



SUSTAINABILITY REPORT 2016 RESULTS AND OUTLOOK

SEA YOU TOMORROW

ON
COURSE
FOR THE
FUTURE





SUSTAINABILITY REPORT 2016 RESULTS AND OUTLOOK

Letter to the stakeholders



It is with great pride and satisfaction that I present this new edition of Costa Cruises' Sustainability Report. The Report is the annual statement to our stakeholders of Costa's ongoing commitment to continuing on the route towards an increasingly sustainable future.

The coordinates of this route are the investments we have made in new ships and product innovation, the pursuit of state-of-the-art solutions enabling a substantial reduction in our environmental footprint and our sense of responsibility towards everyone who makes it possible to move more and more people, promoting cultural exchange around the world. We are in no doubt that we are heading towards our vital strategic objective of combining business growth and sustainability.

At the same time we are aware that we are forerunners of a distinctively modern model of development, operating on a global scale, which is intrinsically capable of creating value for the Company and for all the players in the supply chain, generating far-reaching positive effects. By pursuing this market strategy we are increasingly becoming citizens of the world, broadening our horizons, bringing together peoples and cultures, creating employment opportunities and – above all – helping to stimulate growth of local economies and communities. Part and parcel of our approach is working with local stakeholders on the sustainable capitalization of their resources and jointly designing a plan for long-term development. In 2016 we were particularly active in this respect; our new itineraries in the Indian Ocean are just one example of the way we create the right synergies with local stakeholders and of the scale of the positive impact that can be generated by a carefully structured path to growth.

2017 is the **International Year of Sustainable Tourism**, a unique opportunity to reiterate the key role played by the cruise industry in fostering a local community's artistic, cultural and natural heritage. From a broader perspective, the potential of a growth industry like this can play a very significant part in the attainment of the United Nations *Sustainable Development Goals*; the UN's 2030 Agenda is a plan of action for people, planet and prosperity designed to improve the lives of millions worldwide by guaranteeing a healthy environment and reducing inequality.

Ahead of the introduction of ships based on a new design concept ensuring a unique cruise experience for our guests, we will continue to pursue challenging objectives in accordance with our vision of sustainable development on a global level.

Neil Palomba
President
Costa Cruises

A handwritten signature in black ink that reads "Neil Palomba". The signature is fluid and cursive, matching the printed name above it.

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IDENTITY AND PROFILE

The Group

The Costa Crociere Group¹, which manages the two brands Costa Cruises and AIDA Cruises, is the largest Italian tour operator. The Group belongs to Carnival Corporation & plc, a dual-listed company traded on the London and New York stock exchanges; Carnival is the world's largest cruise ship operator – accounting for approximately 50% of the global market – with a fleet of 102 ships, which carried over 11.5 million guests in 2016.

The Costa Crociere Group is the only cruise operator with Italian-flagged ships. It currently operates 27 ships, with total fleet capacity of around 72,000 berths, deployed worldwide—

particularly in the Mediterranean, Northern Europe, the Baltic Sea, the Caribbean, Central America, South America, the United Arab Emirates, the Indian Ocean, the Far East and Africa. Two next-generation ships (AIDAprima and AIDAprera) made their debuts for the AIDA fleet, both standing out on account of their high standards of quality and environmental compliance. Another 6 vessels are due to join the fleet by 2021, adding a total of some 41,000 berths, thereby enabling the Group to consolidate its leadership in all the main Western European markets and to drive growth in the emerging markets of Asia.

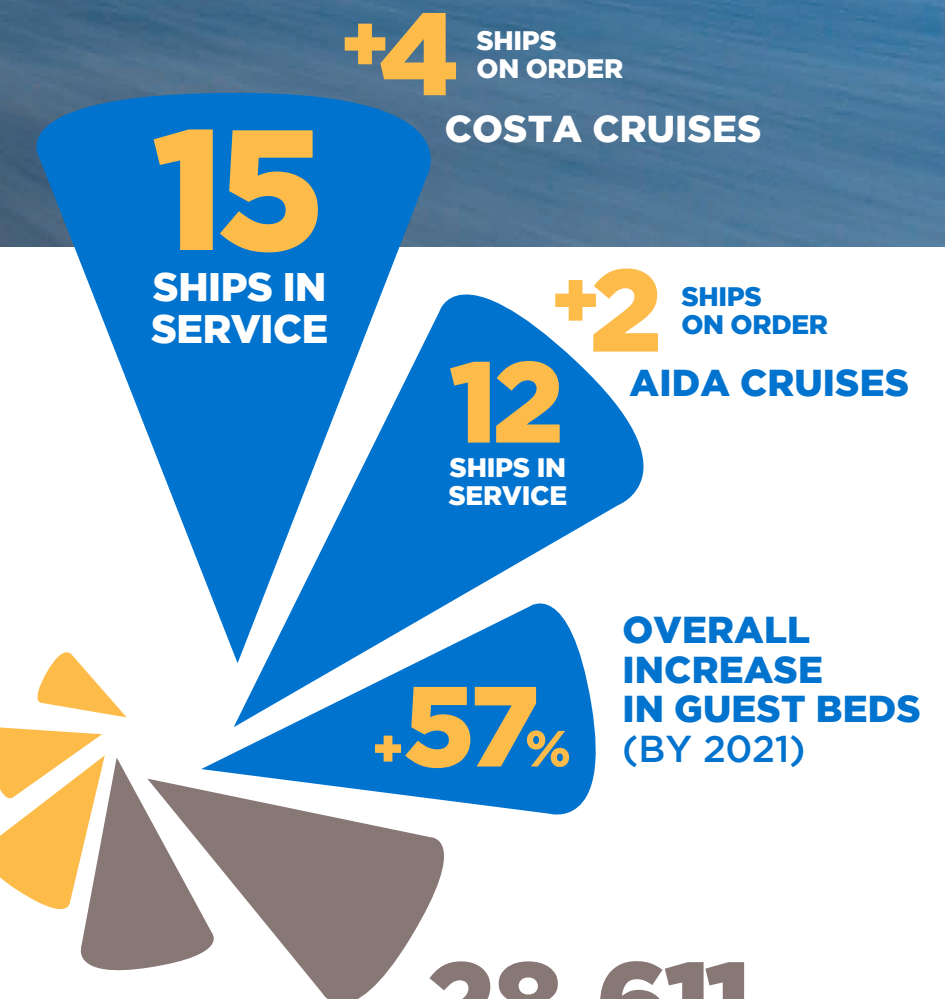
¹ Headquarter in Genoa

MAIN FINANCIAL AND OPERATIONAL DATA

3,478.5
REVENUES
MILLION EUROS

2.99
PASSENGERS CARRIED
MILLION

28,611
EMPLOYEES



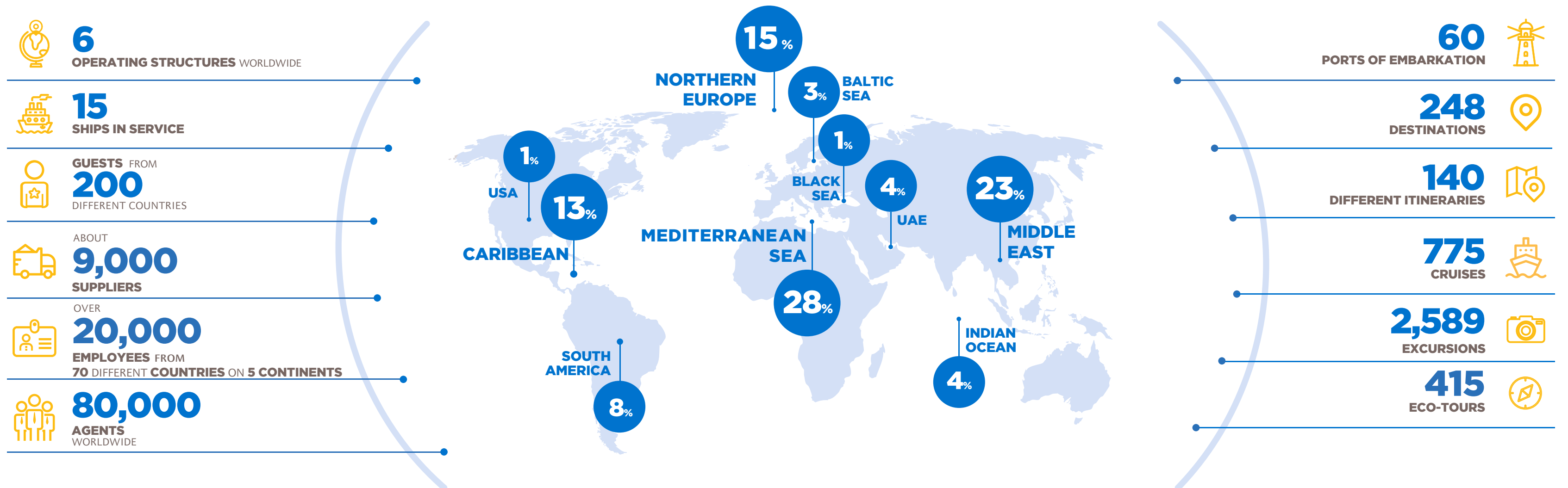
Costa Cruises: a company on the move

For almost 70 years now, Costa Cruises has epitomized the very best in Italian style and hospitality. We are driven by our determination to let our guests discover the finest and most important destinations worldwide by delivering exceptional cruise experiences, giving them the chance to explore places and interact with many different cultures on five continents, while respecting the communities visited.

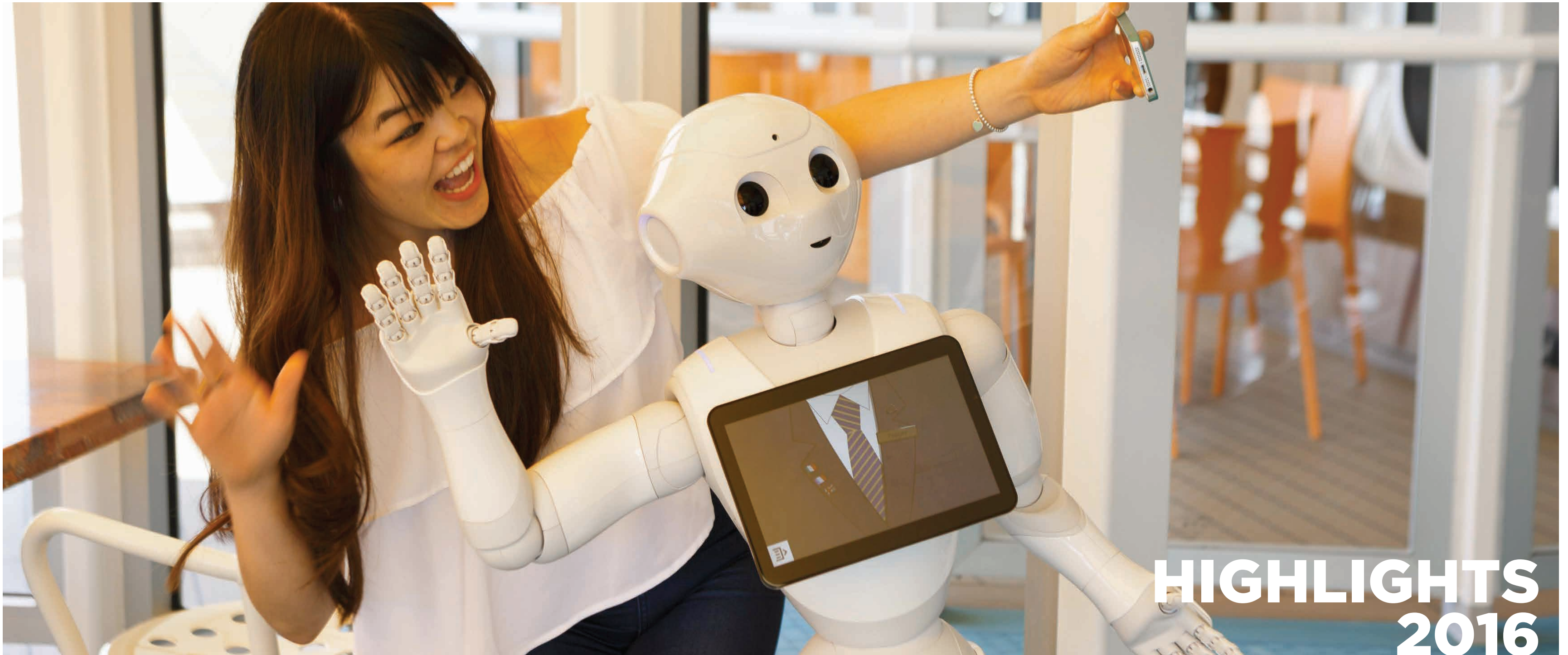
At the same time, as the only cruise company with Italian-flagged ships, we are aware of the responsibility and the privilege of being the only truly global ambassador for Italy's values and representing Italian excellence in our ports of call. We do this in collaboration with Italian Embassies in the different countries we visit, organizing shipboard receptions and other ways of promoting

Italian culture and traditions locally and internationally. The customers that we welcome on board our ships are our top priority. We plan down to the last detail cruise holidays designed to let our guests forge closer and more authentic ties with the places they visit and, at the same time, be more responsible travelers. This explains our decision to order two

6600-passenger capacity, LNG-powered ships and another two 4200-passenger capacity, newbuilds for the Asian market scheduled to enter service between 2019 and 2021. Driven by innovation, we are designing our future ships so that they will provide truly memorable experiences exceeding guests' expectations while creating a more sustainable world.



Note: Geographical breakdown of ports of call



HIGHLIGHTS 2016

FEBRUARY

TOP EMPLOYERS

Costa Cruises is confirmed for the third year running as one of the best Italian companies to work in with regard to HR Best Practices.

APRIL

AGREEMENT WITH KLM

Easier access to Mediterranean cruises for Northern European tourists thanks to new Amsterdam-Genoa flight.

MAY

THE CNR

Framework agreement with the CNR (Italian National Research Council) for studies in the fields of oceanography and marine science.

JUNE

SIR BANI YAS ISLAND

New itineraries in the UAE: private beach resorts and exclusive services on Sir Bani Yas Island.

JULY

PEPPER ON BOARD

Pepper, the first humanoid robot capable of recognizing human emotions, on board a ship for the first time.

CAPODIMONTE

Partnership with Naples' Museo and Real Bosco di Capodimonte to promote and foster one of the most important parts of Italy's artistic, cultural and botanical heritage.

SEPTEMBER

EMPLOYEE VOLUNTEERING

Opening of Italy's first gelateria social franchise, *È Buono*.

OCTOBER

WARKA WATER

Costa Cruises supports the Warka Water Project, a water tower designed for responsible management of potable water.

CIAL

Public awareness campaign in the town of Savona for the separate collection and recycling of aluminum.

NOVEMBER

VILLA FIGOLI

Setting up of the first training academy for future shipboard hotel department employees.

DECEMBER COSTA NEXT

Introduction of innovative model of support for travel agencies' sales.

A fast growing and rapidly evolving industry

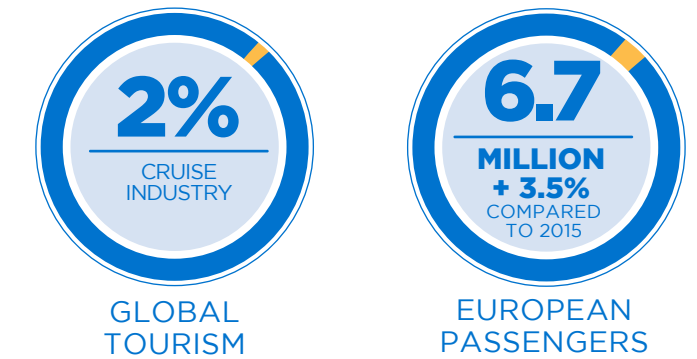
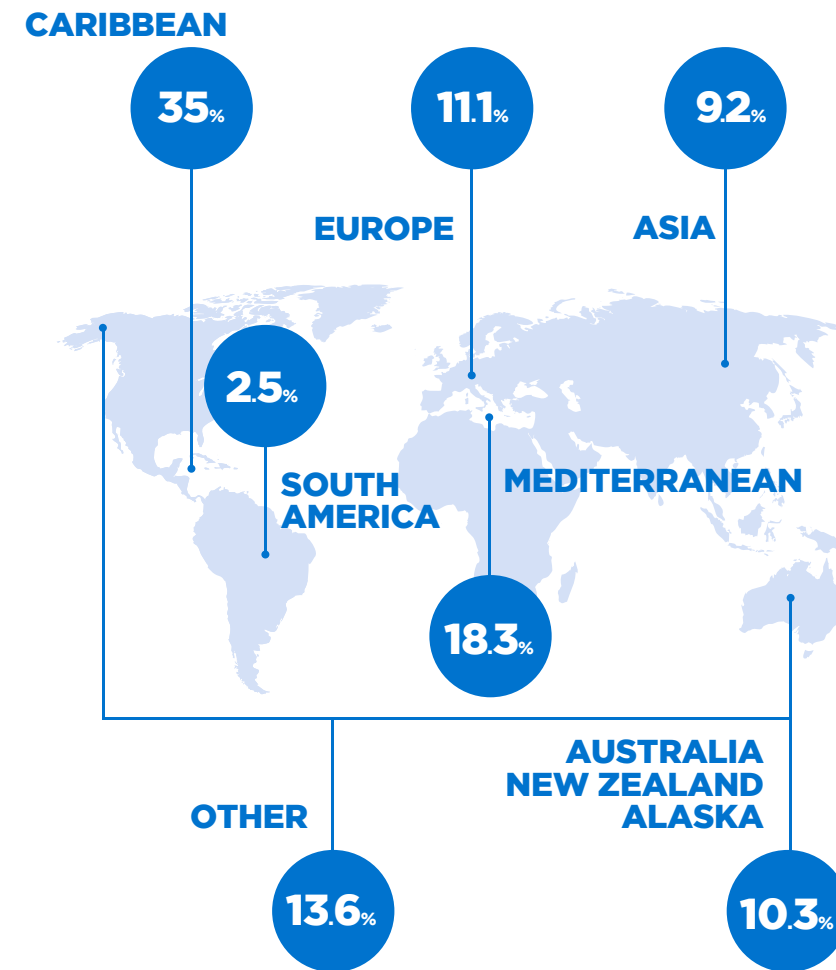


Global cruise travel continued to grow and evolve at a record pace in 2016, though it still accounts for a mere drop in the ocean compared to general leisure travel. From technological advancements and deployment of new ships to new ports and destinations around the world, the industry continues to respond to the desires of today's travelers resulting in strong economic impact and significant economic and social benefits throughout the value chain. The biggest impact stems from the construction and fitting-out of new ships, each of which demands a substantial investment worth hundreds of millions of euros and directly generates thousands of jobs. Economic impact is also associated with the activities of travel agencies, ports (of embarkation and transit) as well as tourism and allied industries in the destinations visited. One of the key factors providing the cruise industry with a competitive advantage compared to other land-based vacation alternatives is the mobility of cruise ships; cruise companies can move their vessels between regions in order to maximize profitability and to meet changing demand. This flexibility also applies to

itineraries, which can be changed over time in order to cater to guest tastes or as general economic or geopolitical conditions warrant. All this helps make the associated investments profitable. The increase in cruise travel is expected to continue throughout 2017, with an estimated 25.3 million passengers expected to sail this year, a strong surge from 15.8 million just 10 years ago. The changes in consumer behavior and demographics, along with economic growth and the rise of the middle class in many emerging international markets and the accompanying increase in their earning power and disposable income, will continue to drive demand for travel and the global cruise industry. To meet this demand, from 2017 to 2026 the industry is expected to introduce around 100 new cruise ships with an increase in global passenger capacity totaling over 230,000 berths. In this context Costa's goal is to strengthen its leadership by marketing trend-setting products and services while guaranteeing the sustainable management of their direct impacts on the communities with which it interacts and on the environment.

MAIN CRUISE DESTINATIONS (GLOBALLY)

Source: CLIA data 2017



ECONOMIC IMPACT GENERATED IN EUROPE



Costa leads the expansion of the Asian market and eyes India for future development

Costa already has four ships operating regularly in Asia and a fifth, the Costa neoRomantica, is due to arrive in 2017 in Shanghai, where she will be refurbished so as to appeal specifically to her future guests. The Group's cruises in this region comprise over 200 destinations in 17 countries, making cruising one of the easiest travel options for anyone wishing to tour Asia; the nations with the most ports of call are Japan, China and South Korea. The introduction of new ports across Asia is important not only for cruisers but also for the local

economies on account of the substantial increase in the number of visitors to these destinations.

More specifically, China is expected to become the world's second largest cruise market by the end of the decade. The Costa Group was the first cruise company to enter the Chinese market back in 2006, once again confirming its reputation for being an industry pioneer. Costa's cruises are marketed in China as "Italy at Sea", offering Asian Guests an Italian (and European) style holiday experience with inimitable Italian-style hospitality, cuisine and entertainment, albeit tailored to the Asian clientele. Costa's presence in the Far East will be further strengthened with the entry into service of two new ships ordered specifically for deployment in Asia and due for delivery in 2019 and 2020. The Company is also eyeing the Indian market closely; there is huge business development potential in India, where cruising is still in its infancy.

CRUISE TRAVEL TRENDS



CUSTOMERS

- Intergenerational cruising is increasing in popularity together with cruise amenities designed to satisfy every age from tweens to seniors.
 - Younger generations – including Millennials and Generation X – will embrace cruise travel more than ever before.
 - Ships are the destination (no longer just means of transport), part and parcel of the vacation experience
- providing unprecedented onboard experiences and amenities.
- Increasing demand for *impact cruises* (more volunteer cruising options available) and *expedition cruises* (adventure travel).
 - Growing awareness of health issues and of the nutritional principles and sustainability characteristics of the items on the menu on board.



LOCAL COMMUNITIES

- Working with local stakeholders to enhance, preserve and protect habitats and communities.
- More private islands on cruise itineraries.
- Growing interest in and acknowledgement of the positive impact in terms of job creation.
- Request to identify synergies stemming from partnerships with (national and local) organizations so as to launch new initiatives providing hospitality for cruise guests.



BODIES AND AUTHORITIES

- Further evolution of the regulatory landscape with specific reference to shipboard safety and environmental compliance.
- Upgrading of port infrastructure to cater for ships powered by alternative fuels.



RESPONSIBILITY AND VALUE CREATION

Our business model

Costa Cruises manages its resources and the different forms of capital at its disposal ethically and responsibly, thereby stimulating a distinctive approach to business that is a model of excellence generating economic and social benefits

throughout the value chain in line not only with our business objectives but also with the demands and expectations of our stakeholders.

The Company's investments and core activities embrace many areas – especially shipbuilding, port services and the hospitality industry – with direct production

of added value as well as support for product innovation and innovation of the supply chain, and without overlooking emerging models of the circular economy. On our ships, hospitality skills are honed thanks to Costa Cruises' dedicated training and professional growth paths, leading to the generation of excellence and job-

specific expertise. Last but not least, Costa's work with the communities in the various ports of call has a positive knock-on effect with regard to local economic development, particularly in the form of creation of infrastructure and the transfer of know-how for the development of regional tourism.



 **INNOVATION & DEVELOPMENT**

- Technological innovation applied to shipbuilding
- Selection and procurement of raw materials
- Product design (competitiveness and reputation)
- Development and continuous improvement of processes (focus: reduction of impacts)

 **SHIPBUILDING & DRY-DOCKING**

- Partnership with the shipyard
- Development of highly specialized allied industries
- Indirect employment: indirect and induced labor in the yard and the supply chain
- Creation of complementary services

 **LOCAL COMMUNITIES**

- Port infrastructure: terminals (structured hospitality) and logistic hubs (procurement of goods and services for the ship)
- Services and infrastructure for guest mobility (embarkation and transit)
- Development of local transport links to tourist attractions
- Shore tours: definition with local stakeholders of a plan to protect and foster heritage
- Design of tours (visits to and selection of cultural and natural attractions) and of hospitality
- Development of specific tourism skills (guides and hospitality)

- Dedicated partnerships with training schools for hotel dept employees and Officers
- Supply of fresh foodstuffs and consumables

 **SUPPLY CHAIN**

- R&D of innovative products and services
- Development and sharing of competencies (creation of products, infrastructure and specific services)
- Indirect employment: supply of services and products

 **CRUISE HOLIDAY PLANNING**

- Development of competencies and sharing of know-how: holiday planning consultancy (travel agents) and customer service (call center)
- Economic impact (sales)
- Indirect employment: travel agencies

 **CRUISE**

- Product innovation: hospitality, wellness, entertainment and *food experience*
- Compliance with safety (passengers) and quality (product) standards
- Direct employment globally
- Development of human capital (training and skills development)

 **RECYCLING AND REUSE**

- Partnerships with Port Authorities and consortiums for disposal and recycling of materials (glass, plastic and aluminum)
- Recovery and recycling (indirect economic impact)
- More efficient use of water on board (use of the water produced on the ship)



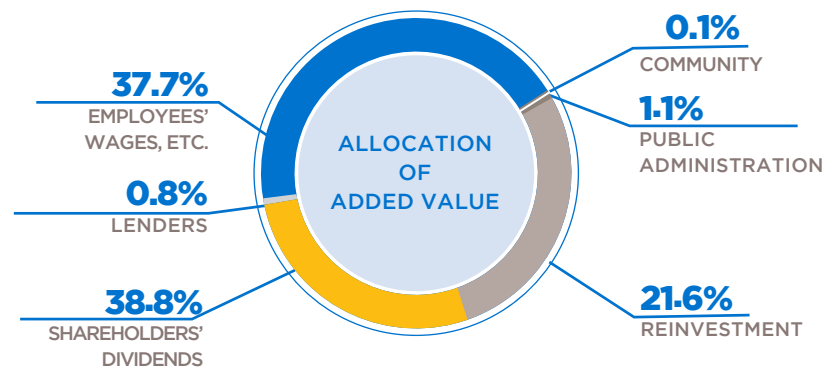
² Added Value was calculated for the Costa Crociere Group using the continuing operation principle.

Added value

In 2016 the net Added Value² produced by the Costa Crociere Group amounted to 1,554 million euros, a 12.9% year-on-year increase due mainly to the higher revenue from cruise sales and to the lower intermediate production costs as well as to the improvement in the balance of additional and extraordinary items.

The breakdown of Added Value is as follows:

- 37.7%** for employees' salaries, wages and social contributions
- 1.1%** for the State and Public Administrations in the form of income tax paid by Group companies
- 38.8%** for shareholders in the form of dividends
- 21.6%** for Company growth by means of reinvestment of a portion of net income (including 0.1% set aside for the Legal Reserve and 21.5% for depreciation of technical and intangible fixed assets used in the production process)
- 0.8%** for lenders remunerated by means of financial charges
- 0.1%** for the community by means of initiatives in support of organizations and associations



TOTAL ADDED VALUE	11/30/2016	11/30/2015	11/30/2014
A - Value of production	3,533,837,769.50	3,397,757,751.05	3,325,730,760.88
1. Revenues from sales and services	3,478,528,482.49	3,348,790,624.99	3,262,399,781.86
4. Other	55,309,287.01	48,967,126.06	63,330,979.62
Revenues from typical production	3,533,837,769.50	3,397,757,751.05	3,325,730,761.48
B - Intermediate production costs	1,983,606,367.36	1,991,055,787.28	2,024,042,246.91
6. Consumption of materials	543,828,343.15	575,022,416.78	641,308,781.01
7. Costs for services	1,388,882,083.36	1,366,545,867.73	1,290,165,102.01
8. Leases and rentals	13,419,663.93	13,750,518.38	51,090,129.92
10. Other accruals	8,291,743.23	8,130,327.34	7,444,607.06
11. Other operating charges	29,184,533.69	27,606,657.05	34,033,626.91
CURRENT GROSS ADDED VALUE	1,550,231,402.14	1,406,701,963.77	1,301,688,514.57
C - Additional and extraordinary items			
12. +/- Balance of additional items	4,696,569.16	-11,385,892.27	46,992.63
Additional (revenues)/costs	4,696,569.16	-11,385,892.27	46,992.63
13. +/- Balance of extraordinary items	-978,917.93	-18,308,671.74	3,342,644.64
ADDED VALUE	1,553,949,053.37	1,377,007,399.76	1,305,078,151.84



Costa Cruises' commitment to the Sustainable Development Goals (SDGs)

The need to reconcile economic growth with far-reaching social and environmental questions is something that involves institutional stakeholders, third sector operators, civil society as a whole and enterprises, particularly those operating on a global scale. This multi-stakeholder approach to the challenges posed has led recently to two summit meetings with key decisions redefining and re-launching the global sustainability agenda:

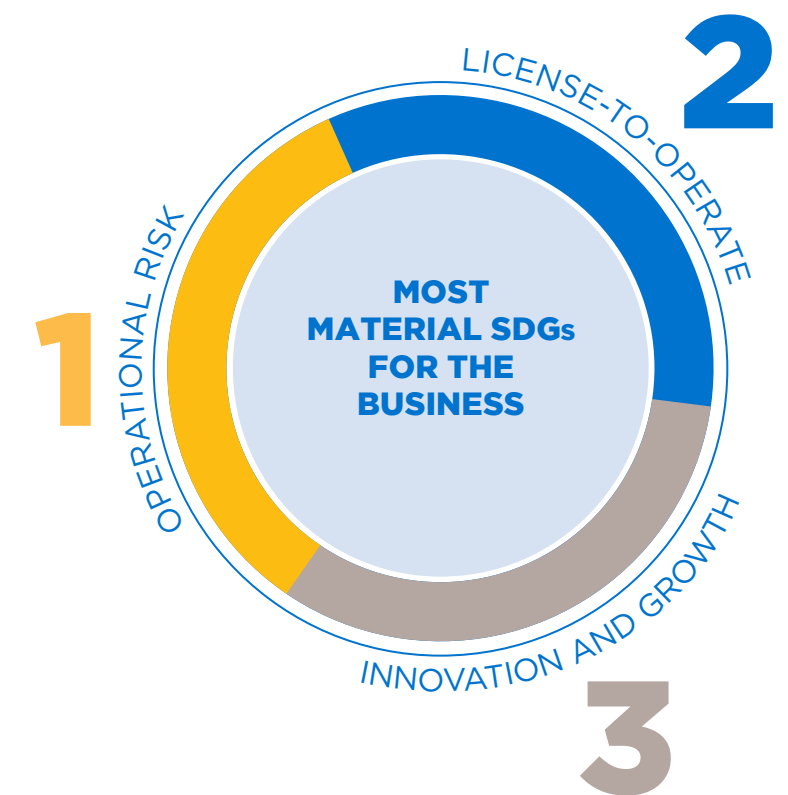
- the adoption of the **United Nations Sustainable Development Goals (SDGs)**, which officially came into force at the beginning of 2016;
- the UN climate change conference, which gave rise to the **Paris Agreement** to limit the global temperature increase (COP21), followed up in 2016 by the **Marrakech Climate Change Conference (COP22)**.

