

# Rules of procedure of the Board of Directors and Board Committees

December 2024

*Disclaimer*

*These Rules of procedure of the Board of Directors and Board Committees 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.*



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## 1. Introduction

These Rules govern the role, organization and functioning of the Board of Directors and of the Board Committees 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 Law, the Company’s Articles of Association (hereinafter the “Articles of Association”) and the Corporate Governance Code (hereinafter the “Code”) adopted by the Company. It is understood that, for anything not expressly provided for, the provisions of law, applicable regulations and the Code shall apply.

## 2. Board of Directors

Pursuant to Article 18 of the Company’s Articles of Association, the Company is managed by a Board of Directors (hereinafter the “Board”) which is comprised of between eight and twelve members.

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 statutory auditor they may hold in other companies.

For this purpose, the Board – supported by the Nomination and Governance Committee– expresses its guidelines on the maximum number of positions as director or statutory auditor in other listed companies or in companies having a significant size, which it considers compatible with the effective performance of their duties as director of the Company, bearing in mind the commitment required by the role covered.

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 “Corporate Governance Report”), the positions of director or statutory auditor that its own directors hold in the aforementioned companies.

## 3. Role and activities of the Board of Directors

The Board of Directors, in carrying out its management activity, promotes the inclusion of sustainability in the Group strategies and business in order to pursue the creation of long-term value for the benefit of all the shareholders and in the interests of the key stakeholders.

The Board of Directors, as provided for by the Corporate Governance Code:

- 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 to 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 to the long-term value generation;
- d) defines the Company's most suitable corporate governance system for carrying out the Company's business and pursuing its strategies, and the structure of the Group it heads;
- e) evaluates, also with reference to Article 2086 of the Italian Civil Code, the adequacy of the organizational, administrative and financial structure of the Company and of its strategically important subsidiaries<sup>1</sup>, with particular reference to the internal control and risk management system;
- f) grants and revokes delegated powers to directors, without prejudice to the exclusive powers of the Board, establishing the limits and manners of exercising such powers, and sets the intervals at which the delegated bodies must report to the Board on the activities performed during the exercise of such powers, without prejudice to providing such reports at least on a quarterly basis in accordance with Article 24.2, final para., of the Articles of Association;
- g) establishes the Company's policy on the remuneration of directors and the top management<sup>2</sup>, in accordance with the laws in force and with the Corporate Governance Code;
- h) determines, upon proposal of the Remuneration Committee, the remuneration and regulatory treatment of Directors with delegated powers and of other Directors vested with specific functions (after consultation with the Board of Statutory Auditors pursuant to Article 2389, para. 3, of the Italian Civil Code);
- 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 delegated powers;
- j) evaluates, on annual basis, its own functioning and that of its Committees, in the manner set out in these Rules;

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<sup>1</sup> For such purposes, subsidiaries with key strategic roles mean those subsidiaries directly controlled, identified by the criteria set out by the Board of Directors at the assignment of the delegated powers to the Chief Executive Officer and on definition of the powers reserved to the same Board (Resolution of the Board of Directors of 9 May 2023) as well as the other subsidiaries even indirect, selected on the base of the size of the company and the relevance of the business (Directive on the management of the Corporate bodies, Consortia, Associations and Foundations).

<sup>2</sup> 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".



- 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 management and disclosure 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 general public of shareholders and other stakeholders (Engagement Policy), thus monitoring the reference benchmarks;
- m) provides information, in the Corporate Governance Report, regarding the manner in which its own duties are to be performed.

The Board is granted the broadest powers over the ordinary and extraordinary administration of the Company, and in particular, it is vested with the right to take all and any actions it deems necessary for the pursuit and achievement of the Company's corporate purposes, 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 the powers to resolve upon the matters envisaged by the Articles of Association, as well as upon those provided for by board resolutions, if any.

The Board also retains responsibility for any acts and operations exceeding the value limits specified in the powers conferred to the executive directors.

The Board may delegate powers to one or more of its members, establishing the content, limits and manner of exercising such powers; the delegated bodies shall report every three months, as indicated in the preceding Article 2, letter f), on the exercise of said delegated powers and on implementation of the Board's resolutions.

