



Remuneration Report 2020

REPORT ON THE POLICY REGARDING REMUNERATION AND FEES PAID 2020

Drafted pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation - TUF) and pursuant to article 84-quater of CONSOB Resolution no. 11971 of 14 May 1999 (Issuers' Regulation)

Contents

Introduction	4
Summary schedule on the Remuneration Policy 2020	6
Results of Shareholders' Meeting voting (2017- 2018 - 2019)	8
Pay-mix	9
Glossary	10
SECTION I - REPORT ON THE REMUNERATION POLICY 2020	12
1. Governance	13
1.1 Bodies and persons involved in the preparation, approval and implementation of the Remuneration Policy	13
A) Shareholders' Meeting	13
B) Board of Directors	13
C) Remuneration Committee	14
D) Board of Statutory Auditors	16
E) Independent Experts	17
F) Other Persons	17
G) Independent Legal Auditors	17
1.2 Procedure for approval of Remuneration Policy 2020	17
2. Aims and instruments of remuneration policy	18
2.1 Reference to market remuneration policies	20
2.2 Remuneration policy instruments	21
A) Fixed Remuneration	21
B) Variable Remuneration	21
3. Remuneration Policy 2020	23
3.1 Remuneration of the members of the Board of Directors and of the Board of Statutory Auditors	23
3.1.1 Remuneration of Directors who are not entrusted with specific duties	23
A) Remuneration set by the Shareholders' Meeting	23
B) Remuneration for participation in Board Committees	24
3.1.2 Remuneration for participation in the Board of Statutory Auditors	24
3.1.3 Remuneration of Directors vested with specific duties	24
A) Chairman of the Board of Directors	24
B) Chief Executive Officer	25
B.1 Overall remuneration structure	25
B.2 Pay mix	25
B.3 Short-term variable remuneration	26
B.4 Long-term variable remuneration	28
B.4.1 Performance conditions and incentive curve	29
B.4.2 Vesting period and lock-up	31

B.5 Pay in the event of termination of office or of employment	31
B.6 Other benefits	31
3.2 Remuneration of Executives with Strategic Responsibilities and other Managerial Resources	32
3.2.1 Executives with Strategic Responsibilities	32
3.2.2 Overall remuneration structure	32
3.2.3 Pay-mix	32
3.2.4 Short-term variable remuneration	33
3.2.5 Long-term variable remuneration	35
3.2.6 Pay in the event of termination of office or employment	35
3.2.7 Other benefits	36
3.3 Other forms of discretionary, occasional and non-recurring remuneration	36
3.4 Claw-back	36
3.5 Non-competition agreements	36
3.6 Remuneration of the Head of the Group Internal Audit Organisational Unit	37
4. Term of the remuneration policy and derogation procedure in special circumstances	37
Resolution Proposal – First Section	38
SECTION II - IMPLEMENTATION OF REMUNERATION POLICIES AND FEES RELATING TO THE 2019 FINANCIAL YEAR	39
Part One	40
1. Implementation of 2019 remuneration policies	41
2. Fixed Remuneration	41
3. Non-equity variable remuneration (bonuses and other incentives)	41
A) Chief Executive Officer	41
B) Executives with Strategic Responsibilities	43
4. Non-cash benefits and other fees	43
5. Severance Pay	43
6. Stock options	43
7. Other information	43
8. Incentive Plans based on financial instruments other than stock options	44
8.1 Final calculation for the 2016-2018 cycle	44
8.2 Allocation of the 2019-2021 cycle	44
Part Two	46
Resolution Proposal – Second Section	53
SECTION III - SHAREHOLDING OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES AND ALL EXECUTIVES WITH STRATEGIC RESPONSABILITIES	54
Implementation status of the 2019-2021 long-term incentive plan	56

Introduction

This Report has been prepared in compliance with the regulatory provisions in force and in line with the recommendations expressed by the Corporate Governance Code for listed companies which the Company complies with, summarises the principles and guidelines on the basis of which Leonardo Spa decides and monitors pay policy and its implementation, with particular reference to the members of the Governing Bodies and Executives with Strategic Responsibilities¹.

This Report, which was approved by the Board of Directors of Leonardo Spa on 12 March 2020, on proposal of the Remuneration Committee is divided into two Sections:

- The initial Section of the document illustrates the remuneration policy adopted for the 2020 financial year, setting out the criteria and guidelines that the Company has adopted in relation to the remuneration of its Governing Bodies' members and other Executives with Strategic Responsibilities.
- The second Section on the fees paid in relation to the previous year analyses and details the fees actually paid to, or in any case assigned to Directors and Statutory Auditors, as well as to other Executives with Strategic Responsibilities, for the 2019 financial year.

The first Section on remuneration policy is subject to the approval of the Shareholders' Meeting by a binding vote, while the second Section on fees paid is subject to the approval of the Shareholders' Meeting by a consultative vote², while in the last year the latter Section only provided a disclosure which was not subject to the vote of the shareholders.

If the Shareholders' Meeting does not approve the remuneration policy submitted for voting in accordance with art. 123-*ter*, paragraph 3-*bis*, of the Consolidated Law on Financial Intermediation (TUF), the Company will continue to pay fees conforming to the most recent remuneration policy approved by the Shareholders' Meeting. The Company will submit a new remuneration policy to the shareholders' vote at the latest at the next following Shareholders' Meeting provided for in art. 2364, paragraph 2, or at the Shareholders' Meeting provided for in art. 2364-*bis*, paragraph 2, of the Italian Civil Code.

The remuneration policy set out in this Report has been adopted by the Company, as provided for by CONSOB Regulation no. 17221/2010 with regard to related-party transactions, also in accordance with and for the

¹ Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated in February 2019, the concept of "Executive with Strategic Responsibilities" of Leonardo includes the members of the Board of Directors, the Regular Statutory Auditors and any persons who hold the position of General Manager of the Company, the Officer in charge of the Company's financial reporting, pursuant to article 154-*bis* of the Consolidated Law on Financial Intermediation, as well as (from 1 January 2016) the Division Managing Directors and, from 2019, the Heads of Business Units.

² This provision shall apply in compliance with the new regulatory provisions (art. 123-*ter* of TUF), which were novated at primary level by Legislative Decree no. 49/2019 – laying down the provisions required to implement Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC (Shareholders' Rights Directive or "SHRD") as regards the encouragement of long-term shareholder engagement as regards encouraging long-term shareholder commitment.

purposes of Article 11.2(b) of the Procedure for Related Parties Transactions approved by the Board of Directors on 26 November 2010 and finally updated in February 2019.

This document is available at the Company's registered office and on its website (www.leonardocompany.com), in the specific "Shareholders' Meeting 2020" section and in the section "Remuneration", as well as on the website of the authorised eMarket STORAGE device (www.emarketstorage.com).

The Executive Summary is available in the Remuneration section of the company website, path "About us/Our Company/Corporate Governance/Remuneration/Remuneration Summary".

Summary schedule on the Remuneration Policy 2020

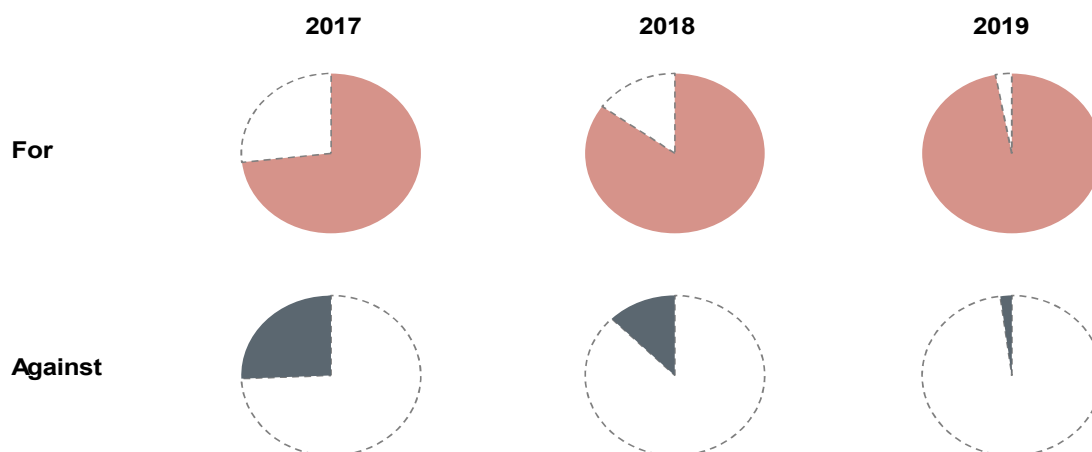
COMPONENT, PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND THEORETICAL PAYOUT	REFERENCES
<p>PAY-MIX It shows the weight of various (fixed, short-term variable and long-term variable) components of remuneration</p>	<p>CEO PAY-MIX = 42% Fixed remuneration, 30% STI and 28% LTI Total variable Remuneration CEO 58%</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER MANAGERIAL RESOURCES PAY-MIX Executives with Strategic Responsibilities and other top managers = 33% Fixed remuneration, 22% STI and 45% LTI Key Executives = 53% Fixed remuneration, 24% STI and 23% LTI Other Managers = 78% Fixed remuneration and 22% STI</p>		<p>Pages 9 and 25</p> <p>Page 32</p>
<p>Fixed Remuneration It is an adequate return for services rendered and is proportionate to the duties and responsibilities assigned. The remuneration of Directors who are not vested with specific duties is only limited to the fixed component.</p>	<p>It is determined with reference to pay market benchmarks and periodically reviewed, also in relation to the pay-mix policies</p>	<p>CHAIRMAN = gross fees of € 400,000 p.a. - non-recurring fees pursuant to Article 2389, paragraph 3, of the Italian Civil Code for special powers, in addition to gross fees of € 90,000 p.a. set by the Shareholders' Meeting pursuant to Article 2389, paragraph 1.</p> <p>CEO = gross fees of € 920,000 p.a. as non-recurring fees pursuant to Article 2389, paragraph 3, of the Italian Civil Code for special powers, in addition to gross fees of € 80,000 p.a. set by the Shareholders' Meeting pursuant to Article 2389, paragraph 1..</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER MANAGERIAL RESOURCES = remuneration set in relation to the responsibility of the person concerned and the target market positioning.</p>	<p>Page 24</p> <p>Page 25</p> <p>Page 32</p>
<p>Short-term Remuneration (Leonardo Group MBO System) It is an incentive to achieve the annual objectives set in the Company's budget. Financial/operational and role-specific objectives are set in relation to the responsibility in the Company's organisation.. A maximum payout cap is applied to all the participants in the MBO system, to an extent that varies from about 20% to about 80% of fixed remuneration, in relation to the responsibility in the Company's organisation. Two payout thresholds are set, which are linked to the business' overall profitability ratios. A claw-back clause is provided for all the variable incentives, under such clause the Company will be entitled to request repayment of the variable remuneration paid out vis-à-vis such incentives in the event that the payout was awarded on the basis of data which is afterwards proved to be incorrect or misstated.</p>	<p>FOR ALL BENEFICIARIES PAYOUT THRESHOLD (GATE): - GROUP EBITA : 85% of budget - GROUP FOCF : 100% of budget</p> <p>The non-achievement of even only one of the two thresholds involves resetting of the Group's economic and financial KPIs and a consequent 60% reduction in the bonus payable to the CEO and a reduction in a range of between 40% and 50% for ESR and other managerial resources.</p> <p>CEO OBJECTIVES The MBO plan is structured as follows : 1) Group EBITA (30%); 2) Group FOCF (30%); 3) Business Plan Objectives (30%); 4) Specific target on Sustainability/ESG, Environmental, Social and Governance issues (10%).</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES OBJECTIVES 1) Group EBITA; 2) Group FOCF; 3) Division EBITA/Division FOCF/Function KPIs; 4) Business Plan Objectives; 5) Business Targets; 6) Specific target on Sustainability/ESG, Environmental, Social and Governance issues.</p> <p>OTHER MANAGERIAL RESOURCES' OBJECTIVES These are assigned in relation to the person's responsibility in the organisation among the following objectives 1) Group EBITA; 2) Group FOCF; 3) Division EBITA/Division FOCF/Function KPIs; 4) Business Plan Objectives; 5) Business Targets; 6) Specific target on Sustainability/ESG, Environmental, Social and Governance issues.</p>	<p>CEO PAYOUT AND PERFORMANCE CURVE</p> <ul style="list-style-type: none"> Group EBITA : no payout if the budget target is not achieved and a payout of 100% if the target is achieved; Group FOCF : no payout if the budget target is not achieved and a linear payout from 100% to 120% if the budget target is over-performed. If the budget target is overperformed (>100%), no overperformance fees will be payable, but consideration will be paid to using it to offset a possible failure to achieve other objectives; Business Plan Objectives : "ON/OFF"; Sustainability/ESG Target: "ON/OFF". <p>PERFORMANCE CURVE OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER MANAGERIAL RESOURCES</p> <ul style="list-style-type: none"> Group and Division EBITA : no payout if the budget target is not achieved and a payout of 100% if the budget target is achieved ; Group and Division FOCF : no payout if the budget target is not achieved and a payout with linear incentive from 100% to 120% if the budget targets is achieved or over-performed; Function / Division / Individual Targets: Other Targets: <ul style="list-style-type: none"> 0 payout up to the minimum amount set for the specific target; 60% payout from the minimum to the targets set for the specific objective; a payout with linear correlation of from 100% to 120% between the target and the maximum set for the specific objective; Alternatively : "ON/OFF" 	<p>Page 26</p> <p>Page 33</p>