The part played by business in advancing sustainable development to prevent global instability is crucial. The private sector has a strategic role in jump-starting progress in this area, on account both of its financial resources and of its investment in innovation, technological development and economic growth. Though fundamental, the actions of corporations are insufficient on their own to advance the global sustainability agenda. A necessary condition for long-term sustainable growth is that global efforts to secure a truly sustainable and prosperous future for all are made by all parts of society.

Costa Cruises is aware that the UN Global Goals constitute an important opportunity to review its strategies with regard to sustainability issues. Rethinking the role of the business in

accordance with Costa's commitment to the SDGs means identifying potential areas of improvement in its operational plan and, above all, taking advantage of the opportunities for long-term development. This approach entails a step change in relations with external stakeholders, focusing on innovation and doing business according to transparent governance models. Based on this logic, Costa Cruises has carried out in-depth analysis of the actions taken to date as well as the Company's future commitments, classifying them in terms of their materiality according to three key dimensions for development of the business.

SDGs: KEY DIMENSIONS



³ Source: Business & Sustainable Development Commission – Better Business Better World

The Sustainable Development Goals (SDGs)

In September 2015 more than 190 countries met at the United Nations in order to discuss global development, ending poverty and protecting the environment. They signed up to the 2030 Agenda for sustainable development, summarized in the 17 **Sustainable Development Goals**. Also known as the Global Goals, the SDGs are the UN's invitation to the business community to incorporate creativity and innovation in business solutions designed to accelerate progress towards this positive vision for the future. Achieving the Global Goals opens up an economic prize of some US\$12 trillion by 2030 and could create 380 million new jobs³. Designing business strategies to achieve the Sustainable Development Goals means – on the one hand – gearing the financial system to a long-term approach aimed at constructive dialogue with the other parts of civil society, consumers and public bodies, thus building relations based on trust and – on the other – driving the transformation to sustainable markets and working with government agencies to ensure the most efficient and correct use of human and natural resources.

Costa Cruises has begun to reinterpret and review its commitments in line with the SDGs as well as with the Carnival Corporation & plc 2020 Sustainability Goals. (www.carnivalcorp.com)



SUSTAINABLE DEVELOPMENT GOALS: ACTIONS AND COMMITMENTS

	ACTIONS AND COMMITMENTS	OPERATIONAL RISK	LICENSE TO OPERATE	INNOVATION & GROWTH
	Support in the creation of new local economies in developing countries and support for overall improvement of working conditions.		■	■
	Partnerships with NGOs directed at transferring skills and know-how so as to reinforce the path to development for disadvantaged sections of society.			■
	Procurement policies ensuring sourcing of fresh foodstuffs based on criteria of proximity and seasonality (inclusion of local suppliers).			■
	Selection of partners committed to sustainability of the food supply chain.			■
	Review of food preparation processes on board so as to enhance quality and reduce wastage.			■
	Utmost attention to health, safety and security on board (guests and crew) beyond mere compliance with legal standards.	■		
	Raising awareness of guests and crew regarding a healthy lifestyle and responsible consumption.			■
	Professionalization of young people in the hospitality and tourism industry by means of partnerships with training schools set up by Costa in Italy and around the world.		■	■
	Continuous development of specialized skills for shipboard personnel (seafarers and hotel dept staff) in line with industry changes (technology and product).		■	■
	Implementation of a specific program to gradually redress the gender (im) balance on board, especially in key positions.			■
	Optimization of water management (increased shipboard water production), recycling and use efficiency (+5% by 2020, relative to 2010 baseline).	■	■	
	Selection of shoreside sources for bunkering in geographical areas where water is abundant.		■	■
	Implementation of fleetwide energy efficiency program with the gradual introduction of technology for the reduction of consumption and voyage optimization.		■	■
	Opening of new routes and itineraries globally.			■
	Definition of shore tours designed to promote and foster the cultural heritage and identity of the places visited.		■	■
	Creation of jobs in allied industries (logistics, procurement and tourism services) in the places visited.		■	■
	Economic and social benefits in local communities thanks to the professionalization of shipboard personnel (development of specialized tourism and hospitality skills).			■
	Implementation of Costa's Code of Conduct and Ethics and introduction of the Anti-Slavery Code also applicable to partners and suppliers.	■	■	
	Stimulate innovation of the industry through development of the new LNG ships and partnerships with specialized shipyards.			■
	Incentives to develop and upgrade port infrastructure for LNG bunkering.		■	■
	Contribution to innovation of systems in logistic hubs so as to optimize the supply chain (quantities and delivery times) for the goods required on board.		■	

	ACTIONS AND COMMITMENTS	OPERATIONAL RISK	LICENSE TO OPERATE	INNOVATION & GROWTH
	Generation of employment opportunities by policies of international recruitment and hiring of employees from developing countries.			■
	Social initiatives and projects supporting disadvantaged people in local communities at ports of call (<i>impact cruises</i>).			■
	New ships designed according to sustainability criteria and a holistic approach based on a floating "smart city".			■
	Memorandum of Understanding with the homeport of Savona for sustainable development of the cruise industry in the town.			■
	Public awareness campaign, directed at the townspeople of Savona, for the separate collection of aluminum.			■
	Reduction of waste generated by shipboard operations by 5% by 2020 (relative to 2010 baseline).			■
	100% of shipboard waste collected, separated and disposed of at port reception facilities able to guarantee recycling.		■	■
	Optimization of management of discharge of wastewater, in compliance with internal requirements stricter than the legal standards.		■	
	Initiatives and programs to sensitize guests and crew to the importance of responsible consumption of resources on board.			■
	Use of low sulfur fuel in Emission Control Areas.	■	■	
	Development and implementation of Eco Exhaust Gas Cleaning System to remove more than 90% of pollutants from exhaust gases fleetwide.		■	■
	Gradual introduction of LNG-propelled next-generation cruise ships.			■
	Full compliance with international regulations and with stricter internal requirements governing disposal of wastewater and waste, the marine environment and ecosystems.	■	■	
	Extended operation of the Advanced Wastewater Purification System (AWWPS) fleetwide by 2020 (+10% compared to 2014).	■	■	
	Prevention of inadvertent introduction of invasive, non-indigenous species by means of specific systems such as sequential ballast water exchange.	■		
	Framework agreement with the CNR supporting in-depth study of oceanography and marine science topics.			■
	Partner of the Whalesafe LIFE+ Project respecting the migratory patterns of whales.			■
	Implementation of the Giglio Island marine environment restoration program.	■		
	Planning of procurement (fresh food and water) so it is carried out in areas where there is no shortage of supplies.			■
	Implementation of anti-corruption policy and promotion of the need to respect human rights.	■		
	Governance of sustainability and sharing of information: management of the sustainability plan and roadmap, production of the Sustainability Report.	■	■	■
	Consultation with ministries and Italian embassies; dialogue with governments and institutions in the countries we sail to, aimed at finalization of the activities carried out locally (itineraries, port calls).		■	■
	Structured dialogue and collaboration with public and private stakeholders to identify shared value projects (enhancement and capitalization) that contribute to the dissemination of eco-friendly technologies and the sharing of know-how and skills to support sustainable development.			■

SUSTAINABILITY PLAN

The Sustainability Plan is Costa Cruises' roadmap to sustainable development and sets out our priority areas and long-term vision. Aligning our areas of intervention and engagement with the Sustainable Development Goals increases the consistency of the Company's strategic choices and keeps the focus firmly on the objectives of the 2030 Agenda.

SEA



PROTECT THE EARTH'S BIODIVERSITY AND THE DIFFERENT ECOSYSTEMS

- Help **safeguard** the **marine environment**
- Conserve and enhance the **natural environment** in the destinations visited
- Restore to the **Isola del Giglio** local community their terrestrial heritage and marine environment



MINIMIZE THE IMPACTS GENERATED IN AND AROUND THE PORTS OF CALL

- Increase energy efficiency and **reduce emissions** from the use of fuel by 20%
- **Rationalize routes** and **optimize** the **itinerary plan**
- Help **protect water resources** in areas where water is a scarce resource
- Reduce shipboard **water consumption**
- Promote the development of **waste recovery and recycling** projects



GUARANTEE SAFETY

- Maximize our commitment so as to guarantee the **safety of guests** and **crew members**
- **Set new standards** that go beyond international regulatory requirements
- Promote a **safety-centric corporate culture**



NUTRITION ON BOARD

- Encourage **healthy eating on board** for guests and crew
- Convey the **value** and taste sensations of the **Mediterranean diet**
- **Reduce food wastage**



CAPITALIZING ON DIVERSITY

- Promote cultural diversity and a **socially inclusive environment**
- Encourage each person to make their own individual contribution so as to capitalize on the **great cultural diversity** and **wealth of professional experience** of the workforce

YOU



INTEGRATE SUSTAINABILITY INTO MANAGEMENT OF THE SUPPLY CHAIN

- Prioritize **sourcing of local suppliers**
- Develop partnerships with enterprises committed to **responsible management of the supply chain**

TOMORROW



PROMOTE INNOVATION

- Support research in order to develop **innovative solutions** applicable fleetwide
- Design ships with low environmental impact and favor **cutting-edge propulsion systems**
- Develop **new products** meeting guests' needs and expectations while responding to the evolution of the cruise market



CONTRIBUTE TO THE CREATION OF VALUE

- Facilitate social inclusion and **economic development** in the local communities Costa Cruises engages with
- Collaborate with the main ports of reference so as to share development plans and **work to create shared value**
- Contribute to the fostering of local traditions and the enhancement of **artistic and cultural heritage**
- Support initiatives aimed at **improving the quality** of life of people in need and future generations



ENGAGE GUESTS ON THE PATH TO SUSTAINABILITY

- Sensitize customers to the importance of the **responsible use of resources** (water and energy)
- Promote wellness and a **responsible, healthy lifestyle**
- Encourage awareness of and **respect for the culture** and customs of the countries visited

Dialogue with stakeholders

Lasting, sustainable company growth is therefore closely linked to the ability to recognize and interpret changes in the market and in society. In this context, dialogue with stakeholders generally, particularly with public sector representatives and trade organizations, both in Italy and abroad, with discussion of issues arising from the economic, social and environmental impact of cruising, and continuous interaction with Carnival Corporation & plc, play a central role in identifying the

most important sustainability issues and assessing how best to incorporate them in the business, with a long-term approach set out in the Sustainability Plan. Dialogue and consultation with stakeholders was ongoing in 2016, partly so as to proceed with the implementation of the priorities already mapped out in the Sustainability Plan and partly so as to assess other aspects emerging on the path to integration of sustainability in the business.

MAP OF STAKEHOLDERS



MATERIAL ISSUES FOR COSTA CRUISES

- **HEALTH & SAFETY OF GUESTS AND CREW**
- **INTEGRATION OF SUSTAINABILITY WITH PRODUCT AND SERVICE DEVELOPMENT**
- **PROTECTION OF BIODIVERSITY AND ECOSYSTEMS**
- **CONTROL AND REDUCTION OF EMISSIONS AND OF ENVIRONMENTAL IMPACTS**
- **FOSTERING AND DEVELOPMENT OF POLICIES ON DIVERSITY AND INCLUSION**
- **FROM DIVERSITY TO PLURALITY AND INCLUSION SO AS TO FULFIL THE POTENTIAL OF HUMAN CAPITAL**

ADVANCEMENT OF THE SUSTAINABILITY PLAN

-  Site remediation and restoration of the seabed at Giglio Island
-  Integration of sustainability principles into the management of purchasing with a particular focus on the food & beverage segment (proximity and seasonality)
-  Fostering and development of policies on diversity and inclusion
-  Greater engagement with stakeholders in the ports of call so as to capitalize on the direct and indirect economic impact locally
-  Review of the food&wine experience focusing on the need to ensure a balanced diet
- Definition of a food waste reduction program
-  Check of port infrastructure for docking of the new LNG-powered ships

Integration of sustainability in the business

Responsibility for defining sustainability policies and monitoring the results obtained rests with a dedicated **Steering Committee**, consisting of the Costa Crociere CEO, the brand Presidents and representatives from the corporate functions most directly involved in implementation of the Sustainability Plan.

The Steering Committee is supported by the **Sustainability Department**, which is in charge of coordination of implementation of the **Sustainability Plan**, as well as liaison with the associated corporate functions and external stakeholders. The Sustainability Department also interacts with the relevant corporate functions and supports them in the analysis of impacts and the definition of potential areas of intervention. The department also plays a central role in promoting and pre-empting a corporate culture based on sustainability.

Doing business responsibly

Costa Cruises' determination to operate ethically and transparently is a pillar of its model of sustainable development and creation of value. The basic principles underpinning the commitment to maintaining the highest ethical standards are set out in [Carnival Corporation & plc's Code of Business Conduct and Ethics](#), which is fully embraced and applied by the Company.

The Code of Ethics provides the framework for the formulation of corporate policies and Company procedures regarding human rights, diversity and inclusion, business integrity, conflicts of interest, forms of corruption, environmental protection and sustainability.

The Company also abides by the **ILO core conventions** and the **OECD Guidelines for Multinational Enterprises**.

First and foremost Costa Cruises works with people: customers, employees and partners located all over the world. The fact that Costa Cruises is by definition a multicultural enterprise operating in a multicultural world makes the Company all the more conscious of the need to respect human rights. Costa is committed to recognition of fundamental human rights not only in its own activities but also with regard to those carried out by its partner organizations.

Engagement of suppliers and business partners

Costa Cruises' suppliers, consultants and travel agents are more than just external third parties – they are strategic partners who play a vital role representing the Company vis-à-vis institutions, organizations, other companies and especially customers, in Italy and abroad.

For this reason our contracts and agreements with them include specific terms and conditions whereby they agree to abide by the [Business Partner Code of Conduct and Ethics](#) and the **Anticorruption Policy & Guidelines** and **Antitrust Policy & Guidelines** defined by Carnival Corporation & plc. In order to facilitate knowledge of and compliance with these guidelines and the national and international network of regulations regarding these matters, in 2016 Costa Cruises continued to promote a range of educational and training initiatives for its employees at all levels of the organization, encouraging them to submit reports – anonymously or confidentially if so desired – of any wrongdoing through the Carnival Corporation hotline or online at www.carnivalcompliance.com.

29,051

TOTAL HOURS
OF ETHICS&COMPLIANCE
TRAINING



Costa Crociere Foundation

The Costa Crociere Foundation was set up with a mission to promote the social and environmental betterment of communities by means of specific projects selected for funding, of which there are currently 18 running in Italy and abroad. The Board of Directors of the Costa Crociere Foundation, consisting of members from within and outside Costa Cruises, operates independently and defines the Foundation's set objectives, guaranteeing the correct allocation of financial and non-financial resources for each project chosen. For more information see www.costa-crociere-foundation.com

Protecting the rights of the most vulnerable

Pursuant to the United Kingdom's [Modern Slavery Act 2015](#), Carnival Corporation & plc's Code of Business Conduct and Ethics, which Costa Cruises has adopted in full, explicitly condemns all forms of child exploitation and forced labor and states its intent to comply with and support laws and regulations relevant to slavery and human trafficking. Costa Cruises expects all of its suppliers to respect and follow applicable laws and regulations and to abide by our **Business Partner Code of Conduct and Ethics**, which specifically prohibits the use of slavery and human trafficking in our direct supply chain.

Governance system

Costa Cruises' corporate governance system, based on international best practices in line with the directives of Carnival Corporation & plc, is central to sustainable business success. It is structured in order to ensure high ethical standards and transparency in all Company activities and to effectively monitor operational risks, both of these things being essential to protect our reputation and retain the trust of our stakeholders.

To this end Costa Cruises periodically updates its **Business Management Model** (in accordance with the provisions of Legislative Decree no. 231/2001), which plays a part in guaranteeing transparency values and corporate accountability when dealing with internal and external stakeholders. In 2016 there were 4 management review meetings held to discuss critical issues and nonconformities, which were dealt with in compliance with the set procedures.

The Company's business is managed by means of a dual structure organized to oversee shoreside and shipboard activities. Responsibility for policies and management in the different areas, such as environmental protection and safety, rests with the functions centralized at Costa Crociere Group level reporting directly to the senior executives. Management of the processes and activities related to product development and market expansion is arranged with a separate organizational structure for each brand.

As regards shipboard management, the specific functions operate in close consultation with the different shoreside

departments, in accordance with the relevant procedures and policies. Responsibility for governance of the ship and the entire crew lies with the Master, who is the shipowner's direct representative on board.

Managing risks and internal auditing

In Costa Cruises the risk prevention and management policy is based on a model developed globally by Carnival Corporation and taking into account the main international **Enterprise Risk Management (ERM)** standards.

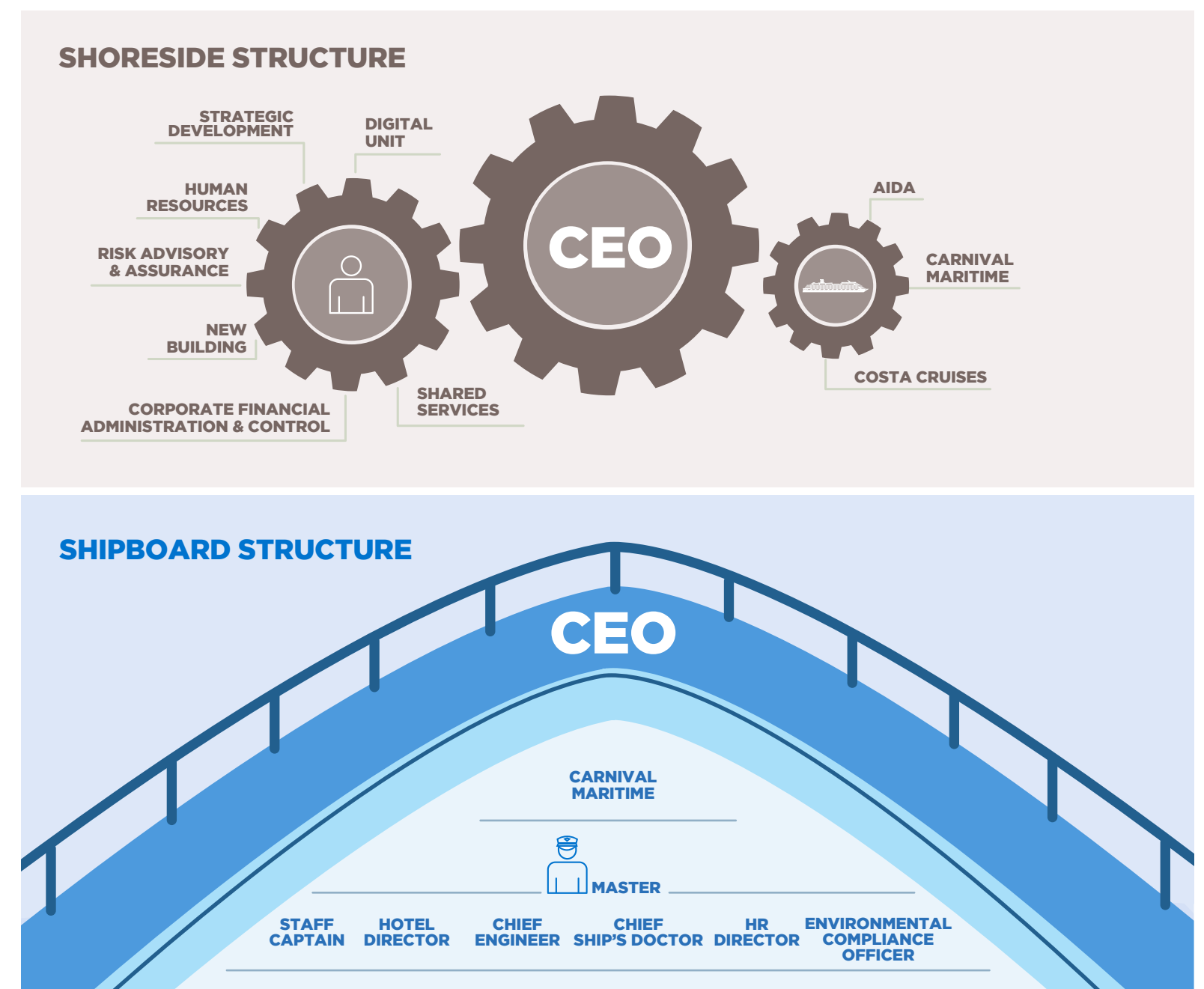
Some of the risk factors to which the Company is exposed are those affecting tourism as a whole whereas others are more specific to the cruise industry. Among the factors occupying a prominent position in the risk matrix is accident prevention and – more generally – guest and crew health and safety, as well as regulatory compliance, especially with regard to environmental laws. Other variables include the growing concern with risk factors arising from the changing geopolitical situation internationally, directly impacting the assessment and management of routes, itineraries and destinations.

Our risk framework is part of the **ERM** program, which is facilitated by the **Risk Advisory and Assurance Services (RAAS)** Department. This department works closely with management to perform annual assessments, identify risks and evaluate controls to ensure compliance with Company policies and procedures, as

well as laws and regulations. Management reviews the assessments and updates thereto with the **Audit Committee**.

In 2016 audits were held fleetwide (15 HESS Audits, one on each ship, and 10

Verification Visits to certify the progress/closure of corrective actions). During the year, in response to a nonconformity, one additional Audit was conducted on a fleet member.





SAFETY MANAGEMENT

¹ Issued by IMO (International Maritime Organization) and including SOLAS (Safety of Life at Sea), the name of the international convention concerning the safety of merchant ships.

² Assessment of compliance with the relevant requirements is carried out by the Risk Advisory and Assurance Services (RAAS) Department, which prepares the associated reports and submits them to the relevant Head Office department and to each ship.

For Costa guaranteeing safety on board and throughout the voyage (including embarkation and disembarkation of guests) is a vital part of responsible business management. We do our utmost to foster an across-the-board safety-centric corporate culture in order to prevent any potential risk and help ensure that safety is of the utmost concern to the cruise industry as a whole. The Company goes beyond mere compliance with reference standards and regulations¹ and also acts in accordance with the guidelines laid down by Carnival Corporation & plc, the most up to date and effective in the industry. The procedures implemented to guarantee the protection of guests, crew members and Company assets (ships, port terminals and IT systems) are managed using an integrated approach and are always in line with the key reference policy, namely the **Corporate (Health, Environment, Safety & Security) HESS Policy**. Costa Cruises' Safety Management System

(SMS) ensures that occupational safety² is an integral part of its shipboard and shoreside managerial processes with harmonization between the Corporation's practices and procedures, regulatory requirements and the **OSHAS 18001 standard**.

Shoreside and shipboard safety

Costa Cruises' ships are designed, built and maintained in full compliance with international safety standards. They are also subjected to regular dry-docking and periodical surveys and audits.

At sea, safety monitoring is carried out nonstop using state-of-the-art equipment in accordance with specific operational procedures. The Company has a satellite communication system to ensure constant real-time global coverage of all the members of the fleet as well as of the sea and weather conditions.

National and international laws impose regular and unscheduled surveys in

order to verify ships' efficiency level and the maintenance condition of structures, machinery, plant and other equipment on board, including safety equipment. Costa also has a program of internal inspections to verify compliance with procedures and performance of scheduled fleet maintenance. The human factor is as essential as technology when it comes to preventing dangerous situations. For this reason our crew members are trained to have a perfect understanding of the procedures and acquire the competencies they are required to apply in an emergency situation.

Costa has an electronic system – using cards given to guests and a server – for the identification of people on board the ship and the management of the regularly scheduled boat drills held in embarkation ports before departure. A general safety video is also aired on the in-cabin television system for guest viewing. Outside decks, public areas and

ship access points are monitored 24/7 by CCTV.

Costa's port calls are managed by means of security processes designed to minimize security-related risk while allowing the smooth flow of guests, crew and supplies. Security personnel (comprising third party suppliers and local authorities) maintain strict access control to the ships, with passenger and luggage screening checkpoints similar to those found at airports. The **Care Team** is a special Costa emergency response unit set up to handle cases involving individual passengers. Similarly, the **Crew Care Team** provides assistance to individual crew members.

95,882
TRAINING HOURS
(SHIPBOARD SAFETY)

1,256
TRAINING HOURS
(SHORESIDE SAFETY)

The **choice and planning of itineraries and destinations** takes into account the risk factors associated with each country. The Company pays close attention to the global geopolitical situation and analyzes the intelligence gathered from the relevant stakeholders (Embassies, Consulates and the Ministry of Foreign Affairs) in order to determine in advance whether it is necessary to change an itinerary and any port calls. Possible changes of cruise route due to an emergency affecting a specific destination are assessed by Carnival Maritime (Company Security Officer);

this assessment includes liaising in real time with Costa's internal organizations for the purpose of authorizing port calls and implementing security measures. The same type of approach is used when it comes to planning shore tours: for Costa Cruises, safeguarding the guests means offering them ashore the same standard of safety that is found on board the ships – indeed, a reassuring sense of security is an integral part of the enjoyment of each destination. The Costa shore excursions listed in the brochure are designed together with local tour operators so as to ensure

compliance both with the regulations in force in the country concerned and with the strict rules enforced by our Company regarding transfers, safety in the places visited and scheduling of re-boarding times.

Occupational Health and Safety

Protecting the health and safety of workers, especially shipboard employees, is one of Costa Cruises' top priorities. The Company is committed to preventing occupational accidents and guaranteeing the highest safety standards for crew members. Safety training³, constant monitoring of risks and continuous updating of technology and Personal Protective Equipment are all integral parts of Costa's Occupational Health and Safety Management System⁴. The system procedures are defined centrally allowing the application of international safety requirements on all the ships and ensuring their perfect alignment with the Company's goals of prevention and reduction of risks.

At every level of the organization the highest priority is placed on the development of a corporate culture of prevention and workplace safety generally. All crew members receive ongoing training and are made aware of the direct link between occupational safety and the safety of the guests. Periodic audits are conducted, both by internal corporate auditors and by external third-party certification and regulatory auditors; in 2016 there were 15 internal audits and 1 external audit. As far as concerns the number of shipboard accidents (the number of shoreside accidents is negligible), this was in line with the figure for the previous year (618 vs. 617).

³ Particularly for crew members engaged in maintenance of the ship and the engine room, the work education programs include a large amount of on-the-job training designed to prioritize hands-on experience. Costa's Deck and Engine Officers also regularly attend training and refresher courses at the CSMART Academy, Carnival's state-of-the-art maritime training center.

⁴ The SMS is in compliance with applicable laws, general requirements and industry-specific rules, including the reference standard.

