



**Guidelines of the Board of Directors of Leonardo S.p.a. to the  
Shareholders on the optimal qualitative and quantitative composition  
of the Board of Directors**

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*[www.leonardo.com](http://www.leonardo.com)*

## 1. Introduction

Leonardo S.p.a. (“Leonardo”, the “Company” or the “Group”) subscribes to the Corporate Governance Code, which, in Art. 4, of the current January 2020 version, recommends that Boards of Directors of listed companies other than those with concentrated ownership, on reaching expiry, should manifest - bearing in mind self-assessment - their opinion and position to the Shareholders on the qualitative and quantitative composition of the new Board when it is deemed optimal and, consequently, on the formation of lists of candidate Directors to be elected.

In this respect, it should be noted that the Corporate Governance Committee, which also ensures year-by-year monitoring of the state of implementation by listed companies of the Corporate Governance Code, has - in the 10<sup>th</sup> Report on the application of the Corporate Governance Code, which the Committee approved on 25 January 2023 - put forward the following recommendation concerning the “guidelines”: *“The Code recommends that the governing body of companies other than those with concentrated ownership issue guidance on optimal composition in the run-up to its renewal. It is noted that only about half of dispersed-ownership companies, which renewed their boards in 2022, have published their guidelines; moreover, such guidelines have also been published by about one-third of the concentrated-ownership companies with the board coming up for renewal in 2022. The Code recommends that the guidelines be published well in advance of the date of publication of the notice of call of the meeting convened to renew the board. The guidelines issued in 2022 for the renewal of the board were published an average of 13 days in advance of the date of publication of the notice of call; in most cases (about 90%), the advance was less than 30 days. The Committee reiterates the importance of the governing body, at least in companies other than those with concentrated ownership, issuing guidance on the optimal composition of the board in the run-up to its renewal, and calls on companies to publish their guidelines well in advance, so that those submitting lists of candidates can take them into account for the purposes of list composition.”*

The Board of Directors of Leonardo, whose term of office expires on the approval of the financial statements for 2022, having

- involved the Nomination and Governance Committee, which it has entrusted with carrying out an initial assessment of the size and composition of the Board, and
- bearing in mind the findings of the Board’s Self-assessment, conducted on the basis of the 2022 financial year and in continuity with the three-year period which has come to an end,

makes available to the Shareholders - in order to facilitate a pathway establishing the best proposals for the Shareholders’ Meeting in terms of the quantitative and qualitative composition of Leonardo’s Board of Directors on renewing the Body for the next term of office:

- the current strategic and operational elements of Leonardo’s situation, that have been realised during the expiring term of office and that are to be realised in the next term of office, as set out, and notified to the market, in the Industrial Plan for 2020-2024 (as well as in its subsequent updates 2021-2025 and 2022-2026) and the Strategic Plan 2020-2030;
- the experience and the skills indicated in the 2022 Self-assessment - as top priority or very important, duly distributed and diversified - for the composition of the new Board, bearing in mind its possible renewal and the need to ensure the Body’s future continuity;
- the guidelines on the size of the new Board of Directors and on the professional roles whose presence is deemed opportune, in such a way that each member - within Committees and in collective decisions - can effectively contribute towards ensuring sound governance of the Company in terms of pursuing the established strategies and ensuring effective safeguards against risks in all the Group’s areas.

## 2. Context

The existing term of office started in May 2020, with the now expiring Board of Directors, formed by the Non-executive and Non-independent Chairman, the Executive Director and 10 members: 1 Non-executive and Non-independent Director, 9 Non-executive and Independent Directors.

The mandate evolved with the implementation and development of the Industrial Plan and the approval of the "Be Tomorrow – Leonardo 2030" Plan, which describes the strategy the Group intends to put in place over the next ten years and beyond: to strengthen and transform the business in order to grow, accelerate innovation and increase long-term competitiveness. This new course of business sees innovation and technological development at the center as decisive elements that will enable the Group to face, in an ever-changing context, the challenges of the present and the future and seize the opportunities. In particular, the goal is to develop new capabilities, in both civilian and military fields, to meet the challenges posed by the complexity of the digital age: interdependence, interrelatedness and speed of evolution.