The Board receives information on the activity performed by the Compliance and Risk Management functions and from the Surveillance Body every six months.

The Board, in compliance with the provisions of the Corporate Governance Code, updates the procedures for the succession of the Chief Executive Officer and of the other executive directors in case of early termination of office<sup>3</sup> and ascertains the existence of appropriate procedures for the succession of the top management.

The Company prepares for directors and statutory auditors periodic disclosure on the main legislative and regulatory changes concerning the Company and the Corporate Bodies and provides support in the in-depth analysis of specific important issues.

#### **4. The Board and the internal control and risk management system**

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

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<sup>3</sup> Resolution of the Board of Directors of 26 September 2024.



- 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 reference also to the risks that may affect sustainability under a medium/long-term perspective) in relation to the nature of the company and to the assumed risk profile, as well as the system efficacy; the results of such assessment shall be reported each year in the Corporate Governance Report;
- c) appoints and dismisses the Head of the Group Internal Audit organizational unit, defining his/her remuneration in line 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 organizational unit, after consultation with the Board of Statutory Auditors and the Chief Executive Officer;
- e) after having heard the Board of Statutory Auditors, evaluates the results presented by the external auditor in the recommendation letter, if any, and in the additional report to the Board of Statutory Auditors.

## 5. Chief Executive Officer

The powers of the Chief Executive Officer are defined by the Board of Directors, pursuant to the Law and the Articles of Associations, upon his appointment. The Chief Executive Officer, in accordance with the Corporate Governance Code, specifically as the Director responsible for establishing and maintaining the internal control and risk management system, carries out the following activities:

- a) he identifies the main corporate risks, in light of the features of the operations carried out by the Company and its subsidiaries, and submits them to the scrutiny of the Board on a periodic basis;
- b) he 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) he sees that the system is adjusted in response to changes in operational conditions and the applicable legislative and regulatory framework;
- d) he may appoint the Group Internal Audit OU 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) he promptly reports to the Control and Risks Committee or, in cases where he deems it appropriate in relation to the relevance and/or nature of the topics, 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.

## 6. Chairman

The Board, unless the Shareholders' Meeting has not already done so, appoints among its members the Chairman of the Board of Directors (hereinafter the “Chairman”) who, in addition to the powers conferred by law and the Articles of Association, has the role of driving and supervising the functioning of the Board.

In addition to the powers that may be delegated to him by the Board of Directors, the Chairman - with the help of the Secretary - carries out the following activities:

- a) guarantees the correct and effective proceedings of the Board;
- b) has a connecting role between executive and non-executive directors;
- c) convenes board’s meetings, defining the date, time, place, agenda – together with the Chief Executive Officer – and ways of attending, as well as the possible involvement of persons outside the Board of Directors;
- d) ensures the provision of the documentation reasonably necessary to guarantee that directors are adequately informed with respect to the items on the agenda, so as to enable directors to act in an informed manner in the performance of their role, in compliance with the provisions of the specific corporate procedure governing the management of information flows to corporate bodies;
- e) ensures that the activities of the Board Committees conducting preliminary inquiries, submitting proposals and having consultative functions are coordinated with the activity of the Board of Directors;
- f) ensures, in agreement with the Chief Executive Officer, that the Group executives in charge of the competent corporate functions attend Board meetings, also at the request of individual directors, to provide the appropriate details on the items on the agenda;
- g) ensures, with the support of the Secretary, the organization, for Directors and Statutory Auditors, of initiatives aimed - also with a view to the creation of long-term value - at providing them with an adequate knowledge of the business sector in which the Company operates, of corporate dynamics and their evolution, of the principles of good corporate governance and proper risk management, as well as of the reference legislative and regulatory framework (“Board Induction”);
- h) guarantees that the Board of Directors is informed, in accordance with the Policy for managing dialogue with the general public of shareholders and other stakeholders, on the development and significant content of the dialogue with stakeholders;
- i) ensures that the Board meetings’ proceedings are recorded in the minutes.



## 7. 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 Corporate Governance Code – 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 when circumstances arise which could affect the aforesaid independence.

