

# Corporate Governance Report 2019

# REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

2018 FINANCIAL YEAR

13 MARCH 2019

## **LEONARDO – Società per azioni**

Registered office in Rome, Piazza Monte Grappa no. 4  
leonardo@pec.leonardocompany.com  
Fully paid-up share capital of Euro 2,543,861,738.00

Registered in Rome, Register no. and Tax Ref. 00401990585  
VAT no. 00881841001

[www.leonardocompany.com](http://www.leonardocompany.com)

### ***Disclaimer***

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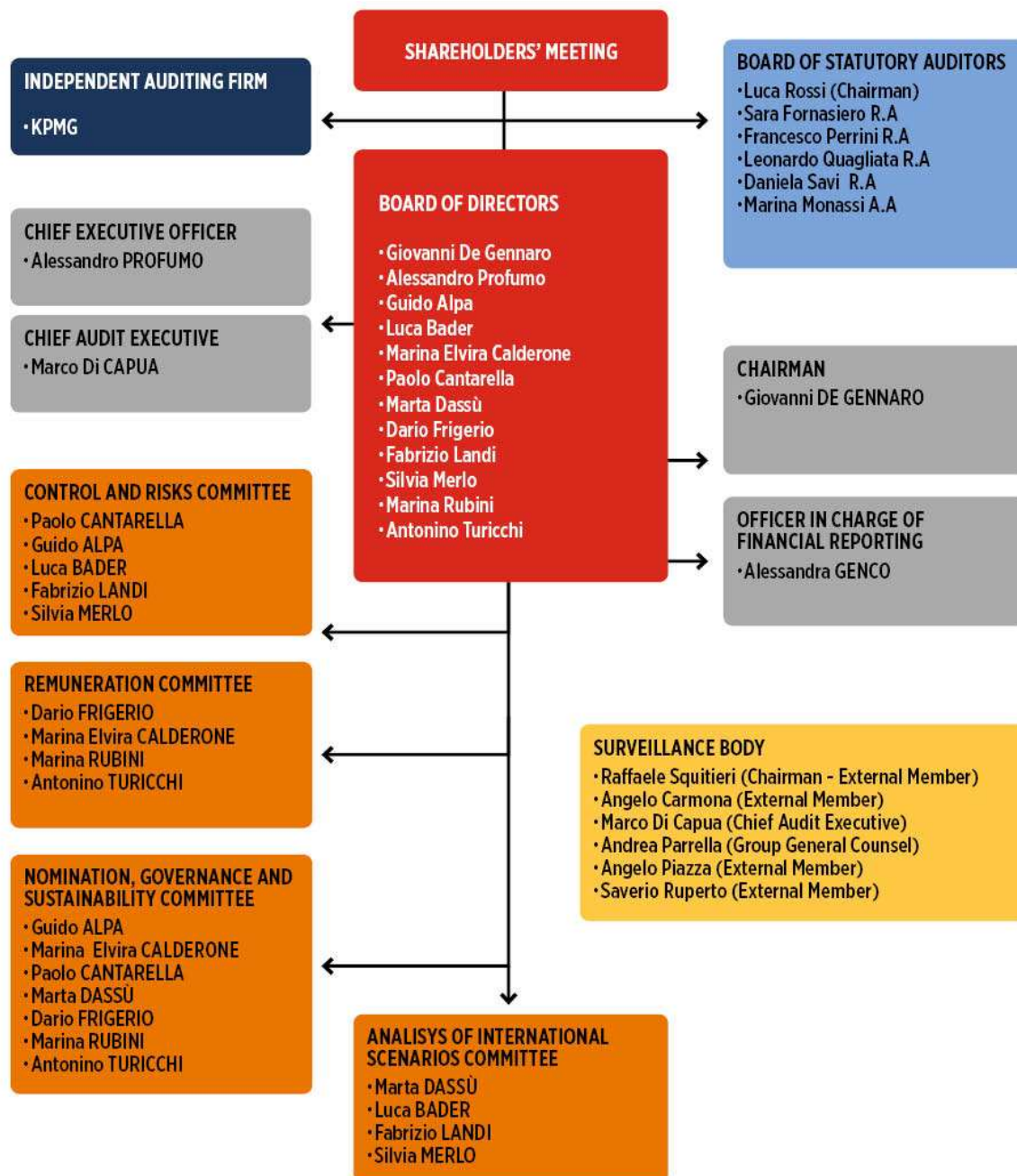
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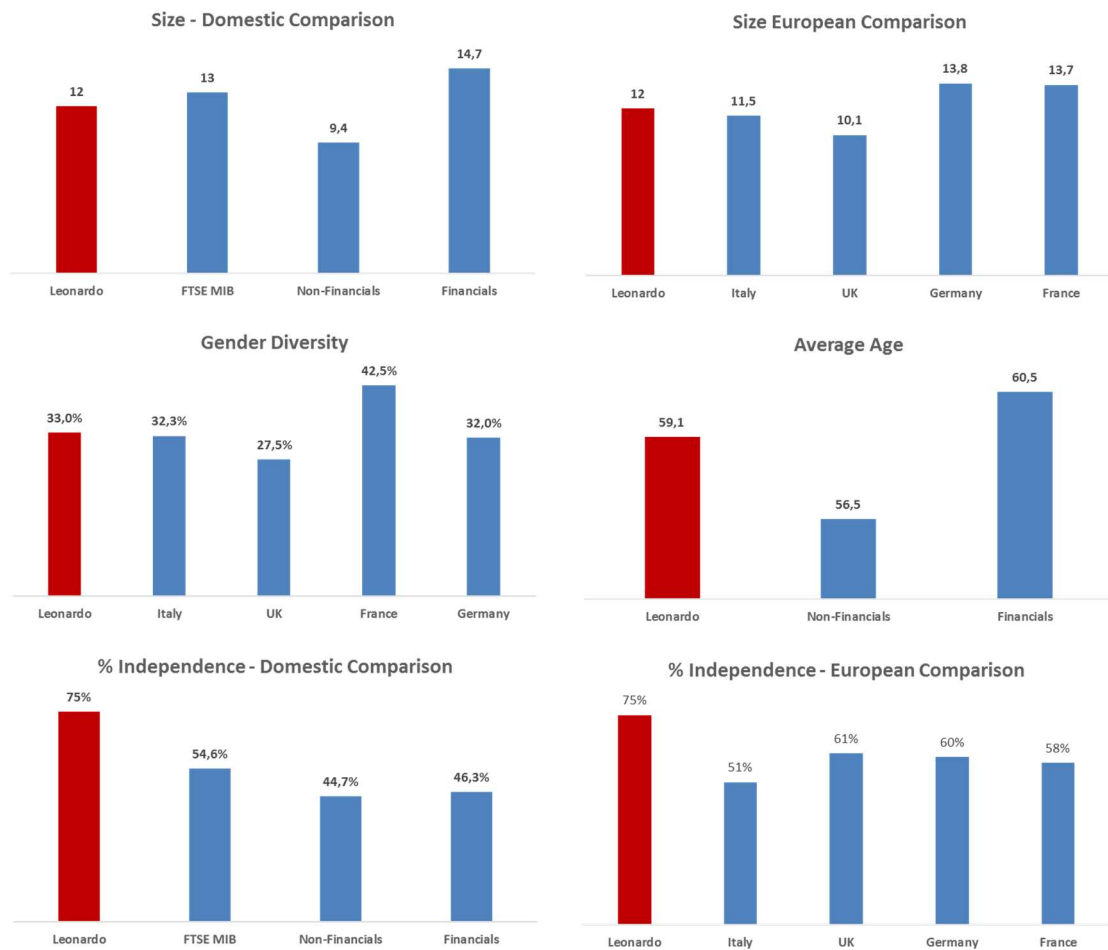
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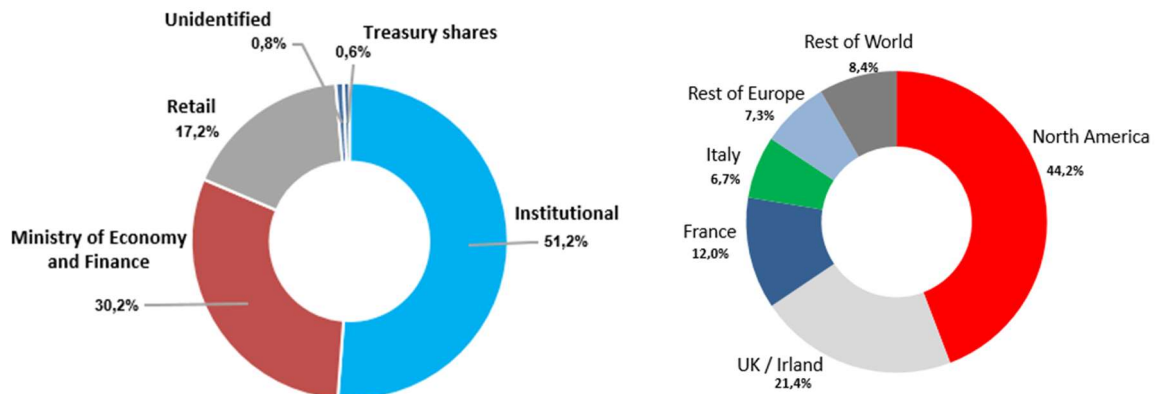
### OUR GOVERNANCE AT A GLANCE





SOURCES: Note e Studi: La Corporate Governance in Italia "Anno 2018"  
Spencer Stuart "Italian Board Index 2018"

### LEONARDO'S SHAREHOLDERS – FEBRUARY 2019



## REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

### INTRODUCTION

The purpose of this Report, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Leonardo S.p.a.'s corporate governance system and its shareholder structure (hereinafter also referred to as "Leonardo" or the "Company").

The disclosure is prepared in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Art. 123-bis and on the basis of the articles of the Corporate Governance Code (hereinafter also referred to as "the Code"). The Company complies with this Code, which was approved by the Corporate Governance Committee and finally updated in July 2018.

This Report also implements the disclosure obligations laid down in Legislative Decree 254/2016 as regards **diversity policies**, as well as the contents of the **Chairman of the Corporate Governance Committee's letter of 21 December 2018** to the Chairmen of the Boards of Directors of listed companies: the Committee's recommendations and wishes in connection with the different issues discussed are expressly considered and assessed in the body of this document and are also summarised in the final paragraph of the Report.

The Corporate Governance Code can be found on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>).

The relevant documentation that is made available to the public and is referred to herein can be found on the Company's website ([www.leonardocompany.com](http://www.leonardocompany.com)).

### 1. ISSUER PROFILE

In providing a brief Company profile, the subsequent paragraphs of this Report should be referred to for a more detailed view of Leonardo's corporate governance structure, the main changes that occurred during the 2018 financial year and the action and measures taken by the Company to ensure the closest adherence to the Corporate Governance Code.

#### Company Organisation

The term "Corporate Governance" stands for the set of rules and, from a more general point of view, the corporate governance system that regulate the management and control of the Company.

Leonardo's Corporate Governance model, in line with the principles and criteria of application laid down in the Corporate Governance Code, is directed at the maximisation of value for shareholders, control of business risk and the utmost transparency with respect to the market; it also seeks to ensure the integrity and fairness of decision-making processes.



The Company's Corporate Governance structure, which is based on the traditional governance model, is consistent with the laws applicable to listed issuers, as well as with the guidelines of the abovementioned Code and is essentially as follows:

- **SHAREHOLDERS' MEETING**

The Shareholders' Meeting has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the By-Laws.

- **BOARD OF DIRECTORS**

The Board of Directors is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the By-Laws. The current Board of Directors was appointed by the Shareholders' Meeting on 16 May 2017 for the three-year period 2017 – 2019.

- **COMMITTEES**

The Board of Directors of Leonardo has established the following internal Committees, with advisory and consulting functions: the **Control and Risks Committee** (which also acts as Committee for Related Parties Transactions), the **Remuneration Committee** and the **Nomination, Governance and Sustainability Committee** (as provided for in the Corporate Governance Code), as well as the **Analysis of International Scenarios Committee**. The Committees' composition, duties and operation are defined and regulated by appropriate Rules approved by the Board itself, in accordance with the guidelines laid down in the Code.

- **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors has – *inter alia* - the task of monitoring: **a)** compliance with the law and by-laws and observance of the principles of proper business administration; **b)** the adequacy and effectiveness of the Company's organisational structure, internal control and risk management system, as well as the administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; **c)** any procedures for the actual implementation of the corporate governance rules provided for in the Corporate Governance Code; **d)** the adequacy of the Company's instructions to subsidiaries with regard to disclosures prescribed by law. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 15 May 2018 for the 2018-2020 term. With respect to the changes occurred in the financial year 2018 in the composition of the Board of Statutory Auditors, reference is made to paragraph 11 below.

- **INDEPENDENT AUDITING FIRM**

The Independent Auditing firm is the company appointed to carry out the statutory audit of accounts. It is appointed by the Shareholders' Meeting, on a reasoned proposal by the Board of Statutory Auditors. The Shareholders' Meeting of 16 May 2012 appointed KPMG S.p.A. to carry out the statutory audit of the Company's accounts for the period 2012-2020.

- **OFFICER IN CHARGE OF FINANCIAL REPORTING**

Pursuant to Art. 154-bis of the Consolidated Law on Financial Intermediation and sections 25.4 and 25.5 of the Company's By-Laws, the Board of Directors appointed Alessandra Genco (the Company's Chief Financial Officer) as the Officer in charge of financial reporting until the expiry of the term of office of the current Board of Directors.

### **Objectives and corporate mission**

Leonardo is a high-tech global corporation in the core sectors of **Aerospace, Defence and Security** (A,D&S) with the ability to design and implement, building on the application of dual use technologies, products, systems, services and integrated solutions for both civil and military customers. Firmly established in four domestic markets – Italy, the United Kingdom, the United States and Poland -, Leonardo has also a strong presence in France and Germany in addition to being a party to important strategic cooperation and partnership arrangements in the world's main high-potential markets.

The Group operates with the mission to be a driving force of technological innovation, by developing competitive products and services, in addition to working out sustainability solutions by steady commitment to economic and social progress and the protection of health and the environment.

Through the steady commitment to the development of high-tech products, thanks to the investments in Research&Development along with the highly skilled human capital the Company has, Leonardo fosters and spreads the culture of innovation and the debate on the centrality of this topic.

Leonardo is the result of a great business history deeply rooted into the Italian and European industrial history and is today the culmination of a long, radical process of transformation of the Group, of the renewal and replacement of the previous management holding company: the transformation into a single, integrated operational industrial enterprise has redesigned the Company's structure in order to make it more compliant with the requirements of customers and the market, readier to carry on with its mission to create long-term value– also through the efficacy of its own governance model - for its shareholders and for all main stakeholders. For more details on the process of reshaping the Company's organisational structure and on the development of the “One Company”, reference should be made to paragraph 15.

## **2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE AT 13 MARCH 2019 (Art. 123-bis, para. 1, TUF, *Testo Unico della Finanza*, hereinafter Consolidated Law on Financial Intermediation)**

### **A) STRUCTURE OF THE SHARE CAPITAL (Art. 123-bis, para. 1, lett. a), TUF)**

The Leonardo's share capital is equal to €2,543,861,738.00 and is made up of 578,150,395 common shares with a par value of €4.40 each, all accompanied by the same rights and obligations. The holders of Leonardo's shares are entitled to vote at the ordinary and extraordinary meetings of the Company. The Ministry for the Economy and Finance holds a stake of about 30.204% in the share capital of Leonardo.

At the date of the approval of this Report the Company owned 3,305,230 treasury shares, equal to about 0.572% of the share capital.

### **B) RESTRICTIONS ON SHARE TRANSFER (Art. 123-bis, para. 1, lett. b), TUF)**

In accordance with art. 5.1-bis of the Company's By-laws, in the application of the special rules under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as amended and supplemented, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights. The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.

With also reference to parties other than companies, the term "control" is held to be within the meaning of Art. 93 of the Consolidated Law on Financial Intermediation. The term "affiliation" is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.

For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general. Voting rights

regarding shares held in excess of the maximum shareholding limit indicated above cannot be exercised as better specified in point F) below.

Furthermore, on the basis of the provisions relating to the Government's special powers that are commented on in point D.1) below and, more in particular, pursuant to article 1, paragraph 5, of Decree Law no. 21 of 15 March 2012, as amended and converted by Law no. 56 of 11 May 2012 and the related provisions, anyone – excluding the Italian Government, Italian public bodies or any entities controlled by the latter – who holds a stake in the share capital which exceeds the threshold set out in article 120, paragraph 2, of Legislative Decree no. 58/98, as amended, or a stake which exceeds the thresholds of 3%, 5%, 10%, 15%, 20% and 25%, is required to notify the acquisition in question to the Presidency of the Council of Ministers within the terms and according to the procedures set out in the abovementioned Decree Law no. 21/2012, and related implementing provisions. The above shall apply in order to allow the Presidency of the Council of Ministers to exercise the special powers (described in paragraph D.1 below) envisaged in the abovementioned regulations in the event of a threat of serious damage to the essential interests of the national defence and security.

**C) MATERIAL SHAREHOLDINGS IN THE SHARE CAPITAL (Art. 123-bis, para. 1, lett. c), TUF)**

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake in the share capital, on the basis of the notices disclosed pursuant to Art. 120 of the Consolidated Law on Financial Intermediation, are reported in Table 1 attached hereto.

**D) HOLDERS OF SECURITIES THAT CONFER SPECIAL CONTROL RIGHTS (Art. 123-bis, para. 1, lett. d), TUF)**

No securities have been issued conferring special control or any other rights.

**D.1) SPECIAL POWERS OF THE GOVERNMENT**

Decree Law no. 21 of 15 March 2012 (as amended and converted by Law no. 56 of 11 May 2012) regulates the special powers of the Government on the corporate structures in the sectors of the national defence and security, as well as the activities of strategic importance in the sectors of energy, transportation and communication. Article 2 of the abovementioned Decree was amended by Article 14 of Decree Law no. 148 of 16 October 2017 (as amended and converted by Law no. 172 of 4 December 2017), which has extended the scope of application of the special powers already existing in the energy, transport and communications sectors to high technological intensity sectors, leaving it to one or more sets of regulations to determine both the sectors which are to be considered from the point of view of the existence of danger to security and law and order and the sectors involved in types of business transactions or operations carried out within the same group to which the regulations under examination shall not apply.

Decree no. 108 issued by the President of the Council of Ministers on 6 June 2014 identifies the activities of strategic importance to the national defence and security system, including any key strategic activities, for the purposes of the exercise of the Government's special powers referred to in Article 1 of the abovementioned Legislative Decree no. 21/2012. The procedures for the application of special powers in the sectors of national defence and security are regulated by Presidential Decree no. 35 of 19 February 2014.

In particular, the regulations governing special powers in the sectors of national defence and security provides, in the event of an actual threat of a serious damage to the essential interests of the national defence and security, for the Government to be entitled to exercise the three special powers described below:

- a) imposition of specific conditions relating to the security of procurement and information, technology transfers, export control, in the case of the acquisition of stakes in companies that carry out activities of strategic importance for the defence and security sector;
- b) veto on the adoption of resolutions passed by the Shareholders' Meeting or of the governing body of a company that carries out activities of strategic importance for the defence and security sector relating to extraordinary transactions or transactions of particular importance concerning mergers, demergers, transfer of businesses or branches of business or of subsidiaries, transfer of the registered office abroad, change in the corporate purpose, dissolution of the company, amendments to by-law clauses that govern the Government's special powers or that may be adopted on limits on voting rights (pursuant to article 2351, paragraph 3, of the Italian Civil Code), as well as assignments of rights *in rem* or of use in relation to tangible or intangible assets or undertaking of obligations that limit their use;
- c) opposition to the acquisition of stakes in a company that carries out activities of strategic importance for the defence and security sector, on the part of an entity other than the Italian Government, an Italian public body or an entity controlled by the latter, where the buyer holds – either directly or indirectly, including through subsequent acquisitions, through third parties or through persons and entities that are otherwise related to each other - a stake in the voting capital which is capable of affecting the interests of the national defence and security (see point B above). For this purpose, the stake held by third parties with whom the buyer has entered into a shareholder agreement is considered to be included.

**E) EMPLOYEE SHAREHOLDING: VOTING MECHANISM (Art. 123-bis, para. 1, lett. e), TUF)**

No provision is made for any employee shareholding scheme. With reference to the incentive plans adopted by the Company, it should be noted that they do not provide for the voting rights attached to the shares being granted, to be exercised by persons other than the beneficiaries of the plans. For more

details, reference should be made to the Information Documents prepared pursuant to Article 84-*bis* of the Issuers' Regulation and available in the Corporate Governance section on the Company's website.

**F) VOTING RESTRICTIONS (Art. 123-*bis*, para. 1, lett. f), TUF)**

In accordance with the laws on privatisation (Law 474/94 as amended), the Corporate By-Laws (Art. 5.1-*bis*) provide that voting rights relating to shares held above the maximum limit of 3% may not be exercised. Article 5.1-*bis* also provides that voting rights held by Shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the Shareholders concerned. In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included. However, non-voting shares shall be included for the purposes of calculating the meeting quorum.

**G) SHAREHOLDERS' AGREEMENTS (Art. 123-*bis*, para. 1, lett. g), TUF)**

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

**H) CLAUSES ON CHANGE OF CONTROL (Art. 123-*bis* para. 1, lett. h), TUF) AND BY-LAWS PROVISIONS CONCERNING TAKEOVER BIDS (Arts. 104, para. 1-*ter* and 104-*bis*, para. 1, TUF)**

Material agreements – which can be disclosed pursuant to Article 123-*bis*, paragraph 1, letter h), of the TUF – which were entered into by Leonardo or its subsidiaries at 31 December 2018 (on the basis of the notices received pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation) and which will become effective, will be amended or extinguished in case of a change of control of the company concerned, are listed below with an indication of the corresponding effects.

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
LEONARDO SPA	BANCA IMI S.P.A., BANCO BILBAO VIZCAYA ARGENTARIA S.A., MILAN BRANCH, BANCO BPM S.P.A., BANCO SANTANDER, S.A., MILAN BRANCH, BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., BARCLAYS BANK PLC, BNP PARIBAS ITALIAN BRANCH, CASSA DEPOSITI E PRESTITI S.P.A., CITIBANK, N.A., MILAN BRANCH, COMMERZBANK AKTIENGESELLSCHAFT, FILIALE DI MILANO, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MILAN BRANCH, HSBC BANK PLC, MILAN BRANCH, SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED, MILAN BRANCH AND UNICREDIT S.P.A.	AGREEMENT FOR THE GRANTING TO LEONARDO OF A NEW REVOLVING CREDIT LINE	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, TOGETHER WITH ANY INTEREST ACCRUED UNTIL THAT DATE
LEONARDO SPA	BARCLAYS; BNP; CREDIT AGRICOLE; SACE; SOCIETE GENERALE; DEUTSCHE BANK; UNICREDIT	COUNTER GUARANTEE ISSUANCE AND INDEMNITY AGREEMENT	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, AFTER A 90-DAY REGISTRATION PERIOD, EACH BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT TO COLLATERALISE THE AMOUNT WITH THE PAYMENT OF ITS OWN STAKE, OR THE COMMITMENT BY LEONARDO TO REPLACE THE BANK WITH ANOTHER COUNTER-GUARANTOR
LEONARDO SPA	BANCA IMI S.P.A., INTESA SANPAOLO S.P.A., BANCO SANTANDER, S.A., MILAN BRANCH, BNP	GUARANTEE FACILITY AGREEMENT	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN

	<p>PARIBAS, ITALIAN BRANCH, CRÉDIT AGRICOLE – CORPORATE AND INVESTMENT BANK, MILAN BRANCH, SACE S.P.A., SOCIÉTÉ GÉNÉRALE S.A., MILAN BRANCH AND UNICREDIT S.P.A.</p>		<p>GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, TOGETHER WITH ANY INTEREST ACCRUED UNTIL THAT DATE, BY SENDING LEONARDO A REQUEST FOR A CASH COLLATERAL FOR THE GUARANTEED AMOUNT</p>
LEONARDO SPA	<p>BANCA IMI S.P.A., BNP PARIBAS ITALIAN BRANCH, COMMERZBANK AKTIENGESELLSCHAFT, MILAN BRANCH, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MILAN BRANCH, INTESA SANPAOLO S.P.A., SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. – MILAN BRANCH, BANCO BPM S.P.A., BANK OF AMERICA, NA, MILAN BRANCH, CITIBANK, N.A. MILAN BRANCH, SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED, MILAN BRANCH, BANCA POPOLARE DELL'EMILIA ROMAGNA SOC. COOP., NATIXIS S.A. – MILAN BRANCH, UNICREDIT S.P.A.</p>	TERM LOAN AGREEMENT	<p>IN CASE OF A CHANGE OF CONTROL OF LEONARDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, TOGETHER WITH ANY INTEREST ACCRUED UNTIL THAT DATE</p>
LEONARDO SPA	<p>BAE SYSTEMS AND AIRBUS GROUP (FORMERLY EADS)</p>	<p>SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR</p>	<p>IN CASE OF A CHANGE OF CONTROL OF LEONARDO, THE OTHER SHAREHOLDERS - BAE SYSTEMS AND EADS – HAVE THE OPTION OF DECIDING WHETHER TO EXTINGUISH LEONARDO'S RIGHT TO APPOINT CERTAIN MANAGERS AND TO OBTAIN CERTAIN INFORMATION ABOUT MBDA. IF THIS IS</p>



			REQUESTED BY THE SHAREHOLDERS, LEONARDO CAN ASK THESE SHAREHOLDERS TO BUY ITS STAKE IN MBDA AT MARKET PRICE
LEONARDO SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF A LOAN FOR THE “DEVELOPMENT AND PRODUCTION OF INNOVATIVE AIRCRAFT COMPONENTS” PROJECT OF ALENIA AERMACCHI SPA	EIB MAY CANCEL THE LOAN AND REQUEST EARLY REIMBURSEMENT IF A PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRE CONTROL OF LEONARDO PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF LEONARDO
LEONARDO SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF A LOAN AIMED AT SUPPORTING 50% OF LEONARDO’S INVESTMENT PROJECTS RELATED TO: I) RESEARCH AND DEVELOPMENT IN PRODUCTS AND TECHNOLOGIES (HELICOPTERS); II) CYBER SECURITY; III) ADVANCE MANUFACTURING (INDUSTRY 4.0) AND IV) INVESTMENTS IN IN COHESION AREAS.	EIB MAY CANCEL THE LOAN NOT YET DISBURSED AND REQUEST EARLY REIMBURSEMENT OF THE EXISTING LOAN (PLUS INTEREST) IF A PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRE CONTROL OF LEONARDO PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF LEONARDO
LEONARDO SPA	FINCANTIERI	SUPPLY CONTRACT COMBAT SYSTEM AND RELATED INTEGRATED LOGISTIC AND SUPPORT SERVICES, FOR THE 7 VESSELS DESTINATED TO THE QATAR EMIR NAVAL FORCE	IN THE CASE OF AN ASSIGNMENT IN FURTHERANCE OF CORPORATE MERGER, REORGANISATION, RECONSTRUCTION OR ANY SIMILAR SOLVENT PROCEEDING, THE CLIENT’S CONSENT SHALL NOT BE UNREASONABLY WITHHELD.

LEONARDO SPA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO THALES ALENIA SPACE SAS ("TAS" -LEONARDO 33%)	IN CASE OF A CHANGE OF CONTROL OF LEONARDO TO A COMPETITOR OF THALES, THALES IS ENTITLED TO BUY LEONARDO'S SHARES IN TAS AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO TELESPAZIO SPA (LEONARDO 67%), A COMPANY OPERATING IN THE SATELLITE SERVICES SECTOR	IN CASE OF A CHANGE OF CONTROL OF LEONARDO TO A COMPETITOR OF THALES, THALES IS ENTITLED TO SELL ITS STAKE IN TELESPAZIO TO LEONARDO AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	THALES AND BENIGNI	SHAREHOLDERS' AGREEMENT RELATING TO ELETTRONICA SPA (LEONARDO 31.33%), A COMPANY OPERATING IN THE DEFENCE ELECTRONICS SECTOR	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, THE OTHER SHAREHOLDERS HAVE THE RIGHT TO BUY LEONARDO'S SHARES IN ELETTRONICA ON A PRO-RATA BASIS AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	AIG	AGREEMENT FOR THE GRANTING OF AN INSURANCE CREDIT LINE FOR THE ISSUE OF SIGNATURE LOANS (BID BOND, PERFORMANCE BOND ETC.) IN THE INTERESTS OF THE LEONARDO GROUP'S COMPANIES	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, THE INSURANCE COMPANY MAY REQUEST AN IMMEDIATE CASH DEPOSIT EQUAL TO THE AMOUNTS OF THE GUARANTEES IN FORCE AND TO CANCEL THE CREDIT LINE
LEONARDO SPA	<ul style="list-style-type: none"> <li>• AIG (PRIMARY POLICY)</li> </ul> EXCESS POLICIES TO PRIMARY <ul style="list-style-type: none"> <li>• GENERALI</li> <li>+ CO- INSURERS</li> <li>• SWISS RE + CO-INSURERS</li> <li>• OBE + CO-INSURES</li> </ul>	INSURANCE SCHEME FOR DIRECTORS AND OFFICERS	THE INSURER WILL NOT BE LIABLE FOR ANY LOSSES ARISING FROM OR ARE BASED ON, OR ARE ATTRIBUTABLE TO AN INSURED EVENT UNDER THE POLICY, WHICH OCCURS AFTER THE EFFECTIVE DATE OF A TRANSACTION THAT ENTAILS A CHANGE OF CONTROL OF THE COMPANY
LEONARDO SPA	GENERALI + OTHER CO-INSURERS	INSURANCE SCHEME FOR AVIATION	THE INSURER IS ENTITLED TO WITHDRAW FROM THE CONTRACT IN THE CASE OF THE MERGER OF THE INSURED COMPANY WITH ONE OR MORE

			COMPANIES OR IN THE CASE OF DISPOSAL
<b>LEONARDO SPA</b>	<p>GENERALI+ OTHER CO-INSURES (PRIMARY POLICY) EXCESS POLICIES TO PRIMARY</p> <ul style="list-style-type: none"> <li>• AIG +CO-INSURES</li> <li>• XLCATLIN+ CO-INSURES</li> <li>• ZURICH+ CO-INSURES</li> </ul>	PROPERTY ALL RISKS	THE INSURER IS ENTITLED TO WITHDRAW FROM THE CONTRACT IN CASE OF SUBSTANTIAL CHANGES OF LEONARDO OWNERSHIP
<b>LEONARDO SPA</b>	<p>PUBLIC JOINT STOCK COMPANY “AVIATION HOLDING COMPANY “SUKHOI”</p> <p>WING MED B.V.</p> <p>SUPERJET INTERNATIONAL S.P.A.</p>	SHAREHOLDERS’ AGREEMENT RELATING TO SUPERJET INTERNATIONAL SPA (LEONARDO 10%), COMPANY FOR THE IMPLEMENTATION OF THE “SUPERJET 100 PROGRAM”, WHICH FORMS PART OF THE “RUSSIAN REGIONAL JET PROGRAM”	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, SUKHOI MAY EXERCISE THE CALL OPTION CONCERNING THE SHARES OF SUPERJET INTERNATIONAL HELD BY LEONARDO
<b>LEONARDO SPA</b>	ELBIT SYSTEMS LIMITED	TEAMING AGREEMENT REGARDING THE BUSINESS AND TECHNICAL COLLABORATION AMONG THE PARTIES RELATED TO SURFACE UNMANNED VEHICLES MANUFACTURED BY ELBIT, EQUIPPED WITH LIGHT TORPEDO LAUNCH SYSTEMS PRODUCED BY THE DEFENCE SYSTEMS DIVISION	IN CASE OF A CHANGE OF CONTROL OF THE PARTIES, THE RIGHTS AND OBLIGATIONS ARISING FROM THE AGREEMENT CAN BE TRANSFERRED TO THIRD PARTIES EXCEPT WITH THE PRIOR WRITTEN CONSENT BY THE PARTIES
<b>LEONARDO SPA</b>	<p>THE BOEING COMPANY BOEING DEFENSE SPACE &amp; SECURITY AND AGUSTAWESTLAND PHILADELPHIA CORPORATION (“AWPC”)</p>	<p>AGREEMENT FOR THE SUPPLY TO BOEING OF:</p> <ul style="list-style-type: none"> <li>- AW 139 HELICOPTERS TO BE CONVERTED INTO MH139 FOR THE UNITED STATES AIR FORCE;</li> <li>- DEVELOPMENT ACTIVITIES, SIMULATORS, SPARE PARTS, SUPPORT, GROUND SUPPORT EQUIPMENT, LICENCES, TRAINING INCLUDING OPTIONS FOR THE FUTURE</li> </ul>	CHANGE OF CONTROL REQUIRES APPROVAL BY BOEING, EXCEPT IF AWPC WERE MERGED /MERGED BY TAKEOVER INTO ANOTHER US COMPANY FULLY CONTROLLED BY LEONARDO.
<b>LEONARDO SPA</b>	<ul style="list-style-type: none"> <li>- BANCA IMI SPA</li> <li>- INTESA SANPAOLO S.P.A.</li> <li>- SACE S.P.A.</li> <li>- UNICREDIT S.P.A.</li> <li>- CRÉDIT AGRICOLE</li> <li>- SOCIÉTÉ GÉNÉRALE,</li> <li>- BANCO SANTANDER S.A</li> <li>- BNP PARIBAS</li> </ul>	“GUARANTEE FACILITY AGREEMENT” (GFA) REGARDING THE ISSUE OF THE NECESSARY BANK GUARANTEES FOR THE QATARI Nh90 CONTRACT	<p>NOTIFICATION OBLIGATION WITH ENSUING RIGHT OF EXCLUSION OF THE COUNTERPARTY FROM THE FACILITY.</p> <p>OPENING OF A “NEGOTIATION PERIOD” WITH THE DISSENTING PARTY AFTER WHICH THE LATTER MAY REQUIRE CANCELLATION OF ITS COMMITMENTS AND REPLACEMENT WITH</p>