150,246
HEALTH AND SAFETY TRAINING HOURS SHIP + SHORE

CARE TEAM FACTS & FIGURES



(* Medical disembarkations account for 85% of the (guest and crew) cases

SEA





THE ENVIRONMENT OUR EARTH, OUR HOME

Growing while respecting the environment

Respect for the environment is not just a moral obligation for Costa Cruises, it is the way forward on the path to sustainable development in a complex, rapidly expanding sector like the cruise industry. The constant focus on reduction of emissions, optimization of consumption and protection of public health is the main distinctive feature of our business development model and all of these aspects are part and parcel of our operational activities.

If we are going to meet our objective of minimizing our environmental footprint it is vital to ensure the active involvement of all the relevant stakeholders – especially our guests on board the ships, the logistics chain and local organizations in and around the ports of call. The growth of Costa's productive capacity, reflected by the expansion of its fleet, means that the Company's business context is a dynamic one that is changing all the time. Maintaining the same level of excellence in the environmental field depends on guaranteeing management based on rigorous standards and procedures which, in many cases, go beyond regulatory requirements.

This is the logic underpinning all our investment plans aimed at implementing solutions that are safe, ecologically sustainable and economically viable, combining use of the best conventional technologies with alternative systems, while embracing aspects of ship design, with the awareness that this is the way forward towards responsible innovation for the cruise industry.

“Closing the loop” of product life cycles

The circular economy is a system in which all production – i.e. value creation – is organized so that waste as such does not

exist insofar as waste products are actually resources for subsequent use based on the idea of cradle to cradle. In recent years, this interpretation has gradually become the model of reference for production, trade and consumption in a perspective of sustainable development, contrasting with the inefficiencies of the processes of the current model of linear economy (produce - use - throw), which is seen as increasingly costly for businesses, the community and the environment.

Costa Cruises' modus operandi and the specificity of the cruise business entail the gradual reduction of negative externalities and enhanced protection of resources during all phases, from supply to consumption and, where feasible, recycling and reuse. Incentives for this approach come in the form of the constraints imposed by cruising, especially the continuous operation of ships, making

it necessary to rationalize as far as possible the use of resources and minimize the amount of waste to be disposed of.

The European drive towards a model of the circular economy

According to a major study by the **Ellen MacArthur Foundation**¹, a transition to the circular economy in Europe could

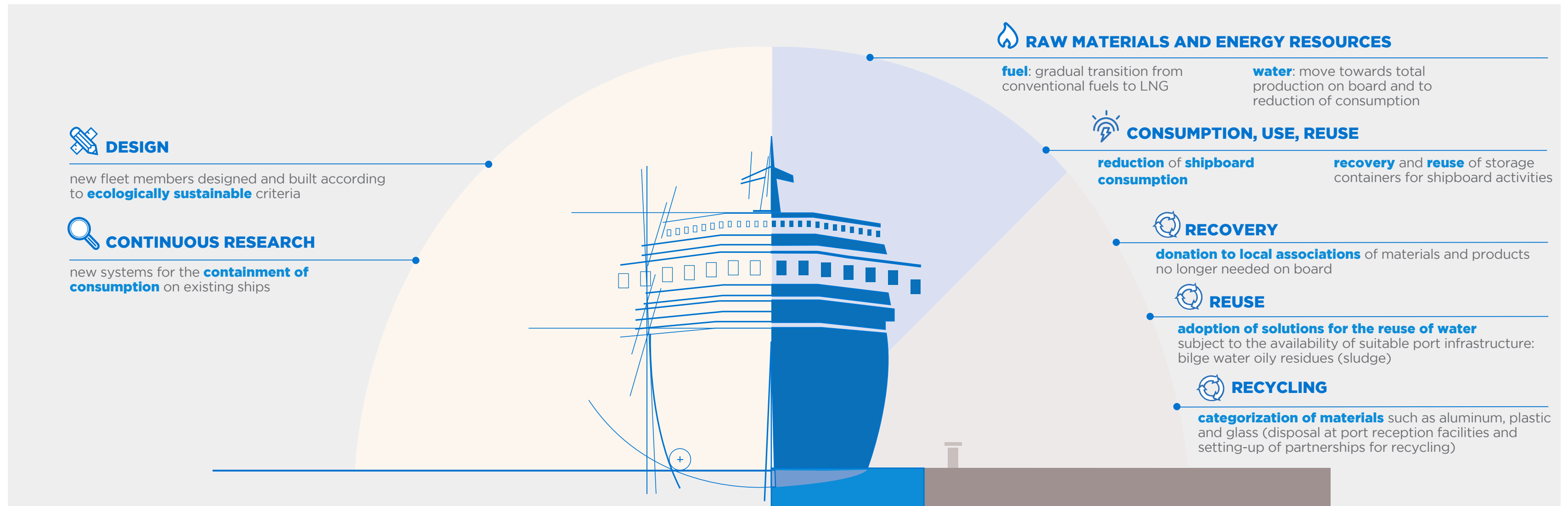
result in overall benefits of €1.8 trillion by 2030 with a 7% increase in GDP, the creation of new jobs and 3% greater productivity of resources per annum. As the **European Commission**² points out, transition to a more circular economy requires changes throughout value chains, from product design to new business and market models, from new ways of turning waste into a resource and

new modes of consumer behavior. This implies full systemic change, innovation and massive investment in technologies, organization, society and policies.

¹ One of the ten largest private American foundations, the Ellen MacArthur Foundation supports research programs accelerating the transition to the circular economy.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards a circular economy: A zero-waste programme for Europe (2014).

CONTAINMENT AND REDUCTION OF IMPACT



These guidelines, formally embraced in Italy by ENEA³ through the presentation of an Action Plan for development of an “Italian model” of the circular economy, are designed to provide the impetus for change globally. In this initial stage marked by the participation of the enterprises most engaged at a national level, Costa Cruises illustrated a series of multi-stakeholder projects aimed at mitigating impacts at destinations, reducing consumption and recycling of shipboard materials.

³ Italian National Agency for New Technologies, Energy and the Environment.



Environmental leadership of cruising relative to other maritime fleets

The findings of a report⁴ commissioned recently by CLIA⁵ demonstrate that, though it accounts for less than 1% of the global shipping trade, the cruise industry leads the way in terms of environmental performance. The research, carried out by independent experts, shows cruise lines’ willingness to invest in innovative technology and to implement ambitious voluntary policies with regard to the environment so as to protect marine ecosystems and mitigate impacts, advancing performance in comparison with regulatory requirements and with the wider global maritime industry. Progress includes the introduction for future ships of low-emissions alternative marine fuels such as LNG as well as innovation designed to reduce consumption, emissions control measures and continuous optimization of existing waste disposal systems so as to reduce impact.

⁴ Final Report: Evaluation of Cruise Industry - Global Environmental Practices and Performance prepared by Energy and Environmental Research Associates, LLC.

⁵ CLIA: Cruise Lines International Association.



A CAN IS AN INCREDIBLE “ENERGY BANK”.

-95%
REDUCTION IN CO₂ EMISSIONS

SINCE 2007 WE HAVE COLLECTED AND RECYCLED

393

METRIC TONS OF ALUMINUM



THIS EQUATES TO

32
MILLION CANS

4.7
MILLION CANS COLLECTED IN 2016

+21%
COLLECTED COMPARED TO 2015

EQUAL TO
58.67
METRIC TONS

PLACED END TO END THEY WOULD COVER A DISTANCE OF

3,915 km

THIS IS THE EQUIVALENT OF TWO

7-DAY

MEDITERRANEAN CRUISES ON THE **COSTA DIADEMA**



WITH
393

METRIC TONS OF ALUMINUM YOU CAN MAKE

39,300
BICYCLES



840,000
MOKA COFFEE MAKERS



41
CARRIAGES FOR HIGH-SPEED TRAINS



Aluminum: collection, recycling and awareness raising

Implemented in partnership with CIAL (*Consorzio Imballaggi Alluminio*, Italy’s National Consortium for the Recovery and Recycling of Aluminum) and the Savona Port Authority starting in 2007, our project for the promotion and development of the separate collection and recycling of aluminum drink cans is unprecedented in the industry and is an example of the way in which the model of the circular economy can be applied to the ship and, above all, of how the process of raising awareness of the importance of this separate collection can be extended to the wider public. The awareness campaign for the separate collection of aluminum aimed at the local community in Savona and carried out in 2016 in collaboration with the Municipality (under the patronage of the Ministry of the Environment and Protection of Land and Sea) shows how a long-established alliance can be used to foster best practices associated with the development of the circular economy.

Efficiency so as to reduce impacts

Developed based on guidelines defined by Carnival Corporation – set out in the **HES Policy** – Costa Cruises’ Environmental Management System is structured to promote a proactive approach striving for excellence and going beyond mere compliance with existing laws and regulations. Operational viability of the system is ensured by the shipboard personnel, who receive specific training regarding implementation of the dedicated action plans for each area of intervention.

The **Environmental Plan** is the starting point: it sets out short and long-term objectives and is a cornerstone of Costa Cruises’ approach to sustainability.

In accordance with the Environmental Plan, the **Environmental Management**

System (certified to the ISO 14001 standard) defines the best management methods and actions for the purpose of compliance with the relevant rules and regulations, and determination of the necessary investments. The main areas of intervention on board are aimed at energy efficiency, reduction of exhaust emissions, waste management, and the production, use, recycling and disposal of water. The system also provides indicators to monitor and evaluate the effectiveness of management and the capacity to mitigate impacts. Monitoring of the environmental performance of each ship is now even more efficient thanks to the development and use of a software platform which conducts an assessment and reveals any underachievement

vis-à-vis objectives; this, in turn, enables identification of corrective and improvement actions. Use of a digital platform means there is ready access to the relevant information, documentation and training materials. As an integral part of the Environmental Plan, all shipboard employees receive regular training in the form of courses tailored to their specific job responsibilities.

Following the setting-up of Carnival Maritime, the maritime classification society **RINA (Italian Shipping Register)** surveyed the whole fleet and subsequently issued **ISO 14001** and **OHSAS 18001** certification covering the Company’s environmental management and occupational health & safety systems, respectively.

Optimizing port traffic, a beneficial partnership for all

In 2016 Carnival Maritime’s commitment to constantly enhance its shipping operations resulted in its collaboration with the **Hamburg Vessel Coordination Center (HVCC)**. This partnership provides for implementation of a system to optimally plan the movements of the ships in the fleet and reduce impacts in the Port of Hamburg and on the river Elbe. For this purpose, Carnival Maritime is sharing the expected arrival and departure times of the ships with the Nautical Terminal Coordination Department of the HVCC.

The HVCC is a central, port-wide coordination center for mega-ship, feeder and inland vessel traffic in the Port of Hamburg. The above-mentioned department supports port authorities and companies as well as ocean carriers to ensure smooth traffic flows of the increasing number of large ships in what is one of Europe’s busiest ports. Sharing this information with the respective ship’s command allows vessels to optimize their speed and reduce traffic congestion. This, in turn, means saving on fuel and emissions, less waiting time and consequent economic benefits. This system also provides advantages for cruise guests. They find out well in advance about any adjustments to the travel schedule and can therefore adapt their activities and enjoy their time to the fullest.



(*) Increase due partly to the overall rise in the number of passengers



ENERGY CONSUMPTION AND EMISSIONS

⁶ Two kinds of fuel are used on board Costa's ships: 1) Heavy Fuel Oil (HFO), a type of blended oil used in ship's engines and for the generation of electricity and 2) Marine Gas Oil/Marine Diesel Oil (MGO/MDO), which is more refined fuel intended for marine use, employed for auxiliary services. In accordance with the Corporation's internal regulations, HFO is further broken down into two categories: High Sulfur Fuel Oil (HSFO) and Low Sulfur Fuel Oil (LSFO); the latter has a reduced sulfur content and is a much cleaner fuel than the former. Costa Cruises uses LSFO whenever requested.

⁷ The target is a 25% reduction by 2020 when compared to emissions in 2005.

Optimization of fuel use and reduction of emissions are strategic sustainability objectives for the Company. Together with the renewal of the fleet thanks to the introduction of the first LNG-powered vessels, these issues are tackled by means of a multipronged approach comprising all possible areas of intervention and practical solutions for the ships currently in service, without ever impinging in any way on safety, which remains the number one priority.

Ship propulsion and operations account for almost all shipboard energy consumption and **direct emissions** of CO₂. Each member of the fleet has a ship-specific **Ship Energy Efficiency Management Plan** (SEEMP). Efforts to reduce consumption of shipboard fuel⁶ concentrate mainly on optimization of **vessel speed** and **course adjustment**, and implementation of **innovative technical solutions** for ship

efficiency performance management. The business intelligence software used enables the analysis of detailed comparative data regarding shipboard energy consumption and the identification of potential further energy-saving measures, so as to minimize deviations from the optimal energy consumption profile.

Costa has included in its **Environmental Plan** a series of other energy efficiency projects and initiatives, specifically linked to efforts to reach Carnival Corporation's target of a 25% reduction in greenhouse gas (GHG) emissions⁷.



REDUCTION OF FUEL USE AND ENGINE EMISSIONS

Optimum ship trim evaluation systems.

Optimum use of shipboard diesel generators at sea and in port.

Installation of technology to increase the amount of waste heat recovered from engine cooling water.

Installation of frequency converters for electric engines for ventilators, for engine room air conditioning stations and for engine room auxiliary service pumps.

Rational management of shipboard incinerators.

Use of automatic lighting control system designed to adjust the external lighting of the ship in accordance with the current sunlight intensity.



REDUCTION OF EMISSIONS

NOx, SOx & PM10

Implementation of the ECO Exhaust Gas Cleaning (ECO-EGCTM) system to remove more than 90% of pollutants from the exhaust gases irrespective of the ship's operating condition – at sea, during maneuvering and in port.

Use of cleaner (low sulfur) fuels in Emission Control Areas (ECAs).

CO₂

Investment in LNG propulsion systems.



SHIP OPERATION AND MAINTENANCE INITIATIVES

Use of state-of-the-art ecological coatings.

Planned maintenance of the hull and regular scheduled cleaning of the propellers.

Optimum use of the HVAC (heating, ventilating and air conditioning) system in the public areas (Demand Flow Phase One where applicable).

Optimum regulation of the HVAC system.

⁸ It is pointed out that GHG emission calculations for “Scope 3” (supply chain) use various sources of secondary data since primary data is unavailable. The secondary data sources are not all encompassing as Carnival Corporation is still evaluating other potential energy consumption activities; CO₂ emissions related to capital goods have not yet been calculated.

(*)Amount calculated for the whole Carnival Group and for Costa Cruises proportionally based on the number of ships in its fleet.

With regard to **indirect emissions** like guest transport to and from ports of embarkation, business travel and logistic activities related to transport and deliveries of supplies, Carnival Corporation makes estimates for each Operating Line⁸. Based on this estimate, the portion attributable to Costa Cruises’ upstream activities for 2016 amounted to 8,115 metric tons of CO₂ (*). In this connection Costa Cruises is engaged in the assessment and promotion of alternatives to transport by road and, where possible, by air. The most significant initiative is the partnership with Trenitalia for “train + cruise” packages in Italy, which began more than three years ago. The Rail&Cruise formula has had a positive effect in terms of the indirect impact of Costa’s operations, shifting some traffic from road to rail and reducing emissions in and around the ports concerned. The Company has also focused on introduction of a program to rationalize the use of transport carrying cruisers on shore tours, the aim being to have a full load of passengers on each means of transport based on the number of excursion bookings.

Costa Mediterranea: a LAB for energy efficiency

For more than five years now, the Costa Mediterranea has been a veritable floating laboratory used to test and subsequently implement energy-saving measures and systems. The Costa ship, which is being used as a model for a program due to be

implemented fleetwide by the Corporation, has been serving as a test bed for a team of specialists experimenting with a range of measures aimed at reducing energy consumption on board (loads not related to propulsion) while at the same time assessing performance. The main areas of intervention are optimization of air conditioning systems (including public areas), replacement of refrigeration systems and installation of LED lighting units.

The project began in 2012 and has yielded significant results with a systematic 45% reduction in electrical load (which can be replicated on every vessel). In a highly complex, self-contained environment like a ship, where all the processes are directly linked and interrelated, achieving this kind of energy efficiency means substantial environmental benefits.

Following implementation of the pilot project, in 2016 efforts focused on perfecting the monitoring processes, controlled directly by **Neptune Engine**, a tool designed to examine ship data and provide an optimum approach to management of all the relevant parameters. An integral part of the roll-out phase is the education plan for operational personnel required to ensure effective process management and application of the newly introduced rules.



Agreement with Wärtsilä for engine efficiency and reduced impact

Carnival’s decision to strengthen its existing partnership with Wärtsilä, a global leader in advanced technologies and energy efficiency for the marine industry, is in line with its strategic objective of further increasing the operational efficiency of the engines fitted on the ships in the Corporation’s fleet, including those belonging to Costa Cruises. The agreement includes Wärtsilä’s **Dynamic Maintenance Planning (DMP)** and **Condition Based Maintenance (CBM)**. These services are based on capturing digitalized data streams from every engine, after which this data is analyzed by specialists. This allows real-time optimization of the equipment whilst predicting operational and maintenance demands. Engine efficiency and fuel consumption will be measured on a regular basis, with improvements to fuel efficiency and fleet emissions quality based on continuous monitoring and data analysis.

Water is a precious resource

There are 17 United Nations Sustainable Development Goals. Number 6 is Clean water and sanitation. Water is vital for life and every effort must be made to conserve it and prevent wastage and pollution. Costa Cruises is well aware of the need to respect and protect water resources, and accordingly works constantly in order to research and develop more advanced systems so as to reduce consumption and promote recycling.

Meeting the demand for water sustainably

The Company's largest commitment in this area is the gradual increase in the amount of water produced directly on board. Indeed, most of the water on the ships for human use is produced on board by means of special desalination plants. The percentage of water generated on board from seawater varies from ship to ship depending on a range of factor such as the itinerary, cruising speed, sea and weather conditions, and the type of equipment installed.

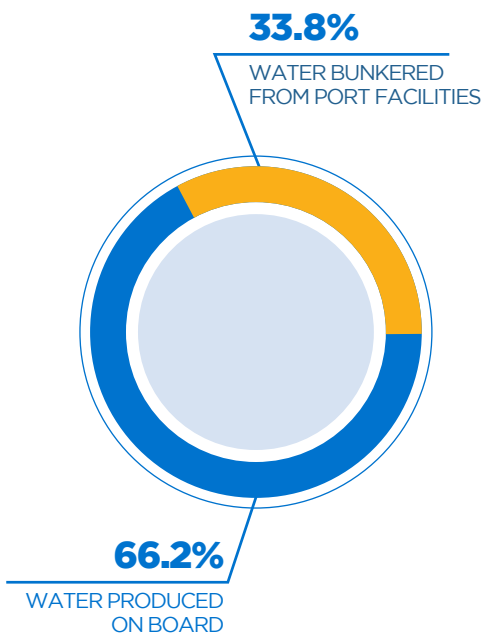
In 2016, 66.2% of the water used was produced in this way, compared with 69% the previous reporting period; the decrease was mainly due to the introduction of new cruise routes.

The fact that less water is bunkered in ports of call is very important, especially in areas where water resources are scarce. It goes without saying that the water produced on board is suitably treated, disinfected and made safe to drink in compliance with international public health regulations. Costa Cruises has always prioritized the efficient management of water resources focused on maximizing **reuse** (with regard to the engine cooling water system) for cleaning of cabins and public areas (e.g. pools). In addition, the Company arranges **awareness-raising activities** to limit consumption and encourage the responsible use of water by guests and crew.

Wastewater management

Treatment of the wastewater produced on board is a particularly delicate management issue in relation both to the impacts generated directly on the marine environment and to the protection of the health and safety of workers. Not all the water used on board can be recycled for other uses; in such case it must be specifically treated and disposed of in compliance with strict procedures so as to prevent polluting discharge. Costa Cruises uses advanced wastewater treatment systems, deliberately designed to go above and beyond regulatory requirements. The type of treatment depends on the kind of water – namely bilge water, gray water, ballast water and sewage (flush water and liquid waste).

In exceptional cases like an emergency, it is always possible that a spill or discharge of wastewater may occur (at sea or in port). Any spill or discharge constituting an environmental incident is reported immediately to the competent authorities in the port/territorial waters where it occurred and results in an administrative sanction. In 2016 there were 4 spills of lubricating oil, treated sewage and gray water, and all four were minor incidents dealt with by the shipboard personnel, who are regularly trained to take all possible steps to clean up and minimize the environmental impact of a spill in line with Company procedures. No grievances about environmental impacts were filed by stakeholders during the reporting period.



Towards potable water self-sufficiency

One of the Company's strategic objectives is to be totally self-sufficient for potable water by taking on and processing seawater. The highly innovative prototype installation (operating on board the Costa Serena from 2017) is the result of a joint venture between **Carnival Maritime** and **Presentwater AS**. The new hybrid water production system, which is extremely attractive in terms of its environmental benefits, eliminates the need for water bunkering from port facilities and for a ballast water treatment system. Seawater taken on by the Costa Serena in the open sea will be filtered, disinfected, preheated and intermediately stored for further processing through a hyperfilter reverse osmosis plant before the permeate is chlorinated, all in compliance with US Public Health regulations. Once the system is installed fleetwide, water bunkering will be a thing of the past, with significant savings also by avoiding oil-fired boiler consumption to produce steam and BWMS installation.



The Warka Water Project

Costa Cruises' commitment to responsible water management is also translated into practical action facilitating access for local communities in places where ready availability to this vital resource is not possible and basic infrastructure and hygiene are lacking. One example of this is Costa's decision to support the Warka Water Project.

Warka Water, a water tower designed by architect Arturo Vittori that is handmade with natural materials, captures large quantities of potable water from the air by collecting rain, harvesting fog and dew. The 9-meter high tower has a reticular structure with a triangulated frame made from reeds, a natural material that is readily available, and it can be easily built by local people. Inside the tower is a network made of a special fabric and polyethylene textile designed to collect up to 100 liters of drinking water per day by means of condensation. The name of the project "Warka" – chosen by the architect – comes from the Warka Tree, a giant wild fig tree native to Ethiopia which is traditionally a symbol of fertility and generosity. In rural Ethiopian culture the tree is also a gathering place for the community. Costa Cruises will transport the first Warka Water tower on board one of the ships in its fleet operating in Madagascar and will provide assistance with its installation in the **village school** at **Tapakala**, a place featured on the Company's shore tour program.

Integrated Waste Management Plan

Cruise ships carry thousands of passengers at a time and are essentially floating hotels, with all the amenities that accompany them, plus they have the additional constraints associated with travel by sea; it follows that the waste produced on board must be managed very carefully. Costa Cruises' approach is designed to minimize the amounts of the different types of waste generated, as far as possible, and to implement the standardized management of recycling,

reuse and recovery of materials on board. Details of this policy, which is inspired by the concept of the circular economy, can be found in our **Waste Management Plan**. It is gradually becoming a cornerstone of Costa's business model for sustainable development. In addition to complying with the international MARPOL Convention⁹, which only permits the discharge at sea of certain categories of waste such as wastewater and ground

food waste, the Company collects all waste on board separately and plans to increase the number of different waste streams. As regards the management of hazardous and toxic materials, Costa Cruises works at the source in order to reduce as far as possible the use of chemicals, replacing them with non-toxic products. Not all the ports of call apply the same policy concerning separate collection and disposal of waste streams, and

local rules and regulations differ from place to place. In order to mitigate the associated impacts, especially where local requirements are not very stringent in this regard, and so as to continue ashore the eco-friendly policy implemented on board, Costa does its utmost to use port reception facilities that will guarantee segregated waste disposal and recycle the materials discharged from its ships.

6.7
LITERS TOTAL WASTE
PER PERSON PER DAY

-9.5%
YEAR-ON-YEAR
DECREASE

⁹ More specifically, Annex V revised 2013.

THE SHIPBOARD WASTE CYCLE

REDUCTION

Greater efficiency and responsible consumption in the production processes (hotel, restaurants, bars, etc.).

Reduction in packaging (on board and in the supply chain).

Raising awareness of guests and crew regarding responsible consumption.

SEPARATE COLLECTION AND PROCESSING OF WASTE STREAMS

Separate collection of waste streams on board according to a process of categorization¹⁰. Maximization of the amount of waste sent for recycling.

Separate bins with collection points throughout the ship. Passengers and crew actively involved in helping to recycle waste properly.

Grinding (organic material).

Crushing and compacting (plastic, glass, metal and aluminum).

Incineration (domestic waste and oily rags).

DISPOSAL

Disposal to shore reception facilities.

Selection of ports with suitable facilities for recycling the materials discharged from ships.

RECYCLING (WHERE POSSIBLE)

Temporary storage in port facilities of material intended for recycling.

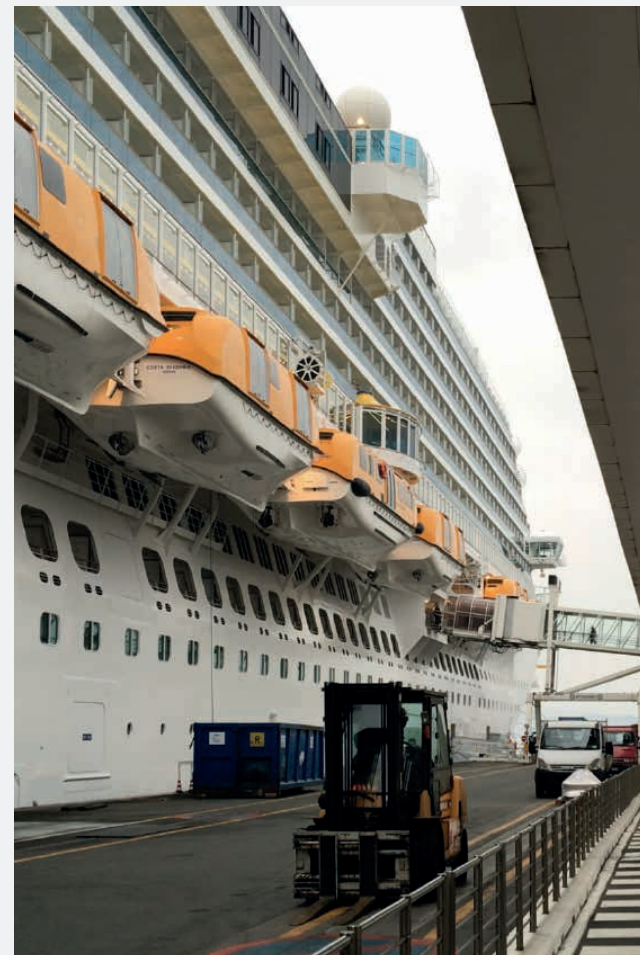
Joint efforts with ports of call and establishment of partnerships with local organizations and consortiums.

REUSE ON BOARD

Storage containers (e.g. metal drums, containers for transport of dangerous goods, jute bags).

RECOVERY

Donation to local associations of goods and materials that are replaced on board but still usable. Lengthening of product life cycles with benefits for the community.



¹⁰ Waste is categorized according to the classification laid down in the international MARPOL Convention for the prevention of pollution from ships. For more information see the GRI SECTION table.

Unique ecosystems to be preserved and support for scientific research

Around the world, the ships in the Costa fleet operate in or near numerous environmentally sensitive regions, where nature's balance is particularly delicate. Accordingly, minimization of the impact on the Earth's biodiversity and on the different ecosystems wherever Costa's ships sail is one of the cornerstones of the Company's environmental responsibility strategy. Special attention is paid to the sea and the coasts: the top priorities are reduction of air emissions and water consumption, and the correct disposal of wastewater and solid wastes produced on board.

At the same time, Costa Cruises has adopted several specific precautionary measures – requirements stricter than those laid down in the relevant international standards – regarding restrictions in marine-protected areas and protection of marine mammals and other species in danger of extinction. In addition, Costa has always been at the forefront of scientific research efforts, projects and partnerships aimed at protecting the sea. Our alliances with the CNR¹¹ and, more particularly, with ISMAR¹² are examples of the way in which we contribute to activities designed

to study and monitor the state of health of the marine environment.

The Isola del Giglio site remediation and environment restoration project not only constitutes an example of integrated management of such programs, it has also turned into an internationally unique, in-depth study of the local flora and fauna. The nature of Costa's business means that it operates in areas that are typically heritage sites treasured not only locally but internationally. Consequently, the Company works to ensure that the presence of ships and guests is as beneficial and non-intrusive as possible.

For this reason we carry out an ongoing review of the impact of our tour programs with the planning of numbers in order to ensure minimal disturbance; this assessment is conducted in collaboration with local stakeholders and, when required, with the consultancy of independent experts.

¹¹ Italian National Research Council.

¹² Institute of Marine Sciences.