COMPONENT, PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND THEORETICAL PAYOUTS	REFERENCES
<p>Long-term Variable Remuneration</p> <p>Focusing the key managerial positions on the achievement of the objectives under the Company's Business Plan and creating the conditions for increasing the convergence of the interests of management and those of shareholders. Bringing the system more in line with the practices of the sector peers and, more generally, with the practices adopted by the major European listed companies. The long-term Incentive Plan is structured into 3 three-year cycles, each with effect from 2018, 2019 and 2020. The incentive is conditional on the achievement of economic and financial objectives relating to each vesting period.</p>	<p>The Long-term Incentive Plan is based on the following KPIs :</p> <ol style="list-style-type: none"> 1) Relative Total Shareholder Return (rTSR) compared to a peer group - weight of 50% of total incentive; 2) Group Return on Sales (ROS) – weight of 25% of total incentive; 3) Group Net Debt – weight of 25% of total incentive. <p>The TSR performance will be measured on the basis of Leonardo's positioning compared to the peer group</p> <ul style="list-style-type: none"> - Positions 1 to 4: 100% of bonus; - Positions 5 to 6: 50% of bonus; - Position 7 (median): 25% of bonus; - Positions < 7: no pay-out. <p>The position below the median (< position 7) entails a payment of the bonus equal to 0%.</p> <p>The Return On Sales target is measured on the basis of the average individual values included in the vesting period in each financial year. The payment of the bonus relating to the Return on Sales (25%) provides for an «on/off» basis. Therefore the allocation of 100% of the bonus will take place only if the target is achieved (ON).</p> <p>The Net Debt target is measured on the final value in the vesting period and for which the following performance conditions are set out :</p> <ul style="list-style-type: none"> • 100% of budget = 100% of bonus; • 5% delta of budget = 50% of bonus; • for values of below the 5% delta of budget = 0% of bonus. <p>Intermediate results give bonuses calculated proportionately through a linear incentive curve.</p>	<p>The Plan provides for the assignment of incentives structured into a component that is fully expressed in ordinary Leonardo shares for the Company's Chief Executive Officer, Executives with Strategic Responsibilities and other Top Executives. As regards the other beneficiary Executives, the Plan provides for the payment of a component that is expressed in ordinary Leonardo shares and of a cash component, based on a different proportion between cash and shares depending on the different levels of responsibility, the contribution to the Company's results of operations and the position held in the relevant business organisation.</p> <p>CEO PAYOUT</p> <p>For the three-year period 2020-2022 allocation of a maximum number of no. 9,045 shares attributable to the CEO determined by dividing the maximum incentive of € 86,000 (calculation on a <i>pro-rata temporis</i> basis) by the unit price of € 9,5078 per share used for the conversion of incentives in the implementation of the plan.</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES PAYOUT</p> <p>The portion of long-term variable incentive set out for the three-year period 2020-2022 is equal to 140% of gross annual remuneration for each beneficiary. On the basis of the position held.</p> <p>Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the CEO and Executives with Strategic responsibilities and other top management positions. 50% of the shares will not be transferable during this period.</p>	<p>Page 21</p> <p>Page 28</p> <p>Page 35</p> <p>Page 31</p>
<p>Non-Cash Benefits</p> <p>Benefits are granted consistently with the purposes of the Leonardo Group's remuneration policy.</p>	<p>Non-cash benefits are defined in accordance with provisions of law, collective bargaining agreements and any other applicable union agreements.</p>	<p>CEO</p> <p>Non-cash benefits that can be assigned include: benefits similar and equivalent to those paid to the Group's executives, including insurance covers, Company car and accommodation for guests' use.</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</p> <p>Non-cash benefits that can be assigned include: supplementary pension plan, additional /replacement health insurance benefits, insurance covers, Company car and accommodation for guests' use.</p>	<p>Page 31</p> <p>Page 36</p>
<p>Pay in the event of Termination of Office or Employment</p> <p>Retention purposes connected with the role in line with long-term strategies, values and interests.</p>	<p>They are set in relation to key roles and non-competition obligations.</p>	<p>CHAIRMAN</p> <p>No severance pay.</p> <p>CEO</p> <p>The severance pay, in accordance with the recommendations provided in the Corporate Governance Code, is set to an amount that is not higher than two years' fixed remuneration. Mr Profumo will be paid an amount as an indemnity and compensation payment, equal to such total remuneration (fixed and variable elements) as would be paid until the natural expiry of the term of office, thus progressively decreasing according to a sliding scale system until it reaches zero in consideration of the nature of the collaboration relationship.</p> <p>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</p> <p>Allowances under the National Collective Bargaining Agreement, plus severance payment defined on an individual basis (if any).</p>	<p>Page 31</p> <p>Page 35</p>
<p>CEO PAY RATIO</p> <p>Ratio of CEO's remuneration to employees' average pay</p>	<p>CEO PAY RATIO</p> <p>The ratio is calculated between CEO's total remuneration (fixed + short-term variable elements) and employees' average pay in 2019.</p>	<p>The Ratio was 30x.</p>	<p>Page 43</p>

Results of Shareholders' Meeting voting (2017- 2018 - 2019)

The following graph shows the trend of voting at Shareholders' Meetings relating to the contents of Section I on the remuneration policy in the last three years (2017-2019). It shows a substantially positive trend of votes in favour in these years. The results in general and especially the reasons given for votes against cast in the 2019 Shareholders' Meeting have been taken into account in considering and evaluating the updates and improvements made to this document.

Trend of voting results on the annual Remuneration Report (2017-2019)

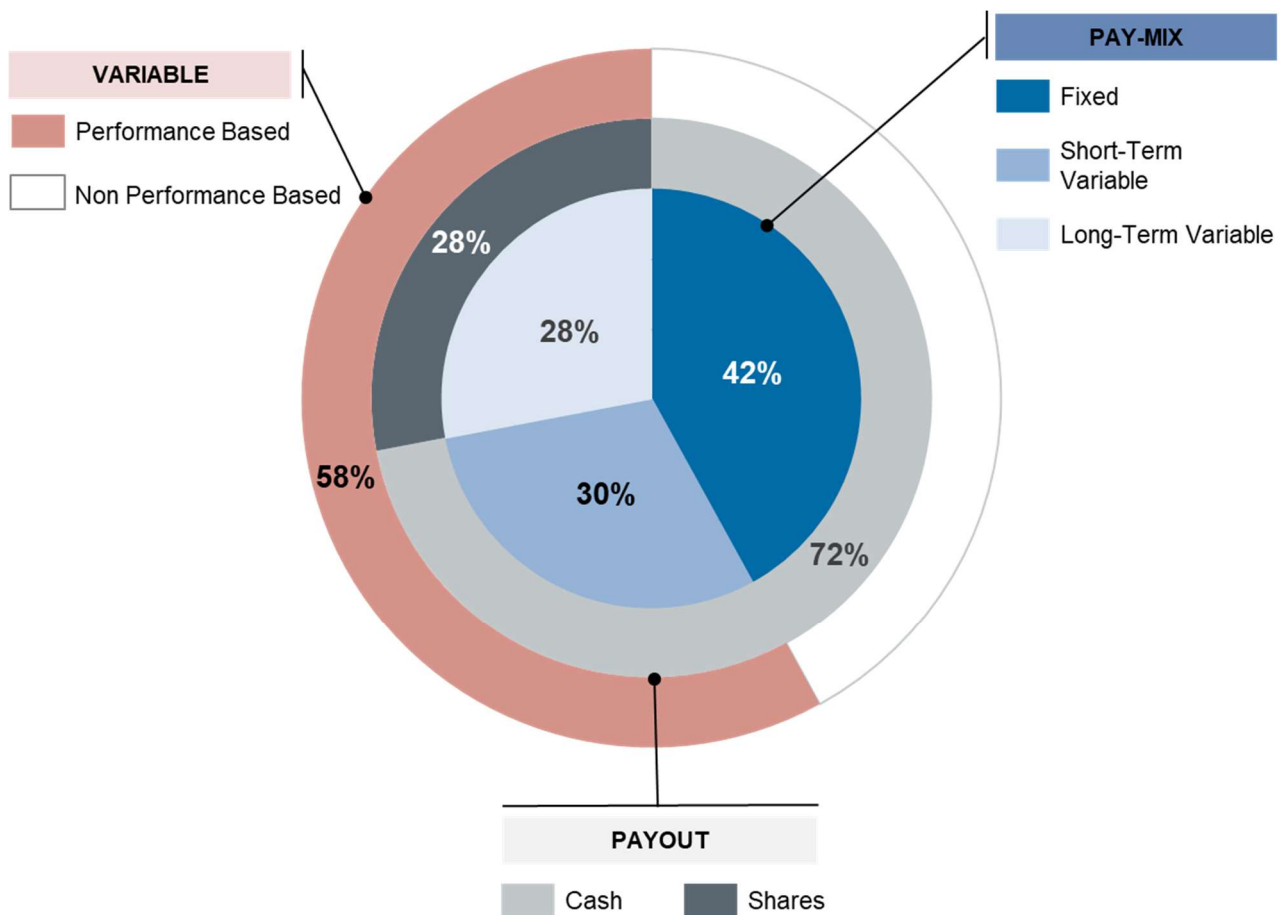


VOTING RESULTS	2017	2018	2019
- VOTES FOR	73.21%	84.97%	97.06%
- VOTES AGAINST	25.63%	12.43%	2.08%
- ABSTAINED	0.27%	1.52%	0.19%
- NON-VOTERS	0.89%	1.08%	0.67%

Pay-mix

The Pay-mix Target reported for the Chief Executive Officer considers the fixed component within its maximum limits and provides for the achievement of the targets relating to the MBO incentive scheme and the Long-Term Incentive Plan.

CEO pay-mix



Glossary

<u>Term</u>	<u>Definition</u>
Shareholders' Meeting	The Company's collective deliberative body. Represented on it (either directly or by proxy) are all holders of voting rights. As regards the Remuneration Policy, it expresses a binding opinion on Section I and a consultative opinion on Section II regarding the Remuneration Policy.
Non-cash benefits	The non-cash elements included in remuneration, aimed at enhancing workers' individual and family well-being from the economic and social points of view.
Claw-back	A contractual clause which allows the Company to ask for the total or partial return of variable components of remuneration which have already been paid but have been calculated on the basis of data which subsequently prove to be clearly erroneous.
Board of Directors	Leonardo's Board of Directors, which is the collective body responsible for the Company's management and is composed of Directors. This is the body responsible, among other matters, for approving the Remuneration Policy put forward by the Remuneration Committee.
Executives with Strategic Responsibilities	They are defined in Consob Regulation 17221 of 12 March 2010 in the matter of Related-Party Transactions as "those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the entity". For Leonardo SpA among the roles included are those reported in the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and lastly updated in February 2019 (see note 1 page 5).
Dow Jones Sustainability Indices	Stock market indices composed of the Companies with the best sustainability performance worldwide according to the assessment conducted by Robeco SAM (member of S&P Global) rating agency for three dimensions (economic, environmental and social).
Free Operating Cash-Flow (FOCF)	The sum of cash flow generated from (used in) operating activities, cash flow generated from (used in) core investing activities and dividends received.
Net Debt	The balance of (current and non-current) borrowings, the fair value of financial debt hedging derivatives, liquidity, financial receivables and current securities on the basis of the data resulting from the Group's Consolidated Financial Statements.
EBITA (Earnings before interest, taxes and amortisation)	Earnings before interest, taxes and amortisation of intangible assets.

Severance Pay	The monetary amount to pay workers on the termination of their employment contract.
Management by Objectives (MBO)	An incentive system which awards beneficiaries an annual bonus in cash on the basis of objectives set and agreed with each participant in the Plan.
Pay-mix	The percentages of fixed remuneration, short-term variable incentive and long-term incentive.
Gross Annual Remuneration (GAR)	It includes all fixed annual pay before tax and employee's share of social security contributions and is thus non-inclusive of annual bonuses, other bonuses, allowances, fringe benefits, refunds of expenses and any other form of variable or occasional remuneration.
Variable remuneration	It is composed of short-term variable incentive and long-term variable incentive.
Company	Leonardo S.p.A..
Consolidated Law on Financial Intermediation (T.U.F.)	Legislative Decree no. 58 of 24 February 1998 (as amended).
ESG - Environmental, Social and Governance	"Environmental, Social and Governance" (ESG) refers to the three factors in measuring the sustainability and social impact of an investment in a company or business. They are the criteria adopted to pursue the Company's business objectives according to a socially responsible business model.
Book-to-bill ratio	It is the ratio of orders received to units billed for a specified period.
Pay-out	It is the amount of the bonus payable to the beneficiary in relation to the achievement of the performance target.
Vesting Period	The vesting period is the period of observation of the performance which in the short-term incentive plan starts on 1 January and ends on 31 December, while in the long-term incentive pan it considers the entire three-year period 2018, 2019 and 2020.
TSR (Total shareholder return)	It is a measure of the performance of the company stock. It combines share price appreciation and dividends paid.

Section I
**Report on the remuneration
policy 2020**

1. Governance

1.1 Bodies and persons involved in the preparation, approval and implementation of the Remuneration Policy

With regard to the governance of the remuneration systems, the following is a more detailed description of the related management activities and the respective responsibilities, divided according to the role played by each body involved in the formulation and approval of the remuneration policy regarding the members of the Company's Governing Bodies and other Executives with Strategic Responsibilities.

A) Shareholders' Meeting

The duties of the Shareholders' Meeting, according to the By-Laws – as far as the matters of interest to this Report are concerned - are:

- to set the fees payable to the members of the Board of Directors and the Statutory Auditors;
- to approve any remuneration plans based on financial instruments assigned to Directors, employees, consultants or Executives with Strategic Responsibilities, pursuant to Article 114-bis of the TUF;
- to examine and assess – in compliance with the regulatory framework updated by Legislative Decree 49/2019, implementing the EU Shareholder Rights Directive II (SRD II) – Section I of the Report regarding the remuneration policy in order to cast a binding vote and Section II of the Report about the fees paid in the previous year to cast a non-binding vote.

