Rules of procedure of the Board of Directors

Disclaimer
These Rules of procedure of the Board of Directors have been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of these Rules of procedure and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

LEONARDO

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Introduction

These Rules govern the role, organization and workings of the Board of Directors of Leonardo S.p.A. (hereinafter "Leonardo" or the "Company"), as well as the main organizational aspects of Leonardo's corporate governance model, in keeping with the principles and guidelines set out in the Code of Corporate Governance (hereinafter the "Code") adopted by the Company.

Article 1

Board of Directors

The Company is administered by a Board of Directors (hereinafter the "Board") which is comprised, pursuant to Article 18 of the Company's Articles of Association (hereinafter the "Articles of Association"), of between eight and twelve members. The Leonardo Shareholders' Meeting (hereinafter the "Meeting") shall, prior to electing the Board, establish the number of members thereof within the aforesaid limits.

Should the Meeting not have already done so, the Board shall elect from among its members a Chairman who, together with his/her mandatory and statutory powers, shall also be entrusted with the role of guiding and supervising the workings of the Board.

Furthermore, the Board may also appoint from among its members a Vice-Chairman who shall take the Chairman's place in the event of his/her absence or impediment.

The Board, on proposal of the Chairman, shall appoint/dismiss a board Secretary, either from within or from outside the Company, with proved and consolidated experience in corporate law and corporate governance, with particular reference to listed companies.

Leonardo's directors accept and hold their positions insofar as they deem themselves capable of dedicating the required time to the due diligent performance of their duties, bearing in mind the commitment required by the role covered, and the overall number of positions as director or auditor they may hold in other companies listed on regulated markets, in financial, banking or insurance companies or in companies having a significant size.

The Board believes that the number of positions as director or auditor compatible with the effective performance of their duties as director of the Company must not exceed three (3) in companies listed on regulated markets, in financial, banking or insurance companies or in companies having a significant size. In calculating such appointments, no account shall be taken of those posts covered by Leonardo's directors in subsidiaries directly or indirectly controlled, or in companies in which Leonardo possesses a holding.

Further evaluations about the maximum number of positions may be conducted by the Board also on the basis of any recommendations made by the Nomination and Governance Committee.

On the basis of the information it receives from the directors, each year the Board shall establish, and make known in its Report on Corporate Governance and Ownership Structure (hereinafter the "Report on Corporate Governance"), the positions of director or auditor that its own directors hold in the aforementioned companies.

Article 2

Role of the Board

The Board of Directors carries out its management activities by pursuing the goal of sustainable success, that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of the other stakeholders relevant to Leonardo.

The Board:

a) examines and approves the strategic, industrial and financial plans of the Company and of its Group, also on the basis of matters that are relevant for the long-term value generation;

b) periodically monitors the implementation of the business plan and assesses the general course of the business, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with those planned;

c) defines the nature and level of risk that is compatible with the Company's strategic targets, taking into account the elements that are relevant for the the long-term value generation;

d) defines the corporate governance system of the Company and the structure of the Group it heads;

e) evaluates, also with reference to Article 2086 of the Civil Code, the adequacy of the organisational, administrative and financial structure of the Company and of its strategically important subsidiaries[1], with particular reference to the internal control and risk management system;

f) appoint directors as proxies, and revoke such power of proxy, without prejudice to the exclusive powers of the Board, and establishes the limits on such power of proxy, the manner in which it is to be exercised, and the timeframe of the delegated bodies' reports to the Board on the activities performed during the exercise of such power, without prejudice to the at least quarterly nature of such reports provided for by Article 24.2, final subsection, of the Articles of Association;

g) establishes the Company's policy on the remuneration of directors and the top management[2], in accordance with the laws in force and with the Code of Corporate Governance;

h) determines, upon Remuneration Committee's proposal, the remunerative and normative conditions of those directors with power of proxy, and of the other directors with specific roles (after consultation with the Board of Statutory Auditors pursuant to Article 2389, subsection 3, of the Italian Civil Code);

[1] For such purposes, are considered subsidiaries with key strategic roles those subsidiaries directly controlled, identified by the criteria set out by the Board of Directors at the assign of the proxies to the Chief Executive Officer and of the definition of the powers reserved to the same Board as well as the other subsidiaries even indirect, selected on the base of the size of the company and the relevance of the business - Board resolution on 20 May 2020 / Directive on the management of the Corporate bodies, Consortia, Associations and Foundations.