For the purposes of the aforesaid evaluation, the Board has established the principles 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<sup>4</sup>;
- 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<sup>5</sup> 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 Central Government - a shareholder in Leonardo through the Ministry of Economy and Finance - account shall be taken of existing or past subordinate employment with the Prime Minister's Office, the Ministry of Economy and Finance, the Ministry of Enterprises and Made in Italy and the Ministry of Defence, and of any posts that played a role towards determining the conduct of the public administrations in question;

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<sup>4</sup> "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.

<sup>5</sup> For such purposes, subsidiaries with key strategic roles mean those subsidiaries directly controlled, identified by the criteria set out by the Board of Directors at the assignment of the delegated powers to the Chief Executive Officer and on definition of the powers reserved to the same Board (Resolution of the Board of Directors of 9 May 2023) as well as the other subsidiaries even indirect, selected on the base of the size of the company and the relevance of the business (Directive on the management of the Corporate bodies, 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, including with others through a shareholders' agreement, controls Leonardo, or – being the subject a company or entity, with its executive directors or top management.
- d) if said person receives, or received in the previous three business years from Leonardo or from a subsidiary or 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 these Rules 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, over the last twelve years;
- f) if said person holds the position of executive director in another company where 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 Leonardo;
- h) if said person is a close relative of a person who is in one of the circumstances set out above; 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) cohabiting family members.

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, adopting additional criteria and/or partly diverse criteria that give precedence to substance over form, providing appropriate disclosure thereof in the Corporate Governance Report.

With regard to the assessment of the significance of commercial, financial or professional relationships as well as of significant additional remuneration with respect to the fixed compensation, the Board defines – providing information in the Corporate Governance Report – quantitative and/or qualitative criteria applicable for such an assessment, without prejudice to its discretion in assessing the specific situation taking into account the best interest of the Company, the significance of the relationship and its likelihood to impact on the independence of the director having such relationship.

When the Director is a partner of a professional firm or a consulting company, the Board evaluates the significance of professional relationships that may have an effect on his/her position and role within the firm or consulting company or that in any case relate to important transactions of the Company and the Group to which it belongs, even independently of the quantitative parameters. 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 and procedures have been duly applied.

The outcome of the assessments carried out by the Board and of those carried out by the Board of Statutory Auditors on the independence of the Board's members are disclosed to the market following the appointment and, subsequently, within the framework of the Corporate Governance Report.

Each director is required to promptly communicate to the Board any supervening circumstances that may be relevant for the purposes of the assessment.

Independent directors shall meet on a periodic basis, 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. Independent Directors' meetings shall be convened at the initiative of the Lead Independent Director, or on request from the other Independent Directors.

## **8. Lead Independent Director**

The Board of Directors may appoint a Lead Independent Director. This appointment is necessary when the cases provided for by the Code occur, i.e. 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:

- a) represents a point of reference and coordination of the requests and contributions from Non-executive Directors and in particular from Independent Directors;
- b) coordinates the meetings of Independent Directors only, defining, for example, the calendar and the agenda.

In case a Lead Independent Director has not been appointed, the activities under points a) and b) above are performed by the Chairman, if independent, or by the most senior Independent Director in age.

## **9. Secretary**

The Secretary is appointed by the Board of Directors upon proposal of the Chairman and holds office until dismissal by the Board of Directors or resignation.

The Secretary must have gained at least ten-year experience in law, with particular reference to corporate governance and/or corporate secretarial activities of listed companies.

The Secretary supports in the activities of the Chairman and of all the Committees, in order to guarantee that the Committees' activities are coordinated with those of the Board of Directors.



In general, the Secretary also provides impartial assistance and advice to the Board of Directors on any aspect relevant to the proper functioning of the corporate governance system, pursuant to Law, Articles of Association and these Rules. The Secretary, in order to carry out his/her duties, avails him/herself – if necessary – of a specific unit or, however, of adequate resources decided by the Board of Directors. Furthermore, the Secretary can access the information and corporate functions required to perform him/her duties.

## **10. Functioning and proceedings of the Board of Directors**

The annual calendar of the Board meetings is defined by the Board of Directors.

Board meetings shall be convened by the Chairman, having heard the Chief Executive Officer, 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.

