



REPORT ON
CORPORATE GOVERNANCE
2018

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

2017 FINANCIAL YEAR

14 MARCH 2018

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

Disclaimer

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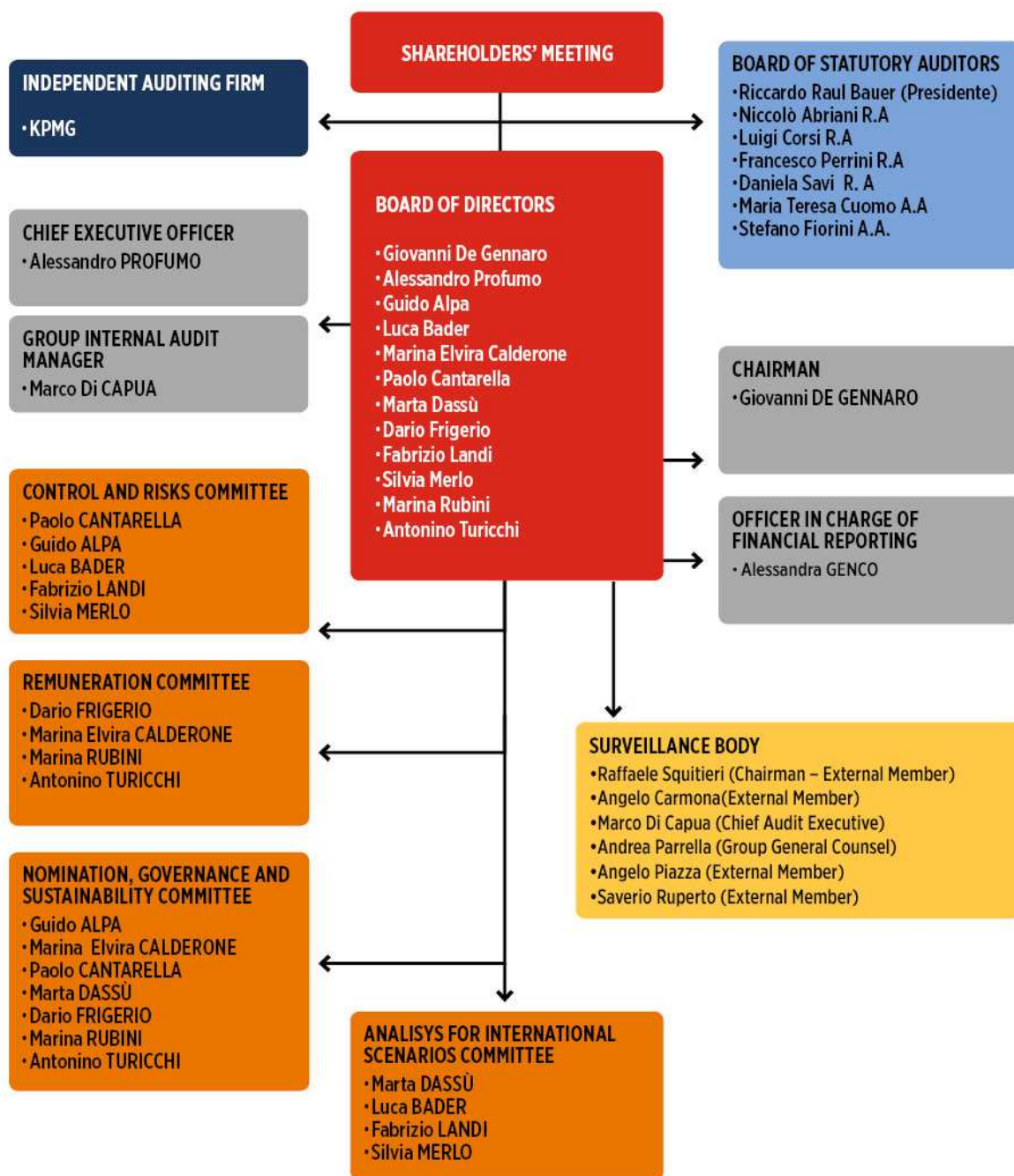
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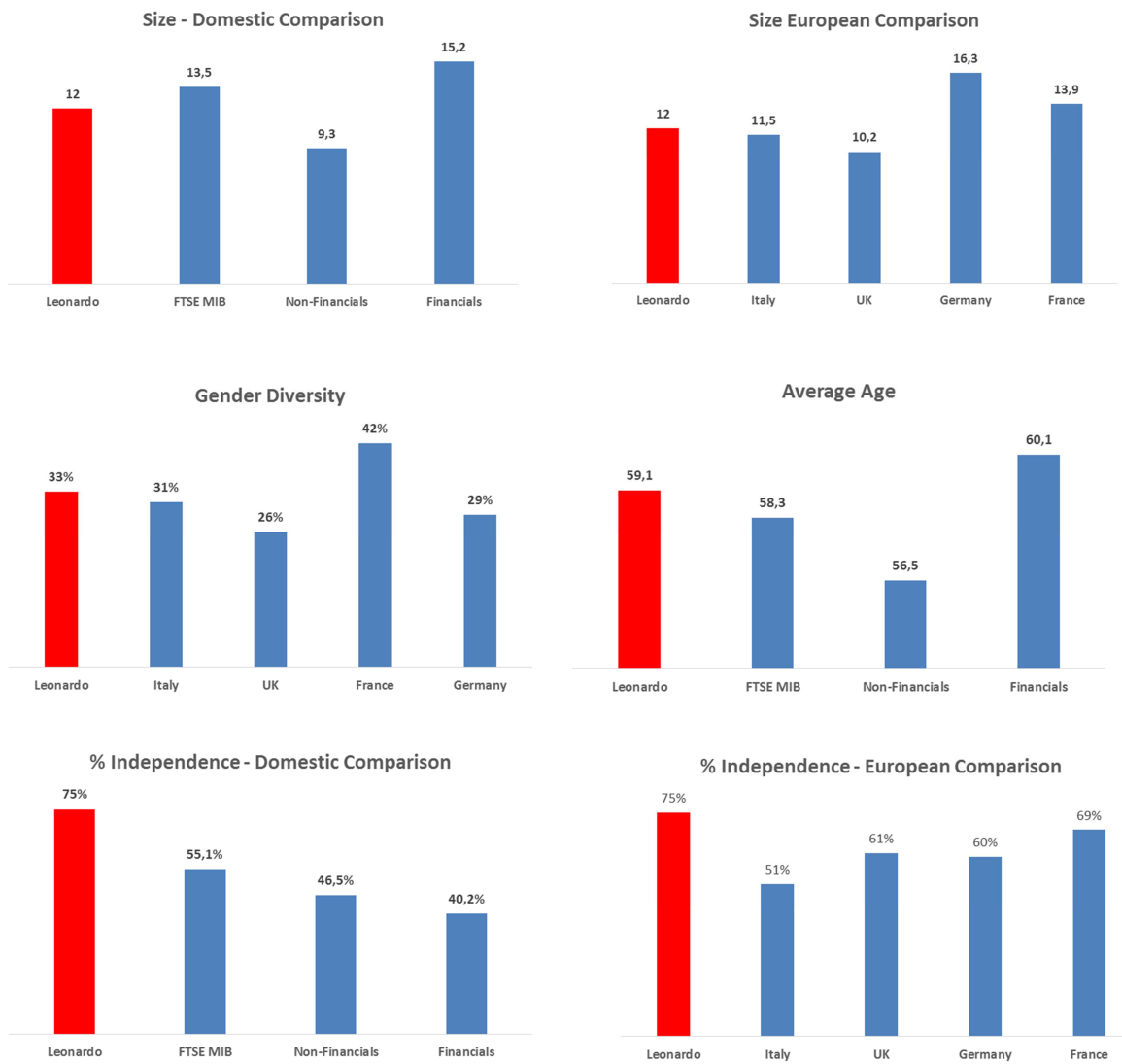
OUR GOVERNANCE AT A GLANCE



LEONARDO'S BOARD OF DIRECTORS

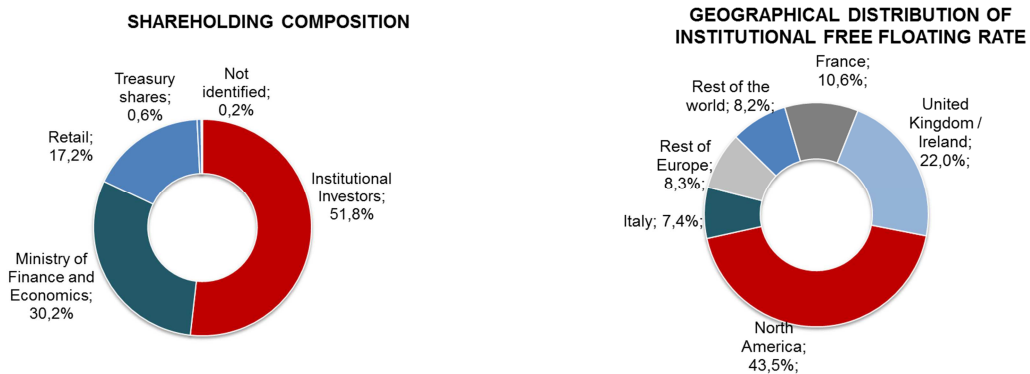


- (1) Director appointed from the list submitted by the majority shareholder (Ministry of Economy and Finance), voted by 56.46% of the share capital represented in the Shareholders' Meeting.
- (2) Director appointed from a list submitted by the minority shareholder (a group of asset management companies and institutional investors), voted by 35.07% of the share capital represented in the Shareholders' Meeting.



SOURCES: Note e Studi: La Corporate Governance in Italia “Anno 2017”
Spencer Stuart “Italian Board Index 2017”

LEONARDO’S SHAREHOLDERS – JANUARY 2018



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 2015.

This Report also implements the new 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 13 December 2017** 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 referred to and considered in the body of this document and are also specifically presented and 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).

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 2017 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 organisational 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 11 May 2015 for the 2015-2017 term.

- **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**

On 9 November 2017, 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 Board of Directors, to replace Gian Piero Cutillo, who was appointed as Head of the Company's Helicopters Division.

Objectives and corporate mission

Leonardo is a high-tech global player 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.

From Finmeccanica to Leonardo

With effect from 1 January 2016 all the Group's activities in the core sectors of Aerospace, Defence and Security (A,D&S) were concentrated in the new **One Company**, a single company structured into divisions.

Following the resolution passed by the Shareholders' Meeting held on 28 April 2016, the Company took the name of "Leonardo – Finmeccanica – Società per azioni" until 31 December 2016 and the new company name of "Leonardo – Società per azioni" ("Leonardo S.p.a." in an abbreviated form) with effect from 1 January 2017.

Leonardo is 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 value for its shareholders and for all stakeholders.

For more details on the process of reshaping the Company's organisational structure and on the development of its form as a "One Company" during the 2017 financial year, reference should be made to paragraph 15.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE AT 14 MARCH 2018 (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 3,709,133 treasury shares, equal to about 0.642% 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.