[2] Top Management means "senior managers who are not members of the Board of Directors and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads".

i) decides in relation to those transactions reserved for the Board, both by law and by the Articles of Association, and also in relation to those further transactions carried out by the Company or its subsidiaries that are of strategic, economic or financial importance to the Company, and that the Board reserves the right to decide on when granting the aforementioned power of proxy;

j) evaluates on annual basis its own functioning and that of its Committees, in the manner set out in Article 14 below;

k) adopts, on proposal of the Chairman in agreement with the Chief Executive Officer, and in order to guarantee the due handling of corporate information, a procedure for the internal management and disclosure to the public of documents and information regarding the Company, with specific regard to the processing of inside information;

l) adopts, on proposal of the Chairman, formulated in agreement with the Chief Executive Officer, a Policy for managing dialogue with the generality of shareholders and other stakeholders, thus monitoring the reference benchmarks;

m) provides information, in its Report on Corporate Governance, regarding the manner in which its own duties are to be performed.

Article 3

Activities of the Board

Pursuant to Article 24.1 of the Articles of Association, the Board is granted the broadest powers over the ordinary and extraordinary administration of the Company, and in particular, it is empowered to take all the actions it deems necessary for the pursuit and achievement of the Company's corporate purpose, with the sole exception of those actions reserved, by law and by the Articles of Association, for the Shareholders' Meeting. The Board is also assigned, by Article 24.1 of the Articles of Association, the power to resolve upon:

a) mergers and demergers, in those cases provided for by law;

b) the opening or closure of secondary offices;

c) the reduction of share capital in the event of the withdrawal of one or more shareholders;

d) the amendment of the Articles of Association in accordance with legal requirements;

e) the transfer of the registered office within Italy.

Without prejudice to those matters that may not be delegated according to law or to the Articles of Association, the Board reserves exclusive rights with regard to the following[3]:

[3] Resolution by the Board of Directors on 20 May 2020.

1. the identification of strategic and organizational corporate guidelines (including plans, programmes and budgets);
2. agreements with sector operators, other companies or groups, both in Italy and abroad, of exceptional strategic importance in respect of the normal course of business;
3. the incorporation of directly-owned joint-stock companies – except for companies whose incorporation results from participating in tenders – and the 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. the appointment, upon Chief Executive Officer's proposal, of new directors with powers, or directors, statutory auditors and audit firms outside the Group, 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 properties, and leasehold agreements having a duration of more than 9 years;
6. medium and long-term debit and credit transactions with an individual value of more than € 50 million, except in urgent cases for which the Chief Executive Officer may also provide directly beyond that limit reporting to the Board of Directors;
7. pledging guarantees for values in excess of € 50 million per transaction;
8. the hiring, appointment and dismissal of managers, reserved for the Board by law and by the Articles of Association, and the Head of the Audit department, for which the Board resolves upon Chief Executive Officer's proposal; the assignment of intellectual works for fees not exceeding € 3 million, with the exception of services provided by controlled subsidiaries;
9. the acquisition of shareholdings in companies, also through the exercise of option rights, except for transfers of intergroup equity investments even if the Company is the transferor, without prejudice to paragraph 14;
10. the transfer, contribution, leasing, granting of life tenancy of the company going concerns and any other form of disposal or restriction, also within the framework of joint ventures;
11. the transfer, assignment, licensing of any technology, productive process, know-how, patent, industrial design or other intellectual property, pertaining to any defence-related activities, and any other form of disposal or restriction, also within the context of joint ventures;
12. the transfer outside of Italy of R&D regarding defence-related activities;
13. the transfer of interests in other companies also through the exercise or waiver of option rights, contribution, granting of life tenancy, pledges and any other form of disposal or restriction, also within the context of joint ventures or of restrictions on disposal;
14. voting at the shareholders' meetings of subsidiaries, affiliated companies or companies in which it holds an interest (the notions of subsidiary and affiliated companies is to be understood in accordance

with Article 2359 of the Italian Civil Code), whose operations pertain to defence as far as regards the matters set out in points 10), 11), 12) and 13) above.

Also remain exclusive powers of the Board acts and operations exceeding the value limits that have been specified in the list of powers conferred to the executive directors.