B) Board of Directors

The duties of the Board of Directors, according to the By-Laws – as far as the matters of interest to this Report are concerned - are:

- to determine, on the proposal of the Remuneration Committee, the remuneration of those Directors with delegated powers and of any other Director vested with specific functions following the opinion of the Board of Statutory Auditors;
- to define the Company's policy in relation to the remuneration of Directors and other Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- to approve this Remuneration Report and submit it to the Shareholders' Meeting pursuant to, and within the limits set out in, Article 123-ter, paragraphs 3-bis and 6, of the TUF;

- to approve, upon proposal from the Remuneration Committee, potential remuneration plans based on the allotment of shares or other financial instruments, and submit said plans to the Shareholders' Meeting for its approval;
- to implement the aforesaid remuneration plans based on shares or other financial instruments, with the support of the Remuneration Committee, as approved by the Shareholders' Meeting.

No Director attends Board of Directors' meetings at which motions regarding their own remuneration are approved.

Furthermore, there has been a Remuneration Committee in the Board of Directors for a long time, the composition and functions of which are detailed below.

C) Remuneration Committee

The Remuneration Committee is composed of the following members:

Position	 Committee composition	 Gender	 Date of first appointment
Chairman (*Independent)	Dario Frigerio		July 2013
Director	Antonino Turicchi		May 2017
Director (*Independent)	Marina Rubini		May 2014
Director (*Independent)	Marina Elvira Calderone		May 2014

* Independent directors also pursuant to the Corporate Governance Code

The Committee meets periodically to carry out its functions and duties, and its meetings are considered valid if at least a majority of its members attend. The Chairman of the Committee calls and chairs meetings. The Committee is provided with the resources required to carry out its research and investigations. The Committee obtains access to information and to Company structures as necessary for it to perform its tasks, and, through Company channels that make use thereof, consults external advisors in order to ensure independence of judgment. The Head of the Company's Chief People, Organization and Transformation Officer Organisational Unit is invited to attend the Committee's meeting on a permanent basis and the meetings may be attended, on the invitation of the Committee through the Chairman and in relation to the issues being discussed, by other persons, including non-executive members of the Board of Directors and any employee working for the Company or Group Companies, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor appointed by the latter. No Director participates in the Committee's meetings in which proposals are put forward to the Board in relation to his/her own remuneration.

The Remuneration Committee is responsible for taking action:

- to submit proposals to the Board of Directors concerning the definition of the Company's remuneration policy of Directors and Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- to put forward proposals to the Board of Directors for related resolutions in implementation of the remuneration policy established by the same, with reference to:
 - the remuneration and regulatory treatment of Directors with delegated powers and of all Directors vested with specific functions (following the opinion of the Board of Statutory Auditors, when required by Article 2389 of the Italian Civil Code);
 - the performance targets related to the variable element of the remuneration of Directors with delegated powers and of any other Director vested with specific functions, monitoring the implementation of the decisions adopted and verifying, in particular, their actual achievement;
- to support the Company in defining the best policies for the management of the Group executives as well as the development plans and systems for the Group's key managers;
- to propose compensation plans based on the allotment of shares or of options for the purchase of the Company's shares in favour of Directors and Executives of the Company and of the Group companies, to be submitted to the Board for its approval and then to the Shareholders' Meeting for its approval pursuant to the legal provisions, while also defining the implementing provisions;
- to periodically evaluate the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors and Executives with Strategic Responsibilities.

The Committee's Meetings are duly recorded in minutes, which are reported on by the Committee' Chairman at the first meeting of the Board of Directors. Furthermore, the Committee provides the Board with a report on the most important issues.

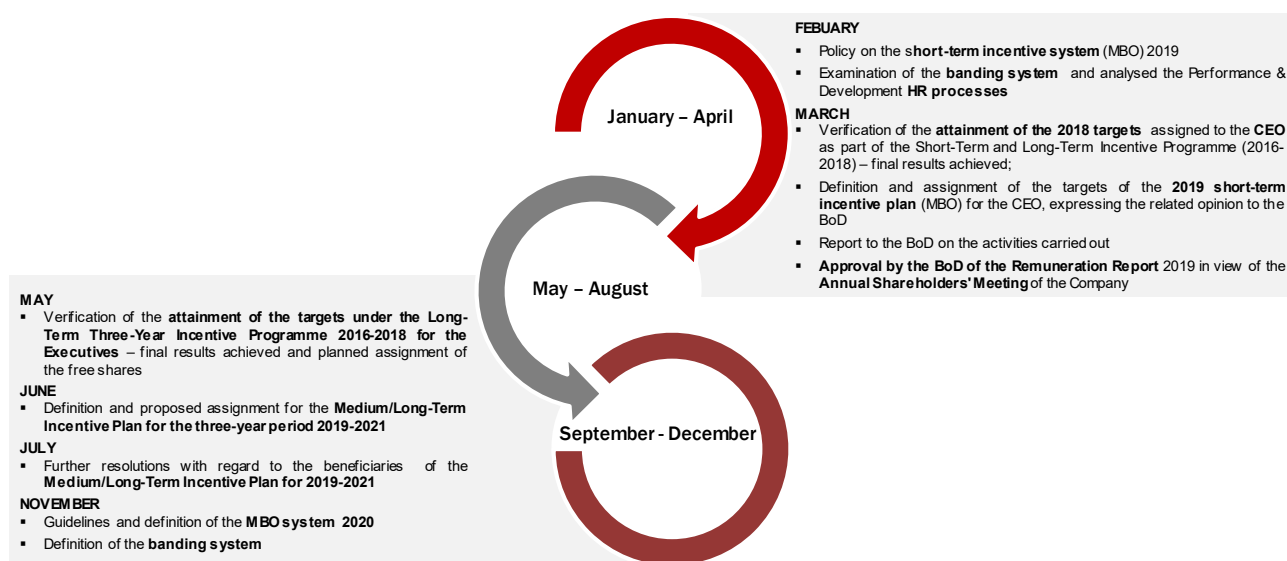
The Committee's operations are governed by special Rules of Procedures, which acknowledge the principles and implementation criteria recommended by the Corporate Governance Code.

Since it was formed, the Remuneration Committee has played a role of supporting the top management with one of the most important issues related to the strategic management of the Group's human resources and of its pay and retention policies.

In acting in this role the Committee has worked out incentive schemes which assist in achieving the Group's results and the objectives of enhancing the value of its stock and of the Group itself.

The Remuneration Committee has defined the principles and practical methodology of application of this report and has submitted them to the Board of Directors, which, having examined such principles and methodology, then approves them and submits them to the Shareholders' Meeting for a binding vote on Section I and cast a non-binding vote on Section II, pursuant to the new Article 123-ter of the TUF.

Activities carried out during 2019



D) Board of Statutory Auditors

On remuneration matters, the Board of Statutory Auditors, which regularly participates in the Remuneration Committee's meetings through the Chairman or a regular Auditor specified by the same, expresses the opinions required by the regulations in force, with particular reference to the remuneration of those Directors

vested with specific functions pursuant to Article 2389 of the Italian Civil Code, and it also verifies that said remuneration is in line with the general policy adopted by the Company.

E) Independent Experts

In the course of 2020 the Chief People, Organization and Transformation Officer Organisational Unit made use, as external independent experts, of EY for activities concerning remuneration.

F) Other Persons

The Human Resources Organisational Unit, as a part of the Chief People, Organization and Transformation Officer Organisational Unit, lays down the guidelines, supported by all the technical details necessary for preparing the Remuneration Policy. This Function also acts as a specialist in-house body assisting the Remuneration Committee, for which it prepares the material that the Committee needs in order to carry out its work.

The Administration, Finance and Control Organisational Unit helps set out the operating and financial objectives underlying the short- and long-term plans and verifies that they have been attained.

The Investor Relations and Credit Rating Agencies Organisational Unit, as part of the Administration, Finance and Control Organisational Unit assists in determining the panel for TSR as a performance objective in the long-term incentive system

The Sustainability Organisation Unit, as part of the Chief Technology & Innovation Officer Organisational Unit, deals with the ESG matters.

G) Independent Legal Auditors

In accordance with the new regulatory framework, the Audit Firm in charge of the statutory audit of the accounts yearly verifies the preparation by the directors of Section II of the Report by carrying out a mere formal check on the publication of the information without expressing any opinion thereon, or on the consistency of such information with the financial statements or its compliance with the regulations, as is required for the review on the preparation of the Non-financial Statement (“NFS”) pursuant to Legislative Decree 254/2016.

1.2 Procedure for approval of Remuneration Policy 2020

In exercising its powers and in accordance with the Corporate Governance Code, the Remuneration Committee expressed a favourable view of the structure and contents of Leonardo’s remuneration policy for the purposes of the preparation of this report.

The Report was submitted by the Remuneration Committee to the Board of Directors, which approved it on 12 March 2020.

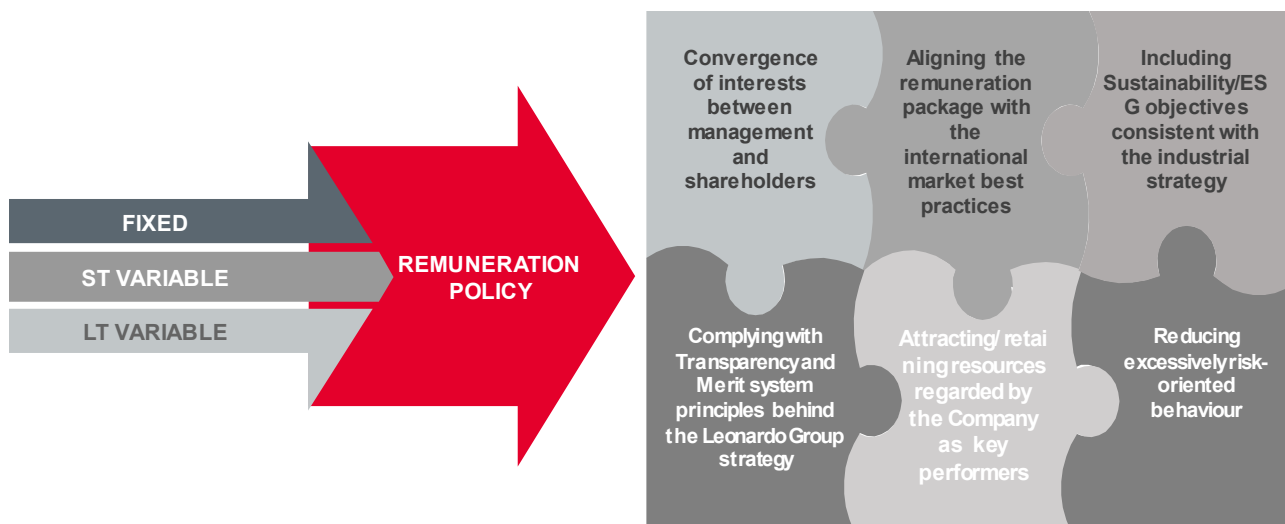
The remuneration policies determined in accordance with the guidelines provided by the Board of Directors are applied by the bodies authorised to do so with the support of the corporate functions concerned.

The Board of Directors submitted the Remuneration Report approved by them on 12 March 2020 for a binding and consultative vote of the Shareholders' Meeting.

The document has been prepared in accordance with best practice, particularly that in FTSE-MIB companies.

2. Aims and instruments of remuneration policy

The remuneration policy sets out the principles and guidelines to determine the remuneration of the members of the Board of Directors, as well as the specific criteria through which the remuneration of the Group's management is established, in accordance with the Governance model adopted by the Company and the recommendations laid down in the Corporate Governance Code.



Specifically, in determining the remuneration Policy for the CEO and for the other Executives with Strategic Responsibilities, it proved essential to assessing their performance over the short and long-term and the link of a part of the remuneration to the attainment of specific performance objectives, including non-economic objectives (e.g. ESG indicators and qualitative objectives linked to the Industrial Plan). The aim of this was helping pursue the long-term interests and the economic and financial sustainability of the Company.

The policy is designed to attract and motivate human resources who have the professional qualities required to carry out their duties and fulfil their responsibilities in line with the interests of the management and with the priority objective of creating shareholder value in the medium/long-term through:

- an appropriate balance between the variable element of remuneration and the fixed element, as well as, at the same time, setting a balance between short- and long-term incentives, in order to ensure the sustainability of the policy itself in the long term;

- an efficient alignment of the remuneration and incentive system with the pursuit of the Company's long-term interests, by ensuring that the variable element of remuneration is connected to actual results, through the introduction of not only a direct link between performance and remuneration, but also by paying particular attention to the objectivity and measurability of the performance conditions which the remuneration is subject to, and to the indicators used to measure the remuneration, without prejudice to the existence of an upper limit on incentives.

Focus on the Industrial Plan

2019 saw the full implementation of the growth envisaged in the Industrial Plan, with results in line with or above the expected targets for the second consecutive year. In this regard, there was a significant increase in revenues in all business sectors, combined with an increase in EBITA and significant increase in net result for the period compared to last year.

Leonardo's long-term vision is outlined by a clear strategic plan that gives priority to innovation and sustainable growth, with the ambition of being a solid, global company and acting like a driver for innovation. The strategic plan is based on three key pillars: i) strengthening the core business, also through a more focused and homogeneous portfolio of activities ii) transforming the business aimed at growth, with the adoption of innovative and more effective models to meet the needs of our Customers, and iii) speeding up the innovation process to increase competitiveness, creating new technologies and new high-tech markets. Recent acquisitions, such as Vitrociset and Kopter, the introduction of the Leonardo Production System and the launch of Leonardo Labs also go in this direction.