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 recently 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 shareholders' 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 plan. 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 – entered into by Leonardo or its subsidiaries at 31 December 2017 (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	BNPP-BNL, BANCA INTESA SANPAOLO, UNICREDIT	AGREEMENT FOR THE GRANTING OF A REVOLVING CREDIT LINE AMOUNTING TO EURO 2.0 BILLION	IN CASE OF A CHANGE OF CONTROL OF LEONARDO, AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, EACH BANK MAY 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	BAE SYSTEMS ED AIRBUS GROUP (FORMER EADS)	SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR	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 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	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	CHARTIS ASSICURAZIONI	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"> • AIG (PRIMARY POLICY) EXCESS POLICIES TO PRIMARY • GENERALI + CO- INSURERS 	INSURANCE SCHEME FOR DIRECTORS AND OFFICERS	THE INSURER WILL NOT BE LIABLE FOR ANY LOSSES ARISING FROM OR ARE

	<ul style="list-style-type: none"> • XL CATLIN + CO-INSURERS • ALLIANZ + CO-INSURERS • SWISS RE + CO-INSURERS • XL CATLIN + CO-INSURERS 		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
LEONARDO SPA	GENERALI+ OTHER CO-INSURES (PRIMARY POLICY) EXCESS POLICIES TO PRIMARY <ul style="list-style-type: none"> • AIG +CO-INSURES • XLCATLIN+ CO-INSURES • ZURICH+ CO-INSURES 	PROPERTY ALL RISKS	THE INSURER IS ENTITLED TO WITHDRAW FROM THE CONTRACT IN CASE OF SUBSTANTIAL CHANGES OF LEONARDO OWNERSHIP
LEONARDO SPA	PUBLIC JOINT STOCK COMPANY “AVIATION HOLDING COMPANY “SUKHOI” WING MED B.V. SUPERJET INTERNATIONAL S.P.A.	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
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	GENERAL ELECTRIC COMPANY (THROUGH THE AVIATION BUSINESS UNIT, MA, USA - “GE”)	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES	RENEGOTIATION OF THE AGREEMENTS IF CONTROL OF LEONARDO IS ACQUIRED BY A COMPETITOR OF GE; LEONARDO IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO THE GE’S PROPRIETARY INFORMATION
LEONARDO SPA (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	TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF LEONARDO TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS
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%.
LEONARDO SPA (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
LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)	ISRAEL MINISTRY OF DEFENCE	“STRATEGIC PURCHASE CONTRACT” FOR THE SUPPLY OF 30 ADVANCED TRAINING M346 AIRCRAFT AND RELATED SYSTEMS, SERVICES AND TECHNICAL SUPPORT	IN CASE OF A CHANGE OF CONTROL OF LEONARDO THE ISRAEL MINISTRY OF DEFENCE MAY TERMINATE THE CONTRACT IF, AS A RESULT OF THE SAME, THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A PARTY LINKED TO A STATE DEFINED AS AN “ENEMY OF THE STATE OF ISRAEL” ACCORDING TO THE ISRAELI LEGISLATION ON “ISRAELI’S TRADING WITH THE ENEMY”
LEONARDO SPA (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
LEONARDO SPA (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
PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
SUBSIDIARIES			
AGUSTAWESTLAND LTD	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
AGUSTAWESTLAND PHILADELPHIA CORPORATION	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.
AGUSTAWESTLAND PHILADELPHIA CORPORATION	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
LEONARDO MW LTD	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
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"> • TO REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-

			<p>GEOS;</p> <ul style="list-style-type: none"> TO SELL THE SHARES TO THE SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY. <p>THE CHANGE IN THE SHAREHOLDER STRUCTURE OF LEONARDO SPA OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.</p>
<p>LEONARDO DRS INC. AND ITS SUBSIDIARIES (FORMER DRS TECHNOLOGIE INC.) AND ITS SUBSIDIARIES (OWNED THROUGH LEONARDO US HOLDING, INC, (FORMER MECCANICA HOLDINGS USA INC.)</p>	<p>LEONARDO US HOLDING MECCANICA HOLDINGS USA</p>	<p>LOAN AGREEMENT</p>	<p>IN CASE OF CHANGE OF CONTROL, LEONARDO DRS INC. IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF LEONARDO US HOLDING</p>

As regards 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 provides that the purchase of treasury shares may 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).

The Company held 3,709,133 treasury shares, equal to about 0.642% 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 by the Code 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 guarantee the constant alignment with the contents of the Code as well as with the changes made to the Company's organisational structure.

As regards the changes introduced in the latest edition of the Code (July 2015), as already disclosed in this 2017 Corporate Governance Report, the Board of Directors confirmed its acceptance of the

Corporate Governance Code and pointed out that the corporate governance model of Leonardo is substantially consistent with the recommendations laid down in the new version of the Code and took, in line with the set time limits, the appropriate alignment measures, updating the Board regulations and those of the internal Board Committees, as detailed in this Report, in order to further tighten the level of compliance on the part of the Company Governance model. The Board also took the opportunity to consider making further changes to these Regulations, suggested by practice and experience in their application, in addition to minor formal adjustments required as a result of changes which had taken place in the Company's organisational structure.

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. 1), 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 Resolution no. 20273 of 24 January 2018, 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.

Succession plans

The Company's Board of Directors has considered it appropriate not to adopt a plan for the succession of the executive Directors of Leonardo S.p.a., referring this decision to the shareholders. It should be noted, however, that the Board, at the suggestion of the Nomination, Governance and Sustainability Committee, is of the opinion that a **procedure should be adopted for meeting any crisis management situations that arise, in line with the objective (reported by the Corporate Governance Committee in the letter referred to in the Introduction above) of ensuring continuity and stability in the management of the Company.**

As early as during the 2015 financial year, the abovementioned Committee, based on the considerations made in the framework of self-evaluation process, focused its work on the possibility of drawing up this procedure, as there is no plan for succession to top management positions. At the beginning of 2016 the Committee then approved, 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, a proposed procedure to be submitted to the Board of Directors for the adoption of any related decision, 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. This procedure was approved by the Board of Directors at the meeting held on 16 March 2016.

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 2017 year-end and currently holding office, is made up as follows:

Giovanni De Gennaro (1)

Chairman

Alessandro Profumo (1)

Chief Executive Officer

Guido Alpa (1)

Luca Bader (1)

Marina Elvira Calderone (1)

Paolo Cantarella (2)

Marta Dassù (1)

Dario Frigerio (2)

Fabrizio Landi (1)

Silvia Merlo (2)

Marina Rubini (2)

Antonino Turicchi (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), **voted by the majority of the share capital represented in the Shareholders' Meeting** (about 62%).
- (2) Director appointed from the **list submitted by minority shareholders** (a group of asset management companies and institutional investors, holding about 1.910% of the share capital), **voted by the minority of the share capital represented in the Shareholders' Meeting** (about 37%).

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 and of the Directors that ceased to hold office during the 2017 financial year, 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.

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's also Honorary President of AIAD (Italian Industries Federation for Aerospace, Defence and Security) since July 2017. 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

Non-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*).

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 where he was responsible for Purchasing and Logistics. In 1990 he was appointed General Manager of Fiat Auto, 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, 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 and Chair of the Aspen Initiative for Europe; 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.

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 Surveillance 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 companies operating in the asset management and private equity segment and a partner of Wealth Management Companies. He was appointed as a member of the Board of Directors of Telecom Italia S.p.A. in 2017.

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 Silicon Biosystem that belong to the Menarini Group in Florence, as well as of the Board of Directors of Banca CRF in Florence 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 Director. He is the president of the TLS Foundation in Siena, a mandate that has been just renewed, 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. 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 of counsel with the DLA Piper law firm in Milan. 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. 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

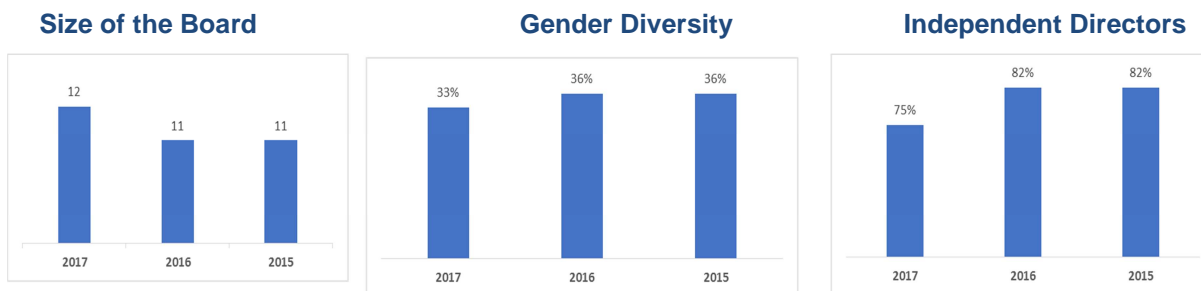
Non-executive – Non-Independent - In office since May 2017

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 as Director or Statutory Auditor 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.

Director of Falck Renewables S.p.A.

- **Dario Frigerio**

Deputy Chairman of Fondazione Fiera Milano

Director of Poste Vita S.p.A.

Director of Telecom Italia S.p.A.

- **Fabrizio Landi**

CEO of Panakés SGR S.p.A.

Director of Banca CRF S.p.A.

Director of Menarini Diagnostics S.r.l.

- **Silvia Merlo**

Director of GEDI Gruppo Editoriale S.p.A.

Director of ERG S.p.A.

CEO of Merlo S.p.A. Industria Metalmeccanica

- **Marina Rubini**

Director of SO.G.AER. S.p.A.-Società Gestione Aeroporto di Cagliari

- **Antonino Turicchi**

Director of Monte dei Paschi di Siena S.p.A.

Director of Autostrade per l'Italia S.p.A.

Director of STMicroelectronics Holding

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 also 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.

As regards **effective attendance at Board of Directors meetings on the part of executives of the Issuer, in conformity to best practices as suggested in the last Report of the Corporate Governance Committee**, meetings were also attended during the 2017 financial year by the heads of Leonardo's first level organisational units and by its Heads of Division, at the invitation of the Chief Executive Officer, providing the detailed information required in order to throw full light on

the items on the agenda which fall within their spheres of responsibility.

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 2017 financial year, the Board met 12 times for an average of about 2 hours and half per meeting. During this year, at 14 March 2018 no. 3 board's meetings had already been held (compared to the scheduled 9 meetings) including that held at the same date.