Research, technological innovation and digitalization also underpin the Group's sustainability strategy, as enablers to accelerate the transition to sustainable and inclusive development, in accordance with the goals of the UN 2030 Agenda (Sustainable Development Goals). The Group has prepared a sustainability plan aimed at covering the entire value chain, from research and development to operations, from customer support solutions to social impacts.

The first years of the Plan, which ended in 2022, saw Leonardo's Executive Director implement, with the Board's full agreement and support, the initiatives and measures required to attain the Group's objectives and operating results.

There are three strands on which the strategic plan that has been implemented has been based: *Strengthen our Core*, to further boost the business and core operations, including through a more focused and homogeneous portfolio of activities; *Transform to Grow*, to make the organisation more modern and flexible and adopt innovative and more effective business models in order to respond to customer needs; and *Master the New*, to innovate and create new technology and new high-tech markets.

The "One Company" model has been entirely completed. The review of the operating and organisational model and related processes are proceeding effectively.

The setting up of cross-divisional Centres of Expertise, which blend and share technologies and platforms, is at an advanced stage and is continuously evolving, in parallel with the wide-ranging cost control and performance improvement programme relating to production units and dealings with the Group's suppliers and partners.

The emphasis on presiding over innovative technological issues, from digital transformation to Artificial Intelligence, Advanced Analytics, and Cyber Security, has led to the creation of the Leonardo Labs, which are at the heart of Leonardo's innovation strategy and have the mission of accelerating the development of as-yet-unmatured technologies in areas of cross-divisional importance and closely related to evolving global trends and market needs. For example, Labs' activities have significant impacts in terms of sustainability: from helicopter and aircraft electrification to industrial process innovation, from satellite observation data analysis to advanced materials.

As far as the corporate governance of the internal control system is concerned, high methodological and operational standards have been achieved in the areas relating to the Audit, Risk Management and

Compliance processes, which areas have always been strategic for Leonardo, as witnessed by comparison with international benchmarks and independent third-party recognitions.

First the Covid-19 pandemic and then the conflict in Ukraine have highlighted the strategic role the Group plays in ensuring - alongside institutions and governments - the safety and protection of citizens and territories and in being a driver of development, security and progress on an ongoing basis.

ESG (Environmental, Social, Governance) issues have been further added to by and strengthened within the Plan, in line with the objectives initially set out by the Group. On the decarbonisation front, CO<sub>2</sub> emissions were reduced by 23% in 2021 compared to 2020, moving closer to the target of a 40% reduction in Scope 1 and 2 emissions by 2030. Significant results were also achieved in terms of diversity and inclusion, which substantiated an increase in the percentage of women hired with STEM degrees and the proportion of young recruits aged 30. The Group has, in addition, issued the first financial instruments linked to ESG targets, making more than 50% of total funding sources linked to ESG parameters.

In 2020, the Board approved the Group's first draft of the Integrated Annual Report, which provides in a single document, a comprehensive, measurable and transparent view of financial and non-financial information and which obtained reasonable assurance of key non-financial metrics for the first time in 2021.

In 2022, the analysis of the Group's economic and financial results/elements to date shows soundness, in terms of order growth, increased profitability, and strengthened cash performance, in line with the set targets. The increased demand for security related to the geopolitical scenario generates positive prospects for the defense sector. At the same time, the continuing complex operating environment, particularly in the labour market and supply chain, brings significant challenges to be addressed and managed.

Based on this, current assessments of the impacts of the geopolitical and health situation on the labour market, supply chain, and global economy, subject to any further significant aggravation, as well as based on ongoing actions to address the aforementioned challenges, and taking account of the changes in the scope of consolidation due to the sale of GES, the Group expects an increase in New Orders from about €15 billion to more than €16 billion, confirmation of forecasts for Revenues and EBITA, upward revision of FOCF from about €470 million to about €500 million, and a reduction in Group Net Debt from about €3.1 billion to about €3.0 billion in 2022.