The COVID-19 emergency is likely to have an impact on the Group's ordinary course of business . This is despite mitigating actions promptly put in place by the Company and aimed primarily at preserving business and production continuity and fully ensuring the health and safety of employees. Despite the difficulty of making reliable forecasts in the present situation, which is conditioned by the COVID-19 emergency, Leonardo has deemed it appropriate to report its performance expectations on a going-concern basis, without taking account of any COVID-19 impact. The current trend of emergency, accompanied by uncertainty related to further developments in terms of impact on public health and, consequently, on industrial, economic and social situation of Italy, does not allow any quantification of the potential effects on 2020 Group's performance.. However what is happening does not change the Group's solid medium-long term fundamentals, showing a continue growth trend, with high level of new orders, revenues and profitability further increasing compared to 2019, with cash flow generation significantly improved.

This effort will allow Leonardo to be an increasingly competitive company over the next ten years, a real driver for innovation and progress in all countries and communities in which it operates with the ultimate goal of create value for all stakeholders.

Furthermore, the distribution of the dividend was also proposed as a fundamental element of the remuneration of the shareholders in 2019 too.

Our commitment to Sustainability

Leonardo confirms the strategies for the coming years, during which their priorities and lines of action will emerge even more clearly in order to further accelerate the process of sustainable growth that has been commenced.

Sustainability, in fact, is the foundation of the long-term strategy and is fully integrated into the Industrial Plan, which includes the strategic sustainability priorities and the related lines of action to take.

The Group's concrete commitment to this issue is confirmed by the presence of sustainability objectives in the incentive plans reserved for the Chief Executive Officer, Executive Directors, Executives with Strategic Responsibilities and all other beneficiaries of the plans.

The Group's challenges and objectives related to the ESG field contribute to its process of sustainable growth and to the achievement of 4 Sustainable Development Goals out of the 17 named by the United Nations. In 2019 Leonardo attained the goal of being admitted to the Dow Jones Sustainability Indices (DJSI), thus achieving the excellent result of winning the leadership among the Companies in the Aerospace & Defence sector in the DJSI ranking.

Also for the current year, the Group confirmed its willingness to remain on the Index and the objective of achieving successful goals, further accelerating sustainable growth in the long term, an essential objective of the present Industrial Plan in the current year too.

Within the scope of its sustainability objectives, the Group pays attention to the principles and values of Gender Diversity & Inclusion, investing in a number of initiatives that directly involve its staff, with particular attention to talent of woman for whom sessions are delivered in relation to guidance, training, promotion of the territory and active citizenship and education aimed at increasing Brand Awareness, advocacy in schools and the circulation of exemplar models.

Other interventions are instead aimed at supporting employees in their professional growth and promoting a better work-life balance, for example through the gradual extension of smart working and the opening and development of digital platforms for training.

The commitment to diversity & inclusion leads to embarking on a path towards a greater presence of women also in managerial positions and the willingness to offer men and women the opportunity to express their talent while respecting diversity and evaluating the contribution of each person as a resource to be enhanced.

2.1 Reference to market remuneration policies

The remuneration policy considers, in its determination, investigations and analysis of the remuneration systems and best market practices both at national and international level, also in relation to aggregate external benchmarks, with reference to a panel of large Italian industrial groups listed on the FTSE MIB 40 Italia index,

as well as to international listed companies operating in the Sectors of Defence, Industrial Engineering, Technology Hardware and Equipment.

The benchmark for the Chief Executive Officer, in particular, identified with the support of independent and highly specialised Advisors, considered the fees paid by a restricted Panel of Companies comparable with the Leonardo Group, including: Enel, ENI, TIM, Poste Italiane, Prysmian Group, EIFFAGE, Thales and BAE Systems.

2.2 Remuneration policy instruments

The remuneration policy of Executive Directors and other Executives with Strategic Responsibilities has been formulated as described below:

A) Fixed Remuneration

The fixed element of remuneration is such that it adequately remunerates the services provided and is proportioned to the assigned duties and responsibilities, in addition to being sufficient to remunerate the services delivered should the variable component not be paid (Article 6.C.1 (c)). For those Directors not entrusted with specific duties, the remuneration consists exclusively of a fixed element, to be determined by the Shareholders' Meeting, and it is in no way linked to the achievement of performance targets.

B) Variable Remuneration

Variable remuneration is divided into a short-term component (typically annual – the MBO scheme) and a long-term component, reserved exclusively for a key manager population.

- **Short-term Variable Component**

The aim of the short-term variable component is to encourage the achievement of the annual objectives laid down in the Company's budget and in line with the Industrial Plan for the relevant year. The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved.

Furthermore, according to the MBO system a sustainability/ESG objective is set for both the Chief Executive Officer and all the other beneficiaries of the short-term incentive plan.

- **Long-term Variable Component**

2019 saw the start of the cycle of the Long-Term Incentive Plan (2019-2021) approved by the Shareholders' Meeting on 15 May 2018. The Plan involved about 200 managers, with an award of about 1,700,000 shares against a theoretical maximum of 2,000,000 shares.

2020 will also see the start of the 2020-2022 cycle of the Long-Term Incentive Plan. The Plan will be reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Company's business in the medium term, in the executive grade (or equivalent abroad) in the Company, Subsidiaries with their registered offices in Italy or abroad, as well as associates (former employees) in top management and/or other management positions in the Company or Subsidiaries. The Plan will be reserved for a maximum number of 210 managers, again with an award of about 2,000,000 shares. During 2020, in view of the redesign of the structure of the new Long-Term Incentive Plan, the Company is considering, in addition to including economic and financial objectives linked to the Industrial Plan and aligned with the interests of its shareholders, the introduction of additional indicators for the creation of sustainable value in the medium - long term (ESG objectives).

3. Remuneration Policy 2020

3.1 Remuneration of the members of the Board of Directors and of the Board of Statutory Auditors

This section gives the main features of the remuneration policy for:

- Directors who are not entrusted with specific duties
- Board of Statutory Auditors
- Directors vested with specific duties:
 - Chairman of the Board of Directors
 - Chief Executive Officer

It should be noted that, with regard to the specific indications regarding the adequacy of the remuneration payable to non-executive Directors and the members of the control bodies, the Company will consider the appropriateness of applying targeted benchmarks for the above-mentioned corporate population.

In addition, it should be noted that the following paragraphs show the remuneration for the three-year period from 2017 to 2019, prepared until the expiry of the term of office. These fees are in line with the Company's current policy and the recommendations of the Code, as well as with the remuneration studies carried out with the support of the independent Advisor. Therefore, as until today, a balanced and challenging mix may be maintained between a fixed component appropriate to the responsibilities assigned and a variable component, set within maximum limits and aimed at pegging the remuneration to the respective performance achieved.

It should be noted that the objectives linked to incentive plans have been set in relation to the strategic plan.

3.1.1 Remuneration of Directors who are not entrusted with specific duties

A) Remuneration set by the Shareholders' Meeting

The Shareholders' Meeting held on 16 May 2017 set, for the three-year period from 2017 to 2019, the remuneration of the Directors who are not entrusted with specific duties, in a gross amount of € 80,000 per year.

In line with best practices, the remuneration awarded to those Directors who are not entrusted with specific duties is not linked in any way to the achievement of specific performance targets, and thus consists of a fixed element only, rather than of a variable element as well. To the fixed component of remuneration set by the

Shareholders' Meeting must be added the fees set by the Board of Directors for the participation in Board Committees.

B) Remuneration for participation in Board Committees

The Company's Board of Directors, by a resolution passed on 16 May 2017, set the following fees for the members of the Committees set up within the Board itself:

- € 2,500 per year before tax for each member and € 7,500 per year before tax for the Chairman of the Committee;
- € 2,000 attendance fee, payable on the occasion of each Committee meeting.

3.1.2 Remuneration for participation in the Board of Statutory Auditors

The fees due to the members of the Board of Statutory Auditors, which remained unchanged with respect to those added to by the Shareholders' Meeting held on 15 May 2018, amounted to a gross amount of € 80,000 per year for the Chairman and to a gross amount of € 70,000 per year for each of other Regular Auditors.

With regard to the specific indications provided by the Corporate Governance Committee regarding the adequacy of the remuneration payable to non-executive Directors and the members of the control bodies, the Company will consider the appropriateness of targeted benchmarks for the above-mentioned population.

3.1.3 Remuneration of Directors vested with specific duties

A) Chairman of the Board of Directors

The total remuneration for the 2017 to 2019 term of office of the Chairman of the Board of Directors consists exclusively of the fixed component, composed as follows:

- gross annual fees of € 90,000, pursuant to Article 2389, paragraph 1, of the Italian Civil Code, set by the Shareholders' Meeting held on 16 May 2017;
- gross annual fees of € 400,000, whose exercise attracts the special remuneration referred to in Article 2389, paragraph 3, of the Italian Civil Code, in relation to which the Board of Statutory Auditors provided the related opinion.

No severance payments were determined for the event of early termination of the office or for the event of non-renewal of his mandate.

Furthermore, insurance cover and welfare policies have been provided to the benefit of the Chairman, together with other benefits connected with the performance of duties required of his office and additional powers delegated to him.

B) Chief Executive Officer

B.1 Overall remuneration structure

The Company has entered into a working relationship with the Chief Executive Officer, which will end on the expiry of the term of office of the Board of Directors, expected to be in May 2020. The solution adopted is favourable for the Company with a view to reducing costs of social security contributions.

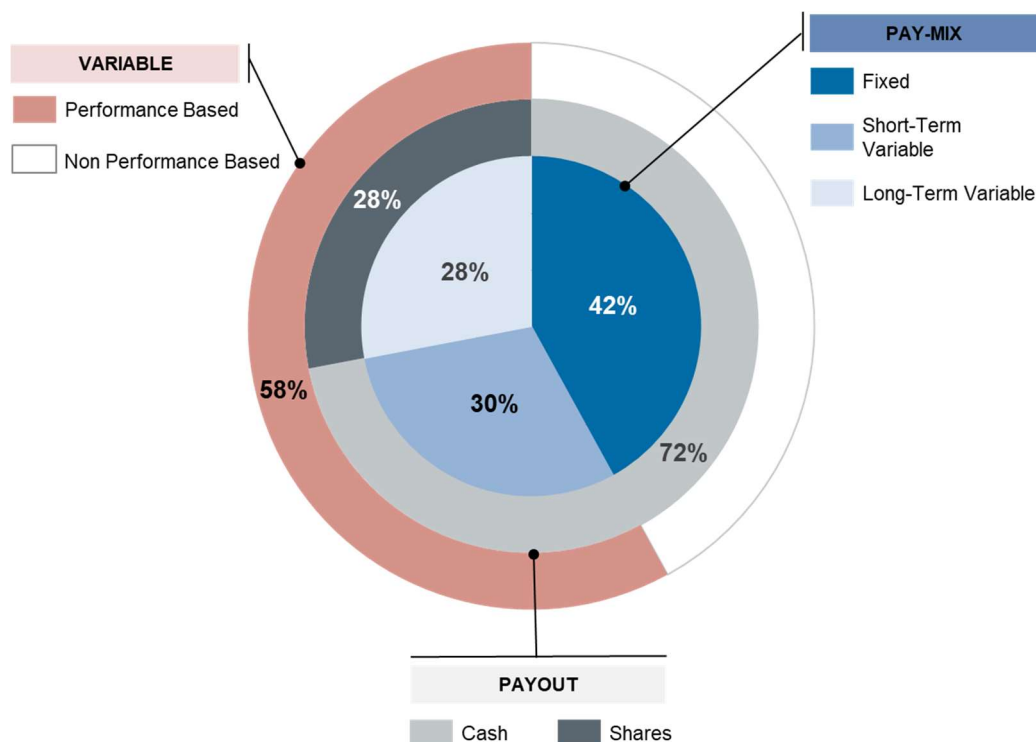
For the current 2017-2019 term of office, the fixed and variable remuneration for the position of Chief Executive Officer is composed of:

- **FIXED REMUNERATION:**
 - annual fees of € 80,000, pursuant to Article 2389, paragraph 1, of the Italian Civil Code, set by the Shareholders' Meeting held on 16 May 2017;
 - special remuneration of € 920,000 pursuant to Article 2389, paragraph 3, of the Italian Civil Code, set by the Board of Directors' meeting held on 16 May 2017, at the proposal of the Remuneration Committee and having heard the opinion of the Board of Statutory Auditors;
- **SHORT-TERM VARIABLE REMUNERATION:** fees of € 660,000 per year as maximum short-term variable incentive;
- **LONG-TERM VARIABLE REMUNERATION:** fees of € 620,000 per year as maximum long-term variable incentive.

B.2 Pay mix

The pay-mix was set as follows (the calculation of the percentages does not include the amount set by the Shareholders' Meeting for the position of Director pursuant to Article 2389, paragraph 1, of the Italian Civil Code):

- **FIXED REMUNERATION** = 42% of the overall maximum remuneration attainable;
- **SHORT-TERM VARIABLE REMUNERATION:** 30% of the overall maximum remuneration attainable;
- **LONG-TERM VARIABLE REMUNERATION:** 28% of the overall maximum remuneration attainable.



B.3 Short-term variable remuneration

The short-term variable remuneration (MBO) for the Chief Executive Officer consists of maximum overall gross fees of € 660,000 per year (equal to 71,7% of fixed remuneration) and is subject to the following performance conditions:

■ Thresholds (Gates)

The Company has confirmed the two thresholds (Gates) for short-term incentive payments linked to the achievement of the following KPIs set by the Board of Directors:

- Group EBITA (85% of budget);
- Group Free Operating Cash Flow³ (FOCF) (100% of budget);

The non-achievement of even only one of the two Gates leads to setting the Group's economic and financial KPIs to zero and to a consequent reduction of the bonus by 60%.