The following are the Directors' attendance records for the meetings that took place during 2017:

	Attendance
Giovanni De Gennaro	12 out of 12 meetings
Alessandro Profumo (°)	7 out of 7 meetings
Guido Alpa	12 out of 12 meetings
Luca Bader (°)	6 out of 7 meetings
Marina Elvira Calderone	11 out of 12 meetings
Paolo Cantarella	12 out of 12 meetings
Marta Dassù	12 out of 12 meetings
Dario Frigerio	12 out of 12 meetings
Fabrizio Landi	12 out of 12 meetings
Silvia Merlo	12 out of 12 meetings
Marina Rubini	12 out of 12 meetings
Antonino Turicchi (°)	7 out of 7 meetings

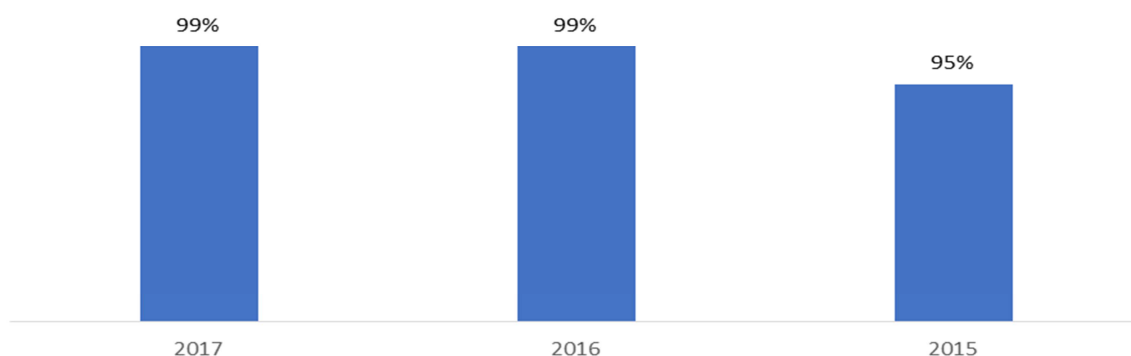
(°) In office since 16 May 2017

DIRECTORS WHO CEASED TO HOLD OFFICE

<i>Mauro Moretti (1)</i>	<i>5 out of 5 meetings</i>
<i>Alessandro De Nicola (1)</i>	<i>5 out of 5 meetings</i>

(1) In office until 16 May 2017

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 14 March 2018 – 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 introduced into the framework of these appraisal activities in the latest edition of the Code, 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 14 March 2018 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, the Board expresses its position to the shareholders concerning the line that it intends to take as regards the managers and other professionals whose presence it deemed advisable, before the renewal of its term of office, also on the basis of the recommendation or opinions provided by the Nomination, Governance and Sustainability Committee.

The guidelines on the new composition of the Board which were already set out by the 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. The guidelines on the size and composition of the new Board of Directors for the three-year period from 2017 to 2019, which were promptly published in the Corporate Governance section of the Company's website, have also accompanied the explanatory Reports to be provided by the Board to the next Shareholders' Meeting.

In coherence with the instructions in the Code and the Corporate Governance Committee's suggestions in the letter referred to in the Introduction, Board review is conducted using effectively designed methods and procedures, a special role being played by the Nomination, Governance and Sustainability Committee and investigations being entrusted to one of the Company's external advisors.

The abovementioned Committee is entrusted with particular responsibility in the Board evaluation process. The Committee does the preliminary work for this process, especially by drawing up proposals to the Board for the appointment of a company specialised in the sector, choosing the themes to be evaluated and laying down the procedures and setting the timeframe for the procedure.

The serving Board of Directors of Leonardo carried out its first evaluation of the current mandate, which also represents – in accordance with best practices – the thirteenth one from the first self-evaluation conducted with reference to the 2005 financial year. The evaluation process was conducted 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. 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 its Board, as reported above, in previous self-evaluation processes.

Methods and Objectives

The methodology is based on frank, detailed interviews and conversations with individual Directors, who cover the areas under scrutiny by outlining their views on the different themes through a questionnaire which is sent to them, copied to the Chairman of the Board of Statutory Auditors and the Secretary to the Board as observers. Interviews are generally preceded by a certain number of preliminary meetings (with the Chairman of the Nomination, Governance and Sustainability Committee, with the Chairman of the Board and the Chief Executive Officer, where possible, as well as with the Secretary to the Board and the Chairman of the Board of Statutory Auditors), as well as by an analysis by the advisors of the Board and the Committees' papers for the previous financial year.

The self-evaluation conducted in the first year of the Board's present three-year term of office took specific factors into consideration in addition to the usual elements in the process, such as the entry of new members to the Board and continuity with the findings of the previous evaluation.

Specifically, among the **objectives of the new self-evaluation procedure (in conformity to the Corporate Governance Committee's suggestions with reference to the contents of the Board review)** were regard to efficiency and effectiveness in the Board's functioning and performance and the strengthening of the roles and contributions of each Director, of the Committees and of the Board as a whole in conducting a positive, constructive relationship with Top Management and the key operating functions in a year marked by the launching of the new Business Plan.

Themes under scrutiny

The themes to be assessed focused on various areas concerning the composition and proceedings of the Board and its Committees, including in particular:

- the number of Board members, seniority of service and the balancing of roles within the Board;
- the composition of the Board: professional skills, in terms of knowledge, experience and expertise, possessed by the Board as a whole and by each member;
- induction plans: requirements, frequency and quality of related work;

- proceedings of Board meetings: frequency, duration, items on the agenda, attendance, including with reference to trusted, collaboration and interaction relationships between Board members;
- the functioning of the Board as a whole;
- the role of the Board's Chairman and the support provided by the Secretary's office; Executive Director;
- information flows between the Board and its committees;
- the composition, functioning and quality of discussion within each Board Committee.

Results of self-evaluation

At the end of the self-evaluation process, the number of Board members and related balancing (between the Executive Director, two Non-executive Directors and nine Non-executive and Independent Directors), were considered to be adequate, as were gender diversity and seniority of service.

The Board possesses a wealth of professional skills, experience (in management, entrepreneurship, professional, institutional and international geo-political matters) and background (in the fields of industry, finance and financial markets, labour and human resources, legal affairs and analysis of international economic and politic scenarios), as well as a suitable set of competencies, which were enhanced – during the current term of office - by the expertise provided by the new Board members and by the consolidated knowledge of those with a longer and balanced seniority, required to perform their direction and management duties within the complex environment of Leonardo.

The Board has given a favourable opinion on its own commitment, functioning and contribution during 2017, a year that was marked by the new term of office and by the appointment of the new Executive Director; it was also a year of considerable changes in the markets of some key businesses and of surveys and in-depth analyses conducted before the approval of the new Group Industrial Plan in January 2018; in this regard the Board was particularly involved in the consideration of industrial, financial, organisational and business issues, as well as in any related assessment, contribution opportunities and final decision, and resolution-making processes. The Board has approved and particularly appreciated the Executive Director's initiative to hold meetings on a quarterly basis, aimed at describing the progress of the Plan and the general conditions of target markets.

The set of information in the possession of the Board was considered exhaustive and suitable to allow active discussion to take place with better awareness at meetings; the Board also made use of substantial documentation (the use of well-realised executive summaries helped the Board to handle and focus on such documentation more easily), which was always delivered in due time for any required analysis.

The Executive Director reports and provides detailed information to the Board on the Group's outlook prospects and is committed to providing a thorough description of its business trends, operations and performances: the Board appreciates him as dialogue partner, as well as his attention to questions, comments and contributions. The frequent attendance by managers promotes insight into and understanding of matters, the quality of board discussions, as well as the knowledge of the top management positions.

The Chairman is largely perceived as a person who is able to guarantee a correct operation of the Board and of institutional relations outside of the Group: he performs his duties of coordination and optimal management of the Board, prepares and chairs the meetings with professional diligence and personal style, urges participation from everyone and leaves adequate room for discussion on priority issues; he assures himself of the quality of minutes, which among other things are particularly well drafted by the Secretary's office, whose support is largely appreciated by all Board members.

The Executive Director was appreciated for his high professional standing, authoritativeness, transparency and leadership expressed with entrepreneurship, managerial skills, self-assurance and pragmatism, as well as for his motivated identification of objectives, strategies, activities and solutions and his authoritative proposals to the Board. The interaction with the Board was positive in terms of transparency, prompt sharing of information and openness to confrontation.

The Lead Independent Director is the promoter of more than one meeting of independent Directors, that enabled discussions to be held with better awareness within the Board, including while dealing with the Industrial Plan, and is appreciated for the active interpretation of his role and the committed involvement in the induction process

Positive evaluation was received for the composition and the work done by the Committees, with the well-established leadership of their respective Chairmen and the strong collaborative spirit of their members , as well as for the related operations and the quality of results submitted to the Board.

Among the considerations and suggestions on any possible action to be taken, on the basis of the experience gained during the 2017 financial year:

- continuing the work performed by the Chairman in agreement with the Lead Independent Director, with the support from the Secretary to the Board, for the organisation of sessions of learning and in-depth analysis of any and all issues aimed at enriching expertise with regard to business activities;
- increasing the number of meetings to be held by Independent Directors.

Board induction

As required by the Rules of Procedure of the Board, the Chairman, in agreement with the Lead Independent Director, is in favour of Directors and Statutory Auditors taking part, in the most appropriate manners, in **structured induction sessions in order to help them to properly**

familiarise themselves with the manner in which the Company is organised - and this not only after their appointment but also during their term of office - **and the business area in which it operates**, the corporate dynamics and their evolution, the standards for the correct risk management as well as with the related 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 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. Specifically:

- ✓ meetings were arranged with the Management of subsidiary Telespazio, as well as of Leonardo's Helicopters Division, during which activities, products and programmes were illustrated;
- ✓ a visit was arranged at the plant located in Cameri (Novara), operated by the Aircraft Division of the Company, which included a presentation of the programme carried out therein;
- ✓ Directors and Statutory Auditors took part in a presentation dedicated to the Cyber Security & ICT Solutions Business Line, as well as to specific Cyber Security issues;
- ✓ the members of the Board of Directors and of the Board of Statutory Auditors have been invited to participate in the 52nd edition of the Paris Air Show (which took place in Le Bourget in June 2017), one of the major events for the leading operators in the airspace sector;
- ✓ during the year a Seminar was also held, at the initiative of the Chairman of the Nomination, Governance and Sustainability Committee, in which expert speakers took part, on the "State of Corporate Governance in Italy and its evolution".

Furthermore, as in previous years, the Company promotes the participation in induction initiatives addressed to the Directors of listed companies and organised by Assogestioni (the Italian Investment Management Association) and Assonime (the Association of the Italian joint stock companies); an event specifically dedicated to the risk management issue has been scheduled for the current 2018 financial year.

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 prepares and distributes 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 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.5 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".

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

The Chairman of the Board of Directors calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory and timely information so that all the members of the Board "act well-informed", and so that they can express themselves in a properly informed manner regarding the matters submitted for their attention.

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

meeting whereby information is supplied regarding the items on the agenda and in the procedures for conducting the meetings. The Company has also 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 confidentiality of information.

Specifically, for the discussion of the items on the agenda of the Board's meetings, 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.

In conformity to the Corporate Governance Committee's suggestions in the letter referred to in the Introduction, 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.

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 members and has made its findings known, after the appointment by the Shareholders' Meeting held on 16 May 2017, as well as, at a later time- in the current financial year – during the meeting held on 28 February 2018 (periodical evaluation).

As a result of the assessments carried out in the last meeting referred to above, 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 noted 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 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 in the letter referred to in the Introduction, no instance of non-compliance with the 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.

The Board of Directors has stated that it would determine quantitative and/or qualitative criteria to refer to in evaluating any commercial, financial or professional relationships on the basis of an assessment of their economic importance and their significance, 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. For some time, however, the Board has 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 obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his 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 three times in 2017, as well as (at the date of approval of this Report) once during the current 2018 financial year, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer.

Specifically, during these meetings, the Independent Directors:

- ✓ were invited by the Nomination, Governance and Sustainability Committee to express their observations and considerations to the Board of Directors on a preliminary basis, as to the expected guidelines to be submitted to shareholders concerning the size and composition of the new board;
- ✓ met in order to examine the contents of the further information and clarification that had been requested in the imminence of the approval of the Business Plan;
- ✓ inquired into the best way of exchanging views and discussing matters with the Company's Top Management so that the Board is in a better position to assess business performance and prospects.

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 2017 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 needs expressed by Independent Directors as to the organisation and management of information flows between the Management and the Board.

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 in managing corporate information, as well as the utmost transparency and accessibility in its disclosures to the market.