In order to prepare the agenda and the notice of meeting, the Secretary sends to all the first-level corporate organizational units a request to report the issues to be brought to the attention of the Board of Directors.

For the purpose of allowing the Directors to express themselves in an informed manner, each relevant organizational unit shall communicate to the Secretary the proposed items on the agenda as well as the supporting documentation in the terms defined by the same Secretary (except for urgent cases in which the documentation is provided as soon as possible, after having notified the Secretary of the Board of Directors and obtained the authorisation of the Chairman and of the Chief Executive Officer). Any belated communication of the items by the organizational units entails their exclusion from the agenda, except in cases of proven necessity and urgency.

In any case, the supporting documentation shall include an explanatory sheet showing the qualitative and quantitative elements necessary for an adequate understanding of the topics being discussed.

The Secretary submits the agenda and the supporting documentation to the Chairman and the Chief Executive Officer for their approval. Once the agenda and the documentation are validated, the Directors and the Statutory Auditors receive the documentation at the same time as the publication of the notice of meeting or in the timing envisaged by these Rules.

The notice of meeting shall be sent to each member of the Board of Directors and of the Board of Statutory Auditors, at least six clear days prior to the date set for the meeting, 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 shall be sent as quickly as possible given the specific circumstances.

The Secretary places the notice of meeting and the documentation informing about the items on the agenda at the disposal of directors and statutory auditors at least six clear days before the date of the meeting, except in cases of urgent meetings.

Directors and Statutory Auditors may ask, through the Secretary of the Board of Directors, to gain insights or additional information necessary to fully and correctly evaluate the topics submitted to the Board of Directors.

The documentation is made available through its sharing on the IT platform with restricted access – and with a specific section on inside information – which guarantees the necessary protection of confidentiality of data and information. For needs that should be adequately excused, information can be provided within a shorter time. In such cases, the Chairman supervises that matters are adequately and accurately analysed during the meetings, ensuring a detailed discussion.

If the documentation is particularly voluminous or complex, it is accompanied by a document summarising the most significant and important items for the purposes of the decisions on the agenda, without prejudice to the fact that this document shall in no way replace the full documentation sent to the directors.

The entire Board documentation and the information acquired during the Board's and Committees' meetings are subject to a confidentiality obligation directors and statutory auditors must comply with, as is confidential all the information acquired by them by reason of their position.

During each meeting the Chairman supervises:

- that proceedings are conducted in an orderly fashion, according to the items on the agenda or modifying them by specifying the reasons to the directors; that there is the possibility of expressing proposals appropriately, of asking questions and requiring explanations or additional information in a reasonable and useful manner; that adequate replies are provided; that participants can take active part in the discussions. All this, by reserving adequate time for dealing with each item on the agenda;
- that each director attends in a proactive manner, reserves adequate time to the performance of the meeting, promptly declares his/her interest or third party's interest in a specific matter on the agenda, pursuant to law, as well as any related relationships pursuant to the regulations on transactions with related parties. During a meeting, each director may ask for additional information compared to the information provided during or before the board meeting, in order to act in an informed manner.

Best practices on governance recommend that Directors take part in at least 75% of the total number of meetings of the Board of Directors for each year.

Meetings can be recorded solely to support the Chairman and the Secretary of the Board in minuting and the Secretary or a person appointed by him/her is required to destroy such records (and also any related transcriptions) after the approval of the minutes.



The Board of Directors meetings are attended by the Judge of the Court of Auditors delegated to supervise Leonardo's financial transactions pursuant to the Prime Ministerial Decree of 1 June 2022.

## **11. Self-evaluation and guidelines on the qualitative and quantitative composition of the Board of Directors**

The Board periodically carries out, with the support of the Committee competent in nomination matters, an evaluation on the size, composition and functioning of the Board itself and of its internal Committees, also considering the role performed by the same Board in defining the strategies and in monitoring the performance of the company's operations and the adequacy of the internal control and risk management system, while taking account of the professional skills, expertise (included in management and internationally), gender and seniority in the position of its members.

The Corporate Governance Report shall provide information regarding the manner in which said evaluation process is carried out. The self-evaluation can be carried out with or without the support of external consultants.