The Board may delegate powers to an executive committee as per Article 25.1 of the Articles of Association, or to the Chairman and/or other members of the Board, and establish the terms, limits and manner of exercising such powers; the delegated bodies shall report every three months, as indicated in the preceding Article 2, letter d), on exercise of said delegated powers and on implementation of the Board's decisions.

The Board updates the procedures to face any possible crisis management situation[4] and ascertains the existence of appropriate procedures for the succession of the top management.

Article 4

Role of the Chairman

The Chairman of the Board of Directors plays a liaison role between executive and non-executive directorss and stimulates and supervises the effective functioning of the Board.

In particular, the Chairman, with the help of the Board Secretary and the competent organizational units, ensures:

a) that the pre-meeting information and complementary information provided during the meetings are suitable to allow directors to act in an informed manner in the performance of their role;

b) that the activity of the committees set up by the Board of Directors pursuant to article 7 below is coordinated with the activity of the Board itself;

c) the adequacy and transparency of the Board review, with the support of the Nomination and Governance Committee;

d) that the Board is in any case informed, in compliance with the Policy for managing dialogue with the generality of shareholders and other stakeholders, of the development and significant contents of the dialogue that has taken place;

e) in agreement with the Lead Independent Director, that all directors and statutory auditors can take part after the appointment and during their mandate, in induction initiatives referred to in Article 17 below.

[4] Resolution of the Board of Directors of 16 March 2016 and of 25 June 2020.

Article 5

Independent Directors

Independent directors represent at least half of the Board.

The Board, subject to each director's obligation to perform his/her own duties with the due diligence called for by the nature of the appointment and by that director's specific skills, shall regularly evaluate – on the basis of the information provided by the directors themselves or available to the Company, and according to the principles and criteria set out in Recommendation No. 7 of the Code of Corporate Governance – the independence of its own non-executive members in order to establish whether any relationships exist which could compromise their independent judgement.

The Board shall make said evaluation immediately after its appointment, and then on an annual basis, and also in the event that circumstances arise which could affect the aforesaid independence.

For the purposes of the aforesaid evaluation, the Board, after consultation with the Board of Statutory Auditors, has established the terms of, and the manner in which directors provide, the aforementioned information, as well as the principles to be followed by the Company as reported below.

Principles to be followed when evaluating independence.

The Board shall evaluate the independence of its own non-executive members on the basis of both substance and form, and bearing in mind that a director is not deemed to be independent, as a rule, in the following cases, although such are not to be considered imperative:

a) if said person is a significant shareholder of the Company[5];

b) if he or she is, or was in the previous three business years, an executive director or an employee of Leonardo, of one of its subsidiaries having strategic relevance[6] or of a company subject to joint control with Leonardo, or of a significant shareholder of Leonardo;

In order to evaluate the independence of persons belonging to, or that have belonged to, the State Public Administration - a shareholder in Leonardo through the Ministry of Economy and Finance - account shall be taken of existing or past dependent employment with the Prime Minister's Office, the Ministry of Economy and Finance, the Ministry of Economic Development, and the Ministry of Defence, and of any posts held that contribute towards determining the conduct of the Administrations in question;

[5] "Significant shareholder" of the Company means the person who directly or indirectly (including through subsidiaries, trustees or third parties), controls Leonardo or is able to exercise significant influence over it, or who directly or indirectly participates in a shareholders' agreement through which one or more subjects exercise control or significant influence over Leonardo. In the specific case, it is believed that shareholders who hold, even indirectly, at least 10% of the Company's shares exercise significant influence.

[6] For this purpose, subsidiaries with strategic importance are considered to be directly controlled companies identified through the criteria established by the Board of Directors at the time of granting the powers to the Chief Executive Officer and defining the powers reserved to the same Board as well as the other subsidiaries, even indirect , selected on the basis of the size of the company and the importance of the business - Resolution of the Board of Directors of 20 May 2020 / Directive on the management of the Bodies of Companies, Consortia, Associations and Foundations.

c) if said person,directly or indirectly (for example through subsidiaries or companies of which he/she is an executive director, or as partner of a professional or a consulting firm)has, or in the previous three financial years had, any significant business, financial or professional relationship:

- with the Company or its subsidiaries, or with their executive directors or top management;
- with a subject who, also together with others through a shareholders' agreement, controls Leonardo; or, if the control is held by a company or another entity, with its executive directors or top management;