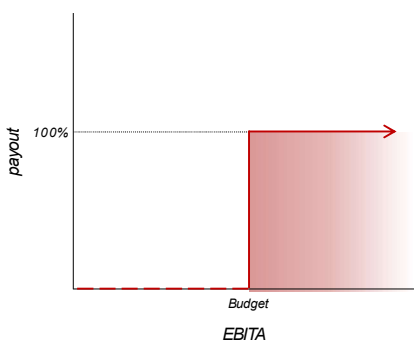
³ Free Operating Cash-Flow (FOCF) is obtained as a sum of the cash flow generated (used) by operating activities (excluding changes relating to the Group Net Debt items), the cash flow generated (used) by core investing activities (property, plant and equipment, intangible assets and equity investments, net of cash flows arising from the purchase or disposal of equity investments that, by their very nature or importance, can be qualified as "strategic investments") and dividends received.

■ **Performance Targets (KPIs)**

In consideration of the maintenance of the Group’s sustainability/ESG targets, competitive costs and margins, as well as the achievement of the levels of Operating Profit and Free Operating Cash Flow, in close connection with the strategic objectives behind the Industrial Plan, the following performance indicators have been included for 2020:

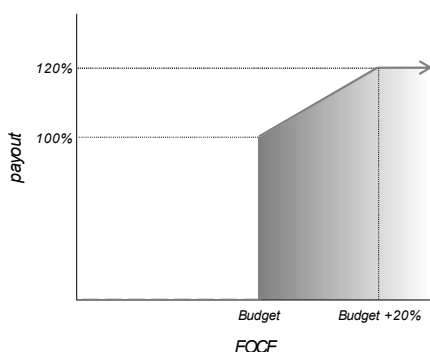
- Group EBITA (30%);
- Group FOCF (30%);
- Industrial Plan Objectives (30%);
- Sustainability/ESG Objective (10%)

The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus as reported below:



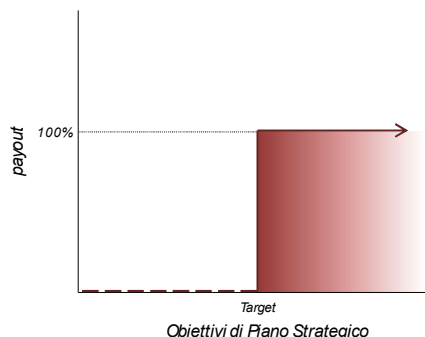
■ **Group EBITA:**

- no payout if the budget target is not achieved
- a payout of 100% if the budget target is achieved



■ **Group FOCF:**

- no payout if the budget target is not achieved (100%)
- a linear payout from 100% to 120%. If the budget target is over-performed (>100%), no overperformance fees will be payable, but consideration will be paid to using it to offset a possible failure to achieve other objectives.



■ Strategy Plan Objectives:
"ON/OFF" basis:

- Implementation of the Leonardo Production System Model in the Aircraft, Helicopter and Electronics Divisions
- Book to Bill >1

■ Sustainability/ESG objective:
"ON/OFF" basis:

- Inclusion of Leonardo in the Dow Jones Sustainability Indices

The short-term variable remuneration (MBO) payable to the Chief Executive Officer does not provide for the payment of overperformance fees.

B.4 Long-term variable remuneration

The part of long-term variable remuneration, up to an annual overall maximum gross amount of € 620,000 (equal to 67.4% of fixed remuneration), comes from the participation of the Chief Executive Officer in the Company's long-term share incentive plan, reserved for the Group's management.

Incentives payable are fully expressed in ordinary Leonardo shares.

In the light of the system's rolling mechanism, and in consideration of the amount of annual remuneration paid in relation to the long-term variable portion envisaged in the employment contract of the Chief Executive Officer, the sum allocated for the 2020-2022 cycle is set at a maximum amount of € 86,000 according to the *pro-rata temporis* calculation from January 2020 to the date of expiry of the term of office. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable to the Chief Executive Officer had been set at no. n. 9.045, obtained by dividing the maximum amount set by the unitary price of € 9,5078⁴, used for the determination of the incentive when implementing the plan.

⁴ Average price of ordinary Leonardo shares in the period from 1 January 2020 to 31 March 2020 in the application of the resolution passed by the Board of Directors on 27 March 2018 that determined to take as reference price for the shares subject to the Long-term Incentive Plan, the average price of the Leonardo Share in the first quarter of the year in which the bonus is awarded.

Based on the allocations envisaged for the overall long-term variable remuneration payable to the Chief Executive Officer, this amount has been calculated by making reference to the date of expiry of the term of office, which is conventionally set at 31 May 2020 for these purposes.

B.4.1 Performance conditions and incentive curve

The payment of the incentive is conditional on the achievement of targets relating to a three-year period and linked to the following performance indicators:

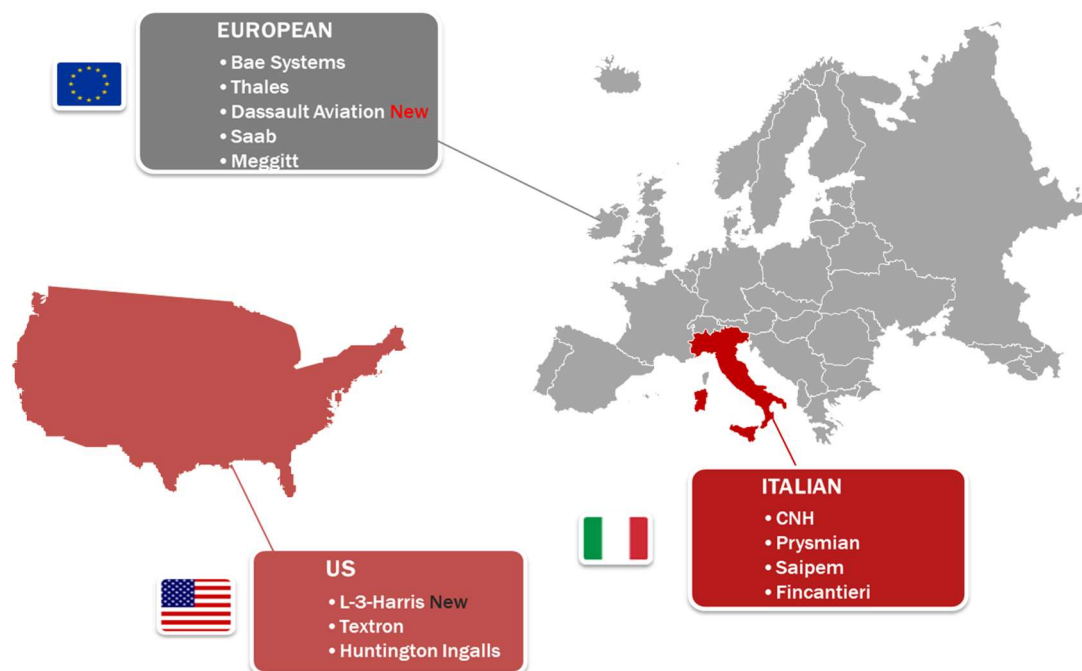
KPIs	Weight	Performance conditions	
		Threshold	Bonus
Relative Total Shareholder Return	50%	Position 1-4	100%
		Position 5-6	50%
		Median (pos.7)	25%
		< Position 7	0%
Net Debt	25%	Target	100%
		95% Target	50%
		<95% Target	0%
Return on Sales	25%	"On/Off" basis	

- **Relative TSR:** Leonardo's performance will be measured in relation to a "peer group" selected on the basis of comparability analyses of the stock, including companies in the Aerospace and Defence sector at global level and industrial companies in the FTSE MIB index. The panel consists of companies in the relevant sector in Europe and North America for two thirds and of Italian listed companies for one third.

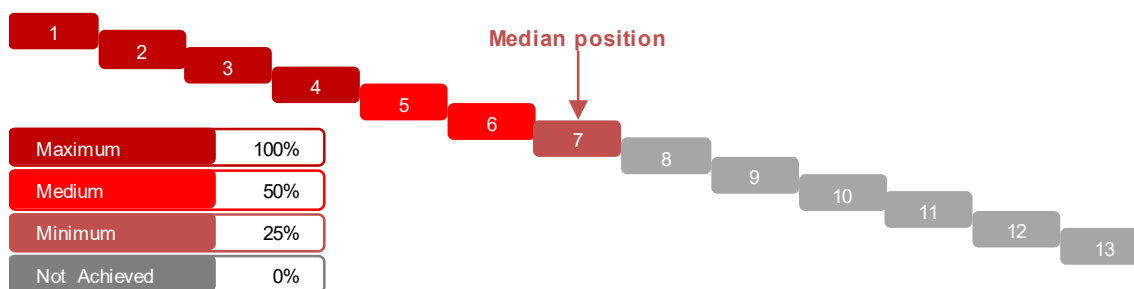
During 2020, the panel, previously defined, was partially modified as a result of corporate events that occurred at some companies belonging to the "peer group". In this regard, the panel remained unchanged in terms of the number of companies included and in terms of the type of companies (comparable in terms of size, geographical location and business) in order to prevent such corporate events from affecting the calculation of the TSR. Specifically⁵:

- European Companies - Cobham is replaced by Dassault Aviation;
- US Companies - L-3 is replaced by L-3-Harris Corporation.

⁵ This change was approved by the Board of Directors' meeting held on 12 March 2020. As regards the cycle 2017-2019 being subject to final calculations, the change in the panel involved the composition of the 2017 panel, replacing Rockwell Collins with Textron and United Technologies with Huntington Ingalls (these companies were already present in the 2018 and 2019 panels) as a result of the fact that in November 2018 United Technologies merged by incorporation Rockwell Collins, which was subsequently delisted.



The portion of bonus earned in relation to the relative TSR performance is determined on the basis of Leonardo’s positioning with respect to the “peer group”, as illustrated below:



A position under the median, therefore, means the payment of a 0% bonus.

- The **Net Debt** will be measured on the final value at the end of the vesting period and for which the following performance conditions have been set out:
 - 100% of budget = 100% of bonus;
 - 5% delta of budget = 50% of bonus;

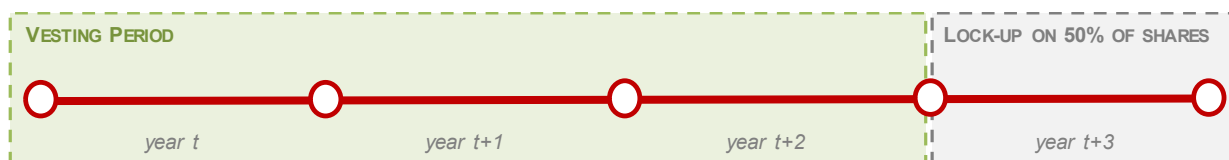
- for values of below the 5% delta of budget = 0% of bonus.

Intermediate results give bonuses calculated proportionately through a linear incentive curve.

- The **Return on Sales** will be measured on the average of the final values of each financial year during the vesting period. The bonus for the Return on Sales (25%) is paid on an “ON/OFF” basis. Therefore 100% of bonus will only be paid if the objective is actually achieved (ON).

B.4.2 Vesting period and lock-up

Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the Chief Executive Officer. 50% of the shares will not be transferable during this period.



B.5 Pay in the event of termination of office or of employment

In accordance with the recommendations in the Corporate Governance Code, the severance pay is not higher than two years' remuneration. As regards Mr Profumo, he will be paid an amount as an indemnity and compensation payment, equal to such total remuneration (fixed and variable elements) as would be paid until the natural expiry of the term of office, thus progressively decreasing according to a sliding scale system until it reaches zero in consideration of the nature of the collaboration relationship.

No indemnities will be payable if the appointment is not renewed.

B.6 Other benefits

The Chief Executive Officer will also receive benefits (including Fasi, Assidal funds, etc.), as well as the mandatory forms of insurance cover - in compliance with the provisions of law, non-cash benefits envisaged for top management positions in line with the Company's practices (company car and accommodation for guests' use).

3.2 Remuneration of Executives with Strategic Responsibilities and other Managerial Resources

3.2.1 Executives with Strategic Responsibilities

Pursuant to the “Procedure for Related Parties Transactions”, which was approved by the Board of Directors on 26 November 2010 and finally updated in February 2019, the concept of “Executive with Strategic Responsibilities” of Leonardo includes the members of the Board of Directors, the Regular Statutory Auditors and any persons who hold the position of General Manager of the Company, the Officer in charge of the Company’s financial reporting, pursuant to Article 154-bis of the Consolidated Law on Financial Intermediation, as well as (from 1 January 2016) the Division Managing Directors, and, from 2019, the Heads of Business Units.

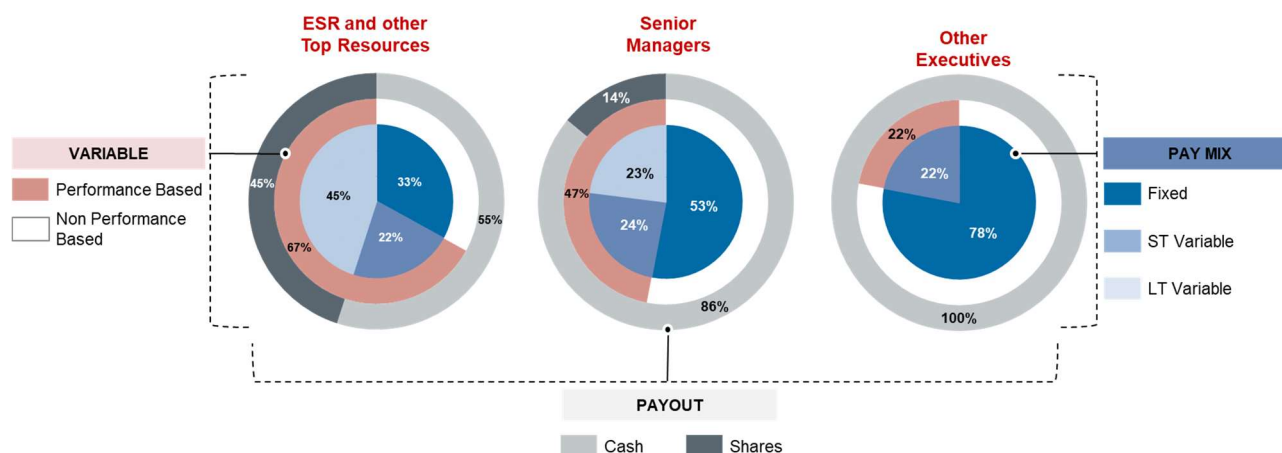
In relation to the category of Executives with Strategic Responsibilities, the remuneration policy is described below only as regards the Division Managing Directors, the Heads of Business Areas and the CFO.