			ANOTHER COUNTER-GUARANTOR.
<b>LEONARDO SPA</b>	GENERAL HEADQUARTERS OF THE ITALIAN FINANCIAL POLICE (“GDF”)	CONTRACT FOR THE SUPPLY OF 22 TWIN-ENGINE MEDIUM-LIGHT CLASS HELICOPTERS AW169 AND RELATED EQUIPMENT, AS WELL AS TECHNICAL, LOGISTIC AND TRAINING SUPPORT	<p>THE AGREEMENT IS AUTOMATICALLY TERMINATED IN CASE OF MERGER/MERGER BY TAKEOVER OR BUSINESS DISPOSAL TOWARDS THE NEW COMPANY</p> <p>COMPANIES’ DISPOSALS, CONVERSIONS AND MERGERS SHOULD BE COMMUNICATED TO THE PROCUREMENT UNIT OF THE GENERAL HEADQUARTERS OF THE ITALIAN FINANCIAL POLICE IN ORDER TO HAVE THE CHANGE, IF ANY, APPROVED.</p>
<b>LEONARDO SPA</b>	PRATT & WHITNEY CANADA CORP. (P&WC)	FRAMEWORK AGREEMENT FOR THE SUPPLY OF HELICOPTER ENGINES	<p>RIGHT OF THE COUNTERPARTY TO WITHDRAW FROM CONTRACT IN CASE OF:</p> <ul style="list-style-type: none"> <li>- CONTROL OF LEONARDO IS ACQUIRED BY A COMPETITOR OF P&amp;WC;</li> <li>- CHANGE OF CONTROL TRIGGERING A CONFLICT WITH THE BUSINESS INTERESTS OF P&amp;WC.</li> </ul>
<b>LEONARDO SPA</b> (FORMER AGUSTAWESTLAND SPA)	GENERAL ELECTRIC COMPANY (THROUGH THE AVIATION BUSINESS UNIT, MA, USA - “GE”)	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES	<p>RENEGOTIATION OF THE AGREEMENTS IF CONTROL OF LEONARDO IS ACQUIRED BY A COMPETITOR OF GE;</p> <p>LEONARDO IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO THE GE’S PROPRIETARY INFORMATION</p>
<b>LEONARDO SPA</b> (FORMER AGUSTAWESTLAND SPA)	BELL HELICOPTER TEXTRON	LICENCE FOR THE PRODUCTION AND SALE OF 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B HELICOPTERS AND SPARE PARTS	<p>TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF LEONARDO TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS</p>

LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	BOEING COMPANY DEFENCE & SPACE GROUP	AGREEMENT FOR THE REVISION AND SALE OF THE CH47C MODEL AND SPARE PARTS	EXPRESS CANCELLATION CLAUSE, EXCLUDING TRANSFER OF CONTROL WITHIN THE LEONARDO GROUP
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	OJSC “OPK” OBORONPROM; LLC “INTERNATIONAL HELICOPTER PROGRAMS”; JSC HELIVERT (THE JV COMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE JSC HELIVERT FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	BRILOG LEASING LTD	FRAMEWORK AGREEMENT FOR THE SUPPLY OF 11 AW189 SAR	RIGHT OF THE COUNTERPARTY TO WITHDRAW FROM CONTRACT IN CASE OF A CHANGE OF CONTROL OF LEONARDO (RESULTING FROM THE DISPOSAL OF A SHAREHOLDING HIGHER THAN 25% OF THE SHARE CAPITAL OF THE SAME)
LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)	BOEING COMPANY	GENERAL TERMS AGREEMENT (“GTA”) CONCERNING THE STAKE OF ALENIA AERMACCHI SPA IN THE BOEING 787 PROGRAMME	SECTION 20.4 OF THE GTA PROHIBITS THE ASSIGNMENT OF THE CONTRACT (ALSO CONSIDERING THE “CHANGE OF CONTROL” OF LEONARDO AS SUCH) WITHOUT THE AUTHORISATION OF BOEING. IN THE EVENT OF THE BREACH OF THE ABOVMENTIONED CLAUSE ON THE PART OF LEONARDO, BOEING SHALL BE ENTITLED TO TERMINATE THE CONTRACT WITH LEONARDO EITHER IN WHOLE OR IN PART. FURTHERMORE, SHOULD LEONARDO BREACH THE ABOVMENTIONED SECTION 20.4, BOEING SHALL BE ENTITLED TO BE REPAID, ON A PROPORTIONAL BASIS – AS REGARDS THE SHIPSETS NOT DELIVERED BY LEONARDO AS AT THE DATE OF THE BREACH – ANY SUMS PAID BY BOEING TO LEONARDO ACCORDING TO SECTION 5.9 OF THE AGREEMENT NAMED “SPECIAL

			BUSINESS PROVISIONS” IN FORCE BETWEEN BOEING AND LEONARDO AGAIN IN RELATION TO THE 787 PROGRAMME
LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)	AIRBUS	AGREEMENT CONCERNING THE SALE OF 886 SERIES OF SECTION 14A OF A321 AIRCRAFT IN THE ACF (AIRBUS CABIN FLEX) VERSION	IN THE CASE OF AN ACQUISITION BY A THIRD PARTY OF THE DIRECT OR INDIRECT CONTROL OF THE SUPPLIER, IT IS PROVIDED THAT THE LATTER: A) SHALL GIVE PRIOR WRITTEN NOTICE THEREOF TO THE PURCHASER, SPECIFYING THE POTENTIAL INVESTOR / PURCHASER, THE CHANGE IN THE COMPOSITION OF THE SHARE CAPITAL OR ANY OTHER CHANGE; B) SHALL PROVIDE ANY SIGNIFICANT INFORMATION DURING THE CHANGE OF CONTROL PROCESS. IF THE PURCHASER BELIEVES THAT THIS EVENT MIGHT SUBSTANTIALLY AFFECT THE SUPPLIER’S ABILITY TO FULFIL ITS OBLIGATIONS, OR IF THIS CHANGE OF CONTROL IS NOT ACCEPTABLE IN TERMS OF STRATEGY IN FAVOUR OF A PARTY, THE PURCHASER IS ENTITLED TO WITHDRAW FROM THE CONTRACT AND FROM ANY RELATED ORDER WITHIN 28 DAYS OF THE DAY ON WHICH IT BECOMES AWARE THEREOF.
LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)	ABU DHABI AUTONOMOUS SYSTEM INVESTMENTS CO LLC	JOINT VENTURE AGREEMENT CONCERNING THE FORMATION OF A COMPANY (ADVANCED MALE AIRCRAFT LLC) IN ABU DHABI FOR THE DEVELOPMENT AND PRODUCTION OF A CLASS OF REMOTELY-PILOTED AIRCRAFT	TERMINATION OF THE AGREEMENT AT THE OPTION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL. TERMINATION IS SUBJECT TO THE EXECUTION OF AN AMICABLE SETTLEMENT PROCESS AND NOT AN ARBITRATION PROCEDURE.

			MOREOVER, THE NON-BREACHING PARTY MAY DEMAND THAT THE BREACHING PARTY SELLS ITS SHARES AT MARKET VALUE LESS 20%, OR THAT THE BREACHING PARTY PURCHASES THE SHARES OF THE NON-BREACHING PARTY AT MARKET VALUE PLUS 20%.
<b>LEONARDO SPA</b> (FORMER ALENIA AERMACCHI SPA)	LOCKEED MARTIN AERO	STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIPS BETWEEN THE PARTIES UNDER JOINT STRIKE FIGHTER (“JSF”) PROGRAMME TO BUILD A 5TH GENERATION MULTIROLE FIGHTER PLANE	TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKEED MARTIN IN CASE OF A CHANGE OF OWNERSHIP OR CONTROL OF LEONARDO
<b>LEONARDO SPA</b> (FORMER ALENIA AERMACCHI SPA)	ELBIT SYSTEMS LIMITED	“CONTRACTOR LOGISTIC SUPPORT CONTRACT” FOR LOGISTIC SUPPORT (SUPPLY, REPAIR AND SERVICE OF SPARE PARTS) TO THE ISRAELI M-346 FLEET	ARTICLE 37.1 OF “CONTRACTOR LOGISTIC SUPPORT CONTRACT” ENVISAGES THAT IN CASE OF A CHANGE OF CONTROL OF LEONARDO, AS A RESULT OF WHICH THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A CONTROLLING SHAREHOLDER LINKED TO A STATE THAT DOES NOT HAVE DIPLOMATIC RELATIONS WITH ISRAEL, A PRIOR WRITTEN CONSENT IS REQUIRED FROM ELBIT
<b>LEONARDO SPA</b> (FORMER SELEX ES SPA)	THALES ALENIA SPACE FRANCE	CONTRACT FOR THE SUPPLY OF INSTRUMENTS (SLSTR) ON SATELLITES FOR THE COPERNICUS SENTINEL 3 PROGRAMME	IN CASE OF A CHANGE OF CONTROL : PRIOR WRITTEN NOTICE TO TAS SPECIFYING THE POTENTIAL INVESTOR / BUYER OR ANY OTHER CHANGE; OBLIGATION TO PROVIDE TAS WITH ANY AND ALL SIGNIFICANT INFORMATION DURING THE PROCESS OF CHANGE OF CONTROL; PROHIBITION ON THE ASSIGNMENT OR

			TRANSFER THE CONTRACT TO THE NEW PARENT ENTITY WITHOUT THE WRITTEN CONSENT OF TAS'; RIGHT GRANTED TO TAS TO WITHDRAW FROM THE CONTRACT
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PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
<b>SUBSIDIARIES</b>			
<b>AGUSTAWESTLAND LTD</b>	U.K. MINISTRY OF DEFENCE	WIST CONTRACT (AW 159 WILDCAT SUPPORT AND TRAINING SERVICES)	IN CASE OF AN EXPECTED OR ACTUAL CHANGE OF CONTROL, NOTICE SHALL BE GIVEN TO THE MoD, WHICH WILL BE ENTITLED TO WITHDRAW FROM THE CONTRACT, GIVING WRITTEN NOTICE THEREOF WITHIN SIX MONTHS OF THE NOTICE
<b>AGUSTAWESTLAND PHILADELPHIA CORPORATION</b>	BELL HELICOPTER TEXTRON INC.	LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609	THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND PHILADELPHIA CORPORATION OR OF GROUP COMPANIES, IS INEFFECTIVE AND INVOLVES THE TERMINATION OF THE LICENCE AGREEMENT AND OF ALL THE OTHER AGREEMENTS WITH BELL RELATED TO THE HELICOPTER AW609, EXCEPT WITH THE PRIOR WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.
<b>AGUSTAWESTLAND PHILADELPHIA CORPORATION</b>	CAE FLIGHT SOLUTION USA INC.	ROTORSIM USA LLC AGREEMENT	IN CASE OF A CHANGE OF CONTROL OF ONE OF THE PARTIES TO THE AGREEMENT IN FAVOUR OF A COMPETITOR OF THE OTHER PARTY, THE LATTER IS ASSIGNED THE PRE-EMPTION RIGHT CONSISTING IN THE SALE OF ITS STAKE IN ROTORSIM USA LLC
<b>LEONARDO MW LTD</b>	NORTHROP GRUMMAN	“MISSILE COUNTER MEASURE (INFRARED)” CONTRACT	TERMINATION OF THE CONTRACT OR ALTERNATIVELY A REQUEST FOR ADDITIONAL PERFORMANCE GUARANTEES, AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL

LEONARDO MW LTD	BAE SYSTEMS	TYTAN JAS	THE CONTRACTING PARTY SHALL INFORM THE AUTHORITY IN WRITING, AS SOON AS POSSIBLE, OF ANY SIGNIFICANT CHANGE OF CONTROL OF THE CONTRACTING PARTY
LEONARDO MW LTD	BAE SYSTEMS (WARTON)	TEAMING AGREEMENT ASSOCIATED WITH THE LTEWP BID	NO ASSIGNMENT IS PERMITTED WITHOUT THE WRITTEN CONSENT OF THE OTHER PARTY
LEONARDO MW LTD	UK MoD	MODE 5 IFF (PRINCIPAL AGREEMENT)	THE CONTRACTOR SHALL INFORM THE AUTHORITY IN WRITING, AS SOON AS POSSIBLE, OF ANY SIGNIFICANT CHANGE IN CONTROL OF THE CONTRACTING PARTY
LEONARDO MW LTD	UK MoD	APACHE IOS PP3	NOTIFICATION OBLIGATION OF ANY CHANGE OF CONTROL TO THE UK MINISTRY OF DEFENCE, WITH RIGHT OF TERMINATION THEREOF
TELESPAZIO SPA	DLR GFR	BY-LAWS FOR SPACEOPAL GMBH (50% TELESPAZIO SPA; 50% DLR GFR), A COMPANY OPERATING IN THE FIELD OF SATELLITE SERVICES RELATING TO THE GALILEO PROJECT	RIGHT OF THE SHAREHOLDER NOT SUBJECT TO A CHANGE IN CONTROL, WITH THE PRIOR AUTHORISATION OF THE SHAREHOLDERS' MEETING, TO SELL ITS SHARES TO A THIRD PARTY OR ANOTHER SHAREHOLDER OR TO WITHDRAW IN EXCHANGE FOR A PAYMENT TO BE DETERMINED
TELESPAZIO SPA	ITALIAN SPACE AGENCY (ASI)	SHAREHOLDERS' AGREEMENT RELATING TO E-GEOS SPA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD	IN CASE OF MATERIAL CHANGES IN THE SHAREHOLDER STRUCTURE OF TELESPAZIO, ASI IS ENTITLED, AT ITS OPTION: <ul style="list-style-type: none"> <li>• TO REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-GEOS;</li> <li>• TO SELL THE SHARES TO THE</li> </ul>

			SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY. THE CHANGE IN THE SHAREHOLDER STRUCTURE OF LEONARDO SPA OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.
<b>LEONARDO DRS, INC. AND ITS SUBSIDIARIES</b> <i>(FORMER DRS TECHNOLOGIES, INC.)</i> CONTROLLED THROUGH LEONARDO US HOLDING, INC, <i>(FORMER MECCANICA HOLDINGS USA INC.)</i>	LEONARDO US HOLDING	CREDIT AGREEMENT	IN CASE OF CHANGE OF CONTROL, LEONARDO DRS INC. IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF LEONARDO US HOLDING
<b>LEONARDO DRS, INC.</b> <i>(FORMER DRS TECHNOLOGIES, INC.)</i> CONTROLLED THROUGH LEONARDO US HOLDING, INC. <i>(FORMER MECCANICA HOLDINGS USA INC.)</i>	LEONARDO US HOLDING	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, LEONARDO DRS INC. IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF LEONARDO US HOLDING

As regards public takeover bids, it should be pointed out that the Company's By-Laws do not provide for exceptions to the provisions on the passivity rule under Art. 104, paragraph 1-ter, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under Art. 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation.

**1) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (Art. 123-bis, para. 1, lett. i), TUF)**

The information required by Art. 123-bis, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Remuneration Report required by Art. 123-ter of the Consolidated Law on Financial Intermediation (cf. point 8 hereof).

**L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY-LAWS (Art. 123-bis, para. 1, lett. l), TUF)**

As regards the appointment and replacement of Directors, reference is made to paragraph 4.1. below herein.

As regards any amendments to the By-Laws, it should be noted that they shall be approved by the Shareholders' Meeting pursuant to law and By-Laws.

However, under Section 24.1 of the By-Laws, the Board of Directors has the power to adapt the By-Laws to legislative provisions. Under section 22.3 of the By-Laws, any proposals to amend sections or to adopt new By-Laws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office.

Finally, note the Government's veto power over the adoption of amendments to the By-Laws that revoke or modify the special powers provided to the same, referred to in point D.1) above.

#### **M) AUTHORISATION FOR SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (Art. 123-bis, para. 1, lett. m), TUF)**

The Board of Directors has no authority to make capital increases under Art. 2443 of the Italian Civil Code, nor do the Directors have the power to issue equity instruments.

On 16 May 2017 the Shareholders' Meeting authorized – while revoking the previous authorisation resolved for the purchase on 28 April 2016 - the acquisition and disposition of treasury shares serving the Incentive/co-investment plans which were approved by the Shareholders' Meeting held on 11 May 2015, up to a maximum of 2,000,000 ordinary shares, for a period – as to the purchase - of eighteenth months from the date of the relevant resolution, as well as – as to the disposition of purchased shares, as well as of those already held in the portfolio – within the time limits required for the implementation of the Plans. The resolution provided that the purchase of treasury shares could be made, in appropriately gradual stages, by acquiring on the market, at a maximum and minimum unit price which corresponds to the reference price observed on the Electronic Stock Market on the day prior to purchase (more or less 5% for the maximum price and for the minimum price, respectively). Afterwards, upon approval of the new Long-Term Incentive Plan for the Leonardo Group's management, the Shareholders' Meeting held on 15 May 2018 authorized the availability, at any time, in whole or in part and in one or more times, of the treasury shares held by the Company at that point in time to be used in compliance with the provisions of law in relation to the Incentive Plans that the Company has approved or can approve in the future according to the terms, methods and conditions set down in the relevant Information Sheets and/or Implementing Rules.

The Company held 3,305,230 treasury shares, equal to about 0.572% of the share capital, at the date of the approval of this Report.

## N) DIRECTION AND COORDINATION

Leonardo is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

### 3. COMPLIANCE (Art. 123-bis, para. 2, lett. a), TUF)

The Company's Corporate Governance model is in line with the application principles and criteria of the Corporate Governance Code, which the Company complies with. This model has been over time subject to subsequent amendments aimed at approving the instructions given from time to time, which are incorporated in the **RULES OF PROCEDURES OF THE BOARD OF DIRECTORS** (hereinafter also referred to as "Rules of Procedure"), which was duly updated by the Board in order to further heighten the compliance level of the corporate governance model and guarantee the constant alignment with the contents of the Code as well as with the changes made to the corporate organisational structure.

Leonardo's governance model is also in line with the guidance introduced in the last edition of the Code (released in July 2018) with reference to the diversity policies already implemented by the Company – also in relation to the recent matters regarding non-financial disclosures referred to in Legislative Decree no. 254/2016 – as specifically set out in the body of this Report.

The text of the Code can be accessed by the public on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>).

The updated text of the Rules of Procedure is promptly made available in the specific Corporate Governance section of the Company's website.

Neither Leonardo nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure; with regard to the activities of the Group in the USA, it is noted that some of them are subject to specific governance rules (such as the "Special Security Agreement" and the "Proxy Agreement"), which were agreed with the Defense Security Service (DSS) of the US Department of Defense and aimed at restricting the access, by the shareholder, to "classified" information.

### 4. BOARD OF DIRECTORS

#### 4.1. APPOINTMENT AND REPLACEMENT (Art. 123-bis, para. 1, lett. l), TUF)

The Company is governed by a Board of Directors that is made up between 8 and 12 members who are appointed by the Shareholders' Meeting. The Shareholders also establish the related number and the length of their terms in office. Directors are appointed for a term that does not exceed three financial

years and may be re-elected pursuant to Art. 2383 of the Italian Civil Code. In the event that the Meeting has not taken steps to do so, the Board will appoint a Chairman from among its members. Regarding the appointment of the Directors, the By-Laws (section 18.3) provide for the specific “list voting” mechanism, as described below.

The Directors are appointed by the Shareholders’ Meeting on the basis of lists submitted by the Shareholders (as well as possibly by the outgoing Board of Directors) in which the candidates are to be numbered consecutively. Lists submitted by Shareholders (or possibly by the outgoing Board of Directors) shall be filed with the registered office at least 25 days before the date of the Meeting on first call, and made public by the Company at least 21 days before the date of the Meeting, again on first call, according to the procedures provided for by the regulations in force. The time limits and procedures for the related filing are specified by the Company in the notice of call of the Shareholders’ Meeting.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.

Shareholders who, alone or with other Shareholders, represent at least 1% of the voting shares in the Ordinary Shareholders’ Meeting will be entitled to submit lists (or such lesser number as is laid down by provisions of law or regulations, where applicable).

By Decision no. 13 of 24 January 2019, Consob confirmed the shareholding required to submit lists of candidates for the election of governing and control bodies of Leonardo to the extent of 1%, equal to the percentage required by the By-laws.

In order to prove ownership of the number of shares necessary for the submission of lists, Shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office, within the time limit prescribed for the publication of the lists by the Company.

At least two Directors must meet the independence requirements as laid down for Statutory Auditors pursuant to law. In this regard, in line with the provisions laid down in the Code, the Company expressly requires, in the notice of call, to specify, in the lists of candidates to the position of Director, their eligibility to be qualified as “independent” directors pursuant to law, as well as pursuant to Art. 3 of the aforementioned Code. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.

Lists with a number of candidates equal to or over three must also include candidates of different genders, in accordance with the notice of call of the Meeting, in order to permit a composition of the Board that is consistent with the regulations in force regarding the balance between genders.

Together with each list, and within the time limit prescribed for the filing of such lists, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and

that all the requirements prescribed by the regulations in force are met for their respective positions including any independence requirements as required by the By-Laws.

The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.

Each party entitled to vote may vote for one list only.

The Directors shall be elected as follows:

**a)** two thirds of the Directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast (the “Majority List”), in the order in which they appear in the list;

**b)** the remaining Directors will be drawn from the other lists (the “Minority Lists”); for that purpose, the votes obtained by these lists will then be divided by one, two, three and so on, depending on the gradual number of Directors to be elected. The scores thus obtained shall be allocated progressively to the candidates of each of the various lists according to the order specified therein. The scores thus allocated to the candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any Directors or which has elected the lowest number of Directors shall be elected.

In the event that none of these lists has elected a Director yet or that they have all elected the same number of Directors, the candidate will be elected whose list has obtained the highest number of votes.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected;

**b-bis)** if the Majority List does not present enough candidates to reach the number of directors to be elected pursuant to letter (a) above: (i) all the candidates listed are taken out according to their places in the List; (ii) the other candidates for positions as directors are taken out of Minority Lists, pursuant to letter (b) above, for one-third of the total number of positions on these lists; and (iii) the number of candidates required to fill the positions not covered by the Majority List are taken out of the Minority List which has received most votes among the Minority Lists (the “First Minority List”) on the basis of the number of candidates in this List; if there are not enough candidates, the remaining candidates for positions as directors, following the same procedure, are taken out of the next list or even of those following, according to the number of votes and the number of candidates in the Lists themselves. Finally, if the total number of candidates in the Lists that have been presented, including both Majority and Minority Lists, is lower than the number of directors to be

elected, the remaining directors are elected by a resolution passed by the shareholders' meeting pursuant to section 18.4 below;

**c)** if, following the application of the procedure referred to above, the minimum number of independent Directors required by the By-Laws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the By-Laws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent Directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent Directors, the Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores;

**c-bis)** when the application of procedures referred to above does not result in compliance with the regulations governing gender equality, the quotient of votes to allocate to each candidate from the lists is calculated, dividing the number of votes obtained by each list by the ranking of each candidate; the candidate from the more represented gender with the lowest quotient of the candidates from all the lists is replaced, without prejudice to the minimum number of independent Directors, by the person belonging to the less represented gender chosen (with the next highest ranking) in the same list as the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate in the list from which the greatest number of Directors have been taken will be replaced; or, subordinately, the candidate from the list that has obtained the lowest number of votes; or, if the votes are even, the candidate that has obtained fewest votes from the Shareholders' Meeting in a special ballot.

Section 18.4 of the Company's By-Laws provides that for the appointment of Directors who are for whatever reason not appointed in accordance with the aforementioned procedures, the Shareholders' Meeting shall resolve with the majorities provided by law and in order to ensure the presence of the minimum number of independent Directors provided by law and the Company's By-Laws as well as to comply with the regulations in force regarding the balance between genders.

If in the course of the mandate, one or more Directors cease to hold office, measures will be taken pursuant to Art. 2386 of the Italian Civil Code. To replace the Directors who have ceased to hold office, the Shareholders' Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant to Art. 2386 of the Italian Civil Code, by appointing the replacement Directors on the basis of the same criteria as in the previous period and in order to guarantee the presence of the minimum



number of independent Directors provided for by law and the Company's By-Laws as well as to comply with the regulations in force regarding the balance between genders, in the first meeting after the termination.

With particular regard to the provisions introduced by Law no. 120 of 12 July 2011 and by the Consob implementing regulations governing equal access to the governing and control bodies of listed companies and the relative by-laws provisions that apply starting from the first renewal of governing and control bodies after 12 August 2012 and for the following three mandates (section 34.1 of the Company's By-Laws), it is to be noted that the distribution of the governing and control bodies to be elected shall be carried out on the basis of a criterion that ensures gender equality: in particular, for the first term of office, at least 1/5 (and at least 1/3 for two following terms) of the members of the governing and control bodies must represent the under-represented gender. With regard to the Board of Directors which currently holds office, appointed on 16 May 2017, the portion of the under-represented gender is equal to 1/3 of the Board's members.

With regard to the most recent new recommendations of the Corporate Governance Code regarding the application of the diversity criteria – including gender – to the composition of the corporate bodies, reference is made to the specific information provided in paragraph 12 of this Report.

### **Succession plans**

In order to ensure continuity in the Company's ordinary operations promptly and effectively, upon occurrence of events that could prevent the Chief Executive Officer from performing his duties during his term of office, at the specific request of the Nomination, Governance and Sustainability Committee, on 16 March 2016 the Board of Directors considered, taking account of the governance structure of the Company, the recommendations laid down in the Corporate Governance Code and the experience gained by other issuers, to adopt a **procedure for meeting any crisis management situations**.

Furthermore, in order to guarantee an adequate degree of management continuity, also with a view to better enhance the resources and ensure the highest efficiency and stability in the business operations, the Company took steps to set up a process for the identification of the most suitable internal profiles for the succession of first and second line managers.

#### **4.2. COMPOSITION (Art. 123-bis, para. 2, lett. d), TUF)**

The Shareholders' Meeting of 16 May 2017 set the number of the members of the Board of Directors at 12. They will serve for the three-year period from 2017 to 2019 and, therefore, until the approval of the Financial Statements at 31 December 2019.

The **Board of Directors** in office at the 2018 year-end and currently holding office, is made up as follows:

<b>Giovanni De Gennaro</b> (1)	<b>Chairman</b>
<b>Alessandro Profumo</b> (1)	<b>Chief Executive Officer</b>
<b>Guido Alpa</b> (1)	
<b>Luca Bader</b> (1)	
<b>Marina Elvira Calderone</b> (1)	
<b>Paolo Cantarella</b> (2)	
<b>Marta Dassù</b> (1)	
<b>Dario Frigerio</b> (2)	
<b>Fabrizio Landi</b> (1)	
<b>Silvia Merlo</b> (2)	
<b>Marina Rubini</b> (2)	
<b>Antonino Turicchi</b> (1)	

- (1) Director appointed from the **list submitted by the majority shareholder** (Ministry of Economy and Finance, holding about 30.204% of the share capital), **who during the vote obtained the majority of the votes** (about 62% of the share capital represented in the Shareholders' Meeting).
- (2) Director appointed from the **list submitted by a group of asset management companies and institutional investors**, holding about 1.910% of the share capital, **who during the vote obtained the minority of the votes** (about 37% of the share capital represented in the Shareholders' Meeting).

The Tables annexed to this Report show the structure of the Board of Directors, specifying the members serving as at the date of approval of this Report, as well as the respective details in terms of independence (in accordance with the Consolidated Law on Financial Intermediation and the Corporate Governance Code), membership in Committees and length of service.

### **Curricula of the Directors**

A brief *curriculum* of each member of the present Board of Directors follows, stating their age and seniority in the position.

#### **GIOVANNI DE GENNARO**

##### **CHAIRMAN**

*Non-executive- Non-Independent* - In office since July 2013

*Belonging list: majority (Ministry of Economy and Finance)*

Born in Reggio Calabria on 14 August 1948. Chairman of Leonardo since 4 July 2013. His mandate was renewed by the Shareholders' Meeting on 15 May 2014 and 16 May 2017. He took a Degree in Law at the University of Rome "La Sapienza". After fulfilling his national service obligations as a reserve officer for the Italian Army and a short period of work at the Italian Ministry of Finance, he entered the Ministry of the Interior holding various positions as a Public Security Officer

(“*Funzionario di Pubblica Sicurezza*”). He spent most of his career in the Public Security Administration until 1994, when he was appointed “*Prefetto di Prima classe*” (Prefect). In 2000 he became Chief of the Police – Director General of Public Security. In 2007 he was appointed Head of the Ministerial Staff of the Internal Affairs. During his mandate, because of the exceptionally serious crisis related to the waste disposal in Campania, the Italian Government assigned Mr De Gennaro the temporary management of the emergency for 120 days and appointed him Extraordinary Commissioner. In 2008 he held the position of Director General of the Italian Security Intelligence Department (DIS – *Dipartimento per le Informazioni per la Sicurezza*), with the additional task of implementing, from a regulatory and organisational standpoint, the complex reform of the intelligence services called for by the Parliament in 2007. In 2012 he was appointed Under Secretary to the Italian Prime Minister’s Office with powers over the intelligence and security services, by the Council of Ministers. As Government representative he participated in the process of approval, unanimously voted by the Parliament, of another partial reform of the laws governing the intelligence services, with particular regard to the sensitive issue of the State Secret. In 2000 he was bestowed the Knight of Grand Cross (“*Cavaliere di Gran Croce*”) of the Order of Merit of the Italian Republic. He is the Chairman of the Center for American Studies and Honorary Chairman of the *Fondazione Leonardo – Civiltà della Macchine*.

#### ALESSANDRO PROFUMO

##### CHIEF EXECUTIVE OFFICER

*Executive – Non-Independent - In office since May 2017*

*Belonging list: majority (Ministry of Economy and Finance)*

Born in Genoa on 17 February 1957. Chief Executive Officer of Leonardo since 16 May 2017. He has also been Honorary President of AIAD (Italian Industries Federation for Aerospace, Defence and Security) since July 2017 and Chairman of the *Fondazione Ricerca & Imprenditorialità* since February 2018. He graduated cum laude in Business Administration at the Luigi Bocconi University. In 1977 he started working at the Banco Lariano, where he stayed for ten years. In 1987 he joined McKinsey & Company, where he dealt with strategic and organisational projects for financial houses. In 1989 he became the head of relations with financial institutions and of integrated organisation and development projects for Bain, Cuneo & Associati. In 1991 he left the business consulting sector to take up a position as Chief Banking and Para Banking Officer with RAS – Riunione Adriatica di Sicurtà. He was also responsible for increasing the revenues of the Group’s finance company and of the distribution and management companies operating in the sector of asset management. In 1994 he joined Credito Italiano (now UniCredit), where he was appointed Joint Chief Officer in the Group’s planning and control department. One year later he took up the position of General Manager, while in 1997 he was

appointed as Chief Executive Officer of the UniCredit Group, a position which he continued to fill until September 2010. Under his leadership the UniCredit Group became a European level institution, from 15,000 to more than 162,000 employees, with offices in 23 countries. In February 2012 he was appointed by the European Commissioner for the Internal Market and Services to a group of European experts, the High-Level Expert Group, which was to evaluate the functioning of the European Union banking sector and suggest possible measures to reform its structure. He served as Chairman of Banca Monte dei Paschi di Siena from April 2012 to August 2015.

In September 2015 he became a Director and the Chairman of Equita SIM, positions which he filled until May 2017. At international level, he acted as President of the European Banking Federation in Brussels and of the International Monetary Conference in Washington. He has also been on the International Advisory Board of Itaú Unibanco (Brazil) and a member of the Supervisory Board of Sberbank (Russia). He was a Director of the Board of Directors of Eni from 2011 to 2014. In July 2015 he was again co-opted to the Board of Directors of Eni, a position which he left in April 2017 after the annual report had been approved by the shareholders' meeting. He has also been a member of the Board of Directors and of the Executive Committee of Mediobanca and a member of the Board of Directors at the Luigi Bocconi University.

He was awarded the Italian Order of Merit for Labour (*Cavaliere al Merito del Lavoro*) in 2004. He is a Director of the Together To Go Foundation (TOG).

#### GUIDO ALPA

##### **DIRECTOR**

*on-executive- Independent - In office since May 2014*

*Belonging list: majority (Ministry of Economy and Finance)*

##### **Committees:**

- Nomination, Governance and Sustainability (Chairman)
- Control and Risks

Born in Ovada (Province of Alessandria) on 26 November 1947. Director of Leonardo since 15 May 2014; his mandate was renewed by the Shareholders' Meeting of 16 May 2017. He has graduated in Law from Genoa University. He has been Full Professor at the Faculty of Law at Genoa University (Civil law, Comparative private law and Comparative legal systems). He has been Full Professor at the Faculty of Law at La Sapienza University in Rome since 1991 (Civil law and Comparative private law) and the director of the Master's course in European Private Law since 2004. He has been a Visiting Professor at the School of Law of Oregon University and at the University of California (Berkeley), the University of London, the International Faculty of Comparative Law in Mannheim, Trento and Coimbra, the University of Barcelona, the University of Granada and the University of

Oxford. He has also taught at the Malta University Summer School, at the Summer School of the Institute of Advanced Legal Studies in London, at the Summer School of the King's College in London. He has been a member of the National Bar Association since 1995 and was the Chairman of this Association from May 2004 to March 2015. He is a member of the Steering Committee of the Italian Arbitration Association, of the Steering Committee of the Italian Comparative Law Association, of the national Steering Committee of the International insurance law association and a member of the Scientific Committee of "Bancaria" (the Italian Bankers' Association's monthly magazine), as well as the Chairman of the Italian Civil Lawyers. Furthermore he is also a member of the Advisory Council of the Institute of European Comparative Law at the University of Oxford and has been a member of the Board of Directors of the Cesar Foundation. He has been the Chairman of the Users' Advisory Council and a board member of ISVAP (the Italian Insurance Supervisory Authority). He has been a member of the Board of Directors of Banca Carige, the Chairman of Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., as well as a member of the Board of Directors of the Carige Foundation and a member of the Board of Directors of Grandi Navi Veloci S.p.A.

He has received prestigious awards including that of the Knight of Grand Cross ("*Cavaliere di Gran Croce*") of the Order of Merit of the Italian Republic, Knight of the Equestrian Order of the Holy Sepulchre ("*Cavaliere dell'Ordine Equestre del Santo Sepolcro*") and Commander of the Order of St Gregory the Great ("*Commendatore dell'Ordine di San Gregorio Magno*"). Finally, he is the author of a large number of publications.