On the occasion of the renewal of the entire governing body, the outgoing Board of Directors publishes a document containing its guidelines on the optimal quantitative and qualitative composition of the new Board of Directors, taking into account the results of the self-evaluation, also based on the recommendations or opinions expressed by the Committee competent in nomination matters.

Specifically, the guidelines identify the managerial and professional profiles and the skills deemed necessary, also in light of the Company's industry characteristics, as well as the guidelines expressed on the maximum number of offices.

The Guidelines are published on the Company's website well in advance compared to the publication of the notice of call of the meeting convened to renew the Board of Directors.

The Board of Directors – in the mentioned notice of call – requires anyone who submits a list that contains a number of candidates exceeding half of the members to be elected, to provide adequate information in the documentation submitted for the filing of the list, on the congruity of the list with the Board Guidelines, and to identify their candidate for the position as Chairman.

## **12. Obligation to act in an informed manner**

Pursuant to Article 2381 of the Italian Civil Code and to the Corporate Governance Code, the directors must act in an informed manner. In compliance with the provisions of paragraph six of Article 2381 of the Italian Civil Code and of the Corporate Governance Code, the request for information on the part of the non-executive directors on the Company's management must be addressed to the Chairman and/or the Chief Executive Officer. In order to guarantee the utmost information consistency among the directors, it is appropriate that such requests should be made during the meeting of the Board of Directors or addressed to the Chairman and/or the Chief Executive Officer informing the Secretary who ensures that these are adequately shared. In any case, the



Chairman and /or the Chief Executive Officer provide answers to such requests, with the support of the Secretary, during the meetings of the Board of Directors or with methods that allow them to guarantee a full information consistency among the directors.

### **13. Confidentiality obligations**

Directors and statutory auditors – as well as other persons who participate in the meetings of the Board and of the Committees and/or who can access the related documentation – are required to maintain and guarantee the necessary confidentiality of documents and information acquired in the performance of their relevant functions as well as to comply with the rules adopted by the Company to disclose the abovesaid documents and information, according to the methods provided for by the specific internal procedures about the management and treatment of inside and confidential information. In this regard, directors and statutory auditors are required to guarantee full compliance with the regulations on inside information.

The Company's power of representation and external disclosures are reserved to the top management (Chairman, Chief Executive Officer, General Manager and Co-General Manager) and to the persons whom the latter grant delegated powers.

### **14. Interests of directors and ethical conduct**

Pursuant to Article 2391 of the Italian Civil Code, a director is required to inform the other directors and the Board of Statutory Auditors of any interest held, either on his/her own account or on behalf of third parties, in a given transaction of the Company, specifying its nature, terms, origin and scope. In case the director is the Chief Executive Officer, he/she must refrain from carrying out the transaction, appointing the Board to perform it. In such cases, the resolution of the Board of Directors must adequately justify the reasons and the advantage to the Company underlying the transaction.

As provided for in Article 2391, last paragraph of the Italian Civil Code, the director is liable for any damages that may arise to the Company from the use for his/her own or third party advantage of data, news or business opportunities he/she has become aware of in the performance of his/her duties.

The directors who, having an interest in conflict with that of the Company, carry out or contribute to resolving disposals of corporate assets, in order to get for themselves or others an unjust profit or other advantage, intentionally causing financial damage to the company, are punished in accordance with Article 2634, paragraph 1, of the Italian Civil Code.

Directors are required to carry out the task assigned to them with professionalism, transparency, independent judgement and in full compliance with the Company's Code of Ethics. For this purpose, they must refrain from acts and behaviors that fail to meet such requirements.



## 15. Board of Directors Internal Committees

### 15.1 Committees setting-up

The Board can set-up internal Committees in order to support and make more efficient the performance of its role. The work of such Committees must be consistent and coordinated with the activities of the Board of Directors and are basically aimed at preparing the issues the entire Board is called to resolve on.

The tasks of each Committee are established by a Board resolution when these are set-up and can be subsequently supplemented or changed by a resolution of the same Board, also when these Rules of Procedure are changed.

In defining the composition and duties of its Committees, the Board of Directors upholds the skills and experience of the respective members and, without prejudice to the possibility that a director may be a member of more than one Committee, avoids an excessive concentration of duties. Moreover, the Board of Directors defines the additional fees for the members of the Committees, after having heard the Board of Statutory Auditors.