#### Legenda

	Guidance 2022 <sup>1</sup>	Guidance 2022 <sup>4</sup> New perimeter	Guidance 2022 <sup>1</sup> Updates
New Orders (€bil.)	about 15	about 14.9	about >16.0
Revenues (€bil.)	14.5-15	14.4-14.9	14.4.-15.0
EBITA (€bil.)	1,180-1,220	1,170-1,210 <sup>2</sup>	1,170-1,220 <sup>2</sup>
FOCF (€bil.)	about 500	about 470	about 500
Group Net Debt (€bil.)	about 3.1 <sup>3</sup>	about 3.1 <sup>3</sup>	about 3.0 <sup>5</sup>

Like-for-like scope, excluding the contribution given by Global Enterprise Solutions (sold on 1 August 2022) in August and September 2021. Average Exchange rate of €/\$ 1.19671 in August-September 2021.

(1) Based on current assessments of the impacts of the geopolitical and health situation on the supply chain, labour market, and global economy, subject to any further significant aggravation.

(2) It includes Covid-19 mitigation costs previously accounted for as EBITA among Non-recurring costs.

(3) Assuming acquisition of 25.1% of Hensoldt for €mil. 606, disposals of approximately €mil. 300 and dividend payment of €0.14 p.s..

(4) Updated Guidance for the seven-month contribution given by GES (January-July 2022) compared with the 12 months assumed in the previous Guidance and the 12-month contribution given by Hensoldt

(5) Including higher income from sales and make-whole costs.

**In the next term of office**, the new Board of Directors and the Executive Director will be required to face challenges that are still open:

- strengthening the footprint in **international markets** while seizing the opportunities offered by a renewed reference scenario in Europe and in geo-strategic areas with higher growth potential;
- playing a key role in the process of **consolidating the AD&S sector**, even with a view to actively contributing to the construction of the European next generation capability;
- driving **innovation processes**, especially in digital and sustainable ways, by evolving company offerings and processes with the aim of ensuring increasing competitiveness;
- remaining on the technological frontier in innovative domains to strengthen and improving positioning in the sectors of **Space, Cyber Security and Intelligent Autonomous Systems**;
- responding with the necessary **flexibility and responsiveness** to both the lingering effects of pandemic and the Russian-Ukrainian conflict and potential new systemic shocks that will occur;
- completing the **review of operational and organisational models** and the **reengineering of key strategic processes** in line with the objectives of the Corporate Value Creation and Cost Efficiency Project;
- strengthening **competitiveness in the labour market** and, in particular, the ability to retain and attract professionals in line with the evolution of key skills for the business;
- responding to the ever-increasing stakeholder attention to sustainability and ESG issues;
- **also thanks to the high level of cohesion and professionalism achieved so far**, continuing to seek the consolidation of the system of values and the **best practices** of managerial development **in the selection and management of the first-line managers, paying special attention to talent management models**.

### 3. Size

Conscious of Leonardo's dimensions and organisational complexities and of the positive operational dynamics expressed by the Governance Board and by the Board of Statutory Auditors over the last three years, the Board of Directors - after examining, with the support of the Nomination and Governance Committee, the results of the Self-assessment for the 2022 financial year, the last year of the term of office - considers

- appropriate the current number of twelve Directors, the maximum envisaged by the current Bylaws;
- adequate the existing ratio between Executive Directors (1), Non-executive/Non-independent Directors (2) and Non-executive and Independent Directors (9), bearing in mind the complexity of governance and the characteristics of the activities carried out by Leonardo in the various sectors in which it operates;
- adequate the current size and structure, which facilitate a correct composition of the four Committees envisaged within the board, with the Chair and majority of members always being independent, while ensuring due involvement and making it possible to thoroughly examine the matters discussed and the decisions to be adopted;
- that the size of the Board of Directors and the overall number of independent directors is in line with international best practices and with best corporate governance practices.

#### 4. Composition

The Company adheres to the provisions laid down in Legislative Decree no. 254 of 2016 and Article 123-*bis*, paragraph 2.d-*bis* of the Consolidated Law on Financial Intermediation under Legislative Decree 58/1998 (hereinafter “TUF”, *Testo Unico della Finanza*) and the recommendations made by the Corporate Governance Code regarding diversity, including gender, targeted at defining an optimal composition of corporate bodies.