#### LUCA BADER

##### **DIRECTOR**

*Non-executive- Independent - In office since May 2017*

*Belonging list: majority (Ministry of Economy and Finance)*

##### **Committees:**

- Analysis of International Scenarios
- Control and Risks

Born in Milan on 18 May 1974. Director of Leonardo since 16 May 2017. He received a Bachelor of Arts degree in Political Science at the South Bank University in London and a Master of Arts in International Relations at the London School of Economics. He was a researcher from 2000 to 2004 at the International Affairs Institute in Rome, where he had the role of Coordinator of the International Economy Laboratory. He was the political advisor to the Liberal and Democratic Alliance at the European Parliament from 2004 to 2006 and Head of International Relations for the Italian Margherita – Democrazia e Libertà Party until 2008. He was Deputy Head of International Affairs for the Italian Democratic Party from 2008 to 2013. He has acted as Advisor for European and International Affairs

for Italian and foreign companies and has cooperated with ICE, the Italian Institute for Foreign Trade, handling some special projects for them. From 2014 to 2016 he was Head of the Secretariat to the Minister at the Ministry of Foreign Affairs and International Cooperation and from December 2016 to March 2017 he was the President of the Italian Council of Minister's Advisor for International Relations. He has been Director of the Institute of European Democrats in Brussels since 2007 and has been a member of the Organising Committee of MED Dialogues – Institute for International Political Studies (ISPI) since January 2015. From 2007 to 2014 he was a researcher and a senior fellow at universities in Australia and in London.

### MARINA ELVIRA CALDERONE

#### DIRECTOR

*Non-executive- Independent - In office since May 2014*

*Belonging list: majority (Ministry of Economy and Finance)*

#### Committees:

- Nomination, Governance and Sustainability
- Remuneration

Born in Bonorva (Province of Sassari) on 30 July 1965. Appointed Director of Leonardo by the Shareholders' Meeting of 15 May 2014; her mandate was renewed by the Shareholders' Meeting of 16 May 2017. She has graduated in Business Management and International Business Economics. She is a member of the Association of Labour Consultants (*Ordine dei Consulenti del Lavoro*) and is expert in the management of industrial and labour relations and enhancement of corporate human capital. She also provides advice in the areas of the public service, the recruitment and management of staff members working for state-controlled companies, business crisis and insolvency proceedings. She has been the Chairman of the National Labour Consultants Council since 2005. She has been the Chairman of the European Labour Law Practice Association since 2006. She has been the Chairman of the Permanent Single Committee of Professional Associations and Boards since 2009. She is the author of papers and articles, and participates in congresses, workshops, conferences, parliamentary hearings and TV programmes, in relation to labour and labour market analysis issues. Upon appointment by the Italian Government, she has been a member of the European Economic and Social Committee since October 2015. In December 2015 she was awarded the title of Honour Graduate in labour social issues (*Graduado Social de Honor*) from the General Council of Official Colleges of Social Graduates of Spain (*Consejo General de Colegios Oficiales de Graduados Sociales de España*) She is also a honorary member of the “*Unionea Nationala a Expertilor in Legislatia Muncii Romania*”.

**PAOLO CANTARELLA****DIRECTOR – Lead Independent Director***Non-executive- Independent - In office since May 2011**Belonging list: minority (a group of asset management companies and institutional investors)***Committees:**

- Control and Risks (Chairman)
- Nomination, Governance and Sustainability

Born in Varallo Sesia (Vercelli) on 4 December 1944. Appointed Director of Leonardo at the Shareholders' Meeting of 4 May 2011, his mandate was renewed by the Shareholders' Meetings of 15 May 2014 and 16 May 2017. He has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career as the General Manager for Turin companies operating in the automobile components industry. In 1977 he joined Fiat S.p.A. in the Automobile Components division at first assisting the head of this division and then as the Sales Manager of AGES S.p.A. (components production). In 1980 he was appointed assistant to the Chief Executive Officer of Fiat S.p.A., as well as head of the Interdivision Industrial Coordination of the Group. In 1983 he was appointed Chief Executive Officer of Comau, a company in the Fiat Group operating in the production resources and systems division. In 1989, he joined Fiat Auto S.p.A. where he was responsible for Purchasing and Logistics. In 1990 he was appointed General Manager of Fiat Auto S.p.A., then, Chief Executive Officer of the same and manager of the Automobile Division of the Fiat Group. From 1996 to 2002, he held the position of Chief Executive Officer of Fiat S.p.A., Chairman of Fiat Auto S.p.A. and Chairman of IVECO B.V.. From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). In 1997 he was appointed Knight of Labour (*Cavaliere del Lavoro*). He was a member of the Managing Committee of Confindustria (the Italian Federation of Industrialists) and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali S.p.A.), Alcatel, CNH, Polaroid, Terna S.p.A., TOROC (Turin Olympics 2006) and IREN S.p.A.. At present, he is a member of the Steering Committee of the Teatro Regio di Torino foundation, as well as the President of the Historic Sport Car Commission of ACI (Italian Automobile Club) and of the Historic Motor Sport Commission of the FIA (*Fédération Internationale de l'Automobile*). He was appointed as a member of the Board of Directors of Prima Industrie S.p.A. in 2017.

**MARTA DASSÙ****DIRECTOR**

*Non-executive- Independent - In office since May 2014*

*Belonging list: majority (Ministry of Economy and Finance)*

**Committees:**

- Analysis of International Scenarios (Chairman)
- Nomination, Governance and Sustainability

Born in Milan on 8 March 1955. Appointed Director of Leonardo by the Shareholders' Meeting of 15 May 2014; her appointment was renewed by the Shareholders' Meeting of 16 May 2017. She has graduated in Contemporary History from Florence University. She has taught Sociology of International Relations and International Journalism at La Sapienza University in Rome and published various essays and books on international politics. She has held the following positions: Director of CeSPI (Research Centre for International Politics) in Rome from 1989 to 1999, Councillor for International Relations for the Italian Prime Minister from 1998 to 2001, Councillor for the Presidency of the Republic from 2004 to 2005, head responsible for the Strategy Reflection Group of the Ministry of Foreign Affairs from 2006 to 2007, Member of the Scientific Committee of Confindustria (the Italian Federation of Industrialists) from 2008 to 2011, Director General for International Affairs at the Aspen Institute in Italy from 2001 to 2011, Deputy Minister for the Ministry of Foreign Affairs from 2001 to 2014. She is a member of the Board of Directors of Trevi Finanziaria, the Fondazione Eni Enrico Mattei (FEEM) foundation and Falck Renewables. She is a leader writer for *La Stampa* and the Director of the *Aspenia* magazine.

She currently holds the following positions: Senior Director of European Affairs at the Aspen Institute; Vice-president of the Center for American Studies, Member of the Scientific Committee of the School of Government at LUISS University in Rome; Member of the Advisory Council of the European Policy Centre in Brussels, Member of the Steering Committee of the International Affairs Institute in Rome. She was awarded the French *Légion d'Honneur* of the French Republic in 2003. Her last book, which will be published in April in London, is "*Anglo Nostalgia. The politics of emotion in a fractured West*" (Hurst and Oxford University Press).



**DARIO FRIGERIO****DIRECTOR**

*Non-executive- Independent - In office since July 2013*

*Belonging list: minority (a group of asset management companies and institutional investors)*

**Committees:**

- Remuneration (Chairman)
- Nomination, Governance and Sustainability

Born in Monza on 24 June 1962. Appointed Director of Leonardo at the Shareholders' Meeting of 4 July 2013, his mandate was renewed by the Shareholders' Meetings of 15 May 2014 and 16 May 2017. He has a degree in Political Economy from the Bocconi University in Milan. He started his professional career in 1991 at Credito Italiano Bank as financial analyst where he dealt with the Bank's own investment portfolio and the asset liability management. In 1996 he was appointed Investment Manager in Milan and Dublin by the Unicredit Group. In 2001 he was appointed Chief Executive Officer of Pioneer Investment (Unicredit Group). After a new reorganisation of the Unicredit Group, in 2004 Mr Frigerio became in charge of the Private Banking unit and was appointed Deputy General Manager of the UniCredit Group, assuming also the role of Chief Executive Officer of Unicredit Private Banking. He was also appointed member of the Executive Committee of the Unicredit Group. Following the acquisition in 2006 of the German HVB Group and the Austrian Bank Austria Group and in 2007 of Capitalia, he took on the responsibility for the Group's Wealth Management business at international level. He also held the chairmanship and vice-chairmanship of various banks and asset management companies in Italy and abroad (such as Pioneer Global, Pioneer Sgr, Activest Germany, Fineco, Xelion and Dat).

He was a member of the Supervisory Body of HVB in Germany and Bank Austria in Austria. From 2010 to 2011 he was Senior Advisor of Citigroup in the asset management segment for Europe, Middle East and Africa. From November 2011 to February 2013 he was Chief Executive Officer of Prelios SGR.

At present, he is deputy chairman of Fondazione Fiera Milano and Independent Director of listed and unlisted companies, Senior Advisor to foundations and financial companies operating in the asset management and private equity segment and a partner of various business enterprises.

**FABRIZIO LANDI****DIRECTOR**

*Non-executive- Independent - In office since May 2014*

*Belonging list: majority (Ministry of Economy and Finance)*

**Committees:**

- Analysis of International Scenarios
- Control and Risks

Born in Siena on 20 August 1953. Appointed Director of Leonardo by the Shareholders' Meeting of 15 May 2014; his mandate was renewed by the Shareholders' Meeting of 16 May 2017. He graduated from Biomedical Engineering at the Polytechnic Institute in Milan. In 1979 he started his professional career in Miles Italia, a Bayer Group company, as a manager responsible for the *Life Science Instruments* division. In 1981 he joined the Ansaldo Group in Genoa, as a Manager responsible for the Strategic Marketing in the biomedical electronics sector. He was in managerial roles with various responsible positions in Esaote from 1984 to January 2013, until he took on the post of Chief Executive Officer and General Manager. In 2009 he handled the ownership restructuring which determined the Esaote Group's present structure. After having held various positions as Chairman and Director of the Esaote Group companies, he has also held the position of Member of the Boards of Directors of some North-American and Asian companies operating in the medical high tech sector. He is currently a member of the Board of Directors of Menarini Diagnostics, Firma and Menarini Silicon Biosystem that belong to the Menarini Group in Florence, as well as of the Board of Directors of Banca CRF in Florence (until the merger of Banca CFR into Banca Intesasanpaolo) and of the Scientific Committee of El.En. in Calenzano. In 2015 he founded Panakes Partners, which operates as an Asset Management Company in the management of specialist Venture Capital funds and of which he is the Chairman and CEO. He is the president and/or director of certain Italian and foreign companies of which the Panakes Fund is an investor. He is the Chairman of the TLS Foundation in Siena and a member of its Steering Committee. He is a member of the Board of Confindustria (the Italian Federation of Industrialists) in Florence, as well as the president of its Pharmaceutical division and a member of the Chairman's Committee of the Southern Tuscany Federation of Industrialists, responsible for innovation and Head of the Health Commission of the Tuscany Federation of Industrialists. He is the Vice-President of the Business Network Committee (*Comitato Reti d'Impresa*) of Confindustria. He is the Vice-President of the Research and Entrepreneurship Foundation. He collaborates with Italian and foreign universities in the biomedical engineering, healthcare and business management areas.

**SILVIA MERLO****DIRECTOR**

*Non-executive- Independent - In office since May 2011*

*Belonging list: minority (a group of asset management companies and institutional investors)*

**Committees:**

- Analysis of International Scenarios
- Control and Risks

Born in Cuneo on 28 July 1968. Graduated in Business Economics. Appointed Director of Leonardo by the Shareholders' Meeting of 4 May 2011; her mandate was renewed by the Shareholders' Meetings of 15 May 2014 and 16 May 2017. She is Chief Executive Officer of Merlo S.p.A. Industria Metalmeccanica. She holds positions in the Boards of Directors of other companies in the Merlo Group. She has been a member of the Board of Directors and of the Control and Risk Committee of GEDI Gruppo Editoriale S.p.A. since 2013. She has been a member of the Board of Directors and of the Appointment and Remuneration Committees of Erg S.p.A. since 2015.

**MARINA RUBINI****DIRECTOR**

*Non-executive- Independent - In office since May 2014*

*Belonging list: minority (a group of asset management companies and institutional investors)*

**Committees:**

- Nomination, Governance and Sustainability
- Remuneration

Born in Verona in 1969. Appointed Director of Leonardo by the Shareholders' Meeting of 15 May 2014; her mandate was renewed by the Shareholders' Meeting of 16 May 2017. She is a lawyer who graduated in Law at the "Sacro Cuore" Catholic University of Milan and obtained a postgraduate law degree (master of Laws) with honours at the Northwestern University School of Law in Chicago (USA). She improved her professional experience collaborating with important law firms in Italy and abroad, such as: Bonelli Erede in Brussels and Gianni, Origoni, Grippo, Cappelli & Partners in Rome. Afterwards, she started working for the Company and held increasingly important positions: Manager responsible for the Corporate Area within the Department of Legal Affairs of Tamoil Italia S.p.A.; Manager responsible for the Corporate, Compliance, Antitrust and Commercial Contracts areas within the Department of Legal and Corporate Affairs of Bayer S.p.A.; Head of Legal & Compliance Italy and Southern Europe Cluster of Novartis Vaccines and Diagnostics S.r.l.. Currently, she is the Legal

Director Central Europe and Italy of Coca-Cola Italia S.r.l.. She has been a member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. and a member of the Surveillance Bodies of major companies. She is a current member of the Boards of Directors of Banca Nazionale del Lavoro S.p.A. and of Retelit S.p.A.. Her curriculum was included in the database “1000 Curricula Eccellenti” (1000 excellent curricula) of the Bellisario Foundation which comprises the best curricula of women with excellent professional profiles.

### ANTONINO TURICCHI

#### DIRECTOR

*Non-executive – Non-Independent - In office since May 2017*

*Belonging list: majority (Ministry of Economy and Finance)*

#### Committees:

- Nomination, Governance and Sustainability
- Remuneration

Born in Viterbo on 13 March 1965. Director of Leonardo since 16 May 2017. Graduated in Economics and Trade at Rome La Sapienza University, Master in Economics at Turin University (CORIPE) and a Master in International Finance and Foreign Trade. In 1994 he joined the Italian Treasury official, while in 1999 he was appointed as Public Debt Management Officer in the unit responsible for securitisation transactions and the management of financial operations, on both domestic and international debt. From 2002 to 2009 he was General Manager of Cassa Depositi e Prestiti, managing its transformation from a public institution into a private joint-stock company in 2003. From 2009 to 2011 he filled the position of Executive Manager of Rome City Council, while from July 2011 to December 2016 he filled the position of Country President for Italy in the Alstom Group. He has served as Senior Executive heading the Finance and Privatisation Department of the Ministry of Economy and Finance from May 2016. He is also a member of the Board of Directors of STMicroelectronics Holding and of Autostrade per l'Italia S.p.A.. Before this he was a director of Mediocredito in the Friuli region, Mediocredito in Rome, EUR S.p.A. and Alitalia - CAI (Compagnia Aerea Italiana S.p.A.), as well as a member of the Supervisory Board of Numonyx. He has been a member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. since 16 April 2015.

### Directors' Overboarding

The Directors of Leonardo accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration the commitment connected to their working and professional activities, as well as the overall number of the positions that they hold in the governing and control bodies of other companies

listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies and of the related commitment, also in the light of their participation in the Committees of the Board.

In this respect, the Leonardo Board of Directors has expressed **an opinion regarding the maximum number of positions as Director or Statutory Auditor** that is compatible with the efficient performance of the duties involved in a directorship with the Company and with a satisfactory commitment to the work related to the role, deeming that this number should be no higher than **five (5) positions in companies listed on regulated markets, including foreign markets, or in finance, banking or insurance companies or of other major companies** (article 1 of the Rules of Procedure). Any positions held by the Leonardo Directors in companies either directly or indirectly controlled by Leonardo S.p.a., or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships. The present composition of the Board is coherent with the aforementioned limits.

As provided for by the present Board Regulation, further observations regarding the maximum number of positions held may be made by the Board of Directors on the basis of any recommendations put forth by the Nomination, Governance and Sustainability Committee.

Each year, the Board reviews and reports on the abovementioned positions in this Report.

The positions held by the current Board of Directors in companies not belonging to the Leonardo Group are shown below.

- **Paolo Cantarella**  
Director of Prima Industrie S.p.A.
- **Marta Dassù**  
Director of Trevi Finanziaria S.p.A
- **Dario Frigerio**  
Director of Poste Vita S.p.A.
- **Fabrizio Landi**  
Chairman and Chief Executive Officer of Panakés SGR S.p.A.  
Director of Banca CRF S.p.A.
- **Silvia Merlo**  
Director of GEDI Gruppo Editoriale S.p.A.  
Director of ERG S.p.A.  
Chief Executive Officer of Merlo S.p.A. Industria Metalmeccanica
- **Marina Rubini**  
Director of Reti Telematiche Italiane S.p.A.  
Director of BNL S.p.A.

- **Antonino Turicchi**  
Deputy Chairman of STMicroelectronics Holding  
Director of Monte dei Paschi di Siena S.p.A.  
Director of Autostrade per l'Italia S.p.A.

#### **4.3. ROLE OF THE BOARD OF DIRECTORS (Art. 123-bis, para. 2, lett. d) TUF)**

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the By-Laws.

The Board is entitled, as required by section 24.1 of the By-Laws, to resolve on:

- a) the merger and demerger in the cases envisaged by law;
- b) the establishment or closure of sub-offices;
- c) capital decreases in the case of withdrawal of one or more shareholders;
- d) bringing the By-Laws into line with regulatory provisions;
- e) the transfer of the registered office in the national territory.

Without prejudice to the issues that cannot be delegated pursuant to law (article 2381 of the Italian Civil Code) and the By-Laws (section 22.3), the Board reserved the following issues for its exclusive competence:

1. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);
2. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
3. the incorporation of directly-owned joint-stock companies except for companies whose incorporation results from participating in tenders, or stock exchange listing; capital increases, transformation, mergers, demergers, winding up or the execution of shareholders' agreements with regard to directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
4. designation, on proposal of the Chief Executive Officer, of new Directors with powers, or of Directors, Statutory Auditors or Independent Auditors in directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
5. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
6. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 50 per transaction, except for those urgent cases for which the Chief Executive Officer shall be authorised to exceed the above limit reporting such case to the Board of Directors;
7. issuance of guarantees for amounts in excess of €mil. 50 per transaction;

8. the engagement, appointment and dismissal of executives or of the Head of the Audit are reserved by the law and the By-Laws to the Board of Directors, subject to the proposal of the Chief Executive Officer; the Board is also entitled to assign consulting engagements on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
9. the acquisition of equity investments, also by exercising option rights, except for transfers of intergroup equity investments, including when the Company is the transferring party, without prejudice to paragraph 14 below;
10. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;
11. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;
12. moving research and development work related to defence outside Italy;
13. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
14. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 10), 11), 12) and 13).

Resolutions on matters for which the Board of Directors is solely responsible under the By-laws (Section 22.3) are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

### **Meetings**

The Board's meeting is convened by the Chairman, by a notice specifying the issues on the agenda to be discussed and resolved, within the annual planning of the board's meetings or in any case whenever the same deems it necessary or it is so requested, in writing, by the majority of its members or by the Board of Statutory Auditors.

The individual Directors may ask the Chairman to insert issues on the agenda. Where the Chairman deems it appropriate not to grant the request, he/she shall promptly inform the Director concerned.

The notice of call is usually served on each member of the Board and of the Board of Statutory Auditors at least three days before that set for the meeting pursuant to section 20.2 of the By-Laws, as well as

according to procedures that are suitable to ensure confidentiality and timeliness of the call and that allow to verify that the notice has been received; in cases of urgency, at the discretion of the Chairman, the notice will be sent as promptly as possible, according to the specific circumstances.

As required by the By-Laws, the Board's meetings may be also attended by video-conference or if necessary by tele-conference, provided that a prior notice thereof is given to the Secretary to the Board, that all the participants may be identified and that the same are able to follow the discussion and at the same time to take part in the discussion of the issues, as well as to peruse, in real time, such documentation as may be distributed in the course of the meeting.

At the request of one or more Directors, the Chairman may invite executives from the Company or from Group companies to participate in the individual board's meeting, as well as any other persons or external consultants, whose presence is deemed useful in relation to the issues on the agenda. In any case, these persons will be required to comply with the same confidentiality obligations as those laid down for Directors and Statutory Auditors.

**In line with the invitation by the Corporate Governance Committee in its 6<sup>th</sup> Report on the application of the Code, as regards effective attendance at Board of Directors meetings on the part of executives**, meetings were also attended during the 2018 financial year, at the invitation of the Chief Executive Officer, by Heads of Leonardo's first level organisational units, providing their **contribution to the meetings through the detailed information required** in order to throw full light on the items on the agenda which fall within their spheres of responsibility, **as specifically noted during the Board evaluation**.

For more details regarding the circulation of information before and at Board meetings, reference should be made to paragraph 4.4 below.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The annual calendar of the meetings of the Board relating to corporate events is generally communicated by the Company in the month of December of the related previous financial year.

In the course of the 2018 financial year, the Board met 11 times for an average of about 2 hours and forty-five minutes. During this year, at 13 March 2019 no. 3 board's meetings had already been held (compared to the scheduled 10 meetings) including that held at the same date.

The following are the Directors' attendance records for the meetings that took place during 2018.

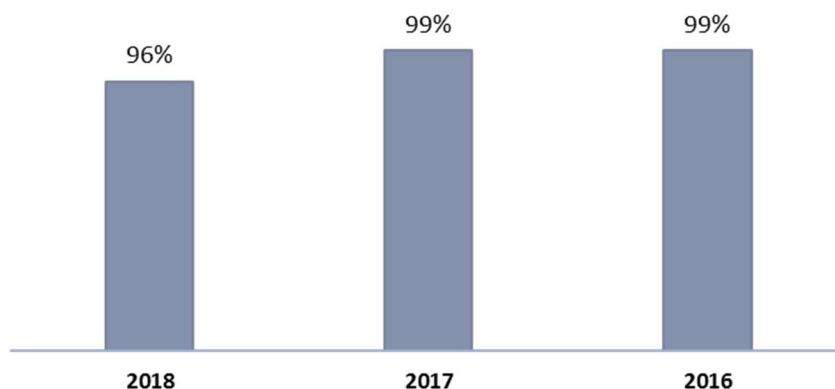
	<b>Attendance</b>
<b>Giovanni De Gennaro</b>	11 out of 11 meetings
<b>Alessandro Profumo</b>	11 out of 11 meetings
<b>Guido Alpa</b>	10 out of 11 meetings



<b>Luca Bader</b>	11 out of 11 meetings
<b>Marina Elvira Calderone</b>	11 out of 11 meetings
<b>Paolo Cantarella</b>	11 out of 11 meetings
<b>Marta Dassù</b>	9 out of 11 meetings
<b>Dario Frigerio</b>	11 out of 11 meetings
<b>Fabrizio Landi</b>	11 out of 11 meetings
<b>Silvia Merlo</b>	11 out of 11 meetings
<b>Marina Rubini</b>	10 out of 11 meetings
<b>Antonino Turicchi</b>	10 out of 11 meetings

All absences were excused.

*B.o.D. Average attendance at the meetings*



As envisaged in their own Rules of procedures, the Board of Directors:

- a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, monitoring its implementation periodically; defines its corporate governance system and the Group structure;
- b) defines the nature and level of risk associated with the strategic objectives of the Company, including in its evaluations all those risks that may be relevant to the medium- and long-term sustainability of the issuer's activity;
- c) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company as well as of its key subsidiaries, paying particular attention to the internal audit system and of the system for risk managing;
- d) grants and revokes powers delegated to directors, except for those reserved solely to the Board, establishing the limitations on and manner of exercising these powers and determining the frequency with which the delegated bodies must report to the Board on the actions that have been taken pursuant to the delegation, provided that this will be made at least on a quarterly basis pursuant to section 24.2, last paragraph, of the By-Laws;

- e) defines the Company's policy governing the fees due to Directors and Managers with strategic responsibilities, in accordance with the regulations in force and with the Code;
- f) decides, upon proposal of the Remuneration Committee, the remuneration and conditions of service of the directors provided with delegated powers and those of the other directors holding special positions (in consultation with the Board of Statutory Auditors and in accordance with Art. 2389 (3) of the Italian Civil Code);
- g) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
- h) resolves as to the transactions that are reserved for the same by the law and the By-Laws, as well as to any additional transactions of the Company and subsidiaries, when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, which the Board reserves for itself on the occasion of the granting of delegated powers;
- i) at least once a year, appraises the functioning of the Board itself and of its Committees;
- j) in order to ensure the correct management of corporate information, adopts, as proposed by the Chief Executive Officer, a procedure for the internal management and external communication of documents and information concerning the Company, with specific regard to the treatment of inside information;
- k) provides information, in the Report on Corporate Governance, on the procedures for the performance of its duties.

Subject to the opinion of the Control and Risks Committee and following the periodical identification of the main corporate risks supervised by the Director in charge of the internal control and risk management system, the Board of Directors provided – as well as finally updated at the meeting of 13 March 2019 – the “Guidelines for the internal control and risk management system” so that the main risks involving the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, also defining the degree of compatibility of these risks with the management of the enterprise that is consistent with the defined strategic objectives.

In fact, as regards the specific reference to the sustainability parameter envisaged by the Code in the framework of these appraisal activities, the Risk Library used for Board of Directors' assessments (prepared by the competent Risk Management organizational unit) already has information regarding the risk areas specifically relevant to medium- and long-term sustainability.

As regards specific activities and assessments carried out by the Board, for which reference should be made to paragraph 10 below, it should be noted that in the meeting held on 13 March 2019 the Board of Directors found the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning, with specific regard to the internal

control and risk management system, on the basis of the opinion given by the Control and Risks Committee.

The Board has identified as strategic subsidiaries those which are directly controlled and were so defined based on the criteria established by the Board of Directors when delegated powers were assigned to the CEO and powers of the Board itself were defined; moreover, strategic subsidiaries encompass other controlled entities, also indirect subsidiaries, selected based on the company's size and importance of the business.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

With regard to the criteria for the identification of the transactions of significant importance, it should be noted that these transactions coincide with those that are already reserved for the Board pursuant to the By-Laws or on the occasion of the resolutions granting delegated powers.

### **Board evaluation**

As provided for in its own Rules and in the Corporate Governance Code, the Board of Directors of Leonardo carries out, on an annual basis, an evaluation of the functioning of the Board itself and of its Committees, as well as of its related size and composition, also taking account of the professional skills, expertise – both in management and internationally–, gender and seniority of its members.

**Taking account of the outcome of such evaluation**, also on the basis of the recommendation or opinions provided by the Nomination, Governance and Sustainability Committee, before the renewal of its term of office **the Board expresses its Guidance to the shareholders concerning the line that it intends to take as regards the managers and other professionals whose presence it deemed advisable and therefore on the optimal composition of the same.**

The Guidelines on the new composition of the Board which were already set out by the then outgoing Board members in view of the renewal of the governing body on the part of the 2017 Shareholders' Meeting, take account of such profile and skills from both a managerial and a professional perspective, as are required from the new Directors, specifically considering the diversity criteria recommended by the Code, as largely described in paragraph 12 of this Report. The **Guidelines on the size and composition of the new Board of Directors** for the three-year period from 2017 to 2019, which were unveiled through a **prompt notice in the Company's website**, have also accompanied the **Explanatory Reports** to be provided by the Board **to the Shareholders' Meeting** and were also **a specific focal point to the shareholders in the notice of call of the Meeting.**

**In coherence with the recommendations of the Corporate Governance Committee, Board review is conducted using effectively designed methods and procedures, a special role being played by an internal component of the Board – namely the Nomination, Governance and**

**Sustainability Committee** - and further investigations being entrusted to one of the Company's external advisors. In particular, among **the specific duties assigned to the Nomination, Governance and Sustainability Committee** for the board evaluation is to draw up proposals to the Board regarding the appointment of a firm specialized in the sector, identify matters that will become the object of the evaluation, lay down the methods and set the timing of the procedure.

The serving Board of Directors of Leonardo carried out its second evaluation of the current mandate, which also represents – in accordance with best practices – the fourteenth one from the first self-evaluation conducted with reference to the 2005 financial year. The evaluation process was conducted with the support and by making use of the professional services rendered by a specialist consulting firm: the related assignment involved the appointment of the independent firm of Crisci&Partners – Shareholders and Board Consulting srl (Crisci&Partners), which had already assisted the Company in the self-evaluation process relating to the three-year periods from 2008 to 2010 and from 2014 to 2016, as well as in the financial year 2017.

The related relations with the Company were only maintained in relation to the self-evaluation and the governance of the Board.

Crisci&Partners, which at present do not provide additional services to Leonardo, nor to Group companies, has had no economic relations with Leonardo and the companies headed by the same, except for those directly maintained with the Board, as reported above, in previous self-evaluation processes.

### Methods and Objectives

**The methodology is based on individual, frank and, as far as possible, interactive and in-depth interviews and conversations aimed to enhance the contribution from single Directors.** Interviews are supported by a questionnaire and an outline which are based on quantity and quality interview questions, respectively.

Individual interviews were preceded by other meetings preliminary to the self-evaluation (with the Chairman of the Board, with the Chief Executive Officer and with the Secretary to the Board), as well as by an analysis by the advisors of the Board's and the Committees' papers of the previous financial year.

The self-evaluation conducted in the second year of the Board's present term of office took specific factors into consideration in addition to the usual elements in the process, such as the continuity with the findings of the previous review, a more accurate evaluation of the mix of current expert profiles and suggestions to better enhance them, as well as a proactive interaction with the CEO and the senior executives.

**In line with the guidelines outlined by the Corporate Governance Committee, in the new self-evaluation the focus remains on the adequacy of the information before the Board meetings throughout the year, as largely discussed in paragraph 4.4 below regarding information to the Board of Directors.**

### Analysis Themes

The main themes for discussion and evaluation related to the adequacy of the following:

- ✓ composition and balance of the roles within the Board;
- ✓ professionalism in terms of knowledge, experience and expertise recognised to the Board as a whole;
- ✓ frequency and quality of the induction meetings and succession planning for top executive positions;
- ✓ functioning of the Board as a whole;
- ✓ Board meetings as regards their frequency, topics discussed, duration, degree and methods of attendance, with particular reference to trustworthy, collaborative and interactive relationships among Board members;
- ✓ role of the Chairman and of the Executive Director;
- ✓ information flows between the Board and its internal Committees;
- ✓ composition, functioning and quality of discussions within each Committee.

It should be noted that the recommendations drawn up by the Corporate Governance Committee in the Letter referred to in the Introduction were specifically considered during the Board self-evaluation procedure.

### Results of self-evaluation

The findings of the self-assessment process showed that the size, diversity of gender and the balance among the members of the Board were very favourably assessed, as was also the expert, active and widely appreciated presence of the Lead Independent Director; the satisfactory average tenure in the Board of Directors and the experience it has gained mean that it is fully aware of the particular nature of Leonardo's industrial sector and key business activities. The second year in the term of office of the Board began with the development of the new Industrial Plan of Leonardo, having adopted a process which was considered as best-in-class in terms of proposals and the procedures for its dissemination, discussion and approval by the Directors. The climate of transparency and cooperation which was created by the Executive Director at the same time in his relations and professional contacts with the Directors further assisted the members of the Board to become involved in Leonardo's affairs and strategy options, grasp them in depth and make their own contributions to the process.

The induction activities carried out during the year, which the Directors found to be more than adequate – in terms of frequency and quality – with reference to Leonardo’s business, market, risks and governance, played a significant part in the process whereby the Directors raised the level of their awareness of the Company’s affairs and of the possibilities for its evolution.

Some members of Leonardo’s Board of Directors come, in terms of professional expertise, from a managerial and/or business environment and others from the professional and/or academic and/or institutional background. In terms of professional values and content, this is a solid and well diversified composition, with a background of industry, finance and financial markets, labour and human resources, legal affairs, analysis of international economic and political scenarios; the Directors are also strategy and results-oriented and an ample majority of them are more than satisfied with the Board as it is made up. The Directors’ awareness of their respective experience, knowledge and expertise and their trust in these qualities grew during the past year, and this fostered the emergence and integration of the various kinds of professional expertise represented in the Board and the collective expression of these qualities; all this made for a precious contribution on the part of the Board as a whole. In the past year, too, Directors became even more involved and available, in addition to showing an increased capacity for discussion and sharing responsibility with the management.

Opinions on how Board meetings were prepared and conducted were very favourable (as reported below, in [para. 4.4](#), concerning [disclosures to the Board of Directors](#)); the choice of subjects and of the items on the agenda was considered to be always appropriate as also careful and effective management of the time allowed for members’ addresses.

Directors’ attendance at Board of Directors and Committees’ meetings was particularly high; there was a widespread perception of great interest and individual commitment in addition to a sense of belonging to the Company; Directors take part in discussions openly and with intellectual independence; the quality of the discussions, in terms of their constructiveness, is also perceived very favourably. The view of Board proceedings is also very favourable: resolutions are passed unanimously as the natural outcome of a process of information, discussion and general agreement.

Managers’ presentations at Board meetings are considered to be adequate and are appreciated: the subsequent discussions further enhance the degree to which the Board is informed of affairs in addition to raising the level of visibility and reciprocal engagement.

The Chairman is very much appreciated by all the Directors in his institutional role and is the Board’s mainstay owing to his position and the work he performs; he is a guarantee of optimal management of the Board of Directors owing to his style and the professional and personal attention he devotes to its proceedings; he conducts discussions paying attention to time management, to individual members’ competencies and ideas and to the decision-making process; he performs his role in a positively complementary manner to that of the Executive Director, with whom a constructive, dynamic and

mutually appreciated relationship has been developed; the relationship with the Lead Independent Director is excellent and constructive as well. He pays attention to governance and compliance issues and is an essential factor as a guarantee of the fairness and optimal functioning of the Board. He pays heed to the quality of minutes, which are particularly well drawn up by the Secretary and which, moreover, are greatly appreciated by the whole Board in professional terms. He also ensures institutional and external relations.