As concern any commercial, financial or professional relationships, the Board of Directors defines - giving specific disclosure in the Corporate Governance Report - quantitative and/or qualitative reference criteria for such evaluation, without prejudice to its own discretion in evaluating the specific situation taking into account the Company's best interests, the relevance of the relationship and its capacity to affect the independence of the Director owner of the same relationship.
If the director is also a partner in a professional or a consulting firm, the Board evaluates the significance of the professional relationships that may have an effect on his/her position and role within the professional or the consulting firm and in any event those pertaining to important transactions of the company and its group, even regardless of the quantitative parameters.

d) if said person receives, or received in the previous three business years, from Leonardo, one of its subsidiaries or the parent company, significant remuneration other than the fixed remuneration for the position held within the board and for the membership in the committees provided for in Article 7 below or those required by current legislation;

e) if said person has been a director of the Company for more than nine financial years, even if not consecutive, of the last twelve business years;

f) if said person holds the position of executive director in another company whereby an executive director of Leonardo holds the office of director;

g) if said person is the shareholder or director of a company or other legal entity belonging to the network of the external auditor of the Leonardo ;

h) if said person is a close relative of a person who is in of the circumstances set forth in previous letters; the category "close relative" includes, in any case: a) non-separated spouses and common-law spouses, b) the person's children and parents, and c) the children of a non-separated spouse or common-law spouse, d) the relatives of such who live with the couple.

In order to evaluate independence, the Board may in any case consider, in relation to the specific situation of each director, any further aspect or factor deemed helpful or appropriate, adopt additional criteria and/or partly

diverse criteria that give precedence to substance over form, providing the relevant details in the Report on Corporate Governance.

The Board shall submit its evaluation of the independence of its own members to the Board of Statutory Auditors, which shall ascertain whether the aforementioned criteria have been duly applied.

The outcome of the assessments carried out by the Board shall be disclosed to the market following the appointment and, subsequently, within the framework of the Report on Corporate Governance, as well as in the event that circumstances arise which could affect the aforesaid independence.

The outcome of the assessments carried out by the Board of Statutory Auditors shall be disclosed to the market within the framework of the Report on Corporate Governance, or of the Report by the Statutory Auditors to the Shareholders' Meeting.

The independent directors shall meet on a periodic basis and, however, at least once a year in the absence of the other directors, in order to evaluate the issues deemed of interest to the functioning of the Board of Directors and to the corporate management. Meetings, additional to those of the internal Committees, shall be convened at the initiative of the Lead Independent Director, or on request from the other independent Directors.

Article 6

Lead Independent Director

The Board of Directors may appoint the Lead Independent Director from among the independent directors, with the abstention of the executive directors and in any case of the non-independent directors; it shall see to doing so in any case if requested by the majority of independent Directors or in the event that the Chairman also holds the position of chief executive officer of Leonardo or he/she has been entrusted with relevant management powers.

The Lead Independent Director shall be assigned the task of coordinating the motions and contributions submitted by the non-executive directors, and in particular those submitted by the independent directors.

More specifically, the Lead Independent Director shall:

- coordinates the meetings of the independent directors;
- cooperate with the Chairman in order to ensure that the directors are promptly and fully informed, and to define the measures to be taken to ensure that directors and auditors possess the best possible understanding of the Company and Group, and of corporate dynamics;
- either on his/her own initiative or upon request from other directors, convene special meetings of independent directors only, in order to discuss items deemed of interest in relation to the workings of the Board or to corporate management;
- contribute to the process of evaluation of the Board;
- cooperate with the Chairman on drafting the Board's annual operating plan;

- report to the Chairman on any questions to be submitted to the Board for examination and evaluation thereof.

Article 7

Committees

The Board shall set up internal Committees, composed of at least three members, whose task it is to provide the Board with support in the performance of its duties.

In this regard, the Board has set up the Control and Risks Committee, the Remuneration Committee, the Nomination and Governance Committee and the Sustainability and Innovation Committee[7].

The duties of each Committee are set by a Board resolution at the time such Committees are set up and these duties may be subsequently modified or added to by a resolution by the Board itself, even in the context of amendment of the respective Regulations adopted by the same Board; the Board, also taking into consideration the competence and the experience of the directors, shall also see to establishing the composition of the Committees and, following consultation with the Board of Statutory Auditors, it shall also set the additional remuneration to be paid to the respective members thereof.