Diversity of experience, age, seniority and, last but not least, gender is an essential tool to ensure the right mix of skills and knowledge with respect to the business sectors in which the Company operates, with the aim of integrating diversity and business strategy while valuing individual contributions with respect to the tasks and responsibilities of the bodies.

Through the self-assessment process, which is characterised by an in-depth qualitative and quantitative analysis of the reported features and skills (including professional characteristics, experience, gender and length of service), *diversity* is in fact identified as the cornerstone, with a view to enhancing the range of experience, skills and perspectives present within the board.

##### 4.1. Gender and age diversity

Leonardo’s Board of Directors, after noting that:

- Article 147-*ter*, paragraph 1-*ter*, and Article 148, paragraph 1-*bis*, of the TUF requires compliance with a gender composition criterion, in which “*at least 2/5*” (as necessary rounding to the next higher unit) of the members of the administrative and internal control bodies is reserved for the less represented gender;
- the “at least two fifths” distribution criterion applies “*with effect from the first renewal of the administrative and internal control bodies of companies listed on regulated markets, after the date on which the law comes into force*” for “*six consecutive terms of office*”;
- the next will be the second term of office in which the above criterion will apply;

points out to the Shareholders that, in compliance with these provisions, on drawing up the lists of candidate Directors to be elected, it is operating in such a way as to ensure that the number of candidates of the less represented gender is at least not less than the number (rounded upwards, where necessary, to the next whole number) corresponding to **two fifths** of the size they have chosen for the body.

The Board hopes that, on selecting candidatures, a broad gender diversity is ensured and, at the same time, a diversification in terms of the age groups of the Directors.

##### 4.2. Diversity and Complementarity of Experience, Skills and Tenure in Office

###### Current situation

In the 2022 Self-assessment, the Board of Directors has underlined the numerous elements of continuity that are necessary in order to implement strategic policies and operational and organisational projects, in such a way as to achieve and consolidate results and meet the objectives of the Business Plan.

While taking account of the prevailing managerial and/or business background of half of the Board members and the professional and/or academic and/or institutional background of the other half, the set of

experience, knowledge and skills of the Board members as a collective expression of the Board's professionalism is broad and structured and is evaluated very positively on the part of all Board members.

In particular, the following emerge as skills **with broad presence and spread**:

- knowledge of Leonardo's main businesses, of the scenarios and strategies that are typical of the sectors in which it operates;
- Skills in finance, interpretation of business management data and evaluation of extraordinary transactions;
- ability to read and interpret management data and financial statements of a complex industrial group.

Likewise, **good oversight** is found in the areas:

- risk management
- legal affairs/contract forms
- CSR
- strategic planning.

While present, skills such as the following emerge instead as more **limited in numbers**:

- experience in top-level roles at listed companies in sectors, and with operating weaknesses, comparable to those of Leonardo
- HR skills and skills in developing/transforming complex organisations
- knowledge of international geopolitical situations and of issues involving Government, Institutional and/or Public Relations
- experience in situations characterised by innovation and/or advanced technological content that have gained digital information technology skills.

### **Guidelines for the future**

Leonardo's Board of Directors, on the basis of its own Self-assessment, the work carried out and its evaluation of the work the new Board will be required to carry out in order to complete the Plan, recommends, when electing the new Board, forming lists of candidates, with reconfirmed and new members who, with diverse skills, reflect experience and skills which, considered together, duly confirm and fortify the composition of the Board in terms of quality.

Specifically, the Board considers it appropriate to emphasise that the following was positively confirmed during the past term of office:

- a) the distinctive skills that the Board has within its composition and that have been successfully integrated both into the work of the Committees and in the Board debate and interaction with management;
- b) the impartiality and independence of the Chairman, who is the guarantor of good corporate governance;
- c) the business drive, management skills, authority, and leadership of the CEO.

It is common opinion that, due to the level of quality achieved by Leonardo in its governance practices, the significant effort that new board members will have to make to understand such a complex Group and the challenges that the company itself will have to face in the near future, a gradual renewal of directors is required so that the necessary continuity of the Governing body is ensured in order to foster stability in

management on an ongoing basis.

The above considerations are in line with international best practices that have long applied, by way of example, the staggered board mechanism, with a specific view to the best and safest corporate governance.