The Executive Director is recognised for his professional and managerial authority, management expertise, international image, leadership, pragmatism, personal transparency and orientation to dialogue. He has the capacity to narrate and propose objectives, activities and solutions to the Board of Directors; he involves the Board members and is interested in receiving their input. His skill in governing operating processes, strategic orientation, executive reliability and his involvement in sales activities, sometimes at first hand, are widely thought highly of. His reports to the Board are found to be clear and explicative. He sees that there are sufficient contacts and exchanges of views between Directors and top managers, both at Board and Committees' meetings. During the year he arranged for important meetings to be held out of the Board context, as on the occasion of the careful process of determination of the Industrial Plan, as well as very much appreciated periodic audit sessions with the Board in relation to the progress and results of the Plan and of company operations.

The Lead Independent Director is appreciated for his proactivity in playing his role, his regard for the Directors, his selection of possible issues to put on the agenda, his promotion and conduct of the independent Directors' meetings, and his conduct of discussions at meetings and his personal contribution to the proceedings.

The composition in terms of size and quality of the Board's Committees is also very highly thought of and considered to be well structured by the members of the Board, who appreciate their consequent efficient functioning. Under the firm leadership of the various Chairmen, and with the strong spirit of cooperation among their members, their work is deemed to be carried out with care and attention, also thanks to the excellent support given by the company functions concerned.

With the same attention, the Committees are currently setting up and developing the Group Manager Succession Plans.

The exceptional and very much appreciated ability of the Analysis of International Scenarios Committee, in particular, whose institutional aim is to probe Leonardo's strategic horizon and broaden Directors' knowledge of the matter, stimulated thought on whether it is advisable to relate the related activity to the objectives of the sales and business functions of Leonardo, thus enlarging its mission.

Finally, the experience gained overall in the Board during the past year brought some suggestions to light of how its composition could be improved, particularly as regards wider knowledge of digital & information technology and cyber security issues. This could be achieved by finding a specific new

expert professional to include among the members of the Board, to be considered as a preliminary indication to be taken into account within the scope of the Guidelines foreseen at the end of the mandate.

### **Board induction**

**As required by the Rules of Procedure of the Board and in line with the Corporate Governance Committee's suggestions**, the Chairman, in agreement with the Lead Independent Director, encourages Directors and Statutory Auditors taking part, in the most adequate manners, in **appropriate and structured induction sessions in order to enhance their skills during their term of office and help them familiarise themselves with the manner in which the Company is organised and the business area in which it operates**, the corporate dynamics, related evolution, the standards for the correct risk management as well as the applicable legislative and self-regulatory framework.

In this regard, the Lead Independent Director, in consultation with the Chairman and Chief Executive Officer and with the assistance of the Company's competent functions, took steps, as usual, to draw up - for the benefit of the Directors and the members of the Board of Statutory Auditors – a programme of presentations and meetings devoted to the acquisition of deeper knowledge of the Group's activities and business.

As part of the induction initiatives conducted during the year, we recall the organisation of a "Strategy Day" and seminars aimed to gain insights into matters connected with the Industrial Plan and the risk management system in the framework of the Group's main activities.

The members of the Board of Directors and of the Board of Statutory Auditors have been invited to participate in the *Farnborough International Air Show*, one of the major international events in the airspace sector.

Finally, we also highlight that in the first months of the current year a specific training session was held regarding the "Market Abuse Regulation" focused on the issues relating to the management of confidential and inside information and on the keeping of the Insider List, as well as developments in the applicable regulatory framework and implementation of the internal procedures therefrom.

In order to promote better knowledge of the relevant business, legislative and self-regulatory framework and of developments in this scenario, a specific set of reference corporate and company documents (Board's and Committees' Rules, Procedures, Codes) that are useful for the performance of the mandate, is made available to the Directors and Statutory Auditors, which is regularly updated. Finally, on the occasion of the Board of Directors' Meetings, the Company's functions prepare and distribute periodic information reports to the Directors and Statutory Auditors on the main legislative and regulatory developments concerning the Company and the corporate bodies, giving support in discussing specific important issues in depth.



It should be noted that the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision under Art. 2390 of the Italian Civil Code.

In this regard, in accepting his/her position each Director has stated that he/she does not perform any activity in competition with Leonardo, undertaking to inform the Board promptly of any changes to the contents of the statement that he/she made at the time of his/her appointment.

#### **4.4. DELEGATED BODIES AND INFORMATION TO THE BOARD OF DIRECTORS**

##### **Chief Executive Officer**

The Board of Directors' Meeting held on 16 May 2017 appointed Alessandro Profumo as Chief Executive Officer. Specifically, the Board, without prejudice to the duties reserved to the latter, granted the Chief Executive Officer all the necessary powers and authorisations to jointly manage the Company, its branches of business and its subsidiaries and for the management of any and all interests held in associated and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors, in addition to the authority as legal representative of the Company and signatory powers (within the limits of the powers granted pursuant to law and to the By-Laws) and the power to implement the resolutions passed by the governing body, including those adopted before his appointment (16 May 2017).

The Chief Executive Officer has been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 50 limit on the issue of guarantees, €mil. 50 limit on medium and long-term credit and debt financial transactions, and €mil. 200 limit on settlement of agreements other than concerning labour issues, relating to each individual transaction.

We specify that, in line with the Corporate Governance Code requirements, there is no situation of interlocking directorate as provided for in Application Criterion 2.C.6 of the Code.

##### **Chairman of the Board of Directors**

At the meeting held on 16 May 2017 the Board granted the Chairman of the Company, Mr Giovanni De Gennaro, some powers concerning "Institutional Relationships" (to be exercised in coordination with the Chief Executive Officer), "Group Safety" and "Group Internal Audit", in addition to the authority as legal representative of the Company and signatory powers in accordance with the law and the By-laws.

On the same date the Board entrusted the Chairman with the duty of overseeing corporate governance rules with reference to integrity in the conduct of business and fighting corruption.

### Information to the Board of Directors

**In accordance with the Corporate Governance Committee's recommendations, the Chairman of the Board of Directors**, in addition to calling Board meetings and presiding over them, **coordinates their work in order to ensure an adequate and timely management of the information to the Board, so that all the members of the Board act well-informed** and can express themselves in a properly informed manner regarding the matters submitted for their evaluation.

The Board of Directors of the Company, in its Rules, specifies the methods whereby the Directors are assured that the utmost fairness and comprehensiveness are observed both in the phase prior to the meetings and in the procedures for conducting the meetings.

In particular, the Company has adopted an internal procedure whose specific aim is to regulate the prompt management and use of information flows to the benefit of the proceedings of its governing bodies in compliance with the fundamental principles of **timeliness, completeness and, at the same time, confidentiality of information**.

In relation also to the Corporate Governance Committee's invitation to the Boards, it should be noted that **during the self-evaluation, with reference to the adequacy of the information received before Board meetings during the year** (and as also reported in the prior Corporate Governance Report) **the Board of Directors determined that the Board meetings were appropriately prepared and supported by timely documentation in addition to accurate and detailed contents**. A positive consideration was also given to the suitability and quality of the **information insights** and of the **induction programme** provided through special meetings held out of the Board context that also enabled discussion to take place on a fully-informed basis.

Specifically, for the discussion of the items on the agenda, the Directors and Statutory Auditors are provided with the supporting documentation, which provides the necessary information to allow them to express themselves in a properly informed manner regarding the matters being resolved on.

The abovementioned documentation is made available **in such a way as to ensure**, also by accessing the relevant specific online platform ("Virtual Area"), **the necessary confidentiality and well in advance of the date of the board's meeting, which is usually by the third day prior to that set for the meeting**, except in urgent cases when the documentation is made available in due time and subject to prior notice within the same time limit.

However, the Directors and the Statutory Auditors can access the aforesaid information documentation at the registered office in the days immediately prior to that of the meeting, as well as ask for clarification or additional information to help them to better evaluate the matters submitted to the Board.

The Chairman shall verify that the aforesaid information has been duly made available to the Directors and to the Statutory Auditors at the Offices.

**It is to be noted that the above three-day limit for sending information before Board meetings was normally observed during the financial year except in a few urgent cases.** In these cases, however, the Board was provided with information in time in compliance with the provisions of the Board of Directors Rules and further specific, comprehensive and entirely satisfactory information regarding the items on the agenda was given during the meetings concerned, also thanks to supporting details from the Heads of the organisational units and the availability of full, detailed documentation. In the event of particularly complex issues or documentation, the Company provides the most essential relevant documentation to the Directors in order to facilitate the illustration of the issues on the agenda. The Chief Executive Officer is also expected to provide the Board of Directors, at least on a quarterly basis, with full information regarding the main activities he has performed in the exercise of his delegated powers, as well as in relation to the implementation of the resolutions passed by the Board. This information is provided at the same time as the periodic accounts (Annual, Half-Year and Quarterly Reports) are submitted for the approval of the Directors and in relation to significant corporate and financial transactions at the first possible meeting of the Board.

#### **4.5. OTHER EXECUTIVE DIRECTORS**

The Board of Directors is made up exclusively of non-executive Directors (i.e. without delegated operational powers and/or management duties within the Company), with the exception of the Chief Executive Officer Alessandro Profumo.

#### **4.6. INDEPENDENT DIRECTORS**

##### **Independence assessment**

In accordance with the Company's corporate governance model, which has been aligned with the recommendations of the Corporate Governance Code, Leonardo's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed periodically, on an annual basis, as well as upon the occurrence of any circumstances that are relevant for independence purposes.

In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment. Moreover, the Board has established, after having heard the Board of Statutory Auditors, the contents and procedures according to which the individual Directors provide information, as well as the application criteria relating to the Company and reported in the Rules of Procedure of the Board (section 4).

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.

The serving Board of Directors has evaluated the independence of its non-executive members, after the appointment by the Shareholders' Meeting held on 16 May 2017, and made its findings known by a press release to the market, as well as, at a later time during the meetings held on 28 February 2018 and 21 February 2019 (periodical evaluation), unveiling the results within the Corporate Governance Report.

In the last meeting referred to above, as a result of the assessments carried out, the Board confirmed its previous evaluation according to which all non-executive Directors holding office (Guido Alpa, Luca Bader, Marina Elvira Calderone, Paolo Cantarella, Marta Dassù, Dario Frigerio, Fabrizio Landi, Silvia Merlo and Marina Rubini) met the independence requirements pursuant to law (article 148, paragraph 3, of the Consolidated Law on Financial Intermediation) and to the Corporate Governance Code, except for the Chairman Mr Giovanni De Gennaro in that he was "a prominent representative" of the Company (in accordance with the Corporate Governance Code) and for Director Antonino Turicchi, by virtue of his employment relationship with shareholder Ministry of Economy and Finance. Therefore, the Company is largely in line with the instruction laid down in the Code (as expressly approved by the Board's Rules of Procedure) which provides for the issuers belonging to the FTSE-Mib index to appoint at least one third of independent Directors.

It should be recalled that, at the time of the filing of the lists the abovementioned Independent Directors declared that they met the independence requirements set out by law and by the Corporate Governance Code.

In its evaluation, the Board of Directors has adopted the same parameters and criteria specified in the abovementioned Code and explicitly incorporated into the Board's Rules of Procedure. The Board of Statutory Auditors has positively verified the correct application of these criteria, as well as of the assessment procedures adopted by the Board, without making objections.

Therefore, it should be noted that, with regard to the **Corporate Governance Committee's suggestions, no instance of non-compliance with or deviation from the indices and criteria laid down in the Corporate Governance Code emerged from the assessment of independence referred to above, which was conducted by the Board of Directors.**

In the assessment of independence and in the framework of the contemplated appraisal criteria, the Board's Rules also specify as follows.

"Prominent representative" is a term that indicates the Chairman, the executive director or a director duly empowered, the General Manager or Joint General Manager (of Leonardo or of any other company contemplated by the Code).

Persons who are in a position to exercise “significant influence” over Leonardo are shareholders holding at least 10%, even indirectly, of its shares.

With further regard to the **guidelines drawn up by the Corporate Governance Committee** in respect of the **evaluation of the significance of any commercial, financial or professional relationships** (on the basis of an assessment of their economic importance and magnitude) which could assume a bearing on the correct application of the independence criteria, the Board of Directors agreed to set quantitative and/or qualitative criteria to refer to in such evaluation, while retaining its discretionary power in evaluating specific situations in the light of the Company’s best interests, the significance of the relationship and the likelihood of its affecting the Director’s independence. **To that end, the Board has long since adopted the annual remuneration for the position of Company Director (currently equal to € 80,000) as the quantitative criterion for establishing the significance of any professional relationships**, while the Board’s prior authorisation is required for appointing its members to professional positions.

Additionally, again for the purposes of independence assessment, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Leonardo through the Ministry for the Economy and Finance, the Board of Directors appraises Directors’ past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities’ policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his/her obligation to the Company to attend to his/her duties with the diligence called for by the nature of the position and by his/her specific expertise.

### **Meetings of Independent Directors**

Independent Directors meet at least once a year, in the absence of the other Directors. Meetings (other than and additional to those of the internal Committees) are convened at the request of the Lead Independent Director or by the other independent Directors.

The Independent Directors met two times in 2018, in all cases as requested by the Lead Independent Director and without the presence of the other Directors.

Specifically, during these meetings, the Independent Directors:

- ✓ met in order to examine the proposed 2018-2022 Industrial Plan submitted by Management;
- ✓ met in order to analyse the prospects of possible strategic opportunities.

Furthermore, with the Chairman and the Chief Executive Officer, the Independent Directors attended seminars and events focused on monitoring the progress of the Industrial Plan and gaining insights into the Leonardo Group's activities and business.

Finally – and in general – the Board Committees may also consult the other independent Directors for any appropriate evaluation, where they also deem it appropriate in relation to matters delegated to them and of particular importance.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

Following the renewal of the Board of Directors by the Shareholders' Meeting of 16 May 2017, the Board appointed in the same date the Director Paolo Cantarella as Lead Independent Director, with the task of coordinating the requests and contributions from non-executive Directors and in particular from independent Directors.

Even in the absence of the specific situations contemplated in the Corporate Governance Code, the Rules provide in fact for such power of appointment on the part of the Board, with the abstention of the executive Directors and in any case of the non-independent Directors; it is also envisaged that in any case the Board has to make this appointment in the event of the Chairman being granted delegated operational powers. However, even if the Board of Directors has not granted delegated operational powers to the Chairman, it considered it appropriate (also in consideration of the authorities granted to the same) to appoint the Lead Independent Director, who will serve throughout the term of office of the Board of Directors.

Specifically, the Lead Independent Director:

- assists the Chairman in ensuring that Directors receive full and prompt information and in taking appropriate actions to allow Directors and Statutory Auditors to enhance their knowledge of the Company, of the Group and of the corporate dynamics;
- convenes, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- contributes to the process of the assessment of the members of the Board;
- collaborates with the Chairman in the annual planning of the Board's works;
- informs the Chairman of any matters to be submitted to the Board for scrutiny and appraisal.

During the 2018 financial year the Lead Independent Director promoted and coordinated the work of Independent Directors – described in paragraph 4.6 above – with specific regard to the proposed 2018-2022 Industrial Plan and to the strategic prospects of possible business transactions.

Furthermore, as already reported as regards Board induction issues, the Lead Independent Director, in agreement with the Chairman and the Chief Executive Officer and the support from the competent

corporate functions, took steps to prepare a programme of presentations and meetings, to the benefit of Directors and Statutory Directors, dedicated to ensure a more in-depth knowledge of the Group's activities and businesses.

#### **4.8. HANDLING OF CORPORATE INFORMATION**

In accordance with the current provisions of the law and of the corporate governance code, the Company has for some time been adopting specific internal procedural rules which ensure the utmost fairness, accuracy and timeliness in managing corporate information, as well as the utmost transparency and accessibility in its disclosures to the market.

After (EU) Regulation no. 596/2014 (Market Abuse Regulation) came into force on 3 July 2016, there were substantial developments in the set of primary and secondary rules governing the matter which the Company accordingly transposed into its internal regulations regarding the treatment of inside information, this also in the light of current Italian law in force for the time being, and into its regulations regarding Internal Dealing and consequent disclosures to the general public.

The related documentation has been made available promptly in the specific area of Market Abuse of the Corporate Governance section of the website.

##### **Inside Information**

In order to ensure the utmost fairness in the management and disclosure of corporate information, the Board of Directors' Rules of Procedure, in accordance with the recommendations laid down in the Corporate Governance Code, provide for the adoption, by the Board and on the proposal of the Chief Executive Officer, of a procedure for the internal management and the external dissemination of documents and information concerning the Company, with specific regard to inside information.

The procedural rules were updated several times in order to implement the regulatory changes which took place over the time, including the recent contents of the aforesaid EU Regulation.

Not least, at the end of a complex process of review and rationalisation of the set of internal rules regarding the matter, on 13 December 2018 the Board of Directors of Leonardo approved (subject to the assessment made on by the Nomination, Governance and Sustainability Committee and by the Control and Risks Committee, each for their respective areas of responsibility) the specific **PROCEDURE FOR THE MANAGEMENT, PROCESSING AND DISCLOSURE OF LEONARDO S.P.A.'S CONFIDENTIAL AND INSIDE INFORMATION AND FOR THE KEEPING OF THE INSIDER LIST**, which can be found in the Company's website. The Procedure defines principles, obligations of conduct and information flows as to the processing of inside and confidential information concerning Leonardo S.p.a. and its subsidiaries, as well as the keeping and updating of the list of persons who have access to Inside Information (Insider List). The roles and responsibilities of the Company's organisational units and of the persons involved in any capacity in the internal price sensitive information

management process are identified and set out in detail, in light also of the changes that had taken place in the Company's organisational structure. In particular, the Procedure identifies, *inter alia*, the Chief Stakeholder Officer organisational unit (see paragraph 13 below) as the function in charge of the management and disclosure of inside information (IIMF or Inside Information Management Function), as well as of the correct keeping of the Insider List.

During the complex updating of the internal procedure, the main aspects of the contents of the applicable legislative framework were carefully established, in order also to adopt the guidelines of the Supervisory Authority, along with the most recent regulatory adjustments.

### **Code of Internal Dealing**

Within the scope of the procedures concerning corporate information, the Board of Directors of Leonardo has for some time been adopting the specific **CODE OF INTERNAL DEALING**, which governs the flow of information to the market about transactions involving shares issued by Leonardo or other financial instruments connected to these and initiated, also through a third party, by "Key Persons" of the Company (as well as by persons "closely connected" to them). The Code's text was specifically updated on more occasions (last update on 13 December 2018), in order to transpose, through a substantial reformulation of related contents, the relevant changes into the relevant regulatory framework and the new developments of the European and domestic Market Abuse regulations.

The members of Leonardo's Board of Directors and Board of Statutory Auditors, as well as the persons filling the role of General Manager (if appointed) and Officer in charge of Financial Reporting in the Company are considered as Key Persons. The timely updated list of "Key Persons" of Leonardo is made available on the Company's website (Corporate Governance section, Market Abuse/Internal Dealing area).

Periods during which Key Persons may not carry out transactions (blackout periods or closed periods) are prescribed. In updating the measures of implementation of the new European rules within the Company, the Board of Directors deemed it advisable to extend the blackout, with respect to the provisions laid down in the European regulations governing the disclosure of annual and half-year data, to periods prior to the publication of the additional periodic financial disclosures made by the Company on a mere voluntary basis.

Therefore, Key Persons may not carry out any transactions within 30 calendar days of the announcement of the results for each accounting period in the year (31 March, 30 June, 30 September, 31 December) and until the relative press release has been circulated. Furthermore, given the marked degree of sensitivity of the information contained in the Strategic Industrial Plan periodically approved by the Company and the ensuing significance of the processing and dissemination of such information to the market, the Board of Directors deemed it advisable (on the occasion of the last review of the Code of Internal Dealing approved on 13 December 2018) to add other instances of blackout periods



and permanently introduced the restriction within the Code from buying or selling any corporate securities also during the 30 calendar days prior to the announced date of approval of the Company's Strategic Industrial Plan and always until the relative press release has been circulated.

The annual schedule of blackout periods is promptly updated by the Company's functions and communicated to Key Persons.

The quantitative threshold identified by the Code for transactions subject to disclosure provides - in compliance with the regulatory provisions in force- for the exemption from disclosure obligations in relation to transactions with a total value that does not reach €20,000 by the end of the same calendar year. After the minimum limit has been reached, the notification obligation will apply for each subsequent transaction during the year even if the amount is lower.

In order to ensure that the rules are correctly applied, the Code also provides for specific information flows and procedures to facilitate that Key Persons are made aware of their obligations promptly, and are provided with the help necessary to fulfil them on the part of the Company functions, specifically on the part of the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-Corruption organisational unit identified by the Code as the party in charge of receiving, managing and disseminating transactions notified by Key Persons and the Persons closely connected to them.

Leonardo promptly publishes the information in the Corporate Governance section on its website, in the specific Market Abuse/Internal Dealing area, where the updated text of the abovementioned Code is also promptly made available.

#### **4.9. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

In compliance with the relevant regulations, on 26 November 2010 the Company's Board of Directors approved (pursuant to Art. 4 of the Consob Regulation no. 17221 of 12 March 2010, and subsequent amendments and additions) the specific **PROCEDURE FOR RELATED PARTIES TRANSACTIONS** (hereinafter referred to as "the Procedure"), after having received the unanimous favourable opinion by the Procedures Committee, which is only composed of independent Directors and has been specifically established for the purposes of the issue of an opinion concerning the approval of the Procedure and related changes.

At the same time the Control and Risks Committee (formerly the Internal Control Committee) was appointed to also act as the Committee for Related Parties Transactions.

The Procedure aims to define, based on the principles laid down by Consob, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through subsidiaries. Through the Procedure, the Company took steps to determine the criteria and methods for identifying related parties (identified in accordance with the Consob Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser "importance", and to define the procedures for examining and approving such transactions, identifying

specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries, as well as to establish the procedures for meeting the disclosure requirements related to the regime. The same Procedure also applies as instructions given by Leonardo to its subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation, together with the operational provisions laid down within the related execution.

Moreover, the Procedure sets out the types of transactions exempt from the regulations, subject to the regulatory plan concerning disclosure requirements towards Consob and the general public.

It also established the quantitative criteria for identifying so-called “minor” transactions, which are not subject to the procedural rules, i.e. transactions of amounts of not more than (i) €mil. 3, or (ii) €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or Managers with strategic responsibilities. With reference to point (ii) above, these rules are applied in alignment with best practices, which set lower limits for transactions with counterparties who are natural persons. In accordance with the recommendations of Consob, the Procedure has to be reviewed for adequacy periodically (at least every three years) and the decision whether to proceed with the related review, also in light of the application practice. The relevant changes, if any, must be approved by the Board of Directors, subject to the favourable opinion of a Committee exclusively composed of independent Directors (currently the Control and Risks Committee). Additionally, the Chief Executive Officer is entitled to make merely formal amendments to the text of the Procedure or amendments due to changes occurred in the Company’s organisational structure of which he has to advise the Committee promptly. The Procedure underwent several updates over the time in order to take account of specific adjustments suggested by experience in its application and by the experience gained during the implementation of the rules, as well as to incorporate adaptations arising from the changed organisational structure.

Worth noting are the following adjustments:

- the voluntary extension of the number of persons to whom the Procedure is to apply by including the members of the Surveillance Body among “Related Parties”;
- the introduction of a periodic flow of information, in favour of the Board of Directors and of the Committee, on the implementation of the Transactions of Greater Importance (carried out by Leonardo either directly or indirectly), which are subject to the specific exemption envisaged for the ordinary Transactions concluded at arm’s length or standard conditions;
- the extension of the scope of application of the threshold for the “Minor transactions”, which has been set out to a different and reduced extent (€250,000) for any transactions concerning consultancy /professional services/awarding remuneration and financial benefits, to Directors, Statutory Auditors and to any other Managers with strategic responsibilities and – following the

change already commented on above – to the members of the Surveillance Body, including to their close family members or to the companies in which such persons hold a significant stake;

- the permanent appointment of the Control and Risks Committee, in its capacity as Committee for Related Parties Transactions (made up exclusively of independent Directors), to give the required opinion concerning the changes to be made in the Procedure, this applies apart from possible merely formal changes or any amendments resulting from organisational changes or new laws or regulations, which the Chief Executive Officer may make himself, informing the Committee accordingly, so that the Procedure can be put into step with the law and with Company regulations more swiftly;
- the adaptation of the structure and procedural flows due to the process of divisionalisation of Leonardo, calling for in particular: i) the inclusion of the Division Heads as Managers with strategic responsibilities, and therefore in the category of Related Parties, ii) the specific involvement of the organisational units of the Corporate Center and of the Divisions in the information and operational flows established by the Procedure, in order to ensure that the rules are consistently applied at Division level as well and iii) rephrasing the definition of *Organo competente a deliberare* (“Corporate body authorised to pass resolutions”) in order to align the definition with the present structure into divisions;
- finally, following the recent organisational arrangement, the inclusion in the category of Related Parties of the Business Areas Managers (see paragraph 15 below), as Managers with strategic responsibilities.

The text of the current Procedure is available in the Corporate Governance section on the Company’s website, in the specific area of “Transactions with Related Parties”.

The Surveillance Body monitors whether the Procedure adopted complies with the principles set out in the Regulation, as well as the relative observance (also through regular and targeted information flows) and reports its findings to the Shareholders’ Meeting.

Finally, with reference to the situations in which a Director who, under art. 2391 of the Italian Civil Code, has an interest in the transaction subject to the examination of the Board, on his own behalf or on behalf of third parties, the Rules of the Board provide for the duty of the Directors to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. Furthermore, the Directors themselves will abstain from the related resolutions.

## **5. INTERNAL BOARD COMMITTEES (Art. 123-bis, para. 2, lett. d), TUF)**

As required by the Rules of Procedure, the Board of Directors has formed Board Committees with at least three members, which submit proposals and have consultative functions and whose specific duty

is to support the Board in performing its role. Each Committee's exact tasks are established by a resolution of the Board when it is formed and may be afterwards added to or amended by the Board; this may also be done when their Rules, which are approved by the Board, are amended. These Rules lay down the procedures for the functioning of the Committees according to the duties assigned to them. The Rules also allow the Committees to submit proposals to the Board for amendments to the Rules themselves and to the procedures for their functioning.

Committee meetings are minuted and the Chairman of each Committee reports on their resolutions at the next possible Board of Directors meeting.

In compliance with the instructions laid down in the Corporate Governance Code, the Board of Directors has established the following Internal Committees with fact-finding and consultative functions: the **Control and Risks Committee**, the **Remuneration Committee** and the **Nomination, Governance and Sustainability Committee**.

As regards their functions, work and composition, in full compliance with the recommendations of the Code, reference should be made to what is reported in details below.

On 19 June 2014 the Board also established (to replace the previous Strategy Committee) the

#### **ANALYSIS OF INTERNATIONAL SCENARIOS COMMITTEE.**

The Analysis of International Scenarios Committee held three meetings during the financial year 2018 and one meeting was held in the first months of the current year. The Committee meetings, which last one hour on average, are regularly preceded by preparatory meetings (pre-Committee) aimed to deepen items under discussion with the contribution of qualified outside experts. The other Directors and Statutory Auditors are also invited to attend these meetings, lasting 2 hours on average, in addition to the members of the Committee.

#### **Composition**

**Marta Dassù** **Chairman**

**Luca Bader**

**Fabrizio Landi**

**Silvia Merlo**

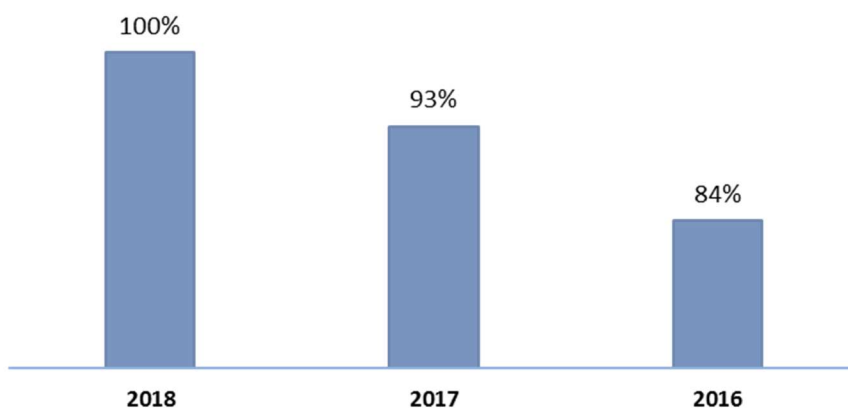
#### **Attendance**

3 out of 3 meetings

3 out of 3 meetings

3 out of 3 meetings

3 out of 3 meetings

*A.I.S.C.: Average attendance at meetings**Meetings – Duties*

Committee meetings are attended by the Chairman of the Board and by the Chief Executive Officer (invited on a permanent basis); other Directors and the other members of the Board of Statutory Auditors may also be invited; other persons may attend at the invitation of the Committee through its Chairman according to the items on the agenda, including employees working for the Company or Group companies.

The Committee's duty is in fact to provide support to the Board of Directors, providing targeted insights into major opportunities and geopolitical risks that are significant for the definition of the Company's and Group's strategic guidelines set out by the Chief Executive Officer and specifically considers:

- geopolitical events in areas and countries of primary interest, with related potential impact on the business environment in the sectors of aerospace, security and defence;
- trends in key countries' defence policy, with related impact on investment and procurement policy in countries that are of major interest to Leonardo, in both civil aircraft and defence and security sectors.

The Committee essentially performs key awareness and counselling functions, considering the extreme volatility of the international scenario and the rapid technology evolution, with immediate and extremely significant impacts on the aerospace and defence business.

Committee meetings and resolutions are minuted and the Chairman reports on their resolutions at the next possible Board of Directors meeting. The Committee also reports to the Board of Directors on the work it has done.

As for all the other Committees established by the Board, the work of the Committee for the Analysis of International Scenarios is governed by specific **Rules of procedures** approved by the Board of

Directors (available in the Corporate Governance section of the Company's website), which lay down the functioning procedures in relation to duties.

### *Summary of activities carried out*

During the meetings held in 2018 the Committee examined in particular the following:

- ✓ artificial intelligence, new technologies and new approach to technology innovation, a key topic for a company like Leonardo, which is confronted with a new competitive race to technology and with innovative R&D models, increasingly focused on "dual-use" aspects;
- ✓ the scenarios in the United States with insights into the increase in Defence spending and new investment priorities; specific *focus* on new projects begun or planned to make even more competitive the offer of US products and systems on the international markets and on the AD&S industrial policies;
- ✓ new perspectives for the Space sector and the Space Economy, a sector which is experiencing a deep transformation with the entry and success of new industry players and innovative business models.

In the first meeting held in 2019 the Committee dealt with the domestic markets of Leonardo (Italy).

## **6. NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE**

**The Board of Directors has established the Nomination Committee since December 2013, in accordance with the Code's recommendations and the specific instructions given by the Corporate Governance Committee.**

In September 2016, following the recommendations in the new Corporate Governance Code (which is addressed at FTSE-MIB companies in particular) and considering that this was a good opportunity to give a Board Committee sustainability oversight functions, the Board gave the Committee the additional functions of having the power to submit proposals and providing advice in the matters of sustainability and corporate governance. While retaining its previous responsibilities, this Committee **is now the Nomination, Governance and Sustainability Committee.**

The Committee, more than meeting the recommendations of the Code (which require, as to the Nomination Committee, to have at least a majority of three independent members), is currently composed of seven Directors who are non-executive and mostly independent.

### *Meetings*

The Committee met 5 times during the 2018 financial year (the average duration of the meetings was 1 hour and 50 minutes). In the current 2019 financial year and until the approval of this Report, there were 2 meetings of the Committee.

The meetings are regularly minuted and the Chairman of the Committee informs the Board of Directors about these matters at the next possible Board meeting. The Committee regularly reports on the work it has done to the Board.

The Committee's meetings may be attended by the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the latter; they may also be attended by the Chairman of the Board of Directors and the Chief Executive Officer, as well as by the other members of the Board of Statutory Auditors. The meetings are regularly attended by the Group General Counsel and the Chief Stakeholder Officer. Upon the invitation of the Committee through the Chairman – and in relation to the issues on the agenda – meetings may also be attended by other persons, including other members of the Board of Directors and employees working for the Company or for Group companies.

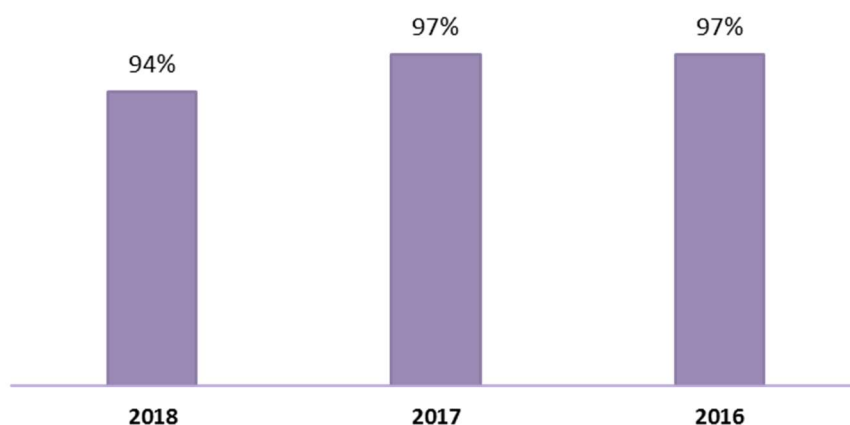
### **Composition**

<b>Guido Alpa Chairman</b>	Independent
<b>Marina Elvira Calderone</b>	Independent
<b>Paolo Cantarella</b>	Independent
<b>Marta Dassù</b>	Independent
<b>Dario Frigerio</b>	Independent
<b>Marina Rubini</b>	Independent
<b>Antonino Turicchi</b>	

### **Attendance**

5 out of 5 meetings
5 out of 5 meetings
5 out of 5 meetings
3 out of 5 meetings
5 out of 5 meetings
5 out of 5 meetings
5 out of 5 meetings

### *N.G.S.C.: Average attendance at meetings*



### *Duties*

The activities of the Committee are regulated by specific **Rules of Procedures**, which have been approved and updated by the Board of Directors (available in the Corporate Governance section of the Company's website), and which adopt the application criteria recommended by the Code.