3.2.2 Overall remuneration structure

The fixed remuneration of Executives with Strategic Responsibilities and other managerial resources is proportionate to the role and responsibilities assigned to them, also considering the market positioning with respect to comparable Italian and international companies, as well as in relation to individual benchmarks for positions with similar levels of responsibility and managerial complexity.

3.2.3 Pay-mix

The pay-mix of fixed and variable remuneration components is consistent with the position assigned to the person concerned: the weight of the variable component increases for positions that have greater impact on the Company’s results directly. The current average pay-mix is determined as follows:



3.2.4 Short-term variable remuneration

Executives with Strategic Responsibilities and other executives participate in the short-term variable Remuneration Plan (MBO).

As further recommended by the Corporate Governance Committee of Borsa Italiana S.p.A., a maximum incentive cap is applied to all participants in the MBO system in an amount varying from about 20% to about 80% of fixed remuneration, according to the person’s responsibility in the organisation.

As envisaged for the Chief Executive Officer, the Company has confirmed the two incentive thresholds linked to the achievement of the following KPI objectives set out by the Board of Directors:

■ Thresholds (Gate)

- Group EBITA (85% of budget);
- Group Free Operating Cash Flow (FOCF) (100% of budget);

The non-achievement of even only one of the two gates leads to setting the Group’s economic and financial KPIs to zero and a consequent reduction in the bonus in a range of between 40% and 50%.

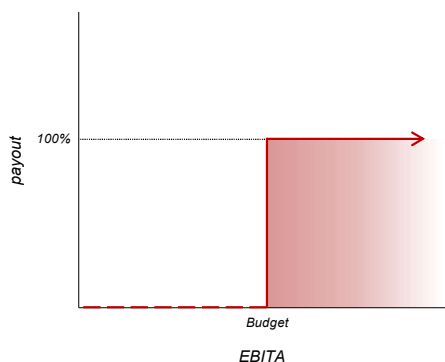
■ Performance Targets (KPIs)

The performance targets to which the short-term incentive is linked are modulated depending on the beneficiaries’ role and organisational responsibility. The assigned targets are selected from the following:

- Group and Division EBITA
- Group and Division FOCF
- Business Objectives
- Specific Function Objectives

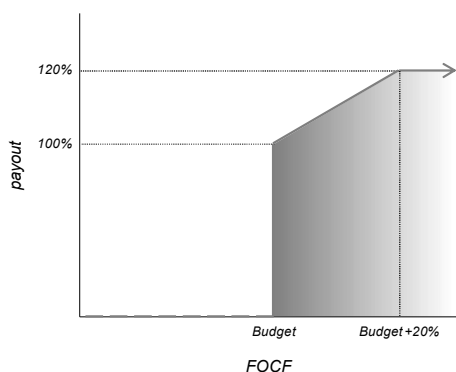
- Specific Sustainability/ESG Objectives
- Objectives linked to the Industrial Plan

The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus as follows:



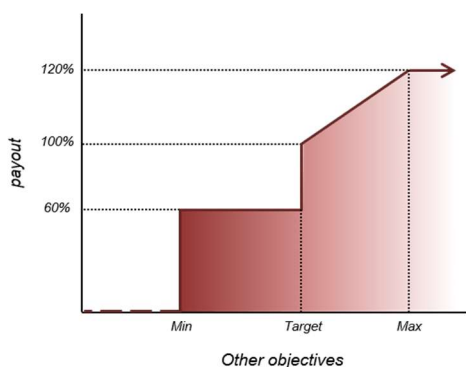
■ EBITA:

- no payout if the budget target is not achieved
- a payout of 100% if the budget target is achieved



■ FOCF

- no payout if the budget target is not achieved
- a payout with linear incentive from 100% to 120% if the budget targets are achieved or over-performed



■ Specific Function/Division targets:

ON/OFF basis or according to the performance curve reported on the left side:

- 0 payout from the minimum amount up to the target set for the specific objective
- 60% of payout from the minimum to the targets set for the specific objective and 100% - 120% of payout with linear correlation between the target and the maximum amount set for the specific objective

■ Specific sustainability/ESG objectives:

"ON/OFF" basis:

- Inclusion of Leonardo in the Dow Jones Sustainability Indices.

3.2.5 Long-term variable remuneration

Executives with Strategic Responsibilities participate in the long-term incentive plan, which is reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Group's business in the long term.

The Plan provides for the assignment of incentives structured into a component that is fully expressed in ordinary Leonardo shares for the Company's Top Management, Executives with Strategic Responsibilities and other Top Executives; as regards the other beneficiaries of the Plan, the Company has set the bonus based on a different proportion between cash and shares depending on the different levels of responsibility, the contribution to the Company's results of operations and the position held in the relevant business organisation.

The allocation for the second cycle for the three-year period 2020-2022 is set at 140% of the gross annual remuneration, expressed in a number of shares calculated using as reference the price of € 9,5078⁶ used for the conversion of incentives.

The shares supporting the Long-Term Incentive Plan are already held in the stock portfolio. The shares held in the portfolio were 3,142,497 at 29 March 2019.

The methods and mechanisms of operation of the Plan are the same as those described previously for the Chief Executive Officer (on page 27). Furthermore, for more details, reference should be made to the Disclosure Document relating to the plan that has been filed with the registered office located in Rome, at Piazza Monte Grappa no. 4, on the Company's website (www.leonardocompany.com) in the Remuneration section that can be consulted at the address: "about-us/our-company/corporate-governance/remuneration", with the market management company Borsa Italiana S.p.A. and on the website of the authorised storage device eMarket STORAGE (www.emarketstorage.com).

3.2.6 Pay in the event of termination of office or employment

As regards termination indemnities, the Company has been adopting for some time a policy for which, as a rule, it does not sign agreements covering, ex ante, the financial aspects of early termination of the employment relationship with Executives with Strategic Responsibilities, except for the termination benefits set in the National Collective Bargaining Agreement, in addition to benefits (if any) defined on an individual basis.

Nevertheless, for some top management staff members, the Company may establish special clauses that govern ex ante the effects of the early termination of employment, in line with the long-term strategies, values and interests established by the Board of Directors.

⁶ Average price of ordinary Leonardo shares in the period from 1 January 2020 to 31 March 2020 in the application of the resolution passed by the Board of Directors on 27 March 2018 that determined to take as reference price for the shares subject to the Long-term Incentive Plan, the average price of the Leonardo Share in the first quarter of the year in which the bonus is awarded.

3.2.7 Other benefits

For Executives with Strategic Responsibilities obligatory social security and insurance covers are provided for - in compliance with applicable provisions of law -, as well as non-cash benefits envisaged for top management positions in line with the Company's practices (among which may be provided accommodation for guests' use, company car, etc.).

In line with the provisions applicable to all Executives of Leonardo, Executives with Strategic Responsibilities are eligible to participate in the supplementary pension benefits with Previdai (the national pension fund for managers of industrial companies), as well as supplementary health insurance benefits in addition to or in place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI.

3.3 Other forms of discretionary, occasional and non-recurring remuneration

It is the Company's policy not to pay discretionary bonuses to Directors, who receive incentive payments through the instruments described above. These bonuses may be possibly awarded to Executive Directors and General Managers - by the Board of Directors on the proposal of the Remuneration Committee - and to other Executives with Strategic Responsibilities - by Top Management with the support of the Human Resources Organisational Unit - in consideration of transactions of particularly strategic importance to the Group or in the event of specific situations that might have a significant impact on the Company's results.

3.4 Claw-back

As recommended in the Corporate Governance Code and in accordance with the specific guidelines recently issued by the Corporate Governance Committee of Borsa Italiana S.p.A., for all variable incentive schemes – in both short and long term -, a claw-back clause has been put in place whereby the Board of Directors is entitled, through the competent corporate functions, to request the beneficiaries to return the bonuses they have received (in the form of cash or the value of the shares allocated to them) if the Board finds that the degree to which their performance objectives have been achieved has been determined on the basis of clearly erroneous or falsified calculations. This clause applies if the difference between the data utilised and the data rectified has led to a Bonus in cash and/or in Shares being granted in excess of the amount to which the beneficiaries are actually entitled to and places an obligation on the beneficiaries to return the bonuses that have been unduly paid.

3.5 Non-competition agreements

Furthermore, with regard to Executive Directors and other Executives with Strategic Responsibilities and in case of individuals with particularly significant professional skills (such that termination of their employment could represent a risk for the Company), the Company may define, on a case-by-case basis, non-competition

agreements, providing for the payment of a compensation commensurate with the duration and scope of the obligations arising from the agreement itself.

3.6 Remuneration of the Head of the Group Internal Audit Organisational Unit

In accordance with the Corporate Governance Code, the Board of Directors took steps – at the proposal of the Chief Executive Officer, in his capacity as the Director responsible for the Internal Control and Risk Management System and subject to the approval of the Control and Risks Committee and of the Board of Statutory Auditors – to set the remuneration payable to the Head of the Group Internal Audit Organisational Unit. The variable incentive structure has been proposed in accordance with the Company's policy, while ensuring the resources allocated for the performance of related duties. The short-term variable component of remuneration (MBO) is conditional on the achievement of targets that are exclusively linked to the effectiveness and efficiency of the Group Internal Audit organisational unit.

As regards the long-term variable component, instead of participating in incentive plans established for the Company's management and in accordance with the Corporate Governance Code's provisions governing the matter, in order to ensure the sustainability of results over time, the Board of Directors, has approved a cash amount replacing the bonus in shares, for the three-year period taken into account, and has set appropriate targets for the role as proposed by the Chief People, Organization and Transformation Officer.

4. Term of the remuneration policy and derogation procedure in special circumstances

According to the provisions laid down in the new paragraph 3-*bis* of art. 123-*ter* of the Consolidated Law on Financial Intermediation, the policy has an annual term, without prejudice to the possibility for the Company to temporarily derogate⁷ from the remuneration policy finally approved by the Shareholders' Meeting in exceptional circumstances, provided that it lays down the procedural conditions under which the derogation may be applied and specifies the elements of the policy which may be derogated from. Exceptional circumstances only mean situations where the derogation from the remuneration policy is required in order to pursue the Company's long-term interests and sustainability as a whole or to ensure its ability to stay in the market.

⁷ That is, in all circumstances in which the remuneration actually paid is subject to renegotiation, even if only partial, with respect to the provisions laid down in the reference policy, previously approved, and in particular, to the provisions of paragraph 3.3.

Resolution Proposal – First Section

Report on the policy regarding remuneration and the fees paid: resolution on the first section pursuant to Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98.

Dear Shareholders,

pursuant to Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98 ("Consolidated Law on Finance - TUF") you are called to express, with a binding resolution, Your vote on the first section of the Report on the policy regarding remuneration and the fees paid pursuant to Art. 123-ter, paragraph 3, of Legislative Decree No. 58/98, which explains the corporate policy for the 2020 year regarding remuneration of the members of the Board of Directors, the General Managers and other Executives with strategic responsibilities and, without prejudice to the provisions of Art. 2402 of the Italian Civil Code, of the members of the Board of Statutory Auditors, as well as the procedures used for the adoption and implementation of this policy.

The resolution on the first section of the Report will have binding effect for the first time, while implementing the changes introduced by Legislative Decree of 10 May 2019, No. 49 - which came into force on 10 June 2019 - which transposed Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 ("Shareholders' Rights II Directive") defining new rules for the policies regarding remuneration of listed companies.

In line with the provisions of Art. 123-ter, paragraph 3-bis, the 2020 policy is submitted to your attention.

The Report on the policy regarding remuneration and the fees paid, which includes the first section, is provided to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, "2020 Shareholders' Meeting" Section) and on the website of the eMarket STORAGE (www.emarketstorage.com) authorized storage mechanism in accordance with the law.

In view of the foregoing, we submit for Your approval the following binding resolution proposal on the eighth item on the agenda:

"The Ordinary Shareholders' Meeting of Leonardo - Società per azioni:

- *having regard to Articles 123-ter of Legislative Decree No. 58/98 and 84-quater of Consob Regulation No. 11971/99;*
- *having examined the first section of the "Report on the policy regarding remuneration and the fees paid", approved by the Board of Directors on 12 March 2020 pursuant to Arts. 123-ter of Legislative Decree No. 58/98 and 84-quater of Consob Regulation No. 11971/99" and published by the Company in accordance with the law;*
- *having taken into account the binding nature of this resolution, pursuant to Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98,*

resolves

to approve the first section of the "Report on the policy regarding remuneration and the fees paid by Leonardo S.p.a."

Section II
Implementation of
remuneration policies and
fees relating to the 2019
financial year

Part One

1. Implementation of 2019 remuneration policies

Also having regard to the periodic assessment of the implementation of the remuneration policy as required by the Corporate Governance Code, the Remuneration Committee considered that the remuneration paid in 2019 was consistent with the policy adopted, and that the principles and practical application were consistent with the market benchmarks in terms of positioning and pay mix.

With reference to the 2019 financial year, the following elements constituted the remuneration paid to the members of the Governing and Supervisory Bodies and to the Executives with Strategic Responsibilities.

2. Fixed Remuneration

[\(Table 1\)](#)

The members of the Board of Directors and the members of the Board of Statutory Auditors received the fixed remuneration determined by the Shareholders' Meeting. The Directors vested with specific functions also received the fixed element of their remuneration, as determined by the Company's Remuneration Committee (Table 1, "Fixed Remuneration" column).