ACTIONS TO PROTECT MARINE FAUNA



HULL CLEANING

Hull clearing operations are carried out as part of regular scheduled maintenance during dry docking. The removal of the fouling that accumulates on the most exposed parts of the hull (bulbous bow and sea chests) enables the elimination of invasive species.

SEQUENTIAL BALLAST WATER EXCHANGE AND PREVENTION OF INADVERTENT INTRODUCTION OF NON-INDIGENOUS SPECIES

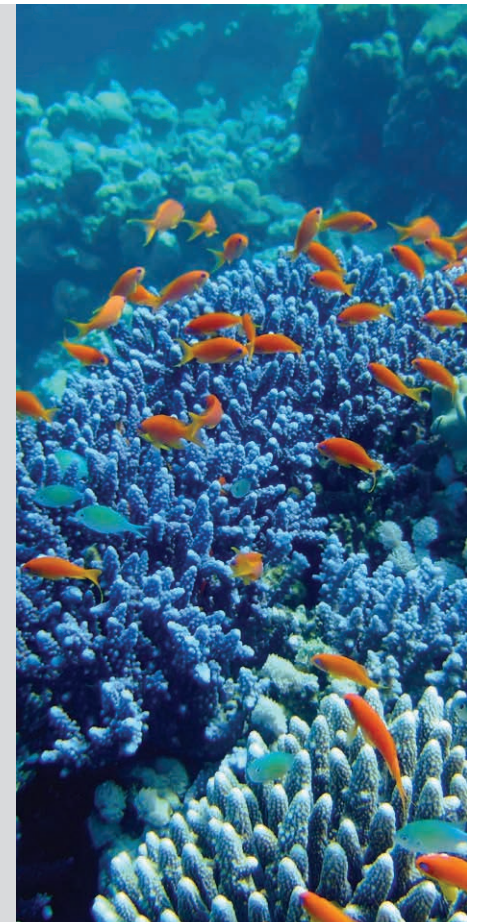
Pre-empting a requirement that has not yet entered into force and is mandatory only in certain countries, Costa has introduced a sequential ballast water exchange system fleetwide. Ballast water is required to stabilize a ship but these tanks may also carry harmful marine organisms. To limit the risk of aquatic invasive species impacting biodiversity and consequently the local economy, the ship discharges ballast water in the open sea (over 200 nautical miles from the nearest land) before reaching the new area of destination.

PLANNING OF ROUTES TAKING ACCOUNT OF THE MIGRATION PATTERNS OF WHALES

When defining routes, Costa takes into account the seasonal migration patterns of marine mammals and diverts traffic to other shipping lanes in order to avoid interfering with migrating cetaceans. This is because, in close proximity to ships, whales may become disoriented with tragic consequences for certain species already facing the threat of extinction.

SIGHTING OF WHALES AND OTHER MARINE MAMMALS

At sea, Officers, who take part in the **Whale Protection Training Program**, conduct regular monitoring so as to facilitate sightings and, if necessary, they carry out specific maneuvers to avoid whale strikes in accordance with the relevant procedures and notify the port authorities. In July 2016 Costa Cruises was the first shipping company to join the **Whalesafe Protocol of Conduct** to protect sperm whales. Other project partners are the *Università degli Studi di Genova*, Genoa Maritime Directorate, Savona Harbor Master's Office and Softeco Sisma.



The agreement with the CNR

In 2016 Costa and the CNR signed a framework agreement to further the cause of research in the fields of oceanography and marine science. Under the agreement Costa has made available its ships and its expertise to support the scientific research network run by the CNR. In addition, we are working to sensitize guests and crew to the importance of respecting the balance of nature and the marine environment.

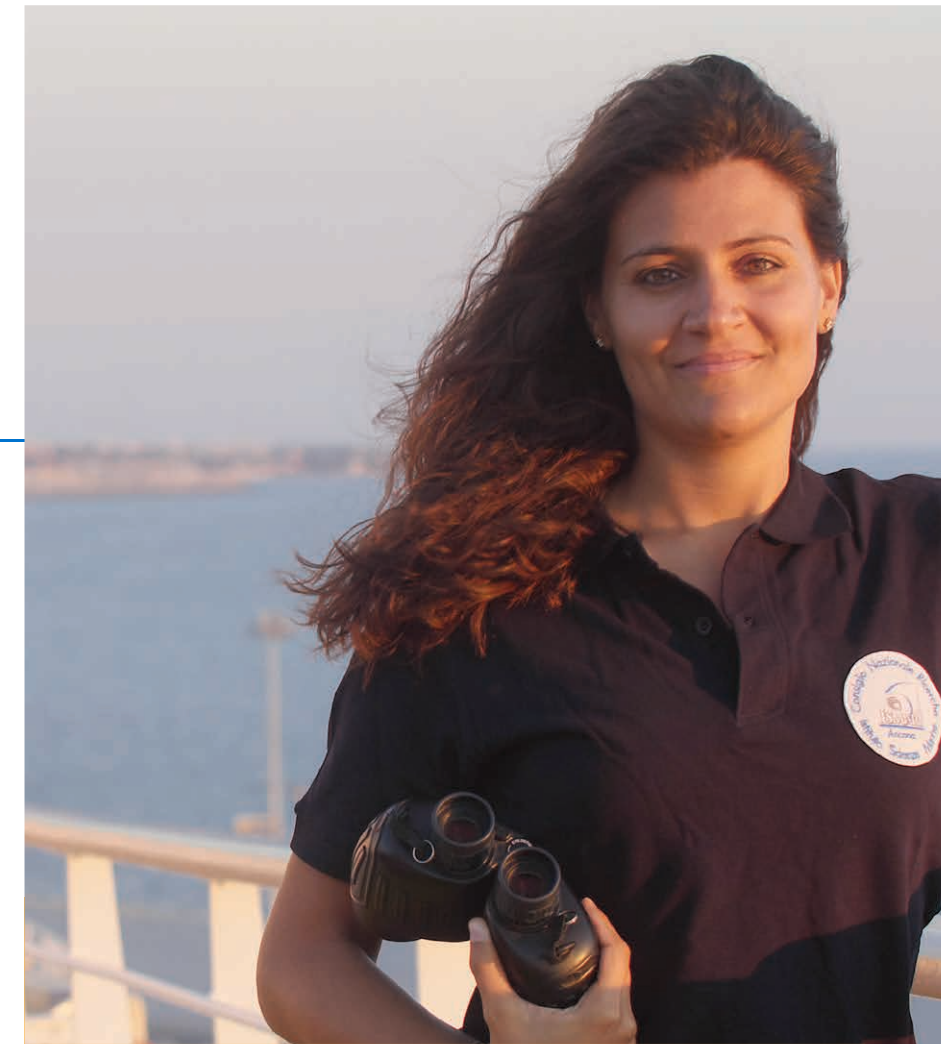
To pursue the partnership's set objectives, a **Joint Committee** was set up with two representatives from the CNR and two from Costa Cruises

in charge of defining and coordinating actions to continue the collaboration.

Continuous monitoring of the stretches of sea on the routes sailed by Costa's ships enables the collection and analysis of parameters such as temperature, salinity and dissolved oxygen; the data is processed to study climate change in the Mediterranean.

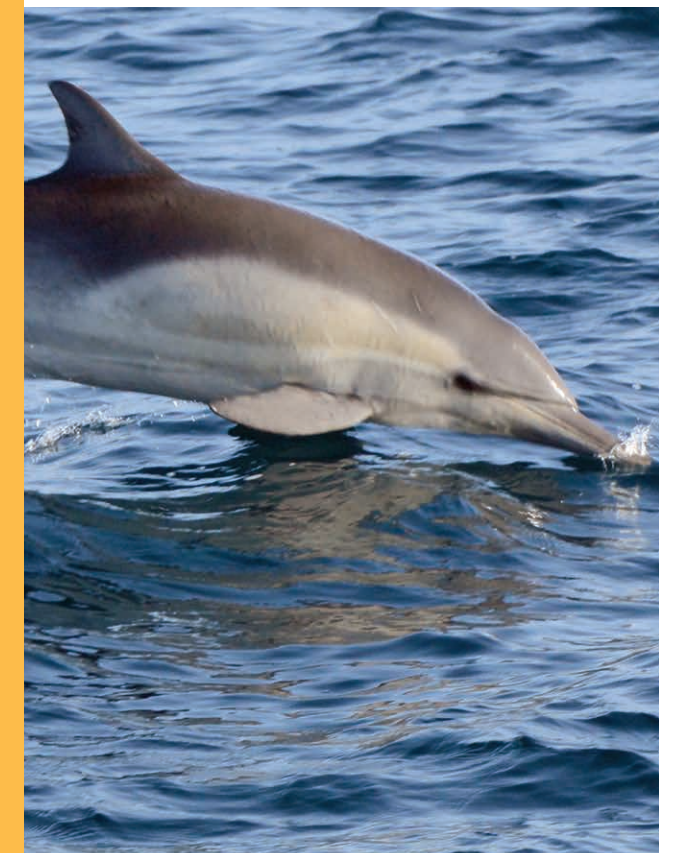
Special monitoring units have also been set up on board in order to enable daytime sightings of whales and dolphins so as to study their behavior and migration patterns.

In 2016 this synergy led to a whale census project on the routes of big ships and to the initial scientific dissemination activities.



Whale census on the routes of Costa's ships

In November the **Costa Mediterranea** (deployed in the Eastern Mediterranean) welcomed on board CNR researchers engaged in the initial scientific dissemination activities. Despite the adverse weather conditions at that time, this preliminary phase was used to determine the location of the observation points on board the ship in the most suitable positions for sightings during the summer months. Summer is the best time of year for whale watching on account of the long days and favorable sea and weather conditions. The initial stage was also used to test the **first marine science seminars for guests**. The workshops, held in English so as to attract passengers of different nationalities, gave the researchers the opportunity to present the main research activities of the CNR's Fish Technology Group, which is part of the Ancona branch of ISMAR. Attending guests were told about the aims of the **national BYCATCH project** dealing with the bycatch of whales and other species of conservation concern during pairtrawling operations in the Adriatic. The lectures were accompanied by videos showing the sighting and monitoring of cetaceans and illustrating the project set up with Costa.





GIGLIO ISLAND: SITE REMEDIATION

¹³ www.regione.toscana.it/-/osservatorio-costa-concordia

¹⁴ Tuscan Regional Environmental Protection Agency

One of Costa Cruises' top priorities is to protect the environment of Giglio Island and to restore to the local community its natural terrestrial heritage and marine environment. As arranged, in 2016 environment restoration work continued on the site where the wreck of the Concordia was removed; these operations commenced in November 2014 under the direction of the Micoperi Consortium and the supervision of the Environmental Observatory¹³.

During the reporting period, work was

focused mainly on removal of sediment and fragments of cement from the sea bed near the coast, up to a depth of 40 meters. One of the consequences of the wreck removal operation was that natural and artificial materials were deposited on the sea bottom, altering its condition. Recovery of this debris is vital for the purpose of restoration of environmental conditions which, over time, will lead to the gradual return of the forms of marine life that were here originally. The Observatory has confirmed that site

remediation operations are proceeding so as to minimize any inconvenience to the island's inhabitants; in particular, special attention is being paid to keeping noise levels down at the worksite and to guaranteeing the quality of the water. The results of the analysis conducted in 2016 and certified by ARPAT¹⁴ confirm that the water transparency here is as good as the best that can be found anywhere in the sea of Tuscany. ARPAT, together with ISPRA (National Institute for Environmental Protection and Research)

and other members of the Environmental Observatory, also verify the validity of the work carried out by the working group consisting of the **Università La Sapienza di Roma, CIBM** (Centro Interuniversitario di Biologia Marina ed Ecologia Applicata di Livorno) and the **DISTAV Department of the University of Genoa**. Until 2015 the Observatory also supervised the work done by **Oceanomare Delphis**, which was tasked with acoustic monitoring and sightings of marine mammals and their state of health in the area of operations.

^(*) Following decisions made by site supervisors, phases 5 and 6 of the restoration project were rescheduled (last update June 2017).

GIGLIO ISLAND SEA BED: THE PHASES OF THE RESTORATION PROJECT

1 FIRST PHASE

Removal and disposal of mussel shells deposited on the sea bed (an area of approximately 4000 m²) and released by the pontoons used in the salvage operation. Removal was performed by means of a non-invasive underwater suction system, thereby ensuring that the mussels were collected from the sea bed and transferred to the surface.

2 SECOND PHASE

Cutting and removal of the 11 anchor blocks used as part of the retaining system. **Oceanomare Delphis**, together with the **Centro Interuniversitario di Biologia Marina ed Ecologia Applicata (CIBM)** and the **Università La Sapienza di Roma**, carried out marine mammal monitoring to ensure that any whales and other species present in and around the area of operations were protected. These bodies had the right to order the temporary suspension of work in the event of detection of marine mammals within a radius of 1000 m of the site.

3 THIRD PHASE

Cutting into pieces and removal of the 6 subsea platforms used during parbuckling and to provide a stable base for the upright vessel. Removal of grout bags and materials for additional stability of the hull (fastened using Water Glass) from the surface of the 3 main platforms.

4 FOURTH PHASE

Disposal of the different types of grout bags put in place to build the false sea bed on which the wreck came to rest after parbuckling, with removal by means of various lifting methods and techniques designed to move the bags intact. This entailed designing and building a special grab bucket for safe removal.

5 FIFTH PHASE ^(*)

Removal and disposal of the sediment deposited on the sea bed during the salvage operation; use of specific equipment (natural, non-invasive, underwater suction system).

6 SIXTH PHASE ^(*)

Removal of the debris using different methods depending on the depth, type and size of the debris.

The value of the research: an example of shared value creation

The monitoring at Giglio Island is almost unprecedented in Italy and indeed across the Mediterranean region. The data gathered covers all the components of the marine environment: water circulation and currents at all depths, particle size characterization of the sandy sea bed, the presence of chemical pollutants (in the water and sediment), study of the fish and plankton population, cartographic map of the sea bottom, census of marine mammals and supervision of fishing.

The facts and figures collected have led in the last two years to the issue not only of Technical Reports by the competent authorities but also of a number of scientific publications – dealing in particular with the impact on the marine environment – that have attracted international attention. More specifically, three articles describe the effects of the shadow cast by the ship on the Posidonia meadows and coral formations, which are identified as “priority habitats” by the EU “Habitats Directive”. The studies present the results of measurement of the amount of light present on the sea bottom and the effects of this on plant physiology. An integral part of the research is the direct impact of the ship and the wreck removal structures on the coralligenous habitat.

Other researchers have produced

eight publications dealing with pure and applied marine biology issues – findings that the scientific community would probably never have had access to without the Giglio Island monitoring. These unique studies include the first ever description of the turf-forming alga Phylloporau on the sea bed off the east coast of Giglio and the presence of a particular species of algae, which is a biological indicator of the quality of the water along the rocky coasts in the tidal zone. Another area of research that has led to published papers is the effect of atmospheric forces and the tides on coastal currents because this can cause changes in terms of the shifting of sediment in the water column or the movement of pollutants. With regard to observation of whales and other marine mammals, the animals sighted have been catalogued and classified based on specific distinctive features (marks or injuries on their backs, tails or fins). This mapping has enabled tracking of individual whales and their behavior over time. Also, a drone with an HD video camera has been used to study coastal habitats suitable for schools of species of interest for commercial fishing, the aim being not only to restore the ecosystem but also to guarantee the ecological quality of that ecosystem. The production of a cartographic map of the sea bottom and of the vegetation and animal life present is of major importance: it is extremely detailed (scale 1:10,000) and charts all of the coast of Isola del Giglio.

The map is of great assistance in managing the island’s coastal activities and has already been used by the local council in connection with work to extend Giglio harbor and to overhaul the sewage system. All of this research and data gathering is

of great value not only intrinsically as new scientific knowledge to be disseminated in coming years, but also in terms of practical applications regarding management of the marine environment by the local authorities.

ANALYSIS AND MONITORING ACTIVITIES¹⁵

¹⁵ Data as of 12/31/2016

ORGANIZATIONS INVOLVED	TYPE OF ANALYSIS CONDUCTED
<p>Università La Sapienza - Roma/CIBM Livorno</p>	<ul style="list-style-type: none"> • 2,448 tests (48 samples at differing depths analyzing 51 parameters) on the water inside and outside the area • 4,928 ecotoxicology tests on the water and marine organisms (16 water samples for toxicology tests of 4 species + 96 samples of mussels for analysis of accumulation of 38 pollutants + 8 samples of 4 species of fish with measurement of 38 pollutants)
<p>Oceanomare - Delphis</p>	<p>NOISE</p> <ul style="list-style-type: none"> • 125 measurements, 1,840 minutes of recordings analyzed (during site remediation) <p>MARINE MAMMAL ACOUSTIC MONITORING</p> <ul style="list-style-type: none"> • 220 (PAM, Passive Acoustic Monitoring) noise measurements of the presence of whales • 2,830 minutes of recordings analyzed • 2 acoustic measurements of the presence of whales in the area <p>SIGHTINGS OF MARINE MAMMALS</p> <ul style="list-style-type: none"> • 202 sighting surveys • 4,192 km traveled in 528 hours of visual monitoring at sea • 8 sightings of whales
<p>UniGenova/CIBM</p>	<ul style="list-style-type: none"> • About 3,800 samples tested for 6 chemical/physical parameters on the water in the area of the site, collected using a multi-parameter probe at depths of up to 50 m • 96 samples analyzed for sediment flows (4 samples per month) with measurement of particle size and mineral composition • 255 days of 24/ 7 direct monitoring of 7 chemical/physical parameters of the water, as well as of intensity and current direction, with the results posted online • 96 mineralogical tests on trapping samples used for measurement of sample flows (4 samples per month with an average of 12 minerals identified per test) • 16 sediment samples in the area of the site, analysis of particle size and mineral composition

YOU





RESPONSIBLE CITIZENS

Growing together with local communities

By definition a business that involves a great deal of interaction with local communities, cruising stimulates the creation of value and very substantial opportunities for growth over time in the ports of call. Costa Cruises is well aware of the importance of building trust with its stakeholders and promotes a model of business and tourism aimed at making a tangible contribution local community

with the aim of fostering its identity, along with its cultural and natural heritage. A new destination is only added to our cruise program after completion of a viability study carried out using a multi-stakeholder approach with the aim of creating the necessary conditions to guarantee the start-up and development of the business, including suitable facilities and infrastructure to accommodate cruise passengers. This process and the consequent direct involvement of local stakeholders leads to the gradual spread of skills and expertise in tourism and beyond, with the creation

of jobs in general and a growth in youth employment in particular. Our presence brings significant long-term benefits for the local economy in each place visited, generating new opportunities for business, both directly and through the development of numerous allied industries. Both cruisers and crew members generate large amounts of revenue due to direct spending in ports of call.

Successful lasting development of the local economy in and around a cruise port depends on constructive dialogue between the Company and all the

interested parties. By capitalizing on the opportunities created by the stopover of a cruise ship, fulfilling the expectations of passengers and effectively promoting the region's tourist attractions, the port and its environs can enjoy sustained growth. In turn, the injection of new demand into the circular flow of goods and services produces a multiplier effect leading to more revenue, the creation of new skills, the building of infrastructure and the upgrading of existing services, as well as new opportunities for business thanks to the transfer of Costa's specialized know-how.

CREATION OF EMPLOYMENT IN THE PORTS OF **MUMBAI, GOA, MANGALORE & COCHIN**

791
LOCAL COORDINATORS

840
TOUR GUIDES

798
TOUR ESCORTS

700
PORTERS

140
HOSPITALITY STAFF

Indian Ocean: creating opportunities with new routes

Our opening in 2016 of a **new itinerary in the Indian Ocean** (sailing to destinations in India, the Maldives and Sri Lanka) is a clear example of the significance and effects of cruising's contribution to the growth of allied industries in areas that have

great potential but are not yet on the mainstream tourist circuit. The new route is the result of discussions with government and local authorities for the definition of agreements with the relevant ports, organization of the logistical aspects and planning of the itineraries together with the tourist board. We have established partnerships with local operators for shoreside

guest hospitality and management of excursions; there are 20 different tours involved, the common denominator being the emphasis on natural and cultural heritage sites and the offer of authentic experiences in direct contact with local people. The arrangements for shore excursions have entailed job creation for local coordinators, guides, tour escorts and

other people working in logistical positions managing groups of cruisers in compliance with Costa's set standards. Customer satisfaction regarding this new itinerary is such as to suggest the likely creation of a stable micro-economy with further growth of employment opportunities and the delivery of additional services directly managed by local stakeholders.



Capitalizing on the presence of Costa

Evidence of Costa Cruises' power as a catalyst for change and of the importance of the value we generate and share with local communities is the evolution of the town of Savona. Our main homeport since 2003, Savona is now the fourth most important port in Italy. It has taken full advantage of the stimulus for growth stemming from the presence of our fleet and has over time developed a new vocation for tourism.

The Memorandum of Understanding, signed by Costa in 2015 together with the

Municipality of Savona and the local Port Authority and aimed at the sustainable development of the cruise industry in the township, is based on our shared vision of management of the positive social and economic impact deriving from the presence of Costa.

An integral part of the agreement is the analysis of the creation of value generated by Costa in Savona. To this end, a specific study was conducted with the support of PwC in order to evaluate the direct, indirect and induced economic impacts,

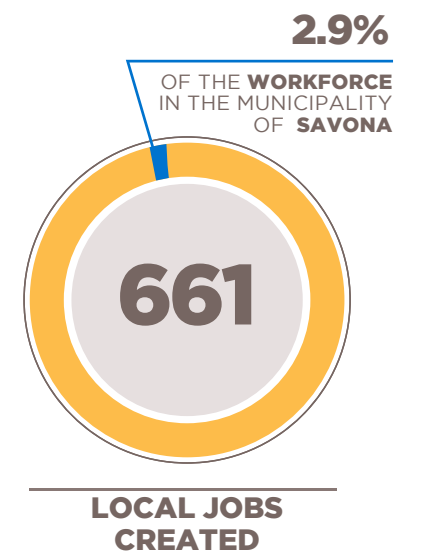
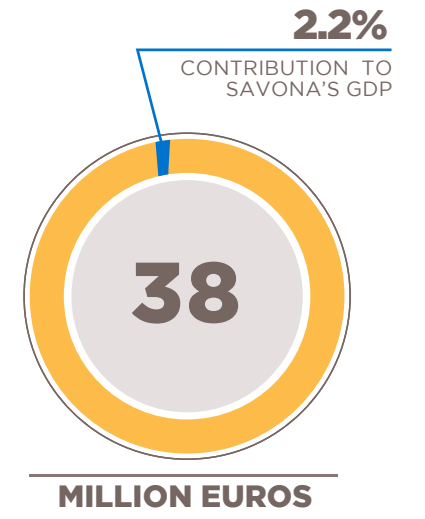
based partly on a survey of consumer spending in the town by Costa's guests and crews, and partly on ISTAT [Italian Central Statistics Institute] macroeconomic data banks dealing with the effects on demand for goods and services and on local employment. The findings, announced in 2016, showed the effects of over a million passenger movements a year; this being a precondition for the detailed definition of a master plan for long-term development and the associated investments. PwC was also commissioned to devise a model

for measurement of the local economic impact generated by Costa. The model was created not only to provide data and information needed to improve our performance as a socially responsible enterprise, but also as a stimulus for local stakeholders so that they can prepare their own growth plans.

According to the study, our annual economic impact amounts to around **€38 million**. Approximately half of this added value derives from guests' expenditure, 34% from direct spending by the



IMPACT GENERATED BY COSTA



96 EUROS
OF DIRECT ANNUAL SPENDING BY EACH GUEST ARRIVING IN SAVONA

1,020 EUROS
OF DIRECT ANNUAL SPENDING FOR EVERY INHABITANT OF SAVONA

Company and 17% from spending by the average of 860 crew members on each Costa ship, who go ashore and purchase goods and services they cannot buy on board. On average, every cruiser who goes ashore spends €96. The presence of our ships also accounts for the creation of 661 shoreside jobs. Also significant is the effect of the creation of wealth for the families of local stakeholders; this turns into additional demand for goods and services, accounting for approximately 20% of the total added value.

The presentation of the study's conclusions, in line with the principle of transparency and with the aim of promoting constructive dialogue, helped the townspeople of Savona to form more informed opinions regarding the effects of Costa's presence and to align all the stakeholders vis-à-vis the key facts. We co-design our shoreside services together with local players comprising stakeholders from the town and environs, who benefit from the large numbers of cruise passengers in transit. The management of flows of embarking and disembarking

cruisers is an opportunity but also a challenge demanding the search for specific solutions tackling a number of issues. The integrated development boosted by this approach has led to a series of results and initiatives sharing a long-term perspective and designed to reap the potential identified. Examples of this are the activities launched in collaboration with the Regional Administration to set up new tours and tourist routes. The agreement with the KLM Air France Group for the opening of the new route

Genoa–Amsterdam is a tangible example of Costa Cruises' role in contributing to the growth and development of tourist flows in Liguria.



+150**SHORE TOURS
COMPARED TO THE
YEAR BEFORE**

Discovery of hidden treasures, added value for all

An integral part of the path to development of the local economy in a port of call as well as management of the flows of cruise passengers and the resulting impact is the identification of new places and cultural attractions to add to our shore excursion program. Our policy of adding new tours to places off the beaten path is in line with our goal of diversifying our offer further and, more importantly, increasing the opportunities for interaction with local stakeholders so as to promote the development of the tourist industry more evenly in the areas around the cruise port. This is part of our strategy of contributing to the long-term development of sustainable tourism also in places which, despite their splendid artistic and cultural heritage, are relatively little known to the public at large and do not feature on standard tour programs. The advantages are threefold: first, guests have the chance to see hidden gems, especially cultural attractions; second, the environs of the cruise port have increased visibility and a boost to their development; and third, by redirecting a certain number of cruisers to these often hidden slices of paradise, the most popular places – those on the standard tours – are less crowded than they would otherwise be.

For these more private getaway destinations, if they are guaranteed significant numbers of tourists on a regular basis, they can plan improvements to their infrastructure and accessibility, safe in the knowledge that it will be easier to obtain funding for this work from public and private sources. Local planners can also make provision for sustainable development of facilities in these places which, being away from the hustle and bustle, are not used to catering for large numbers of visitors.

Costa Cruises is synonymous with “Italy’s finest”. Though a global operator, our center of gravity lies very much in the Mediterranean, especially Italy where we make an average of over 650 calls a year in the country’s main ports. In 2016 the Company began introducing shore tours of discovery to “hidden” Italy and its treasures, focusing on places off the beaten track and adding them to the catalogue according to a new logic of traveling to the heart of new and unexpected gems, particularly cultural attractions.

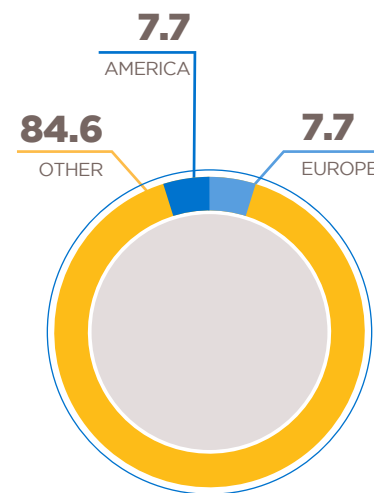


Museo and Real Bosco di Capodimonte: bringing tourists to one of the most important parts of Italy’s artistic and botanical heritage

Costa’s partnership with Naples’ Museo and Real Bosco di Capodimonte is a tangible example of our commitment working side-by-side with the Ministry for Cultural Affairs & Tourism to foster and promote Italy’s finest. The aim of the alliance is to increase the number of international visitors to this former royal residence with its extensive grounds. Cruise guests now have the chance to appreciate the Farnese art collection – one of Europe’s most impressive, with works from the 13th century to the contemporary period, comprising many unique but relatively unknown masterpieces. To this end we are running organized shore tours to Capodimonte, and promoting them on board our ships porting in Naples. This is done by means of a special introductory video inviting cruisers make the most of this opportunity to discover this hidden gem’s artistic wonders and splendid pastoral park. In addition to a guided tour of the museum, Costa’s guests can go on a bike ride in the peace and quiet of the Real Bosco estate.

Side by side with local communities

CONTRIBUTIONS TO THE COMMUNITY



BY GEOGRAPHICAL AREA (%)

Costa Cruises' sense of responsibility vis-à-vis the local communities in its ports of call is reflected by the Company's focus on providing practical answers to their social needs, helping to develop their know-how and competencies, these being drivers of innovation and the creation of value over time. At the same time we continue our solidarity initiatives aimed at the less fortunate and those affected by natural disasters or other emergencies.

