



RULES OF PROCEDURE OF THE CONTROL AND RISKS COMMITTEE

September 2016

Disclaimer

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

Article 1

Establishment – Chairmanship

1. The Control and Risks Committee is established by resolution of the Board of Directors of Leonardo S.p.a.
2. The Committee is composed of at least three Directors, as established by the Board of Directors at the time of the Committee's appointment; the Directors shall either be all independent, or all non-executive directors the majority of whom are independent. At least one member of the Committee shall possess suitable knowledge and experience in the field of accounting and finance, or of risk management, said knowledge and experience shall be assessed by the Board of Directors at the time of the Committee's appointment.
3. During its first meeting, the Committee shall appoint a Chairman, unless such person has already been appointed by the Board of Directors. Should the Committee be composed of non-executive directors, the majority of whom are independent, the Chairman shall be chosen from among the independent Directors.
4. The meetings of the Committee shall be attended by the Chairman of the Board of Statutory Auditors, or by another Statutory Auditor appointed by said Chairman; the Chairman, the Chief Executive Officer and General Manager as well as the other members of the Board of Statutory Auditors, may also attend such meetings. Furthermore, other persons, including the members of the Board of Directors and employees of the Company or of Group Companies, may be invited to attend the meetings by the Committee, through its Chairman, on the basis of the specific items to be discussed.
5. Should a member of the Committee leave office for whatever reason, the Board of Directors shall appoint a new member in accordance with the provisions of the previous subparagraphs.
6. The term of office of the Committee shall coincide with that of the Board of Directors, and prior termination of the Board's term of office shall automatically determine termination of the Committee.

Article 2

Meetings and Resolutions

1. The Committee shall meet on a regular basis, to perform its functions and duties as set forth in Article 3 below, at least once every three months, at the same time as the Board of Directors' approval of the regular financial reports.
2. The Committee may meet anywhere, including abroad, and it shall avail itself of the services of a Secretary who shall be appointed during the committee's first meeting.

The Committee's meetings shall be convened by the Chairman, or by the Secretary when appointed to do so by the Chairman, or when a written request to hold such meeting is submitted, by at least two members, via telegram, fax or e-mail, at 72 hours notice. In urgent cases, the Committee may be convened at 24 hours notice. The notice of the meeting shall indicate the location, date and time thereof, together with the items on the agenda to be discussed and resolved upon.

3. The Committee's meetings may be held via videoconferencing or eventually via teleconferencing, provided that all those attending can be identified, and are permitted to follow, and intervene in, discussion of the questions dealt with, and to view documents in real time. Once such requirements have been met, the meeting shall be deemed held in the place where the meeting's Chairman is situated.
4. The Committee's meetings shall be chaired by the Chairman, or if such is absent or prevented from attending, by the oldest member of the Committee.
5. In order for a meeting to be valid, the majority of Committee members must be present.
6. The resolutions of the meeting shall be passed by the majority vote of those present; in the event of a tied vote, the Chairman shall have the casting vote.
7. The meetings and Committee's resolutions shall be recorded in the minutes, which shall be signed by the Chairman of the meeting and by the Secretary and the Chairman of the Committee shall inform the Board of Directors thereof during the first available meeting.

Article 3

The Committee's Functions and Duties

1. The Control and Risks Committee has a duty to provide support, through its due preliminary activities, to the Board of Directors' evaluations and decisions regarding the internal control and risk management system, and regarding approval of the regular financial reports. Within this context, the Committee shall provide its prior opinion to the Board of Directors:
 - a) in regard of the establishment of guidelines for the internal control and risk management system, in such a way that the principal risks that the Company and its subsidiaries run are duly identified and properly evaluated, managed and monitored, and in regard of the determination of the degree to which such risks are in keeping with the management of the company on the basis of the chosen strategic targets;
 - b) in regard of the evaluation, at least once a year, of the suitability of the internal control and risk management system in relation to the nature of the company and its risk profile, and of the efficacy of said system, the results of

- such evaluation being reported each year in the Corporate Governance Report;
- c) in regard of approval, at least once a year, of the Working Plan drawn up by the Head of the Group Internal Audit Department;
 - d) in regard of the evaluation of the results set out by the Auditors in any letter containing suggestions, and in the report on the fundamental questions that emerged during the statutory audit conducted by said Auditors;
 - e) in regard of the appointment and dismissal of the Head of the Group Internal Audit Department, in regard of the determination of said Head's remuneration in relation to the company policy, and in regard of the adequacy of those resources assigned to such.
2. Within the framework of its duty to provide the Board of Director's with assistance and support, the Committee:
- a) together with the Officer in Charge of preparing the Company's financial statements, and after consultation with the External Auditors and the Board of Statutory Auditors, shall also evaluate the correct adoption of accounting principles, and their consistency with the drafting of the consolidated accounts;
 - b) shall express its views on specific aspects pertaining to identification of the principal corporate risks;
 - c) shall examine the regular reports on the evaluation of the internal control and risk management system, together with those reports of particular importance drawn up by the Group Internal Audit Department;
 - d) shall monitor the independence, adequacy and efficiency of the Group Internal Audit Department supervising the activities of said Department in the event that the Chairman be delegated operating powers;
 - e) may ask the Group Internal Audit Department to carry out audits of specific business areas, giving, at the same time, notice thereof to the Chairman of the Board of Statutory Auditors;
 - f) shall report to the Board of Directors, at least once every six months, and in any case at the time of approval of the draft financial statements and of the six-monthly financial report, with regard to those activities carried out and to the adequacy of the internal control and risk management system;
 - g) support, with adequate preliminary activities, the Board of Directors assessments and resolutions about management of risks arising from detrimental facts which the Board has become aware of;
 - h) for the purposes of the concert with the Nomination, Governance and Sustainability Committee and in coordination with the same, verifies the pursuing of the objectives of the Sustainability Plan and its consistency with the Group's Business Plan;

- i) shall perform any other duties it may be assigned by the Board of Directors.

Finally, the Control and Risks Committee shall also perform the functions of a Committee for Related Parties Transactions, on the basis of the “Procedure for Related Parties Transactions” approved by the Company pursuant to Article 4 of CONSOB Regulation no. 17221 of March 12 2010, and subsequent amendments and additions thereto (the “Procedure”), and shall exercise the respective powers, also through one or more of its members specifically appointed in accordance with the provisions of the aforesaid Procedure.

Article 4

Powers

1. In performing its functions, the Committee is entitled to access the information it requires to perform its duties, and to avail itself of the assistance of company Departments, or of external consultants at the Company’s expense, provided that such are suitably bound to due confidentiality, and do not find themselves in any situation that could compromise their independent judgement.
2. The Company shall provide the Committee with the funding it requires to carry out its duties.

Article 5

Ethical conduct

The members of the Committee are bound to perform their functions in a professional, transparent, independent manner, and their conduct must be in keeping with the Company’s ethical principles. To this end, said members must refrain from any actions or forms of conduct that contravene such requirements.

Article 6

Final provisions

The Committee may submit to the Board of Directors, in the light of applicative practice, any proposals for amendments of these Rules pertaining to the performance of the same Committee.