Committees are composed of at least three directors.

The term of office of each Committee is the same as that of the Board of Directors.

Committees are authorised to access the information and corporate functions required to perform their duties, to have financial resources and to seek assistance from third-party consultants, in the terms established by the governing body.

### 15.2 Functioning of Committees

Each Committee is coordinated by a Chairman, appointed by the Board of Directors when the Committee is set-up or by the same Committee with the majority votes of its members.

The Chairman of the Committee performs, with the support of the Secretary of the Board of Directors, the following functions:

- defines the calendar of the meetings of the Committee and, in any case, convenes the Committee's meetings, setting the date, time and place and establishing the items on the agenda;
- supervises the availability of the documentation that is reasonably necessary to guarantee adequate information to the Committee's members on the items on the agenda, in order to allow them to act in an informed manner. The Committee, in order to perform its duties, through its Chairman, can access corporate functions and information that is reasonably necessary to carry out its duty and in line with the functions it has been assigned with;





- can invite to single meetings the Chairman, the Chief Executive Officer, the other directors and, by informing the Chief Executive Officer<sup>6</sup>, the representatives of relevant corporate functions or Company's consultants;
- informs the Board of Directors about the activities carried out by the Committee at the first possible meeting.

Meetings are convened by the Chairman of the Committee, or on behalf of the latter, by the Secretary, or upon written request of at least two members, with at least four days' notice and with methods suitable to guarantee confidentiality and timeliness of the call and to verify that the notice of call has been received. In case of proven urgency, the Committee can be convened with one day's notice. The supporting documentation is made available within the same terms. The members of the Board of Statutory Auditors may attend the meetings.

As a rule, the topics dealt with during each meeting of the Committee must not be dealt with by another Committee, except for those topics whose joint discussion is deemed necessary given the respective expertise on the matter and if agreed by the Chairmen of the Committees involved. On this point, the Committees collaborate together in order to guarantee a better performance of their functions and a more effective coordination and exchange of information.

## 16. Nomination and Governance Committee

The Board of Directors may establish a Nomination and Governance Committee – the majority of which is composed of independent directors – in order to support the Board itself in relation to, among other things, the following activities:

- a) support in performing the evaluation of the functioning of the Board and its Committees (board evaluation), putting forward proposals to the Board of Directors in respect of the possible engagement of an industry-specialized company, identifying topics to be subject to the evaluation and setting the methods and timing of the procedure;
- b) define the criteria and recommendations for the optimal composition of the Board of Directors and of its Committees, including diversity criteria and the guidelines on the maximum number of directors' positions;
- c) detect the candidates for the office of director in case of the director's co-optation pursuant to the law and the Articles of Association and in accordance with the company procedures;
- d) submit a list on behalf of the outgoing Board of Directors to be carried out according to the procedures and the Board Skills Matrix adopted in this regard by the Company;

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<sup>6</sup> In compliance with Recommendation 17 of art. 3 of the Corporate Governance Code.





- e) prepare, update and implement the succession planning for the Chief Executive Officer, the executive directors in the event of an early termination of office;
- f) draft opinions in support of the Board's evaluation of specific issues in case of an overall prior authorisation of any departure from the non-compete prohibition laid down in art. 2390 of the Italian Civil Code;
- g) support the Board of Directors in the evaluation of the Chief Executive Office's proposals on the appointment of the corporate bodies members of the companies directly controlled by Leonardo, should this appointment be reserved to the Board of Directors.

Moreover, the Committee performs the following tasks:

- a) it assists the Board of Directors with the adoption and update of the Policy for managing dialogue with the general public of shareholders and other stakeholders and with the analysis of the information, provided for by this Policy;
- b) it oversees and steadily monitors the formation process of the Report on corporate governance and ownership structure, of which it examines the contents in advance; in regard to this, the Secretary assists and advises the Committee on each and any aspect emerging from the Report that is relevant to the correct functioning of the corporate governance system;
- c) it monitors the evolution of legal provisions and of national and international best practices on corporate governance, updating the Board of Directors in case of significant changes;
- d) it verifies the compliance of the corporate governance system adopted by the Company and the Group with the provisions of law, the recommendations of the Corporate Governance Code, and the national and international best practices and it submits to the Board of Directors proposals for the review of the corporate governance system, if deemed necessary or appropriate;
- e) it helps the Board of Directors in its evaluations regarding the design a corporate governance system more functional to the conduct of the Company's business and the pursuit of its strategies;
- f) it assists the Board of Directors in assessing the directors' independence.