In addition to the abovementioned responsibilities concerning sustainability and corporate governance, the Committee is responsible for putting forward proposals and providing advice with the aim to support the Board of Directors in the assessments and decisions concerning the size and composition of the Board itself, or as to the number of appointments that is compatible with the position of Director of the Company, as well as the appointment of Independent Directors.

**The Committee's functions and activities are detailed below, in line with the instructions provided by the Corporate Governance Committee, distinguishing the work it performs as Nomination Committee from those related to its functions as Governance and Sustainability Committee.**

#### *Functions as Nomination Committee*

- Preparing the Board evaluation procedure, proposing to the Board the appointment of companies specialised in the sector, deciding on the matters to be considered and laying down the timing and method of the procedure;
- Submitting opinions to the Board concerning the size and composition of the same, as well as expressing recommendations as to managers and professionals, the presence of which is considered appropriate within the Board;
- Expressing recommendations to the Board according to the related opinion regarding the maximum number of positions as director or statutory auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company;
- Putting forward proposals in relation to the candidates to the position of Director in the cases of co-optation, where it is necessary to replace independent Directors;
- Carrying out, at the request of the Board of Directors, a preliminary examination for the purposes of the assessment by the Board itself of the adoption, if any, of a plan for the replacement of executive Directors, as well as preliminary activities as to the preparation of the plan itself; carrying out the preliminary work involved in updating crisis management procedures.

#### *Functions as Governance and Sustainability Committee*

- Monitoring legal developments and best practices with regard to corporate governance, informing the Board if any substantial changes are made;
- Satisfying itself that the corporate governance system that the Company adopts is in line with the law, best practices and the recommendations in the Corporate Governance Code and putting any necessary proposals for modification before the Board;
- Looking at the Annual Corporate Governance Report before it is placed before the Board;



- In consultation with the Control and Risks Committee, checking that the objectives in the Sustainability Plan are being correctly pursued in accordance with the Group's Industrial Plan;
- Overseeing the sustainability issues related to the conduct of the Company's business and fostering interaction with stakeholders;
- Scrutinising the general approach taken in the Sustainability and Innovation Report, verifying whether the information is complete and transparent and then handing down a prior opinion for the approval of the Board;
- Monitoring the Company's inclusion in the main Sustainability and ESG indicators and encouraging Leonardo to take part in important projects and events in this field.

In order to conduct its activities, the Committee is assisted by the Company's appropriate functions, especially by the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit and the Chief Stakeholder Officer organisational unit. The Committee is authorized to access the information required to perform its duties, as well as to seek assistance from the corporate organisational units and from external consultants at the Company's expense, provided that the latter are adequately bound by the necessary confidentiality agreements and are not in such a situation as to impair their independence of judgment.

Furthermore, the Company is required to provide the Committee with the necessary financial resources for the performance of its duties.

#### *Activities carried out*

##### *Summary of activities carried out as Nomination Committee*

- ✓ During the 2018 financial year the Committee commenced the procedure for the assessment of the functioning of the present Board of Directors, whose results were examined in the first months of 2019 and reported to the Board of Directors; in respect of this, the Committee proposed the Board of Directors the assignment of the task to the specialist advisor, Crisci & Partners - Shareholders & Board Consulting, specifying the subjects to be addressed in the evaluation, the methods to be followed in carrying out the work and the time it should take.

##### *Summary of activities carried out as Governance and Sustainability Committee*

In the framework of its responsibility for sustainability and corporate governance issues, the Committee:

- ✓ examined – in agreement with the Control and Risks Committee - the 2018 Sustainability and Innovation Report, which includes the Consolidated Non-Financial Statement in accordance with Legislative Decree 254/2016, and endorsed the approval of the Report by the Board of Directors;

- ✓ verified – in agreement with the Control and Risks Committee - the consistency of the Sustainability Plan with the Industrial Plan;
- ✓ kept watch over the sustainability issues related to the conduct of business activities with specific regard to the regulatory provisions under Legislative Decree no. 254/2016 governing non-financial information and information on diversity issues, and shared the recent change introduced by Law 145/2018 with the Control and Risks Committee, together with the updated materiality matrix;
- ✓ monitored the Company's inclusion into the main sustainability and ESG (Environmental, Social and Governance) indices, focusing its analysis on the positioning of Leonardo in the Dow Jones Sustainability Indices for the year 2018;
- ✓ continued studying the contents of Market Abuse rules and investigating their impact on the Company's internal rules, considering the most appropriate changes to make which were submitted for approval by the Board of Directors;
- ✓ analysed the revisions to the Code of Internal Dealing of Leonardo which was submitted for approval by the Board of Directors;
- ✓ investigated the new rules of the Corporate Governance Code of listed companies introduced during the year 2018, evaluating in particular the alignment of Leonardo's Diversity Policies with the new recommendations;
- ✓ examined in depth the best practices regarding gender balance in the composition of the corporate bodies, given that the effects of Law 120/2011 ceased to obtain, and considered the most appropriate measures to facilitate that a quota of the less-represented gender remains in the boards;
- ✓ analysed the Corporate Governance Committee's recent recommendations to the Chairmen of the Boards of Directors, CEOs and Chairmen of the Boards of Statutory Auditors of listed companies, in order to spur and share the appropriate considerations;
- ✓ continued analysing the governance evolution in order to ensure that the Company and the Group comply with the applicable legislation, the Code of Corporate Governance and the national and international best practices;
- ✓ finally, the Committee read this Corporate Governance Report before it was submitted to the Board of Directors, to which it handed down its opinion on the document.

## **7. REMUNERATION COMMITTEE**

### *Meetings*

The Board of Directors has established an internal Remuneration Committee.

This Committee met no. 6 times in the course of the 2018 financial year, as well as at the date of the approval of this Report, no. 2 times in the present 2019 financial year. The average duration of the meetings was about one hour and twenty minutes. The Committee meetings are duly minuted and the Chairman of the Committee informs the Board of Directors about these matters at the next possible Board meeting. The Committee also provides the Board with a report on the most significant issues. The Manager responsible for the Company's Chief People, Organization and Transformation Officer organisational unit regularly participates in the Committee meetings of the Company, and other persons are invited to participate on the invitation of the Committee through the Chairman and in relation to the issues being discussed, including the non-executive members of the Board of Directors and the employees of the Company or Group Companies, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the latter. The Chairman of the Board of Statutory Auditors regularly participates – also through any other Statutory Auditor designated by the latter – in the Committee meetings. No director takes part in Committee meetings in which proposals regarding his/her pay are made.

### **Composition**

**Dario Frigerio** Chairman

Independent Member

**Marina Elvira Calderone**

Independent Member

**Marina Rubini**

Independent Member

**Antonino Turicchi**

### **Attendance**

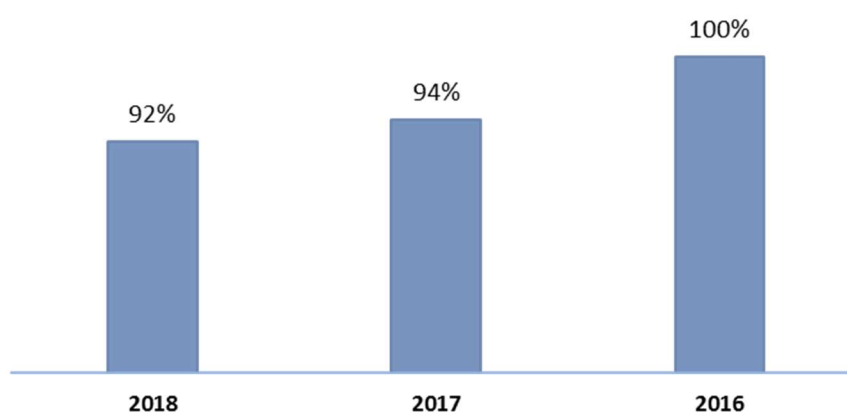
6 out of 6 meetings

6 out of 6 meetings

4 out of 6 meetings

6 out of 6 meetings

### **Remuneration Committee Average attendance at meetings**



This Committee, in line with the recommendations of the Corporate Governance Code (which requires such committee to have at least three independent members or, alternatively, a majority of non-executive and independent Directors), is at present composed of four Directors who are all non-executive and mostly independent.

Such composition complies with the criteria required under art. 13, para. 3, lett. b) of the Consob Regulations on Related Party Transactions, for the purposes of the applicability of the exemption envisaged therein. Moreover, the composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member in possession of an adequate knowledge and experience in financial or remuneration policy issues, evaluated by the Board at the moment of the appointment.

### *Duties*

The duties of this Committee are:

- submitting proposals to the Board of Directors as to the definition of the Company's policy as to the fees due to directors and Managers with strategic responsibilities, in accordance with the current regulations and with the Code;
- proposing to the Board for the related resolutions and in the implementation of the remuneration policy set out by the same:
  - the compensation and conditions of service of the Directors provided with delegated powers and of the other Directors who hold specific positions (in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code);
  - the performance targets correlated to the variable component of the remuneration due to Directors provided with delegated powers and of the other Directors who hold specific positions, monitoring the application of any decisions adopted and verifying, in particular, the actual achievement of performance targets;
- assisting the Company in deciding on the best policies for the handling of the Group's management employees, as well as the plans and mechanisms in place for developing the management skills of the Group's key employees;
- preparing, for the approval by the Board, remuneration plans based on the assignment of shares or options for the purchase of the Company's shares to the benefit of Directors and executives of the Company and of the Group companies, to be submitted for the subsequent approval of the Shareholders' Meeting pursuant to the regulations in force, as well as defining their implementing regulations;
- assessing, on a periodic basis, the adequacy, the overall consistency and the actual application of the remuneration policy for Directors and Managers with Strategic Responsibilities.

The activities of the Committee are regulated by appropriate **Rules of Procedures** (available in the Corporate Governance section of the Company's website).

Since it was formed the Committee performed duties it was asked to do as to the remuneration due to Directors and Managers with strategic responsibilities, as well as played a role in support of the

Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and to staff salary and retention policies.

In this context work commenced on the definition of incentive plans based on performance and growth targets set for the Group's share price and value.

#### *Summary of activities carried out*

During the 2018 financial year, the Committee:

- ✓ examined and approved the Remuneration Report to be submitted to the Board for the relevant resolutions in view of the 2018 Annual Shareholders' Meeting;
- ✓ verified the achievement of the 2017 objectives assigned to the CEO as part of the Short-term Incentive Plan (MBO) and of the Long-term 2015-2017 Incentive Plan;
- ✓ examined the new Short-term Incentive Programme (MBO) for 2018 for the Group's executives and set the 2018 objectives for the CEO, giving its opinion to the Board of Directors for related decisions;
- ✓ examined the new medium/long-term incentive plan for the three-year period from 2018 to 2020 to be submitted to the Board for related decisions, also in view of the 2018 Shareholders' Meeting;
- ✓ satisfied itself about the attainment of the objectives under the co-investment plan and established to award and deliver shares free of charge to participants;
- ✓ examined the Rules of the Long-term Incentive Plan for the Leonardo Group's Management for the 2018-2020 cycle, giving its opinion to the Board of Directors for related decisions;
- ✓ examined the Long-term Incentive Plan for the Leonardo Group's Management for the 2018-2020 cycle, giving its favourable opinion to the Board of Directors regarding the criteria to identify the Plan participants and to determine the related awards, included the award related to the CEO;
- ✓ examined the Management remuneration systems.

In the first months of 2019 the Committee:

- ✓ satisfied itself that the 2018 objectives assigned to the Chief Executive Officer had been attained within the scope of the Short-term Incentive Plan (MBO) and of the Long-Term 2016-2018 Incentive Plan;
- ✓ examined the Short-term Incentive Programme Policy (MBO) for the year 2019;
- ✓ examined the progress of the 2019 Performance & Development Management Process;
- ✓ set the short-term objectives for 2019 (MBO) for the Chief Executive Officer, giving its opinion to the Board of Directors for the related decisions;
- ✓ made a preliminary analysis of the Remuneration Report to submit at a later time to the Board for the related approval and – in relation to Section I of such Report – to the next Annual Shareholders' Meetings by non-binding vote.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Chief People, Organization and Transformation Officer organisational unit. No specific budget has been prepared for the Committee's activity, without prejudice to the right to make use of external professionals, which the Board has not yet exercised.

## **8. REMUNERATION OF THE DIRECTORS AND OF THE MANAGERS WITH STRATEGIC RESPONSIBILITIES**

### **General remuneration policy**

In accordance with the regulations on the transparency of remuneration under Art. 123-ter of the Consolidated Law on Financial Intermediation, as well as in compliance with Art. 6 of the Corporate Governance Code, the Board of Directors takes steps, in an annual basis, following the valuations made and the proposals put forward by the Remuneration Committee, to approve the Company's policy on the remuneration of the members of governing bodies, General Managers and of the other Managers with strategic responsibilities envisaged in paragraph 3, letter a) of the abovementioned Art. 123-ter.

The first section of the abovementioned Report, containing the Company's remuneration policy (with reference to the 2019 and subsequent financial years), as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to Art. 123-ter, paragraph 6, of the Consolidated Law on Financial Intermediation) to the consultative voting at the next Shareholders' Meeting called to approve the 2018 Financial Statements.

The policy adopted – which is summarised in the following points – is the object of a specific and analytical description, in compliance with the information criteria and elements envisaged in the provisions referred to above, in the abovementioned Report to which reference is made in full for further details, also as concerns the specific instructions provided by the Corporate Governance Committee.

For information as to the remuneration paid out in the 2018 financial year, for any reason and in any form (including that paid by subsidiary and associated companies), to the individual members of the Board of Directors, as well as to the Statutory Auditors, the General Managers and any other Manager with strategic responsibilities, reference is made to the second section of the abovementioned Report. The full text of the Remuneration Report, following the related approval by the Board of Directors, is made available according to the procedures set out by law, also through the publication on the Company's website, within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

### Share-based remuneration plans

At present the Company has a Long-Term Incentive Plan for the Management of the Group, based also on financial instruments, approved by the Shareholders' Meetings on 15 May 2018, for three three-year rolling cycles (starting from 2018, 2019 and 2020). The achievement of the performance targets to which the incentive relates will be verified at the end of each three-year period. The new Long-Term Incentive Plan confirms the Company's intention to keep on using a tool which encourages Management to achieve the medium- and long-term objectives set out in the Group's Industrial Plan, and the intention to ensure that Management pay is better matched to the creation of shareholder value. The Plan, which is reserved for Executive Directors, Managers with strategic responsibilities and a category of "key" managers (primarily consisting of persons occupying the positions which have the greatest impact on the Group's business), provides for the award, free of charge, of the Leonardo ordinary shares to top positions and a combination of shares and cash (in different proportions according to the levels of the managers concerned) to the remaining Beneficiaries, against the achievement of specific and preset performance targets.

The Remuneration Report should be referred to for details of the contents of the Plan, as should the Information Document prepared pursuant to art. 84-*bis* of the Issuers' Regulation; it should be noted that the share-based Incentive Plan is in line with the recommendations laid down in the Corporate Governance Code, according to which:

- a) the average vesting period for shares, options and all other rights granted to Directors and to Managers with strategic responsibilities for the purchase of shares or for remuneration on the basis of share price performance should be at least three years;
- b) vesting should be subject to preset and measurable performance objectives;
- c) the Directors should keep a portion of the shares granted or acquired by exercising these rights until the end of their term of office.

### Remuneration of Executive Directors and Managers with strategic responsibilities

In order to ensure a correct balancing of the Company's interests, aimed at retaining and motivating managers with the necessary skills for managing the Company and business development and at ensuring an alignment of the management's objectives with the creation of value for shareholders in the medium/long term, the remuneration of the executive Directors is determined by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors. The remuneration due to Managers with strategic responsibilities is calculated on the basis of their specific responsibilities, which are allocated in compliance with the remuneration policy guidelines adopted by the Company.

In particular, the variable remuneration is structured into a short-term component (which is typically annual) and a medium/long-term component.

**In coherence with the guidelines given by the Corporate Governance Committee, for Managers with strategic responsibilities the variable remuneration is structured in a way that the long-term incentive outweighs the short-term incentive.**

The short-term variable remuneration is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, whose results can be objectively measured and verified. However, as early as 2018 **objectives** have been introduced **in relation to the sustainability of the Company's business**.

The medium/long-term variable remuneration policy is implemented with the participation of the executive Directors and of the Managers with strategic responsibilities in the Incentive Plan described in the previous paragraph. The Company will evaluate whether to add other ESG objectives.

It should be noted that, in accordance with the recommendations set down in the Corporate Governance Code and in line with the guidelines provided by the Corporate Governance Committee, a **clawback clause** has been in place for all variable incentive payments since the 2014 financial year, whereby the Company will be entitled to ask for remuneration to be returned if it has been paid on the basis of data which afterwards prove wrong or false. For more detailed information, reference should be made to the Remuneration Report.

**It is the Company's policy not to award discretionary bonuses to Directors, whose incentive is performed through the instruments described above.**

#### **Incentive for the Chief Audit Executive**

In accordance with the provisions laid down in the Code, the Board of Directors took steps – at the proposal of the Chief Executive Officer, in his capacity as Director responsible for the internal control and risk management system, and subject to favourable opinion from the Control and Risks Committee, as well as after having heard the Board of Statutory Auditors- to appoint the Chief Audit Executive and set the pay for the position, including its variable incentive pay structure. The proposed remuneration for the position complied with corporate policies and the Board guaranteed that the Head of this unit would be given the resources necessary for him/her to fulfil his/her responsibilities in conformity to the Corporate Governance Code. For more details, reference is made to the Remuneration Report.

#### **Remuneration of Non-executive Directors**

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.



To the fixed amount of fees set by the Shareholders' Meeting must be added the fees, set by the Company's Board of Directors, payable for the position as members of the Board's Committees.

With reference to the fees due to the Chairman – again on a fixed basis - as determined (due to the specific powers granted to the same) to supplement the resolutions passed by the Shareholders' Meeting for the Chairman of the Board, reference is made to the Remuneration Report.

**Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (under Art. 123-bis, para. 1, lett. i), TUF)**

There are no agreements previously entered into between the Company and Directors which provide for indemnities to the benefit of the same in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions concerning executive Directors, as to treatments in case of ceasing to hold office or the early termination of the employment relationship, reference is made to the specific information provided in the Remuneration Report, including as regards the specific instructions given by the Corporate Governance Committee.

Finally, it should be noted that the Company adopts the recommendations provided by the Code regarding the disclosures to make when executive Directors or General Managers leave their position or terminate their employment. The Company took steps to provide specific and timely disclosures to the market, following the terminations of the employment relationship occurred in the prior years. This ensures the utmost transparency because the information is disclosed before the publication of the Remuneration Report.

## 9. CONTROL AND RISKS COMMITTEE

The Board of Directors has set up a Control and Risks Committee (formerly the Internal Control Committee).

This Committee, more than meeting the recommendations of the Corporate Governance Code (which require such committee to have at least three independent members or, alternatively, a majority of non-executive and independent Directors) is at present composed of five Directors who are all non-executive and independent.

### *Composition*

**Paolo Cantarella** Chairman

Independent Member

**Guido Alpa**

Independent Member

**Luca Bader**

Independent Member

**Fabrizio Landi**

Independent Member

**Silvia Merlo**

Independent Member

### *Attendance*

10 out of 10 meetings

7 out of 10 meetings

10 out of 10 meetings

8 out of 10 meetings

10 out of 10 meetings

The composition of the Committee is also consistent with the recommendation, made by the Code, as to the presence of at least one member who must have an adequate experience in accounting and financial or risk management issues, evaluated by the Board at the moment of the appointment.

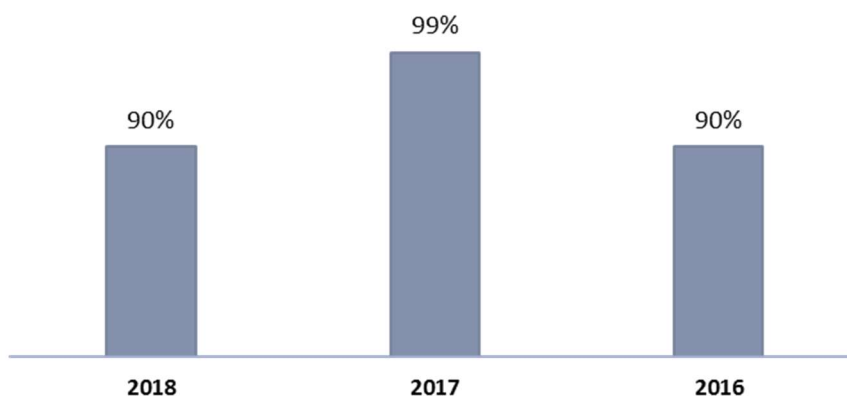
### *Meetings*

During the 2018 financial year, the Committee met no. 10 times; the average duration of the meetings was about three hours and thirty minutes. In the current 2019 financial year, at the date of approval of this Report, the Committee met three times.

The Board of Statutory Auditors and the Chief Audit Executive are constantly involved in the Committee's work; the Chairman and the Chief Executive Officer may also take part. If appropriate, depending on the items on the agenda, the Committee meetings may also be attended by other persons, including the members of the Board of Directors and the employees of the Company or of Group companies. During the 2018 financial year, on the invitation of the Committee in relation to the issues being discussed, some meetings were attended by the first-level Managers of the Corporate Center and the Division Managers.

Committee meetings, which were constantly attended by the members of the Board of Statutory Auditors, as previously pointed out, are duly minuted and reported by the Chairman of the Committee to the Board of Directors at the first possible meeting. Some meetings were held at the same time as those of the Board of Statutory Auditors.

### *C.R.C. Average attendance at meetings*



### *Duties*

The activities of the Control and Risks Committee are regulated by **Rules of Procedures** approved by the Board of Directors, which are available on the Company's website (Corporate Governance section).

The Committee supports, with an adequate preliminary investigation activity, the assessments and decisions made by the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of the periodic financial reports.

The Committee hands down a prior opinion to the Board of Directors:

- on laying down the lines to be taken by the internal control and risk management system and the determination of the extent to which the system can cope with the main risks - concerning the Company and its subsidiaries - while managing business consistently with strategy objectives;
- on assessing, at least once a year, the adequacy of the internal control and risk management system (also concerning those risks that may be relevant to the medium- and long-term sustainability) to the Company's characteristics and the risk factor accepted, as well as its efficacy;
- on the approval, at least once a year, of the work plan prepared by the Chief Audit Executive;
- on appraising the final comments made by the Independent Auditing Firm if it has submitted a letter of recommendations (if any) and the report on the main issues that arose at the time of the statutory audit of accounts;
- in connection with the appointment and removal of the Chief Audit Executive and on setting the remuneration of the person concerned in conformity to Company policy.

The information-gathering work (referred to in the Corporate Governance Code), carried out in order to support the Board in reaching conclusions and making decisions regarding the management of risks arising from harmful events which have come to the Board's attention, is, in practice, already included in the more general activities which the Committee performs in support of Board conclusions and decisions in accordance with the internal control and risk management system (SCIGR). This particular work, however, was expressly required when the Committee Regulations were aligned with the recommendations in the Code.

In particular, as regards the activities carried out by the Committee as to the assessment of the adequacy of the internal control and risk management system with respect to the characteristics of the company and to its risk profile, as well as of its effectiveness, reference is made to paragraph 10 below.

The Committee, within the framework of its activity of assistance and support to the Board of Directors, specifically performs the following duties:

- a) together with the Officer in charge of financial reporting and after having heard the Independent Auditing Firm and the Board of Statutory Auditors, assessing the correct use of the accounting standards, as well as their uniformity in preparing Consolidated Financial Statements;
- b) expressing opinions on specific issues pertaining to the identification of the main business risks;

- c) examining the periodic reports concerning the assessment of the internal control and risk management system, as well as any reports of particular importance prepared by the Group Internal Audit organisational unit;
- d) monitoring the independence, adequacy, effectiveness and efficiency of the Group Internal Audit organisational unit; the Committee itself oversees its activities should operating powers be granted to the Chairman of the Board;
- e) being entitled to ask the same Group Internal Audit organisational unit to carry out checks on specific operating areas, giving notice thereof, at the same time, to the Chairman of the Board of Statutory Auditors;
- f) reporting on the activity carried out to the Board of Directors at least on a six-monthly basis and, in any case, on the occasion of the approval of the draft Separate Financial Statements and of the half-year financial report, as well as on the adequacy of the internal control and risk management system;
- g) supporting, through appropriate inquiries, the evaluations and decisions of the Board of Directors related to the management of those risks deriving from harmful events of which the Board became aware;
- h) in order to be in agreement with the Nomination, Governance and Sustainability Committee and collaborate with the latter, verifying the pursuit of the objectives of the Sustainability Plan and its consistency with the Group Industrial Plan;
- i) performing such additional duties as may be assigned to it by the Board of Directors.

The Control and Risks Committee also performs functions as Committee for Related Parties Transactions, pursuant to the Procedure for Related Parties Transactions which was approved by the Board of Directors of the Company pursuant to the relevant Consob Regulation (which was adopted by Resolution no. 17221 of 12 March 2010, as amended and supplemented).

To carry out its duties, the Committee seeks support from the Company's appropriate functions in particular from the Group Internal Audit organisational unit and the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit. In performing its duties, the Committee may also seek assistance from the outside professionals, provided they are contractually bound by specific confidentiality agreements and are not in such a situation as to impair their independence of judgment.

Furthermore, the Committee is entitled to access any necessary information to perform its duties and makes use of the Company's organisational units. Consequently, while it retains the right, mentioned above, to make use of services provided by outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

For a full description of the activities carried out by the Committee within the framework of the internal control and risk management system, reference is made to paragraph 10 below.

### *Summary of activities carried out*

In 2018 and from January 2019 to the date of publication of this Report, the Control and Risks Committee, while discussing the main following issues:

- ✓ continued the process to check the operations of the internal control and risks management system of Leonardo and of the main subsidiaries; specifically, in view of the new organisational structure, it supported the Board of Directors in appraising the system's effectiveness, making arrangements (in addition to the permanent presence of the Head of the Group Internal Audit - Chief Audit Executive) for:
  - periodic meetings (approximately six-monthly) with the other main roles in the internal control and risk management system (SCIGR), each within the sphere of related responsibilities (Risk Manager, CFO and Officer in charge of Financial Reporting, Chief People Organization and Transformation Officer – CPOTO, also in the capacity as Corporate Centre Employer; Independent Auditors), mainly dealing with aspects related to the system's operations;
  - periodic meetings (approximately annually) with:
    - Division Managers and the Heads of the Corporate Center's first-level organisational units in relation to those issues that are of particular and specific importance to the internal control and risk management system (SCIGR);
    - The Surveillance Body, to examine – together with the Board of Statutory Auditors – the work done during the year (based on the Surveillance Body's half-year reports), analysing issues of mutual interest in relation to the activities carried out;
  - ad hoc meetings with the other Heads of organizational units to meet specific needs, in order to receive updates on the activities performed within the sphere of related responsibilities, on the existing risks and on the instruments used to mitigate their effects;
- ✓ examined the Work Plan prepared by the Head of the Group Internal Audit (Chief Audit Executive), the Reports issued by the Group Internal Audit organisational unit as to the activities carried out during the period, the results of monitoring the implementation of corrective actions planned in relation to the findings noted, as well as the progress of the audit activities carried out by the mentioned organisational unit;
- ✓ examined the Reports of the Group Internal Audit organisational unit on the activity carried out during 2018;

- ✓ monitored the independence of the Chief Audit Executive and the efficacy, efficiency and adequacy of the related organisational unit;
- ✓ examined the results of the quality controls carried out in 2018 on the activities of the Group Internal Audit organisational unit, together with the new Quality Plan for 2019;
- ✓ discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (pursuant to Art. 15 of Consob's Market Regulation no. 20249/2017<sup>1</sup>), and noted that the administration and accounting system responsible for the Financial Reporting process functions effectively and that it essentially meets the requirements of Art. 15, and therefore no special plan to bring it into compliance is needed;
- ✓ examined the method adopted to conduct impairment tests with the support of the CFO;
- ✓ met the Chief Risk Officer, discussing the Company's main risks and scheduling the work to do during 2018, as well as the main risks associated with the issues being dealt with in non-financial reporting;
- ✓ read the Whistleblowing Committee's reports of its work;
- ✓ held periodic meetings with the Independent Auditors;
- ✓ met the Data Protection Officer in order to examine the progress of the activities implemented by the Company by virtue of the new European regulations on privacy;
- ✓ analysed in advance, for the aspects concerned, the control safeguards envisaged in the Company's new Procedure about confidential and inside information (approved by the Board of Directors on 13 December 2018);
- ✓ analysed in advance, for the aspects it was concerned with, the changes made by the Company to the Code of Internal Dealing (updated by the Board of Directors on 13 December 2018);
- ✓ examined – in agreement with the Nomination, Governance and Sustainability Committee - the Company's Sustainability Report that includes the Non-Financial Declaration under Legislative Decree no. 254/16 and, in particular, the main related risks and the methods to manage them, evaluating, together with said Committee, its consistency with the Group's Industrial Plan;
- ✓ examined the changes applied to the Company's Organisational, Management and Control Model as per Legislative Decree no. 231/01;
- ✓ examined the changes made to the "Whistleblowing Management Guidelines" of the Company;
- ✓ received periodical updates on the main disputes of the Group and on the possible accounting effects for the purposes of complying with the requirements related to the preparation of the Annual Financial Report and of the Half-year Financial Report;
- ✓ reported on its work to the Board of Directors every six months.

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<sup>1</sup> Formerly Art. 36 of Market Regulation no. 16191/2007, fully replaced by the new Regulation approved by Consob Resolution no. 20249 of 28 December 2017 and in force from 3 January 2018.

The Committee also reviewed the preparation of the Half-year Report and the Annual Financial Report, meeting with the Independent Auditing Firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, the Committee assessed the adequacy of the accounting standards used and their uniformity for the purposes of preparing the Annual and Half-Year Reports.

As regards the functions performed in the capacity as Committee for Related Parties Transactions, the Committee receives, during the financial year, periodic and structured flows of information concerning in particular the Transactions of Greater Importance regulated by the Board Procedure, the execution of the Transactions of Greater Importance which have been exempted under the provisions for Ordinary Transactions concluded on conditions equivalent to market or standard terms and information regarding particularly significant Transactions.

## **10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Rules of Procedure of the Board of Directors and of the Control and Risks Committee adopt the provisions laid down in the Code in relation to the internal control and risk management system, taken as the combination of rules, procedures and organisational structures whose purpose is the identification, measurement, management and monitoring of the main risks.

The system outlined in this manner provides, in short, for the Board of Directors to play a general role of guidance and assessment of the adequacy of said system; specifically, subject to the opinion of the Control and Risks Committee, the Board of Directors:

- a) defines the guidelines for the internal control and risk management system, so that the main risks involving the Company and its subsidiaries are correctly identified, as well as satisfactorily measured, managed and monitored, also defining the degree of compatibility of these risks with a management of the enterprise consistent with the identified strategic objectives;
- b) assesses, at least on an annual basis, the adequacy of the internal control and risk management system (also concerning those risks that may be relevant to the medium- and long-term sustainability) with respect to the characteristics of the enterprise and to the assumed risk profile, as well as its efficiency; the results of this assessment are disclosed in the Corporate Governance Report on an annual basis;
- c) approves, at least on an annual basis, the work plan prepared by the Chief Audit Executive (Head of the Group Internal Audit organisational unit), after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- d) assesses, after having heard the Board of Statutory Auditors, the results presented by the independent auditors in the letter of recommendations (if any) and in the report on the main issues that arose at the time of the statutory audit of accounts;

- e) appoints and dismisses the Chief Audit Executive, sets the related remuneration in line with the corporate policies and ensures that the same is provided with the resources to perform the related duties.

In this regard, the Board of Directors, with reference to the activities referred to in the aforesaid points a), and b) and subject to the favourable opinion of the Control and Risks Committee issued on 12 March 2019, took steps - in its meeting held on 13 March 2019 - to approve the “Guidelines for the internal control and risk management system”, as well as to assess the adequacy of the same with respect to the characteristics of the enterprise and to the risk profile, after the periodic definition of the risk nature and level compatible with the Company’s strategy objectives. As regards the activities referred to in point c) above, the Board of Directors took steps – in the meeting held on 13 March 2019 - to approve the Audit Plan, subject to a favourable opinion given by the Control and Risks Committee on 12 March 2019 and after having heard the Board of Statutory Auditors, as well as the Director in charge of the internal control and risk management system. Specifically, in this regard, the Board of Directors of Leonardo approved the Company’s 2019 Audit Plan and acknowledged the 2019 Aggregated Audit Plan of the Leonardo Group.

In line with the guidelines laid down in the Corporate Governance Code, the Board of Directors took steps, on a proposal by the Director responsible for the internal control and risk management system, subject to a favourable opinion given by the Control and Risks Committee and having heard the Board of Statutory Auditors, to appoint Mr Marco Di Capua as the Chief Audit Executive of Leonardo, setting his remuneration in line with the corporate policies and ensuring the resources to perform his duties.

In addition to the Board of Directors and to the Control and Risks Committee, the main persons involved in Leonardo’s internal control and risk management systems are:

- Director in charge of the internal control and risk management system;
- Chief Audit Executive (Head of the Group Internal Audit organisational unit);
- Head of the Risk Management organisational unit;
- Officer in charge of financial reporting pursuant to Law 262/05;
- Surveillance Body formed as per Legislative Decree 231 /2001;
- Board of Statutory Auditors.

For a brief picture of any criminal proceedings that are currently pending against Leonardo S.p.a. for various reasons or which have come to its attention because they involved subsidiary companies, with specific regard to the events that occurred in 2018 and in early 2019, reference is made to the specific disclosures provided in the notes to the financial statements (see paragraph “Provisions for risks and charges and contingent liabilities”) of the 2018 Annual Financial Report, which can be found in the Investors section of the Company’s website.



In the course of 2018, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to the proceedings brought by the Judicial Authority, involving the subsidiary companies for various reasons.

The Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee and the Surveillance Body of Leonardo were kept duly informed about said events.

