

**Report on corporate governance and voluntary acceptance of the Self-Regulatory Code for Listed Companies**

April 2007

**FINMECCANICA – Società per azioni**

**REPORT ON CORPORATE GOVERNANCE AND VOLUNTARY ACCEPTANCE OF THE SELF-REGULATORY CODE FOR LISTED COMPANIES**

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**SECTION I: CORPORATE GOVERNANCE STRUCTURE OF FINMECCANICA****Introduction.**

In accordance with the regulatory provisions issued by Borsa Italiana S.p.A. for the boards of directors of listed companies, for the purpose of ensuring correct and transparent reporting, this report aims to describe Finmeccanica's corporate governance system for shareholders at the meeting approving the 2006 financial statements.

At the meeting of 17 October 2006, the Board resolved to conform the Company's corporate governance model to the recommendations of the new Self-Regulatory Code for Listed Companies (March 2006). Accordingly, documents containing the rules and procedures governing the work of the Board of Directors and committees have been adopted to fully reflect these recommendations.

The fundamental rules of corporate governance have thus been entrenched into the document entitled "Board of Directors – Role, organisation and operating procedures" (the "Regulations"), formally approved by the Board of Directors, in consultation with the Internal Audit Committee and Board of Statutory Auditors, to the extent that it concerns them, at the meeting on 14 December 2006.

The adaptation of the Company's corporate governance model has implied the introducing of some additional provisions, while other provisions, reflecting the content of the previous version of the Self-Regulatory Code (July 2002), have simply had to be reworded or clarified.

This report therefore aims to illustrate the implementation already in place procedures or planned for 2006 and early 2007, based on the structure of the new Code and with reference to the organisational model defined by it.

**Shareholding structure**

The share capital of Finmeccanica is exclusively composed of ordinary shares with a nominal value of €4.40 each.

The Italian Ministry of the Economy and Finance owns approximately 33.74% of the Company.

The shareholding of the Ministry of the Economy and Finance is governed by the Prime Minister's Decree of 28 December 1999, whereby the shares held by it may not fall below the minimum threshold of 30% of the share capital.

In addition to the Italian Ministry of the Economy and Finance, based on reports received pursuant to Article 120 of the Italian Financial Services Act, the following directly or indirectly hold shares with voting rights representing more than 2% of the share capital:

- GOLDMAN SACHS ASSET MANAGEMENT L.P. with 13,923,541 shares, equivalent to around 3,277% of the ordinary shares,
- CAPITAL RESEARCH AND MANAGEMENT COMPANY, with 9,002,028 shares, equivalent to around 2,118% of the ordinary shares.

The Company is not aware of any shareholder agreements relating to its shares.

### **Special powers**

Under Act 474 of 30.07.1994, as amended by Act 350 of 24 December 2003 (the Finance Act 2004), the Italian Minister of the Economy and Finance, jointly with the Italian Minister of Manufacturing, has “special powers” (the so-called “golden share”) in certain State-owned companies, including Finmeccanica. Following the changes in law and in accordance with the relevant legal provisions, the Italian Ministry of the Economy and Finance, in its Decree 3257 of 1 April 2005, set out the exact content of the statutory clause assigning special powers relating to Finmeccanica, adopted into the Articles of Association as Article 5.1-*ter* by means of resolution of the Board of Directors of 21 April 2005.

In particular, according to this clause, these “special powers” consist of the following rights:

- oppose the acquisition of material shareholdings in the Company (representing at least 3%);
- oppose the signing of agreements or contracts representing at least 3% of the share capital;
- veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the business, conduct mergers or demergers, relocate the Company’s head office to a different country or amend the objects of the Company;
- appoint a director without a voting right.

### **Organisation of the Company**

The organization of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

- BOARD OF DIRECTORS, granted with broadest powers for the administration of the Company, with the authority to perform any act it considers relevant in order to attain the Company's objectives, except for those acts reserved by law or by the Articles of Association for the Shareholders’ Meeting.
- BOARD OF STATUTORY AUDITORS, which has the task of monitoring: a) compliance with the law and Articles of Association and observance of the principles of correct business administration; b) the adequacy of the Company’s organisational structure, internal audit system and administrative and accounting system, and

also that the latter is reliable as a means of accurately reporting operating events;  
c) the appropriateness of instructions issued by the Company to subsidiaries with regard to disclosures.

- SHAREHOLDERS' MEETING, with the power to adopt resolutions in ordinary and extraordinary sessions on the matters reserved for it by law or by the Articles of Association.
- INDEPENDENT AUDITORS: under current legislation, audits are carried out by Independent Auditors listed in the special CONSOB register pursuant to Article 161 of the Italian Financial Services Act, appointed for this purpose by the Shareholders' Meeting.

### **Corporate objectives and mission**

Finmeccanica aims to maintain and increase the role of Italian industry in advanced technology sectors, developing an integrated, synergy-based portfolio of businesses mainly in the aerospace, defence and security industries, in order to serve effectively the needs of national clients, participate to European and international programmes and compete selectively in the global market. The Company currently operates also in the energy and transport sectors.

Finmeccanica pursues its mission mainly with a view to building value for its shareholders and it is committed to protecting and increasing the country's expertise in its various business sectors.

### **Organisational, Management and Control Model pursuant to Legislative Decree 231/01**

As described in the previous year's report, the Company, in view of the entry into force of Legislative Decree 231/01 introducing specific corporate responsibility for certain types of crimes, took appropriate measures to prevent it incurring any criminal responsibility in accordance with the provisions of this law. As such, special supervisory systems were put in place aimed at preventing corporate offences or offences against the public authorities by the directors, auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica S.p.A.

In particular, the current ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01, based on the guidelines issued by Confindustria, satisfies the requirements of said Decree and serves as the benchmark for other Group companies when adopting their own models.

The main parts of this document are as follows:

- the Code of Ethics;
- the legislative and procedural framework and controls;
- the structure of powers and authorisation;
- internal/external communication and staff training;

- the disciplinary system;
- the appointment of a Supervisory Body.

The Model is composed of a general section and two special sections.

The general section, in addition to the list of offences under Legislative Decree 231/01, essentially deals with: the Supervisory Body and information sent to it, as well as reporting by the Supervisory Body to the Company's executive bodies, internal staff training and the dissemination of the Model within the Company, and disciplinary measures for any non-compliance with the Model and Code of Ethics.

The special sections individualize offences against the public authorities and corporate offences, listing areas of the company potentially at risk from these types of offence, setting down the rules of behaviour for individuals working in these areas and defining monitoring procedures.

This Organisational, Management and Control Model, together with the Code of Ethics, which is an integral part of the Model, are available on the Company's intranet and website.

The Model is currently being updated in accordance with Legislative Decree 231/01 to reflect the new corporate organisational structure and following the introduction by the Decree of new types of crimes, such as insider dealing and market manipulation (the "market abuse" regulations, or Act 62/05), as well as amendments to the sanctions provided by Act 262/05 on asset protection. It is expected that this process will be completed in the first half of 2007 with the approval by the Board of Directors of the new document reflecting the updated and soon to be published Confindustria Guidelines.

In May 2005, the Board of Directors of Finmeccanica S.p.A. also modified the composition of the Supervisory Body to make this more collegial following changes to the Confindustria Guidelines and in consideration of recent court rulings deeming this as advisable for medium and large corporate groups. Subsidiaries were also notified with this decision so that their respective boards of directors could carry out their own assessments. At present, nearly all supervisory bodies of the Group's subsidiaries have a collegial structure following the migration from the original single-member format.

Finmeccanica's Supervisory Body is currently composed of the independent non-executive director Maurizio de Tilla (Chairman) and of the *pro tempore* heads of the Audit Department and the Legal and Corporate Affairs Department, who are members of the Supervisory Body.

At the meeting on 15 December 2005, the Board of Directors of Finmeccanica S.p.A. ratified the bylaws of the Supervisory Body and was informed of the adoption of special regulations by the Body; a similar process was adopted in the Group's major subsidiaries.

In terms of information flows, the Supervisory Body of Finmeccanica S.p.A. sends to the Chairman and Chief Executive Officer, to the Board of Directors and to the Board of Statutory Auditors an annual report on the implementation status of the Organisational, Management and Control Model, together with an action plan for the following financial year.

With regard to the implementation of operations within the Group in general pursuant to Legislative Decree 231/01, this process concluded with the ratification, by the respective boards of directors, of the Organisational Model pursuant to Legislative Decree 231/01 and the actions deriving there from. In addition, updates are in progress following changes in the organisational and legislative context of each company, which are expected to be implemented in 2007.

**SECTION II: INFORMATION ON THE IMPLEMENTATION OF THE SELF-REGULATORY CODE****1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS**

The Company is governed by a Board of Directors composed of not less than 8 and not more than 12 members, appointed by the Shareholders' Meeting, which also decides the number of members and their term of office.

The Shareholders' Meeting of 12 July 2005 set the number of members of the new Board of Directors to 11. Board members will remain in office until the approval of the 2007 financial statements.

To the 11 members of the Board of Directors thus appointed, a 12<sup>th</sup> member was subsequently added following the Decree issued on 22 July 2005 by the Italian Minister of the Economy and Finance, jointly with the Minister of Manufacturing, exercising the "special powers" referred to in Act 474/1994, as subsequently amended. The 12<sup>th</sup> member, Ambassador Giovanni Castellaneta, appointed as the director without a voting right pursuant to Article 5.1-*ter*, subparagraph d) of the Articles of Association, will remain in office until the end of the term of office of the Board of Directors appointed by the Shareholders' Meeting.

The Shareholders' Meeting also named Pier Francesco Guarguaglini as Chairman of the Board of Directors. At its first meeting, the Board appointed Mr Guarguaglini as Chief Executive Officer of the Company, empowering him accordingly in view of the authority granted to him throughout his previous term of office.

In February 2007, Prof. Ernesto Monti (\*) tendered his resignation and Prof. Filippo Andreatta was appointed as his replacement by the Board of Directors on 27 March 2007 in accordance with Article 2386 of the Italian Civil Code.

Therefore, the current **Board of Directors**, whose term of office will expire in 2008 with the Annual General Meeting called to approve the 2007 financial statements, is composed of:

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(\*)

Prof. Ernesto Monti, appointed as a member of the Board of Directors by the Shareholders' Meeting on 12 June 2006, based on the minority list submitted by the companies Fineco Asset Management SpA SGR, Arca SGR SpA, BNL Gestioni SGR SpA, Banco di Napoli Asset Management SGR SpA, Ersel Asset Management SGR SpA, Monte dei Paschi Asset Management SGR SpA, Nextra Investment Management SGR SpA and Sanpaolo IMI Asset Management SGR SpA, tendered his resignation effective from 28 February 2007.