## 17. Remuneration Committee

The Board of Directors may establish a Remuneration Committee exclusively composed of non-executive directors, the majority of who are independent and chaired by an independent director.

At least one member of the Remuneration Committee shall possess suitable knowledge and experience in the field of finance or remuneration policy to be assessed by the Board of Directors at the time of the Committee's appointment.



The Committee supports the Board itself with reference to, *inter alia*, the following activities:

- a) it formulates its opinion to the Board of Directors regarding identification of the Company policy on the remuneration of directors and Top Management<sup>7</sup>, in accordance with the laws in force and with the Corporate Governance Code;
- b) it assesses and submits proposals, if any, to the Board of Directors on share incentive plans, stock option plans, public companies and similar incentive plans and plans to retain Group's management and employees, including with reference to eligibility for pursuing the targets of these plans, the methods of actual implementation by the relevant corporate bodies and to any changes or integration thereto;
- c) it drafts proposals or expresses opinions to the Board of Directors on the remuneration of the executive directors and of directors with particular functions in a manner that attracts, retains and motivates people with adequate level and experience fit to the Company's needs and in accordance with the remuneration policy;
- d) it monitors the actual implementation of the remuneration policy and verifies the actual attainment of the performance targets;
- e) it regularly evaluates the adequacy and overall consistency of the policy on the remuneration of Directors and Top Management;
- f) it assists the Company in defining the best policies for management of the Group's managerial resources, and of the managerial development plans and systems regarding the Group's key resources;
- g) it monitors the adoption and practical implementation measures to promote equal treatment and opportunities among genders in the corporate organization.

## 18. Control and Risks Committee

The Board of Directors may establish a Control and Risks Committee with advisory and policy making functions towards the Board itself to provide the latter with support, through its due preliminary activities, with decisions regarding the internal control and risk management system, and regarding the approval of periodical financial and non-financial reports.

The Control and Risks Committee is exclusively composed of non-executive directors, the majority of who are independent and is chaired by an independent director.

The Committee has expertise that is consistent with the Company's industry and assessment of its risks; at least one member of the Committee has adequate knowledge and experience in accounting, finance or risk management.

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<sup>7</sup> 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".



The Control and Risks Committee supports the Board also through the performance, among other things, of the following activities:

- a) it expresses its prior non-binding views on specific aspects pertaining to identification of the principal corporate risks and supports the Board of Directors' evaluations and decisions with regard to the management of risks arising from detrimental facts which the Board has become aware of;
- b) it supports the Board of Directors in regard of the definition of the guidelines of the internal control and risk management system, in accordance with the Company's strategies, as well as in regard of the assessment, at least once a year, of the suitability of the internal control and risk management system in relation to the nature of the company and its risk profile, and of the efficacy of said system;
- c) it assesses, after hearing the Officer in charge of Financial Reporting, the Independent Audit Firm and the Board of Statutory Auditors, (i) the correct application of the accounting principles and their homogeneity for the purposes of preparing the consolidated financial statements; (ii) the correct application of the reporting standards required by the applicable legislation on sustainability reporting;
- d) it assesses, after hearing the Chief Financial Officer and the Head of Internal Audit, the correctness of the process of preparing the periodic financial and non-financial information so that it is suitable to correctly represent the Company's business model, its strategies, the impact of its activities and the performance achieved;
- e) it examines, in agreement with the Sustainability and Innovation Committee, the content of the non-financial statement relevant to the internal control and risk management system;
- f) it examines the Annual Audit Plan, the periodic reports and those having a particular importance drawn up by the internal audit unit;
- g) it monitors the independence, adequacy, efficacy and efficiency of the Group Internal Audit unit whose activities the Committee supervises in the event that there is an executive or non-independent Chairman;
- h) it can entrust the Internal Audit unit – if necessary - the task of carrying out specific controls on defined operational areas, on which the Committee concurrently informs the Chair of the Board of Statutory Auditors;
- i) it expresses its views to the Board of Directors on the proposals put forward by the Director charged with internal control and risk management system regarding the appointment, revocation and remuneration of the Head of the Internal Audit with the aim of ensuring that he has adequate resources to perform his duties;
- j) it provides its views to the Board of Directors on the assessment of (i) the management of risks, also medium/long-term risks, so as that the main risks (including, in coordination with the Sustainability and Innovation Committee, those risks which become significant for sustainability, for the purpose