After the European Market Abuse rules under Regulation (EU) no. 596/2014 came into force on 3 July 2016, there were substantial changes in the relevant legislative framework 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 transmission of documents and information concerning the Company, with specific regard to inside information.

On 26 March 2013 the Board of Directors approved - and finally on 26 January 2017 it updated – the **PROCEDURE FOR INSIDE AND CONFIDENTIAL INFORMATION**, which can be found in the Corporate Governance section of the Company's website and which 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, with specific regard to disclosure to the outside world; 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 also specified and set out in detail.

The Procedure also includes specific provisions as to the confidentiality obligations placed on the members of the corporate bodies, the Company's employees and external consultants.

In making the necessary modifications, the main aspects of the contents of the applicable legislative framework were carefully established, also in order, at the end of the process, to adopt the changes introduced by the new European Market Abuse rules. Other amendments were afterwards made in view of the changes that had taken place in the Company's organisational structure; special care was taken, as a result of the Company's divisionalisation process, to make the adjustments necessary to ensure that the changes are correctly applied not only at Corporate but also at Divisional level.

Again as regards inside information, the Company initiated the necessary List of persons with access to inside information and is keeping it up to date in compliance with current regulations.

Finally, an overall process of organic review of internal procedural rules has been put in hand in relation to Market Abuse issues.

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 for 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). Finally, the Code's text was specifically updated (on 26 January and 8 May 2017), 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 and Officer in charge of Financial Reporting in the Company are considered as Key Persons. The 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) are prescribed. In issuing the instructions for the implementation of the new rules in 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 purely voluntarily by the Company.

Therefore Key Persons may not carry out any transactions within 30 calendar days of the announcement of the interim 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. The Board has the power (laid down in the Code) to prohibit transactions from being carried out, or to limit them, in other periods of the year. The Board of Directors exercised this power resolving – in December 2017 - an extension of the blackout period for all Key Persons until the approval of the Industrial Plan and its communication to the market (which took place on 30 January 2018). The annual schedule of blackout periods is promptly updated by the Company's functions and communicated to the 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 ensure 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 and Compliance organisational unit, in charge of receiving and managing of 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 €mil. 3, or €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. These rules are applied in alignment with best practice, which sets 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 as specified below).

The Procedure underwent a first revision on 13 December 2011 in order to take account of certain formal adjustments due to the changed organisational structure of the Company.

In November 2013 the Board of Directors started the first periodic review and this led to a number of amendments which were approved by the Board (subject to the prior favourable opinion of the abovementioned Committee) at a Board meeting on 19 December 2013.

In addition to some minor changes to form, some amendments suggested by experience in its application were made and by the experience gained at the time of the first implementation of the rules and in particular:

- 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, of 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 Procedure was further updated (by an order issued by the Chief Executive Officer) in December 2015, with effect from 1 January 2016. This revision was carried out in order to adopt some changes essentially resulting from the new organisational structure and from the completion of the process of structuring it into divisions (including, in particular, the inclusion of the Division Managers as Managers with strategic responsibilities, and therefore in the category of Related Parties, as well as the specific involvement of the organisational units of the Corporate Center and of the Divisions in the

information and operational flows established by the provisions in internal procedures in order to ensure that the rules are also applied at Division level).

Finally, on the occasion of the second periodic review, which was started in November 2016, while taking account of the continual substantial changes that had been made to the Procedure and the overall correctness and effectiveness of its contents, the Board – after having obtained the evaluations and endorsement of the Control and Risks Committee – resolved to make some merely formal changes, mainly directed at adopting the new Company name which came into effect on 1 January 2017 and rephrasing the definition of *Organo competente a deliberare* (“Corporate body authorised to pass resolutions”) in order to align the definition with the present organisational structure.

The full text of the current Procedure, which was approved by the Board of Directors on 20 December 2016, 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 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 are approved by the Board. 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**.

Composition

Marta Dassù – Chairman

Luca Bader (1)

Fabrizio Landi

Silvia Merlo

Attendance

4 out of 4 meetings

3 out of 3 meetings

4 out of 4 meetings

3 out of 4 meetings

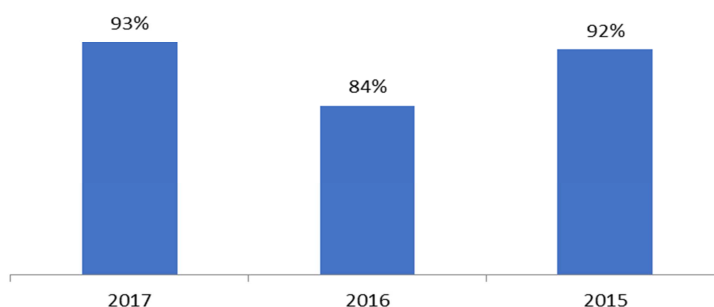
(1) Member of the Committee since 16 May 2017

Alessandro De Nicola (2)

1 out of 1 meeting

(2) Member of the Committee until 16 May 2017

A.I.S.C.: Average attendance at meetings



Meetings – Duties

The Analysis of International Scenarios Committee held 4 meetings during the 2017 financial year. The Committee meetings, which last 2 hours on average, are regularly preceded by preparatory meetings (pre-Committee), aimed to deepen items under discussion with the contribution of qualified international and Italian outside experts. The other Directors are also invited to attend these meetings, lasting 2 hours on average, in addition to the members of the Committee.

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 2017 the Committee examined in particular the following issues:

- ✓ the impact of the new US Administration's action on the Defence industry, with reference to procurement policies, expected higher investments in the sector of Defence, the composition of the new "government team" and relations between USA, Europe and international players;
- ✓ the possible evolution of the Committee's activities, the work programme and the issues to be dealt with during the year, after the formation of the new Company's Board of Directors;
- ✓ the development of the Brexit process, the possible new nature of relations between UK and European Union and the impact on Leonardo's business, in particular in the United Kingdom;
- ✓ the new EU measures in the sector of Defence, the allocation of EU funds in support of common military capacity R&D projects, the possible consolidation of the EU Defence market;
- ✓ the Aerospace and Defence market in the Persian Gulf, one of the target markets for Aerospace and Defence industries and for Leonardo, which has various ongoing activities to continue to pursue important commercial results in the Gulf region, which in recent years has been affected by major changes concerning internal structures and relations between the Countries belonging to the Gulf Cooperation Council.

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 the letter referred to in the Introduction.

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 6 times during the 2017 financial year (the average duration of the meetings was 1 hour and 30 minutes). In the current 2018 financial year and until the approval of this Report, there was 1 meeting 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 also reports on the work it has done to the Board at least every six months.

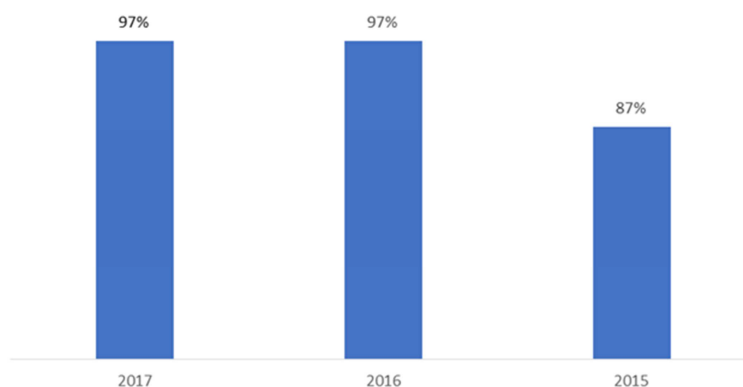
The Committee's meetings may be attended by the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the latter; they may also be attended by the Chairman of the Board of Directors and the Chief Executive Officer, as well as by the other members of the Board of Statutory Auditors. Upon the invitation of the Committee through the Chairman – and in relation to the issues on the agenda – the 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

Attendance

Guido Alpa – Chairman	(Independent Member)	6 out of 6 meetings
Marina Elvira Calderone	(Independent Member)	6 out of 6 meetings
Paolo Cantarella (1)	(Independent Member)	3 out of 3 meetings
Marta Dassù	(Independent Member)	6 out of 6 meetings
Dario Frigerio	(Independent Member)	5 out of 6 meetings
Marina Rubini	(Independent Member)	6 out of 6 meetings
Antonino Turicchi (1)		3 out of 3 meetings

(1) Member of the Committee since 16 May 2017

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.

Specifically, pursuant to the related Rules of Procedures, the Committee is tasked with the following duties, **in compliance with the Corporate Governance Committee's recommendation laid down in the letter referred to in the Introduction, distinguishing the functions it exercises and the work it performs as Nomination Committee from those related to its functions and work 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-option, 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.

The Committee is authorized to access the information required to perform its duties, as well as to seek assistance from the corporate organisational units, or 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 first part of 2017, the Committee held a meeting in order to consider the outcome of the Board's self-evaluation process, and the results of the qualitative and quantitative analysis on the composition of the Board, aimed at identifying the best composition of the Board with regard to both its size and its members (executive and non-executive, as well as independent and non-independent, members, expertise experience, diversity, etc.); this will be done in the light of the

indications which emerge from the self-evaluation process, business targets and the composition within the main competitors.

The Committee afterwards made its recommendations to the outgoing Board of Directors, which then announced its views about the size and composition of the new Board to the shareholders and, in particular, about the profile and managerial, and not only professional, expertise that new Directors should be in possession of. These views, promptly published on the Corporate Governance section of Company's website, have also accompanied the Board's explanatory reports to the Shareholders' Meeting.

- ✓ The most recent self-evaluation process was also conducted during 2017, when the Committee commenced the procedure for the assessment of the functioning of the present Board of Directors and proposed that the task should be entrusted to a 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 the general layout of the Sustainability and Innovation Report and the document as it was drawn up in various stages and endorsed the approval of the Report by the Board of Directors; the Committee also investigated – in agreement with the Control and Risk Committee - the pursuit of the objectives set out in the Sustainability and Innovation Plan and the consistency with the Group's Business Plan;
- ✓ started the examination of guidelines for the preparation of the Sustainability Plan;
- ✓ kept watch over the sustainability issues related to the conduct of business activities and specifically examined the regulatory developments introduced by Legislative Decree no. 254/2016 governing non-financial information and information on diversity issues, which was enacted in the implementation of Directive 2014/95/EU, coordinating the preparatory work for their adjustment to the new rules;
- ✓ 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;
- ✓ assessed the effects of a sentence against the former Chief Executive Officer on the performance of related duties;
- ✓ examined the proposal for amendments to the By-Laws (regarding supplementary list voting provisions for the appointment of the Board), which were subsequently approved by the Shareholders' Meeting;

- ✓ in support of the Board of Directors, conducted a preliminary scrutiny of the issues arising from the “One Company” change in organisational structure and the replacement of the previous Sector-based arrangement;
- ✓ engaged in a reflection about the status of corporate governance in Italy and its developments, also involving external experts and with the participation of other Board members;
- ✓ made a close study, with specific regard to diversity issues, as detailed in paragraph 12 below, concerning the new rules introduced by the abovementioned Legislative Decree no. 254/2016 regarding the Company’s policies governing the composition of governing, management and control bodies. Specifically, the Committee analysed the impact of and assessed the new rules with reference to the Company’s policies concerning the composition of the Board, prior to preparing suggestions for the governing body, also supporting the Board of Statutory Auditors in the starting phase of an internal self-evaluation process regarding the functioning, size and best possible composition of the Board; one of the aspects considered was whether any further diversity requirements or issues could be singled out;
- ✓ 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. 9 times in the course of the 2017 financial year, as well as at the date of the approval of this Report, no. 2 times in the present 2018 financial year. The average duration of the meetings was about one hour and thirty minutes.