Directors who are members of a Committee received the fixed remuneration determined by the Company's Board of Directors, together with the sums paid as attendance fees, on the occasion of each Committee meeting (Table 1, "Remuneration for participation in Committees" column).

The Chief Executive Officer and Executives with Strategic Responsibilities received the fixed element of their salary as set forth in their respective employment contracts taking into account the effective permanence in the position (Table 1, "Fixed Remuneration" column), including any compensation due under the National Collective Bargaining Agreement (public holidays, travel allowances etc.).

3. Non-equity variable remuneration (bonuses and other incentives)

[\(Table 1 and Table 3B\)](#)

Payments reported in Table 3B relate to the short-term incentive plan for 2019 – MBO Scheme - described in the 2019 Remuneration Report.

A) Chief Executive Officer

The short-term variable remuneration for Mr Profumo for the 2019 financial year has been set at an overall maximum gross amount of € 660,000 per year.

The targets are objectively measurable and closely related to the targets set in the Company budget plan and are subject to the achievement of one threshold established consistently with the Group's key objectives.

This threshold consists of the following KPIs set by the Board of Directors:

THRESHOLD	DEGREE OF ACHIEVEMENT
- Group EBITA - 85% of budget	
- Group FOCF - 100% of budget	

The objectives linked to the thresholds were achieved as it can be inferred from the 2019 Consolidated Financial Statements, which were approved by the Board of Directors' meeting held on 12 March 2020; consequently, the payment of short-term variable remuneration for the 2019 financial year was approved.

Below are the performance indicators set for short-term incentives for the Chief Executive Officer for the 2019 financial year, and the related degree of achievement:

Performance Objectives :

OBJECTIVE	FINAL OBJECTIVE	LEVEL OF ACHIEVEMENT	% OF OBJECTIVE ACHIEVEMENT
LEONARDO GROUP EBITA (€M) <i>Weight : 30%</i>	1,218*	→	100%
LEONARDO GROUP FOCF (€M) <i>Weight : 30%</i>	217	↗	100%* **
Assessment of the state of progress of the Strategic Plan Masterplan focusing on the Electronics and Cyber Divisions <i>Weight 15%</i>	Target	→	100%
Book to Bill ratio >=1 <i>Weight : 15%</i>	1.02*	→	100%
Sustainability/ ESG – upon inclusion of Leonardo in Dow Jones Sustainability Indices <i>Weight : 10%</i>	Target	→	100%
		→	100%

OVERALL BONUS

100% of MAXIMUM PAYOUT

* The values used for EBITA and Book to Bill have been adjusted downward compared to the values published in the financial statements since they take account of the material exchange differences arising from the translation of financial statements in foreign currency with respect to the assumptions adopted in the Budget

** Up to the overall maximum amount set in the Resolutions

Beyond the Target ↗ Target → Below the Target ↘

Even if the Group FOCF performance objective reaches an over-performance value, the maximum amount the CEO may be paid cannot exceed the maximum set in his Resolutions, referred to above.

For the functioning mechanisms of the MBO Scheme, reference should be made to the Remuneration Report 2019, Section I, page 24.

B) Executives with Strategic Responsibilities

Executives with Strategic Responsibilities participated in the Leonardo annual bonus scheme (MBO short-term incentive system) as senior Executives of the Group, according to the terms and conditions laid down in the applicable corporate policy, as described in the Remuneration Report 2019, to which reference is fully made. The amounts relating to the variable remuneration shown in Tables 1 and 3B that follow are calculated on an accrual basis and are subject to the approval of Financial Statements by the Shareholder's Meeting.

4. Non-cash benefits and other fees

[\(Table 1\)](#)

Non-cash benefits of the Chairman refer to insurance and welfare policies, as well as to other benefits connected with the performance of duties required of his office and additional powers delegated to him.

Non-cash benefits of the Chief Executive Officer relate to insurance and welfare policies, the allocation of a company car and the accommodation for guests' use.

Non-cash benefits of Executives with Strategic Responsibilities include their participation in the Supplementary Pension Fund with the national Previdai Pension Fund in the sector, the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car for business and personal use and to the insurance covers.

5. Severance Pay

[\(Table 1\)](#)

During 2019 no indemnities were paid to executive Directors, General Managers and Executives with Strategic Responsibilities.

6. Stock options

[\(Table 2\)](#)

As at the date of this Report, the Company has no stock option plans in place.

7. Other information

CEO Pay Ratio: the ratio between the CEO's total remuneration (fixed + short-term variable elements) and employees' average pay in 2019 was 30x.

The Company's shares held by the CEO (no. 107.786), expressed as a multiple of his fixed remuneration in 2019, amount to 1,1x⁸.

The Company's shares held by Executives with Strategic Responsibilities (no. 98.440), expressed as a multiple of their fixed remuneration in 2019, amount to 0.3x⁸.

8. Incentive Plans based on financial instruments other than stock options

[\(Table 3A\)](#)

8.1 Final calculation for the 2016-2018 cycle

In the 2019 financial year the CEO and the Executives with Strategic Responsibilities were entitled to receive the number of shares to be awarded for the 2016-2018 cycle under the Long-Term Incentive Plan at a percentage of 50% of the maximum set out.

The performance indicators on which the long-term incentive was conditional and the related degree of achievement are set out below:

TARGETS	% WEIGHT	TARGET ACHIEVED	DEGREE OF ACHIEVEMENT %	INCENTIVE ACCRUED
- RELATIVE TOTAL SHAREHOLDER RETURN LEONARDO	50%	11th Position	Not Achieved	0%
- RETURN ON SALES	25%	9.2%	Not Achieved	0%
- GROUP NET DEBT	25%	1,928 €m	100%	25%
TOTAL BONUS			25% OF MAXIMUM PAYOUT	

In the 2019 financial year the final calculation was made for the 2016-2018 Co-Investment Plan in relation to whether the performance condition was fulfilled under the Plan (for the mechanisms of the Plans, see the Remuneration Report 2016, page 14 and ff.).

Table 3A reports the final number of shares actually awarded under the plan and their related fair value.

8.2 Allocation of the 2019-2021 cycle

During 2019 it was provided that the Chief Executive Officer and the Executives with Strategic Responsibilities will participate in the Long-Term Incentive Plan for the 2019-2021 cycle.

⁸ The shares have been valued using the average share price of 2019.

Table 3A reports the maximum attributable number of shares and related fair value.

Specifically:

- for Mr Profumo: for the cycle of the Long-Term Plan for the three-year period 2019-2021 the incentive allocated was set at a maximum amount of € 293,000; therefore, the maximum number of shares attributable was set at 33,524, obtained by dividing the maximum incentive by the price of € 8.74. This price was taken as a reference for the determination of the incentive in the implementation phase of the plan, at the proposal of the Remuneration Committee and subject to the approval by the Board of Directors, relates to the average price of Leonardo during the first quarter of the financial year shares in which the bonus is paid (for the 2019-2021 cycle it was therefore the first quarter of 2019);
- for Executives with Strategic Responsibilities: the incentive allocated for the plan cycle for the three-year period 2019–2021 was set at a maximum amount of € 3,607,947. Therefore, as at the date of allocation of the plan, the maximum number of shares allocated was set as 412,809, obtained according to the same calculation method as described above. The above figures refer to all the persons who carried out the function of Executives with Strategic Responsibilities during 2019. They are pro rata according to the time in the function for those who only served for a fraction of the year.

The final calculation of the number of shares actually earned for the 2019-2021 cycle will be made at the end of the performance period in 2022, and 50% of the allocated shares, once elapsed the three-year vesting period, will be subject to a further one-year lock-up period during which they will not be transferable.

The fair value reported in Table 3A, corresponding to the maximum amount of the incentive that can be allocated upon full achievement of all performance targets, has been calculated on the basis of the following parameters:

- the book value referring to the TSR (adjusted fair value € 6.72);
- the book value referring to the Group Debt and ROS (€ 11.04);
- the maximum number of shares that can be allocated within the Plan;
- the vesting period effectively elapsed in 2019 (5/36 months, i.e. from 1 August 2019 to 31 December 2019).

Table 3A also reports the values relating to the cycle 2017-2019 and to the cycle 2018-2020 of the Long-Term Incentive Plans based on financial instruments, considering the vesting period effectively elapsed in 2019.

For the mechanisms of the Plans, see the Remuneration Report 2018, Section I, page 13 and following pages.

Part Two

Part two of Section II provides an analytical summary of all the amounts relating to the 2018 financial year, regardless of their nature or form, in favour of those persons who held, during said year, even for a fraction of the period, the position of member of the Governing or Supervisory bodies, General Manager or Executives with Strategic Responsibilities.

This quantitative information is provided below and reported in table form in accordance with **art. 123-ter of Legislative Decree no. 58 of February 1998 (Consolidated Law on Financial Intermediation - TUF)** and **the CONSOB tables referred to in Annex 3A attached to the Issuers' Regulation, Schedule 7-bis.**

on behalf of the Board of Directors

The Chairman

Giovanni De Gennaro

TABLE 1. REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (Amounts in thousands of euro)

LAST AND FIRST NAME(S)	POSITION HELD IN THE FINANCIAL YEAR 2019	TERM OF OFFICE	EXPIRY OF THE TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR THE PARTICIPATION IN COMMITTEES	NON-EQUITY VARIABLE REMUNERATION		OTHER FEES	TOTAL	FAIR VALUE OF EQUITY PAYMENTS	TERMINATION OR SURVIVANCE INDEMNITY
						BONUSES AND OTHER INCENTIVES	PROFIT-SHARING				
De Gennaro Giovanni	Chairman	1.1/31.12.2019	FY 2019	412				7	509		
Profumo Alessandro	Director Chief Executive Officer	1.1/31.12.2019	FY 2019	920		660		21	1.681	435 (7)	
Alpa Guido	Director	1.1/31.12.2019	FY 2019	80	34				114		
Bader Luca	Director	1.1/31.12.2019	FY 2019	80	31				111		
Caldorone Marina Elvira	Director	1.1/31.12.2019	FY 2019	80	25				105		
Cantarella Paolo	Director	1.1/31.12.2019	FY 2019	80	34				114		
Dassù Maria	Director	1.1/31.12.2019	FY 2019	80	24				104		
Frigero Dario	Director	1.1/31.12.2019	FY 2019	80	32				112		
Landi Fabrizio	Director	1.1/31.12.2019	FY 2019	80	27				107		
Merlo Silvia	Director	1.1/31.12.2019	FY 2019	80	29				109		
Rubini Marina	Director	1.1/31.12.2019	FY 2019	80	17				97		
Turicchi Antonino	Director	1.1/31.12.2019	FY 2019	80 (1)	27				107		
Rossi Luca	Chairman Board of St. Aud.	1.1/31.12.2019	FY 2019	80				4 (2)	84		
Fornasiero Sara	Regular Auditor	1.1/31.12.2019	FY 2019	70				22 (3)	92		
Quagliala Leonardo	Regular Auditor	1.1/31.12.2019	FY 2019	70				41 (4)	111		
Perrini Francesco	Regular Auditor	1.1/31.12.2019	FY 2019	70				20 (5)	90		
Savi Daniela	Regular Auditor	1.1/31.12.2019	FY 2019	70				17,5 (6)	88		
Executive with Strategic Responsibilities			FY 2019	3.711		2.480		264	6.455	2.473	
(I) Remuneration in the Company drawing up the financial statements				6.373	280	3.140	0	292	10.092	2.908 (7)	
(II) Remuneration from subsidiaries and affiliates								98	98		
(III) Total				6.373	280	3.140	0	292	10.190	2.908 (7)	0

(1) The amount relating to the emolument, equal to €th. 40, was paid to the Ministry of Economy and Finance until 30.06.2019. After that date, the amount equal to €th. 40 was paid directly to Mr. Turicchi

(2) €th. 4 for reimbursement of lump-sum expenses and €th. 20 for fees due for the position held in another Company invested in by the Group from 23/4/2019 to 31/12/2019

(3) €th. 2 for reimbursement of lump-sum expenses and €th. 40 for fees due for the position held in another Company invested in by the Group from 01/1/2019 to 31/12/2019

(4) €th. 1 for reimbursement of lump-sum expenses and €th. 40 for fees due for the position held in another Company invested in by the Group from 01/1/2019 to 31/12/2019

(5) €th. 20 for fees due for the position held in another Company invested in by the Group from 01/1/2019 to 31/12/2019

(6) €th. 17,5 for fees due for the position held in another Company invested in by the Group from 01/1/2019 to 31/12/2019

(7) The sum of the amounts related to the fair value attributable to FY 2019 reported in Table 3A corresponding to the LTI Plan for 2016-2020, 2019-2022 and Co-investment Plan for 2016-2018 and 2017-2019.

The fees reported for Executives with Strategic Responsibilities also include persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities.

Furthermore, the fees not paid in euro have been converted into euro by using the average rate of exchange for the 2019 financial year.