**PIER FRANCESCO GUARGUAGLINI (1)**      **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**  
**PIERGIORGIO ALBERTI (2)**  
**FILIPPO ANDREATTA (\*\*)**  
**FRANCO BONFERRONI (1)**  
**GIOVANNI CASTELLANETA (\*\*\*)**  
**MAURIZIO DE TILLA (2)**  
**GIAN LUIGI LOMBARDI-CERRI (1)**  
**ROBERTO PETRI (1)**  
**DARIO SCANNAPIECO (1)**  
**RICCARDO VARALDO (2)**  
**GUIDO VENTURONI (1)**  
**PAOLO VIGEVANO (1)**

- (1) Directors appointed from the majority list submitted by the Italian Minister of the Economy and Finance.  
(2) Directors appointed from the minority list submitted by the companies Mediobanca S.p.A. and Sade Finanziaria S.p.A.

The Board is granted with the broadest powers for the administration of the Company, with the authority to perform any act it considers relevant in order to attain the objectives of the Company, except for those acts reserved by law or by the Articles of Association for the Shareholders' Meeting.

Under Article 20.1 of the Articles of Association, the Board of Directors will meet whenever the Chairman considers it necessary or whenever this is requested in writing by the majority of its members or by the Board of Statutory Auditors.

The scheduling of regular Board meetings is standard operating procedure. This was adopted some time ago by the Company on the basis that the Board will meet at least once a month.

In the 2006 financial year, the Board met 10 times. At these meetings, documents enabling informed participation in the Board's work were issued in good time.

The following information relates to attendance of directors at meetings held in 2006:

PIER FRANCESCO GUARGUAGLINI	10 meetings
PIERGIORGIO ALBERTI	10 meetings
FRANCO BONFERRONI	9 meetings
GIOVANNI CASTELLANETA (***)	8 meetings
MAURIZIO DE TILLA	8 meetings
GIAN LUIGI LOMBARDI-CERRI	10 meetings
<i>ERNESTO MONTI</i>	<i>8 meetings</i>

(\*\*) Member of the Board of Directors appointed pursuant to Article 2386 of the Italian Civil Code by the Board of Directors on 27.03.2007 as the replacement for Prof. Ernesto Monti, who resigned.

(\*\*\*) Member of the Board of Directors without a voting right appointed by Decree of the Italian Minister of the Economy and Finance, jointly with the Italian Minister of Manufacturing.

ROBERTO PETRI	10 meetings
DARIO SCANNAPIECO	10 meetings
RICCARDO VARALDO	9 meetings
GUIDO VENTURONI	10 meetings
PAOLO VIGEVANO	10 meetings

Explanations were received for all absences.

The Board of Directors is composed exclusively of NON-EXECUTIVE DIRECTORS (i.e. without operating powers and/or a management role in the company), except for the Chairman and Chief Executive Officer.

A brief résumé for each member of the Board of Directors is given below.

- **PIER FRANCESCO GUARGUAGLINI – CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Born in Castagneto Carducci (LI) on 25.02.1937, he has been Chairman and Chief Executive Officer of Finmeccanica since 24.04.2002. He was reappointed by the Shareholders' Meeting on 16.05.2003 and again on 12.07.2005. A graduate in electronic engineering from Pisa University, he also holds a Ph.D. in electrical engineering from the University of Pennsylvania. He is a freelance lecturer at Rome University and sits on the councils of Confindustria and AECMA (European Association of Aerospace Industries). He is also a member of the IEEE (Institute of Electrical and Electronics Engineers) and is a board member of the Council for the United States and Italy. He has held numerous posts: was General Manager and later Chief Executive Officer of Officine Galileo (1984-1994), Managing Director of Oto Melara and Breda Meccanica Bresciana (1994-1996), Head of the Finmeccanica Defence Consortium (1996-1999), Chairman of the Board of Directors of Alenia Marconi Systems (1998-2000) and Chief Executive Officer of Fincantieri Cantieri Navali Italiani (1999-2002).

- **PIERGIORGIO ALBERTI – MEMBER OF THE BOARD OF DIRECTORS**

Born in San Remo on 28.03.1943, he is a Professor of Administrative Law and a lecturer in European Administrative Law at the Law Faculty of Genoa University. He is self-employed, works as a barrister with the Supreme Court and is a certified auditor. The author of numerous scientific monographs and articles in Italian and foreign journals. He is currently a director of Parmalat S. p. a. as well as director of the Ente Ospedaliero Ospedali Galliera of Genova.

He is a former Deputy Chairman of Autostrada dei Fiori SpA, Autostrada Ligure Toscana SpA and Finligure SpA, as well as Director of Banca Carige SpA, Locat SpA, Mediocredito Ligure, Sina S.p.a. and AISCAT – Associazione Italiana Società Concessionarie Autostrade e Trafori. He also sat on the Directive Committee at the Graduate School of the Ministry of the Interior as well as on the Scientific Technical Committee set up by the Italian Government for the implementation of Part V of the Constitution. He is also member of different associations (IISA – Istituto Italiano di Scienze Amministrative, AIDU – Associazione Italiana di Diritto Urbanistico and AIPDA – Associazione italiana professori di diritto amministrativo). He is associate manager of Economy and Service Law Department.

- **FILIPPO ANDREATTA – MEMBER OF THE BOARD OF DIRECTORS**

Born in Bologna on 12.07.1968. Professor of Political Science at Bologna University and Head of the International and Diplomatic Studies Programme of Forlì University, where he also teaches International Relationships, Strategic Studies and Compared Foreign Politics. He cochairs the course “The Future of European Foreign Policy” at John Hopkins University School of Advanced International Studies, Bologna Center.

Member, since 2005, of the Advisory Committee at the International Affairs Institute, “Transatlantic Relationships” project, he’s promoter and co-chairman of the Standing Group of International Relationships at the Italian Company of Political Science. Member of the Board of Directors at Alma Graduate School, he sits on scientific committees at a number of institutions. He conducts research and contributes regularly to journals and magazines.

- **FRANCO BONFERRONI – MEMBER OF THE BOARD OF DIRECTORS**

Born in Reggio Emilia on 10.10.1938, he is a chartered accountant and certified auditor. He is also a former Member of Parliament (1979-1992) and Senator (1992-1994). Self-employed since 1976, he is a former member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), where he was later President (1974-1979). He has held directorships with various companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA and Montedison Group (1977-1979). Until November 2005, he was Deputy Chairman of Pianimpianti SpA. He is currently a director of Alerion Industries SpA, director of Cassa di Risparmio of Bra and director of Centro Banca (BPI Group). He was formerly President of the IFOA, a professional training institute (1975-1989). From 1989 to 1992 he held the post of Undersecretary of State at the Ministry of Industry and Commerce and at the Ministry of Foreign Trade.

- **GIOVANNI CASTELLANETA – MEMBER OF THE BOARD OF DIRECTORS** <sup>(\*)</sup>

Born in Gravina di Puglia (BA) on 11.09.1942, he read law at La Sapienza University in Rome and entered the diplomatic service in 1967. He has held numerous posts both in Italy and abroad. He has been, inter alia, Secretary-General with the Ministry of Foreign Affairs, Press and Cultural Attaché in Paris, Deputy Permanent Representative for Geneva-based International Organisations, Head of the Press and Information Service at the Ministry of Foreign Affairs and Ambassador to Iran and Australia. He has held the post of Diplomatic Advisor to the Italian Prime Minister and has acted as the Prime Minister’s Personal Representative for G7/G8 summits. He is currently Italy’s Ambassador to the United States.

- **MAURIZIO DE TILLA – MEMBER OF THE BOARD OF DIRECTORS**

Born in Naples on 6.04.1941, he has been a director of Finmeccanica since 25.10.2000. He was reappointed by the Shareholders’ Meeting on 16.05.2003 and again 12.07.2005. He is a civil barrister with the Supreme Court and President of the Italian Legal Aid and

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<sup>(\*)</sup> Director without a voting right pursuant to Article 5.1-ter, subparagraph d) of the Articles of Association.

Welfare Fund. He is President of the Italian Association of Private Welfare Associations and of the Italian Institute of Legal Culture and Principal Vice President of the European Federation of Bar Associations. Between 1993 and 1994 he was President of the Naples Bar Council. He is former President of the European Court of Arbitration for Southern Italy and current President of the Naples Interprofessional Advisory Council. He chairs the arbitration panel of the Italian-American Law Association. He is Chairman of Lextel, a director of Alleanza Assicurazioni and a member of the General Council of Assicurazioni Generali. He is a regular contributor to numerous legal journals and generalist publications and the author of countless publications (including the *Trattato di Diritto Immobiliare*). He co-edits *Immobili e Diritto* (published by Sole 24 Ore). A political journalist, he is a member of the Council of the Campania Journalists' Association.

- **GIAN LUIGI LOMBARDI-CERRI – MEMBER OF THE BOARD OF DIRECTORS**

Born in Genoa on 9.05.1926, he has been a director of Finmeccanica since 16.05.2003. He was reappointed by the Shareholders' Meeting on 12.07.2005. He holds a degree in mechanical industrial engineering from the Institute of Technology in Milan. He is a self-employed machine tool and production line designer. A former lecturer in machine tool technology at the Advanced Institute of Technology in Milan (ISTIM), he is a professor in industrial engineering at the Milan Institute of Technology, a technical consultant and arbitrator for the UCIMU and specialist advisor to the Autonomous Province of Trento for local business automation issues. He has also held numerous executive posts, including Technical Director for Officine Mariani, Chief Executive of Ceruti-Imes, Production Director for Ceretti & Tanfani, Technical Director for Induma, Production Director for Caser and General Manager of Canavese.

- **ROBERTO PETRI – MEMBER OF THE BOARD OF DIRECTORS**

Born in Pescara on 12.11.1949. A law graduate, he is a former employee of Banca Nazionale del Lavoro, where he held a number of posts: Head of the Credit Department at BNL in Busto Arsizio (1982), Deputy Business Manager at the Ravenna Branch (1983-1987), Area Manager at BNL in Venice (1987-1989) and Joint Manager at the Head Office in Rome (1989-1990). From 1990 to 1994, he was Business Manager at Banca Popolare di Ravenna, in charge of credit and business development. In October 1994, he went to Cassa di Risparmio di Ravenna as Business Manager. He was formerly in charge of the Private Office of the Undersecretary of State for Defence, the Hon. Filippo Berselli, and has been a member of the Board of Directors of Fintecna SpA.