As already pointed out, the Board of Directors confirmed the evaluation of the suitability of the organisational, administrative and accounting structure of the Company, as well as of any subsidiaries having strategic importance, with specific reference to the internal control and risk management system.

Furthermore, it should be noted that the Company continued the complex and detailed process of reviewing its internal rules, in the framework of the final implementation of the plan to structure it into Divisions.

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#### *“Project Intangibles”*

With reference to the information already provided in the previous Reports on Corporate Governance, following the resolutions passed by the Board of Directors of Leonardo on 7 March and 15 April 2013, Deloitte Financial Advisory S.r.l. (hereinafter the “Advisor”) was appointed to conduct an audit of some expenditure items concerning intangible assets, which had been incurred by the operating companies for procurement from third parties between 2010 and 2012. Specifically, the audit concerned any expense incurred for commercial brokerage and agency services, consultancy advice, engineering and software.

Given the complexity of the Group structure and the number of sectors in which it operates, the audit work concerned, in an initial stage, the Italian and European companies operating in the business areas of aeronautics, space and defence systems.

In January 2016, at the end of the transaction review and of a subsequent phase of confrontation with the then operating companies, the Advisor submitted its conclusions to the Company, by classifying the transactions under examination by their nature and type of findings noted.

Subsequently, a Working Group was established to assess these findings. The Working Group’s conclusions were submitted to the Company’s Board of Directors. Where it was possible to take action, the measures to take were decided on and instructions were given to the competent organisational units. It was also seen that the Company rules subsequently laid down by Leonardo and the organisational decisions that were made have strengthened the system of safeguards against the risks pinpointed by Deloitte.

October 2016 saw the start of the second phase of the project, which involved the business areas of helicopters and defence electronics, security and information systems, airborne and space systems. In the light of the experience gained and the main issues observed during the first phase, the second module focused on transactions related to commercial promotion and consulting contracts, related to the same period of the first phase of the project (2010-2012).

In February 2018 the Advisor submitted its final reports, showing the results achieved, by classifying the transactions under examination, as in the first module, by their nature and type of findings noted. The aforesaid reports were forwarded by the Chief Executive Officer to the Working Group which had been set up, as in the first phase of the project, to assess the findings and consider whether any action should be taken. The Working Group will conclude its analyses within the first half of 2019.

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Finally, paragraph 15 below should be referred to for information on the additional organisational measures and Corporate Governance strengthening initiatives which the Company put in hand, including the **whistleblowing** rules (“**Whistleblowing Management Guidelines**”) that it has adopted in order to ensure the effectiveness of the internal system for reporting irregularities, in line with national and international best practices, as well as the instructions provided, with specific reference to the company belonging to the FTSE-MIB index, in the Corporate Governance Code.

#### **10.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE PROCESS OF FINANCIAL REPORTING**

The Internal Control over Financial Reporting (hereinafter ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Leonardo, there is a specific internal audit system governing the financial reporting process that has been defined in accordance with the principles issued by the Committee of Sponsoring Organisations (CoSO Report) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT). The abovementioned internal control system is made up of an organic and complete set of administrative and accounting procedures (narratives) which clearly define the corporate processes that have direct or indirect accounting effects on the accounts and on any other financial reports, describing the activities, the controls, the roles and the responsibilities, as well as the information and documentary flows in support of the creating process of the financial reporting.

Moreover, a specific component to manage the risks of fraud is integrated into ICFR. In particular, the administrative and accounting procedures are updated, including an additional set of anti-fraud

controls and additions to the already existing controls, in accordance with the provisions under Auditing Standard no. 5 “An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements”, issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the Financial Statements or of misappropriating the corporate assets. These antifraud checks are tested within the framework of usual monitoring activities according to the plan defined by the Officer in Charge of Financial Reporting. In addition, the Officer in Charge of Financial Reporting starts further specific monitoring aimed at reporting intentional and unintentional errors or significant deficiencies in the ICFR system.

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As a whole, the management of the ICFR system developed by Leonardo features the following general stages:

- **Risk identification and assessment**

The risk assessment (Financial Risk Assessment) is the set of activities aimed at identifying and assessing any actions or events, whose occurrence or absence may compromise, in whole or in part, the achievement of the ICFR objectives and, specifically, the reliability of financial reporting. Within the framework of risk assessment, particular attention is paid to the fraud risk assessment, identifying and assessing any conditions (risk factors) that could increase the risk of frauds within the Company.

Risks identification and assessment are identified by considering the likelihood that an event will occur and its potential impact on the Financial Statement items, without taking account, from a prudential perspective, of the existence of controls aimed at reducing the risk to acceptable levels.

- **Assessment of the adequacy of related control**

On the basis of analyses of potential (Financial and Fraud) risks, control measures have been identified which are aimed at mitigating the same. The adequacy of the control measures is assessed on the basis of their ability to reduce risks, with reasonable certainty, to acceptable levels.

The defined controls are attributable to the following macro-types:

- Process Level Controls;
- Entity-Level Controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- IT General Controls (ITGC).

- **Check the operations of the internal control system and specific monitoring**

In order to check and ensure the operations of the system for internal control on financial reporting, specific testing and monitoring activities are expected to be carried out by independent third parties (Group Internal Audit).

The test plan defined by the Officer in Charge of Financial Reporting provides for checks to be carried out, on a turnover basis, on all the control components of the ICFR system of Leonardo; specifically:

- any controls that are considered to be “key” tests as defined in the descriptions are tested on an annual basis;
- the correct segregation of incompatible roles (SoD Segregation of Duties) is tested on an annual basis;
- ITGC components that are considered to be necessary to ensure adequate control over applications and the infrastructure are tested on an annual basis; ITGC components that are not subject to systematic changes, as they pertain to structural aspects of the company (e.g. organisation, policy, etc.), are tested on a quarterly basis, on a turnover basis, and in any case, on the occasion of significant changes;
- audits on Entity-Level Controls, i.e. controls performed across the Company and form the internal control system, are conducted on an annual and rotation basis, and in any case on the occasion of significant changes.

Furthermore, to integrate the control model, specific monitoring activities are envisaged which are aimed at reporting the existence of possible intentional and unintentional errors and/or significant deficiencies in the ICFR system (so-called Detection Audit). This activity is carried out on a turnover basis according to a “Top-down-risk based” approach, which allows the application of controls starting from any areas at highest risk; furthermore, the activity is also carried out in relation to specific events, including, but not limited to, organisational changes or reports, such as to presuppose the presence of fraudulent acts or significant deficiencies.

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The responsibilities for establishing and maintaining the ICFR, on the whole, are governed and distributed throughout the organisation. In particular, Leonardo’s model currently calls for the involvement of the following corporate positions:

- **Governing body to which authority has been delegated.** This refers to the Chief Executive Officer.
- **Officer in charge of financial reporting.** Reference is made to paragraph 10.6 below.
- **Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent.** To comply with Law no. 262/2005, within the major companies of the Group, the Boards of Directors, after having heard the opinion of the Officer in Charge of Financial

Reporting of Leonardo and of the Board of Statutory Auditors of the company concerned, have appointed a Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent, with the task of supporting the Officer in charge of Financial Reporting of Leonardo in the performance of the relevant duties.

The Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent has the following duties:

- developing and updating for each Group company administrative and accounting procedures (narratives), on the basis of the instructions received from the Officer in charge of financial reporting of Leonardo, underlying the financial reporting process in order to ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim Financial Statements and is in line with the actual operations of the company concerned;
  - defining and implementing any plans for improvement;
  - attesting, with respect to the Officer in charge of financial reporting of Leonardo, together with the Delegated Governing Body of the relevant Company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.
- **Group Internal Audit Organisational Unit of Leonardo S.p.a.** The Officer in charge of financial reporting has entrusted the Group Internal Audit organisational unit with responsibility for “independently” assessing the functioning of the ICFR. The Group Internal Audit organisational unit, through its Financial Audit organisational unit, conducts tests of the actual application of the administrative and accounting procedures in place within the Group, based on indications provided by the Officer in charge of financial reporting. These tests are conducted through a specific working group operational plan which also lays down their methods, procedures and timing to conduct tests in order to establish whether the controls are functioning effectively. The results of the tests conducted for each Division and Group company falling within the scope of application of Law no. 262/2005 are submitted to the Company’s Management, which promptly defines adequate plans of action relating to any possible area for improvement. The Group Internal Audit organisational unit provides the results and related plans of action to the Officer in charge of Financial Reporting in order to allow him to conduct an overall assessment of the adequacy and actual application of the administrative and accounting procedures followed in preparing the separate Financial Statements, the condensed half-year Financial Report, and the consolidated Financial Statements, for the purposes of the issue of the certifications prescribed by Law.

Within the plan to monitor the 2018 Financial Statements, Leonardo conducted both testing of antifraud controls and specific monitoring activities on the process of “Fixed Asset management” (focusing on the related measurement and amortisation/depreciation), in relation to its own Divisions

and Group companies that fall within the scope of application of Law no. 262/2005. Furthermore, some controls were carried out at Company level in order to monitor the internal control area (Entity Level Control / IT General Control).

It should be noted that the implementation of new division-based Organisational and Operational Model led to a new corporate structure<sup>2</sup>. In consideration of the new organizational structure, consisting of Divisions, the Governance structure centralises the system of guidance and control and at the same decentralises business management to the Divisions.

Therefore, with reference to the new perimeter of the Leonardo Group Companies, tests were conducted on about 1,980 controls, divided in detail among the following components of the ICFR:

- 1,210 controls at process level, as defined in the narratives (the so-called Process Level Control);
- 680 controls relating to the operation and management of IT systems (the so-called IT General Control);
- 87 controls at “Entity” level in relation to the structure and organisation of the individual companies (the so-called Entity Level Control);
- specific checks on compliance with rules governing the correct segregation of roles and duties (SoD) with regard to the IT systems concerning the ICFR control system.

The tests have confirmed the efficacy of the controls, while, in the case of ineffective controls, they confirmed the overall efficacy of the procedures in place to monitor the risk areas under examination, thanks to the existence and operation of compensating controls and/or the performance of substantive testing.

With reference to the specific monitoring activities within the process of “Fixed Asset Management” (focusing on the related measurement and amortisation/depreciation) for Leonardo Global Solutions S.p.A., Leonardo MW Ltd., Agusta Westland Philadelphia Corporation, PZL-Świdnik S.A. and the Corporate, Helicopters, Security & Information Systems, Land & Naval Defence Electronics, Airborne & Space Systems, Aircraft, Aerostructures and Defence Systems Divisions, the controls provide for the following operating macro-phases:

- *Analysis and Mapping:*
  - preliminary analysis of available documentation and of macro-phases in scope, as well as the identification of IT systems in support of the process to be analysed, in order to identify the information set in relation to which the subsequent analyses must be carried out.
- *Scoping and data processing:*
  - the definition of analyses and correlations to be used for processing data and for extrapolating inconsistencies/potential anomalies (if any);

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<sup>2</sup> All the Group's activities in the core sectors of Aerospace, Defence and Security (A,D&S) are concentrated in Leonardo.

- the application of risk indicators (Key Risk Indicators) to the database identified during the mapping phase and made up of the process transactions recorded in the IT systems in the period under consideration; these indicators have been developed on the basis of the fraud patterns identified within the Fraud Risk Assessment.
- *Test:*
  - the analysis of any anomalies identified after the scoping phase and data processing, in order to identify the so-called “False Positives”, if any, (justified exceptions) and/or evident errors;
  - performance of tests for any anomalies in relation to which additional analyses have been considered necessary.
- *Reporting:*
  - the presentation of results to the process owners and preparation of the final report for the Officer in charge of Financial Reporting.

January 2019 saw the completion of the specific monitoring activities on the “Fixed Asset Management” process (with focus on the related measurement and amortisation/depreciation) together with the presentation of the related results.

## **10.2. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

As required by the Rules of Procedure of the Board of Directors, the Chief Executive Officer also holds the position of Director in charge of the internal control and risk management system, which is responsible for the implementation and maintenance of an effective system.

In particular, the same Director:

- a) identifies the main corporate risks, in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;
- b) implements the guidelines defined by the Board and takes care of the planning, creation and management of the internal control and risk management system, constantly verifying its overall adequacy, efficacy and efficiency;
- c) sees that the system is adjusted in response to changes in operational conditions and the legislative and regulatory framework;
- d) may ask the Group Internal Audit organisational unit to carry out controls on specific operating areas and to check for compliance with internal rules and procedures in performing business operations, at the same time giving notice thereof to the Chairman of the Board, the Chairman of the Control and Risks Committee and to the Chairman of the Board of Statutory Auditors;
- e) promptly reports to the Control and Risks Committee or to the entire Board as to problems and critical issues arisen in performing his duties or of which he has become aware, so that the Committee or the Board may take any appropriate actions.

The Director in charge of the internal control and risk management system (SCIGR) of Leonardo S.p.a. prepared the identification of the main corporate risks on which basis the Board of Directors, upon favourable opinion of the Control and Risks Committee, defined the “Guidelines for the internal control and risk management system”. Through a risk assessment process, the risk owners, with the support of the Risk Management organisational units, identified, assessed and treated business risks, as well as determined the corresponding degree of coverage.

The “Guidelines for the internal control and risk management system” expressly report:

- i) the methodological tools for the identification, measurement, management and monitoring of the main risks;
- ii) the process aimed at identifying, assessing and managing the Leonardo Group’s risks, divided based on their related type as follows:
  - 1) Compliance risks: arising from the performance of ordinary business operations, which relate to the failure by the business activities to comply with the relevant contractual clauses, laws, regulations and rules; this non-compliance may cause the company to incur administrative and criminal sanctions, as well as to affect the company’s image and its operations themselves.
  - 2) Strategic risks: affecting the degree of success of the Company’s strategies, the processes’ ability to achieve the objectives defined by Top Management and the Company’s image.
  - 3) Operating risks: concerning ordinary business operations, which affect the efficacy and efficiency of the various corporate areas / processes.
  - 4) Financial risks: arising from the performance of ordinary business operations, which affect economic and financial figures within the management of accounting and reporting, taxation, cash and credit.
  - 5) Project risks: a substantial part of the Group’s transactions consists of medium- and long-term contracts for the supply of products and services; the aforesaid risks expose it to lower profits or losses in addition to liability to customers for delays in performance or non-compliance with contractual requirements.

The Management of the Leonardo Group’s companies assesses the risks, considering the impact and the probability of their occurrence, and using qualitative and quantitative techniques.

### 10.3. CHIEF AUDIT EXECUTIVE

The Board of Directors has taken steps to appoint Marco Di Capua as the Chief Audit Executive of Leonardo. The appointment was made on a proposal by the Director responsible for the internal control



and risk management system, subject to the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors.

The Board of Directors ensures that the Head of the Group Internal Audit organisational unit (Chief Audit Executive), appointed to verify that the internal control and risk management system is operational and adequate, is provided with adequate resources to fulfil his responsibilities and defines his fees, in accordance with the Company's policies, as well as with the duties assigned to the same. Again at the proposal of the Director responsible for the system, the Board, after having obtained the favourable opinion of the Control and Risks Committee and heard the Board of Statutory Auditors, therefore defined the related remuneration on the basis of their specific responsibilities, in compliance with the policy guidelines adopted by the Company.

The Group Internal Audit organisational unit has the responsibility for supporting the Board of Directors, the Director in charge of the internal control and risk management system, the Control and Risks Committee and the Board of Statutory Auditors of Leonardo S.p.a., as well as the Boards of Directors and Boards of Statutory Auditors of the Group Companies not included in the divisional perimeter, in making assessments of the adequacy and effectiveness of the functioning of the internal control and risk management system of the Leonardo Group. This organisational unit is also responsible for assisting the Officer in charge of Financial Reporting in the performance of his duties and the Surveillance Body of Leonardo S.p.a. (as well as the Surveillance Bodies of the Group Companies not included in the divisional perimeter) in carrying out its work of verifying the functioning of the Organisational, Management and Control Model as per Legislative Decree 231/2001 in accordance with the instructions it receives from the Officer and the Body.

Specifically, as specified in the Rules of Procedure, the Chief Audit Executive:

- a) checks, both on an on-going basis and in relation to specific needs and in accordance with international standards, the operations and suitability of the internal control and risk management system, through an Audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
- b) he is not responsible for any operating area and reports to the Board of Directors and, through the same, to the Chairman, or, should the latter be granted delegated operating powers, to the Control and Risks Committee and, through it, to its Chairman;
- c) he has direct access to all useful information to perform his duties;
- d) he prepares any periodic reports containing adequate information on his activity, on the procedures according to which the risk management is carried out, as well as on the compliance with any plans defined to limit them; the periodical reports contain an assessment of the suitability of the internal control and risk management system;
- e) he promptly prepares reports on events of particular importance;

- f) he forwards the reports referred to in points d) and e) to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- g) he checks, within the framework of the Audit plan, for the reliability of the IT systems, including accounting systems.

In 2018 and in the first months of the current year, the Chief Audit Executive coordinated the following main activities:

- performing audits and monitoring the action plans deriving from previous controls, at Leonardo and at the companies that fall within the scope of the consolidation, on the basis of the aggregate 2018 Audit Plan;
- performing special audits concerning both Leonardo and its subsidiaries;
- presentation of the Quality Assurance Plan of the Group Internal Audit organisational unit and of the related Report concerning the activities carried out in 2018;
- performing tests and Detection Audit activities for the purposes of compliance with Law no. 262/2005 at Leonardo and at the companies falling within the perimeter, on behalf of the Officer in Charge of Financial Reporting;
- providing support to control and surveillance Bodies and, specifically as regards the Surveillance Body of Leonardo, and performing checks included in the Company's Audit Plan, on the basis of the specific mandate received;
- participating in the meetings of the Surveillance Body and of the Coordinating and Consultative Body for the prevention of corruption (see para. 15 below), while the Secretary's office work is the responsibility of the internal staff of the Group Internal Audit organisational unit. In this regard, it should be noted that the Board of Directors' Meeting of 17 December 2015 appointed the Chief Audit Executive as a temporary regular member of the Surveillance Body in order to make up the Board's numbers;
- participating in the Steering Committee in order to update the Organisational, Management and Control Model of Leonardo as per Legislative Decree no. 231/2001;
- participating in the meetings of the Whistleblowing Committee, as a regular member, where the Secretariat of the Committee is composed of internal resources of the Group Internal Audit organisational unit, as well as performing verifications required by the Committee.

The Chief Audit Executive, in order to carry out his duties, has financial resources included in the Group Internal Audit organisational unit's budget, which is annually submitted to the Control and Risks Committee and to the Board of Directors.

#### 10.4. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231/01

Legislative Decree no. 231/2001 introduced, into the Italian legal system, a regime of administrative liability against Entities, for certain types of offences committed in the interests or to the benefit of the same. The Company has adopted appropriate measures to prevent it from incurring any criminal liability through the establishment of specific regulatory systems aimed at preventing the commission of any offences contemplated by this Decree on the part of Directors, Statutory Auditors, management, employees, collaborators, or any other party having relationships of any nature with Leonardo S.p.a., either with or without valuable consideration.

On 12 November 2003, the Board of Directors of the Company adopted its own **Organisational, Management and Control Model as per Legislative Decree 231/01** (hereinafter also referred to as the “Organisational Model”), as updated by resolutions of 26 July 2007, 25 June 2009, 16 December 2010, 31 July 2012, 15 April 2013, 30 July 2015, 17 December 2015 and 8 November 2018.

The current Organisational Model, updated following the recent regulatory amendments concerning Legislative Decree 231/01 occurred in 2018, is made up of a “General Section” and ten “Special Sections”.

The “General Section” essentially deals with:

- 1) the Surveillance Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
- 2) staff training and the circulation of the Organisational, Management and Control Model within and outside the Company;
- 3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- 4) updating and review of the Organisational Model.

The Organisational, Management and Control Model as per Legislative Decree no. 231/2001 can be found on the Company’s website in the specific Ethics and Compliance area.

The **Surveillance Body of Leonardo S.p.a.** is currently made up of four external professionals, Enrico Raffaele Squitieri (Chairman and external member from 9 November 2017, replacing the resigning member Enrico Laghi), Angelo Carmona, Angelo Piazza and Saverio Ruperto, as well as of two internal members, the Group General Counsel Andrea Parrella and the Chief Audit Executive Marco Di Capua.

The duties, activities and functioning of this Body are governed by specific By-Laws, which were approved by the Board of Directors of Leonardo S.p.a. on 15 December 2005 and finally updated on 17 December 2015. The By-Laws entrust the Surveillance Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational, Management and Control

Model as per Legislative Decree no. 231/2001. Within these tasks, among other things, the Surveillance Body holds periodical hearings to hear the Managers responsible for potential areas at risk of offences pursuant to Legislative Decree no. 231/2001, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the top management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. Moreover, Surveillance Body receives reports (if any) about breach of the Organisational Model on the part of company representatives or third parties.

The Surveillance Body has adopted its own internal rules.

### **10.5 INDEPENDENT AUDITING FIRM**

On 16 May 2012 the Shareholders' Meeting appointed KPMG SpA to audit the accounts during the period from 2012 to 2020.

The firm's appointment, therefore, will terminate at the time of the approval of the Financial Statements for 2020.

The appointment envisages the Independent Auditing Firm carrying out the following activities:

- auditing of the Separate Financial Statements of Leonardo S.p.a.;
- statutory audit of the Consolidated Financial Statements of Leonardo S.p.a.;
- review of the condensed consolidated Half-year Financial Report of Leonardo S.p.a.;
- periodical reviews of regular book-keeping;
- establishing whether the directors have prepared the non-financial Declaration (Art. 3, paragraph 10, of Legislative Decree no. 254/2016); again as regards this Declaration, the Company has specifically appointed the Audit Firm KPMG, in accordance with the abovementioned Decree, to issue the declaration attesting that the information provided in the Declaration complies with the provisions laid down in the Decree and the statutory principles, methods and procedures.

### **10.6. OFFICER IN CHARGE OF FINANCIAL REPORTING AND OTHER CORPORATE ROLES AND ORGANISATIONAL UNITS**

#### **Officer in charge of financial reporting**

In accordance with Art. 154-bis of the Consolidated Law on Financial Intermediation and Arts. 25.4 and 25.5 of the Company's By-Laws, the Company's Board of Directors held on 9 November 2017 appointed Alessandra Genco (Chief Financial Officer of the Company) as the Officer in charge of financial reporting.

The company By-Laws envisages that the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose

mandate expires at the same time as the term of office of the Board of Directors that has designated him/her.

The choice of an executive for this position is made from among persons who, for a period of at least three years:

- a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or
- b) have had legal powers of control over the accounts of companies such as those specified in letter a),  
or
- c) have been professionals or full university professors in financial or accounting matters; or
- d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the By-Laws, the Officer in charge of financial reporting must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with her appointment by the Board of Directors, Alessandra Genco has been formally vested, in addition to the powers conferred on her as Chief Financial Officer of the Company, with all the powers necessary for the correct performance of the duties required by law.

The Officer in charge of financial reporting releases the certification required by Art. 154-*bis*, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chief Executive Officer, the attestation under Art. 154-*bis*, paragraph 5 of the Consolidated Law on Financial Intermediation.

Below are the **corporate roles and organisational units** which are specifically involved in the internal control and risk management system, in addition to the above described Group Internal Audit organisational unit (para. 10.3).

- the **Compliance Organisational Unit** (established within the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit), which is responsible, in particular, for: directing and coordinating initiatives and issues concerning the Trade Compliance and Business Compliance areas, also through the preparation and updating of the relevant documents concerning the internal regulatory system (Directives, Procedures, Policies, etc.) and the organisation of training sessions, in agreement with the competent central functions, so as to ensure an adequate control of legal risks in order to prevent behaviours that do not conform to the norms; ensuring the necessary support for Trade Compliance issues and supervising the implementation of the Group's Trade Compliance Program; ensuring any due diligence activities and the necessary audits for reputational, financial and other aspects, with reference to consultants and business promoters, while providing assistance in the preparation of any related contracts; carrying out due diligence

procedures, also with the assistance of external service providers, relating to M&A transactions, other strategic arrangements or arrangements with sensitive parties, service stations, training centres, distributors, still at the prior request of the relevant corporate functions and in coordination with the latter, identifying the possible measures to mitigate emerging risks, while ensuring a check on any possible connection with the relevant business compliance area; providing adequate information flows concerning Compliance to the benefit of the Top Management, the corporate bodies and the Managers responsible for corporate units, reporting to the Control and Risks Committee and to the Board of Statutory Auditors on a periodical basis.

- the **Criminal Law, Ethics & Integrity Organisational Unit** (established within the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit), which is responsible for providing specialist support, legal representation and defence during criminal proceedings, in order to provide the Group with the best legal protection of its interests, for ensuring specialist support in applying and updating the Model under Legislative Decree no. 231/2001, as well as for defining the Company's anti-corruption policies (ethical business conduct) and providing assistance in relation to the regulations applied in the countries where the Group operates.
- the **Anti-corruption Organisational Unit** (established within the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit), aimed at supervising the compliance of the anti-corruption system of Leonardo S.p.a. with ISO 37001 (Anti-Bribery Management Systems Standard).
- the **Risk Management Organisational Unit**: the central organisational unit is responsible for supporting the Top Management in monitoring the activities relating to the management of corporate risks, in accordance with the national and international standards and best practices. The abovementioned organisational unit was established at the end of 2014 with the aim of strengthening the Group's Governance, as well as ensuring the definition, upgrading and circulation of methods, metrics and tools for a correct risk identification, analysis, measurement, treatment and monitoring. The central Risk Management organisational unit coordinates the various Risk Management units established within the Operating Companies/Divisions, which provide operational support to the Risk owners of the business lines in the risk management process. The central unit also operates in close relationship with any other competent units of the Parent Company in the risk management process, in order to carry out an efficient and coordinated monitoring of any and all areas and types of (strategic, financial, legal, contractual, compliance, project) risks.

## 10.7. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As required by the Code, in order to maximise efficiency of the internal control and risk management system and to reduce any duplication of activity, specific procedures were set out for the coordination between the various persons involved. In particular:

- the Board of Statutory Auditors and the Chief Audit Executive regularly participate in the Control and Risks Committee's meetings;
- the Control and Risks Committee reports to the Board of Directors at least on a six-monthly basis – in any case, on the occasion of the approval of the draft Annual Financial Statements and of the Half-year Financial Report – on the activity carried out, as well as on the adequacy of the internal control and risk management system. Moreover, as reported in paragraph 9 above, the Chairman of the Committee informs the Board on the meetings and resolutions made at the first possible meeting of the Board;
- the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body hold joint meetings on themes of common interest and to share information on the work done during the year;
- the Board of Statutory Auditors holds periodic meetings in particular with the Surveillance Body, the Officer in charge of Financial Reporting, the Chief Audit Executive and any other corporate functions with specific duties concerning the internal control and risk management system;
- the Risk Management organisational unit works in close collaboration with the other competent Leonardo units in order to oversee all risk areas in an effective and coordinated manner.

The internal Procedure for the management of information flows with corporate bodies (para. 4.4.) lays down operating methods which ensure that the various bodies involved are coordinated as necessary, that the information provided for internal control managers is prompt and complete and that the system works as efficiently as possible, also through reducing duplication of work.

## 11. BOARD OF STATUTORY AUDITORS

### 11.1. APPOINTMENT

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. The provisions of the By-Laws governing the election of the Board of Statutory Auditors (section 28.3) provides for the deadlines and methods for filing and publishing lists, as well as the related documentation, in compliance with the regulations in force.

The abovementioned provision currently requires that the list of candidates presented by Shareholders, together with related supporting documentation, be deposited at the Company's registered office at

least 25 days prior to the date set for the first convocation of the Shareholders' Meeting and must be published by the Company at least 21 days prior to the Meeting, always on first call, in accordance with applicable law. Lists may be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders' Meetings (or holding lower percentages envisaged by applicable laws or regulations).

As already noted that with regard to the appointment of the Board, the minimum shareholding required to present a list of candidates for the election of Leonardo's administration and control bodies was confirmed by Consob (with Decision no. 13 of 24 January 2019) at 1%, percentage envisaged in the Company's By-Laws.

The Board of Statutory Auditors is appointed based on lists submitted by the Shareholders according to specific procedures described in Art. 28.3 of the By-Laws, aimed at ensuring the election of two regular members and one alternate member on the part of the minority list. The Chairman of the Board of Statutory Auditors is appointed by the Meeting from among the Statutory Auditors elected from the minority list pursuant to Art. 148, para. 2-bis, of Legislative Decree no. 58/98, as well as to section 28.3, second-last paragraph, of the Company's By-Laws.

Each list, in which candidates are listed in consecutive order, is divided into two sub-lists: one list for candidates to the position of regular Auditor and the other list for candidates to the position of alternate Auditor. At least the first candidate in each sub-list must be registered with the Register of Auditors and must have been performing statutory audits of accounts for a period of no less than three years.

The members of the Board of Statutory Auditors shall be appointed as follows:

- a) three regular Auditors and one alternate Auditor will be taken from the list that receives the majority of votes cast, in the consecutive order in which they appear in the list;
- b) two regular Auditors and one alternate Auditor will be taken from minority lists; to this end, votes obtained by the lists are subsequently divided by one and by two according to the consecutive order in which the candidates were listed.

The scores thus obtained shall be allocated to the candidates of each of said lists, according to the order of the lists as respectively envisaged. The scores thus assigned to the candidates of the various lists will be reported in a single decreasing order. Those who have obtained the highest scores will be elected. In the event that more than one candidate has obtained the same score, the candidate from the list which has not yet elected any regular Auditor shall be elected.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire Meeting and the candidate with the majority of votes will be elected.

In the event of the replacement of a regular Auditor elected from the majority list, the alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the regular



Auditor elected from the minority list, the alternate Auditor elected from the same minority list takes his place.

The new members of the Board, pursuant to Art. 2401 of the Italian Civil Code, shall be appointed by the Meeting from among the candidates in the same list of the Auditor who has ceased to hold office. In the event that, for whatever reason, the appointment of one or more regular Auditors or alternate Auditors or the integration of the Board of Statutory Auditors cannot be made as required above, the Meeting shall resolve with the majorities prescribed by law, in compliance with the principle of the representation of minorities.

Section 28.1 of the Company's By-Laws also requires at least two of the regular Auditors and at least one of the alternate Auditors to be chosen from Registered Auditors of Accounts with at least three years of auditing experience.

Auditors that do not satisfy this requirement must have at least three-year experience:

- a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
- b) as professionals or full university professors in legal, economic, financial or technical and scientific matters *closely connected with* the Company's activities; or
- c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors *closely connected with* the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Furthermore, persons who serve as Statutory Auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as regular Auditors.

Furthermore, all the members of the Board of Statutory Auditors must meet the independence requirements laid down for Statutory Auditors in the current regulations. In this regard, the Company (as also reported in relation to the appointment of the Directors) expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates, their eligibility to be qualified as "independent" directors, on the basis of the criteria laid down for Directors in Art. 3 of the Code.

In accordance with the provisions under Law no. 120/2011 governing gender equality (as already reported regarding the appointment of Directors) pursuant to Arts. 28.3 and 28.3*bis* of the Company's By-Laws currently at least 1/3 of the statutory auditors must represent the under-represented gender.

Therefore, any lists that, considering both the sub-list of regular Auditors and that of alternate members, present a number of candidates equal or higher than three, must include, in the sub-list of regular Auditors, candidates of different gender so as to ensure a composition of the Board in compliance with the abovementioned regulations. In the event that the sub-list of alternate Auditors from said lists indicates two candidates, they must belong to different genders.

The provisions described above apply, for three consecutive terms of office, starting from the first renewal of the Board of Statutory Auditors after 12 August 2012 (section 34.1 of the Company's By-Laws).

The portion of the less represented gender in the Board of Statutory Auditors serving at present, appointed in the Meeting of 15 May 2018, is one-third of the members. As regards the new and most recent recommendations of the Corporate Governance Code as for the application of diversity criteria – also in relation to genders – to the composition of the control bodies, reference should be made to specific information in para. 12 of this Report.

Finally, at its meeting on 20 February 2019, the Board of Statutory Auditors in its capacity as Internal Control and Auditing Committee considered that it met the professional requirements, pursuant to the new provisions laid down in Art. 19 of Legislative Decree no. 39/2010 (as amended by Legislative Decree no. 135/2016) on the basis of which “The members of the Internal Control and Auditing Committee, as a whole, are competent in the sector in which the entity undergoing the audit operates”.

#### 11.2 COMPOSITION AND FUNCTIONING (Art. 123-bis, para. 2, lett. d), TUF)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 15 May 2018 for the 2018-2020 term. Moreover, during the same Meeting Mr Riccardo Raul Bauer was appointed Chairman of the Board of Statutory Auditors, from among the regular statutory auditors elected from the minority list (pursuant to Art. 148, para. 2-bis of TUF).

Subsequently, Mr Bauer resigned – for personal reasons – as regular auditor and Chairman of this control body, as from the end of the Meeting of the Board of Directors held on 8 November 2018.

On the same date, pursuant to the current law and By-Laws provisions, Mr Luca Rossi was appointed Regular Statutory Auditor and Chairman of the Board of Statutory Auditors – until the next Meeting – who had been an Alternate Auditor appointed by the mentioned Meeting of 15 May 2018 and elected from the same minority list. The Board of Directors and the Board of Statutory Auditors verified, as far as they were concerned, that Mr Rossi met the requirements to hold such office, including independence requirements provided for by the Law and the Corporate Governance Code.

The **Board of Statutory Auditors** serving at 31 December 2018 was composed as follows:

<b>Luca Rossi</b> (1)	<b>Chairman</b>
<b>Sara Fornasiero</b> (1)	<b>Regular Auditor</b>
<b>Francesco Perrini</b> (2)	<b>Regular Auditor</b>
<b>Leonardo Quagliata</b> (2)	<b>Regular Auditor</b>
<b>Daniela Savi</b> (2)	<b>Regular Auditor</b>

**Marina Monassi (2)****Alternate Auditor**

- (1) Auditor appointed from the **list submitted by a group of asset management companies and institutional investors**, holding about 1.731% of the share capital, **who obtained the minority of votes** (about 9.5% of the share capital represented in the Shareholders' Meeting).
- (2) Auditor appointed from the **list submitted by the Ministry of Economy and Finance**, holding about 30.204% of the share capital, **who obtained the majority of votes** (about 89.6% of the share capital represented in the Shareholders' Meeting).