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.

Composition

Dario Frigerio – Chairman

(Independent Member)

Marina Elvira Calderone

(Independent Member)

Marina Rubini

(Independent Member)

Antonino Turicchi (1)

(1) Member of the Committee since 16 May 2017

Attendance

9 out of 9 meetings

8 out of 9 meetings

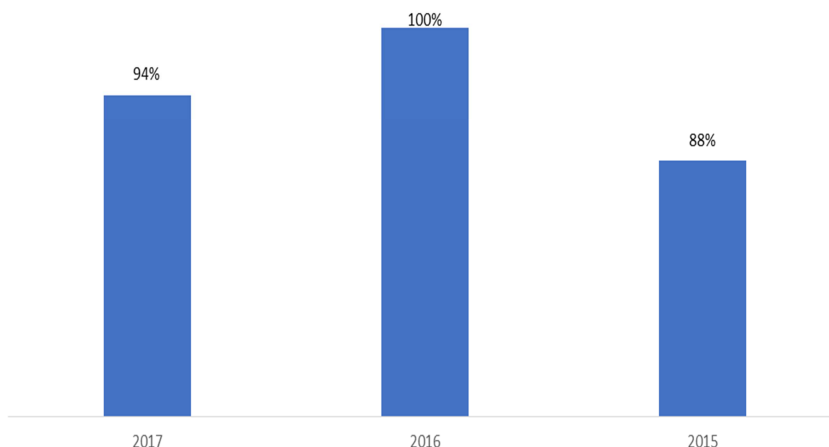
9 out of 9 meetings

5 out of meetings

Alessandro De Nicola (2)

3 out of 4 meetings

(2) Member of the Committee until 16 May 2017

Remuneration Committee: Average attendance at meetings

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.

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 in the Committee meetings. No director takes part in Committee meetings in which proposals regarding his/her pay are made.

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 2017 financial year, the Committee:

- ✓ satisfied itself that the 2016 objectives assigned to the General Manager (holding office during the year) had been attained in relation to the MBO programme, as well as to the long-term 2015-2017 incentive plan;
- ✓ examined the short-term 2017 incentive plan (MBO) reserved for the Group executives and set the Chief Executive Officer's 2017 objectives;
- ✓ examined and approved the 2017 Remuneration Report submitted to the Board for the related decisions in view of the 2017 Annual Shareholders' Meeting;
- ✓ submitted a proposal to the Board, for related decisions, concerning the remuneration and conditions of service of the Directors provided with delegated powers, in relation to the change in the Company's management that occurred during the year;

✓ submitted a proposal to the Board, for related decisions, concerning the remuneration of the Company's Chairman as a result of the powers granted to him;

✓ examined the Strategic Human Resources Management Plan and related implementing programme.

In the first months of 2018 the Committee:

✓ satisfied itself that the 2017 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 2015-2017 Incentive Plan;

✓ examined the new short-term 2018 incentive plan (MBO) reserved for the Group executives and set the Chief Executive Officer's 2018 objectives, 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 next Shareholders' Meeting;

✓ examined and approved the Remuneration Report to be submitted to the Board for related decisions in view of the next Shareholders' Meeting.

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 abovementioned 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 2018 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 2017 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 information as to the remuneration paid out in the 2017 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 Managers 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 the date of this Report, the Company had a Long-Term Incentive Plan and a Co-Investment Plan for the Management of the Group in place, which were approved by the Shareholders' Meetings on 11 May 2015, for three rolling cycles (2015-2017, 2016-2018 and 2017-2019) and which made provision for the granting of Company shares to the beneficiaries as a component of the incentive. The 2017 financial year saw the start of the third and last cycle approved for the Co-Investment Plan and of the Long-Term Incentive Plan for the period from 2017 to 2019. Specifically, the Long-Term Incentive Plan arises from the Company's need to have a tool which encourages Management to achieve the medium- and long-term objectives set out in the Group's Industrial Plan, and ensures that Management pay is better matched to the creation of shareholder value; the Plan is reserved for Executive Directors, Managers with strategic responsibilities and a category of managers primarily consisting of persons occupying the positions which have the greatest impact on the Group's business in the medium term. The incentive is divided into an equity part, expressed in ordinary Company shares, and a cash part, in different proportions of shares and cash according to the levels of the managers concerned. The incentive reserved for Executive Directors and Managers with strategic responsibilities is fully composed of ordinary Leonardo S.p.a. shares.

The Co-Investment Plan consists in the voluntary deferment of all or a part of the annual bonus earned under the MBO scheme for three years, converting it into shares. At the end of the vesting period, provided that the beneficiaries have always passed through the MBO performance gate, they are granted 1 matching share for each 3 shares held.

The Remuneration Report should be referred to for details of the contents of the Plans, as should the Information Documents prepared pursuant to art. 84-*bis* of the Issuers' Regulation; it should be noted that the equity-based incentive plans are 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.

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.

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 Plans described in the previous paragraph.

Finally, it should be noted that, in conformity to the recommendations laid down in the Corporate Governance Code and **in conformity to the specific instructions given by the Corporate Governance Committee in the letter referred to in the Introduction, there has been a clawback clause 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, including as regards the specific instructions given by the Corporate Governance Committee.

Incentive for the Head of the Group Internal Audit

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 - to appoint the Head of the Group Internal Audit organisational unit 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. Therefore, with reference to the 2017 financial year, the Company took steps to provide specific and timely disclosures to the market on 18 May 2017, following the termination of the employment relationship with Mauro Moretti. 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.

<i>Composition</i>		<i>Attendance</i>
Paolo Cantarella – Chairman	(Independent Member)	7 out of 7 meetings
Guido Alpa	(Independent Member)	6 out of 7 meetings
Luca Bader (1)	(Independent Member)	4 out of 4 meetings
Fabrizio Landi	(Independent Member)	7 out of 7 meetings
Silvia Merlo	(Independent Member)	7 out of 7 meetings

(1) Member of the Committee since 16 May 2017

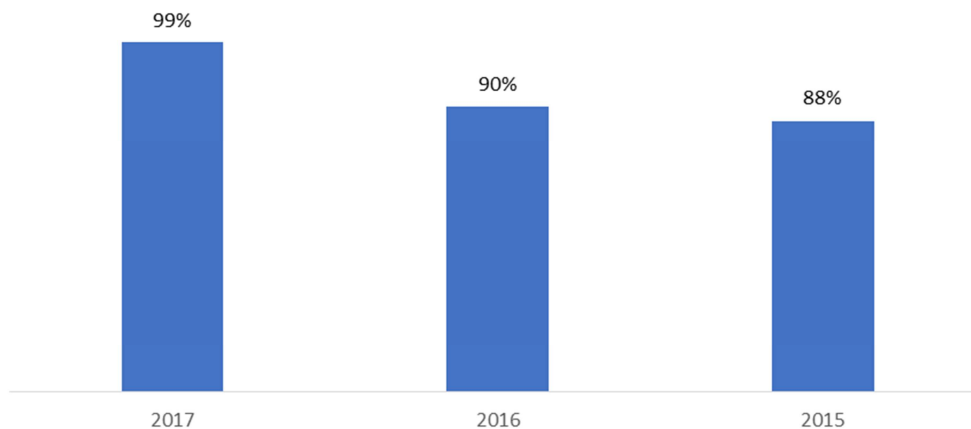
The composition of the Committee is also consistent with the recommendation, made by the Code, as to the presence of at least one member who must have an adequate experience in accounting and financial or risk management issues, evaluated by the Board at the moment of the appointment.

Meetings

During the 2017 financial year, the Committee met no. 7 times; in the current 2018 financial year, at the date of approval of this Report, the Committee met four times. The average duration of the meetings was about two hours and thirty minutes.

The Board of Statutory Auditors and the Head of the Group Internal Audit organisational unit 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 2017 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.

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.

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 Head of the Group Internal Audit organisational unit;
- 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 Head of the Group Internal Audit organisational unit and on setting the remuneration of the person concerned in conformity to Company policy.

The information-gathering work (referred to in the latest edition of the 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 new recommendations in the 2015 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).

In performing its duties, the Committee may 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 2017 and from January 2018 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; in view of the complex implementation phase of the new Group Organisational and Operating Model, 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), i.e. including, but not limited to: Safety at work (Legislative Decree no. 81/2008), Environment (Legislative Decree no. 152/2006), and, in general, compliance with the relevant regulations (Law no. 262/2005, “Trade Compliance”, etc.);

- The Surveillance Body, to examine – together with the Board of Statutory Auditors – the work done during the year (based on the SB’s half-year reports);
 - ad hoc meetings with the other Heads of organizational units to meet specific needs;
- ✓ examined the Reports issued by the Group Internal Audit organisational unit as to the activities carried out during the period;
- ✓ 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. 20249/2017¹), 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 2017, 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;
- ✓ reported on its work to the Board of Directors every six months.

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 principles used and their uniformity for the purposes of preparing Annual and Half-Year Reports.

As regards the functions performed in the capacity as Committee for Related Parties Transactions, as required by the Procedures adopted by the Company, the Committee receives, during the financial year, periodic flows of information concerning 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.

¹ 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.

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 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 Head of the Group Internal Audit organisational unit, sets the related remuneration in line with the corporate policies and ensures that the same is provided with the resources to perform his 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 13 March 2018, took steps - in its meeting held on 14 March 2018 - 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 14 March 2018 - to approve the Audit Plan, subject to a favourable opinion given by the Control and Risks Committee on 13 March 2018 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 2018 Audit Plan and acknowledged the 2018 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 Marco Di Capua as the Head of the Group Internal Audit organisational unit 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;
- 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 2017 and in early 2018, 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 2017 Annual Financial Report, which can be found in the Investors section of the Company's website.

In the course of 2017, 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.

“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.

The work conducted by the appointed Advisor consisted of a thorough and complex transaction review based on an appropriate work plan, the audit objectives of which concerned:

- the pertinence and effectiveness of the services rendered;
- the fairness of transaction values (if permitted in the circumstance);
- the correctness of the methods to implement the transactions being examined, in terms of both the possibility of documenting and tracing them and, more in general, compliance with the procedures in place;
- the honesty and reputation of the counterparties.

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 (critical transactions, transactions involving findings on the counterparty and transactions involving no findings or formal findings). Specifically, the Advisor selected some transactions (accounting for 6% of the total transactions examined) which presented critical issues.

Subsequently, a Working Group was established to assess these findings. In July 2016, such Group terminated its in-depth analyses and shared the related results with the Advisor that, in light of what emerged from the further analyses performed, reviewed its conclusions.

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 (critical transactions, transactions involving findings on the counterparty and transactions involving no findings or formal findings).

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.

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 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 recent instructions provided, with specific reference to the company belonging to the FTSE-MIB index, in the latest edition of 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.

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 a quarterly 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.

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 2017 Financial Statements, Leonardo conducted, both testing of antifraud controls and specific monitoring activities on the process of "Purchasing Cycle" (relating to purchases of goods and services), in relation to its own Divisions and Group companies that fall within the scope of application of Law no. 262/2005. Furthermore, some investigation was carried out at Company level in order to monitor the internal control area (Entity Level Control / IT General Control).