- also of preparing the non-financial information) regarding the Company and its subsidiaries are correctly detected, adequately measured, managed and monitored; (ii) the determination of the degree of compatibility of such risks with a policy to manage them in line with the strategic objectives;
- k) it keeps abreast the Board of Directors, at least at the time of the approval of the annual and half-year financial statements, of the activities carried out and of the adequacy of the internal control and risk management system;
  - l) it supports the Board of Directors in the evaluation of the results shown by the Independent Audit Firm in the recommendation letter, if any, and in the additional report to the Board of Statutory Auditors;
  - m) it holds meetings with the Surveillance Body, together with the Board of Statutory Auditors, when examining the half-yearly report of the Surveillance Body itself; in these meetings the Committee also receives information about the activity performed by the Surveillance Body on the compliance with the Code of Ethics adopted by the Company and on the Anti-Corruption Code. In the context of these meetings, the Committee provides information on the work done and on issues that can have an impact on the operation of the Internal Control and Risk Management System of Leonardo, in order also to guarantee a mutual regular exchange of information between the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body;
  - n) it verifies the pursuing of the objectives of the Sustainability Plan in concert with the Sustainability and Innovation Committee.

The Control and Risks Committee also performs the functions provided for in the applicable legislation on related parties transactions and delivers prior opinions on the occasion of the approval by the relevant body of certain transactions with related parties carried out by the Company, or by its subsidiaries, pursuant to the rules governing related parties transactions adopted by the Company. The Committee receives from the Head of the Group Internal Audit unit periodic reports containing appropriate information on the activities he has performed, on how risks are managed, and on the compliance with the plans designed to limit risks. These reports also assess the suitability of internal control and risk management system. The Committee receives, every six months, the reports from the Compliance and Risk Management functions in connection with their sphere of competence, in accordance with the requirements of law and the applicable regulations. The Board of Statutory Auditors and the Control and Risks Committee timely exchange any significant information to enable them to fulfil their duties, opting, when possible; to address the topics of common responsibility in a joint manner.



## 19. Sustainability and Innovation Committee

The Board of Directors may establish a Sustainability and Innovation Committee composed of independent directors or non-executive directors the majority of who are independent; in the latter case the chair of the Committee is an independent director.

The Committee supports the Board through the performance of the following activities:

- a) it verifies, in concert with the Control and Risks Committee, the pursuit of the objectives of the Sustainability Plan;
- b) it monitors international trends with the ESG stakeholders;
- c) it monitors the main Sustainability/ESG indices and the Group's positioning with respect to the international benchmark;
- d) it examines, in agreement with the Control and Risks Committee as far as relevant for the purposes of the internal control and risk management system, the general layout of the sustainability reporting, as well as the completeness and transparency of the information, issuing a prior opinion on the matter for approval by the Board.

As part of the drafting and implementation of the Industrial Plan, the Committee supports the Board of Directors as follows:

- a) monitoring the technologies that support Leonardo's business areas;
- b) monitoring the creation of academic and research networks both nationally and internationally in an Open Innovation perspective;
- c) monitoring the consistency between the technological capacity and the Industrial Plan of Leonardo.

## 20. Final provisions

Any changes to these Rules are approved by the Board of Directors. The Chairman may directly proceed, reporting to other Directors at the first available meeting, with adjustments to these Rules of Procedure resulting from legislative or regulatory provisions or from changes in the Company's organizational structure.

Each Committee may submit proposals to the Board of Directors to amend these Rules of Procedure, based on their factual experience, as regards the parts related to their duties.





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