The Board provides an outline, in the **Skills Directory** provided below, of the complete range of **distinctive**<sup>1</sup> experience and skills **that should be contributed to the Board**, each with a different **availability**<sup>2</sup>: sufficiently broad, average, or even limited (if specialist), which takes account of the issues that will arise during the next term of office or their relevance.

More specifically, it indicates as **Skills** for which a **broad availability** is recommended:

- knowledge of Leonardo's main businesses, as well as of the scenarios and strategies typical of the industries in which it operates;
- business experience acquired in multinational corporate organisations;
- planning skills and/or strategic assessment skills;
- knowledge of CSR/ESG issues;
- ability to read and interpret management data and financial statements of a complex industrial group.

**Skills** for which even just an **average availability** is recommended:

- knowledge of international geopolitical situations and of issues involving Governmental, Institutional and/or Public Relations;
- risk oversight/management skills;
- experience in situations characterised by innovation and/or advanced technological content, which have gained expertise in digital information technology;
- financial expertise, skills in interpreting corporate management data and skills in evaluating exceptional operations.

**Skills** for which even just a **limited availability** is recommended:

- experience in top-level roles at listed companies in sectors, and with operating weaknesses, comparable to those of Leonardo;
- HR skills and/or skills in developing/transforming complex organisations;
- legal skills and skills in international agreements and contracts.

It recommends giving priority to candidates who, alongside the advanced professional skills indicated above, have:

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<sup>1</sup> The term **distinctive** is used to define knowledge, experience or competence that have been acquired either at an executive level, during an assignment where they have been developed over a significant period of time or via a specific training curriculum reflected in an acknowledged cultural background or, in any case, through professional experience (here again, clearly on Boards and Committees, if, for two or more terms of office), which has led to their acquisition and proven possession. Generally speaking, distinctive knowledge and competence are knowledge, skills and expertise geared to comprehending and managing the relevant content and/or making it possible to explain/pass on such content.

<sup>2</sup> The term broad **availability** is defined as the existence of distinctive experience or competence possessed by half or more of the Board's members; average availability is defined such when it possessed by one third or more of the Board's members; the term limited, yet adequate, availability on account of specialist content is defined as the existence of distinctive experience or competence possessed by one quarter or more of the Board's members.



- direct experience as directors in listed companies or, however, in companies with complexities similar to Leonardo and the capacity to understand the continuously evolving issues around institutional relations with the international financial community;
- the capacity to understand, and express themselves in, English, and who are endowed with suitable personal characteristics geared to transparency, commitment and inclusion, and who have soft skills, challenging but important, such as: skills in standing-up, communication and influence; leadership, spirit of cooperation; focusing on achieving results; business judgment capacity and the capacity to constructively make decisions.

The Board, while recommending the criteria to be followed in the renewal, has taken account of the three main indicators considered by stable investors: formal independence and independence of judgment; competence, which explains the importance, for investors too, of the existence and application of a Skills Directory; diversity, in its various forms, such as gender, background, nationality, etc.

## 5. Time Availability

All candidates considered for election as future Directors must make quite clear that they *guarantee* the time needed to participate, either physically or at any rate by video-conference, and to prepare for Board and Committees meetings, while also taking part in informal meetings and seminars with the other Directors.

In the course of the expiring term of office, each year the Directors were engaged in an average of 11 Board meetings and in around 15 meetings of Committees within the Board (with regard to the members of each individual Committee), as indeed in the days dedicated to onboarding, induction, visiting industrial sites and training in specific matters, as well as seminars and conferences of interest to the Company.

## 6. Directors' overboarding

Leonardo's directors accept and hold the position because they believe they can devote the necessary time to the diligent performance of their duties, taking into account the commitment resulting from the office they hold, as well as the total number of positions they hold on the governing and control bodies of other listed or large companies.

In accordance with its own Rules, at the proposal of the Nomination and Governance Committee and in compliance with the recommendation that the Code has provided for "large companies," the Board of Directors has issued its Guidelines on the maximum number of positions that may be held by Directors of Leonardo, which it deems compatible with an efficient performance of the Directorship of the Company, such as to ensure an appropriate commitment in line with the duties inherent in the position, unless the Board makes a different and reasoned assessment.