- **DARIO SCANNAPIECO – MEMBER OF THE BOARD OF DIRECTORS**

Born in Rome on 18.08.1967, he has been a director of Finmeccanica since 16.05.2003. He was reappointed by the Shareholders' Meeting on 12.07.2005. He holds a degree in economics and business from LUISS University and has an MBA from Harvard Graduate School of Business Administration in Boston. He has been General Manager of Finance and Privatisations for the Italian Ministry of the Economy and Finance (until april 2007). He

is a former member of the Board of Directors of Ente Tabacchi Italiani and CONSAP. He sat on the management committee of the Italian State Property Agency and on the strategic committee of the Cassa Depositi e Prestiti. He has held numerous executive posts, including Head of Planning and Strategic Control at Telecom Italia (1992-1995), Summer Associate Consultant with Andersen Consulting-Strategic Services (1996), and member of the Council of Experts at the Italian Ministry of Economy and Finance (1997-2002).

- **RICCARDO VARALDO – MEMBER OF THE BOARD OF DIRECTORS**

Born in Savona on 17.06.1935, he read economics at Pisa University. Since 1972, he has been Professor of Business Management and Economics. He began his academic career at the Economics Faculty of Ancona University and in 1972 moved to Pisa University, where he was Dean of the Economics Faculty (1981-1986). Since 1988, he has been on the staff at the Sant'Anna Institute for Undergraduate and Postgraduate Study, where he is currently President. He was Chancellor of the Institute between 1993 and 2004. He has been a member of the Board of the Italy-Japan Business Group since 2004 and of the Board of Directors of the Fondazione IRI since 2001. He has held and continues holds a number of directorships with various companies, including Cassa di Risparmio di Firenze (since 2006), Oto Melara (2003-2005), Alleanza Assicurazioni and Generali Group (1990-1993), Nuovo Pignone (1989-1992) and Consorzio Pisa Ricerche (1987-2001). He is the current President of the Italian Marketing Society and is a member of several other associations, most notably the Italian Society of Economists and the Italian Academy of Business Economics. He currently holds several ministerial and government posts: he is, inter alia, a member of various committees set up to promote new research companies and Industrial Liaison Offices at the Italian Ministry for Education, Universities and Research. He is also the author of countless monographs and articles in Italian and foreign scientific journals. He is editor of the publication  *Mercati e Competitività*  and co-editor of  *Economia e Politica Industriale* , as well as sitting on the scientific committees of various other scientific journals.

- **GUIDO VENTURONI – MEMBER OF THE BOARD OF DIRECTORS**

Born in Teramo on 10.04.1934, he attended the Naval Academy in Livorno and in 1956 was appointed Official. In 1959 he obtained his naval aviation pilot's licence for operation from aircraft carriers. Promoted to Rear Admiral in 1982, he went on to hold a series of posts with increasing responsibility: Head of Operations for Naval Staff and then of the Defence Staff; Commander of the First Naval Division; Assistant Chief of Naval Staff; Commander-in-Chief of the Naval Squadron and Central Mediterranean. In 1992 he was made Chief of Naval Staff and in 1994 Chief of Defence Staff. In 1999, he was invited to take up the post of President of the NATO Military Committee in Brussels. Admiral Venturoni retired in 2002 after 50 years of active service. He has held numerous major roles and has led various national and international military operations. He has been decorated countless times in Italy and elsewhere. Most notably, he held the strategic/operational command of Italian-led multinational intervention in Albania in 1997.

From 2002 until November 2005, he was Chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

• **PAOLO VIGEVANO – MEMBER OF THE BOARD OF DIRECTORS**

Born in Genoa on 28.03.1948, he has a degree in engineering from La Sapienza University in Rome. He was a director of Finsiel SpA and Head of the Technical Office and Political Advisor for the Ministry for Innovation and Technology and was previously Chairman of Innovazione Italia S.p.A. Since 2002, he has been Deputy Chairman of the ICCP Committee of the OECD, a member of the General Council for Communications and Chairman of the Interministerial Executive Committee for the preparation of the Italian national broadband plan. In 2001, he chaired the Interministerial Commission set up to manage the deployment of broadband telecommunications networks. Since 2004, he has chaired the Interministerial Commission on digital content in the internet age.

He is a former publisher of *Radio Radicale* (1979) and *Agorà Telematica* (1989), and is manager and director of various companies. In 1986 he founded and chaired the Italian association of national radio networks (RNA) and in 1983 set up FIERTI, the Italian federation of radio and television broadcasters.

The Board of Directors:

- a. examines and approves the strategic, industrial and financial plans of the Company and the Group, the corporate governance system of the Company and the Group's corporate structure;
- b. assesses the suitability of the organisational, administrative and general accounting structure of the Company and subsidiaries with strategic importance (\*) prepared by the Chairman and Chief Executive Officer, particularly with reference to the suitability, effectiveness and efficiency of the internal audit system and the handling of conflicts of interest, both of which it examines each year;
- c. delegates powers to the Chairman and Chief Executive Officer and revokes these if necessary, without prejudice to that reserved exclusively for the Board pursuant to Article 2381 of the Italian Civil Code and in relation to Article 22.3 of the Articles of Association, setting their limits and operating procedures, as well as the frequency with which the Chairman and Chief Executive Officer must report to the Board on the activities carried out with the powers granted;
- d. determines the salary and contract terms of the Chairman and Chief Executive Officer, if necessary through the Remuneration Committee, which is specially authorised for this purpose, and other directors holding specific posts, including membership of committees set up by the Board of Directors in consultation with the Board of Statutory Auditors and in accordance with Article 2389, paragraph 2 of the Italian Civil Code;

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(\*) For this purpose, direct subsidiaries responsible for managing the Group's business sectors are considered "subsidiaries with strategic importance", from the point of view of the activities carried out by them directly and through other subsidiaries.

- e. assesses the general operating performance, taking into account the information received from the relevant bodies, and periodically comparing actual to budgeted results;
- f. examines and authorises operations of the Company and its subsidiaries, when these have a significant strategic, economic or financial impact on the Company or its net worth, paying particular attention to situations where one or more directors have a vested interest and to related party transactions in general;
- g. assesses the size, composition and operation of the Board and its committees at least once a year.

Finmeccanica's directors accept their appointment and remain in office because they believe they can dedicate the necessary time to their official duties, taking into account the number and type of posts held on boards of directors and supervisory boards of other listed companies on regulated markets, whether in Italy or elsewhere, in financial, banking or insurance companies or in other major companies.

In this respect, Finmeccanica's Board of Directors has ruled that the maximum number of directorships or auditorships that can be held in companies listed on Italian or foreign regulated markets so as to enable the role of officer of the Company to be performed effectively is five (5). This is identical to the limit currently set by the Articles of Association for Regular Statutory Auditors of the Company.

Based on information received from directors, the Board records the directorships and auditorships held by each director in financial, banking or insurance companies or other major companies listed on Italian and foreign regulated markets in the corporate governance report.

The directorships or auditorships held by members of the Board of Directors in the aforementioned companies are listed below:

- **PIERGIORGIO ALBERTI:**  
Member of the Board of Directors of PARMALAT S.P.A.
- **FRANCO BONFERRONI:**  
Member of the Board of Directors of ALERION INDUSTRIES S.P.A.  
Member of the Board of Directors of CASSA DI RISPARMIO DI BRÀ S.P.A.  
Member of the Board of Directors of CENTRO BANCA (BPI GROUP)
- **MAURIZIO DE TILLA:**  
Member of the Board of Directors of ALLEANZA ASSICURAZIONI S.P.A.
- **RICCARDO VARALDO:**  
Member of the Board of Directors of PIAGGIO S.P.A.  
Member of the Board of Directors of CASSA DI RISPARMIO DI FIRENZE

The Board has delegated the following powers to the Chairman and Chief Executive Officer for the purposes of managing the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer is the Company's legal representative according to the law and the Articles of Association. He also holds the signing authority. He is responsible for managing the Company and coordinating its various sites and branch offices, adopting resolutions and performing any acts that fall within the normal administration of the Company. He also identifies the key guideline of Company and Group strategy, affiliation policies and acquisitions and disposals, which he submits to the Board of Directors before taking the necessary action with subsidiaries, affiliates and shareholdings concerned.

The Chairman and Chief Executive Officer has been granted with the necessary powers to perform these tasks.

The appointment of one individual to the office of Chairman and Chief Executive Officer stems from the need for strong leadership, partly to help improve the way in which complex relations with international counterparties are handled. This arrangement is also shared with the majority shareholder and has the full backing of the shareholders.

The Chairman and Chief Executive Officer is assisted by a management structure that focuses on specific areas of the business requiring significant expertise. This is coordinated at corporate level by the Chief Operating Officer, Co-General Manager and Co-Chief Operating Officer, and Vice-President External Relations, who, together with the Chairman and Chief Executive Officer, make up the Executive Committee.

The Chairman of the Board of Directors convenes Board meetings, coordinates the work of the Board and chairs Board meetings, ensuring that directors are given sufficient information in time for the Board to make an informed opinion about the matters submitted to it.

Accordingly, the Board of Directors of the Company has adopted special internal operating procedures which will ensure the integrity both of the preliminary information phase concerning the items on the agenda and the way in which meetings are conducted.

The Chairman and Chief Executive Officer also periodically reports back to the Board of Directors on how he has exercised the powers delegated to him and on any unusual or abnormal operations or related party transactions not exclusively reserved to the Board.

For further information, please refer to the specific principles of conduct described in section 8 below, with particular reference to related party transactions.

Reports are issued when the periodic accounting documents (financial statements, interim report and quarterly reports) are approved by the Board of Directors.