Stimulating social innovation
Costa's sheer size and its ability to sensitize and mobilize a large number of stakeholders is readily apparent in its participation in a number of community support projects. In particular, our **employee volunteering program** is structured to take full advantage of the very wide range of skills possessed by Costa's pool of human resources both in the shoreside offices and on board ship. It strengthens the Company's links with the local communities in its ports of call by sharing know-how and competencies

in an area like the cruise industry, which is extremely diversified and comprises expertise both in tourism (hospitality, entertainment, food & catering etc.) and in seafaring. The projects supported are implemented by non-profit organizations and associations engaged in social betterment, the school-to-work transition and the enhancement of entrepreneurial skills of young people. One example is the initiative called "*È buono: un gelato, tante ragioni!*", carried out with the **Consulta Diocesana** of Genoa. A number of Costa employees

lent their professional expertise to assist in the development, launch and business strategy for this "ice cream lab" that uses quality, wholesome ingredients. It is Italy's first social franchise, its aim being to provide employment opportunities to young people from difficult family situations. This project won the annual prize awarded by Confindustria (General Confederation of Italian Industry) for "**Innovative experiences of social partnerships between enterprises and non-profit organizations**". 40 youths took part in the first training course in Genoa arranged partly with our support.



È BUONO: UN GELATO, TANTE RAGIONI - FACTS & FIGURES

7	COSTA EMPLOYEES INVOLVED
40	YOUTHS ATTENDED THE FIRST TRAINING COURSE
1	UNITED ICE CREAM LAB SET UP
24	TEMPTING FLAVORS TESTED AT THE INAUGURAL ICE CREAM TASTING HELD AT COSTA HEADQUARTERS
3	YOUNG WOMEN MANAGING THE FIRST SALES OUTLET IN GENOA
1	MORE ICE CREAMERY DUE TO OPEN SOON IN 2017

In 2016 we also worked with the *Cooperativa Sociale In-Presa*, which provides practical training and facilitates the school-to-work transition for disadvantaged youth. As part of one of the cooperative's training paths aimed at high school dropouts, the partnership with Costa Cruises gave young trainees the chance to come on board, get hands-on experience, and boost their self-confidence and their motivation in relation to the labor market. In turn, our **Corporate Chef Stefano Fontanesi** and Costa galley personnel took part in a one-day workshop in the association's headquarters in the town of Carate Brianza. This was a creative experience based on learning by doing alongside our staff and included the preparation of a full lunch menu.

Stimulus for entrepreneurship is also a recurring theme in our support for international projects such as the one

carried out by **illy**; our partnership with **illy** goes beyond the product and reflects a largely shared vision statement and values, particularly when it comes to sustainability issues. This particular project, for the education and emancipation of women working in the coffee chain in Costa Rica, is the subject of the documentary film *A Small Section of the World*, a tale of passion and tenacity about how a cup of coffee can transform lives. The song "*The Morning*", specially composed for the film, was co-written by Alanis Morissette and the lyrics decorate the espresso cup and saucer featuring in the Illy Art Collection box set. The set was previewed specially by Costa and made available fleetwide; part of the proceeds were used to fund further initiatives for the education and empowerment of these women coffee growers, including scholarships for a course leading to a vocational Master's degree.



Solidarity comes on board

Once again in 2016, Costa's ships were used to host initiatives aimed at backing projects and raising funds for associations providing support for people with disabilities and doing research into genetic diseases. Our ties with some of these non-profit organizations go back many years now. Also, we continued to arrange events for children from orphanages in some of the local communities in the places on our regular itineraries; these included games and shows on board for these special young guests, who look forward to and relish such occasions.

In particular during the reporting period, two main community support activities were carried out with the direct involvement of our guests. As part of our efforts to raise awareness and promote the advancement of knowledge, Costa Cruises organized fundraising activity supporting the **Fondazione Veronesi** so as to finance a scholarship for a female doctor doing research aimed at beating breast cancer. At the same time, an information campaign (with special videos and a study pack) was conducted on board with the aim of conveying the mission and values of "*Pink is Good*", a Fondazione Veronesi project that has the set objective of finally beating breast cancer by promoting prevention and providing annual support for medical researchers.

Nine ships in the Costa fleet staged a special "Pink Day" in October.

Following the earthquakes in central Italy in 2016, Costa Cruises – through the **Costa Crociere Foundation** – contributed to efforts to help the people affected, in collaboration with the non-profit organization **Fondazione Francesca Rava**. More specifically, Costa joined a project for the rebuilding of a kindergarten in Norcia. This was part of a broader initiative – under the direction of the Umbria Civil Protection Authority, the Department of the Prime Minister and Cabinet, the "mission school" task force and the Ministry of Education – involving the building of three new schools in Norcia (the kindergarten, a primary school and a middle school for a total of 600 pupils). For three months the Company conducted a fund-raising drive, called *Un'amatriciana per Amatrice*, whereby we donated €1 for each serving of Amatriciana pasta (named after the township of Amatrice, one of the worst hit by the quakes) on all the ships in our fleet and invited our guests to give generously as well. In May 2017, just four months after work commenced, the new Norcia kindergarten opened for 125 children. The opening ceremony, staged with the assistance of Costa volunteers working as social staff, starred the future pupils themselves.





HUMAN CAPITAL, OUR MOST PRECIOUS ASSET

20,193
EMPLOYEES

For an enterprise like ours, operating in a complex and dynamic business setting, the inherent strength of the organization clearly lies with our people, who are the decisive factor guaranteeing the success of the Company over time and our capacity to

innovate. We do our utmost to foster talent, promote diversity and inclusion, capitalize on our multicultural workforce and turn this into value for guests. Costa's human resources management strategy revolves around the process of transformation

and management of growth in our new markets; it is designed to integrate into our business model the vital features of management and development of human capital enabling us to enhance our competitive advantage and ensure change.

70 DIFFERENT NATIONALITIES AND MORE THAN 35 LANGUAGES

% SHORESIDE

60.7
WOMEN

39.3
MEN

14.3
WOMEN

85.7
MEN

% SHIPBOARD

18,779

SHIPBOARD
(AVERAGE + RESERVE)
PERSONNEL

1,414

SHORESIDE
PERSONNEL

COSTA'S PEOPLE STRATEGY

1. **CAPITALIZE**
ON DIVERSITY AND MULTICULTURALISM
2. **PROMOTE**
ENGAGEMENT AND EMPOWERMENT
3. **INVEST**
IN COMPETENCY (SHORESIDE AND SHIPBOARD)

Celebrating diversity

Part and parcel of our corporate strategy is the goal of conveying our unique style of hospitality and our holiday product consistently fleetwide while respecting the rich diversity of our human capital, with the awareness of the intrinsic value of a diverse workforce for the business and the customer. For Costa Cruises, the multicultural setting of the workplace, with employees from 70 different nations, is a valuable opportunity to understand the needs of an international and heterogeneous clientele and to integrate

innovative solutions into the product, thanks to the input guaranteed by diversity of people, thought, skills and experience. Costa people engage with each other in an inclusive work environment where diversity is respected as an added value, facilitating the fostering of talent and creating opportunities for cultural enrichment as well as professional advancement. Accordingly, the development of a model of integration designed to enhance the spread of virtuous behaviors aimed at respecting

diversity and the promotion of inclusion is at the center of all our programs directed at Costa people. By means of our **Diversity & Inclusion Program** launched in 2015 and implemented in 2016, Costa Cruises intends to bolster actions and human resources management policies focusing on cultural pluralism, a key asset for a cruise industry operator. The activities integrated into the action plan are aimed at guaranteeing a work environment with equal opportunity, where no form of discrimination or

harassment is accepted. Mapping of the gender gap was the first step in defining **Genderenergy**, our specific action plan designed to address the gender imbalance in the Company's senior management in the medium term.

The Genderenergy program

We are working Company-wide to reduce the gender gap in key management positions, facilitating talent development for women while taking into account the specificity and particular features of the organizational setting.

The search for women with great potential and the definition of their career paths follows separate lines of development, the aim being to make every effort to empower our female employees and ensure they have a structured path to professional growth. As far as concerns shipboard jobs, our focus is on supporting women in middle and high level management positions in the Hotel Operations area. We look for the best performers by direct monitoring of the talent pool and performance review. Candidates for advancement are given the opportunity to hone their managerial skills and become well-rounded professionals. We have devised specific training courses in female leadership development taking into account the key question of the work-life balance and how to deal with the lengthy periods away from home and family. With regard to shoreside positions, the program cuts across corporate functions and involves networking and mentorship initiatives with the involvement of organizations that support the growth of women in the cruise industry.



Identification and implementation of diversity actions is managed by our Head Office in coordination with the ships in the fleet, by means of the Shipboard HR Director. The right to **freedom of sexual orientation** has for years been an integral part of our policy ensuring an inclusive environment, especially on board the ships. The extension of our Company welfare system to partners in civil unions and de facto couples, before the entry into force of Law no. 76 of 05/20/2016 on civil rights (the so-called Cirinnà Law), is a concrete example of Costa's engagement in this area. Another issue, but this time more linked to our shoreside offices, is the need to bridge the **generation gap** at work. To this end we have introduced a reciprocal mentorship program between employees aged over 50 and the younger generation. The dual aims are to facilitate the exchange of professional experience and to enable the sharing and use of

the knowledge possessed by "digital natives". As regards the **integration of people with disabilities**, the Company extends employment opportunities to them, in compliance with the relevant legislation; this applies to shoreside positions only, because the specificity of the work environment and safety considerations prevent the employment of disabled people on board.

Our efforts to guarantee an increasingly inclusive environment in the setting where our employees work – and live for lengthy periods in the case of crew members – were acknowledged in 2016 when Costa received the **Sodalitas Diversity&Inclusion Award**.

At the same time we continued to take an active part in workshops organized by the associations **Parks Liberi e Uguali** and **Valore D** dealing with diversity issues, and drew inspiration from these events for actions and initiatives to be introduced by the Company internally.



Melting pot on board

Our multicultural setting has always been one of the distinguishing features of the Company and constitutes strategic added value insofar as it enhances our relations with guests. In this context Costa is committed to **respecting the different cultural and religious traditions** of its workforce, taking into account the very specific nature of cruise ships where so many people from such varied backgrounds live and work together in what are very confined spaces. Indeed, the ship is a veritable social experiment, a "laboratory" used to test ideas aimed at reconciling differing needs and facilitating an ongoing cultural exchange.

Costa's initiatives in this area refer mainly to two aspects: the first is cultural sensitivity, particularly respect for ethnic and religious differences. For example, the Company organizes shifts so that employees can observe different religious precepts and national holidays. The **Welfare Food Committee** has the task of catering for these considerations while at the same time supervising the nutritional intake of the crew members, also taking into account their occupational duties.

The second aspect deals with the work-life balance and includes measures designed to achieve a better equilibrium between crew members' time on the job and the periods off duty. Also, our **Proximity Program** is structured so as to facilitate the system whereby, where possible, shipboard employees who may need to be with family members for extraordinary reasons are assigned to ships on conveniently located routes.

Building professionalism and promoting engagement

825,840

TOTAL TRAINING HOURS SHIP+SHORE

16.75

TRAINING HOURS PER PERSON (SHORESIDE)

65

TRAINING HOURS PER PERSON (SHIPBOARD)

Sharing a sense of responsibility, information and competencies across the organization and being able to count on highly motivated people who embrace change is vital for supporting future growth and pursuing excellence. The encouragement of forms of innovative involvement, oriented towards harnessing engagement and passion, is part of our development plans, which are structured differently for ship and shore. Cornerstones of our People Strategy are consistent leadership style, the introduction of a new system of management and the promotion of two-way ship-shore dialogue. During the reporting year, work continued on the alignment of our training and career paths and new actions were implemented to identify talent and select Costa's future leaders.

A central and strategic part of the effectiveness of the ongoing process of change and the definition of professional development plans is the structured

exchange with managers regarding individual performance and attainment of set objectives, this being assessed regularly, fairly and transparently. Focusing on sharing of responsibility, dialogue and feedback, in 2016 Costa Cruises' **Performance Management** system was used to assess 93% of the workforce; our objective is to reach 100% in 2017.

The **Leadership Programs** defined for shoreside and shipboard positions are designed to enhance talent development, strategic thinking and decision-making capacity (in situations of stress and great management responsibility) as well as basic managerial skills. The programs and other training tools are prepared in collaboration with important partners such as London Business School, Harvard University, INSEAD, IMD.

Development of technical skills, especially for Ship Officers, is carried out in accordance with the Corporation's objectives and managed by Carnival

Maritime. Officers regularly attend courses at **CSMART** in Almere (Netherlands), including specific leadership modules designed to consolidate key bridge management skills.

2016 saw the launch of **Talent Waves**, our new managerial development program designed for our most promising young employees with the aim of guaranteeing the long-term sustainable growth of our senior management and structured succession plans in line with Company and business trends. The first stage of the project, devised in collaboration with the business school ESCP Europe, involved 38 top performers (including 12 women) from our Genoa headquarters and foreign offices. The individual growth path provides an all-round training experience aimed at perfecting managerial capacity and enabling young high-fliers to fulfill their potential, be proactive and results-driven, and tackle challenges head-on.

Being a dynamic company we support

our employees so that they can achieve career growth, whether horizontal or vertical, and we do this by means of advanced resource management policies and systems. In this sense we encourage Costa people to rise to challenges and take advantage of our global dimension. In line with the Company's strategic approach, positions vacant are filled mainly by means of structured paths of internal mobility. When an employee moves from one position to another within the organization, they are always supported by a job-specific empowerment program. In 2016 eight positions were advertised of which 3 were filled internally.

277,351

HOURS OF PROFESSIONAL SKILLS

Made in Costa: bringing the headquarters on board

One of our general aims is to bring about greater interaction between the two parts of our business – a meeting of two very different symmetrical worlds: ship and shore. The idea of giving shoreside employees hands-on experience of our shipboard operations led in 2016 to the launch of **Made in Costa**, a program offering two days of full immersion in working life on board. This opportunity was offered to senior managers from our Head Office so that they could see the business and the product from a different perspective. Participants gained direct experience in one of five different positions on board (in Housekeeping, Entertainment, Tours and the Hospitality Service), and also had a session of 'shadowing' during which they worked side-by-side with a colleague, enabling them to discover the

specificity of the jobs with the greatest impact on the guest experience. 87% of our shoreside managers took part in this project, which enabled them to see things from alternative viewpoints, try doing things differently and appreciate the work that goes on 'behind the scenes' on a cruise ship.

An integral part of the program was the sharing of feedback. All the phases of the project were managed by the **Made in Costa App**, a web-based platform specially created to guide participants through the experience with information specific to the position covered, as well as the possibility of adding an evaluation and of sharing images and comments afterwards.

Flexibility and involvement

Smart Working is a new approach to work enabling more autonomy, flexibility and responsibility while capitalizing on the changes offered by the digital revolution and improving the work-life balance. Our SW project, defined with the support of **P4I**, a company specializing in the launch of this kind of system and a spin-off of **Milan Polytechnic**, involved two departments in our Genoa headquarters. The project, providing for remote work locations, will be extended throughout

our Italian Head Office by the end of 2017, combining with our other flexible working options such as flextime, part-time employment and parental leave. In 2016 our **employee volunteering program**, designed to enable the active engagement of the shoreside workforce in community support efforts in our ports of call, saw the involvement of over **60 employees for a total of 285 hours**; they took part in a range of projects, working with various not-for-profit organizations and associations with which Costa collaborates locally (see page 78).

Building skills and professionalism: a model recognized worldwide

The market context and the evolution of the cruise industry make it imperative to invest in professionalism at all levels of our organization. We recognize that by developing new skills and advanced technical know-how we are generating value. At Costa we are committed to developing individual talent and to investing in our employees by providing them with ongoing training and supervisory guidance throughout their careers in the Company.

The master plan implemented in 2016 guaranteed continuity for our medium-term training programs focusing primarily on growth of a customer-centric approach in all areas directly linked to the product and the service. As regards our crew members and Officers, the top priorities are safety training and teamwork on the bridge.

CSMART Academy: a state-of-the-art training facility

Built in order to provide training for an ever-increasing number of Officers, the **Arison Maritime Center** is a perfect example of investment in the professional development of our employees. The center, which opened in 2016, is the world's most advanced facility dedicated to providing rigorous safety training for bridge and engine officers working on cruise ships. The centerpiece of the campus is the **CSMART Academy**, featuring cutting-edge full mission bridge and engine room simulators providing participants with access to the visual environments of some of the world's main cruise ports, the operation of the machinery space and the emergency systems. The new center provides an authentic shipboard experience for participants to hone skills in navigating complex control and automation systems. It also focuses on safety management and sustainability; the latter includes the study of increasingly sophisticated solutions to curb emissions and reduce consumption.



75
MILLION EURO INVESTMENT TO BUILD THE FACILITY

4
BRIDGE SIMULATORS

4
ENGINE ROOM SIMULATORS

6,500
CARNIVAL GROUP BRIDGE AND ENGINE OFFICERS TRAINED EACH YEAR

The centrality of specialized training

Working on board a Costa Cruise ship offers much more than other job opportunities: the values assimilated and the continuous training programs allow our people to achieve a high level of professionalism and acquire skills that are sought after beyond the cruise industry. Former Costa staff typically work in the hospitality industry as employees in high-end establishments or set up their own tourism and travel businesses. This is another way in which the know-how and skills we help develop contribute to the generation of a positive economic impact and the enhancement of hospitality services ashore. Given that it is a global operator with an extremely wide range of professions,

Costa tends more and more to use web-based platforms and professional social networking sites for recruiting purposes. However, at the same time our **partnerships with professional training schools** remain an essential part of our employee selection process at all levels of our organization. This way we guarantee the continuity of our business, where there is a higher turnover – especially of hotel department employees – than in comparable industries ashore. These institutes provide pre-embarkation training of hotel personnel and are veritable “labs” simulating job-specific core activities in fully functional facilities with mock-up cabins, restaurants, galleys, bars and so on. The schools are designed and run jointly with our training partners, and the curriculum is specifically designed to guarantee the successful

induction and integration of new hires on board. Our partners have, over the years, taken over more and more of the direct management of these training centers thereby effectively conveying our know-how and Italian style in several countries, with consequent development of the local hospitality training industry. This has led to the establishment of a number of enterprises, thus constituting a tangible example of capacity building for new generations. Investments in new training paths and in the definition of new professional skills are carried out in order to ensure constant compliance with our very high standards and provision is made for the direct participation of schools offering hospitality and tourism training. Specific programs are run in collaboration with the **European Social Fund** as well as

regional and provincial public bodies. In this context we decided to help set up the new **Academy of Advanced Training for Shipboard Hotel Services**, the first institute of its kind in Italy. Meanwhile, Costa’s long-established partnership with the *Accademia della Marina Mercantile* (Merchant Marine Naval Academy) in Genoa is very important in terms of training of the Company’s future Officers and others who will be working in strategic positions concerned with maritime operations.



8

TRAINING SCHOOLS
WORLDWIDE: ITALY, BRASIL, CHINA, PHILIPPINE, INDONESIA, INDIA, VIETNAM, PERÙ

2,515

TRAINEES HIRED
BY THE COMPANY IN **2016**

ACCADEMIA MERCANTILE

15

CADET DECK OFFICERS

15

CADET ENGINE OFFICERS

500

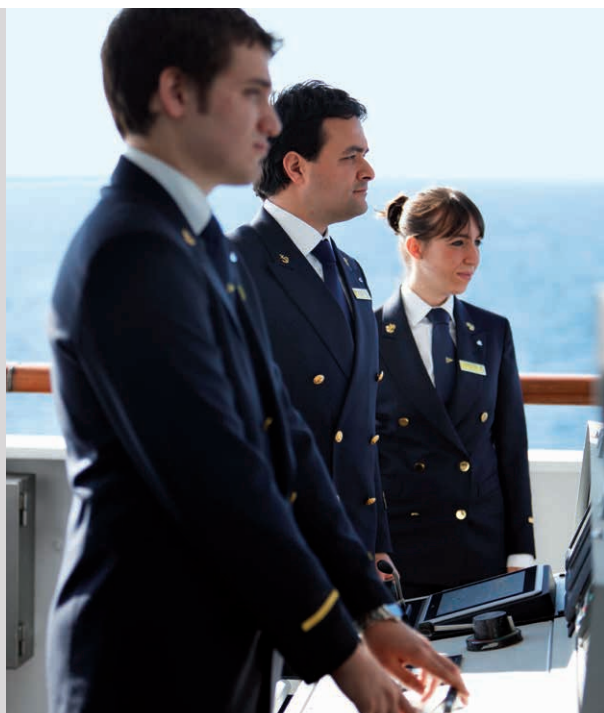
PUPILS FROM EUROPEAN TECHNICAL INSTITUTES IN THE 5TH AND 6TH EDITIONS OF THE PROJECT **SAILOR - THE SHIP OF ORIENTATION**

118

FIRST JOB SEEKERS TRAINED THROUGH THE **EUROPEAN SOCIAL FUND** AND **REGIONAL AND PROVINCIAL PUBLIC BODIES**

86,50%

HIRED IN 2016

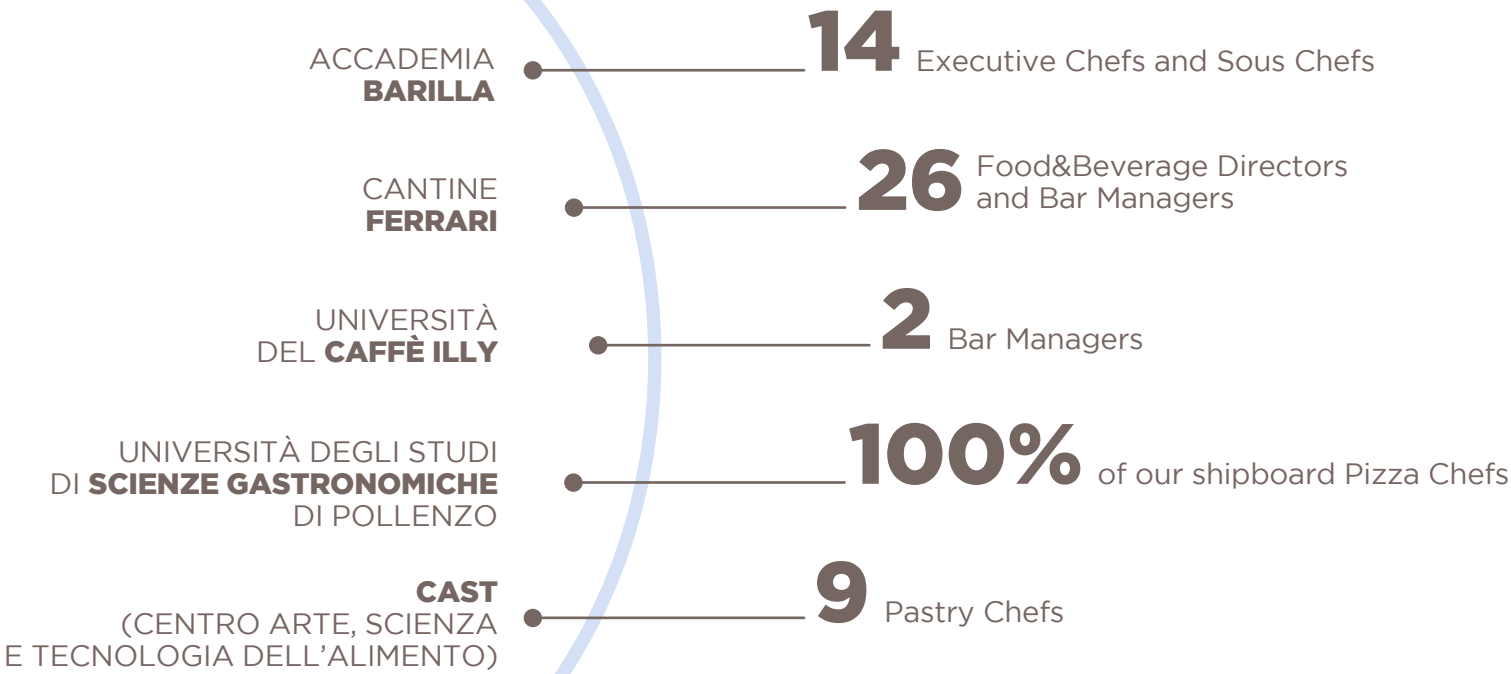


CONTINUOUS TRAINING LABORATORIES. **SCHOOL OF TRADES**

The pursuit of standards of excellence in our food experience on board has led Costa to organize ongoing specialized training for its food & beverage service professionals. The **School of Trades** project, managed in partnership with leading Italian food brands, sees the direct involvement of our food handlers and other key personnel in highly specialized seminars and workshops held by our partners at their training facilities. In 2016 we continued to hold

courses for our **Here for you** hospitality program (11,814 participants) as well as for our **Italy's Finest** Service Value training program (3122 participants). A similar approach was used with our shore tours personnel, who attended a training program dealing with the art of storytelling run by external partners and designed to enhance our employees' communicative skills and the way they describe the locations visited on our excursions.

¹ Ministry of Education, University and Research



Villa Figoli, much more than a training school

The new **Academy of Advanced Training for Shipboard Hotel Services** is the result of collaboration between the Ligurian Regional Administration, Arenzano City Hall, the *Fondazione ITS Accademia Italiana Marina Mercantile* and Costa Cruises. The facility opened in 2016 and is designed to train professionals who will be working in the field of hospitality on cruise ships (mainly food & beverage, entertainment and customer service). It also carries out research and pursues innovation with the goal of instilling the value of excellence and promoting the development of the tourist industry. An important part of the curriculum of the new school, located in prestigious premises at Villa Figoli, is the **Italian Cruise Hospitality Academy** project with the direct involvement of the Company in co-designing the first four courses, which alternate classroom tuition and work experience on board. Funded by MIUR¹ and directed at young job seekers, there is an ITS course for 22 bakers and pastry chefs; Costa is committed to hiring at least 70% of these trainees. Three more courses offering a total of 60 places for social staff (hosts and hostesses), customer service personnel and cooks funded by the Ligurian Regional Administration with the European Social Fund are reserved for people aged over 24; a position on Costa's shipboard staff is guaranteed for 60% of those successfully completing the training. Villa Figoli de Geneys is a renovated 18th century Art Nouveau stately home that has been equipped with state-of-the-art teaching facilities that blend into the surroundings perfectly. Students here benefit from a unique training experience. The Academy is also residential with a dormitory that sleeps up to 50. Villa Figoli is an example of broad spectrum synergy facilitating the school-to-work transition and creating a model of excellence for the long-term supply of cruise industry hospitality professionals. At the same time, the renovation of the building and the estate has given back to Arenzano and the local community a splendid public park and a multipurpose venue.



Employment: the value of growth

2016 was another good year for us in terms of the creation of jobs; 388² people joined Costa worldwide. The integration of new human resources took place mainly in our international markets and in areas in which our business activity is growing fastest. Consolidation of our presence in Asia resulted in a regional increase not only in seafarers recruited there but especially in staff employed in our Asian shoreside offices. As regards the breakdown of our

workforce by geographic area, the situation is substantially the same as last year. All Costa Cruises' employees (100%) are covered by cruise industry collective bargaining agreements. In line with the principles of corporate responsibility and with stakeholders' interests, Costa Cruises liaises productively with trade unions and employers' associations on all levels. By means of ongoing dialogue with all industrial relations stakeholders, the

Company seeks to obtain shared solutions and deal with possible critical issues using constructive arguments and reasoning; the ultimate aim is to reconcile the needs of the business with those of the individual. The same approach applies to the Company's remuneration system. The wage structure differs according to the category of employee and the particular position. Basic pay, benefits and incentive schemes are in line with industry standards and designed

to guarantee remuneration based on objective criteria for all employees in the various countries in which Costa Cruises operates.

² It is pointed out that the figure is the number of new hires worldwide during the reporting year minus the number of terminations.





THE CUSTOMER, OUR GUEST

Sustainability in the evolution of the guest experience

Cruising is a unique, one-of-a-kind experience.

Costa Cruises takes cruisers to some of the world's most appealing destinations and, at the same time, involves them in the sharing of values and behaviors so as to safeguard the local communities and promote sustainable development.

Our work to redesign and enhance the cruise product by adding new perspectives and opportunities is part of our continuous focus on changes in society and the market and our determination to prioritize customer centricity.

Costa Cruises has been engaged for some time in integrating sustainability aspects into the cruise experience – topics that are of increasing concern to society at large and also central to our business model for sustainable development. This approach is reflected by our initiatives to raise awareness and facilitate informed decisions regarding the food experience and the responsible use of shipboard resources. It is also the rationale behind our shore tours, which are designed to promote social and economic development while fostering local heritage and minimizing impact.