The Tables annexed to this Report summarise the structure of the Board of Statutory Auditors, showing the Auditors serving at the date of approval of this Report, the statutory auditors who ceased to hold office during financial year 2018, the related characteristics in terms of independence and length of service, as well as the number of any additional positions of regular Auditor held by the present members of the Board in other issuers<sup>3</sup> (in observance of the restrictions pursuant to Art. 144-terdecies, paragraph 1, of the Issuers' Regulation<sup>4</sup>).

No changes in the related composition have taken place since the end of the 2018 financial year.

**Curricula of Statutory Auditors**

Brief *curricula* of the careers of the Regular Auditors currently in office are given below, specifying their respective age and seniority in the position.

**LUCA ROSSI****CHAIRMAN**

In office since November 2018 (*Alternate Auditor since May 2018*)

*Belonging list: minority (a group of asset management companies and institutional investors)*

Born in Casalpuusterlengo (Lodi) on 12 March 1967. Chairman of the Board of Statutory Auditors of Leonardo since 8 November 2018. He holds an Economics and Business degree and is a Certified Public and Professional Accountant. He is the founder of the tax firm *Studio Tributario Associato Facchini Rossi & Soci*. His professional activity is mainly focused on providing tax consultancy and

<sup>3</sup> "Issuers" means any companies listed on regulated markets (either in Italy or in any other EU Countries), i.e. any companies that issue financial instruments distributed among the public to a significant extent pursuant to article 116 of the Consolidated Law on Financial Intermediation and article 2-bis of the Issuers' Regulation.

<sup>4</sup> Pursuant to article 144-terdecies, paragraph 1, of the Issuers' Regulation, the position of member of the board of statutory auditors of an issuer may not be held by the persons who hold the same position in five issuers. The full list of the offices of administration and control held by each Regular Statutory Auditor, at the companies referred to in Volume V, Title V, Chapters V, VI and VII of the Italian Civil Code, pursuant to article 144-terdecies, paragraph 2, of the Issuers' Regulation, is published by Consob on its website, as required by article 144-quinquiesdecies, paragraph 2, of the said Regulation.

assistance to companies operating in the financial, banking and industrial sectors. He gained particular experience during the years in the consultancy within the banking sector, having supported national and international leading banks in the various tax issues related to extraordinary corporate or financial transactions in which they were involved. Since 2014, he has been the Chairman of the Board of Statutory Auditors of CreditRas Assicurazioni S.p.A., a joint venture between Allianz and Unicredit in the non-life insurance sector (and he was a regular statutory auditor in the same company from 2011 to 2014). Since June 2018 he has been a regular statutory auditor of Nuova Sorgenia Holding S.p.A.. From 2013 to 2016 he was a regular statutory auditor of CreditRas Vita S.p.A., a joint venture between Allianz and Unicredit in the life insurance sector. From 2011 to 2013, he was the Chairman of the Board of the Statutory Auditors of Unicredit Merchant S.p.A. He is currently a member of the Rules of Conduct Committee of the Milan unit of the Italian Accounting Profession. From 2007 to 2009 he was a member of the Italian Accounting Board (*O.I.C.*) for the alignment of the Italian tax law with the international accounting standards. For a period, he was a temporary professor with the “*Scuola Superiore dell’Economia e delle Finanze*” of Rome. He periodically publishes numerous articles on magazines specialised in tax matters. He participates as speaker in various congresses regarding tax issues. Luca is also co-author of many publications.

#### SARA FORNASIERO

##### REGULAR STATUTORY AUDITOR

In office since May 2018

*Belonging list: minority (a group of asset management companies and institutional investors)*

Born in Merate (Lecco) on 9 September 1968. Regular Auditor of Leonardo since 15 May 2018. She graduated in Business and Economics at the Catholic University of Milan *Università Cattolica del Sacro Cuore*. She is a Certified Public and Professional Accountant. Ms Fornasiero is a member of the Governance Commission of Listed Companies and Compliance and Organisational Models Commission of the Milan Accounting Profession. Since April 2018 she has been the Chairwoman of the Board of Statutory Auditors of Arnoldo Mondadori Editore SpA, a listed company. She worked as auditor for the KPMG Italian network (1993-2015), dealing also with Mergers & Acquisitions and forensic accounting and providing consultancy on Internal Audit, Compliance (under Law 262/05 and Legislative Decree 231/01), Risk Management and sustainability matters. Sara worked as consultant for leading Italian groups within various sectors. Currently, she is, *inter alia*, the Lead Independent Director of Landi Renzo SpA and Chairwoman/member of the Supervisory Board as per Legislative Decree 231/01 in different companies, also listed ones. She participated in work groups as regards sustainability issues for the KPMG international network (2001-2013) providing also training in French and English on sustainability, compliance, risk management and forensic accounting matters.

**FRANCESCO PERRINI****REGULAR STATUTORY AUDITOR**

In office since May 2015

*Belonging list: majority (Ministry of Economy and Finance)*

Born in Bari on 10 December 1965. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 11 May 2015 (first appointment) and his term of office was renewed in the Meeting of 15 May 2018. Graduated in Business Economics at the Bocconi University in Milan. He has been ITP at the Stern School of Business, New York University, Visiting Scholar at the Wharton School of Business, University of Pennsylvania in Philadelphia. He is a Full Professor of "Business Economics and Management" at the management and technology department of the Bocconi University, the Rector's Representative for the Presidency of the Sustainability Committee, Full Professor of "Accounting, Control, Corporate and Real Estate Finance" at SDA Bocconi, where he is the head of the Sustainability Lab of the CDR – Claudio Demattè Research Division. He was the director of the Degree Course in Business Administration and Management (CLEAM), the director of CRESV - *Centro di Ricerche su Sostenibilità e Valore* (Research Centre for Sustainability and Value), M&A Observatory and Observatory on Business Crisis and Restructuring of Bocconi University, with Bergamo University; the Head of CSR Unit - "Business Ethics and Social Issue in Management" of the management and technology department, the director of MAGER - Master in Sustainability, Green Management, Energy and CSR (World Rank #1) and for ten years the Chair of Social Entrepreneurship. He has been working in the Finance sector since 1990, holding various positions at finance and non-finance companies. At present: he is Chairman of Brera Advisory S.p.A., Chairman of the Board of Statutory Auditors of ePrice S.p.A., Regular Statutory Auditor of Prima TV S.p.A., Raccorderie Metalliche S.p.A.; Judicial Liquidator of Fondazione San Raffaele Monte Tabor and Special Commissioner of Infocontact (formerly Prodi-bis). He is the author of a number of national and international publications regarding finance, strategy, governance and sustainability issues.

**LEONARDO QUAGLIATA****REGULAR STATUTORY AUDITOR**

In office since May 2018

*Belonging list: majority (Ministry of Economy and Finance)*

Born in Rome on 21 October 1953. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 15 May 2018. He took the degree in Business and Economics with honours at the "La Sapienza" University of Rome in 1977. He is a Certified Public and Professional Accountant. He is the founder and owner of the chartered account firm *Studio Commercialista*

*Quagliata* based in Rome. He is an expert in company law with specific expertise in governance and control issues of limited liability companies, and also as concerns the regulations on criminal and administrative liability of entities under Legislative Decree 231/2001. He held lessons and participated as speaker in conferences and seminars in relation to the tasks and responsibilities of the Board of Statutory Auditors. He is currently, among other things, Chairman of the Board of Statutory Auditors of Telespazio SpA, Infratel Italia SpA and Italcertifer SpA, he is the Sole Statutory Auditor of Terna Plus Srl and Terna Energy Solutions Srl, he is regular statutory auditor of ACEA Produzione SpA, Interporto Campano SpA and Capital Dev SpA. He was, *inter alia*, Chairman of the Board of Statutory Auditors of ErgyCapital SpA (a company listed on the Italian Stock Exchange), Rai Cinema SpA, Nuova Sorgenia Holding SpA, AgustaWestland SpA, Finmeccanica Global Services SpA, Finmeccanica Group Real Estate SpA, Galileo Avionica SpA, Ferrovie dello Stato Sistemi Urbani Srl, he was also regular statutory auditor of Rete Ferroviaria Italiana SpA, SACE SpA, Ansaldo S.F. SpA, MBDA Italia SpA, ACEA ATO2 SpA, Enel Gas SpA, Enel Rete Gas SpA and Enel Distribuzione Gas SpA.

Mr Quagliata is the Chairman of the Board of Auditors of some scientific Foundations and Associations and he was the Chairman of the Board of Auditors of Hospitals and Local Health Units. He is the Chairman of an Advisory Committee and of an Investment Committee of two real estate funds (of which one is listed) managed by DeA Capital Real Estate SGR. Furthermore, he was the Chairman of the Supervisory Board pursuant to Legislative Decree 231/2001 and BoD member in various important Italian companies. Within his professional activity, he has been collaborating for many years with the Civil and Criminal Court and with the Court of Appeal of Rome, as court-appointed expert, receiver, official receiver, consignee and liquidator.

#### **DANIELA SAVI**

##### **REGULAR STATUTORY AUDITOR**

In office since May 2015

*Belonging list: majority (Ministry of Economy and Finance)*

Born in Piacenza on 13 January 1970. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 11 May 2015 (first appointment) and her term of office was renewed in the Meeting of 15 May 2018. Graduated in Business and Economics at the Bocconi University in Milan. She is a Certified and Professional Public Accountant and has gained her professional experience as member of boards of statutory auditors, as an advisor for tax and corporate issues and as an advisor in relation to plans for corporate reorganisation and composition with creditors; an independent expert providing certified opinions on feasibility studies (*attestatore*); a Judicial

Commissioner, Administrator and Court-appointed Expert at the Court of Piacenza. She is also the author of publications and articles on tax and corporate matters. She is a teacher at the Centro di Formazione Manageriale del Terziario (C.F.M.T.) (Service Sector Managerial Training Centre) of Manageritalia, Forpin and Confapi. She is a spokeswoman in conferences on business crisis management and tax issues. At present she holds the following positions: Regular Statutory Auditor of Agustawestland S.p.A., Bluenergy Group S.p.A.; Sole Statutory Auditor of Compagnia Generale Immobiliare S.r.l. and Chairwoman of the Board of Statutory Auditors of Brera Advisory S.p.A..

### **Independence**

In compliance with the Corporate Governance Code, the Board of Statutory Auditors assesses the requirements of independence of its members, in the first meeting after the appointment, as well as on a yearly basis on occasion of the preparation of this Report. The results of the assessment are communicated to the Board of Directors that informs the market through a press release after the appointment of the members of the Board of Statutory Auditors, and subsequently, within the context of the preparation of such Report.

Finally, the Board of Statutory Auditors assessed (at the meeting of 20 February 2019) the continuity of the requirements of independence of each Regular Statutory Auditor. With regard to the notion of independence of the Statutory Auditors, the Board of Statutory Auditors followed the same indications of the Code regarding the concept of independence for the Directors.

### **Duties**

In addition to the supervisory functions (pursuant to article 149 of the Consolidated Law on Financial Intermediation) already listed in paragraph 1 of this Report, the Board of Statutory Auditors performs the duties attributed to it (pursuant to article 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016) in the capacity as “Internal Control and Auditing Committee”. In this capacity, the Board is appointed:

- to inform the governing body of the outcome of the statutory audit and send it the report drawn up by the independent auditors in accordance with applicable legislation (additional report) supported by observations, if any;
- to monitor the financial reporting process and submit advice or suggestions having the purpose of ensuring its integrity;
- to check the effectiveness of the internal quality control and business risk management systems and that of the internal audit system if applicable, with respect to the financial reporting made by the entity being audited, without encroaching on its independence;

- to monitor the statutory audits of the annual and consolidated financial statements, also having regard to any findings or conclusions of any quality checks that have been carried out by Consob on the audit firm, if available;
- to satisfy itself of and monitor the independence of the statutory independent auditors, specifically as regards the adequacy of the performance of services other than auditing;
- to take responsibility for the procedure followed in order to select the statutory independent auditors and submit a reasoned proposal to the Shareholders' Meeting as to the appointment concerning the statutory audit of accounts (according to the methods and within the time limits set out in applicable regulations) and the determination of related fees.

Furthermore, the Board of Statutory Auditor verifies the correct application of the assessment procedures and of the criteria adopted by the Board of Directors to assess the independence of its members; supervises the conformity with the principles reported in the Consob Regulation of the Procedure adopted by the Company regarding Related Party Transactions, as well as the relative compliance, and reports to the Shareholders' Meeting within the context of the Report prepared in accordance with art. 2429, paragraph 2, of the Italian Civil Code and art. 153 of the Consolidated Law on Financial Intermediation.

In particular, in this regard the Board of Statutory Auditors constantly supervises if the Company correctly applies the existent procedures on the matter.

The Board has the power to request the Chief Audit Executive to perform controls on specific corporate activities or transactions.

The Board supervises compliance with the provisions laid down in Legislative Decree no. 254/2016, also through specific in-depth analyses: the related results are shown in the Annual Report to the Shareholders' Meeting.

Finally, following some changes made by the Company to the "Whistleblowing Management Guidelines" as concerns whistleblowing issues in November 2018 (also further to some considerations made by the Statutory Auditors) the Board receives from the Surveillance Body, for information purposes, those reports that the latter deemed well-grounded.

The Statutory Auditors take part in the meetings of the Board of Directors; in this regard, they are provided, at the same time as the Directors, with the documentation on the issues on the agenda of the Board, as well as with periodic information on the legislative and regulatory developments regarding the Company and its corporate bodies. The Board of Statutory Auditors consults units within the Company to obtain further information regarding the reference legislative and self-regulation framework.

In performing its work, the Board of Statutory Auditors liaises with the Company's organisational units (in particular with the Group Internal Audit and the Legal, Corporate Affairs, Compliance,



Criminal Law and Anti-Corruption organisational units), the Independent Auditors, the Control and Risks Committee, the Surveillance Body referred to in Legislative Decree no. 231/2001 and with the Officer in charge of financial reporting referred to in Law no. 262/05. Moreover, the Board of Statutory Auditors – that constantly attends the meetings of the Control and Risks Committee - receives the necessary operational assistance for the performance of its own auditing work from the Chief Audit Executive, obtains all the Audit Reports and examines the Annual Audit Plan.

In the course of the financial year, the Board of Statutory Auditors plans meetings with the Boards of Statutory Auditors of the companies that are directly owned or “strategic” (in order to allow a profitable exchange of information with specific regard to the corporate operations, the characteristics of the internal control and risk management system and the corporate organisation), as well as with the Top Management, the Heads of the main organisational units and the Division Managers of Leonardo and, where necessary, with the Top Management of the directly-owned or “strategic” companies.

The Board of Statutory Auditors meets the Surveillance Body as per Legislative Decree no. 231/2001 periodically also with the purpose of obtaining the information necessary for it to fulfil its responsibility for overseeing the functioning of and compliance with the Organisational Model and its reviews.

Statutory Auditors also attend Shareholders’ Meetings and, collectively or individually, Board of Directors’ Internal Committee meetings.

The Board of Statutory Auditors’ meetings may be held by tele-conference or video-conference, provided that all the participants may be identified and are able to follow the discussion, to simultaneously intervene in the discussion of the issues dealt with, as well as to peruse the documents in real time.

As already reported in paragraph 4.3 above, the Statutory Auditors take part, together with the Directors, in induction actions aimed at encouraging a deeper knowledge of the activities and of the specific issues concerning the Group. In particular, during 2018 the Company organised a number of seminars to make Directors and Statutory Auditors know the main activities carried out with impacts on the organisational, procedural and risk management system, as well as to provide updates on the implementation progress of the Company Industrial Plan through specific meetings with the main Heads involved. Moreover, considering the new regulations on privacy and market abuse issues, the Statutory Auditors participated in meetings with the Board’s Committees involved, aimed at expanding on the changes introduced by the lawmaker and at analysing the impacts on the internal procedures of Leonardo.

Furthermore, Mr Rossi, the Chairman of the Board of Statutory Auditors, in November and December 2018, participated in training sessions with the Top Management of the Company.

The planning of new induction activities is currently underway for 2019, which will focus – inter alia – on specific tasks concerning the Board of Statutory Auditors in relation to financial reporting.

In order to assist them in coming to a better knowledge of the scenario in which Leonardo operates and of its legislative and regulatory framework, both the Auditors and the members of the Board of Directors are specially informed and updated regarding legislation and self-regulation in order to help them in the performance of their functions.

The Board of Statutory Auditors must report on its supervision activity to the Shareholders' Meeting in the specific Report prepared pursuant to art. 153 of the Consolidated Law on Financial Intermediation, which is published together with the Annual Financial Report.

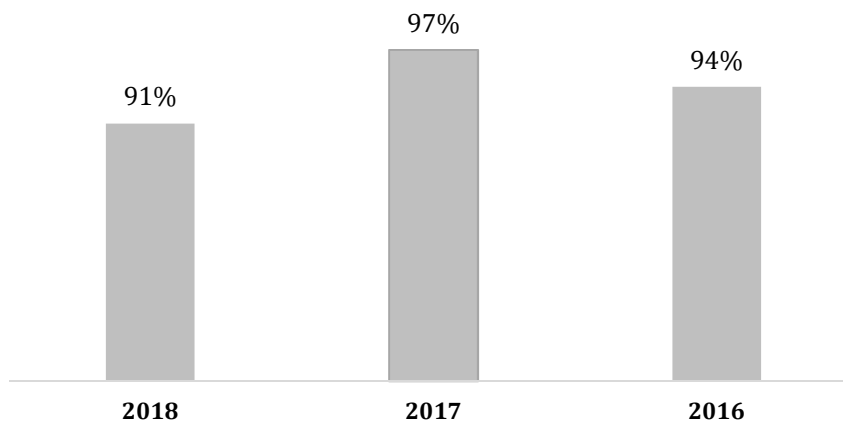
### Meetings

The Board of Statutory Auditors (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days. During the 2018 financial year, the Board of Statutory Auditors held no. 18 meetings, of an average duration of about 4 hours and 30 minutes. During the 2019 financial year, as at the date of approval of this Report, no. 4 meetings had been held.

Below are reported the data concerning the presence of the Statutory Auditors in the meetings of the Board of Statutory Auditors, as well as in the meetings of the Board of Directors, which were held in the course of the 2018 financial year.

	<b>Attendance</b>	
	<b>Board of Statutory Auditors</b>	<b>B.o.D.</b>
<b>Luca Rossi</b> (1)	1/1 meetings	1/1 meetings
<b>Sara Fornasiero</b> (2)	11/11 meetings	6/6 meetings
<b>Francesco Perrini</b>	16/18 meetings	10/11 meetings
<b>Leonardo Quagliata</b> (2)	11/11 meetings	5/6 meetings
<b>Daniela Savi</b>	17/18 meetings	11/11 meetings
(1) In office since 8 November 2018		
(2) In office since 15 May 2018		
<b>Riccardo Raul Bauer</b> (3)	14/17 meetings	6/10 meetings
<b>Niccolo' Abriani</b> (4)	6/7 meetings	5/5 meetings
<b>Luigi Corsi</b> (4)	6/7 meetings	4/5 meetings
(3) In office until 8 November 2018		
(4) In office until 15 May 2018		

All absences were excused

*B.o.S.A. Average attendance at meetings***Remuneration**

For detailed information on the remuneration paid during the 2018 financial year, for any reason and in any form (including by subsidiaries and associates) to each member of the Board of Statutory Auditors, reference should be made to the second section of the Remuneration Report, which is also made available – within the time limits and in the manners prescribed by law – on the Company’s website.

With reference to the specific application criterion of the Corporate Governance Code for paying Statutory Auditors on the basis of the commitment requested of them, the importance of their roles and the size and sector of the enterprise, on 28 April 2016 the Shareholders’ Meeting approved – with reference to the Board of Statutory Auditors in office until 15 May 2018 – the proposal to raise the fees due to the Board of Statutory Auditors, in the light of the substantial increase in the Board’s work after the change in the Company’s size and field of operations resulting from the launching of the One Company project.

**Self-evaluation**

During 2017 the Board of Statutory Auditors started, for the first time, a self-evaluation process, aimed at collecting opinions from the control body members as to both the functioning and the composition of the Board itself, taking account of the entire three-year term of office of the serving body, also in consideration of the thorough evolution of the Board of Statutory Auditors’ role due to charging the control body with new supervisory tasks prescribed by the regulations in the most recent years.

The **reasons/objectives** that stimulated the Board to start such process were as follows:

- ✓ Establishing whether the control body operates in a correct and effective manner and has an adequate composition;
- ✓ Identifying the main weaknesses, while promoting discussion within the Board and defining any corrective action to be taken;
- ✓ Urging the Statutory Auditors with professionalism to reflect on the more appropriate improvement actions to be taken in the future on the basis of the perception of the Board's performance during the past three-year period;
- ✓ Strengthening collaboration and trusted relationships between individual members;
- ✓ Encouraging active participation of each member, ensuring full awareness of the specific role played by each of them and of related responsibilities;
- ✓ Create the basis for the preparation of Rules to oversee the functioning of the body;
- ✓ The imminent expiry of the term of office of the Board (on the occasion of the approval of the Financial Statements on the part of the Shareholders' Meeting called in May 2018) in relation to which the self-evaluation results on the Board composition were seen as a useful tool in favour of the shareholders for the submission of a list for the appointment of the Board of Statutory Auditors.

Also during 2018 the Board carried out its annual evaluation (the first in the current mandate), based on the same **method** followed for the prior one, with a special focus on the activities performed in charge as "Internal Control and Auditing Committee". In particular, the self-evaluation was performed within the control body on the basis of a collective discussion of the findings of the analyses that were conducted. The process was structured into various phases: a) definition of aspects concerning the composition and functioning of the Board of Statutory Auditors; b) information gathering; c) data processing; d) preparation of the findings of the process, reporting strengths and weaknesses; e) collective discussion of findings and preparation of corrective measures (if any). The various phases of the process were supported by the Secretary to the Board of Statutory Auditors. Specifically, the Board members started confrontation based, as the starting point of the discussion, on a series of issues and questions submitted in a questionnaire to all members, taking account of the numerous current provisions laid down in primary, subordinate and internal regulations applicable to the control body with regard to both composition and functioning. Compared to the previous one, this questionnaire includes specific questions concerning the role of the Board in charge as "Internal Control and Auditing Committee".

The findings, the evaluations and the final remarks of the Board were discussed collectively and afterwards consolidated in the "Final Report on Board Self-Evaluation"; these were also summarised by the Chairman of the Board of Statutory Auditors to the Nomination, Governance and Sustainability Committee.

Among the specific areas of excellence and for improvement set out by the Board and mentioned in the aforesaid Report are the following.

With regard to the **functioning of the control body**, the Board reached a favourable assessment of its commitment, operations and contribution in 2018, which was marked by the appointment of the new Board of Statutory Auditors and, during the term of office, by the replacement of its Chairman, Prof. Bauer, who resigned with effect from the date when the Board's proceedings were concluded on 8 November 2018.

The Board carried on with its work efficaciously and uninterruptedly during the year, at the same time being in agreement that it was desirable to boost the control activities necessary for it to exercise its supervisory powers, while also taking account of the significant enlargement of the Company's scope of operations and of its functions and duties following the evolution of the One Company organisational structure.

In particular, the preparation, frequency and duration of the meetings were judged to be satisfactory; Statutory Auditors took a particularly active part and the documents supporting meetings were complete and straightforward. The Board was of the opinion that joint meetings with the Control and Risks Committee were useful in that they ensured efficient coordination, timely exchange of information and vigorous discussions regarding shared issues.

With regard to the Board' role as as "Internal Control and Auditing Committee" (under art. 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016), the Board has analysed the specific duties it is assigned by the abovementioned regulations, considering that the work performed during 2018 was adequate – also through numerous meetings with the key staff members responsible for the internal control and risk management system and with auditors -, as was the level of in-depth analysis of the issues dealt with.

The Board also found that the decision to distribute work among the members of the Board was sound: each Statutory Auditor is allocated a specific area of responsibility, thus allowing a better analysis of the items on the agenda of the meetings.

As regards **professional competencies**, the Board considered it to be essential for specific fields of expertise to be represented in its midst (expertise in the field of statutory auditing and accounting; capacity to supervise the suitability and actual functioning of the control and risk management system; capacity to analyse and interpret interim financial reports; expertise in the field of finance and extraordinary operations), substantially in line with those set out by the previously serving Board members; at the end of the process it was found that the presence of such persons was efficacious.

At the same time the Board agreed that it was desirable to bolster some additional aspects, also by arranging in-house seminars: expertise in the field of information security, knowledge of applicable regulations and impacts on the system of procedures, knowledge of foreign markets of interest to

Leonardo and its subsidiaries, as well as of the social and financial environments of the countries in which the Company operates.

The induction work carried out during 2018 was considered effective and the in-house seminars were thought to be very useful as occasions for regular updates on the implementation of the Industrial Plan, as well as on some new business areas and key industrial operations.

At the same time the Board emphasized the importance of continuing with effective induction activity in the current period as well, in order further to enhance the Board's complementary and interdisciplinary qualities.

Finally, with regard to the **composition of the Board of Statutory Auditors**, one of the most noteworthy achievements in addition to being an unquestionable strong point is the *diversity within this control body*, for which profiles reference should be made to the information specifically provided in para. 12 below.

## **12. DIVERSITY CRITERIA AND POLICIES (Art. 123-bis, para. 2, lett. d-bis), TUF)**

Below is detailed information regarding the policies that the Company follows with regard to diversity in the composition of the Board of Directors and the Board of Statutory Auditors, as well as regarding the objectives, implementation methods and results of the related application.

The above is to comply with the provisions under Legislative Decree no. 254/2016 and Art. 123-bis, para. 2, lett. d-bis) of TUF, and to be in line with the new and most recent **recommendations of the Corporate Governance Code** on the application of the **diversity criteria, including gender diversity, in the composition of the governance and control bodies**, as well as in line with the **wishes expressed by the Committee for the Corporate Governance**, in the 6<sup>th</sup> Report on the application of the Code, as regards the importance of **a diversity-based approach aimed at favouring an optimum composition of the Board**.

### **Board of Directors**

#### *Leonardo's policy*

Leonardo's policy with regard to diversity in the governing body is a natural element in the structure of the procedures for **self-evaluation** of the functioning of the Board and its Committees and of their size and composition.

The *diversity* factor is a basic element in the self-evaluation process, which contains a fundamentally important study of the professional background, experience and gender of each Director and of other aspects including seniority in the position, the aim being to endeavour to have the necessary range of experience, skills and prospects among the members of the Board of Directors.

In order to outline the requirements for the composition of an ideal Board, the findings of its self-evaluation are afterwards transposed, at the end of its term of office and shortly before a new Board is chosen by the Shareholders' Meeting, into **the outgoing Board's Guidelines for the shareholders** regarding the qualitative and quantitative composition of the new governing body.

As fully explained in paragraph 4.3 above (whose contents should be referred to for the detailed methods of Board evaluation and its findings), self-evaluation is conducted annually by means of effectively structured procedures following practices which have been established in the Company for some time.

Leonardo's policy naturally also includes the principles, and the ways of putting them into practice, laid down in legislation regarding **gender balance** (Law no. 120/2011), adopted in the Company's By-Laws and already remarked on in connection with the appointment of the Board of Directors (paragraph 4.1 of this Report).

### *Objectives*

From the point of view of **substantive purposes**, basically important is the objective referred to above, which involves the identification of the elements and requirements which assist in obtaining the optimum composition – and therefore the optimum degree of diversity – within the new governing body. To this end, in their Guidelines on the size and composition of the new Board of Directors, the outgoing Board, at the renewal of the body for the three-year period 2017-2019, expressly mentioned the objective of combining various professional backgrounds, acknowledging the importance for a body that is to function well of complementary experiences and skills joined to diversity of gender, age bracket and seniority in the position.

From the point of view of **time targets**, this policy, by its very nature, is directly related in terms of timing to the task of the newly appointed Board (as a result of the outgoing Board's Guidelines), which, in its turn, undertakes a new three-year self-evaluation process to be completed by handing down the next set of Guidelines.

### *Diversity aspects*

When the governing body was last changed and after the self-evaluation process, in its Guidelines the outgoing Board weighed up and set out various criteria and requisites. These were experience and expertise which were considered priority or important factors to be presented as an organic whole, and thus in terms of diversity, in the lists of candidates.

The experience and expertise taken into consideration, as the other skills required (educational and professional background, seniority in the position, age, gender, international role/experience, etc.) are specified in detail in the document containing these Guidelines, which is published in the Corporate Governance section of the Company's website (2017 Shareholders' Meeting area).

Among the factors and reasons at the basis of the decisions taken in its Guidelines the outgoing Board, among other things, included a consideration of the change that has taken place in Leonardo and the way the Group has evolved, an overall evaluation of the experience and expertise that candidates have gained, the nature and complexity of the Group's activities and the particular features of its areas of business.

#### *Method of implementation*

Taking the findings of the self-evaluation process into consideration and on the basis of the suggestions made by the Nomination, Governance and Sustainability Committee, when the last two governing bodies (2014-2016 and 2017-2019) were renewed, the outgoing Board of Directors set out its **Guidelines** for the shareholders **regarding the size and composition of the incoming Board**, and the types of managers and professionals whose presence in the governing body is deemed to be desirable. These Guidelines were made known to the shareholders in good time before the various Shareholders' Meetings were called to decide on the renewal of the governing body by prompt publication on the website and circulation as an enclosure to the Explanatory Reports.

These were also a focal point in the Notice of call of the Shareholders' Meeting.

In the development and procedures for the implementation of this Policy, a special role is entrusted to the **Nomination, Governance and Sustainability Committee** (paragraph 6 above should be referred to for information on the responsibilities of this Committee), whose attention to diversity issues is a logical part of its duty of monitoring corporate governance evolution and best practice.

When its term of office draws near, the outgoing Board gives the Committee the preliminary opinions and detailed information necessary in order to hand down the prescribed Guidelines for the shareholders, in the light of the findings emerging from the qualitative and quantitative analysis of the composition of the governing body.

It should be noted that the Independent Directors were also involved in the process and preliminarily expressed their observations and considerations in favour of these Guidelines.

#### *Final remarks*

In 2018 on the basis of a preliminary study and the recommendations of the Nomination, Governance and Sustainability Committee, Leonardo's Board of Directors took a favourable view of the process the Company has started and its implementing instruments and confirmed the **soundness of the existing policy regarding diversity** in the composition of the Board and the **duration of its present three-year term of office**.

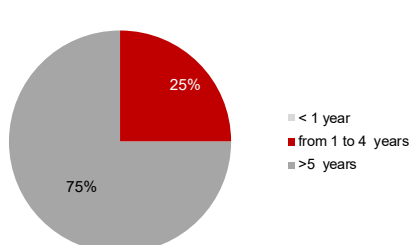
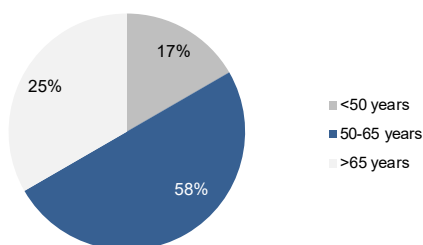
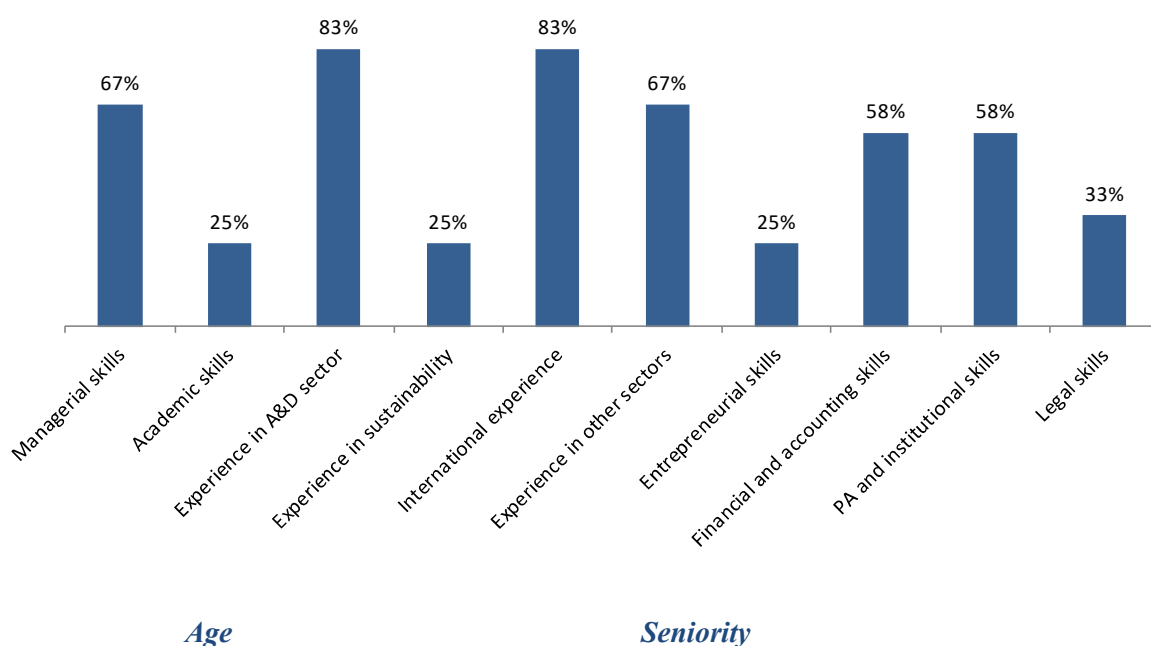
The Board, on the basis of the self-evaluation process continued during their term of office, will then draw up new preliminary instructions to be taken into account and developed during the three years in the framework of Board evaluation with a view to preparing the next set of Guidelines for the



shareholders, at the end of the term of office and on occasion of the Board renewal by the Shareholders' Meeting.

**Results**

As regards the outcome of the policy described above, the set of **diversity aspects (expertise<sup>5</sup>, experience<sup>5</sup>, age<sup>6</sup>, seniority in the position<sup>5</sup>)** reflected and currently noted in the present governing body is shown in the summary tables below. In compliance with the targets suggested in the above-mentioned Law no. 120/2011, the less represented **gender** quota in the present Board of Directors is **one-third** of its members.