MATTERS RESERVED EXCLUSIVELY TO THE BOARD

The Board of Directors of Finmeccanica has reserved the following matters to its own exclusive competence, naturally in addition to the provisions laid down by Article 2381 of the Italian Civil Code, and in relation to the provisions referred to in Article 22.3 of the Articles of Association:

1. proposals to place the Company in voluntary liquidation;
2. approval of plans for the merger or demerger of the Company;
3. proposals to modify any clause of the Articles of Association or to adopt new Articles of Association;
4. notification from the issuer relating to public offers for acquisition or exchange pursuant to Article 39 of Resolution No 11971 of 14 May 1999;
5. definition of strategic and organisational areas (including plans, programmes and budgets);
6. agreements with sector operators, other companies or groups, whether national or international, which are of strategic importance and which do not fall within the normal sphere of operations;
7. capital increases, incorporation, transformation, flotation, merger, demerger, liquidation and shareholder agreements for direct subsidiaries;
8. appointment of new directors with powers or directors, auditors or independent auditors of the Group for directly controlled companies;
9. acquisition, exchange and sale of buildings and leases with a more than nine years term;
10. medium and long-term credit and debit financial transactions for amounts in excess of €25 million per transaction;
11. issue of guarantees for more than €50 million per transaction;
12. recruitment, appointment and dismissal of directors responsible for central departments, as defined in the organisational structure; assignment of consulting mandates ongoing for more than one year or for an amount in excess of €250,000;
13. acquisition of shareholdings, if necessary by exercising options;
14. sale, transfer, leasing, usufruct or any other disposition, as part of joint ventures or otherwise, or the placing of constraints on the business or parts of the business;
15. sale, transfer, licensing or any other disposition, as part of joint ventures or otherwise, or the placing of constraints on technology, manufacturing processes, know-how, patents, industrial projects and any other creative work in any way pertaining to defence-related activities;
16. relocation outside Italy of research and development pertaining to defence-related activities;
17. sale of shareholdings in companies, if necessary by exercising or waiving options, transfer, usufruct, pledging or any other disposition, as part of joint ventures or otherwise, or the placing of constraints on the shareholdings themselves;
18. votes to be cast on the subjects referred to in subparagraphs 14), 15), 16), and 17) at general meetings of controlled undertakings, affiliates or subsidiaries (the

concepts of control and affiliation shall be taken within the meaning of Article 2359 of the Italian Civil Code) involved in defence-related activities.

The Board of Directors is also responsible for signing deeds and contracts for amounts in excess of €150 million per transaction (the corresponding authority granted to the Chairman and Chief Executive Officer is in fact limited to less than €150 million per transaction).

Resolutions on matters reserved to the Board in accordance with Article 22.3 of the Articles of Association, which are included on the above list, are validly adopted with favourable vote of 7/10 of directors in office (with fractions rounded down to the nearest whole number).

Finally, the Board of Directors grants powers to the Chairman and Chief Executive Officer, as well as revoking them where necessary and defining the limits and procedures for exercising them. It also determines – through the Committee referred to in section 6 below – the remuneration of the Chairman and Chief Executive Officer.

With reference to the resolutions previously adopted on the matters reserved for it, the Board of Directors has specifically approved special "**GUIDELINES AND CRITERIA FOR THE IDENTIFICATION OF MATERIAL AND RELATED PARTY TRANSACTIONS**", available on the Company's website.

Material transactions – which come under the Board's sole authority – are identified based on the type of operations carried out by Finmeccanica and according to quantitative and qualitative criteria.

Related Party Transactions have the same significance threshold, since the criteria used to identify transactions reserved exclusively for the Board of Directors are deemed sufficient.

Particular attention has been paid by the Board of Directors to potential conflicts of interest and to related party transactions that are not included among those reserved exclusively for it, as described earlier. The Board of Directors is provided with the relevant information regarding both the Company and its subsidiaries at least once a quarter, in accordance with Legislative Decree 58/1998 and Article 24.2 of the Articles of Association.

Finally, on 25 January 2007, the Board of Directors, in order to secure support from experts and leading figures in the international aerospace and defence sector, decided to set up a Senior Defence Advisory Committee (SDAC) to assist the Board of Directors and Company management with defining and evaluating sector strategies. The SDAC is composed of Prof. Christian de Boissieu (France), Sir Brian Burridge (UK), Gregory G. Johnson (USA) and the member of the Board of Directors Guido Venturoni.

EVALUATION OF THE OPERATION OF THE BOARD OF DIRECTORS

At least once a year, the Board of Directors assesses the size, composition and operation of the Board and its committees, if necessary expressing an opinion on the professionals it believes should sit on the Board. It informs the market of the outcome of this assessment in its corporate governance report.

The Board's assessment procedure, introduced back in 2006 and the results of which were summarised in the previous Corporate Governance Report, was repeated earlier this year with the help of a consulting firm specialising in this process, benefiting from the experience gained by the Board in 2006 and early 2007 and taking account of the results of the previous assessment.

As part of the methodological approach used by the consultants to understand the level of functionality and efficiency of the Board and to identify any aspects that might hinder improvements to these areas, special questionnaires were completed and personal interviews held with each director.

The analysis focused on: a) the structure, composition and operation of the Board and Committees, b) the Board's dealings with management, shareholders and stakeholders, c) Board meetings, information flows, the roles and responsibilities of the Board and decision-making processes, d) performance targets and strategies, e) organisational structure, succession plans and remuneration policies. In addition, this analysis was accompanied by a benchmark valuation with leading Italian manufacturers.

The analysis carried out identified the same areas of excellence, namely: the spirit of cohesion and unity within the Board of Directors, which continues to allow a tangible and effective decision-making process; strong satisfaction with the results achieved, both in terms of business performance and the assessment of the Company's market performance; a unanimous vote of confidence in the Chairman and Chief Executive Officer, whose accessibility has improved compared with previous analyses; the adequacy of financial flows and the clarity of operating and performance targets, which are clearly defined and diligently followed by the Company's management. Awareness of the organisational macro-structure and HR policy has significantly improved since the last analysis.

Areas for improvement again include the need to further the Board's knowledge of factors that underpin strategic options for Group activities, to ensure that individual Board members, depending on his/her role, can contribute, particularly given the complexity of the business of Finmeccanica Group, in optimising Board discussions and fostering a more structured and logical contribution to Board decisions. In this respect, the Strategic Committee could take on a more influential and effective role, particularly with regard to medium and long-term issues.

These areas will undergo further analysis and assessment by the Board in order to identify the most suitable means of optimising its role.

## 2. INDEPENDENT DIRECTORS

In accordance with the Company's corporate governance model, which as mentioned earlier has been aligned with the recommendations of the new Self-Regulatory Code, the Board of Directors of Finmeccanica has duly carried out periodic assessments of the level of independence of its non-executive members, based on information supplied by the individuals concerned about relevant situations for the purposes of the assessment, in accordance with the Board of Directors' Regulations.

The Board has submitted the independence assessment of its members to the Board of Statutory Auditors, which has verified that the assessment criteria and procedures defined in the Regulations are being applied correctly and which has not raised any objections.

Following this, the Board confirmed that the 10 non-executive directors in office all met the "independence" criterion, with the sole exception of Dario Scannapieco, by virtue of his employment with the Italian Ministry of Economy and Finance, which has a 33.74% stake in the Company.

It is noted that none of the non-executive directors in office directly or indirectly has a significant commercial, financial or professional relationship with the Company and/or its subsidiaries.

In terms of any professional collaboration or consultancy, the Board has indicated, as the maximum permitted payment for professional assignments, an amount equal to the fee paid to directors of the Company (€51,660), which is however subject to the authorisation of the Board.

Despite this, it is recognised that each director has honoured his duty to the Company to act with the diligence and expertise demanded by the nature of the appointment.

The Board of Directors' Regulations also allow for the appointment of a LEAD INDEPENDENT DIRECTOR by the Board, with the abstention of the Chairman and Chief Executive Officer. The Lead Independent Director has the task of leading and coordinating the requests and contributions of non-executive directors. Specifically:

- to assist the Chairman and Chief Executive Officer with ensuring that directors receive comprehensive information in a timely fashion;
- to convene, independently or at the request of other Board members, special meetings of independent directors to discuss issues considered relevant to the operation of the Board or management of the Company;
- to assist with the assessment of the Board of Directors;
- to collaborate with the Chairman and Chief Executive Officer on drawing up the annual calendar of Board meetings;
- to inform the Chairman and Chief Executive Officer of any matters to be submitted to the Board for its examination and assessment.

The Lead Independent Director will be appointed during the 2007 financial year.

Independent directors meet at least once a year without other directors. Meetings are convened at the request of the independent directors or by the Lead Independent Director.

### **3. TREATMENT OF CORPORATE INFORMATION**

The Company has paid special attention to the management and processing of confidential information and to how this is released, particularly with regard to privileged information.

As such, special internal procedures have already been adopted suitable to coordinate, within the Group, price-sensitive information and the procedures governing its management and distribution. This is to ensure the utmost respect at all levels of the organisation, even within subsidiaries, of the specific disclosure obligations and restrictions imposed on listed issuers.

These procedures were subsequently revised in more organic terms through special directives and procedures relating to the management and processing of both confidential information and price-sensitive information by managers and employees of the Company, directors, auditors, external consultants and subsidiaries.

The disclosure process is controlled by the Executive President of External Relations, who works closely with the Senior Vice President of Legal and Corporate Affairs.

As part of the management and disclosure of Company information, and in accordance with the new provisions on internal dealing, the Board of Directors of Finmeccanica, at its meeting of 28 March 2006, resolved to adopt a CODE OF CONDUCT FOR INTERNAL DEALING to replace the previous Code of Conduct. The new Code conforms with the implementing regulations laid down by CONSOB, transposing the provisions of the new European directive on market abuse.

The new Code, which came into effect on 1 April 2006, regulates the flow of information about transactions relating to shares issued by Finmeccanica, as well as other "related financial instruments" identified by CONSOB and which are carried out, through intermediaries if necessary, by "Key Persons" of the Company and by the persons closely related to them. The term "Key Persons", for the purposes of the Code, means directors, auditors and the chief executive, in addition to the deputy chief executives. The reporting obligations governed by the Code also apply to trading by "Persons closely related to the Key Persons", as identified by CONSOB.

The Code imposes a maximum threshold for transactions reported and conducted since 1 April 2006. Under the new regulations, only operations for less than €5000 are exempt from the reporting obligation.

For information to be disclosed to CONSOB and to the public, "Key Persons" must report to the Company within four trading days from the transaction date, and the Company must in turn inform CONSOB, the market and news agencies on the next trading day.

To ensure that the new regulations are applied correctly, the Company has planned special operating procedures to make "Key Persons" aware of their obligations and to provide the necessary support.

#### **4. BOARD OF DIRECTORS' COMMITTEES**

The following committees have been set up by the Board of Directors:

<b><u>INTERNAL AUDIT COMMITTEE:</u></b>	<b>MEETING ATTENDANCE</b>
<b>PIERGIORGIO ALBERTI – Chairman (since February 2007)</b>	8 meetings
<b>MAURIZIO DE TILLA</b>	7 meetings
<b>GIAN LUIGI LOMBARDI-CERRI</b>	9 meetings

The Committee is composed of three non-executive directors, all of them "independent". Its work mainly involves assisting the Board of Directors in its periodic audits of the adequacy and effectiveness of the internal audit system, for which the Board is responsible.

At least one member of the Committee has sufficient accounting and financial experience. The current composition of the Committee has been affected by the resignation tendered in February 2007 by Prof. Ernesto Monti, who was Committee chairman throughout the 2006 financial year.

The Committee benefits from the specific provision whereby it may employ external consultants at the expense of the Company.