Combining taste, wellbeing and sustainability

Costa Cruises works to promote on board the ships in its fleet a sustainable food model encapsulating the key components of the vacation: healthy living, wellbeing, pleasure and culinary experience. Our engagement in this area focuses on the systematic review of the shipboard menus and of food preparation processes designed to satisfy the differing tastes of our customers while respecting the principles of healthy nutrition. An integral part of the path to food sustainability is our campaign to encourage guests to be increasingly aware when it comes to adopting good eating habits. In line with this objective, our food and wine offerings

are as wide ranging as ever but now focus more on sustainability aspects of the supply chain and seasonal availability of produce. Another feature of Costa's food experience is the introduction of regional menus conveying the culinary heritage of the countries visited on the cruise. At the same time, however, the Mediterranean diet retains pride of place on board.

On this journey towards sustainable nutrition, the Company enlisted the support of several key partners in the Italian food industry. In particular our alliance with the **Università delle Scienze Gastronomiche di Pollenzo** allowed us to integrate into the food experience innovative elements and a holistic approach based on wholesome ingredients and a correct nutritional balance.

The preparation of pizza made from naturally leavened sourdough and the careful selection of toppings are typical instances of this approach. Another example is the decision to have genuine, top quality mozzarella cheese produced from Italian milk made directly on board the Costa Diadema and Costa Favolosa. This project is run jointly with the **Latteria del Curatino** dairy and enables us to produce the amount required each day, thus virtually eliminating waste. The great variety of the Italian culinary tradition is readily apparent in the ships' restaurants (there are 18 regional menus with a total of over 520 Italian dishes). Of course one of the stars of the Mediterranean diet is pasta, to which Costa Cruises – in collaboration with

Barilla – dedicates the weekly *Pasta in Festa* (Pasta Party) showcasing the versatility of the world's favorite Italian staple (a meal in itself) in a series of dishes prepared on the spot for our guests. Alongside the Mediterranean diet we offer a variety of fusion cuisines, for example our new *Pacific Fusion* menu. Our efforts to encourage sensible eating include events with the direct involvement of guests. In 2016 Costa launched *Bravo Chef*, a cooking show where passengers are contestants and the accent is on healthy recipes and the nutritional properties and value of food.

Direct involvement of guests in sustainability

The reduction of energy and water consumption as well as of environmental impacts, thanks to the continuous advancement of shipboard technology, is one of the most important goals for the future of Costa Cruises. The effectiveness of the associated investments is increased substantially by the direct involvement in energy-saving efforts of guests, called on to play an increasingly active part in responsible consumption initiatives without this affecting top-of-the-range comfort. Examples include separate collection of waste (with collection points throughout the ship) and the eco-friendly use of water in the cabin.

Cruises take people around the world, giving them the chance to discover other cultures. For some time now, Costa has featured itineraries taking in not only customary tourist resorts but also places off the beaten path, thus promoting sustainable nature-based tourism.

Accordingly, we offer **415 eco-tours** to unspoiled areas (parks, oases and nature reserves); these excursions feature zero-impact means of transport and provide participants with a more authentic experience, enhancing cultural exchange and forging links with the local community.

20

DISCOVERY AND TASTE
EXCURSIONS - WALKING
TOURS IN OUR **MAIN**
MEDITERRANEAN
DESTINATIONS

3

LOW-IMPACT EXCURSIONS
IN ICELAND AND NORWAY
- WALKING TOURS,
KAYAKING, HIKING AND
DOG SLEDDING



To this end we also arrange special information sessions to prepare guests for eco-tours and foster respect for local cultures and traditions. Costa's program of eco-friendly excursions is expanding all the time: we added 71 new ones in 2016.

Towards the impact cruise

We are introducing the new concept of social impact travel, offering mindful activities and programs that enable travelers to make a real impact on the people in the communities they visit, working side-by-side with local volunteer organizations.

Carnival Corporation pioneered the **impact cruise** allowing travelers to immerse, learn, serve and flourish while making enduring, sustainable contributions. Carnival's purpose-driven



brand **Fathom** is synonymous with traveling for lasting enrichment and growth, both for the guest and for the local community. This new model of tourism is set to spread: plans are in place to expand Fathom's social impact experiences to the Corporation's other brands. The idea is that guests will be able to purchase this kind of excursion – a new participatory and immersive travel category that takes people into the heart of a destination to explore local communities and discover its people in unconventional ways – just as they do today with traditional shore tours.



Inspiring a whole new perspective on life

Fathom began operating in 2016 and provided Costa with the chance to add to its conventional recreational and sightseeing cruise tours in the Caribbean new social impact excursions, combining authentic discovery with initiatives to help facilitate and sustain educational, environmental and economic development programs.

More specifically, in Puerto Plata (Dominican Republic) during a unique, hands-on visit to the Chocal cooperative founded by enterprising local women (over 24,000 cacao seeds planted), travelers visit the community and the tiny organic-chocolate factory, where they have the opportunity to work alongside these women to participate in the chocolate production process from bean to bar, a truly rewarding experience. This enables the cooperative to boost production and sales (over 103,000 products packaged and ready for sale) with positive knock-on effects for the local micro-economy. Many local farmers belong to a farming cooperative and make their living by harvesting their cacao and selling the cacao beans.

Meanwhile the volunteer experience at **RePapel** (Uruguay) is a visit to a micro-business where artisans repurpose natural, recycled paper into arts & craft treasures (over 18,000 new sheets of paper produced). Once again this is a cooperative run by local women. Travelers work side by side with these women, discovering all aspects of the program, including creating new products for sale. This is an important source of support for growth of the recycling entrepreneurship and a stimulus for future creativity.

As part of the Grand Tour of Australia we take travelers to meet the **Mutitjulu Foundation**, which assists projects to relieve poverty, advance education and improve health care for residents of Aboriginal communities. These visits help support the organization.

111
VISITS TO THE
COOPERATIVE

3,736
TOURISTS INVOLVED

121
VISITS

3,443
TOURISTS INVOLVED

Interpreting changing demands

We keep the promise made to the customer by meeting and exceeding their expectations of a very special kind of vacation. This is also one of Costa's key strategic objectives. In turn, by delivering exceptional experiences for guests we build trust and enhance our reputation, this being essential for our relational capital and our long-term business development. Accordingly, at every stage of design and delivery of the product, the Company pursues solutions that will respond to the demands of our customer base clearly, transparently and effectively.

Introduction of new cruise routes

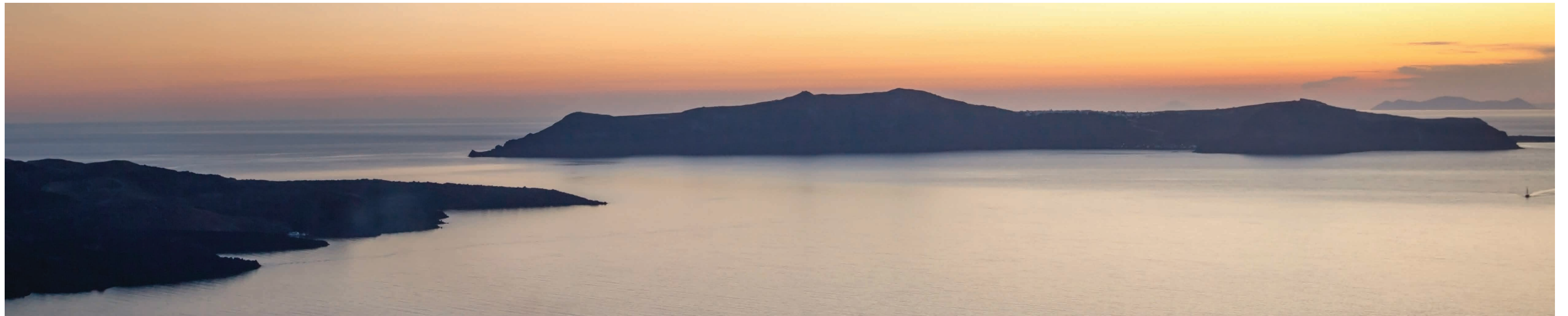
A corollary of the massive growth in demand for cruising in recent years is the opening of new routes sailing to new destinations in response to the need for continuous product innovation and to the

increasing popularity of cruising perceived as the most enjoyable form of vacation experience and a great way to visit exotic places. A number of new options were introduced in 2016. The Company added two new Mediterranean itineraries (Greek Islands - Sardinia & Balearic Islands) targeting younger cruisers. Further afield, we opened a new route in the **Indian Ocean** taking in India, Sri Lanka and the Maldives. A first for the cruise industry and package holidays generally, this itinerary offers the novelty of longer overnight stays allowing guests to really get to know each port of call and go on more than one shore tour in each destination. Another particularly exclusive innovation is the stopover at **Sir Bani Yas**, a stunningly beautiful natural paradise with private beaches, located off the southwest coast of Abu Dhabi.

Feedback from guests was used in the reporting period to review the tour program

and the *shore experience* as a whole. A specific survey was conducted on a sample of 2000 passengers, enabling us to collect suggestions and have a fuller understanding of changing perceptions and expectations of one of the key parts of any cruise holiday. The resulting action plan focused primarily on the authenticity of the shore experience and catering to the demand for visits to places off the beaten track taking people into the heart of a destination. Key aspects include: priority disembarkation and fast track entry privileges at museums and other tourist attractions; guaranteed quality with qualified operators and multilingual guides; full assistance and complete safety; guaranteed price and rescheduling of excursions in the event of changes to the itinerary. Costa Cruises' main action in response to the survey findings was the introduction of a new excursion program

called *Fun & Discovery without stress*. The evolution of Costa Tours entailed not only the launch of new services and the enhancement of existing ones offered by local partners at our destinations, but also shoreside reorganization with the creation of new positions: the **Corporate Destination Manager** with responsibility for aligning the procedures with the new approach (some 2200 tour descriptions rewritten to make them more subjective) and the **group tour expert**, offering travel agencies booking groups on board Costa ships specific consultancy on the most suitable excursions, with organization of tours and the creation of special personalized programs. This type of service enhances the appeal of our cruises for consumers and therefore gives the Company and its agencies a competitive edge and an additional opportunity for business.



Transparency and interaction

During the reporting period Costa simplified its pricing system, thus better meeting the needs of its customers and travel agents, by introducing the *Total Comfort* fare – part of its new, simpler and more transparent pricing model. The most innovative change during the reporting period, implemented with the aim of further enhancing customer interaction, is the new web platform www.mycosta.it, in 6 language versions and accessible on all mobile devices; using the website, guests can personalize their cruise by adding exclusive services and special surprises,

which can be booked in advance and paid for directly on board, at the end of the vacation. Thanks to the site you can be sure of reserving a place on the shore tours that most take your fancy and also enjoy maximum flexibility if you need to make any changes to your planning. After the cruise, a comment form is emailed to all the guests; the aim of this online questionnaire is to determine the level of satisfaction and find out whether the holiday met the cruiser's expectations. The responses are evaluated and analyzed by means of the Net Promoter Score (the industry standard measurement of customer loyalty) so as to assess customer


satisfaction, point to areas of service delivery that require improvement and measure guests' degree of loyalty. In 2016 our NPS rose to **43.22** (compared to 40 the year before), an increase of 9.77%. The shipboard experience, consisting of so many special moments and unforgettable highlights, is described directly by the guests themselves on the most popular social networks. Costa Cruises deems this exchange a means of enhancing its reputation and increasing its relational capital and, to this end, interacts with customers during and after the cruise by means of the Company's web-based platforms.


INTERACTING WITH THE WORLD OF COSTA


WEBSITE VISITS

37,438,538

 **FACEBOOK**
2,234,266
fans worldwide

 **TWITTER**
71,851
fans worldwide

 **INSTAGRAM**
15,400
followers

 **YOU TUBE**
5,356,685
total views

Trust and loyalty: key assets for the Company

CostaClub is a key asset and a tangible expression of our relational capital. In addition, it is an excellent means of gathering feedback from our most loyal repeaters. Indeed, CostaClub provides a means of measuring the satisfaction of our key customers, continuously improving our services and implementing a state-of-the-art rewards program. In 2016, to mark the anniversary of our loyalty program, we reviewed membership rules and introduced new exclusive, personalized benefits. CostaClub members come from 200 countries – the majority are Italian, French and German – and show a sense of loyalty and a passion for the Costa cruise experience that goes far beyond mere appreciation of the vacation.

OVER 3

MILLION CRUISES SAILED ON BY MEMBERS IN 15 YEARS

1

COSTACLUB MEMBER HAS BEEN ON 100 CRUISES IN THE LAST 5 YEARS (A TOTAL OF 871 DAYS ON BOARD)

19

COSTACLUB MEMBERS HAVE BEEN ON 4 ROUND-THE-WORLD CRUISES

1

COSTACLUB MEMBER HAS CHOSEN THE SAME SHIP FOR THE LAST 40 CRUISES



GROWING TOGETHER WITH OUR BUSINESS PARTNERS

Our 38,000 partner travel agencies located in 70 countries worldwide are often the first point of contact for customers and help them opt for the solution that best matches their demands. For this reason the relationship with the travel agent is vitally important and needs to be cultivated all the time in order to build trust and share the objective of value creation.

The **Costa Sales Academy on Board** provides travel agents with specific training in sales techniques and the latest product news, partly conveyed online by the web platform **Costa extra**, the biggest Italian online business community in the travel industry, for agencies in Italy, plus France and Spain, allowing users to exchange information in real time and benefit from mutual learning. At the same time, the use of webinars on the platform means less travel for our sales force, which cuts costs and also helps reduce emissions.

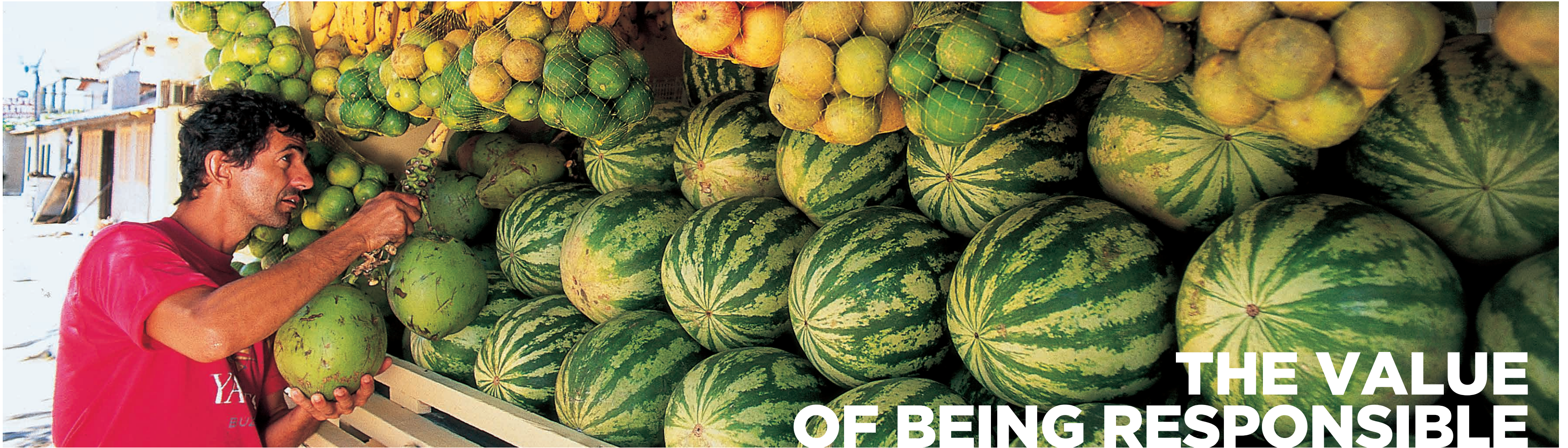
Meanwhile, the **Agorà Project**, launched in Italy in 2015 and subsequently extended to France, was used to collect feedback from our most important partners internationally, this being essential for the continuous innovation of the product. In 2016 a panel consisting of our main French distributors met to exchange ideas and opinions regarding the product and trends in the industry. This kind of structured meeting helps strengthen the ties between Costa Cruises and its partner travel agents, whose experience is a precious asset to be capitalized on by means of a proactive approach to development. In order to provide concrete support for the development of business intelligence and enhance constructive two-way dialogue with the travel agencies, in 2016 the Company launched the innovative **CostaNext** program. The result of a substantial investment as well as complex analysis and research for the management of large data sets, this

platform provides access to useful and innovative tools for customer profiling and the identification of potential.

Support for local travel agencies is vital for the definition of hospitality programs for people with disabilities and the development of accessible tourism. By providing accessible cruise ships for passengers with disabilities or reduced mobility, we are demonstrating our commitment to ensuring that all citizens can exercise their right to freedom of movement equitably. One example is our partnership with the Spanish Deaf-Blind Association, **Asociación de Sordociegos de Castilla y León**. Together, we chose the Costa Diadema to host a made-to-measure experience for 24 travelers requiring accessibility features and specific services and facilities.

“Shore calling Ship”. A chance for professional enrichment

The motto “Shore calling ship” accompanied 200 Sales Agents from Italy, Spain, France, Benelux and New Markets during a one-off training session held on board Costa ships. The aim was to let participants find out more about the product and, above all, have a close encounter with the professionalism of our shipboard personnel and appreciate the complexity of the business. This was an itinerant, interactive and dynamic form of training designed to convey Costa’s commitment to service excellence: a hands-on group experience alongside our staff on board. The ship visit was a tour of discovery of what goes on “behind the scenes”, including a look inside the cabins and in the different public spaces; the idea was to communicate naturally the quality of the service offered and the awareness of everything that a Costa holiday represents in terms of emotion and memorable experience. Participating Sales Agents, already experts in assessing customers’ expectations and tourism industry trends, soaked up the ambiance of a cruise and honed their interpersonal skills through greater awareness of our continuously evolving product and market. This type of training arouses the interest of Sales Agents and helps bridge the gap between ‘shore’ and ‘ship’. We intend to arrange further initiatives of this kind for these highly strategic stakeholders.



THE VALUE OF BEING RESPONSIBLE

Management of the supply chain

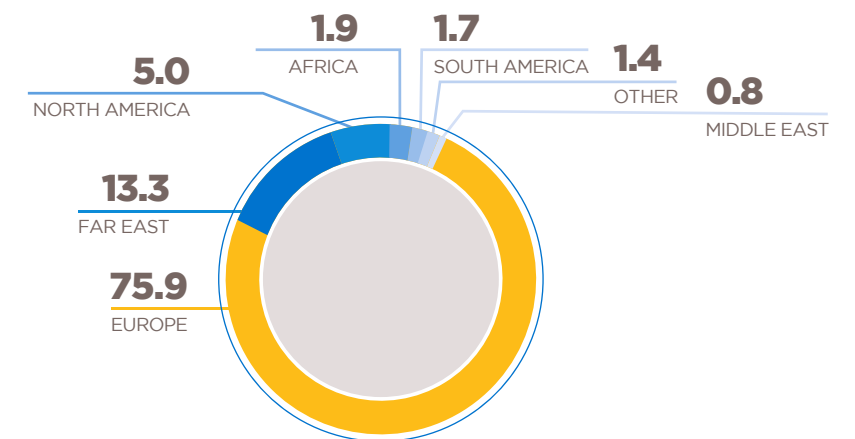
The complexity of a business characterized by the continuous movement of people and goods all over the world requires a structured organization in terms of the management of procurement, ensuring better integration of internal processes, capitalization on aspects of innovation and synergies between the functions and stakeholders involved in the supply chain. The procurement strategies for the main categories of commodities are defined globally in order to pursue the key objectives in each case – notably safe and

prompt supplies, maximum efficiency and reduced impact of logistic activities. This is done by setting up local logistic hubs and, where possible, purchasing local products. This applies particularly to fresh foodstuffs; the positive effects of this approach include far fewer emissions due to minimal transport and development of the local economy (with particular regard to Mauritius in winter 2016). Sustainable procurement in the food&beverage area includes our collaboration with Italian partners of the highest caliber offering Italy's finest – products made using farming and processing techniques that respect nature and the environment.

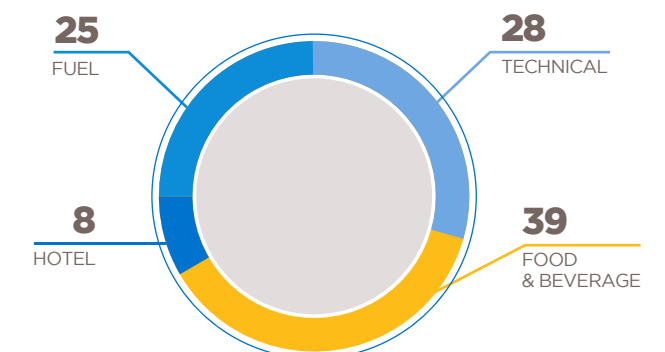
Added to this is Costa's management of the supply chain linked to extraordinary maintenance of the fleet, regulated by multi-year service contracts, which are needed on account of the scale and complexity of the work and the specialized know-how required for dry-docking operations.

8,774
SUPPLIERS

DISTRIBUTION OF PURCHASES



BY SOURCING AREA IN %



BY DEPARTMENT IN %

SUSTAINABLE PROCUREMENT IN COSTA



BUNKERING OF FUEL

FUEL USED FOR SHIP PROPULSION

- use of fuel in compliance with ISO 8217 (international standard) and regular random testing (for compliance with parameters) of bunker supplies (sampled on the fuel barge, on board and in the laboratory)



WATER RESOURCES

SUPPLY OF WATER

- gradual increase in amount of water produced on board and planning of bunkering so that water is sourced in areas of the world where it is not such a scarce resource, thus not impacting on local communities



TECHNICAL

SPARES (*) AND TECHNICAL EXPENDABLE MATERIALS. FLEETWIDE ROUTINE AND EXTRAORDINARY MAINTENANCE SERVICES.

- supply of certificates
- transfer of know-how and business opportunities in ports carrying out dry-docking with high standards of reliability and solidity

(*) spare parts for plant and machinery except for engine room equipment



HOSPITALITY

PRODUCTS AND MATERIALS LINKED TO THE DEMANDS OF THE HOTEL SERVICES AND THE FITTING-OUT OF THE SHIP

(MANAGED IN COLLABORATION WITH THE TECHNICAL SOURCING AREA)

- eco-friendly complimentary cosmetic products
- biodegradable (mater-bi) material used for dishes, cutlery, straws and excursion materials
- recycled paper used for information sheets on board
- linen made of special organic cotton



FOOD & BEVERAGE

FOOD & BEVERAGE

FOOD PRODUCTS INCLUDING SUPPLIES OF FRESH FOOD

- strengthening and enhancement of partnerships with food companies active in the field of sustainability
- gradual introduction of basic foodstuffs sourced from sustainable supply chains
- sourcing of suppliers of drinks and other products using packaging and dispensers with reduced environmental impact (e.g. Acqua San Benedetto)
- continuous review of the menus in order to foster local culinary traditions and local producers
- increased use of local suppliers, resulting in reduced impact of logistic activities
- gradual increase (15.5% of all food) in the amount of fresh produce supplied directly from the ports of call

With San Benedetto to reduce impact

Behind our collaboration with *Acque Minerali San Benedetto* is the joint commitment to safeguarding the environment; a model of excellence in the mineral water industry, San Benedetto introduced PET back in the 1980s, in line with an energy-saving approach based on a lower amount of plastic used for bottling and reduced CO₂ emissions throughout the production cycle.

The partnership with Costa Cruises is designed to substantially reduce the quantity of packaging used for the mineral water distributed on board. By replacing the 1.5 liter bottle with a 2-liter version that actually weighs less, it has been possible to reduce the amount of plastic sent for disposal by some **26 metric tons** a year.



A partnership of excellence for dry-docking

The increased technological and mechanical complexity of ships has led over time to the setting-up of hubs of excellence providing maintenance services tailored to the demands of cruise operators. This, in turn, has stimulated processes of capacity building centered around the upgrading of facilities and infrastructure designed to accommodate ever-larger mega-ships and ensure continuous innovation.

With this objective in mind, in 2016 Costa Cruises acquired a 33.3% stake in **Chantier Naval de Marseille**, a shipyard specializing in repairs and conversions headquartered in the French city, which is a subsidiary of the Genoese company San Giorgio del Porto, one of Italy's leading yards. This operation will lead to the creation of a global player in ship repairs and conversions, bringing benefits to the local economy in terms of direct employment and development of allied industries.

This strategic venture entailing an initial investment worth 10 million euros is a vital step forward towards the optimum management of fleet maintenance in the Mediterranean, and will include provision for handling the next-generation ships scheduled for delivery in the next few years.



265

AUDITS OF THIRD PARTY SUPPLIERS

Trust based on clear and transparent relationships

Costa Cruises operates so as to establish in its supply chain strong, lasting partnerships based on mutual trust and with the shared aim of ensuring growth, quality, innovation and sustainability. Relationships with suppliers depend on clear and transparent management processes, consideration of both parties' respective needs, and a careful process of selection and performance monitoring, prioritizing

equal opportunities. In 2016 the Company focused on the process of harmonization and rationalization of vendors for each broad commodity category with the goal of consolidating strategic partnerships and further strengthening interaction. For the purposes of qualification, Costa Cruises uses objective evaluation criteria to assess technical aspects and the sound economic footing of suppliers, as well as their ethical, environmental and safety record. The accreditation process is completed by assigning "unconditional"

or "conditional"¹ qualification; the latter means that the candidate does not meet all of the evaluation criteria in compliance with set standards.

To become an official supplier, it is necessary to sign a contract and pledge to abide by Costa's **Business Partner Code of Conduct and Ethics**, thereby undertaking to meet the Company's expectations for legal compliance and ethical behavior. In particular, suppliers must have knowledge of and comply with the environmental laws and health & safety regulations in

force. The Code invites our partners to adopt a correct approach by limiting the use of non-renewable resources, reducing, recovering and recycling waste, and minimizing the environmental impact generated.

Costa Cruises has stated its intent to comply with and support laws and regulations relevant to slavery and human trafficking, as set out in the **UK Modern Slavery Act**; similarly, Costa expects all of its suppliers to respect and follow these legal requirements.

¹"Conditional" qualification means that there will be a limitation on the amount of business that can be assigned to the supplier concerned. Initial qualification also depends on the outcome of a screening procedure and confirmation that the supplier concerned does not belong to one of the categories of entities with which Costa Cruises, being a member of Carnival Corporation, is not allowed to engage in any business transactions insofar as it is subject to the laws and regulations implementing economic sanctions programs administered by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC Compliance Policy).

Purchase Order Vendor Integration System

Management of the procurement system for products in the food&beverage area for each ship demands the prompt and accurate electronic exchange of business data: there are more than 50 categories of commodities involved with an average of 6,000 orders processed each month.

The launch of the POINT (Purchase Order Integration) Project with implementation of a web-based system for all our food&beverage suppliers is in line with Costa's determination to upgrade, enhance and

simplify the exchange of data and information. The new system is based on B2B integration in lieu of traditional paper document transactions. The paperless process facilitates traceability of any changes, which is vital in a setting like a ship where the level of demand varies depending on the number of guests on board. The intention is to extend the POINT system to other broad categories of commodities and other fields such as management of tenders, methods of purchasing from catalogues and requests for offers.



TOMORROW



INNOVATION, RESPONSIBILITY AND DEVELOPMENT

In Costa's long-term vision the next-generation LNG-powered cruise ships constitute the platforms on which to design – using a multidisciplinary approach – the guest experience of the future, exceeding consumers' expectations and creating value. Ours is a distinctive strategy aimed at broadening horizons and making responsible

innovation the main driver of change at both product and process level.

It is a path to business growth impacting directly on all the stakeholders in the supply chain, supported by tangible investments closely linked to the key sustainable development issues set out in the Sustainable Development Goals of the 2030 Agenda.

Clean energy for the future

The drive towards LNG – due to its reduced carbon profile and cleaner emissions – is a global phenomenon that is shaping international energy policy and influencing the world's main economies. As a result of regulations recently adopted internationally, there is a greater push in the

maritime industry to build ships that can utilize cleaner burning fuel, such as LNG. The emphasis on emissions regulation is in Europe with tighter regulations due to enter into force by 2020 in the northern Mediterranean, the Baltic Sea, the North Sea and the English Channel.

 **SUSTAINABLE ENERGY**

Chosen to power our next-generation cruise ships, LNG is the world’s cleanest burning fossil fuel. The use of Liquefied Natural Gas will play a lead role in the transition to a more sustainable energy mix aimed at reducing pollution and GHG emissions.

 **INDUSTRY AND INFRASTRUCTURE**

The entry into service of the new ships is a great stimulus to infrastructure development in ports and shipyards, this being an acknowledged driver of economic and social development.