The Control and Risks Committee shall be composed of only non-executive directors the majority of which shall be independent; the Chairman of said Committee shall be chosen from among the independent directors. The committee has expertise that is consistent with the company's industry; at least one member of the Control and Risks Committee has adequate knowledge and experience in accounting, finance or risk management.

The Control and Risks Committee shall also perform the functions of a Committee for Transactions with Related Parties on the basis of the "Procedures for Transactions with Related Parties" approved by the Board of Directors pursuant to Article 4 of CONSOB Regulation no. 17221 of 12 March 2010 (and subsequent amendments and additions thereto).

The Remuneration Committee is composed of only non-executive directors, the majority of whom shall be independent; the Chairman shall be chosen from among the independent directors.

At least one member of the Remuneration Committee shall have suitable experience in the financial or pay policy field.

The Nomination and Governance Committee and the Sustainability and Innovation Committee shall be composed of directors the majority of which shall be independent.

The Committees may avail themselves of the services of external consultants, at the Company's expense.

The activities of the Control and Risks Committee, of the Remuneration Committee, of the Nomination and Governance Committee and of the Sustainability and Innovation Committee shall be governed by specific Regulations establishing the working procedures associated with the duties that each Committee is entrusted with.

Committee's meetings are minuted and the Chairman of each Committee shall inform the Board of Directors thereof during the first available meeting.

[7] Resolution of the Board of Directors of 25 June 2020.

Article 8

Convening Board meetings

Board meetings shall be convened by the Chairman by means of a notice containing details of the items on the agenda to be discussed and resolved upon, within the framework of the annual planning of board meetings, or in any case each time that the Chairman deems it necessary, or when a written request for a board meeting is submitted by the majority of its members or by the Board of Statutory Auditors.

Individual directors may ask the Chairman to include items in the agenda. Should the Chairman not agree with the inclusion of any such items, he/she shall promptly notify the director in question.

As a rule, the notice of meeting shall be sent to each member of the Board of Directors and of the Board of Statutory Auditors, at least three days prior to the date set for the meeting pursuant to Article 20.2 of the Articles of Association, in such a manner as to guarantee the confidentiality and promptness of the convening of the meeting, and to ascertain due receipt of the notice of meeting. In urgent cases, and subject to the Chairman's discretion, the notice of meeting may be sent as quickly as possible given the specific circumstances.

Article 9

Supporting documents

In order to discuss the items listed in the agenda, directors and statutory auditors shall be provided by the Board's Secretary with supporting documents[8] which shall provide the information required in order that said persons may knowingly express their views on the items constituting the subject matter of the resolution.

The supporting documents shall be made available to the directors and statutory auditors in a manner guaranteeing the timeliness and completeness, as well as the required confidentiality, and in good time prior to the date of the meeting - as a rule by the end of the third day prior to said meeting – except in urgent cases, where said documents shall be provided as quickly as possible, subject to notification, and by the same term.

Directors and statutory auditors may nevertheless consult the aforesaid documents at the Company's registered offices in the days immediately prior to the meeting. The Chairman shall verify, at said offices, that the aforementioned documents have been duly made available to directors and statutory auditors.

Directors and statutory auditors shall be notified within the term indicated in the previous paragraph, also in the event that the Chairman deems it opportune for the documents in question to be furnished directly at the meetings, given the nature of the item and of the respective resolution to be taken.

The supporting documents distributed to directors and statutory auditors shall be stored in the Board's files.

[8] The preparation and subsequent sending of the supporting documentation to the Secretariat of the Board is governed by the Procedure titled "Corporate bodies: management of information flows", adopted by Leonardo in 2016.

Article 10

Attendance of meetings

As provided for by the Articles of Association, meetings may also be attended via videoconferencing or eventually via teleconferencing, provided that prior notice thereof is given to the Board's Secretary, that all participants can be identified, and that all participants are able to follow the debate and can simultaneously participate in the discussion of the matters in question, and can examine in real time any documents distributed during the course of the meeting.

The Chairman, in agreement with the Chief Executive Officer, also upon request from one or more directors, may invite executive managers of the Company or of the Group's companies, together with other external persons or consultants, whose presence is deemed useful in relation to the items listed in the order of business, to attend the meeting. Said persons shall nevertheless be bound to observe the very same confidentiality obligations binding upon directors and statutory auditors, as provided for by Article 12 below.