The Committee, which meets at least every six months (when the Board of Directors approves the financial statements and interim report), has the power to advise and make recommendations to the Board so that it may carry out the necessary supervision.

In particular, the Committee has the task of verifying the adequacy and functionality of the internal audit system, in addition to comply with internal operating and administrative procedures adopted to ensure sound and effective management and to identify, prevent and manage any potential financial and operating risks or defrauding of the Company. The specific functions of the Committee are listed as, an example, as the following:

- a) to examine the major issues and practices regarding control of company operations;

- b) to evaluate the work plan devised by the Internal Audit Manager and to receive periodic reports from him;
- c) to assess, together with the Company's administrative managers and auditors, the suitability of the accounting policies used and their uniformity for the purposes of preparing the consolidated financial statements;
- d) to assess the recommendations made by the independent auditors during the appointment process, in addition to the audit plan proposed and the audit results contained in the report and letter of recommendations;
- e) to report back to the Board of Directors on the work undertaken and on the adequacy of the internal audit system at least once every six months at meetings approving the draft financial statements and interim report;
- f) to perform any other tasks assigned by the Board of Directors, particularly with regard to dealings with the independent auditors.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him also takes part in the Committee's work. The Chairman and Chief Executive Officer and, at the Committee's invitation, the Internal Audit Manager may also be involved.

During the 2006 financial year, the Committee met nine times.

In early 2007, the Committee met three times.

Committee meetings were attended by the Internal Audit Manager, the Board of Statutory Auditors and top management.

In FY 2006 and in the first three months of FY 2007, the Internal Audit Committee addressed the following topics, resulting in periodic audits of the adequacy and effectiveness of the organisational structure from the point of view of the internal audit system.

In particular, in 2006 the Committee:

- continued monitoring the set of procedures and directives issued by the parent company for the integrated and uniform management of its business processes and activities;
- conducted a preliminary examination of Group directives issued during the financial year and continued checking their application with regard to procedures adopted by subsidiaries, the aim being to verify their completeness and suitability in view of the need for proper management of the activities and processors of each company, as well as consistency with the guidelines issued by the parent company;
- continued monitoring the implementation within the Group, and specifically in first-level subsidiaries, of the Organisational Model pursuant to Legislative Decree 231/2001, as well as the adaptation of the corresponding models in the light of amendments made to Legislative Decree 231/01 following the introduction of Act 62/05 (Market Abuse) and Act 262/05 (Savings Law);

- met with the independent auditors to discuss the draft 2005 financial statements and interim report as at 30 June 2006;
- examined the valuation procedure for financial risks, including a study of procedures adopted to audit the financial impact of any external events;
- assessed how labour disputes were handled;
- examined the Group’s internal audit manual, compiling suggestions from the Supervisory Body for aspects within its remit to do with how the obligations laid down by Legislative Decree 231/01 are monitored;
- continued analysing the measures and actions required to address specific business situations.

In the first quarter of 2007, the Committee:

- examined Finmeccanica’s new Corporate Governance Model, adapted to the recommendations of the new Self-Regulatory Code for Listed Companies (March 2006);
- consulted the independent auditors on the draft 2006 corporate and consolidated financial statements;
- examined the report by the Audit Department on the activities carried out in 2006;
- continued monitoring the set of procedures and directives adopted by Finmeccanica.

The Committee has also conducted its audits on the preparation of the quarterly reports, interim report and annual financial statements, informing the Board of Directors of the outcome of these audits and any recommendations in special reports.

Finally, the Committee has assessed, based on the representations of the Company’s administrative managers, the Internal Audit Manager and the Independent Auditors, the adequacy of the accounting principles used and their uniformity for the purposes of drafting consolidated financial statements.

#### **REMUNERATION COMMITTEE:**

#### **MEETING ATTENDANCE**

<b>RICCARDO VARALDO</b> – Chairman	5 meetings
<b>FRANCO BONFERRONI</b>	5 meetings
<b>DARIO SCANNAPIECO</b>	5 meetings

The Committee – composed of three non-executive directors, two of them “independent” – has the task of:

- setting the salary and contract terms of the Chairman and Chief Executive Officer of the Company, in consultation with the Board of Statutory Auditors if this is required by Article 2389 of the Italian Civil Code, based on his employment contract with the Company;



- assessing the proposals of the Chairman and Chief Executive Officer of the Company in relation to the general criteria for remunerations and incentives, in addition to the plans and mechanisms in place for developing the management skills of the Group's key resources and executive directors of Group companies;
- assisting the senior management of the Company in defining the best management policies for the Group's management resources;
- assessing the proposals of top management for the introduction or modification of share incentive and allocation plans for directors and senior managers of the Company and other companies in the Group, to be submitted to the Board of Directors;
- performing the functions reserved for it in relation to the management of the long-term incentive plan, as laid down by the corresponding Regulations.

The Committee's work is governed by special Regulations.

The Committee benefits from the specific provision whereby it may employ external consultants at the expense of the Company.

After it was formed in December 2000, the Remuneration Committee played a supporting role alongside top management in certain key areas relating to the strategic management of the Group's human resources.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's stock and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has put its support behind the creation of a qualified, structured and periodic management appraisal process, designed to select the beneficiaries of the long-term incentive programme objectively and impartially.

Finally, with particular regard to the work carried out in 2006, the Committee held five meetings, two of them in the first quarter of 2007.

In the 2006 financial year, the Committee continued to perform its institutional role, supporting senior management in key areas relating to the strategic management of the Group's Human Resources and its remuneration and retention policy. More specifically, the Committee:

- examined the "Guidelines of the 2006 Human Resources Operating Plan", prepared by Finmeccanica's Human Resources Division, with particular regard to programmes and initiatives for the selection of the Group's management and key resources;
- examined the new structure for the 2006 MBO Programme for Group Management, expressing its recommendations and specifically approving the MBO for the Chairman and Chief Executive Officer;
- examined the development and results of the Group's medium/long term incentive programme set up in 2005, consisting of the Long Term Incentive Plan (cash) and

Performance Share Plan (stock grant). In relation to the latter, it continued managing the plan in accordance with the instructions issued by the Board. With regard to the LTIP, it noted the positive growth in earnings of the Company and Group and the vesting of the corresponding economic benefits for participants. It expressly arranged for the Chairman and Chief Executive Officer to be awarded a bonus in accordance with the specific provisions of his employment contract.

Finally, the Committee revised the salary and contract terms of the Chairman and Chief Executive Officer in accordance with Article 2389, paragraph 3 of the Italian Civil Code.

In the first part of 2007, the Committee:

- examined the 2007 MBO Programme for Group Management, essentially in line with the structure trialled in 2005 and 2006, and specifically approved the programme for the Chairman and Chief Executive Officer;
- confirmed that it welcomed the continuation of the Group's medium/long incentive scheme, approving the LTIP for the three-year period 2007-2009 and ratifying the proposal for the Board of Directors to renew the Performance Share Plan for the period 2008-2010. These proposals will be submitted for the approval of the Shareholders' meeting.

The Committee also examined and assessed the key features of the Group's remuneration policy, and analysed the changing employment dynamic and fluctuations in labour costs with regard to national and international operations.

#### **STRATEGIC COMMITTEE:**

#### **MEETING ATTENDANCE**

<b>PIER FRANCESCO GUARGUAGLINI – Chairman</b>	6 meetings
<b>GIOVANNI CASTELLANETA</b>	6 meetings
<b>ROBERTO PETRI</b>	6 meetings
<b>DARIO SCANNAPIECO</b>	6 meetings
<b>GUIDO VENTURONI</b>	6 meetings
<b>PAOLO VIGEVANO</b>	6 meetings

This Committee has the task of screening the strategic options for assessment by the Group and the corresponding business plans prepared by the Chairman and Chief Executive Officer for presentation to the Board.

During the 2006 financial year, the Committee met six times, and once in the first quarter of 2007.

These meetings concluded the in-depth analysis of the market prospects and competitive positioning in the various business sectors of Finmeccanica, to ensure that these conform to the Group's guidelines as presented to the Board of Directors.

In 2006, and in the first quarter of the current financial year, the Committee:

- examined the activities of Alenia Aeronautica in the civil sector and specifically the strategies of the company as the preferred and independent supplier of complex aerostructures for large commercial aircraft, both with reference to current programmes and future opportunities and the positioning of Alenia Aeronautica in this market;
- examined the strategic assumptions for further growth in markets where Finmeccanica already has a major presence and has considered possible operations aimed at increasing the capacities and engineering expertise and supplementing the overall systems of Finmeccanica in these markets.

The Committee has also examined and assessed the proposals of the Chairman and Chief Executive Officer relating to certain specific operations prior to the Board of Directors' assessment, and has made suggestions and recommendations for their follow-up.

Specifically, the Committee has examined the following operations:

- the possible dismantling of minority shareholdings in Avio based on the performance and strategic prospects of the company in the international aircraft engine market, assessing possible options for Finmeccanica in view of the wish expressed by the shareholder Carlisle to sell down its shareholding in the company. The Board subsequently approved the disposal of a 30% stake in the company and the subsequent acquisition of a 15% stake in the new company that will incorporate Avio;
- the Sukhoi/Alenia Aeronautica collaboration project for the construction of a regional jet propulsion aircraft as part of a broader strategy in the regional aircraft segment. In this respect, it has already assessed the implications that this new collaboration will have for existing partnerships with other international operators in this segment;
- the plan by Ansaldo Energia to take over a company involved in providing technical support for energy generating plant in order to strengthen the position of Ansaldo Energia in the service sector.

The Committee also put forward its recommendations on the various issues and operations examined.

The Committee benefits from the specific provision whereby it may employ external consultants at the expense of the Company.

## **5. APPOINTMENT OF DIRECTORS**

For the appointment of directors, Article 18.4 of the Articles of Association describes a special voting list system whereby two thirds of the directors to be elected are

taken from the list that obtains the majority of shareholder votes, while the remaining directors are taken from other lists based on the ratios obtained.

In addition to the directors thus elected, another director is also elected without a voting right, nominated (as laid down by Articles 5.1-*ter* and 18.1 of the Articles of Association) by the Italian Minister of the Economy and Finance, jointly with the Italian Minister of Manufacturing, pursuant to Act 474 of 30.07.1994.

The rights and obligations of the director thus appointed have also been expressly defined: he will have the same rights granted by law and/or by the Articles of Association to other members of the Board of Directors, but may not be delegated authority or given particular duties, on a supplementary or temporary basis or otherwise, nor may he under any circumstances chair meetings of the Board of Directors or represent the Company legally.