The Guidelines were approved on 16 December 2021 and can be found in the Corporate Governance section of the Company's website (Board of Directors/Guidelines and Criteria).

## 7. Profiles of Particular Importance

Leonardo's Board of Directors, conscious of the particular importance of certain internal roles, indicates the main characteristics which the representatives called on to occupy such roles should specifically:

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

- be a figure with high professional standing and values;
- be authoritative and possess credibility vis-à-vis Leonardo's shareholders and stakeholders;
- be a guarantor of the various safeguards responsible for supervising ethics and legality;

- have a recognised international and/or institutional standing and adequate knowledge of the geopolitical environment in which Leonardo operates;
- be capable of ensuring transparent and proper management of the functioning of the Board of Directors, encouraging the integration of the various skills and experience of the Directors, ensuring the relationship between the Executive Director and non-executive members according to their respective roles and prerogatives, as well as the talks with the body with monitoring functions and board internal committees;
- have previous experience in guiding a complex Board or as a Head of units with dimensions and complexities comparable to those of Leonardo;
- be capable of overseeing compliance with corporate governance rules to ensure ongoing alignment with regulations and self-regulatory guidance applicable for the time being.

#### *The Executive Director*

- have full personal and professional prestige in performing the assignment, even at the International level;
- have gained significant managerial experience, including at the business level, in management positions of listed companies, with dimensions, complexities and international features comparable to those of Leonardo;
- have due competence in economic and financial matters and in matters of corporate strategy;
- have, and know how to pass on, top-level strategic insight and thought;
- have developed adequate knowledge of the industry in which Leonardo operates, or of sectors with an affinity for it;
- have high qualities of undisputed leadership and management style oriented to the ability to create team spirit among staff members.

The Lead Independent Director - a role whose advisability is underscored by the Board (even in the absence of the specific situations covered by the Code), but whose presence on the Board is nonetheless recommended, in view of the excellent contribution made by this figure in the course of the expiring term of office –

- should ideally have important managerial experience in entities with a significant international profile and with dimensions and complexities comparable to those of Leonardo
- should have seniority and personal prestige, in such a way as to provide a point of reference and coordination for the Non-executive and Independent Directors;
- should have experience on Boards of Directors of major listed companies, whether Italian or international.

#### *The Other Nine Directors*

They should all be Non-executive, and in the main Independent, in accordance with the criteria laid down by the law and by the recommendations contained in the Corporate Governance Code as well as in the Rules of Procedure of the Board of Directors (art 5 ) that can be found in the Corporate Governance section of the Company's website.

The independence requisite, which is monitored closely by proxy advisors and investors, will have to be assessed at both the substantial and formal level, and without prejudice to the possession of the competencies listed above in the Skill Directory.

## 8. Compliance of lists with the Guidelines

In accordance with Article 4, Recommendation 23, of the Corporate Governance Code, the Board of Directors requires those who submit a list that contains more than half of the members to be elected to provide adequate information, in the documentation submitted for the filing of the list, about the list's compliance with these Guidelines, including with reference to the diversity criteria set forth herein, and to state their candidate for the office of chairman of the board of directors.

## 9. Letter confirming the position

On submitting their candidature, all candidates to the position of Board Director must prepare their curriculum, specifying the professional skills and the distinctive knowledge and experience they have acquired and, to be precise, in terms of:

- training (specifying both the guidance and training programmes they have followed);
- the professional skills acquired through practical experience, indicating the positions previously occupied, clarifying the sectors of operation and the positions occupied, above all in carrying out managerial activities (specifying the duration and the size of the company), and academic and/or advisory and/or institutional activities, as well as any positions on Boards and Committees and/or Panels.

The Board recommends that, on candidating and in the letter of acceptance, all candidate Directors should be asked to declare which distinctive skills, experience and/or competence included in the *Skills Directory* they have - as set out in these Guidelines for Shareholders - while also signing a specific declaration confirming that there are no conflicts of interest between the Director and the Company, and undertaking to provide immediate notification if they find themselves in a situation of effective or potential conflict of interest in the course of performing their functions.