 **RESPONSIBLE INNOVATION**

Technological innovation of the systems and equipment on our future ships will enable considerable savings in terms of consumption of energy, water and natural resources. The new design concept of the ship’s interiors will minimize waste throughout the production cycle.

This is likely to lead to the building of alternative fuel infrastructure in shipyards and ports.

Of the 75 new cruise ships due for delivery in the next few years, a third of which were ordered in 2016 alone, 13 will be powered by LNG. Carnival is expanding its LNG capabilities all the time; with nine LNG-fueled ships currently on order, Carnival pioneered the transition to LNG, once again pre-empting the cruise industry. The Corporation has enabled the Costa Crociere Group to become the first cruise company to use LNG to power its ships and allow bunkering when they are both in port and on the open sea.

New infrastructure for one of the world’s cleanest fuels

Being the first mover, Carnival Corporation is actively promoting at industry level the real benefits and advantages derived from the use of LNG as the fuel of choice for the future, and is engaging in structured dialogue with all the key stakeholders – suppliers from shipyards, ports, institutions and classification societies – with a view to their participating in the planning of infrastructure for management of the new builds with a long-term vision and working together to ensure the



¹ Carnival is a member of SEA/LNG, a new cross-industry initiative established to accelerate the widespread adoption of LNG as a marine fuel by 2020. www.sea-lng.org

widespread implementation of LNG solutions¹. To be effective, the transition to these new propulsion systems must be accompanied by a program ensuring the growth and upgrading of the global network of LNG bunker services; indeed, in 2014 there were only 22 bunkering terminals worldwide, of which 15 located in European ports. Global liquefaction capacity is already substantial and, thanks to the growth in demand for LNG, many emerging markets have shown interest in it as a replacement for expensive oil-based fuels, thereby leading to diversification of the offer and supply security. At the same time, the European Union is supporting the building of LNG infrastructure in coastal

and inland waterway ports, the objective being to reach completion by 2025. A number of projects are also underway to construct bunkering terminals in other parts of the world, especially the Far East (China, South Korea and Japan), where the cruise market growth rate is highest. In Italy, where as yet there are no LNG bunkering terminals, the companies managing regassification units have mobilized in order to assess the feasibility of upgrading existing infrastructure and the Port Authorities have put forward projects for the conversion of port facilities so as to enable the distribution of LNG. The outlook is for certain growth and, according to the 2030 National Strategic Framework, the

demand for LNG bunker is expected to be around 1 million metric tons a year. Forecasts suggest there will be a total of 20 bunkering terminals for vessels in sea and inland waterway ports nationally, with 35 LNG-powered new builds and 25 existing ships that may be flagged for conversion. An important regulatory development was the entry into force in February 2017 of ISO 20519:2017, which sets requirements for LNG bunkering transfer systems and equipment thereby ensuring that LNG-fuelled vessels can bunker in a safe and sustainable way, no matter where the bunkering takes place. The new standard contains requirements that are not covered by the IGC Code (the prevailing international code issued

by IMO for the safe carriage by sea of liquefied gases in bulk) such as liquid and vapor transfer systems, operational procedures, a requirement for the LNG provider to provide an LNG bunker delivery note, training and qualifications of personnel, and requirements for LNG facilities to meet applicable ISO standards and local codes (in each port).



GLOBAL FLEET OF LNG VESSELS

97

ACTIVE VESSELS

91

VESSELS ON ORDER

GLOBAL LNG INFRASTRUCTURE AND MARKET^(*)

GLOBAL TRADE

258

MILLION METRIC TONS
(+5% VS. 2015)

OUTLOOK +4-5% PER ANNUM
(2015-2030)

GLOBAL LIQUEFACTION CAPACITY:

340

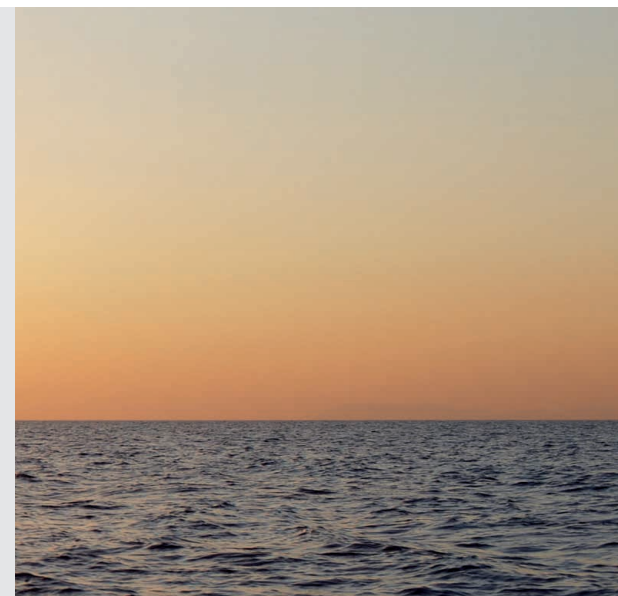
MILLION METRIC TONS PER ANNUM
(+11.5% VS. 2015)

LIQUEFACTION CAPACITY ADDITIONS (UNDER CONSTRUCTION):

115

MILLION METRIC TONS PER ANNUM

LNG CARRIERS:
439 VESSELS (+7% VS. 2015)



(*) Source SEA/LNG – as of December 2016

Development of infrastructure in pivotal ports for Costa

The first of Costa Cruises' two ships to be powered by LNG is scheduled for delivery in 2019 and will be porting in Savona, the Company's operational base in the Mediterranean. The choice of Savona as homeport means consideration must be given to upgrading the local

infrastructure with particular regard to the building of floating storage units and bunkering facilities. This depends on the definition of a long-term development plan agreed on by Costa, the town of Savona and the local Port Authority. Prior to the implementation of such a project, our vessels will be supplied with natural gas by means of ship-to-ship offshore transfer systems.

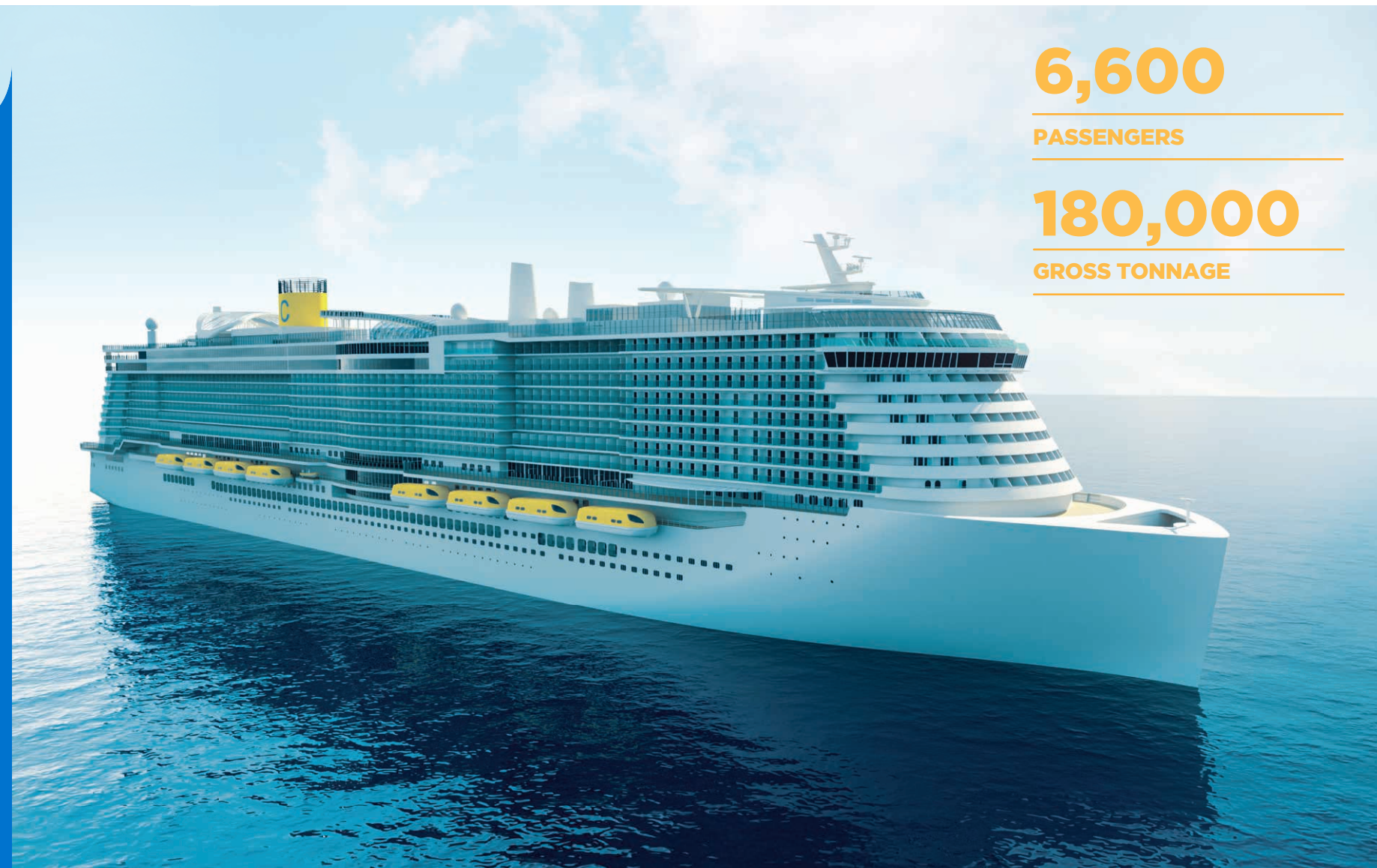
In July 2016 work began officially on the construction of the second cruise terminal in the Port of Barcelona. Carnival is investing 30 million euros in the build, which paired with its existing terminal at the port represents its largest combined terminal investment in Europe. The project will secure employment for around 150 people through the Corporation's work with local contractor companies.

Scheduled to open in 2018, the new facility is designed to accommodate the new class of next-generation green cruise ships that will be fully operated by LNG and it will substantially increase passenger capacity in the port. The building of the second terminal testifies to the strength of the decade-long partnership between Carnival and the Barcelona Port Authority.

LNG supply agreement with Shell

SHELL has entered into an agreement to supply two next-generation ships of Carnival Corporation&plc with LNG; the new alternative fuel will be used to power the ships both in port and at sea. This unique commercial partnership is based on a shared vision of the need to help the transition to cleaner LNG cruising by contributing to a robust and reliable LNG fuel supply chain.

Under the terms of the agreement, signed in October 2016, one cruise ship will refuel from Shell's special LNG bunker vessel that will load at the Gas Access to Europe terminal in Rotterdam. The second ship is expected to refuel at one of the ports in the Western Mediterranean.



0%

SULFUR DIOXIDE EMISSIONS

95-100%

REDUCTION IN PARTICULATE MATTER

85%

REDUCTION IN NITROGEN OXIDES

25%

REDUCTION IN CARBON EMISSIONS

6,600

PASSENGERS

180,000

GROSS TONNAGE

New ships: the concept

Alongside the investments in new propulsion systems and the adoption of shipboard solutions yielding benefits in terms of reduced impacts, greater efficiency in use of resources as well as energy savings, Costa has launched a strategy designed to make the ship itself increasingly a destination, a holiday resort. Linked to this is the new design concept for the ship's interiors based on the latest trends aimed at delivering joyful cruise vacation experiences.

As on its existing cruise ships, Italian design, culture and spirit will be showcased on the new additions to Costa's fleet. Roving ambassadors for "Italy's Finest", they will allow countless thousands of international guests to discover excellence in terms of

style, hospitality and entertainment, as part of a creative project conveying core Italian values. The new interiors feature modern design elements and innovations intended to rethink the cruise experience and ensure that the ship itself is the focal point of the vacation.

The Creative Director for these new builds is **Adam D. Tihany**, considered the world's leading hospitality designer, who is overseeing an elite group of international architects and specialists who are well-versed in design for shipboard spaces such as restaurants, swimming pools and multifunctional entertainment venues. The main aim is a bespoke realization of the "Italy's Finest" philosophy so as to stun guests and make them feel that they are

an integral part of a "broader" journey of discovery of Italy at sea based on beauty and aesthetic appeal in its various forms. A key part of the project is the reinterpretation of fine materials – stone, glass, leather, fabrics, wood and ceramics – featuring prominently in the different shipboard spaces and used to further convey to the guest the passion and unique know-how of the Italian artisans taking part in the work together with the most prestigious brands of Italian interior design.

Epitomizing Italy's Finest will be a floating museum, a first for the cruise industry, in an exhibition area permanently set aside on board for this purpose and blending into the surrounding spaces, displaying

the very best in Italian art and design. Carefully selected works and exhibits from various industrial sectors, the cinema and – of course – the fashion industry will make this a unique showcase for Italian culture and style. The ship will be a veritable place "to discover" – an evocative location stirring the emotions and marking a new way of appreciating the cruise experience.



Pre-empting the future: Pepper on board

Central to the design and construction of our new ships is the introduction of state-of-the-art facilities and technology enhancing guests' experience on board and allowing them to enjoy a more interactive vacation, including the possibility of planning which amenities to use in line with their tastes and interests.

Since 2016, guests on the Costa Diadema have been able to converse with Pepper, the first humanoid robot capable of recognizing human emotions. **Pepper**, who entertains and informs passengers, is a first for the cruise industry and the result of a partnership between Costa and **SoftBank Robotics**.

Pepper is extremely natural, can detect people nearby and is capable of perceiving basic human emotions by interpreting your expression and your tone of voice. This "emotional" robot speaks Italian, English and French and can therefore interact freely with our international clientele. In addition to entertaining guests, Pepper is also programmed to handle requests for information, provide guidance both about shipboard services and about the destinations on the itinerary, and gather feedback, comments and suggestions from guests concerning their perceptions of the cruise experience.



FOOD SUSTAINABILITY ON BOARD

Conservation and enhancement of food resources has become one of Costa's key challenges and for this reason it has been included in the framework of our sustainable development strategy applied to the *food experience*. The whole process of production, distribution and consumption of food is central to sustainable development

issues and refers to many aspects, from the use of primary resources in agriculture and farming, to the emissions produced throughout the process, and to the social and economic questions arising from the production cycle and life cycle of food. Within global political agendas, hunger and food waste are two sides of the same

coin demanding a change of approach on the part of all the stakeholders involved. One of the priority objectives of the 2030 Agenda for Sustainable Development is to halve per capita global food waste. The Sustainable Development Goals (SDGs) defined by the UN include six points referring to the vital role played by food security

and nutrition in the attainment of many continuing development priorities such as health, wellbeing, poverty eradication, sustainability and environmental protection. In its transposition of the SDGs as guidelines for action, the EU is focusing on promotion of a model of the circular economy. Among the tools implemented is a platform for the



ROUGHLY 1/3 OF THE FOOD

produced in the world every year — approximately **1.3 billion** metric tons — gets lost or wasted at a cost of **US\$750 billion**



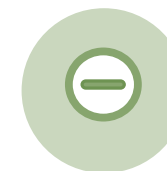
795 MILLION PEOPLE

hungry in the world



THE FOOD WASTAGE CARBON FOOTPRINT

amounts to **3.3 Gtonnes** of GHG emissions, equivalent to **1/3 of annual emissions** from fossil fuel use



BY REDUCING BY ONE-FOURTH CURRENT FOOD WASTE

there would be enough to feed all the hungry people in the world

mapping of food wastage and losses designed to support all stakeholders in defining the measures needed to prevent food waste, facilitate sharing of best practices and monitor progress made over time.

Italy has also been actively involved in efforts to ensure safe, nutritious and sufficient food all year round, initially by means of the PINBAS 2014 National Food Waste Prevention Plan, and later in

the form of the so-called “Gadda Law” no. 166/16, reforming the regulatory framework and regulating donations of unsold food using measures to simplify, harmonize and incentivize the process, prioritizing the recovery of food for donation to the less fortunate.

As set out in the **Milan Protocol**, drafted as part of Expo 2015, actions to tackle the major global paradoxes on food and nutrition do not only

concern public institutions; indeed, tangible results can only be achieved if a movement is created involving all parts of society, first and foremost businesses. Enterprises are called on to promote multi-stakeholder agreements along production and supply chains in order to optimize production, distribution and consumption while respecting everyone involved in the process.

Costa Cruises has risen to this challenge

and was the first travel industry operator to sign the **Milan Protocol**¹ on sustainable food, undertaking to take concrete steps to revise the *food experience* on board and continue on the path to food sustainability.

¹ www.barillacfn.com/it/divulgazione/protocollo_di_milano

Costa takes part in the Week of Italian Cuisine in the World

In 2016 our promotion of Italian culture and excellence internationally, in collaboration with Italian Embassies in the countries where we operate, focused on food. Costa Cruises supported the diplomatic missions in Copenhagen, Boston and Malta during the **First Week of Italian Cuisine in the World**.

This initiative, conceived at the Milan Expo 2015 and set to become an annual appointment, was held in November 2016 in 105 countries with over 1300 events celebrating fine Italian food and wine; the quality of the inimitable Italian culinary tradition was promoted at tastings and other happenings arranged by businesses, restaurants, associations and other organizations.

On board the Costa Pacifica, moored at the Port of La Valletta, Costa Cruises and the Italian Ambassador to Malta held a seminar organized in collaboration with the *Università di Scienze Gastronomiche di Pollenzo* (UNISG): the main topics discussed were responsible consumption of food and reduction of food waste.



Selection of choice ingredients: Agrimontana gelato

Agrimontana, a leader in the production of compotes, jams and candied fruit as well as of authentic Italian gelato, supplies all the ingredients used to make ice cream on board the ships in the Costa Cruises fleet. We chose Agrimontana as partner on account of their careful selection of and respect for the basic ingredients used and the conservation of their intrinsic nutritional properties. Management of the supply chain, starting with the sourcing of produce and facilitated by special relationships with suppliers, also makes it possible to monitor and refine the process of careful upstream selection of the individual products used to make the ice cream. Further examples of this Italian excellence come in the shape of the following ingredients: Washington Navel oranges (from Calabria), the best variety of citron in the world (grown at Diamante, also Calabria) and blueberries from Monviso (Po Valley).

As part of this partnership we hosted on board the Costa Favolosa a meeting of the *Artisti del Gelato*, an association set up by Agrimontana, whose members are the most famous Master Ice Cream Makers. The association aims to promote and foster the traditional technique of making Italian gelato, with rigorous quality controls and a very specific production process. At this event Costa's guests were able to take part in tastings and informative sessions dealing with the importance of selecting quality wholesome ingredients and the resulting benefits in terms of a healthy food intake.



Sustainable wines

Created in collaboration with the Italian winemaking experts *Banca del Vino* in Pollenzo (Piedmont), Costa's new wine list (featuring more than 100 wines) has as a common denominator the attention paid to respect for the environment and biodiversity. Over half of the wines listed were produced by Italian or foreign wineries using sustainable winegrowing practices, with minimal usage of chemicals both in the vineyard and in the cellar. Some of these winemakers have certification for organic wine production (EU Regulation no. 203/2012), some are part of the *Vino Libero* circuit (wines free from non-natural substances), while others adopt an even more hard line approach termed "biodynamic", with no chemicals at all on the grapes. Those producers on the list who do not fall under any of the above categories do however share the same broad vision.

Costa's commitment

Costa Cruises has put the issue of nutrition and the food supply chain at the heart of its sustainable development strategy. Translating this into concrete action in a highly multicultural setting in a leisure industry like cruising is far more than a question of simply rewriting menus and altering the preparation of dishes; it demands the direct involvement of guests and crew as well as specific measures to raise awareness of the importance of healthy eating habits.

Attention to the nutritional value of food is one of the key aspects of integrated sustainability. An informed consumer will make more informed choices when it comes to food and this, in turn, will influence the production techniques implemented by large corporations; indeed, if consumers value sustainable attributes then the public has a hugely important role to play in sending a clear message to companies in where they spend their money. Our intention is to guarantee a sustainable food experience on board our ships while directing guests towards responsible consumption initiatives that take nothing away from the enjoyment of tasting pleasure while educating people about the value of food.

The synergy created in partnership with the *Università di Scienze Gastronomiche (UNISG) di Pollenzo*,

the world's first and only university specializing in the study of food culture, is a testament to the scale of the efforts mounted by Costa in this area, including a full review of all our internal food service processes and the gradual remodeling of the food experience on board with an approach based on sustainability. Our partnership with UNISG is a long-term alliance aimed at providing a culinary experience centering on the principles of good, healthy and sustainable nutrition.

The first objective in this direction was the **review of our food&wine offerings** by means of the rigorous selection of quality products and ingredients. Over the last two years we have introduced fleetwide more than 500 dishes and recipes reflecting Italy's unrivalled culinary heritage and the Mediterranean diet. A key aspect is the management of menus based on seasonal availability of produce (e.g. fruit and vegetables) in the various ports of call. Incorporating these factors in the procurement of foodstuffs and the planning of menus was a massive task, insofar as it is directly linked to the deployment of our ships all over the world. At the same time we have strengthened and enhanced our partnerships with food companies active in the field of sustainability (notably Barilla, illy, Agrimontana and Carlsberg) and committed to responsible management of the supply chain.

HEALTHY AND SUSTAINABLE FOOD EXPERIENCE

REVIEW OF THE FOOD EXPERIENCE BASED ON SUSTAINABILITY



REAPPRAISAL OF FOOD PREPARATION MODELS



MEASURES TO REDUCE FOOD WASTE



RAISING GUESTS' AND CREWS' AWARENESS OF HEALTHY EATING

The gradual introduction of more and more natural food preparation techniques on board, for example the use of naturally leavened sourdough for bread and other bakery products, has further enhanced the quality of our culinary offer featuring wholesome, nutritional ingredients. In 2016 Costa and UNISG took a good hard look at our buffet service, where guests are free to choose which dishes to try and how much of each, this being an integral part of customer satisfaction while in turn influencing the dishes we prepare. While retaining our distinctive Italian culinary style and considering the expectations and demands of our international clientele, we defined a plan for the introduction of new dishes; this

includes vegetarian food, more vegetable proteins (legumes and lesser known cereals) and the creation of a “crudité corner” full of fruit and vegetables. These innovations were tested on the Costa Diadema, used as the lab and test bed for all the initiatives stemming from our partnership with UNISG, and gradually implemented – depending on the results and on the positioning of each ship – across the rest of the fleet. A key part of the buffet project was the harmonization of our presentation of the offer and a review, as far as possible, of the arrangement and lighting of the food display cabinets. Given the specificity of the shipboard setting (where space is at a premium and changes in layout are extremely difficult) and the fact that the

food service is in operation constantly, we concentrated on increasing guests’ perceived value and quality of the food (presentation of dishes and use of storytelling techniques).

We also reviewed some aspects of the food service process in our restaurants with a view to better conveying the cultural roots and traditions of the different dishes and their links to the various ports of call (illustration and contextualization of regional dishes).

Together with the **review of our approach to food preparation**, we considered the design of our galleys and food service areas for the new ships. The priority was responsible innovation in the processes and delivery of the *food experience* (layout of the food service areas).



Towards a future with less waste

Respect for and love of fine food guide the planning of all our activities undertaken with the *Università di Scienze Gastronomiche di Pollenzo*, including measures to reduce food wastage both during preparation of dishes and when consuming meals. In the latter instance the focus is wholly on the guest and Costa has worked with UNISG to devise a way of raising awareness of the importance of choosing the right portions, and putting quality before quantity. The sheer scale of our operations, in terms of the number of meals served each year, enables us to tackle the **reduction of waste** in the knowledge that we can make a real difference

by implementing methods aimed at reducing the amount of food prepared but not consumed, and encouraging guests to eat more responsibly. For this reason, in 2016 Costa began a partnership with **Winnow Cook Smarter**, a company specializing in optimization of processes in professional kitchens with the aim of ensuring continuous improvement and sustainability. The goal was to cut food waste in each step of the shipboard food preparation process. The starting point for this project was to **analyze and quantify the amount of food thrown away**; this, in turn, determined the choice of the strategies and processes to be implemented on board together with any corrective measures required.

Next was the definition of the actions required to involve and sensitize food service personnel. The operational plan included mapping of wastage at food preparation processing level; this was done by placing kitchen scales in each strategic area on the ship, weighing what was put in the bin and keeping a record of the different food categories. What started out as a pilot project will now be gradually extended and implemented on board all the members of the Costa Cruises fleet. This will be a first for the cruise industry, using a holistic approach to drive and sustain reductions in food waste without in any way affecting the guest's enjoyment of the cruise experience. Awareness raising and involvement are key parts of the project with direct

actions aimed at all the passengers and crew. A program of communication has been devised **drawing attention to the importance of a balanced diet** and good eating habits in relation not only to health but also to environmental impact. Sensitization of guests, using a range of tools and channels, is directed at promoting the benefits of healthy eating and a healthy lifestyle. It will also be increasingly aimed at conveying information and key messages so as to encourage responsible behaviors, reduce food wastage and accompany changes in the shipboard *food experience* – the latter being one of Costa Cruises' brand assets – on a path to sustainability that is increasingly "social", shared and perceived by society at large.

NOTES CONCERNING THE METHOD

Costa Crociere S.p.A.'s Sustainability Report 2016 (hereinafter "the Report" or "the document") is the eleventh edition of this document, which is designed to provide stakeholders with a complete and – as far as possible – comprehensive account of the economic, environmental and social impacts of the different activities performed by the Company. The set objective is to link these impacts to certain key aspects of the Sustainable Development Goals (SDGs) launched by the United Nations in 2016; the ultimate aim is to achieve the Sustainable Development Agenda by 2030, mobilizing efforts on the part of enterprises, institutional stakeholders and civil society.

The Report, which is drawn up in accordance with the G4 Sustainability Reporting Guidelines prepared by the Global Reporting Initiative¹, with a compliance level "in accordance-core", takes into account the issues dealt with by Legislative Decree no. 254/2016, which transposes into Italian law the European Directive on non-financial reporting.

Report boundary and reporting process

¹ The Global Reporting Initiative is an independent standards organization involving an international multi-stakeholder consultation process for the development and dissemination of guidelines for sustainability reporting. The resulting comprehensive Sustainability Reporting Framework is widely used around the world. It includes the Reporting Guidelines, setting out the Principles and Indicators organizations can use to measure and report their economic, environmental and social performance. In this way, Sustainability Reports can be used to compare performance within an organization and between different organizations over time.

The Sustainability Report is drawn up annually by Costa Crociere S.p.A.'s Sustainability Department, which is in charge of central coordination of the reporting process and the engagement of the relevant corporate functions.

All the information presented has been obtained from Costa's in-house IT systems and databases, and validated by the respective data owners. The sustainability topics dealt with in this Report concern operations and activities performed in 2016 by Costa Cruises, which is referred to herein both as a brand and as a company. Conversely, the report boundary for financial data and Added Value includes

the Costa Crociere Group as a whole; this comprises the parent company (Costa Crociere S.p.A.) and the brands Costa Cruises and AIDA, and refers to the civil code balance sheet at November 30, 2016 as approved by the Shareholders' Meeting. Where information pertains to any other definition of the report boundary, specific mention of this is made in the discussion of the particular performance indicator concerned.

For the sake of completeness and internally consistent presentation of information, the organizational dimension includes data updated at the time of issue of the Report (June 2017).

Discussion of reporting principles

The main reporting principles, in accordance with those laid down by the GRI and appropriately applied and adapted to Costa Cruises' operating

context, are set out below. For details of the proper coverage of the standard disclosures and indicators, see the table in the appendix.

SUSTAINABILITY CONTEXT AND MATERIALITY

The choice of topics dealt with, as well as the scope and quality of the reporting, are consistent with the material issues that emerged from the analysis of materiality carried out in 2014 and published in that year's Sustainability Report. In 2016 there were no internal or external factors such as to alter the aforementioned findings.

Costa Cruises' sustainability framework also includes a discussion of the topics and issues identified by Carnival Corporation & plc. This led to the definition of the sustainability strategy and the sustainability plan.

The Report includes all information deemed relevant for stakeholders insofar as it reflects the organization's significant economic, environmental or social impacts. Material aspects and content selected for inclusion in the Report have been identified on the basis of analysis and assessment carried out by the corporate functions directly involved in the decision-making process.

CLARITY

The Sustainability Report is designed so as to be readily understandable with the different topics clearly set out. It is written in plain, simple language mirroring the style used in Costa's institutional communication generally. It is published in English as well as Italian. Where relevant, the Report provides links to other documents or websites, including references to non-Company sources.

BALANCE AND COMPARABILITY

The overall presentation of the content provides a systematic and unbiased picture of the Company's performance; where relevant and meaningful, figures are provided illustrating the trends for the 3-year period 2014-2016.

The Report discloses all relevant indicators and topics, irrespective of whether the results are favorable or unfavorable compared with previous reporting periods. Where meaningful comparison is not possible, this is due to: 1) information not reported in previous years and which would have been impractical to collect; 2) use of different calculation methods from those adopted previously. For some indicators, only qualitative information about results or outcomes is presented.