It should be noted that as early as from 2016 a change occurred in the scope of application of Law no. 262/2005, following the implementation of the new division-based Organisational and Operational Model, which led to a new corporate structure societario². In consideration of the new organizational structure, consisting of four Sectors and seven Divisions, the new Governance 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 1,870 controls, divided among the following components of the ICFR:

- 1,070 controls at "Process" level, as defined in the narratives (the so-called Process Level Control);
- 725 controls relating to the operation and management of IT systems (the so-called IT General Control);
- 75 controls at "Entity" level in relation to the structure and organisation of the individual companies (the so-called Entity Level Control);
- 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, the overall efficacy of the procedures in place to monitor the risk areas under examination, through compensating controls and/or material tests.

² All the Group's activities in the core sectors of Aerospace, Defence and Security (A,D&S) have been concentrated in Leonardo.

With reference to the specific monitoring activities within the process of “Purchasing Cycle Management” (relating to purchases of goods and services) for Companies 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 and Aerostructures, 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);
 - 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.

The specific monitoring activities on the “Purchasing Cycle Management” process (relating to purchases of goods and services), are expected to be completed in the first quarter of 2018.

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. HEAD OF GROUP INTERNAL AUDIT

The Board of Directors has taken steps to appoint Marco Di Capua as the Head of the Group Internal Audit organisational unit 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 Head of the Group Internal Audit:

- 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 2017 and in the first months of the current year, the Head of the Group Internal Audit organisational unit 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 2017 Audit Plan;
- performing special audits concerning both Leonardo and its subsidiaries;
- performing tests 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 paragraph 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 Head of the Group Internal Audit organisational unit as a temporary regular member of the Surveillance Body in order to make up the Board's numbers;

- 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 abovementioned Head of the Group Internal Audit has financial resources included in the Group Internal Audit organisational unit's budget, in order to carry out his duties.

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.

To this end, on 12 November 2003, the Board of Directors of the Company adopted an **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 and 17 December 2015.

The current Organisational Model 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.

Following the recent regulatory amendments concerning Legislative Decree no. 231/2001, work commenced to update the Organisational, Management and Control Model as per Legislative Decree no. 231/2001.

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.

It should be noted that on 17 December 2015 the Company's Board of Directors resolved to make up the numbers of the Surveillance Body with an additional internal member, the Head of Group Internal Audit, in order to ensure that the supervisory work is conducted as effectively and correctly as possible, which is entrusted to this Body, called upon (after the definition of the Group's new Organisational and Operating Model) to interact with new units and analyse new corporate processes. The updating of the SB's composition referred to has been in particular considered to be suitable to ensure that this Body meets the necessary requirements of autonomy, independence, professionalism and continuity of action.

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 in order to adopt the abovementioned change in the composition of the Surveillance Body. 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 receives reports (if any) on the part of company representatives or third parties, 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. The Surveillance Body has also adopted 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, replacing Gian Piero Cutillo as Head of the Helicopters Division of the Company. 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 and Compliance 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 agents, consultants and business promoters (Business Compliance), while providing assistance in the preparation of any related contracts; 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 **Crimes, Ethics & Integrity Organisational Unit** (established within the Legal, Corporate Affairs and Compliance 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 **Risk Management Organisational Unit**: the central organisational unit is managed by the Chief Risk Officer and 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 Head of the Group Internal Audit organisational unit 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 Head of the Group Internal Audit organisational unit 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 Resolution no. 20273 of 24 January 2018) 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 at least 1/5 of the members in the first term of office (at least 1/3 in the following terms) 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 on 11 May 2015, is one-fifth of the members.

At its meeting on 27 February 2018, 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 11 May 2015 for the 2015-2017 term. The Board will, therefore, stand down at the next Shareholders’ Meeting, to be held to approve the 2017 Financial Statements.

The **Board of Statutory Auditors** serving at 31 December 2017 was composed as follows:

Riccardo Raul Bauer (2)	Chairman
Niccolo’ Abriani (2)	Regular Auditor
Luigi Corsi (1)	Regular Auditor
Francesco Perrini (1)	Regular Auditor
Daniela Savi (1)	Regular Auditor
Maria Teresa Cuomo (1)	Alternate Auditor
Stefano Fiorini (2)	Alternate Auditor

- (1) Auditor appointed from the **list submitted by the majority shareholder** (Ministry of Economy and Finance, holding about 30.204% of the share capital), **voted by the majority of the share capital represented in the Shareholders' Meeting** (about 52.56%).
- (2) Auditor appointed from the **list submitted by minority shareholders** (a group of asset management companies and institutional investors, holding about 1.346% of the share capital), **voted by the minority of the share capital** represented in the Shareholders' Meeting (46.36%).

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 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 issuers³ – at 31 December 2017 – (in observance of the restrictions pursuant to Art. 144-terdecies, paragraph 1, of the Issuers' Regulation Emittenti⁴).

No changes in the related composition have taken place since the end of the 2017 financial year.

Curricula of Statutory Auditors

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

RICCARDO RAUL BAUER

CHAIRMAN

In office since May 2012

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

Born in Milan on 12 January 1951. Chairman of the Board of Statutory Auditors of Leonardo since 16 May 2012, his mandate was renewed by the Shareholders' Meeting held on 11 May 2015. He holds an Economics and Business degree and is a Certified Public and Professional Accountant. He is a Contract Professor for Company Audit and Control at the Sacro Cuore University in Milan. Since 2017, he has been the Chairman of the Auditing Standards Committee of the Accounting Profession of Milan and Chairman of the Board of Statutory Auditors of the listed company Avio S.p.A.. He has carried out statutory audit and professional training activities at PricewaterhouseCoopers S.p.A. (1968-1998). He has provided consultancy and assistance services to leading Italian companies. Currently, he

³ "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.

⁴ 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.

is, *inter alia*, the Chairman of the Board of Statutory Auditors of the Union of Italian Jewish Communities, a member of the Board of Statutory Auditors of the Museum of Jewish Heritage and Shoah and the Chairman of the Board of Statutory Auditors of the Israelite Hospital of Rome. He is enrolled in the Register of Intermediaries at the Ministry of Justice. He is the author of various editions of the “Civil Code” and of the “Tax Code” as well as numerous publications concerning audits and control.

NICCOLÒ ABRIANI

REGULAR STATUTORY AUDITOR

In office since May 2012

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

Born in Turin on 8 July 1966. Regular Statutory Auditor of Leonardo since 16 May 2012, his mandate was renewed by the Shareholders’ Meeting held on 11 May 2015. He is a lawyer and a Professor of Commercial Law at Florence University; Lecturer for the PhD course in Law and Business at “Luiss Guido Carli” University in Rome. He is Co-editor of the “*Rivista del Diritto Societario*” (a magazine of company law) and of the “*Rivista di Diritto dell’Impresa*” (a magazine of business law). He has held many academic positions, including: Dean of the Faculty of Economics at the University of Foggia. He is a member of the Committee established by the CNDCEC (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, National Council of Professional and Certified Public Accountants) for the drafting of the Rules of Conduct of boards of statutory auditors; he has also been an independent director of listed and banking companies (in which he chaired the Related Party Committee and the Remuneration Committee) and a member of the working table established by Consob for the regulatory simplification of the Italian financial market.

LUIGI CORSI

REGULAR STATUTORY AUDITOR

In office since May 2015

Belonging list: majority (Ministry of Economy and Finance)

Born in Sant’Angelo Lodigiano (Province of Lodi) on 27 March 1959. Appointed Regular Statutory Auditor of Leonardo by the Shareholders’ Meeting held on 11 May 2015. Graduated in Business Administration (with specialisation in Marketing) at Bocconi University in Milan in 1983. He is a Certified and Professional Public Accountant. He held the position of Assistant to the Chief Executive Officer of “BIC Italia S.p.A.” from 1986 to 1988. He was also a City Councillor in Lodi (from 1985 to

1987 and from 1993 to 1995) and a City Councillor in Lodi with delegated powers for Budget, Finance, Assets and Special Companies (from 1996 to 1998).

He has been practising since 1989 as a Professional Accountant in Lodi at the offices of his firm, which is a member of “Studio Associato Camia-Corsi: Commercialisti” network. Within his professional activity, he collaborates with the Court of Lodi as a Trustee in bankruptcy, Expert appraiser, Court-appointed expert. He has held positions as a member of governing and/or control bodies at a number of private companies, credit institutions, public entities and associations, including as a Regular Statutory Auditor of Banca Popolare Italiana Soc. Coop. (listed on the Italian Stock Exchange) (2006-2007), a Member of the Management Board of Banco Popolare Soc. Coop. (listed on the Italian Stock Exchange) (2007-2011), a Regular Statutory Auditor of Agos-Ducato S.p.A. (2012-2013). At present he is, *inter alia*, the Chairman of the Board of Statutory Auditors of Fenzi S.p.A. and Lazzari S.p.A.; he is also a Regular Statutory Auditor of Ferrari Giovanni Industria Casearia S.p.A., Molino Pagani S.p.A. and Lazzari Auto S.p.A.; he is also an Auditor of Famiglia Nuova Società Coop Sociale; he is the Sole Director of Consulenti Associati S.r.l.; he is the Chairman of the Board of Directors of Studio Corsi Curioni S.r.l. and the Vice-Chairman of the Board of Directors of Fondazione Banca Popolare di Lodi. Moreover, he was member of the Board of Directors of Banco Popolare Soc. Coop until 31 December 2016.

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 by the Shareholders’ Meeting held on 11 May 2015. Graduated in Business Administration from 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 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", the director of MAGER - Master in Sustainability, Green Management, Energy and CSR and for ten years the Chair of Social

Entrepreneurship for the Management and Technology Department. He has been working in the Finance sector since 1990, holding various positions at finance and non-finance companies. At present he holds the following positions: Chairman of Brera Advisory S.p.A., Board Member of Banca Profilo S.p.A. and Salini Costruttori S.p.A., Sole Director of FP S.r.l., Chairman of the Board of Statutory Auditors of ePrice S.p.A., Regular Statutory Auditor of Prima TV S.p.A., Europa Network S.r.l., R.A.MO S.r.l., Raccorderie Metalliche S.p.A. and G.B.S. Sapri S.p.A.; Judicial Liquidator of Fondazione San Raffaele Monte Tabor and Special Commissioner of Infocontact S.r.l. (formerly Prodi-bis). He is the author of a number of national and international publications regarding finance and strategy issues.

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 by the Shareholders' Meeting held on 11 May 2015. Graduated in Economics at Bocconi University in Milan. She is a Certified and Professional Public Accountant and has gained her professional experience as an advisor for tax and corporate issues and in boards of statutory auditors, 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 papers and reports for articles on tax transactions. She is a teacher at the Centro di Formazione Manageriale del Terziario (C.F.M.T.) (Service Sector Managerial Training Centre) of Manageritalia and is a spokeswoman in conferences on business crisis management. At present she holds the following positions: Regular Statutory Auditor of Rai Com S.p.A., Agustawestland S.p.A., Doppel Farmaceutici S.r.l., Pharmacontract Europe S.p.A., Bluenergy Group S.p.A.; Sole Statutory Auditor of Compagnia Generale Immobiliare S.r.l. and Chairman 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.

Finally, the Board of Statutory Auditors assessed (at the meeting of 27 February 2018) 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 Statutory Auditors followed the 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 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.