Voting lists may currently be submitted only by those shareholders who, either alone or together with other shareholders, represent at least 1% of the shares with voting rights at Ordinary General Meetings; the Articles of Association also allow the incumbent Board of Directors to submit its own list.

Given the amendments to the Articles of Association based on the provisions of Act 262/2005 (Savings Law), the Board of Directors of the Company, at its meeting of 27 March 2007, decided to refer to the Shareholders' Meeting the proposal to adapt Article 18.4 of the Articles of Association to the new Article 147-*ter*, paragraph 1 of the Italian Financial Services Act by inserting a reference to "such lesser number as might be provided by legal or regulatory provisions, where applicable".

The Board also proposed adapting Article 18.4 to the new Article 147-*ter*, paragraph 4 of the Italian Financial Services Act. This stipulates that the independence criteria imposed on the Board of Statutory Auditors by Article 148, paragraph 3 should also apply to at least two members of the Board of Directors, which has more than seven members. It further states that in the lists of candidates for directorships, those candidates who meet these criteria should be expressly identified.

To ensure that the Articles of Association are applied correctly in terms of the minimum required number, the Board has proposed to integrate the provisions concerning the procedures for the election of directors with the "voting list" mechanism to allow the appointment of at least two independent directors in cases where, following the application of the current procedure, the minimum number of independent directors is not appointed, laying down specific procedures for co-opting independent directors to replace candidates who do not meet the requirements and who obtained the lowest ratio of votes.

In accordance with the privatisation law (Act 474/1994), the Articles of Association currently state that lists submitted by shareholders together with the relevant supporting documents must be deposited at head office at least 10 days prior to the date set for the General Meeting at first convocation, and that they must be published in at least three Italian national daily newspapers, two of which must be financial.

An express recommendation will be made to Shareholders in the notice of meeting for lists to be deposited at least 15 days prior to the date of the General Meeting, as expressly recommended by the Self-Regulatory Code.

So that up-to-date information can be published on the Company's website, the notice of meeting will contain the express recommendation for Shareholders to submit a résumé containing detailed personal and professional information about each candidate (with an indication of how they qualify as "independent") when lists are deposited.

The Board of Directors has decided not to set up its own committee to nominate candidates for the office of director, since so far shareholders have not reported any problems with organising nominations based on the voting list system.

## 6. DIRECTORS' REMUNERATIONS

The Board of Directors has formed a special **REMUNERATION COMMITTEE**, as described in section 4 above. The Committee is responsible, *inter alia*, for determining the salary and contract terms of the Chairman and Chief Executive Officer of the Company, in consultation with the Board of Statutory Auditors if required by Article 2389 of the Italian Civil Code, based on his employment contract with the Company. The Committee reports to the Board on any decisions taken.

Like all the Group's strategic resources, the Chairman and Chief Executive Officer, in addition to his basic salary, receives the following types of performance-related payments:

1. an annual MBO and additional payments (Long-Term Incentive Plan) in respect of the three-year rolling incentive plans, all of which are performance-related and dependent on the Group achieving certain financial and economic results;
2. the free allocation of shares, as provided for in the long-term share incentive plan, for the 2005-2007 period, also subject to the Group achieving certain financial and economic results.

As far as directors' remunerations are concerned, please note that in accordance with the disclosure obligations for listed issuers, Finmeccanica prepares a detailed report each year on payments made on any basis and in any form, even by subsidiaries, to individual members of the Board of Directors and to the Chief Executive.

For further information, please see the relevant table contained in the Notes to the Financial Statements.

## 7. INTERNAL AUDIT SYSTEM

The Board of Directors, with the support of the Internal Audit Committee, defines the guidelines for the internal audit system so that the main risks relating to the Company

and its subsidiaries can be correctly identified and properly measured, managed and monitored. It also determines the criteria for assessing whether these risks are compatible with sound business management.

The Board, with the help of the Internal Audit Committee, assesses the suitability, effectiveness and efficiency of the internal audit system at least once a year.

Conscious of how fundamentally important a proper internal audit system is for sound and efficient business management, the Board of Directors believes that the control structure adopted by Finmeccanica S.p.a. is an effective safeguard against the risks inherent in its core business and a suitable means of monitoring the assets and economic and financial situation of the Company and the Group.

As described in section 4 above, an **INTERNAL AUDIT COMMITTEE** has been set up under the aegis of the Board of Directors. The Committee's work is governed by special regulations approved by the Board itself.

The Committee regulations have fully adopted the principles expressed in terms of internal control by the Self-Regulatory Code, deemed as a set of rules, procedures and organisational structures aimed at allowing, through the proper identification, measurement, management and monitoring of the major risks, sound and correct business management in line with the set targets.

The Board of Directors' Regulations, currently being implemented, require the Board to assess the suitability, efficiency and effectiveness of the internal audit system at least once a year.

These also require the Committee's tasks (described in section 4) to be redefined in line with the tasks imposed by the new Code, as well as compliance with the proposed introduction of the new position of accounting and corporate documents supervisor.

In this respect, and in view of the aforementioned amendments to the Articles of Association based on the provisions of Act 262/2005 (Savings Law), the Board of Directors has decided to refer to the Shareholders' Meeting the proposal to amend Article 25 of the Articles of Association to allow – pursuant to the new Article 154-*bis*, paragraph 1 of the Italian Financial Services Act – the appointment of the Director concerned by the Board of Directors (subject to the opinion of the Board of Statutory Auditors), with confirmation of the necessary experience and integrity.

In 2002, Finmeccanica appointed an INTERNAL AUDIT MANAGER, who is also the *pro tempore* head of the Audit Department.

The Internal Audit Manager is not accountable to the heads of other departments and periodically reports to the Chairman and Chief Executive Officer, as well as to the Internal Audit Committee and Auditors.

As part of internal audit management, the Audit Department has been given the following tasks: managing audits at Group level; preparing and coordinating the annual and long-term audit plan; assessing the suitability of the internal audit systems of the Group's operating companies, ensuring that these comply with

national and international best practice; assisting with the drafting of Group directives and corporate procedures, ensuring that these are consistent with the relevant legislation and regulations and monitoring their application; identifying and assessing risk areas, defining suitable actions to mitigate the risks and verifying their implementation.

## 8. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

To guarantee the transparency and correctness of related party transactions, some time ago the Board of Directors of Finmeccanica ratified, together with the "Guidelines and criteria for the identification of material and related party transactions" (described in detail in section 1 above), the adoption of special principles of conduct aimed at governing the main substantive and procedural aspects of the transactions in question and areas not within the exclusive remit of the Board of Directors, under the following conditions.

The principles adopted will be adapted if necessary based on the general principles issued by CONSOB in accordance with Article 2391-bis of the Italian Civil Code.

### PRINCIPLES OF CONDUCT FOR RELATED PARTY TRANSACTIONS

Related Party Transactions are handled in accordance with specific substantive and procedural criteria. For a definition of RELATED PARTIES, see IAS 24, adopted by Commission Regulation (EC) No 2238/2004 of 29 December 2004, as referred to in the Issuers' Regulations amended by CONSOB Resolution No 14990 of 14 April 2005.

In order to apply these principles, typical or standard transactions or those agreed under market conditions are excluded from the scope of Related Party Transactions.

Typical or standard transactions are those transactions that, by nature or purpose, are extraneous to the Company's ordinary business activities, or that are not particularly critical given their characteristics and the risks represented by the counterparty or their timing.

Transactions under market conditions are agreed under conditions that are materially similar to those usually applied to transactions with persons who are not related parties.

#### - RELATED PARTY TRANSACTIONS RESERVED EXCLUSIVELY FOR THE BOARD

The Board of Directors must receive sufficient information about the nature of the relationship, the procedures for implementing the transaction, the timing, the economic conditions applicable to its performance, the assessment procedure followed and the underlying reasons for the transaction, in addition to information about the potential risks for the Company.

Directors must inform the Company of any information that will allow it to comply with these principles.

In particular, directors who have an interest in the transaction, be it even potential or indirect, must inform the Board in a timely and exhaustive fashion about such interest and the related circumstances. These directors must also leave the Board meeting during deliberations, unless their departure compromises the meeting quorum.



Where the nature, value and other characteristics of the transaction so require, the Board of Directors, in order to prevent the transaction from being agreed under conditions that differ from those that would probably have been negotiated between non-related parties, may ask for the transaction to be carried out with the assistance of one or more independent experts so that the assets and/or financial, legal or technical basis may be assessed.

When choosing these experts (banks, auditors, legal firms or other experts of recognised professionalism and special expertise), the Board will conduct a careful assessment of their independence, possibly using different experts for each related party in the most significant cases.

#### **- RELATED PARTY TRANSACTIONS NOT SUBJECT TO THE PRIOR APPROVAL OF THE BOARD**

Related Party Transactions which are not reserved exclusively for the Board must be described by the Chairman and Managing Director in the periodic report presented by him to the Board on his activities and to the Board of Statutory Auditors – pursuant to Article 150, paragraph 1 of Legislative Decree No. 58/1998 – on the most significant economic, financial and equity transactions carried out by the Company or by its controlled companies.

When periodically reporting on these transactions, the Chairman and the Chief Executive Officer will describe the nature of the relationship, the procedures for implementing the transaction, the timing, the economic conditions applicable to its performance, the assessment procedure followed and the underlying reasons for the transaction, in addition to any risks for the Company.

## **9. STATUTORY AUDITORS**

The Board of Statutory Auditors of Finmeccanica is composed of five Regular Statutory Auditors and two Alternate Statutory Auditors, appointed by the Shareholders' Meeting of 23 May 2006 for the three-year period 2006-2008.

The Chairman of the Board of Statutory Auditors was appointed by the Shareholders' Meeting from among the two Statutory Auditors elected by the minority.

**LUIGI GASPARI (2) Chairman**  
**GIORGIO CUMIN (1)**  
**FRANCESCO FORCHIELLI (3)**  
**SILVANO MONTALDO (1)**  
**ANTONIO TAMBORRINO (1)**

(1) Auditors appointed from the majority list submitted by the Italian Minister of the Economy and Finance.

(2) Auditor appointed from the minority list submitted by the companies Fineco Asset Management SpA SGR, Arca SGR SpA, BNL Gestioni SGR SpA, Banco di

Napoli Asset Management SGR SpA, Ersel Asset Management SGR SpA, Monte dei Paschi Asset Management SGR SpA, Nextra Investment Management SGR SpA and Sanpaolo IMI Asset Management SGR SpA.

- (3) Auditor appointed from the minority list submitted by Mediobanca S.p.A. and Sade Finanziaria S.p.A.