ACCURACY AND RELIABILITY

The Report is prepared in consultation with the functions concerned and the Group's top management and has been approved by Costa Crociere S.p.A.'s legal representatives.

The Sustainability Report has been externally audited by the independent auditors PricewaterhouseCoopers.

TIMELINESS

This edition of the Sustainability Report is published in digital form and can be downloaded from the Company's website. It is also sent by email to key stakeholders.

For information contact the Sustainability Department sustainability@costa.it.

Summary of indicators 2016

ENVIRONMENTAL ASPECT

(EN3) Energy consumption within the organization (*)	U.M.	2014	2015	2016
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(*) The sum of the indicators differs from the total shown due to rounding up and down of the figures.

Total consumption (*)	Gjoules	17,654,401	18,786,493	18,568,248.21
- <i>shipboard</i>		17,640,696	18,772,883	18,555,896.37
- <i>shoreside</i>		13,705	13,609	12,351.84
Total fleet consumption	MT	436,340	461,205	456,378.16
- <i>HFO</i>		344,140	383,967	328,795.57
- <i>LSFO</i>		59,015	1,750	59,411.18
- <i>MGO</i>		33,185	75,488	68,171.42

(*) Conversion factors applied: fuel 1 TM=40.19 GJ; MGO 1 TM= 43.33 GJ

(EN5) Pattern of fleetwide fuel consumption (*)	U.M.	2014	2015	2016
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Total shoreside consumption	g/ALB-nm(**)	149.9	144.96	138.35
	MT/kALBD(***)	37.3	35.5	34.7
	TOE (Tons of Oil Equivalent)	1,068.1	1,061.49	974.14
- <i>heating</i>		120.05	120.05	120.05
- <i>electricity</i>		948.04	941.44	854.09

(*) Data includes all current fleet, excluding from all years any ships transferred out to another brand or sold externally.

(**) ALB-nm stands for Available Lower Berth nautical miles: Available Lower Berth is a standard cruise industry metric of ship passenger capacity and refers to the number of guest beds available on a cruise ship, assuming two people occupy a cabin. Combining this metric with distance travelled in nautical miles allows the incorporation of guests carried by the fleet as well as the fact that they are transported over distances. Data includes all current fleet, excluding any ships transferred out to another brand or sold externally.

(***) MT= metric tons of fuel consumed; ALBD = ALBDs (Available Lower Berth Days) is a standard measure of passenger capacity for the period, which the Company uses to perform rate and capacity variance analyses to determine the main non-capacity driven factors that cause its cruise revenues and expenses to vary. ALBDs assume that each cabin the Company offers for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.

(EN15) Total direct and indirect GHG emissions by weight	U.M.	2014	2015	2016
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CO ₂ from fuel use	ton	1,364,139	1,443,357	1,429,633.94
CO ₂ from refrigerant releases		43,016	31,462	43,603.47

(EN18) GHG emissions intensity	U.M.	2014	2015	2016
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	kg/ALB-km(*)	0.2524	0.2465	0.2349
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(*) ALB-km stands for Available Lower Berth kilometers: Available Lower Berth is a standard cruise industry metric of ship passenger capacity and refers to the number of guest beds available on a cruise ship, assuming two people occupy a cabin. Combining this metric with distance travelled in kilometers allows the incorporation of guests carried by the fleet as well as the fact that they are transported over distances. Data includes all current fleet, excluding any ships transferred out to another brand or sold externally.

(EN20) Emissions of ozone-depleting substances (*) CFC-11 equivalent	U.M.	2014	2015	2016
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(*) The ODP (ozone depletion potential) conversion factors are those given in the Montreal Protocol Technical Papers.

	kg	1.6	1.17	0.112
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(EN21) Air Emissions (*)	U.M.	2014	2015	2016
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NOx	ton	28,362	29,978	29,664.58
SOx		18,849	18,360	17,334.10
Particolato (PM)		524	554	547.65
Emissioni specifiche di NOx	g/ALB-nm	9.7	9.4	9.03
Emissioni specifiche di SOx		6.5	5.8	5.27
Emissioni specifiche di PM		0.180	0.174	0.167

(*) For the calculation of the volume of SO_x, NO_x and PMs the Company uses conversion factors laid down by Carnival Corporation for the evaluation of ship emissions. There are no GHG emissions standard metrics in the cruise line industry. With the aim of guaranteeing a system of control and management of the level of impact generated by each ship (from operating the diesel-electric and diesel power plants) the parent company has implemented measures based on existing International Maritime Organization (IMO) regulations, including the voluntary introduction of a Ship Energy Efficiency Operational Indicator (EEOI) as a monitoring tool for managing passenger ship efficiency performance over time.

(EN8) Water withdrawal/consumption	U.M.	2014	2015	2016
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Total water withdrawal by source - shipboard	m ³	3,603,508	3,927,084	4,099,526.65
- <i>Water supplied</i>		1,407,567	1,252,843	1,394,345.50
- <i>Water produced</i>		2,295,377	2,763,565	2,729,211.20
Water consumed per person per day - shipboard (*)	liters	220	221	226

(*) The calculation of the number of people on board per day was carried out by adding the number of passengers on board to the number of crew members (this is a set number for each ship) multiplied by the number of days in the year.

Water consumption in shoreside offices (**)	m ³	9,937	11,302	11,600
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(**) Including Savona cruise terminal

(EN22) Wastewater	U.M.	2014	2015	2016
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Total gray water	m ³	3,093,883	3,293,164	3,060,446.60
- <i>discharged at sea</i>		3,081,920	3,246,135	3,017,444.10
- <i>landed ashore</i>		11,963	47,029	43,002.50
Total sewage		509,625	633,920	630,944.63
- <i>discharged at sea</i>		505,958	632,287	623,731.83
- <i>landed ashore</i>		3,667	1,633	7,212.80
Total bilge water		33,137	36,739	34,902.53
- <i>discharged at sea</i>		31,786	33,971	31,834.27
- <i>landed ashore</i>		1,351	2,768	3,068.26
Total wastewater per person per day	liters	220	222	203.33
- <i>total gray water</i>		189	186	168.57
- <i>total sewage</i>		31	36	34.75

(EN23) Waste produced	U.M.	2014	2015	2016
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Total shipboard waste (*)	m ³	129,312	131,610	121,994.84
- <i>total hazardous waste</i>	ton	776	836	701.73
Total daily waste per person per day	liters	7.9	7.4	6.72
Disposal methods for waste produced on board	%			
Discharged at sea		9	12	12.98
Landed ashore		80	81	83.19
Incinerated		11	7	3.83
Waste recycled by category	%			
Cat. A (plastic) & cat. C (domestic waste)		7.1	7.4	18.53
Cat. D		64	53.7	62.94
Cat. F (operational waste) (**)		17	18	4.94

(*) Data includes Marpol Cat F (operational waste) as usual. Differently from last year, the amount of Cat F in cubic meters was calculated starting from the amount of Operational Waste discharged ashore (in kg).

(**) All hazardous and non-hazardous solid wastes not covered by the other categories. This includes slurries, materials used for normal maintenance, cargo stowage and handling, as well as cleaning agents and additives.

SHIPBOARD WASTE CATEGORIES (MARPOL)

Categoria Marpol	Marpol category	Method of disposal
A - Plastic	Plastic materials.	Collected on board in separate containers, subsequently treated in compactors to reduce volume and then discharged at port reception facilities.
B - Food	Food wastes (fruit, vegetables, dairy products, meat products and fish etc).	Collected on board separately and treated in the pulper for processing in compliance with overboard discharge requirements (distance from the coast: 3 nautical miles and 12 nautical miles inside IMO-defined special areas). Alternatively, discharged at suitable port reception facilities.
C - Domestic wastes	Material generated in the accommodation spaces on board the ship, except for gray water.	Separation at source of: paper, glass, crockery, metal and aluminum. Specificwaste reduction treatment for each particular type: pulping, crushing and/or compacting, incineration (including aerosol cans) and discharge at port reception facilities.
D - Cooking oil	Any type of edible oil or animal fat used or intended to be used for the preparation or cooking of food.	Collected on board separately and discharged at port reception facilities.
E - Incinerator ashes	Ash and clinkers resulting from shipboard incinerators used for the incineration of garbage, except for plastic products which may contain toxic or heavy metal residues.	Collected on board separately and discharged at port reception facilities.
F - Operational	All hazardous and non-hazardous solid wastes not covered by the previous categories. This includes slurries, materials used for normal maintenance, cargo stowage and handling, as well as cleaning agents and additives.	Collected on board separately based on type, classificationand assigned European Waste Code (EWC), then discharged at port reception facilities. This does not include potentially infectious waste from the medical infirmarieson board or oily rags used.

Social Aspect - SHIPBOARD PERSONNEL				
(G4-10) Shipboard employee count	U.M.	2014	2015	2016
Average shipboard employee count (*)	no.	11,113	12,173	12,312
(*) The data shown refers to the average number of employees currently embarked.				
Average number of employees in the shoreside reserve pool (waiting to replace colleagues currently embarked)		6,616	6,549	6,467
By gender	%			
Women		16.0	14.8	14.3
Men		84.0	85.2	85.7
By age group	%			
18-25		17.1	14.8	13.8
26-30		29.1	30.1	30.1
31-35		22.9	22.6	22.4
36-40		14.8	15.1	15.1
41-45		7.3	8.1	8.7
46-50		4.0	4.2	4.5
>50		5.0	5.2	5.3
By geographical area	%			
Italy		12.9	12.3	12.0
Europe (except Italy)		3.9	3.8	3.5
South and Central America		11.5	12.6	11.9
Asia		71.6	71.2	72.5
Other		0.1	0.1	0.1
(LA1) Turnover (*)	U.M.	2014	2015	2016
Terminations/Average employee count	%	19	20(**)	20.15
(*) Turnover is intended to mean the ratio between the number of terminations and the average employee count during the fiscal year of reference; for shipboard personnel, the calculation is based on the average number of employees currently embarked and those seafarers not embarked who are waiting to replace their colleagues on board. (**) Miscalculation in 2015.				
(LA6) Numbers of injuries	U.M.	2014	2015	2016
Total	no.	1,104	1,013	1,006
- Number of reportable injuries		779	617	618
- Other		325	396	388
Days off work (*)	no.	3,007	2,269	6,429
(*) There was a rise compared to the previous year in the number of hours of exemption assigned by the infirmary to the various cases and for this reason the index of gravity is higher (for the same number of accidents).				
Index of frequency		3.56	2.57	2.51
Index of gravity		13.75	9.42	26.16
(LA9) Training (*)	U.M.	2014	2015	2016
(*) The sum of the indicators differs from the total shown due to rounding up and down of the figures.				
Total hours of training	no.	859,241	986,228	801,795
- Environmental		105,621	112,240	55,718
- Health		39,957	50,232	53,108
- Safety		264,262	241,328	95,882
- Security		119,950	30,809	28,616
- Job skills		174,680	356,481	231,159
- Language		41,831	35,610	24,517
- Managerial		14,080	39,988	36,285
- Orientation		71,234	92,533	252,605
- Train the trainer		1,858	3,348	2,373
- Other		25,770	23,661	21,533
Hours per person	no.	77.3	81	65.1

(HR3)/(LA16)(HR12)	U.M.	2014	2015	2016
Total number of incidents of discrimination and actions taken / Grievances about labor practices / Number of grievances about human rights	no.			
- Reported on board		n.a.	6	19
- Dealt with shoreside		n.a.	2	7

SHORESIDE PERSONNEL				
(G4-10) Shoreside employee count	U.M.	2014	2015	2016
Shoreside employees at 11/30	no.	1,415	1,435	1,414
Note: It is pointed out that, given the nature of the business and the type of planning adopted for shipboard personnel, the average shipboard employee count shown in the table was calculated using the Full-Time Equivalent (FTE) method. For the sake of consistency of the figures and reporting, FTE units were also used to calculate the number of shoreside employees.				
By gender	%			
Women		60.3	59.9	60.7
Men		39.7	40.1	39.3
By age group	%			
18-25		3.8	3.3	3.4
26-30		18.1	17.2	15.4
31-35		20	20.3	21.4
36-40		18.9	18.4	17.3
41-45		15.9	16.9	17.2
46-50		10.5	11.7	13.3
>50		12.7	12.3	12.1
By geographical area	%			
Italy		62.1	61.6	57.9
Europe (except Italy)		21.4	21.3	20.4
South and Central America		7.6	7.2	6.3
Asia		6.4	7.8	13.4
Other		2.4	2.1	2
By type of contract	%			
Open-ended		89.7	87.2	84
Temporary		10.3	12.8	16
By position	%			
Executives		6.0	5.9	5
Line managers		19.8	18.9	17.5
Employees		74.1	75.1	77.3
Blue collar workers		0.1	0.1	0.1

(LA1) Personnel turnover(*)	U.M.	2014	2015	2016
Terminations/Average employee count	%	7.0	13.6	7.5
(*) Turnover is intended to mean the ratio between the number of terminations and the average employee count during the fiscal year of reference; for shoreside personnel the calculation is based on the number of employees at the end of the fiscal year, plus the number of terminations during the year.				

(LA3) Return to work and retention rates after parental leave (Italy) (*)	U.M.	2014	2015	2016
	%	-	100	88.90

(*) Following a change in the method of calculation for 2015, in order to ensure comparability over time, we have not included the data for 2014, since these figures can no longer be reconstructed.

(LA6) Absenteeism Rate (*)	2014	2015	2016
Days of absence/Days worked	2.83	2.82	3.52

(*) The number of days of absence from work (excluding paid vacation, family leave, study leave and maternity/paternity leave) as a proportion of the total number of days worked.

(LA6) Absenteeism Rate (*)	U.M.	2014	2015	2016
Total accidents (*)	no.	11	15	13
- In the workplace		4	4	6
- Outside the workplace		7	11	7
Day off	no.	198	411	533
- Days of absence due to workplace injuries		30	54	217
- Days of absence due to injuries outside workplace		168	357	316

(*) The data refers only to Italy.

(LA9) Training(*)	U.M.	2014	2015	2016
Total hours of training	no.	33,081	30,891	23,688
- Environmental		0	0	0
- Health		176	824	0
- Safety		2,060	2,265	1,256
- Security		0	0	0
- Job skills		16,093	10,059	6,509
- Language		1,166	8,197	8,733
- Managerial		2,753	4,247	3,353
- Orientation		1,842	302	600
- Train the trainer		1,296	2,768	72
- Other		7,695	2,230	3,166
Hours per person	no.	23.4	21.5	16.8
Total hours of shoreside and shipboard training per year	no.	892,322	1,017,119	825,483

(*) The sum of the indicators differs from the total shown due to rounding up and down of the figures.

(HR3)/(LA16)/(HR12)	U.M.	2014	2015	2016
Total number of incidents of discrimination and actions taken / Grievances about labor practices / Number of grievances about human rights				
- Reported	no.	47	41	41
- Wholly or partly confirmed		3	8	7

SUPPLY CHAIN

(G4-12) Suppliers	U.M.	2014	2015	2016
Current suppliers (*)	no.	8,860	10,032	8,744
Suppliers qualified during the year		775	1,098	2,166

(*) includes the categories food & beverage, hotel, technical (services and materials) and fuel.

(G4-12) Purchases	U.M.	2014	2015	2016
Distribution of purchases by type (in % terms)	%			
Food & beverage		16	8	39
Hotel		6	31	8
Technical		28	26	28
Bunker		50	35	25
Distribution of purchases by area of procurement (in % terms)	%			
Asia		5	9	13.3
Europe		85	77	75.9
Middle East		1	1	0.8
North America and Caribbean		6	8	5
South America		1	2	1.7
Rest of world		2	3	3.3

INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT AS OF 30 NOVEMBER 2016

To the Board of Directors of
Costa Crociere SpA

We have carried out a limited assurance engagement of the Sustainability Report for the year ended 30 November 2016 (hereinafter the "Report") of Costa Crociere SpA (hereinafter "Costa Crociere" or the "Company").

Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the GRI - *Global Reporting Initiative* as indicated in the paragraph "Note on methods" of the Report. The Directors are responsible for that part of internal control that they consider necessary to prepare a Sustainability Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Costa Crociere, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("ISAE 3000"), issued by the IASSB ("*International Auditing and Assurance Standards Board*") for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, since services or activities that could have generated an independence conflict have not been performed for the Company, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

Our company applies the *International Standard on Quality Control 1 (ISQC (Italy) 1)* and, therefore, maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles, with the professional principles and with the applicable laws and regulations.

The procedures we performed consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

The procedures consisted in verifying its compliance with the principles for defining the content and the quality of a sustainability report set out in the *G4 Sustainability Reporting Guidelines*.

The procedures performed are summarised as follows:

- comparing the financial information reported in the Report with the information included in the Company financial statements as of 30 November 2016 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n. 39 of 27 January 2010, on 10 May 2017;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to Company's strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
 - meetings and interviews with management of Costa Crociere to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
 - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
 - verification onboard the ship Costa Mediterranea, in order to obtain evidence of the reliability of shipboard processes in place, and of the internal control system underlying the treatment of the information, as well as, on a sample basis, to cross check data relating to the said shipboard processes towards supporting documents;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph "Responsibility of the Directors for the Report";
- analysing the engagement of stakeholders and its results through the existing documentation concerning the significant matters arisen during Company's dialogue initiatives;
- obtaining a representation letter, signed by the legal representative of Costa Crociere SpA, on the compliance of the Report with the guidelines identified in the paragraph "Responsibility of the Directors for the Report", as well as the reliability and completeness of the disclosed information.

PricewaterhouseCoopers Advisory SpA

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Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 (“reasonable assurance engagement”) and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Costa Crociere SpA as of 30 November 2016 has not been prepared, in all material respects, in compliance with the *G4 Sustainability Reporting Guidelines*, defined in 2013 by the GRI - Global Reporting Initiative, as disclosed in the paragraph “Note on methods” of the Report.

Turin, 29 June 2017

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

We have not performed any controls on the Sustainability Report 2016 translation.

Content Index GRI-G4

The following table is designed to help the reader find the location in the Report of the GRI-G4 indicators. For each indicator the table provides a reference to the sections or pages of the 2016 Sustainability Report or to other publicly available sources.

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
Strategy and analysis				
G4-1	Statement from the most senior decision-maker	SR	7	✓
G4-2	Description of key impacts, risks, and opportunities	SR	34	✓
Organization profile				
G4-3	Name of the organization	SR	8, 10	✓
G4-4	Primary brands, products, and/or services	SR	8, 10	✓
G4-5	Location of organization's headquarters	SR	8	✓
G4-6	Countries of operation	SR	8, 10	✓
G4-7	Nature of ownership and legal form	SR	8	✓
G4-8	Markets served	SR	8, 10	✓
G4-9	Scale of the reporting organization	SR	8	✓
G4-10	Report the total number of employees by employment contract, gender and region	SR	82, 140	✓ <i>The nature of the business does not allow the reliable and complete quantification of all the aspects indicated by the index, which has therefore been reported on the basis of the best information available</i>
G4-11	Report the percentage of total employees covered by collective bargaining agreements	SR	96	✓
G4-12	Describe the organization's supply chain	SR	110	✓
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	SR	8	✓ <i>Corporate structure unchanged compared to 2015</i>
Commitments to external initiatives				
G4-14	Rules for the application of the precautionary approach or principle	SR	22	✓
G4-15	Adoption of external codes and standards in the economic, social and environmental fields	SR	24, 32	✓

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
G4-16	List memberships of associations (such as industry associations)	SR	30	✓
Report profile				
G4-17	Report Profile	SR	138	✓
G4-18	Explain the process for defining the report content	SR	138	✓
G4-19	List all the material Aspects identified in the process for defining report content	SR	31, 24, 25, 138	✓
G4-20	For each material Aspect, report the Aspect Boundary within the organization	SR	30, 31, 138	✓
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	SR	31, 138	✓
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	SR	138	✓
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	SR	138	✓
Stakeholder engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization	SR	30	✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	SR	30	✓
G4-26	Activities for stakeholder involvement	SR	30, 78, 81	✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics	SR	31	✓
Report Parameters				
G4-28	Reporting period (such as fiscal or calendar year) for information provided	SR	138	✓
G4-29	Date of most recent previous report	SR	138	✓ <i>The previous edition of the Sustainability Report was published on our website in July 2016</i>
G4-30	Reporting cycle	SR	138	✓
G4-31	Contact point for questions regarding the report or its contents	SR	139	✓
GRI Content Index				
G4-32	GRI Content Index	SR	148	✓
G4-33	External Assurance Report	SR	146	✓
GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
Governance				
G4-34	Report the governance structure of the organization, including committees of the highest governance body	SR	34	✓
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	SR	31, 34	✓
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics	SR	35	✓
G4-41	Processes designed to prevent conflicts of interest	SR	34	✓

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
Ethics and integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	SR	32	✓
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	SR	32	✓
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	SR	32	✓
DMA		SR	7, 8-10	✓
Economic				
Economic Performance				
EC 1	Direct economic value generated and distributed	SR	22	✓
EC 2	Financial implications and other risks and opportunities for the organization's activities due to climate change	SR	/	Not applicable
EC 4	Financial assistance received from the Public Administration	CF	/	Not applicable
Market presence				
EC 5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	SR	/	Not applicable <i>Given the diverse origins of the workforce, the type of contract applied by country of origin is not applicable</i>
EC 6	Proportion of senior management hired from the local community at significant locations of operation	SR	/	Not applicable
Indirect economic impacts				
EC 7	Development and impact of infrastructure investments and services supported	SR	20, 72, 77, 118	✓
EC 9	Proportion of spending on local suppliers at significant locations of operation	SR	110	✓
Environmental				
EN 1	Materials used by weight or volume	SR	/	Not applicable <i>The nature of our business does not allow quantification by weight or value of some raw materials used</i>
Energy				
EN 3	Energy consumption within the organization (by primary energy source)	SR	140	✓
EN 4	Energy consumption outside the organization (by primary energy source)	SR	/	Not applicable
EN 5	Energy intensity	SR	140	✓
EN 6	Reduction of energy consumption	SR	48, 140	✓
EN 7	Reductions in energy requirements of products and services	SR	/	Not applicable

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
Water				
EN 8	Total water withdrawal by source	SR	140	✓
EN 9	Water sources significantly affected by withdrawal of water	SR	54, 140	✓
EN 10	Percentage and total volume of water recycled and reused	SR	54, 140	✓
Biodiversity				
EN 11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	SR	/	Not applicable
EN 12	Description of significant impacts of activities, products, and services on biodiversity	SR	58	✓
EN 13	Habitats protected or restored	SR	62	✓
EN 14	Number of IUCN Red List species and national conservation list	SR	/	Not applicable
Emissions				
EN 15	Direct greenhouse gas (GHG) emissions (Scope 1)	SR	50, 140	✓
EN 16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	SR	/	Not applicable
EN 17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	SR	52	✓
EN 18	Greenhouse gas (GHG) emissions intensity	SR	140	✓ With regard to cruise industry activity
EN 19	Reduction of greenhouse gas (GHG) emissions	SR	48, 50	✓
EN 20	Emissions of ozone-depleting substances (ODS)	SR	48, 50	✓
EN 21	NOx, SOx, and other significant air emissions	SR	140	✓
Effluents and waste				
EN 22	Total water discharge by quality and destination	SR	140	✓
EN 23	Total weight of waste by type and disposal method	SR	140	✓
EN 24	Total number and volume of significant spills	SR	55	✓
EN 25	Hazardous waste according to the Basel Convention	SR	140	✓
EN 26	Biodiversity and related habitats significantly affected by the organization's discharges of water and runoff	SR	62	✓
Products and services				
EN 27	Extent of impact mitigation of environmental impacts of products and services	SR	48, 62	✓

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
EN 28	Percentage of products sold and their packaging materials that are reclaimed by category	SR	/	Not applicable
Compliance				
EN 29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	SR	148	✓ <i>The previous edition of the Sustainability Report was published on our website in July 2016</i>
Transport				
EN 30	Significant environmental impacts of transport	SR	/	Not applicable
Overall				
EN31	Total environmental protection expenditures and investments by tipe	SR	/	Confidentiality
Supplier Environmental Assessment				
EN 32	Percentage of new suppliers that were screened using environmental criteria	SR	111	✓
EN 33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	SR	/	Not applicable
Environmental Grievance Mechanisms				
EN 34	Number of grievances about environmental impacts filed	SR	55	✓
SOCIAL				
Employment				
LA 1	Total number and rates of new employee hires and employee turnover by age group, gender and region	SR	140	✓ <i>The nature of the business does not allow the reliable and complete quantification of all the aspects indicated by the index, which has therefore been reported on the basis of the best information available</i>
LA 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations	SR	/	Not applicable <i>There are no specific differences from a contractual point of view. Any benefits are granted proportionally to contractual working hours, based on the relevant legislation in each country and for this reason there are variations as to what is or is not included in relation to certain types of social security and/or insurance cover</i>
LA 3	Return to work and retention rates after parental leave, by gender	SR	140	✓
LA 4	Minimum notice period(s) regarding significant operational changes	SR	/	Confidentiality <i>As far as concerns minimum notice periods regarding operational changes, Costa Cruises informs and consults the workers' representatives prior to signing any agreements, in compliance with the relevant legislative requirements</i>
LA 6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	SR	140	✓

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
LA 7	Workers with high incidence or high risk of diseases related to their occupation	SR	/	Not applicable
LA 8	Health and safety topics covered in formal agreements with trade unions	SR	39	✓
Training and education				
LA 9	Average hours of training per year per employee by employee category	SR	140	✓
LA 10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SR	91	✓
LA 11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	SR	88	✓
DIVERSITY AND EQUAL OPPORTUNITY				
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	SR	/	Confidentiality
Supplier Assessment for Labor Practices				
LA 14	Percentage of new suppliers that were screened using labor practices criteria	SR	111	✓
LA 15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	SR	/	Not applicable
Grievances about labor practices				
LA 16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	SR	140	✓
SOCIAL: HUMAN RIGHTS				
Investment and procurement practices				
HR 2	Total hours of employee training on policies and procedures concerning aspects of human rights	SR	140	✓
Non-discrimination				
HR 3	Total number of incidents of discrimination and actions taken	SR	140	✓
Forced or compulsory/Child labor				
HR 5	Operations and suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to its effective abolition	SR	32	✓
HR 6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of it	SR	36	✓
Security practices				
HR 7	Security personnel trained in the organization's policies or procedures concerning aspects of human rights	v	32	✓
Indigenous rights				
HR 8	Total number of incidents of violations involving rights of indigenous people and actions taken	SR	/	Not applicable
SUPPLIER HUMAN RIGHTS ASSESSMENT				
HR 10	Percentage of new suppliers that were screened using human rights criteria	SR	111	✓

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
HR 11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	SR	/	Not applicable	
Human Rights Grievance Mechanisms				
HR 12 Number of grievances about human rights	SR	32, 140	✓	
SOCIETY				
Local communities				
SO 2 Operations with significant actual or potential negative impacts on local communities	SR	68, , 72	✓	
Anti-Corruption				
SO 3 Monitoring the risk of corruption	SR	57	✓	
SO 4 Communication and training on anti-corruption policies and procedures	SR	57, 140	✓	
SO 5 Confirmed incidents of corruption and actions taken	SR	/	Not applicable	
Public policy				
SO 6 Total value of political contributions by country and recipient/beneficiary	Code of Business Conduct and Ethics	/	Not applicable	
Anti-competitive behavior				
SO 7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	SR	/	Not applicable	
Compliance				
SO 8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	SR	/	Not applicable	
Supplier Assessment for Impacts on Society				
SO 9 Percentage of new suppliers that were screened using criteria for impacts on society	SR	111	✓	
SO 10 Significant actual and potential negative impacts on society in the supply chain and actions taken	SR	/	✓	
Grievance Mechanisms for Impacts on Society				
SO 11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		/	Not applicable	
PRODUCT RESPONSIBILITY				
Health and safety of consumer				
PR 1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	SR	34	v	
PR 2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	SR	/	Not applicable	
Product and service labeling				
PR 3 Information on products and services	SR	/	Not applicable	

GRI-G4 Indicators	Publication	Reference (page)	Reporting	Omission (reason why)
PR 4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	SR	/	Not applicable	
PR 5 Results of surveys measuring customer satisfaction	SR	107	✓	
Marketing Communication				
PR 6 Sale of banned or disputed products	SR	/	Not applicable	
PR 7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	SR	/	Not applicable	
Customer privacy				
PR 8 Complaints regarding breaches of customer privacy and losses of customer data	SR	/	Not applicable	
Compliance				
PR 9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	SR	/	Not applicable	



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