Finally, Legislative Decree no. 254/2016 concerning non-financial information has charged the control body with the task to supervise compliance with the provisions laid down therein and to make observations in the Annual Report to the Shareholders' Meeting.

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, Legal and Corporate Affairs and Compliance 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. Specifically, 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 Head of the Group Internal Audit, 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 of the Company and of 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. Furthermore, in order to assist them in coming to a better

knowledge of the scenario in which Finmeccanica 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

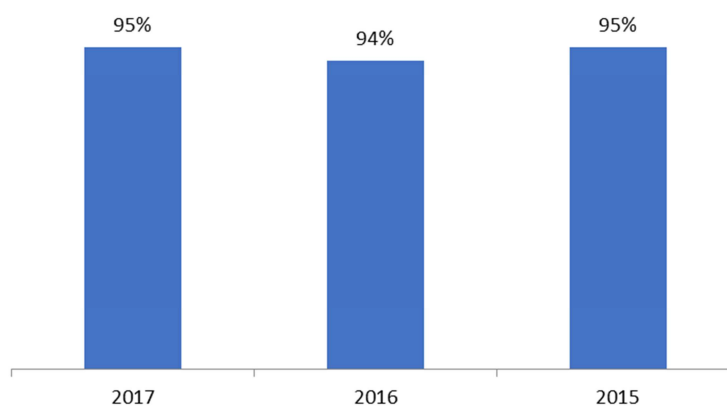
The Board of Statutory Auditors (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days. During the 2017 financial year, the Board of Statutory Auditors held no. 17 meetings, of an average duration of about 3 hours. During the 2018 financial year, as at the date of approval of this Report, no. 6 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 2017 financial year:

	Attendance	
	Board of Statutory Auditors	B.o.D.
Riccardo Raul Bauer	16/17 meetings	10/12 meetings
Niccolo' Abriani	17/17 meetings	12/12 meetings
Luigi Corsi	16/17 meetings	12/12 meetings
Francesco Perrini	16/17 meetings	12/12 meetings
Daniela Savi	17/17 meetings	11/12 meetings

All absences were excused.

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



Fees

With specific regard to the application criterion set out in the latest edition 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 the proposal to raise the fees due to the Board of Statutory Auditors for the remaining period of their term of office 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.

For detailed information on the remuneration paid during the 2017 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.

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** that led the Board to start a self-evaluation 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.

To these considerations must be added the now imminent expiry of the term of office of the serving Board, on the occasion of the approval of the 2017 Financial Statements on the part of the next Shareholders' Meeting that is being called; in this regard, the self-evaluation results relating to the Board composition may constitute a useful tool in favour of those shareholders who will submit a list for the appointment of the Board of Statutory Auditors.

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.

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."

There was general satisfaction regarding the **functioning of the control body** and the general contribution given by the Statutory Auditors, also taking account of the new supervisory duties that the regulations assign to the control body and of the extraordinary corporate development that characterized the three-year period from 2015 to 2017 during which the serving Board and the other corporate bodies of Leonardo operated, with a consequent significant enlargement of the Company's scope of operations and of the functions and responsibilities of the Board of Statutory Auditors.

Specifically, the preparation of meetings and the promptness in sending the related documentation were considered to be adequate. A favourable opinion was given on the frequency and duration of the meetings, and the Statutory Auditors' participation was particularly active. After having found that the audio-conference connection was not suitable to ensure an adequate level of participation, comparable to the physical presence at meetings, the Board deemed appropriate to limit the recourse to audio-conference in exceptional cases.

The induction activity carried out during the three-year period from 2015 to 2017 was considered to be effective; in this regard the Board deemed appropriate to further strengthen this activity by providing for specific sections dedicated to IT security, an in-depth analysis of the social and economic environment of the countries in which Leonardo operates, and to the industrial operations performed in the United Kingdom and in the United States of America, as well as increasing the number of visits

at the operating production sites. The role played by the Chairman of the Board of Statutory Auditors was assessed as very satisfactory, specifically in boosting activities and expressing the required leadership. There was great appreciation for the Chairman's initiative to distribute activities within the Board, appointing each Statutory Auditor to oversee a specific area of competence, thus allowing a better analysis of the items on the agenda of the meetings.

Further specific areas for improvement and excellence areas were identified by the Board and collected in the abovementioned "Final Report on Board Self-Evaluation."

For more details on the **results concerning the composition of the Board of Statutory Auditors**, reference should be made to the information on the Group's diversity policy provided in paragraph 12 below.

12. DIVERSITY POLICIES (ART. 123-BIS, PARA. 2, LETT. D-BIS), TUF)

In compliance with the new rules in Legislative Decree no. 254/2016 and the new provision in Art. 123-*bis*, paragraph 2, lett. *d-bis* of the Consolidated Law on Financial Intermediation, the following is detailed information regarding the policies that the Company follows with regard to diversity in the composition of its governance and control bodies.

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 for the three-year period from 2017 to 2019, the outgoing Board 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, is to undertake a new process of 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 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 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.

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.

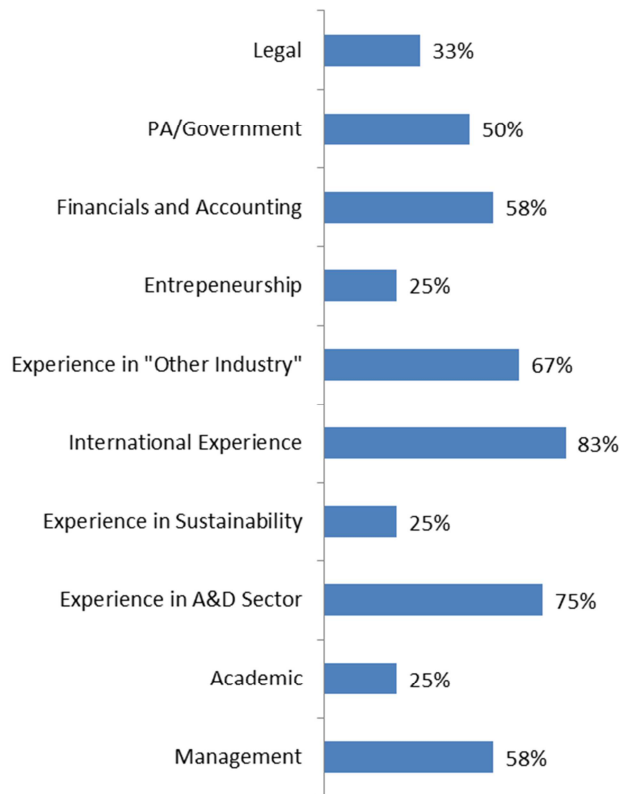
When its term of office draws near, the outgoing Board gives the Committee the preliminary opinions and detailed information necessary in order to hand down the prescribed Guidelines for the shareholders in the light of the findings emerging from the qualitative and quantitative analysis of the composition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

The Independent Directors were also involved in the process and expressed themselves in favour of the preliminary observations and considerations regarding these Guidelines.

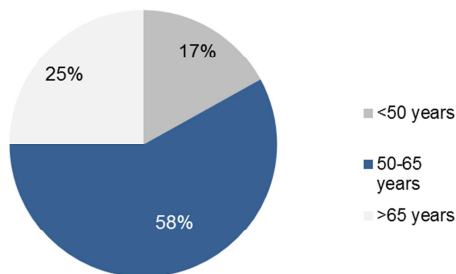
Results

As regards the outcome and state of implementation of this policy, the set of **diversity aspects (expertise, experience, age, seniority in the position)** reflected in the present governing body is shown in the summary tables below.

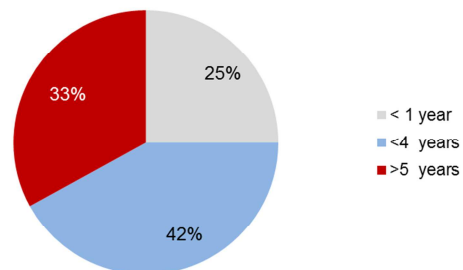
In compliance with the targets suggested in the above-mentioned Law no. 120/2011, the less represented **gender** quota in the present Board of Directors is **one-third** of its members.



Age



Seniority



Final remarks

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 policy regarding diversity** in the composition of the Board and the **duration of its present three-year term of office**.

Having undertaken a new self-evaluation process for the first year of its term of office, the Board will then draw up any new preliminary instructions that need to be taken into account and filled out 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 their term.

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 during the 2017 financial year.

As detailed in paragraph 11 above (to which reference should be made for a specific description of related **objectives** and **procedures**), 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 serving board.

In light of the entry into force of the new regulations under Legislative Decree no. 254/2016, the Board's initiative to proceed with the self-evaluation which is a sweeping change with respect to the Corporate Governance Code and the consequent **definition of a diversity policy for the control body** aimed at identifying profiles and requirements suitable to promote an optimum composition of the board, including in terms of diversity, 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.

Diversity aspects

Below are the main **diversity features** that characterised the serving Board of Statutory Auditors, which may provide a useful tool to the shareholders in view of the incoming Board of Statutory Auditors:

- ✓ 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 Board 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 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.

Furthermore, in order to get a more in-depth knowledge of the regulatory system of Leonardo and of its business sectors, the Board has deemed it appropriate for the Company to continue to take suitable actions aimed at further enhancing the Board's knowledge of IT security and risk management issues, as well as, in considering the specific features of the sector in which the Company's major production and commercial activities are carried out, with reference to the knowledge of Leonardo's foreign markets and related social and economic environment. In the opinion of the Board, the complementary and cross-disciplinary features have been in fact further enhanced through a gradual strengthening of the individual knowledge of the Group dynamics, also as a result of the effective induction actions taken by the Company.

13. INVESTOR RELATIONS

For some time there has been an organisational unit in the Company which handles an ongoing and professional relationship with shareholders in general and institutional Investors. This unit had already been transformed in 2016 in order to increase its coverage of ESG, Environmental, Social and Governance themes and was further expanded in October 2017, bringing a new integrated centralised office into being which combines responsibilities for External Relations, Communication, Italian Institutional Affairs, Investor Relations and Sustainability so that it can convey Leonardo's identity and position to all its stakeholders in a cohesive manner .

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 objectives in the Industrial Plan. In continuous contact and numbers of events, it helps the financial market in order to learn more about Leonardo as regards strategy, business, commercial and economic and financial prospects, as well as 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 Company Roadshows with the Group's Management, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day with site visits.

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).

Credit Rating Agencies

The organisational unit is responsible for handling relations with the three Credit Rating Agencies (Moody's, Standard & Poor's, Fitch) which have, up to this time, awarded Leonardo a credit rating and a rating for its bonds.

Given the particular nature of relations with these Agencies, 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)

In addition to overseeing ESG issues, the organisational unit draws up the Sustainability and Innovation Report, conducts relations with the ESG Rating Agencies and deals with the process of admission to the main Sustainability and ESG indicators. In addition to routine stakeholder engagement work, the dialogue with SRI investors was enhanced during 2017 by means of attendance at the first Sustainability Day, an event arranged by the Italian Stock Exchange to support dialogue concerning ESG and Sustainability issues between businesses and investors.

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 and proxy advisors 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 External Relations, Communication, Italian Institutional Affairs, Investor Relations and Sustainability organisational unit is Raffaella Luglini, who reports directly to the CEO – Chief Executive Officer Alessandro Profumo.