TABLE 2. STOCK OPTIONS ALLOCATED TO THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

A	B	OPTIONS ALLOCATED DURING THE FINANCIAL YEAR										OPTIONS EXERCISED DURING THE FINANCIAL YEAR			OPTIONS HELD AT THE END OF THE FINANCIAL YEAR		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)+(11)+(14)	(16)
LAST AND FIRST NAME (B)	POSITION HELD IN FINANCIAL YEAR 2019	PLAN	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	FAIR VALUE AT THE DATE OF ALLOCATION	DATE OF ALLOCATION	MARKET PRICE OF SHARES UNDERLYING ALLOCATION OF THE OPTIONS	NUMBER OF OPTIONS	STRIKE PRICE	MARKET PRICE OF SHARES UNDERLYING ALLOCATION OF THE EXERCISE	NUMBER OF OPTIONS	FAIR VALUE	OPTIONS FOR THE FINANCIAL YEAR
Profumo Alessandro	Chief Executive Officer		0			0						0			0		0
Executives with Strategic Responsibilities			0			0						0			0		0

TABLE 3A INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2019	PLAN	FINANCIAL INSTRUMENTS ALLOCATED DURING PREVIOUS FINANCIAL YEARS THAT WERE NOT VESTED DURING THE FINANCIAL YEAR				FINANCIAL INSTRUMENTS ALLOCATED DURING THE FINANCIAL YEAR					NUMBER AND TYPE OF FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR BUT NOT IMPUTED	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS DURING THE FINANCIAL YEAR AND IMPUTABLE	VALUE AT THE VESTING DATE	FAIR VALUE
			NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD	FAIR VALUE AT THE DATE OF ALLOCATION	VESTING PERIOD	DATE OF ALLOCATION	MARKET PRICE AT ALLOCATION	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	DATE OF ALLOCATION	FAIR VALUE				
Polumo Alessandro (*)	Chief Executive Officer	LT1 2016-2018 resolution of 11/5/2015										0	n° 7.726 gross shares (1)	€ 11,4634	€ 52,962(2)
Polumo Alessandro (*)	Chief Executive Officer	LT1 2017-2019 resolution of 11/5/2015	n° 49,942 shares(3)	16/05/2017 - 31/07/2020								0	0		€ 221,742(4)
Polumo Alessandro (*)	Chief Executive Officer	LT1 2018-2020 resolution of 15/5/2018	n° 51,653 shares(5)	31/07/2018 - 31/07/2021								0	0		€ 118,458 (6)
Polumo Alessandro (*)	Chief Executive Officer	LT1 2019-2021 resolution of 15/5/2018				n° 33,524 shares(7)				31/07/2019 - 31/07/2022		0	0	€ 11,20	€ 41,346 (8)
Executives with Strategic Responsibilities (*)		LT1 2016-2018 resolution of 11/5/2015										0	n. 37,906 gross shares(9)	€ 11,4634	€ 259,846 (10)
Executives with Strategic Responsibilities (*)		2016-2018 Co-investment, resolution of 11/5/2015										0	n. 346 gross shares (11)	€ 11,1652	€ 3,986 (12)
Executives with Strategic Responsibilities (*)		LT1 2017-2019 resolution of 11/5/2015	n. 238,200 shares (13)	31/07/2017 - 31/07/2020								0	0		€ 925,407 (14)
Executives with Strategic Responsibilities (*)		2017-2019 Co-investment, resolution of 11/5/2015	n. 221 shares (15)	31/07/2017 - 31/07/2020								0	0		€ 911 (16)
Executives with Strategic Responsibilities (*)		LT1 2018-2020 resolution of 15/5/2018	n. 337,280 shares (17)	31/07/2018 - 31/07/2021								0	0		€ 773,450 (18)
Executives with Strategic Responsibilities (*)		LT1 2019-2021 resolution of 15/5/2018				n. 412,809 shares (19)				31/07/2019 - 31/07/2022		0	0		€ 509,131 (20)

(*) The reported number of shares also includes those persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities.

- (*) At the proposal of the Remuneration Committee and having heard the Board of Statutory Auditors, the Board of Directors has decided Mr Profumo's participation in existing Plans, as regards the long-term variable component, with the allocation of shares calculated on a pro-rata temporis basis and taking account of his appointment on 16/05/2017 and the natural expiry of the term of office expected in May 2020.
- (1) The table reports the final number of shares calculated (equal to 25% of shares allocated) in relation to the 2016-2018 LTI during the 2019 financial year.
- (2) The fair value relating to the 2016-2018 LTI Plan corresponds to the incentive calculated on the final number of gross shares allocated effectively reported and on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.88), the relevant book value for the Group Debt and ROS (€ 9.83).
- (3) The table reports the number of shares, calculated on a pro-rata temporis basis, attributable to the Chief Executive Officer on the basis of the date of start of his term of office and of the period of effective participation in the entire 2017-2019, upon full achievement of all performance targets. The final calculation will be made in 2020 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.
- (4) The fair value relating to the 2017-2019 LTI Plan, corresponding to the incentive calculated on a pro-rata temporis basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76), the number of shares that can be allocated, the vesting period effectively elapsed in 2019 (12/36 months, i.e. 1.1.2019 - 31.12.2019).
- (5) The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2016-2020 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2021 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.
- (6) The fair value relating to the 2016-2020 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.51), the relevant book value for the Group Debt and ROS (€ 10.25), the number of shares that can be allocated, the vesting period effectively elapsed in 2019 (12/36 months, i.e. 1.1.2019 - 31.12.2019).
- (7) The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2019-2021 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2022 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.
- (8) The fair value relating to the 2019-2021 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 6.72), the relevant book value for the Group Debt and ROS (€ 11.04), the number of shares that can be allocated, the vesting period effectively elapsed in 2019 (5/36 months, i.e. 1.8.2019 - 31.12.2019).
- (9) Final number of shares effectively calculated (equal to 25% of shares allocated) in relation to the 2016-2018 LTI Plan during the 2019 financial year.
- (10) The fair value relating to the 2016-2018 LTI Plan, corresponding to the incentive on the final number of gross shares allocated effectively reported and on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.88), the relevant book value for the Group Debt and ROS (€ 9.83).
- (11) Executives with Strategic Responsibilities have invested a share of the annual bonus accrued in 2015, converting it into shares; the table reports the final number of bonus shares, effectively calculated in relation to the Co-Investment Plan.
- (12) The fair value relating to the 2016-2018 Co-Investment Plan, corresponding to the final number of bonus shares effectively calculated, has been calculated on the basis of the following parameters: the relevant book value of bonus shares (€ 11.42), the final number of bonus shares reported, the vesting period effectively elapsed in 2019 (5/36 months, i.e. 1.1.2019 - 31.05.2019).
- (13) Maximum number of shares attributable under the 2017-2019 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2020 at the end of the performance period. 50% of shares allocated to Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.
- (14) The fair value relating to the 2017-2019 LTI Plan, corresponding to the maximum incentive attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76), the maximum number of shares that can be allocated, the vesting period effectively elapsed in 2019 (12/36 months, i.e. 1.1.2019 - 31.12.2019).
- (15) Executives with Strategic Responsibilities have invested a share of the annual bonus accrued in 2016, converting it into shares; the table reports the maximum number of bonus shares, which can be attributed in relation to the Co-Investment Plan, assuming that the performance conditions required by the plan have been satisfied in the three financial years 2017, 2018 and 2019.
- (16) The fair value relating to the 2017-2019 Co-Investment Plan, corresponding to the maximum number of bonus shares which can be allocated if the performance conditions required by the plan are satisfied for the three financial years 2017, 2018 and 2019, has been calculated on the basis of the following parameters: the relevant book value of bonus shares (€ 12.37), the maximum number of bonus shares that can be allocated, the vesting period effectively elapsed in 2019 (12/36 months, i.e. 1.1.2019 - 31.12.2019).
- (17) Maximum number of shares attributable under the 2016-2020 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2021 at the end of the performance period. 50% of shares allocated to Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.
- (18) The fair value relating to the 2016-2020 LTI Plan, corresponding to the maximum incentive attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.51), the relevant book value for the Group Debt and ROS (€ 10.25), the maximum number of shares that can be allocated, the vesting period effectively elapsed in 2019 (12/36 months, i.e. 1.1.2019 - 31.12.2019).
- (19) Maximum number of shares attributable under the 2016-2021 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2022 at the end of the performance period. 50% of shares allocated to Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.
- (20) The fair value relating to the 2019-2021 LTI Plan, corresponding to the incentive calculated on the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 6.72), the relevant book value for the Group Debt and ROS (€ 11.04), the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (5/36 months, i.e. 1.08.2020 - 31.12.2020).

TABLE 3B. CASH INCENTIVE PLANS FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

A	B	(1)	(2)			(3)			(4)
			Annual bonus			Previous Years' Bonuses			
LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2019	PLAN	(A)	(B)	(C)	(A)	(B)	(C)	Other Bonuses
			Payable/paid	Deferred	Deferment period	No longer payable	Payable/paid	Still deferred	
Profumo Alessandro	Chief Executive Officer	MBO 2019	€ 660.000,00	0	0	0	0	0	
Executives with Strategic Responsibilities (*)		MBO 2019	€ 2.480.532,00	0	0	0	0	0	€ 603.803,00

(*) The amount reported also includes those persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities.

(1) Amount paid in particular situations that might have had a significant impact on the Company's results.

Resolution Proposal – Second Section

Report on the policy regarding remuneration and the fees paid: resolution on the second section pursuant to Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98.

Dear Shareholders,

pursuant to Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98, you are called to express, with a non-binding resolution, Your vote on the second section of the Report on the policy regarding remuneration and the fees paid pursuant to Art. 123-ter, paragraph 4, of Legislative Decree No. 58/98 that:

- a) provides the representation of each of the items comprising remuneration of the Members of the Board of Directors and the Board of Statutory Auditors, the General Managers and the other Executives with Strategic Responsibilities;
- b) analytically illustrates the fees paid to the subjects listed above in 2019 for any title and in any form by the company and by its subsidiaries or associates.

The second section of the Report is submitted for the first time to your resolution, while implementing the changes introduced by Legislative Decree of 10 May 2019, No. 49 - which came into force on 10 June 2019 - which transposed Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 ("Shareholders' Rights II Directive") defining new rules for the policies regarding remuneration of listed companies. The resolution will have non-binding effect as provided for by Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98.

The Report on the policy regarding remuneration and the fees paid, which includes the second section, is provided to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, "2020 Shareholders' Meeting" Section) and on the website of the eMarket STORAGE (www.emarketstorage.com) authorized storage mechanism in accordance with the law.

In view of the foregoing, we submit for Your approval the following non-binding resolution proposal on the ninth item on the agenda:

"The Ordinary Shareholders' Meeting of Leonardo - Società per azioni:

- *having regard to Articles 123-ter of Legislative Decree No. 58/98 and 84-quater of Consob Regulation No. 11971/99;*
- *having examined the second section of the "Report on the policy regarding remuneration and the fees paid", approved by the Board of Directors on 12 March 2020 pursuant to Arts. 123-ter of Legislative Decree No. 58/98 and 84-quater of Consob Regulation No. 11971/99" and published by the Company in accordance with the law;*
- *having taken into account the binding nature of this resolution, pursuant to Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98,*

resolves

in favour of the second section of the "Report on the policy regarding remuneration and the fees paid by Leonardo S.p.A."

Section III
Shareholding of members of governing and supervisory bodies and all executives with strategic responsibilities

Section III

The following table shows the shareholdings in the Company or in its subsidiaries, which are held by persons who held the position of member of the Governing and Supervisory Bodies or Executive with Strategic Responsibilities in the course of the 2019 financial year, even if only for a fraction of the period in question, as well as by their respective spouses that are not legally separated and minor children. Except as otherwise specified, said shareholdings must be deemed to be held directly and by way of property.

SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

	INVESTEE COMPANY	POSITION HELD IN FY 2019	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR (2018)	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE REPORTING PERIOD (2019)
Profumo Alessandro	Leonardo S.p.a.	Chief Executive Officer	0	103.382 (1)	4.404 (2)	107.786
Executive with Strategic Responsibilities	Leonardo S.p.a.		74.138 (3)	32.702 (4)	8.400	98.440 (5)

(*) i.e. at the date of appointment, with regard to positions held for a fraction of FY 2019.

(**) i.e. at the date of expiry of the term of office, with regard to positions held for a fraction of FY 2019.

(1) Of which no. 3.382 shares relating to the Long-Term Incentive Plan (LTIP) 2015/2017

(2) Shares relating to the Long-Term Incentive Plan 2016/2018

(3) Of which no. 1.750 shares held by the spouse

(4) Of which no. 21.902 shares relating to Incentive Plans and no. 2500 shares received by succession

(5) Of which no. 1.750 shares relating to Incentive Plans and no. 2500 shares received by succession

Implementation status of the 2019-2021 long-term incentive plan

Table 7 annex 3a

Pursuant to art. 84-bis, paragraph 5 of “Issuers Regulation”, annexed to the Remuneration Report, the table below contains updated data concerning the implementation status of the Long-Term Incentive Plan, which was approved by the Shareholders’ Meeting on 15 May 2018.

		LONG-TERM INCENTIVE PLAN - CYCLE 2019 - 2021 ALLOCATION FOR FY 2019						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (ALLOCATION OF SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS BASED ON THE BoD’s DECISION FOR PROPOSAL TO THE SHAREHOLDERS’ MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF SHAREHOLDERS’ MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS (*)	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD (*)
Alessandro Profumo	Chief Executive Officer of Leonardo S.p.A.	15/5/2018	Shares of Leonardo S.p.a.	33.524	31/07/2019	-	€ 11,20	31/07/2019 - 31/07/2022
Executives with Strategic Responsibilities (1)	-----	15/5/2018	Shares of Leonardo S.p.a.	412.809	31/07/2019	-	€ 11,20	31/07/2019 - 31/07/2022
Other Executives, employees and collaborators (no. 196)	-----	15/5/2018	Shares of Leonardo S.p.a.	1.379.501	31/07/2019	-	€ 11,20	31/07/2019 - 31/07/2022

(*) Deferment period of the bonus converted into shares subject to transfer restrictions.

(*) Maximum number of shares attributable under the 2019-2021 LTI plan upon full achievement of all performance targets. The final calculation will be made in 2022 at the end of the performance period. 50% of shares attributable to the Chief Executive Officer, Executives with Strategic Responsibilities and other top management positions, after the 3-year vesting period has elapsed, will be subject to a 1-year lock-up period, during which they may not be transferred.

(1) The reported number of shares also includes those persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities.



Piazza Monte Grappa, 4
00195 Rome
T +39 06324731