<sup>5</sup> February 2019 data.

<sup>6</sup> At the date of approval of this Report (13 March 2019).

## Board of Statutory Auditors

### *Leonardo's Policy*

Leonardo's Policy concerning the Board of Statutory Auditors is also structured within the **self-evaluation** process that was started by the control body from 2017.

As detailed in paragraph 11 above (to which reference should be made for a specific description of related **objectives** and **methods**), from the outcome of the process and from the final remarks submitted by the Board members as to its optimum composition emerges that **diversity among internal members** is one of the most significant features, as an undoubted strength of the control body.

In light of the entry into force of the new regulations under Legislative Decree no. 254/2016, the initiative to proceed with the self-evaluation (started in 2017 by the outgoing Board and which is a sweeping change with respect to the Corporate Governance Code) and with the consequent **definition of a diversity policy** aimed at identifying profiles and requirements suitable to promote an optimum composition of the board, including in terms of diversity, with the additional aim of offering a useful tool to the shareholders who intend to submit a list for the appointment of the control body, was positively welcomed by the Nomination, Governance and Sustainability Committee and by the entire Board of Directors.

The policy was approved by the Board of Statutory Auditors on 23 January 2018 and then illustrated to the Nomination, Governance and Sustainability Committee and to the Company's Board of Directors, which approved and acknowledged it for the purposes of the inclusion in this Report. The adoption of such policy was **a focal point in the Notice of call of the Shareholders' Meeting** convened to resolve on the renewal of the control body for the three-year period 2018-2020.

### *Diversity aspects*

Below are the main **diversity features** considered a useful instrument in favour of the shareholders in view of the next appointment of the Board of Statutory Auditors by the Shareholders' Meeting called in 2018:

- ✓ the presence of diversified **professional skills** to allow the expertise required to perform supervisory duties to be added to in terms of complementary knowledge;
- ✓ diversity in **experience** and **seniority**, in order to promote a constructive debate in considering the issues dealt with by the Board from time to time;
- ✓ various **age brackets**, also in connection with the various **training backgrounds** of each Statutory Auditor;
- ✓ an adequate **gender** balance between Board members, which can be further enhanced by strengthening the presence of the less represented gender, including in the application of specific

regulations that provide for the Board to be composed by the less represented gender for one third as from the next term of office (2018-2020).

### *Final remarks*

For the reasons illustrated above, the outgoing control body has deemed necessary for the Board of Statutory Auditors to maintain an adequately diversified composition, while further strengthening gender balance, in the future too.

With specific regard to professional skills, the Board has deemed it appropriate that, in selecting candidates to the positions of Statutory Auditors of Leonardo, particular importance had to be attached to the following profiles:

- ✓ statutory audit expertise
- ✓ accounting expertise
- ✓ ability to oversee the adequacy and actual functioning of the organisational structure, with regard to risk management, internal audit and financial reporting processes
- ✓ expertise in legal issues and international agreements and contracts
- ✓ expertise in reading and interpreting periodical financial reports
- ✓ expertise in financial issues and non-recurring transactions
- ✓ experience gained at companies listed on the Stock Exchange.

### *Results*

Among the outcomes of the adoption of this policy, an unquestionable strong point in the **composition of the Board of Statutory Auditors** appointed by the Shareholders' Meeting held on 15 May 2018 (as resulting from the self-evaluation process commented on above) is the *diversity within this control body*.

The **various forms of diversity (competencies, experience, age, length of service)** are well represented in the present Board, as well as in line with the profiles set out by the previously serving Board members:

- simultaneous presence of diversified professional competencies, complementing each other and integrating the knowledge necessary for the performance of the supervisory function;
- diversity of professional experience, fostering constructive discussions during the examination of the issues handled by the Board;
- presence of different age brackets, also in connection with the different training background of each Statutory Auditor;
- satisfactory balance between genders in the Board; the less represented gender makes up **1/3** of the serving Board members, which, in fact, meets the targets set out in Law 120/2011.

In the light of the above, the serving Board of Statutory Auditors confirms the soundness of the present Policy and at the same time considers that it would be helpful further to intensify the diversity of professional competencies, trusting that it will succeed in ensuring that the Board not only maintains the present degree of satisfactory diversity but that it accentuates it in the future.

At the end of its three-year term of office, the Board will use the elements which have emerged from the self-assessment process that it has conducted, and those still to emerge during the remainder of its term, as the basis for framing the necessary guidance to assist the shareholders called upon to appoint the new control body.

### **13. INVESTOR RELATIONS**

For some time the Company has availed itself of an organisational unit, renamed Chief Stakeholder Officer (“CStO”) in August 2018 and assigned to Raffaella Luglini, in order to convey Leonardo’s identity and position to all its stakeholders in a cohesive manner. Such organisational unit manages, *inter alia*, the relationship with shareholders in general, institutional investors, credit-rating agencies and financial analysts, through a constant, proactive, transparent and timely communication. The task of the mentioned unit is to promptly inform the public about any event or decision that may have significant effects on the prices of the financial instruments issued by the Company or on the prices of the related financial instruments.

In this respect, reference should be made to the contents of para. 4.8 above in relation to the “*Procedure for the management, processing and disclosure of Leonardo S.p.a.’s confidential and inside information and for the keeping of the Insider List*” and the related responsibilities of the CStO organisational unit in the management and disclosure process of Inside Information.

The Chief Stakeholder Officer organisational unit maintains constant relationships with the investors, organising meetings, both collective and one-to-one meetings, in the main Italian and foreign financial markets. The audio/video recording of the conference calls and presentations to the financial community is available in the Investors section of the Company’s website, in addition to the presentation documents and the press releases published by the Company.

The main work of engagement with investors in general is carried out developing the following theme areas.

#### *Financial Disclosures*

The organisational unit contributes to laying down the Group’s financial disclosure strategy and equity story consistently with the strategic economic-financial objectives and the Industrial Plan. Through the management and the development of the relationships with both actual and potential financial analysts and institutional investors, the organisational unit contributes to make them learn more about Leonardo by organising numbers of events focused on the analysis of its strategy, business,

commercial performance, economic and financial prospects and the Corporate Governance and ESG issues.

A particularly important part of this activity are presentations to the financial market of the Industrial Plan, as well as of annual, six-monthly and quarterly financial results, also in conference call and by webcast, the management of the Company Roadshows with the Group's Management, the Deal Roadshows on the occasion of non-recurring transactions and the Capital Market Days with site visits. In particular, on the occasion of the publication of the annual, six-monthly and quarterly data the Company organises specific conference calls with institutional investors and financial analysts, allowing also the participation of the specialised press, in order to provide an overview of the results, analysing the main factors that impacted on the performance and, in some cases, providing medium/long-term forecasts. After the description of the results, the participants have the possibility of asking for more details and making specific questions during the Q&A session.

Furthermore each year, during the main shows for the sector, including, alternatively, Farnborough (England) or Le Bourget (France), meetings between groups of investors and the Top Management of Leonardo and of the main Divisions are organised, proposing specific presentations of the main products and systems present at the airshow (product tour).

The organisational unit manages also the relationships with the Italian Stock Exchange and Consob ("Market Division") in the sphere of its responsibility, with specific reference to the disclosure of inside and confidential information, together with the other corporate structures and in particular with the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit.

### *Credit Rating Agencies*

The organisational unit is also responsible for handling relations with the three Credit Rating Agencies (Moody's, Standard & Poor's, Fitch) which award Leonardo a credit rating and a rating for its bonds. The credit rating agencies, prominent parties in the financial markets, are privileged interlocutors and therefore are timely informed on the strategic choices made by Management. Individual meetings and conference calls are arranged periodically in order to provide the latest details of the quarterly results, the economic and financial outlook and transactions of significance for credit rating purposes, in addition to meetings at which the results for the year are examined, with the participation of the Leonardo Management.

### *Sustainable Responsible Investors and ESG (Environmental, Social and Governance)*

The organisational unit, within the context of the management of the ESG issues, is responsible for the relations with the ESG Rating Agencies and the SRI investors as well as for the process of admission to the main Sustainability and ESG indicators. In addition to routine stakeholder engagement work,

the dialogue with SRI investors and proxy advisors was further enhanced during 2018 by means of attendance at relevant events, among which is the second Sustainability Day, an event arranged by the Italian Stock Exchange in order to support the dialogue concerning ESG and Sustainability issues between businesses and investors. Moreover, the organisational unit annually prepares the Sustainability and Innovation Report, which currently acts as the consolidated non-financial statement pursuant to Legislative Decree no. 254/2016.

### *Shareholder Engagement*

In consideration of a significantly increased participation of the international institutional investors at the Leonardo's Shareholders' Meetings (Shareholder Activism), the unit has responded promptly to this phenomenon with a strong commitment to Shareholder Engagement which meets their needs and expectations and helps them to take an active part in these meetings.

Engagement work consists of arranging conference calls and special meetings with the main institutional investors not only during the months leading up to the Shareholders' Meeting but throughout the year. Discussions are planned on new scenarios, trends and regulations which are also capable of having an impact on items on the agenda of Shareholders' Meetings and on how investors vote.

The Head of the Chief Stakeholder Officer organisational unit is Raffaella Luglini, who reports directly to the Chief Executive Officer Alessandro Profumo.

### *Contacts*

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## **14. SHAREHOLDERS' MEETINGS (Art. 123-bis, para. 2, lett. c), TUF)**

### **Notice of call and disclosures to Shareholders**

The Shareholders' Meeting is the body through which shareholders can play an active part in the life of the Company, casting their votes according to the procedures and on the subjects prescribed by law and by the Company's By-Laws.

As required by section 12.2 of the Company's By-Laws, the Shareholders' Meeting is called at least once a year to approve the Financial Statements within 180 days of the close of the fiscal year.

Shareholders' Meetings are called by means of a notice published on the Company's website (as well as per extract printed in at least one national daily newspaper), containing the information required by Art. 125-bis of the Consolidated Law on Financial Intermediation, at least 30 days prior to the date set

for the Shareholders' Meeting on first call, except for any Shareholders' Meetings called: i) to appoint the members of the corporate bodies through the list voting (for which the time limit is of 40 days); ii) to resolve on defence measures in the case of a take-over bid (for which the time limit is of 15 days) and iii) to resolve on capital decreases and the appointment and dismissal of liquidators (for which the time limit is 21 days).

The Shareholders who represent, even together with other Shareholders, at least a fortieth of the share capital may make, within the time limits and according to the procedures set out in article 126-*bis* of the Consolidated Law on Financial Intermediation and in the Company's notice of call, additions to the list of issues to be discussed at the Shareholders' Meeting or submit proposed resolutions on any issues that are already on the agenda of the Shareholders' Meeting, specifying the related reasons. In any case, the Shareholders will be entitled to submit, regardless of the shareholding held by each of them, proposed resolutions regarding the issues on the agenda in the course of the Shareholders' Meeting.

In the calling, planning and management of these events, the focus has always been – also using **institutional means of online communication** - on encouraging as many Shareholders as possible to attend Shareholders' Meetings and on ensuring that information is easily accessible and of the highest standard of quality, in full compliance with the regulations regarding price sensitive information and the disclosure of “regulated information”.

A specific section of the website is dedicated to the Corporate Governance of Leonardo. In this section, in addition to this Report (with related historical archive) and the relevant documentation, all the relevant documents regarding the single Shareholders' Meetings are promptly made available to the public and are simultaneously filed as required by regulations; in particular, the Company takes steps to publish – in an appropriate area that is made accessible directly from the website's home page – the notice of call, the explanatory Reports of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of the share capital, as well as any documents following the same Meeting (a summary report on voting and minutes of the shareholders' meeting).

The specific Corporate Governance section also includes further information, which is promptly updated, concerning the Company and which is interesting for the shareholders: composition of the corporate bodies and *curricula* of the related members, disclosures on Internal Dealing, minutes of the Shareholders' Meetings and of the Board of Directors meetings, the Company's By-Laws and other relevant corporate documentation, including this Report. Moreover, in this section there are also some specific areas with special information and documentation related to extraordinary transactions carried out by the Company.

Furthermore, there is a specific chart which illustrates and summarises the Company's Corporate Governance system, in order to offer an overview of the various corporate bodies and to report, for each of them, the composition and place within the corporate governance structure of Leonardo.

Additional sections of the institutional website are dedicated to the information to be provided to Investors (with specific areas dedicated to the approval of Financial Statements and to the related financial disclosures to the market, including links to access the related webcasts) as well as to Ethics, Compliance and Sustainability issues.

The Board of Directors also saw that Shareholders were given accurate and timely information regarding the items on the agenda so that all Shareholders could be in a position to be well informed and have full knowledge of the facts involved in making the decisions for which the Shareholders' Meeting is responsible.

Furthermore, in this financial year Leonardo will provide a **"Shareholders' Guide"** to its shareholders, in order to offer them a practical support to be actively involved in the Company's life and to benefit from a complete overview of their rights. This instrument is aimed at facilitating the understanding of the methods underlying the participation in the Shareholders' Meeting, as well as at gathering in a sole document the information related to the rights that can be exercised by the Leonardo's shareholders. The **"Shareholders' Guide"** will be distributed to all the shareholders on the occasion of the shareholders' meetings and will be available in the Corporate Governance section of the Corporate website.

The Board of Directors participate in the Shareholders' Meetings. Specifically, the Chief Executive Officer reports – also with the help of specific presentations - on the activity carried out during the financial year and on the Issuer's future plans, at the Shareholders' Meeting called to approve the Annual Financial Statements, providing any necessary clarification at the request of the shareholders. 8 out of 12 Directors attended the Meeting of 15 May 2018.

The Shareholders' Meeting is also attended by the Statutory Auditors, as well as by the Group's Executives invited by the Chairman in relation to the issues being discussed during the meeting.

### **Right of attendance and voting at the Shareholders' Meeting**

Based on the Record Date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation.

Any notices given by the broker shall be received by the Company by the end of the third trading day prior to the date set for the Shareholders' Meeting on first call. Shareholders are entitled to speak and vote if their notices reach the Company after the above time limit provided that it does so while the meeting is still in progress.



Credit and debit entries in the broker's account after the Record Date are not relevant to the entitlement to exercise voting rights at the Shareholders' Meeting.

The entitled persons can be represented by written proxy, which may be notified to the Company pursuant to Law and By-Laws as indicated in the notice calling the Shareholders' Meeting. The Company provides the entitled persons with a proxy form for the participation in the individual Shareholders' Meetings.

Section 14 of the By-Laws also provides for the Company to be entitled to designate a common representative for each Shareholders' Meeting, i.e. a person to which the Shareholders may grant a proxy with instructions on how to vote (which the common representative shall comply with) on all or certain of the items on the agenda. Such proxy must be given by the end of the second trading day prior to the date set for the Shareholders' Meeting on first call, and without incurring expenses. There has been a Company-appointed shareholders' representative to whom shareholders may give proxies free of charge since the 2012 Shareholders' Meeting

Finally, as required by article 127-ter of the Consolidated Law on Financial Intermediation, the Shareholders may also submit questions on the issues on the agenda before the Shareholders' Meeting, within the time limit (so-called cut-off date) and according to the procedures specified by the Company in the notice of call. The Company gives answers during the Shareholders' Meeting at the latest; it may also do so on paper at the beginning of the Meeting.

### **Functioning and Competences**

The Shareholders' Meeting is held in ordinary and extraordinary sessions and may pass resolutions on all issues reserved to them by applicable laws, except for the Board's right to resolve (pursuant to article 2365, paragraph 2, of the Italian Civil Code and section 24.1 of the Company's By-Laws) on the issues specified in paragraph 4.3 above.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under section 22.3 of the By-Laws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (section 16.5 of the By-Laws).

Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (section 16.4 of the By-Laws).

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, who directs the proceedings ensuring that discussions take place correctly and that shareholders are enabled to exercise their rights to speak and reply on each item dealt with.

With the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, **Shareholders' Meeting Regulations** have been adopted by the Company for some time, which define the main aspects (such as the right to take part in Meetings or

to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and the shareholders are permitted to exercise their right to speak on the items on the agenda.

In order to ensure that all Shareholders are able to exercise this right, the Regulations contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.

The Regulations also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.

Furthermore, the Regulations exactly define procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) and expressly provide for procedures for addressing Shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force.

These Regulations are always distributed to all Shareholders whenever a meeting is held and may be viewed in the Corporate Governance section of the Company's website.

During 2018, there were changes in the market capitalisation of shares, mainly arising from the weakness of the relevant economic scenario and sector, as well as from the specific context of the Company.

It should be remembered that, as already reported in this Report, the percentages envisaged in the By-Laws as to the exercise of the rights protecting minority Shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.3 and 28.3 of the Company's By-Laws), is actually corresponding to (as were in the course of the prior financial year) the minimum share identified by Consob.

The abovementioned By-Laws provisions also set down, as previously illustrated, specific procedures aimed at ensuring, within the described "list voting" mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

## **15. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (Art. 123-bis, para. 2, lett. a), TUF)**

This paragraph provides information on the additional organisational measures and Governance initiatives taken, in the implementation of the overall process of reorganising and strengthening the Corporate Governance system that has been undertaken by the Company for some time.

### **✓ Evolution of the "One Company" organisational structure**

With effect from 1 January 2016 all the Group's activities in the core sectors of A,D&S (Aerospace, Defence and Security) were concentrated in the new **One Company** a single company structured into divisions. From such date, Leonardo has been run as a single business, with a decentralised structure consisting of business **Divisions**.

During the process of transformation of the Group, the organisational structure of the One Company – which initially consisted of seven Divisions and four Sectors – has been subject to subsequent changes that, through the development of Leonardo's organisational structure and corporate governance, aimed at streamlining and simplifying the operational model.

In particular, in addition to the suppression of the Sectors as organisational parts of the One Company structure (resolved by Leonardo's Board of Directors on 28 June 2017), the new Leonardo organisational structure was approved during 2018 through the creation of two new Divisions – reporting directly to the CEO –: **Cyber Security** (whose creation was resolved on 27 September 2018), where two Business Lines related to the Security and Information Systems Division converged, and **Electronics** (whose creation was resolved on 13 December 2018 aimed at optimising the organisation of the Defence and Security Electronics sector and adequately facing the technological and competitive challenges which mark a strategic business for Leonardo), where the three Divisions Land and Naval Defence Electronics, Airborne and Space Systems and Defence Systems converged, in addition to the two remaining Business Lines related to the old Security and Information Systems Division.

Further to the process described above, the organisational model of Leonardo is structured into **five Divisions**:

- ✓ **Electronics** (consisting of **four Business Areas** “UK Electronics”, “IT Airborne and Space Systems”, “IT Land and Naval Defence Electronics” and “Defence Systems”).
- ✓ **Cyber Security**
- ✓ **Aircraft**
- ✓ **Helicopters**
- ✓ **Aerostructures.**

Within the framework of the new governance structure adopted during the year in question, it should be also noted that in 2018 **LEONARDO INTERNATIONAL S.P.A.** was established, a company directly and entirely controlled by Leonardo, with the aim of streamlining and reorganising the Group presence at international level (therefore excluding the so-called “domestic markets”, i.e. USA, UK and Poland), in line with the One Company model, at the same time increasing the efficiency and efficacy of activities such as promotion, marketing and customer support and improving the traceability level of the compliance of operations on foreign markets.

### ✓ Whistleblowing Guidelines

In the framework of the measures aimed at strengthening the Group's Governance system, the **Whistleblowing Management Guidelines**, which were approved by the Board of Directors in March 2015 (acting on the instructions expressed in the Corporate Governance Code – with particular reference to the issuer companies belonging to the FTSE-MIB index) and subsequently updated with resolution of 8 November 2018, define the process of handling these reports by either named or anonymous individuals who become aware of actions which are against the law or the Group's internal regulations.

The Guidelines have been fully applied since they were issued and have been circulated both inside and outside the Company in order to ensure that they are publicised to the greatest possible extent.

In this regard the **Whistleblowing Committee**, which has been established for this purpose – composed of the Group General Counsel, Chief Audit Executive, Chief Security Officer, Chief People, Organization and Transformation Officer and Chief Financial Officer – takes action for any and all reports received from the Surveillance Body concerning the Leonardo Group, in the various phases of investigation, reporting and monitoring of the actions put in place to resolve any anomalies that are detected.

Reports are handled through dedicated channels ensuring the maximum degree of protection and privacy for the whistleblowers.

### ✓ Anti-Corruption Code

In the meeting held on 21 April 2015 the Company's Board of Directors approved the **Anti-Corruption Code of the Leonardo Group** which integrates the rules for preventing and fighting corruption already in place in the Group; it is an organic and coherent system based on the principles of integrity and transparency whose purpose is to counter the risks of unlawful practices in the conduct of corporate business and activities at any working level and in any geographic area.

The Code is the strong measure that the Board has decided to take in order to complete the task of boosting internal control safeguards, in accordance with the relevant regulations and in line with the highest international best practices in the sector.

Among the provisions in the Code is one which refers to a training programme whose aim is to prevent the risk of corruption through annual sessions in which Personnel are instructed in the contents of the Code.

On 13 July 2018, Leonardo – at the end of an audit process carried out by RINA, an independent body providing certification services accredited by Accredia (the Italian accreditation body) – obtained the

ISO 37001:2016 certification (Anti-Bribery Management System Standard), the first international standard on the anti-corruption management systems.

#### ✓ **Corruption Prevention Coordination and Consulting Board**

The **Corruption Prevention Coordination and Consulting Board** was set up in 2014. It is composed of Leonardo's current Chairman, who in 2017 was given the responsibility for "overseeing the implementation of the corporate governance rules on integrity in corporate behaviour and fighting corruption" and of the *pro tempore* Chairmen of the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body as per Legislative Decree no. 231/2001 of Leonardo. The Board is responsible for coordinating the offices responsible for verifying compliance with the applicable rules of conduct at Group level, and also oversees the application of the Anti-Corruption Code, as well as any related proposals for it to be reviewed or amended.

#### ✓ **Group Management Committee**

The **Group Management Committee** was formed on 1 July 2017. Its duty is to support the Head of the Company in forming the opinions and making the decisions for which he is responsible and to compare, marshal and discuss business critical issues, in order to ensure an effective and consistent implementation of programmes and of any initiative of strategic importance to the development of the Group business.

Presided over by the Chief Executive Officer, the Group Management Committee is composed of the Division Managers; the Coordinator of the Group's Space activities and C.E.O. of Telespazio; the Chief Financial Officer; the Chief Commercial Officer; the Group General Counsel; the Chief People, Organization and Transformation Officer; the Chief Strategy and Innovation Officer, the Chief Stakeholder Officer, the Chief Procurement and Supply Officer and the Chief Executive Officer of Leonardo Global Solutions; the Chief Executive Officer of Leonardo DRS; the Chief of Staff, whose duties are to act as Technical Secretary and call, prepare for and write the minutes of meetings, as well as the heads of the organisational units "Production optimisation and program management", "Unmanned Systems", "International Relations" and "Institutional Relations - Italy". According to the items for discussion, the Heads of other Group companies or the Heads responsible for other organisational units of Leonardo S.p.a. may also be asked to attend meetings.

The Committee meets every 30-45 days or whenever exceptional or special circumstances require a meeting to be held.

#### ✓ **Code of Ethics**

It is now some time since the Company considered that it was not only desirable but necessary to adopt a Code of Ethics to express the values which all those to whom it is addressed must abide by and

which, in the framework of the internal control and risk management system, constitutes a management tool for ethical conduct in business and an effective element in corporate strategy and organisation.

Knowledge of and observance of the Code of Ethics by all those who do work for Leonardo are, therefore, primary factors for the Company's transparency and reputation and the Company therefore commits itself to making the Code known to all those with whom it has business dealings, expecting such persons to make themselves acquainted with the rules in the Code and to respect them.

The Directors are responsible for implementing and reviewing the Code of Ethics; the duty of those to whom it applies is to report any breach to the Surveillance Body pursuant to Legislative Decree no. 231/2001.

On 23 February 2017 Leonardo's Board of Directors approved the changes to the Code of Ethics, adding provisions more specifically regarding health and safety at work and the environment. The Board emphasised the importance that the Company attaches to these themes and reinforced – also following the adoption of the One Company Operational Model - the specific provisions regarding the safeguarding of the corporate assets, again drawing attention to the concepts of truthfulness, integrity and transparency in accounting, in financial statements, in reports and in all other forms of social communication as fundamental principles in the conduct of business. The updated version of the Code of Ethics is available on the Company's website, in the specific section of Ethics and Compliance.

## **16. CONSIDERATIONS ON THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE'S LETTER OF 21 DECEMBER 2018**

In a letter of 21 December 2018 addressed to the Chairmen of the issuers' Boards of Directors, and for information to the Chief Executive Officers and Chairmen of the control bodies, the Chairman of the Corporate Governance Committee, drew on the publication of the 2018 Annual Report and on the related Report on the application of the Corporate Governance Code to stress some theme areas in which there was room for improvement, urging an enhanced level of compliance with the recommendations in the Code in these areas, both from the point of view of compliance and from that of information quality. At the same time the Committee requested the companies to draw the recommendations that had been drawn up to the attention of their governing bodies and relevant Committees (and also of the control bodies, within the sphere of their responsibility) and to include in this Report the issuer's consideration and any action planned or taken.

This letter, which the Company immediately forwarded to the Chairman of the Board of Directors on the same date, to the Chief Executive Officer and to the Chairman of the Board of Statutory Auditors, as well as, according to their respective responsibilities, to the Chairmen of the Nomination, Governance and Sustainability Committee and of the Remuneration Committee, was then examined and given thought to. Specifically, the abovementioned recommendations were also taken into

consideration during the self-evaluation process and during the preparation and approval of this Report on 13 March 2019.

Leonardo's Board of Directors, having noted that the Group companies largely follow these suggestions, renews its commitment and its constant attention to monitoring compliance with the recommendations expressed both from the substantive point of view of organisational decisions and governance solutions adopted, including their evolution, and from the point of view of the quality through the utmost and precise transparency of disclosures.

As has already been said in the Introduction, the Committee's recommendations and wishes are expressly referred to and considered in the body of this document with respect to the information set out on the specific themes discussed, summarised in the reference Table below, which also acts as an easy guide to these themes.

As regards the matters that are more closely related to the Group's Remuneration Policy, in addition to the information provided in this Report, reference should be made to the Remuneration Report prepared pursuant to Art. 123-*ter* of the Consolidated law on Financial Intermediation, which is made available within the time limits and in the manners prescribed by law, after the related approval on the part of the Board of Directors.

<i>Corporate Governance Committee Theme areas</i>	<i>Corporate Governance Report Leonardo S.p.a. Disclosures and references</i>		
DISCLOSURES BEFORE BOARD MEETINGS	<ul style="list-style-type: none"> <li>➤ <i>Adequacy assessment</i></li> <li>➤ <i>Full transparency on timing and way of circulating disclosures before Board meetings</i></li> <li>➤ <i>Adequacy and timeliness of information flows</i></li> <li>➤ <i>Protecting Confidentiality</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Para. 4.3</i></li> <li>• <i>Board evaluation</i></li> <li>• <i>Para. 4.4</i></li> <li>• <i>Information to the Board of Directors</i></li> </ul>	✓
INDEPENDENCE CRITERIA	<ul style="list-style-type: none"> <li>➤ <i>Independence assessment consistent with the criteria set out in the Code</i></li> <li>➤ <i>Comprehensive disclosures</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Para. 4.6</i></li> <li>• <i>Independence Assessment</i></li> </ul>	✓
BOARD REVIEW ACTIVITY	<ul style="list-style-type: none"> <li>➤ <i>Transparent and detailed information on the methods of performance</i></li> <li>➤ <i>Board members involved in the process</i></li> <li>➤ <i>Interaction and individual contributions</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Para. 4.3</i></li> <li>• <i>Board evaluation</i></li> </ul>	✓
REMUNERATION POLICIES	<ul style="list-style-type: none"> <li>➤ <i>Adequacy in relation to medium/long-term sustainability</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Par. 8</i></li> <li>• <i>Remuneration of Executive Directors and Managers with Strategic Responsibilities</i></li> <li>• <i>Remuneration Report</i></li> </ul>	✓
	<ul style="list-style-type: none"> <li>➤ <i>Variable remuneration parameters</i></li> <li>➤ <i>No “ad hoc bonus”</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Para. 8</i></li> <li>• <i>Remuneration of Executive Directors and Managers with Strategic Responsibilities</i></li> <li>• <i>Remuneration Report</i></li> </ul>	



**TABLE 1: INFORMATION ON THE SHAREHOLDER STRUCTURE***Significant stakes in the share capital*

SHAREHOLDERS	<i>% of ownership</i>
	<i>on the ordinary capital and voting capital</i>
Ministry of Economy and Finance	<b>30.204</b>

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

Board of Directors for the three-year period 2017-2019 appointed by the Shareholders' Meeting on 16 May 2017									Control and Risks Committee ***		Nomination, Governance and Sustainability Committee ***		Remuneration Committee ***		Analysis of International Scenarios Committee ***	
Position	Members	Date of first appointment	Executive	Non-executive	Independent Corp. Gov. Code .	Independent Cons. Law on Fin. Intermed	Attendance BoD meetings *	Other positions **	Members *	Attendance	Members	* Attendance	Members	* Attendance	Members	* Attendance
Chairman	Giovanni DE GENNARO	04/07/2013		X			11/11	0								
Chief Executive Officer °	Alessandro PROFUMO	16/05/2017	X				11/11	0								
Director	Guido ALPA	15/05/2014		X	X	X	10/11	0	M	7/10	C	5/5				
Director	Luca BADER	16/05/2017		X	X	X	11/11	0	M	10/10					M	3/3
Director	Marina Elvira CALDERONE	15/05/2014		X	X	X	11/11	0			M	5/5	M	6/6		
Director and Lead Independent Director	Paolo CANTARELLA <sup>(°)</sup>	04/05/2011		X	X	X	11/11	1	C	10/10	M	5/5				
Director	Marta DASSU'	15/05/2014		X	X	X	9/11	1			M	3/5			C	3/3
Director	Dario FRIGERIO <sup>(°)</sup>	04/07/2013		X	X	X	11/11	1			M	5/5	C	6/6		
Director	Fabrizio LANDI	15/05/2014		X	X	X	11/11	2	M	8/10					M	3/3
Director	Silvia MERLO <sup>(°)</sup>	04/05/2011		X	X	X	11/11	3	M	10/10					M	3/3
Director	Marina RUBINI <sup>(°)</sup>	15/05/2014		X	X	X	10/11	2			M	5/5	M	4/6		
Director	Antonino TURICCHI	16/05/2017					10/11	3			M	5/5	M	6/6		
<b>Number of meetings held during 2018:</b>		BoD: <b>11</b>		Control and Risks Committee: <b>10</b>			Nomination, Governance and Sustainability Committee: <b>5</b>			Remuneration Committee: <b>6</b>		Analysis of International Scenario Committee: <b>3</b>				
<b>Quorum for presentation of lists for the appointment of the BoD: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting</b>																

NOTES ° Director in charge of the internal control and risk management system.

\* All absences from BoD or Committees meetings are excused.

\*\* This column contains the number of positions as Directors or Statutory Auditors held by the directors serving in other companies listed on regulated markets (in Italy and abroad), and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.

\*\*\* This column contains the position of the BoD member in the Committee (C/Chairman, M/Member).

(°) Director appointed from a minority list.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors (three-year period 2018-2020) appointed by the Shareholders' Meeting of 15 May 2018						
Position	Members	Date of first appointment	Independent Corp. Gov. Code	Attendance at the BoSA meetings **	Attendance at the BoD meetings **	Number of other positions held ***
Chairman	Luca ROSSI * °	08/11/2018 °	X	1/1	1/1	0
Regular Auditor	Sara FORNASIERO *	15/05/2018	X	11/11	6/6	2
Regular Auditor	Francesco PERRINI	11/05/2015	X	16/18	10/11	1
Regular Auditor	Leonardo QUAGLIATA	15/05/2018	X	11/11	5/6	0
Regular Auditor	Daniela SAVI	11/05/2015	X	17/18	11/11	0
Alternate Auditor	Marina MONASSI	15/05/2018	--	--	--	0
<b>Number of meetings held during 2018: 18</b>						
<b>Quorum for presentation of lists for the appointment of the Board of Statutory Auditors: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting</b>						

**NOTES**

- ° Appointed as alternate auditor in the Meeting of 15 May 2018, on 8 November 2018 took the place of Mr Riccardo Raul Bauer as regular auditor and Chairman of the Board of Statutory Auditors (starting from the end of the meeting of the Board of Directors held on the same date).
- \* Auditor appointed from a list submitted by the minority.
- \*\* All absences from meetings are excused.
- \*\*\* This column indicates the number of positions as auditor (Art. 144-terdecies, para 1, Issuers' Regulations) held in other issuers. The full list of governing and control positions (Art. 144-terdecies, para, 2, Issuers' Regulations) is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Issuers' Regulations.

**TABLE 4: STATUTORY AUDITORS WHO CEASED TO HOLD OFFICE DURING THE 2018 FINANCIAL YEAR**

Statutory auditors who ceased to hold office on 15 May and 8 November 2018						
Position	Members	Date of First Appointment	Independent Corporate Governance Code	Attendance Board of Statutory Auditors meetings **	Attendance B.o.D. meetings **	In office until
Chairman	Riccardo Raul BAUER*	16/05/2012	X	14 /17	6/10	08/11/2018
Regular Auditor	Niccolò ABRIANI *	16/05/2012	X	6/7	5/5	15/05/2018
Regular Auditor	Luigi CORSI °	11/05/2015	X	6/7	4/5	15/05/2018
Alternate Auditor	Maria Teresa CUOMO °	11/05/2015	--	--	--	15/05/2018
Alternate Auditor	Stefano FIORINI *	16/05/2012	--	--	--	15/05/2018
<b>Number of meetings held during 2018: 18</b>						
<b>Quorum for presentation of lists for the appointment of the BoSA: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting</b>						

**NOTES**

- ° Auditor appointed from a list submitted by the majority shareholder.
- \* Auditor appointed from a list submitted by the minority.
- \*\* All absences from meetings are excused.



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