Contacts

Tel +39 06 32473. 066

raffaella.luglini@leonardocompany.com

ir@leonardocompany.com

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 specific Shareholders' Meeting 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 relevant information, which is promptly updated, concerning the Company which are 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, a specific chart has been prepared, which illustrates and summarises the Company's Corporate Governance system, in order to offer an overview of the various corporate bodies, as well as to report, for each of them, the related composition and place of each body within the corporate governance structure.

Additional web sections of Leonardo's 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) and to 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.

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.

10 out of 11 Directors attended the Meeting of 16 May 2017.

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 2017, there were significant changes in the market capitalisation of shares, arising from the weakness of the relevant economic scenario, 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

Leonardo has been run as a single business – **One Company** - since 1 January 2016. It operates in the A,D&S (Aerospace, Defence and Security) sectors with a decentralised operational structure consisting of **seven** business **Divisions** (*Helicopters; Aircraft; Aerostructures; Airborne & Space Systems; Land & Naval Defence Electronics; Defence Systems; Security & Information Systems*).

The One Company organisational structure was also spread over four Sectors (Aeronautics, Electronics, Defence and Security Systems; Helicopters; Space), belonging to the Corporate area, whose duties are mainly to coordinate the Divisions and provide support on some specific transversal topics.

During the process of transformation of the Group, the Sectors played an important part in ensuring the continuity of business operations and helping the new divisional model to start up. Having come to the conclusion that the tasks of the Sectors had been fully performed, during 2017 the governing body decided that it was necessary to proceed with the changes in Leonardo's organisational and corporate governance structure, in terms of streamlining and simplification of the operational model.

Accordingly, on 28 June 2017 Leonardo's Board of Directors – after having heard the Nomination, Governance and Sustainability Committee - decided to suppress the Sectors as organisational parts of the One Company structure at the same time confirming the existing operational and Governance system; the organisation of business operations was shared out directly among the seven Divisions and

the head office departments which are responsible for the Group's strategy policy and the control levers of the Group's governance.

Among the changes made in Leonardo's organisational structure during the year was the creation of the following positions.

- ✓ **Chief Commercial Officer (CCO)**: the objective of this new position is to strengthen the Group's presence in the world by means of a more effective coordination at head office level of the sales activities of the Divisions, of regional operating companies and local subsidiaries, as well as through the development of the Customer Support. The CCO is responsible for setting up Leonardo's organic commercial interface, smoothing the way for business development with a special focus on the export market and fleshing out Customer Support work in order to seize the full potential of the market starting from customers' present and future needs.
- ✓ **Chief People, Organization and Transformation Officer (CPOTO)**: the objective of this new position is to lead the transformation and digitalisation of the Group with an end-to-end approach, through the development of human resources, processes and organisation, as well as with the correct evolution of the platforms and IT applications to support business; the CPOTO is also responsible for the areas: Human Resources, Organisation and Processes, Information and Communication Technology (ICT) and Transformation Programs.

Finally, it should be noted that, again within the framework of the new governance structure adopted during the year in question, the merger of the directly and wholly owned company **SIRIO PANEL SpA** by incorporation into Leonardo became effective (with effect from 1 January 2017); in particular the merger decision responded to the need to exploit the expertise and know-how in various fields that the company has acquired in a better structured corporate framework.

Again with effect from 1 January 2017, the new **LEONARDO MW LIMITED** also became fully operational, the incorporation of which (during 2016) falls within the scope of the reorganisation of the Group's core activities in Britain, combined in a single entity capable of constituting, with its 7,100 employees in the United Kingdom, one of the leading British high technology companies. The new company, whose name was inspired by the two brands Westland (for helicopters) and Marconi (for electronics), brings together the operations of AgustaWestland Ltd, Selex ES Ltd, Finmeccanica UK Ltd and DRS Technologies UK Ltd.

✓ **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 by the Corporate Governance Committee in the Corporate Governance Code – with particular reference to the issuer companies belonging to the FTSE-MIB index - in the latest edition of the Corporate Governance Code), 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 Managers responsible for the organisational units of Group Internal Audit, Legal, Corporate Affairs and Compliance, Security, Chief People, Organization and Transformation Officer and Chief Financial Officer – takes action for any and all reports 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 Finmeccanica 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.

✓ **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.

✓ **Executive Committee**

The **Executive 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 Executive Committee is composed of the Heads of Divisions; the Coordinator of the Group's Space activities; the Chief Financial Officer; the Chief Commercial Officer; the Group General Counsel; the Chief People, Organization and Transformation Officer; the Managers of head office units: Strategies, Market and Business Development, Innovation and Technology Governance, External Relations, Communication, Investor Relations and Sustainability; 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.

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 monthly or whenever exceptional or special circumstances require a meeting to be held.

✓ **Directive on the management of business negotiations**

This Directive, which was issued on 30 March 2015, falls within the scope of a broader process aimed at enhancing the principles of honesty and transparency, introduces a number of rules to be observed by all persons involved in the key activities of procuring goods and services for the Group and of executing works, particularly by means of: a selection of suppliers subject to the execution of competitive tenders, except for some binding cases set out in the Directive itself; the attention paid to ensuring that suppliers satisfy the requirements of reliability and integrity, without this constituting a hindrance to the widest possible participation of all the operators in the market; the principle of job rotation for the personnel in charge of procurement activities; the adoption of more stringent rules to regulate the separation of powers; additional measures to protect an "ethical" and sustainable market approach that is fully compliant with the legislation in force, as well as with the guidelines laid down in the Organisational, Management and Control Model as per Legislative Decree no. 231/2001 and the Code of Ethics.

✓ **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 failure to comply with it or apply it 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 (also in the light of the recent legislation regarding eco crimes). 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 13 DECEMBER 2017

In a letter of 13 December 2017 to the Chairmen of the issuers' Boards of Directors, the Chairman of the Corporate Governance Committee drew on the publication of the 2017 Annual Report and of 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 competent Committees and to include their comments and report any action taken in the next Corporate Governance Report.

This letter, which the Company promptly forwarded to the Chairman of the Board of Directors, 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 on 21 December 2017, was examined and given thought to by the governing body and by the abovementioned Committees; specifically, the

abovementioned recommendations were also taken into consideration during the self-evaluation process, as well as during the preparation and approval of this Report.

Leonardo's Board of Directors, having noted that the Group companies largely follow these suggestions, confirm its commitment and constant attention to monitoring compliance with the recommendations in the Code both from the substantive point of view of organisational decisions and governance solutions, including their evolution, and from the point of view of the quality and 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 different 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"> ➤ <i>Detailed information on the timeliness and way of circulating disclosures before Board meetings</i> ➤ <i>Instructions on compliance with time limits</i> 	<ul style="list-style-type: none"> • Par. 4.4 - Information to the Board of Directors 	✓
REMUNERATION POLICY	<ul style="list-style-type: none"> ➤ <i>Claw-back clauses</i> 	<ul style="list-style-type: none"> • Par. 8 - Remuneration of Executive Directors and Managers with Strategic Responsibilities 	✓
	<ul style="list-style-type: none"> ➤ <i>Variable components</i> ➤ <i>Termination indemnity</i> 	<ul style="list-style-type: none"> • Par. 8 - Referral to the Remuneration Report 	
NOMINATION COMMITTEE	<ul style="list-style-type: none"> ➤ <i>Establishment of the Nomination, Governance and Sustainability Committee</i> ➤ <i>Separate illustration of respective functions and activities</i> 	<ul style="list-style-type: none"> • Par. 6 - Nomination, Governance and Sustainability Committee 	✓
SUCCESSION PLANS	<ul style="list-style-type: none"> ➤ <i>B.o.D. evaluation</i> ➤ <i>Adoption of Crisis Management procedures</i> 	<ul style="list-style-type: none"> • Par. 4.1 - Succession plans 	✓
INDEPENDENCE ASSESSMENTS	<ul style="list-style-type: none"> ➤ <i>Assessment consistent with the criteria set out in the Code.</i> 	<ul style="list-style-type: none"> • Par. 4.6 - Independence Assessment - Meetings of Independent 	✓

	➤ <i>Specific disclosures on Independent Directors' meetings</i>	<i>Directors</i>	
B.O.D SELF-EVALUATION	➤ <i>Structured procedures</i> ➤ <i>Detailed information on the methods of performance, objectives, content and findings</i>	• <i>Par. 4.3</i> - <i>Board evaluation</i>	✓

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

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

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

Board of Directors for the three-year period 2017-2020 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			12/12	0								
Chief Executive Officer °	Alessandro PROFUMO	16/05/2017	X				7/7	0								
Director	Guido ALPA	15/05/2014		X	X	X	12/12	0	M	6/7	C	6/6				
Director	Luca BADER	16/05/2017		X	X	X	6/7	0	M°°	4/4					M°°	3/3
Director	Marina Elvira CALDERONE	15/05/2014		X	X	X	11/12	0			M	6/6	M	8/9		
Director and Lead Independent Director	Paolo CANTARELLA (°)	04/05/2011		X	X	X	12/12	1	C	7/7	M°°	3/3				
Director	Marta DASSU'	15/05/2014		X	X	X	12/12	2			M	6/6			C	4/4
Director	Dario FRIGERIO (°)	04/07/2013		X	X	X	12/12	3			M	5/6	C	9/9		
Director	Fabrizio LANDI	15/05/2014		X	X	X	12/12	3	M	7/7					M	4/4
Director	Silvia MERLO (°)	04/05/2011		X	X	X	12/12	3	M	7/7					M	3/4
Director	Marina RUBINI (°)	15/05/2014		X	X	X	12/12	1			M	6/6	M	9/9		
Director	Antonino TURICCHI	16/05/2017					7/7	3			M°°	3/3	M°°	5/5		
Number of meetings held during 2017:				BoD: 12	Control and Risks Committee: 7			Nomination, Governance and Sustainability Committee: 6			Remuneration Committee: 9		Analysis of International Scenario Committee: 4			
Quorum for presentation of lists for the appointment of the BoD: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting																

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.

°° Committee member since 16 May 2017.

TABLE 3: DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE 2017 FINANCIAL YEAR

Directors who ceased to hold office								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 Corporate Governance Code	Independent Cons. Law on Fin. Intermed.	Attendance Board meetings *	Members	* Attendance	Members	* Attendance	Members	* Attendance	Members	* Attendance
Chief Executive Officer and General Manager	Mauro MORETTI ^(°°)	15/05/2014	X				5/5								
Director	Alessandro DE NICOLA ^(°°)	15/05/2014		X	X	X	5/5					M	3/4	M	1/1

NOTES

* All absences from BoD or Committees meetings are excused.

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

^(°°) In office until 16 May 2017.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (three-year period 2015-2017) appointed by the Shareholders' Meeting of 11 May 2015						
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	Riccardo Raul BAUER*	16/05/2012	X	16/17	10/12	1
Regular Auditor	Niccolò ABRIANI *	16/05/2012	X	17/17	12/12	0
Regular Auditor	Luigi CORSI	11/05/2015	X	16/17	12/12	0
Regular Auditor	Francesco PERRINI	11/05/2015	X	16/17	12/12	1
Regular Auditor	Daniela SAVI	11/05/2015	X	17/17	11/12	0
Alternate Auditor	Maria Teresa CUOMO	11/05/2015	--	--	--	--
Alternate Auditor	Stefano FIORINI *	16/05/2012	--	--	--	--
Number of meetings held during 2017: 17						
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						

NOTES

* 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.