Two Alternate Statutory Auditors were appointed by the Shareholders' Meeting on 23/05/2006:

**MAURIZIO DATTILO (2)**

**PIERO SANTONI (1)**

- (1) Auditor appointed from the majority list submitted by the Minister of the Economy and Finance.
- (2) Auditor appointed from the minority list submitted by the companies Fineco Asset Management SpA SGR, Arca SGR SpA, BNL Gestioni SGR SpA, Banco di Napoli Asset Management SGR SpA, Ersel Asset Management SGR SpA, Monte dei Paschi Asset Management SGR SpA, Nextra Investment Management SGR SpA and Sanpaolo IMI Asset Management SGR SpA.

In 2006, 20 meetings of the Board of Statutory Auditors were held.

The attendance information for Statutory Auditors at the aforementioned meetings of the Board of Statutory Auditors and at the 10 meetings of the Board of Directors held during the 2006 financial year is as follows:

	<u>Board of Statutory Auditors</u>	<u>Board of Directors</u>
LUIGI GASPARI	20	10 meetings
GIORGIO CUMIN	16	10 meetings
FRANCESCO FORCHIELLI	17	8 meetings
SILVANO MONTALDO (*)	9	6 meetings
ANTONIO TAMBORRINO	18	10 meetings

Explanations were received for all absences.

A brief résumé for each member of the Board of Statutory Auditors can be found below.

- **LUIGI GASPARI – CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS**

Born in Rome on 14.09.1956, he has been a Regular Statutory Auditor of Finmeccanica since 16.5.2003. He was appointed Chairman of the Board of Statutory Auditors by the Shareholders' Meeting on 23 May 2006. He has been a chartered accountant since 1985 and is listed in the Register of Auditors. He has held numerous executive posts, including Administrative Manager with the Associazione Generale delle Cooperative Italiane (1976-1980), Operations Manager with RIA Società Nazionale di Certificazione (1980-1985), and consultant for Assogestioni (1985-2000). In 2001, he was on the Steering Committee

(\*) Dr Montaldo has been a member of the Board of Statutory Auditors since 23 May 2006. The other Regular Statutory Auditors were already members of the Board for the three-year period 2002-2005.

that set up the Italian Accounting Body (OIC) and is currently a member of the Board of Directors of that organisation. He has held and continues to hold numerous posts as director, liquidator, member of Boards of Statutory Auditors and Supervisory Boards, management consultant, business analyst and technical advisor in court cases.

- **GIORGIO CUMIN – REGULAR STATUTORY AUDITOR**

Born in Milan on 7.10.1937, he has been a Regular Statutory Auditor of Finmeccanica since 10.5.2000. He was reappointed by the Shareholders' Meeting on 23 May 2006. He holds a degree in economics and business from Bocconi University in Milan. He is listed in the District Register of Chartered Accountants kept by the Courts of Milan and Lodi and is listed in the Register of Auditors. Self-employed, he has held numerous directorships and auditorships, also as President, in other companies, as well as acting as liquidator and sole receiver for various companies in liquidation or administration. He is currently Chairman of the Board of Directors, Director and Statutory Auditor for several industrial companies, as well as liquidator for several companies in administration.

- **FRANCESCO FORCHIELLI – REGULAR STATUTORY AUDITOR**

Born in Urbino (PU) on 14.03.1930, he has been a Regular Statutory Auditor of Finmeccanica since 14.06.1994. He was reappointed by the Shareholders' Meeting on 23 May 2006. An economics and business graduate, he has worked as a chartered accountant since 1952. He has been official liquidator in arrangements and compositions with creditors and receiver in various bankruptcy proceedings. He has been and remains a member of the Board of Directors of various capital companies. He is Chairman and Managing Director and a member or Chairman of several Boards of Statutory Auditors and Audit Committees.

- **SILVANO MONTALDO – REGULAR STATUTORY AUDITOR**

Born in Laigueglia (SV) on 24.05.1957, he has been a chartered accountant since 1981 and has been listed in the Register of Auditors since 1995. He works for a firm based in Alassio and Rome, where he advises on tax, corporate and commercial affairs, social security and litigation. He has been and continues to be a member of the staff appraisal committees of various government bodies. He is an auditor for several government bodies and local councils. He has also been a member of various arbitration bodies and Boards of Directors and is currently a director of Pool Service Srl. He is also Chairman of the Board of Statutory Auditors and Regular Statutory Auditor for various capital companies, including: GRTN, Autostrada dei Fiori and Elsag Business Process Srl. He is currently special receiver for IAR SILTAR SpA.

- **ANTONIO TAMBORRINO – REGULAR STATUTORY AUDITOR**

Born in Torre del Greco (NA) on 23.09.1939, he has been a Regular Statutory Auditor of Finmeccanica since 16.5.2003. He was reappointed by the Shareholders' Meeting on 23 May 2006. A chartered accountant, he is listed in the Register of Auditors. He is self-employed and lectures in insurance company economics at Lecce University. He has taught Masters degrees and specialist courses at Lecce University and Bari University and at the CECCAR in Bucharest. He is former President of the Lecce Provincial Association of Chartered Accountants (1993-1996). Since 2002, he has been President of the Italian National Council of Accountants and Tax Advisers (formerly a national counsellor elected in 1998 and reappointed in 2001). He has held – and continues to hold – numerous executive posts, including Director, Statutory Auditor, Chairman of the Board of Statutory Auditors and Audit Committee. He is also liquidator for various companies and organisations and has various legal appointments (receiver, official liquidator and

court-appointed advisor). The author of a number of publications, he chairs and coordinates the work of two national study groups at the Italian National Council of Accountants and Tax Advisers.

- **MAURIZIO DATTILO – ALTERNATE STATUTORY AUDITOR**

Born in Milan on 19.03.1963, he holds a degree in economics and business from Bocconi University in Milan. He has been listed in the Register of Chartered Accountants since 1990 and in the Register of Auditors since 1995. He works as a chartered accountant for the firm Studio Dattilo Commercialisti Associati, which provides tax advice to, inter alia, Mediobanca and other companies in IMI Group, such as Compass, Selma BPM Leasing, Compage, Spafid, and Banca Esperia, Banca Profilo, Banca IMI, IW-Bank, Distillerie F.lli Ramazzotti, Eurofly SpA and Istituto Europeo Oncologia.

He also holds the office of Regular Statutory Auditor in several companies, including the listed companies GIM SpA di Firenze and Sopaf SpA.

- **PIERO SANTONI – ALTERNATE STATUTORY AUDITOR**

Born in Rome on 3.11.1936, he has been an Alternate Statutory Auditor of Finmeccanica since 10.05.2000. He was reappointed by the Shareholders' Meeting on 23 May 2006. He holds a degree in economics and business and is listed in the Register of Auditors. He worked for IRI until 1987 in the Management Control and Planning Department (Vice-President), before moving to Sistemi Urbani (until 1993) as Joint Chief Executive. He has held numerous directorships and auditorships within IRI Group companies. He is the current Chairman of the Board of Statutory Auditors of Finsider in liquidation and Alternate Statutory Auditor of Finmare S.p.A.

In accordance with the current provisions of the Self-Regulatory Code and based on the criteria laid down for Directors, the Board of Statutory Auditors of the Company has verified that all Regular Statutory Auditors satisfy the "independence" requirement.

Except for Dr Luigi Gaspari (Alternate Statutory Auditor of Telecom S.p.A.), the members of the Board of Statutory Auditors do not hold any other directorships or auditorships in other listed companies on Italian regulated markets.

In terms of the restriction on the total number of executive posts that can be held, Article 28.3 of the Articles of Association states that individuals holding the office of Regular Statutory Auditor in more than five Italian companies listed on regulated markets are ineligible for the office of Regular Statutory Auditor.

As for members of the Board of Directors, the voting list system has also been adopted for the appointment of Statutory Auditors (Article 28.3 of the Articles of Association), with lists submitted by Shareholders – together with the relevant supporting documents – to be filed with head office and published in national daily newspapers at least 10 days prior to the date scheduled for the General Meeting at first convocation (as currently laid down by the privatisation law, Act 474/1994).

An express recommendation will be made to Shareholders in the notice of meeting for lists to be deposited at least 15 days prior to the date of the General Meeting, as expressly recommended by the Self-Regulatory Code.

The notice of meeting will contain the express recommendation for Shareholders that a résumé should be submitted for each candidate when lists are deposited. This will also ensure that the Company's website is up to date.

Only those shareholders who, either severally or jointly with other shareholders, collectively hold at least 1% of the share capital with voting rights at Ordinary General Meetings are entitled to submit lists. Under the Articles of Association, two Regular Statutory Auditors and one Alternate Statutory Auditor must be taken from lists submitted by minority shareholders and the Chairman of the Board of Statutory Auditors must be nominated from among those Auditors elected by the minority shareholders.

As with the appointment of members of the Board of Directors, the Board has recommended to the Shareholders' Meeting – with regard to the appointment of the Board of Statutory Auditors – that Article 28.3 of the Articles of Association should be amended to include a reference to “such lesser number as might be provided by legal or regulatory provisions, where applicable”.

Finally, as mentioned in section 3 above, the confidentiality obligations for auditors and directors of the Company are expressly governed by the special procedures pertaining to the treatment of confidential information.

## **10. SHAREHOLDER RELATIONS**

In view of the importance of establishing an ongoing professional relationship with Shareholders and institutional investors, as underlined by the Code, a special “Investor Relations” department has been set up, dedicated exclusively to this activity.

The department also provides key information so that the financial markets can gain a picture of the Company that reflects the intrinsic value of the Group's businesses. The aim is to foster a transparent and continuous dialogue with the Italian and international financial communities based on a clear strategic view of Finmeccanica's business and prospects. This aim is pursued in line with the principles laid down by national and international best practice and in accordance with the regulatory plan.

Investor Relations is in constant communication with institutional and retail investors and financial analysts, relaying information about the economic, financial and commercial performance of the Group and its shareholding structure, issuing guidance and carefully monitoring market consensus.

The department also prepares financial presentations for Shareholders' Meetings, ensuring that the information given to shareholders is consistent with that disclosed via other financial reporting channels used by the department.

During the year, special events are organised to improve market awareness of the Group and to release its economic and financial results, as well as the outlook (economic and financial guidance).

For this purpose, at least two institutional roadshows are organised each year with the Group's senior management, preferably timed to coincide with the publication of the annual and first-half results, in line with best practice adopted by listed companies.

The roadshows, which should last for at least two days, take place in Milan and London and in major European financial markets such as Paris and Frankfurt. There are stages in New York and Boston, and if necessary in other US markets (e.g. California, Chicago, etc.) or Canada.

The other events organised by the Investor Relations Department include: conference calls with the financial markets when quarterly results are published and/or following significant non-recurring operations; visits to Group sites (in the aeronautical, helicopter and electronic defence sectors so far), normally preceded by a presentation on the Company given by its top management.

