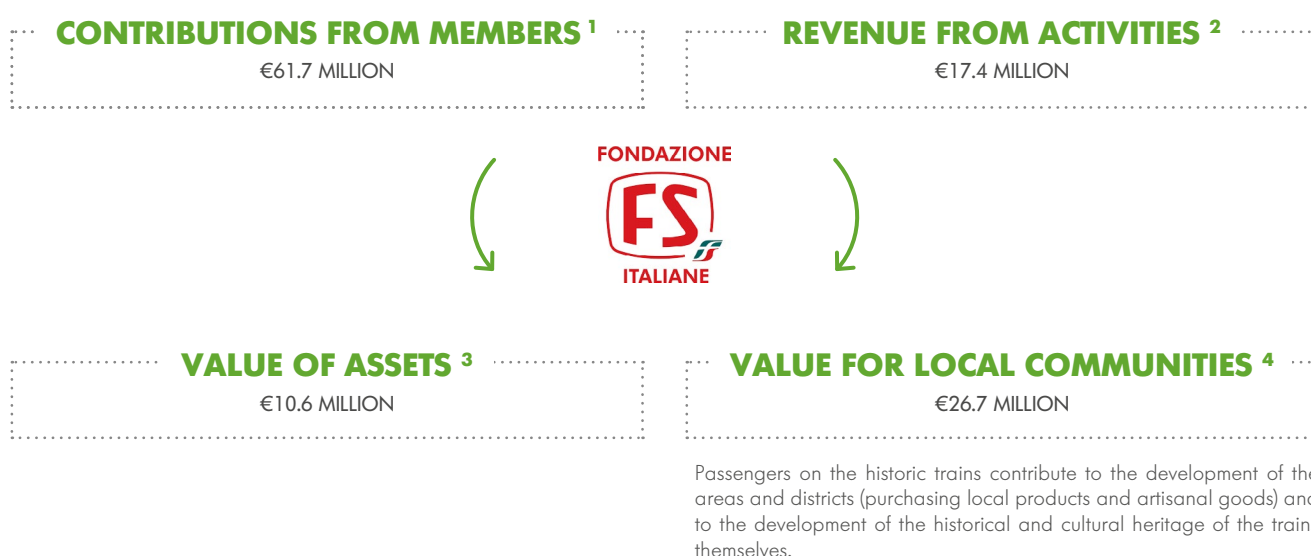
Communications also achieved an important milestone as one of the objectives set in the year was achieved: the Fondazione FS online shop was created.

The FS Fondazione newsletter has over 6,500 subscribers.

The TopRail project continued to promote and drive railway tourism around the world. The TopRail website now includes a window on Italy offering Fondazione FS journeys on historic trains for fans of this niche travel segment. The project also includes the recovery and reuse of retired railway assets (buildings and lines), giving new life to idle stations and structures for tourism.

Fondazione FS invests its revenue (mainly from hiring out historic trains, property leases and the sale of tickets to the museum in Pietrarsa) in creating social and cultural value for the country and the areas in which it operates. Specifically, maintenance and roll-out of historic trains, management and museum conservation of its assets (rolling stock, audio/visual material and designs) help preserve and highlight the country's historical, social and cultural heritage.

An estimate of the social and cultural impacts generated by the foundation's activities is shown below:¹¹²



¹¹² The estimate is based on the framework provided by Associazione Civita "From CSR to Corporate Cultural Responsibility: how to enhance the projects of cultural companies".

NOTES

¹⁾ Contributions from members refer to donations made by founding members during the 2014-2019 period for grants related to income (to run the Fondazione) and assets (to fund the Fondazione's investments in protection and maintenance projects and to increase property, plant and equipment and intangible assets).

²⁾ Revenue from other activities includes: ticket sales for the Museum of Pietrarsa, hiring out historic trains and other commercial revenue during the 2014-2019 period.

³⁾ The estimated value of the Fondazione's historical, social and cultural heritage was based on the appraisal performed by an external consultant to value assets transferred to the Fondazione when it was set up. This estimate prudently did not consider investments in improvements, maintenance and the rolling out of assets. If these investments were included, the historical, social and cultural heritage would amount to approximately €15.5 million.

⁴⁾ Passengers on the historic trains contribute to the development of the areas and districts (purchasing local products and artisanal goods) and to the development of the historical and cultural heritage of the trains themselves. The estimated value created for local communities and areas was based on research carried out in 2013 by the British government organisation "All Party Parliamentary Group on Heritage Railways" entitled "The Social and Economic Value of Heritage Railways". This research estimated that every pound earned through ticket sales generates £2.7 for local communities due to the purchasing of local products, lunch/dinner, museums in the areas, etc.. This coefficient was reconfigured on the basis of the relationships between total consumption in Great Britain and total consumption in Italy in 2017 (source: Eurostat). The coefficient was therefore equal to 2.01.



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2019 SUSTAINABILITY REPORT

Independent auditors' report



INDEPENDENT AUDITORS' REPORT

102-13



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the sustainability report

To the board of directors of
Ferrovie dello Stato Italiane S.p.A.

We have been engaged to perform a limited assurance engagement on the 2019 Sustainability report (the "sustainability report") of the Ferrovie dello Stato Italiane Group (the "group").

Directors' responsibility for the sustainability report

The directors of Ferrovie dello Stato Italiane S.p.A. (the "parent") are responsible for the preparation of a sustainability report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), as described in the "Introduction" section of the sustainability report.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

They are also responsible for defining the parent's objectives regarding its sustainability performance and the identification of the stakeholders and the significant aspects to report.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Ferrovie dello Stato Italiane Group
Independent auditors' report on the sustainability report
 31 December 2019

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the sustainability report with the requirements of the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the sustainability report is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the sustainability report are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the sustainability report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

- analysing the reporting of material aspects process, specifically how these aspects are identified and prioritised for each stakeholder category and how the process outcome is validated internally;
- comparing the financial disclosures presented in the sustainability report with those included in the group's consolidated financial statements;
- understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the sustainability report.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of Rete Ferroviaria Italiana – RFI S.p.A., Trenitalia S.p.A., ANAS S.p.A. and Busitalia - Sita Nord S.r.l.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the sustainability report.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent level,
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the sustainability report;
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- at subsidiaries level,
 - we visited Rete Ferroviaria Italiana – RFI S.p.A., Trenitalia S.p.A., ANAS S.p.A., Busitalia - Sita Nord S.r.l., Qbuzz BV, TrainOSE S.A., Mercitalia Rail S.r.l., TX Logistik AG, Italferr S.p.A, the Production, Technical, Regional passenger and

**Ferrovie dello Stato Italiane Group**

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Long haul passenger divisions, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence, on a sample basis, supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 sustainability report of the Ferrovie dello Stato Italiane Group has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards, as described in the "Introduction" section of the sustainability report.

Rome, 22 April 2020

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit







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