Article 11

Meetings and resolutions

Meetings shall be chaired by the Chairman, or in the event of the latter's absence or impediment by the Vice-Chairman insofar as one has been elected; in the absence thereof, meetings shall be chaired by the oldest director.

The Board's meetings shall be conducted by the Chairman, or by the person replacing him/her, in the manner deemed most likely by the Chairman to ensure that Board meetings proceed in the best possible way.

The meetings' resolutions shall be taken in accordance with law and with the Articles of Association.

With regard to transactions with related parties, the provisions of the specific "Procedure for Transactions with Related Parties", approved by the Board of Directors pursuant to CONSOB regulation no. 17221 of March 12, 2010 (and subsequent amendments and additions) shall apply.

Any directors who, in accordance with Article 2391 of the Italian Civil Code, have an interest, on their own behalf or on behalf of any third party, in any transaction submitted to the Board for examination, must promptly and fully inform the Board itself of the existence of such interest and of the respective circumstances. Said directors, moreover, shall abstain from voting on any related resolutions.

Article 12

Minutes of meetings

Following the meeting, a draft copy of the minutes shall be sent to all directors and statutory auditors, in order that they may make any comments or observations, which shall be collated by the Board's Secretary.

As a rule, the final text of the minutes shall be submitted to the Board for its formal approval, at the first Board meeting possible, and transcribed in the minutes book of the Board's meetings and resolutions, kept by the due company departments.

That part of the minutes concerning those resolutions passed requiring immediate implementation, may be certified and extracted by the Chairman and the Secretary, even prior to completion of the process of verification of the full minutes including also any comments made.

Article 13

Confidentiality obligations

Directors and statutory auditors are bound to keep all documents and information, acquired during the course of their duties, strictly confidential, and they shall observe the rules adopted by the Company with regard to the disclosure of the aforementioned documents and information, in the manner provided for by the specific internal procedures pertaining to the management and processing of inside and confidential information.

Article 14

Calendar of corporate events

In compliance with the obligations of listed issuers provided for by Borsa Italiana S.p.A.'s Markets Regulation, the Board annually approves the dates of meetings concerning the corporate events provided for by the aforesaid Regulations, to be notified to the market without delay, and in any case by the thirtieth of January of each year.

The calendar shall specify, within the framework of the Board meetings set for the new business year, the dates fixed for approval of the draft annual financial statement, the half-yearly financial report and additional periodic financial information, as well as the date fixed for the Shareholders' Meeting for approval of the annual financial report. Details shall also be given, if so required, of any Board meetings called to approve interim figures, together with the dates set for presentation of accounting figures to the financial analysts.

In the event that time intervals have been indicated for one or more events, the Company shall be bound to promptly notify Borsa Italiana and the market of the dates set for the respective events, together with any subsequent changes in the information given in the calendar.

Article 15

Board evaluation

At least once a year, the Board, with the support of the Committee competent in nomination matters, shall assess its own operation, and shall assess the operation, size and composition of its Committees, bearing in mind the professional qualities, the experience – including that of a managerial and international nature - and

the gender of its members, as well as their seniority. The Report on Corporate Governance shall provide information regarding the manner in which said assessment process is carried out.

In light of the results of the aforesaid assessment process, also based on the recommendations or opinions expressed by the above-mentioned Committee, the Board provide shareholders, prior to nomination of the new board of directors, with guidance regarding the managerial and professional profiles whose presence is deemed opportune.

Article 16

The Board and the internal control and risk management system

The Board play a general role of guidance and assessment of the adequacy of the internal control and risk management system. Specifically, the Board, with the support of the Control and Risks Committee:

a) establishes guidelines for the internal control and risk management system in line with the corporate strategies;

b) assesses, at least once a year, the adequacy of the internal control and risk management system (with also reference to the risks that may affect the sustainability in a medium-long term prospective) in relation to the nature of the company and to the accepted risk profile, as well as its efficacy; the results of this assessment shall be reported each year in the Report on Corporate Governance;

c) appoints and dismisses the Head of the Group Internal Audit organizational unit, defining his/her remuneration which is consistent with the company policies, and ensures that he/she has adequate resources to carry out his/her duties;

d) approves, at least once a year, the working plan drawn up by the Head of the Group Internal Audit department, following consultation with the Board of Statutory Auditors and the Chief Executive Officer;

e) following consultation with the Board of Statutory Auditors, evaluates the results presented by the external auditor in any letter of recommendations and in the additional report addressed to the Board of Statutory Auditors.