In addition, during the annual International Airshow (which alternates between Farnborough and Le Bourget airports), meetings are organised between the financial community and senior management of Finmeccanica and of the Group's key companies, with special presentations and private meetings.

The Vice-President Investor Relations is John Douglas Stewart, who reports directly to the Co-General Manager (currently Alessandro Pansa). A Financial Communication Service has also been set up within the Investor Relations Department. This is managed by Raffaella Luglini.

**Contact details**

Tel +39 06 3247.290/066.

Fax: +39 06 32473514

The department can also be contacted via the following email address:

[investor\\_relations@finmeccanica.com](mailto:investor_relations@finmeccanica.com)

Shareholders' meetings are convened by a notice of meeting published in the Official Journal of the Italian Republic and by a press release published in one national daily newspaper and on the website.

During the convocation, planning and management of shareholders' meetings, a special effort has always been made to maximise shareholders' participation and to maintain an excellent standard of shareholder information, in accordance with the restrictions and distribution procedures applicable to price-sensitive information.

For this purpose, documents relating to items on the agenda will be available to Shareholders on the Company's website, as well as from the head office and Borsa Italiana.

Specifically, through the Corporate Governance section, information is available on members of executive bodies, in addition to members' résumés, key corporate documents, Internal Dealing notices, the Board's reports to the shareholders and press releases published by the Company.

In addition, the Investor Relations section of the website will contain the Company's financial statements with the corresponding presentations and webcasts. The Investor Relations section also contains other information for the retail market (e.g. events calendar, dividends, share capital, stock performance, etc.).

The content of the Company's website has also been gradually and steadily expanded as part of a wider upgrade process, aimed at delivering information about the Company to shareholders in a user-friendly and up-to-date fashion.

Some time ago, Finmeccanica adopted **MEETING REGULATIONS** to define procedures that would allow shareholders' meetings to be conducted efficiently and in an orderly fashion, guaranteeing each shareholder the right to take part in the discussion of items on the agenda, and specifying certain aspects (e.g. maximum length of speeches, voting system, voting procedures, etc.) to enable business to be handled correctly.

In particular, the Chairman is specially empowered to resolve or prevent conflicts of interest from arising at the meeting and to prevent abuses of any kind.

These regulations were ratified by the Shareholders' Meeting on 10.05.2000. They are regularly distributed to all shareholders during meetings and are also available from the Company's website.





<b>TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES</b>							Committee for Internal Audit •		Remuneration Committee ♦		Strategic Committee		Appointments Committee (if any) ◇	
<b>Board of Directors</b>							***	****	***	****	***	****	***	****
Office	Members	Executive	Non-executive	Independent	****	Number of other offices **								
<b>Chairman and Chief Executive Officer</b>	Pier Francesco Guarguaglini	X		==	10/10	==					X	6/6		
<b>Director</b>	Piergiorgio Alberti *		X	X	10/10	1	X	8/9						
<b>Director</b>	Filippo Andreatta		X	X	(9)	=								
<b>Director</b>	Franco Bonferroni		X	X	9/10	3			X	5/5				
<b>Director</b>	<i>Giovanni Castellaneta</i>		(9)	(9)	8/10	=					X	6/6		
<b>Director</b>	Maurizio De Tilla *		X	X	8/10	1	X	7/9						
<b>Director</b>	Gian Luigi Lombardi-Cerri		X	X	10/10	=	X	9/9						
• Summary of explanations for absences from Committee meetings or any other composition departing from the recommendations of the Code: =====														
♦ Summary of explanations for absences from Committee meetings or any other composition departing from the recommendations of the Code: =====														
◇ Summary of explanations for any other composition departing from the recommendations of the Code: =====														

<u>Number of meetings of the Board of Directors held during the period</u>	<u>Board of Directors</u> 10	<u>Internal Audit Committee:</u> 9	<u>Remuneration Committee:</u> 5	<u>Strategic Committee:</u> 6	Appointments Committee: not applicable
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**NOTES**

- \* The asterisk denotes that the director was appointed from a list submitted by the minority shareholders.
- \*\* This column indicates the number of directorships or auditorships held by the person concerned in other listed companies on Italian and foreign regulated markets, in finance, banking or insurance companies or other major companies. Executive posts are described in detail in the Corporate Governance Report.
- \*\*\* In this column, the letter "X" indicates that the director is also a member of the Committee.

\*\*\*\*In this column, the attendance rate is given for directors at meetings of the Board of Directors and at committee meetings. Explanations were received for all absences from meetings of the Board of Directors.

(\*) Member of the Board of Directors appointed pursuant to Article 2386 of the Italian Civil Code by the Board of Directors on 27 March 2007 as the replacement for Prof. Ernesto Monti.

(†) Director without a voting right appointed by Ministerial Decree of 22.07.05 in accordance with Act 474/94 and Article 5.1-ter, subparagraph d) of the Articles of Association.

<b>TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES</b>							Committee for Internal Audit •		Remuneration Committee ♦		Strategic Committee		Appointments Committee (if any) ◇	
<b>Board of Directors</b>							***	****	***	****	***	****	***	****
Office	Members	Executive	Non-executive	Independent	****	Number of other offices **	***	****	***	****	***	****	***	****
<b>Director</b>	<i>Ernesto Monti *</i>		( <sup>9</sup> )	( <sup>9</sup> )	8/10	4								
<b>Director</b>	Roberto Petri		X	X	10/10	=					X	6/6		
<b>Director</b>	Dario Scannapieco		X	==	10/10	=			X	5/5	X	6/6		
<b>Director</b>	Riccardo Varaldo*		X	X	9/10	2			X	5/5				
<b>Director</b>	Guido Venturoni		X	X	10/10	=					X	6/6		
<b>Director</b>	Paolo Vigevano		X	X	10/10	=					X	6/6		
• Summary of explanations for absences from Committee meetings or any other composition departing from the recommendations of the Code: =====														
♦ Summary of explanations for absences from Committee meetings or any other composition departing from the recommendations of the Code: =====														
◇ Summary of explanations for any other composition departing from the recommendations of the Code: =====														

**NOTES**

\* The asterisk denotes that the director was appointed from a list submitted by the minority shareholders.

\*\* This column indicates the number of directorships or auditorships held by the person concerned in other listed companies on regulated markets, whether in Italy or elsewhere, in financial, banking or insurance companies or in major companies. Executive posts are described in detail in the Corporate Governance Report.

\*\*\* In this column, the letter "X" indicates that the director is also a member of the Committee.

\*\*\*\* In this column, the attendance rate is given for directors at meetings of the Board of Directors and at committee meetings for the 2006 financial year. Explanations were duly received for any absences from Board meetings.

(<sup>9</sup>) Resigned on 28 February 2007.

**TABLE 2: BOARD OF STATUTORY AUDITORS**

Office	Members	Attendance rate at Board meetings ( <sup>9</sup> )	Number of other executive posts held **
<b>Chairman</b>	Luigi Gaspari *	20/20	1
<b>Regular Statutory auditor</b>	Giorgio Cumin	16/20	=
<b>Regular Statutory auditor</b>	Francesco Forchielli *	17/20	=
<b>Regular Statutory auditor</b>	Silvano Montaldo	9/20 ( <sup>9</sup> )	=
<b>Regular Statutory auditor</b>	Antonio Tamborrino	18/20	=
<b>Alternate Statutory Auditor</b>	Maurizio Dattilo *	=	=
<b>Alternate Statutory Auditor</b>	Piero Santoni	=	=
<b>Number of meetings held during the period: 20</b>			
<b>Quorum required for the submission of lists by minorities for the election of two regular members and one temporary substitute member: 1% of the share capital with voting rights at Ordinary General Meetings (<sup>10</sup>).</b>			

**NOTES**

\* The asterisk denotes that the auditor was appointed from a list submitted by the minority shareholders.

\*\* This column indicates the number of directorships or auditorships held by the person concerned in other listed companies on Italian regulated markets.

(<sup>9</sup>) Dr Montaldo has been a member of the Board of Statutory Auditors since 23 May 2006. The other Regular Statutory Auditors were already members of the Board for the three-year period 2002-2005.

(<sup>9</sup>) Explanations were received for all absences from meetings of the Board of Statutory Auditors.

(<sup>10</sup>) Or such lesser number as may be provided by legal or regulatory provisions, where applicable (amendment to Article 28.3 of the Articles of Association recommended by the Board of Directors to the Shareholders' Meeting).

**TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATORY CODE**

	YES	NO	Summary of explanations for any departure from the recommendations of the Code
<b>Delegation of powers and related-party transactions</b>			
Has the BoD delegated powers defining their:			
a) Limits?	X		
b) the procedures for exercising them	X		
c) the reporting frequency?	X		
Has the Board of Directors reserved the right to examine and approve operations that are particularly important from an economic, equity or financial point of view (including related party transactions)?	X		
Has the Board of Directors defined guidelines and criteria for identifying "material" transactions?	X		
Are the above guidelines and criteria described in the report?	X		
Has the Board of Directors defined procedures for the examination and approval of related party transactions?	X		
Are the procedures for the approval of related party transactions described in the report?	X		
<b>Procedures for most recent appointment of directors and statutory auditors</b>			
Were candidacies for directorship lodged at least 10 days beforehand?	X		
Were candidacies for directorship accompanied by exhaustive information?	X		
Were nominations for the office of director accompanied by an explanation of how the candidate qualifies as independent?		X	
Were candidacies for the office of statutory auditor lodged at least 10 days beforehand?	X		
Were candidacies for the office of statutory auditor accompanied by exhaustive information?	X		
<b>Shareholders' meetings</b>			
Has the company approved a Regulation for Shareholders' Meeting?	X		
Is the Regulation attached to the report (or is there an indication of where it can be obtained/downloaded)?	X		
<b>Internal Audit</b>			
Has the company appointed internal auditors?	X		
Are they hierarchically independent from operating managers?	X		
Organisational unit responsible for internal audit & control (as per Art. 9.3 of the Code)	Audit Department		

<b>Investor Relations</b>			
Has the company appointed an investor relations manager?	X		
Organisational unit and contact details (address/telephone/fax/e-mail) of investor relations manager	INVESTOR RELATIONS DEPARTMENT VP Investor Relations John Douglas Stewart - Head of Financial Communication Service Raffaella Luglini. P.zza Monte Grappa, 4-00195 Rome – Tel. +39 06 3247.290/066. Fax: +39 06 32473514 – e-mail: <a href="mailto:investor_relations@finmeccanica.com">investor_relations@finmeccanica.com</a>		