The Chief Executive Officer, as the Director in charge of the implementation and of the maintenance of the internal control and risk management system, performs the following activities:

a) shall see to identifying the principal corporate risks, bearing in mind the nature of the business of both the Company and its subsidiaries, and submit such risks to the Board for examination;

b) shall implement the guidelines drawn up by the Board, designing, setting up and managing the internal control and risk management system, and constantly monitor the adequacy and effectiveness of such system;

c) ensures the adapting of the aforesaid system to existing working conditions and to legislative and regulatory developments;

d) can entitle the Group Internal Audit department to carry out checks on specific business areas and on the compliance of company's operations with internal rules and procedures, providing prompt notification thereof to the Chairman of the Board of Directors, to the Chairman of the Control and Risks Committee, and to the Chairman of the Board of Statutory Auditors;

e) report promptly to the Control and Risks Committee, or to the entire Board of Directors, with regard to any problems or critical issues that may emerge during the course of his/her duties, or which he/she has become aware of in any case, so that the Committee or the Board may take the necessary measures.

The Head of the Group Internal Audit department:

a) shall ascertain, both constantly and in response to specific requirements, and in compliance with international standards, the effectiveness and suitability of the internal control and risk management system, by means of an Audit Plan approved by the board of Directors, based on a structured process of analysis and prioritization of the principal risks in question;

b) is not responsible for any business area, and is accountable to the Board of Directors, and thus to the Chairman representing said Board, or in the event that the Chairman be delegated operating powers, to the Control and Risks Committee, and thus to the Chairman representing said Committee;

c) shall have direct access to all information required in order to carry out his/her duties;

d) shall draw up regular reports containing due information about his/her activities, about the way in which risks are managed, and about observance of the plans envisaged for the containment of such risks; these regular reports shall contain an assessment of the suitability of the internal control and risk management system;

e) shall promptly draw up reports on any events of particular importance also upon request of the Board of Statutory Auditors;

f) shall send the reports as per items d) and e) to the Chairman of the Board of Statutory Auditors, of the Control and Risks Committee, and of the Chief Executive Officer as Director in charge of the implementation and the maintenance of the internal control and risk management system, except in cases where the subject of such reports specifically concerns the activity of these subjects;

g) shall verify, within the framework of the Audit Plan, the reliability of the information systems, including the financial reporting systems.

The Control and Risks Committee, set up within the Board of Directors, has the task of providing support, following due preparation, to the Board's evaluations and decisions regarding the internal control and risk

management system, as well as those regarding approval of the periodic financial and non-financial reports; the Control and Risks Committee is also entrusted with the task of monitoring the independence, adequacy and efficiency of the Group Internal Audit department; the same Committee is also responsible for supervising the activities of said department in the event that the Chairman be delegated operating powers.

The other bodies involved in the Company's internal control and risk management system are the Board of Statutory Auditors, also as the committee responsible for internal and control, whose task it is to monitor the effectiveness of the internal control and risk management system; the Surveillance Body, whose task it is to monitor the functioning of, and compliance with, the Organisation, Management and Control Model adopted by the Company in accordance with Italian Legislative Decree no. 231/01; the other corporate functions involved and with specific responsibilities relating to internal control and risk management, articulated in relation to company size, complexity and risk profile.

Article 17

Board Induction

The Chairman, in agree with the Lead Independent Director, ensures the organization and promotes participation by directors and statutory auditors, in the ways deemed appropriate, to initiatives aimed at providing them with an adequate knowledge of the business sector in which the Company operates, of the corporate dynamics and their evolution, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework.

The Company provides to Directors and Statutory Auditors periodic information about main legislative and regulatory developments concerning the Company and the corporate Bodies and gives support in deepening specific relevant issues, also providing a specific set of reference corporate and business documents, relevant to the fulfilment of the mandate.

Article 18

Final provisions

Any changes to these Rules, as well as those of the Board Internal Committees, are approved by the Board of Directors. The Chairman may proceed directly, reporting to other Directors at the first available meeting, to adjustments of the Rules of Procedure of the Board of Directors or of the Rules of Procedure of the Board Committees resulting from legislative or regulatory provisions, from organizational Company's changes or following to specific resolutions passed by the Corporate Bodies.



Piazza Monte Grappa, 4
00195 Roma
T +39 06324731
F +39 063208621

leonardocompany.com