



**Report on corporate governance and adherence to the
Self-Regulatory Code for Listed Companies**

April 2008

Disclaimer

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FINMECCANICA – Società per azioni

**REPORT ON CORPORATE GOVERNANCE AND ADHERENCE TO 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 for information to be disclosed by listed companies with regard to the compliance with the codes of conduct, the aim of this Report, on the occasion of the Shareholders' Meeting for the approval of the 2007 financial statements, is to describe the company governance system of Finmeccanica.

It should be recalled that during the meeting of 17th October 2006 the Board of Directors resolved upon the adoption of the corporate governance model used by the Company in line with 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 adapted to fully reflect these recommendations.

The fundamental rules of corporate governance have therefore been consolidated in 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 the Board of Statutory Auditors, to the extent that it concerns them, during the meeting of 14th December 2006, and lastly supplemented by means of the resolutions passed by the Board during its meeting of 1st March 2007.

This Report therefore aims to illustrate, on the basis of the new Code and with reference to the organisational model defined by it, the time intervals and analytical description of the instruments and compliance methods on the part of the Company with the provisions of the Code, also in light of the implementations which took place during the 2007 financial year and in the first few months of 2008.

Shareholding structure

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

The Italian Ministry of the Economy and Finance owns approximately 33.71% of the share capital, with 143,376,556 shares.

The shareholding of the Ministry of Economy and Finance is governed by the terms of Prime Minister's Decree of 28th September 1999, which states that the stake 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:

- FIDELITY INTERNATIONAL LIMITED, with 9,043,652 shares, equal to approximately 2.126% of the ordinary share;
- CAPITAL RESEARCH AND MANAGEMENT COMPANY, with 9,002,028 shares, equal to approximately 2.117% of the ordinary share;
- BARCLAYS GLOBAL INVESTORS UK HOLDINGS Ltd, with 8,564,794 shares, equal to approximately 2.014% of the ordinary share.

The company is not aware of any shareholder agreements in relation to its shares.

Special powers

Under Law 474 of 30.07.1994, as amended by Law 350 of 24 December 2003 (the Finance Act 2004), the Italian Minister of the Economy and Finance, jointly with the Italian Minister for Manufacturing, now known as the Minister for Economic Development, 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 Minister 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.

Company Organisation

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 Incorporation and observance of the principles of correct business administration; b) the adequacy of the Company's organisational structure, internal control 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: the shareholders' meeting of 23rd May 2006 commissioned PricewaterhouseCoopers S.p.A. to carry out the auditing of the Company accounts for the 2006-2011 period.
- RESPONSIBLE MANAGER FOR DRAFTING COMPANY FINANCIAL REPORTS:
Pursuant to the terms of article 154 *bis* of the Financial Services Act, on 14th June 2007 the Board of Directors appointed Alessandro Pansa, Co-General Manager of the Company, as the responsible manager for drafting Company financial reports, up to the expiry of the term in office of the current Board of Directors.
In addition, in order to comply with the regulations contained therein, the Company has drafted a specific plan for the adoption of the new regulations, which the Group viewed as an opportunity for the further and constant development of its Corporate Governance model. The objective of the plan is to verify the adequacy of the administrative and accounting procedures and the related management methods for the preparation of the fiscal year and consolidated financial statements and the half-year accounting reports.

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

In view of the entry into force of Legislative Decree 231/01 as amended and supplemented, introducing specific corporate responsibility for certain types of crimes, the Company adopted 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 the offences referred to in said Decree, which could potentially be committed by its the directors, auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica S.p.A.

For this purpose, during its meeting of 26th July 2007, the Board of Directors of Finmeccanica S.p.A. approved the update to the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 initially adopted by the company by means of the Board resolution of 12th November 2003. The update, which was implemented following a risk assessment process, was rendered necessary by the changes to the organisational structure of Finmeccanica S.p.A. and the changes to the regulations of Legislative Decree 231/01 during that period of time.

In particular, this Model, which also represents a point of reference for the Group companies for the adoption of their own protocols: consists of :

- a general section, which essentially deals with:
 - 1) the Supervisory Body (SB), the flows of information that have to be sent to it and reporting on its activities relating to the company bodies;
 - 2) staff training and the dissemination of the Model within and outside the Company;
 - 3) the disciplinary measures applicable in the event of failure to comply with the relevant obligations;
- a special section A, which covers 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;
- a special section B, which covers corporate offences, structured as per section A above.

The following are schedules and form an integral part of the Finmeccanica S.p.A. Organisational Model:

1. the Code of Ethics
2. the Organisational Structure
3. the attribution of powers and the system of delegation
4. the Reporting Schedule (for monitoring of the areas at risk and the risk of criminal offences against the public administration)
5. the list of 'Relevant Parties' pursuant to the Code of Internal Dealing
6. the regulatory framework

Following the inclusion of new types of offence into the text of Legislative Decree 231/01, as determined by:

- ✓ Delegation Law 123/2007 (which became effective on 25th August 2007), which reforms the regulations on the protection of health and safety in the workplace with the addition of the new article 25 (vii) to the text of Legislative Decree 231/01;
- ✓ Legislative Decree 231/2007 (of 21st November 2007) which inserts article 25 (viii) into Decree 231/01, concerning crimes such as receiving, recycling and use of funds, goods or profits of illegal origins;

a further review is being carried on the Organisational Model currently in force, which is scheduled to be completed in 2008, with the approval by the Board of Directors of the new document reflecting the updated and soon to be published Confindustria Guidelines.

With regard to the Supervisory Body established pursuant to the terms of Legislative Decree 203/01, which since 2002 consisted of a single-member, it is noted that its structure was modified by the Board of Directors in May 2005, by adopting a multiple member format, in line with the Confindustria Guidelines and developments in case law relating to medium to large industrial groups. The Subsidiaries were subsequently also notified of this decision so that their respective boards of directors could carry out their own assessments. To date, the supervisory bodies of the larger Group's company subsidiaries have a collegial structure, while the smaller companies tend to have a single-member body, in accordance with the terms of article 6 of Legislative Decree 231/01.

The Supervisory Body of Finmeccanica S.p.A. is chaired by the independent non-executive director Maurizio de Tilla, and the heads of the Audit Department and the Legal and Corporate Affairs Department, who are members of the Supervisory Body. The duties and activities of this Body and its operating methods are subject to a specific regulations, which were approved by the Board of Directors of Finmeccanica S.p.A. during the meeting of 15th December 2005, on which occasion the Board of Directors also inspected the international regulations of the Supervisory Body.

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 eight and not more than twelve 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 12th 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 for Manufacturing, now known as the Minister for Economic Development, exercising the "special powers" referred to in Act 474/1994, as subsequently amended. The 12th 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 Board is vested with the broadest powers for the administration of the Company, and has the right to carry out all the most appropriate operations to attain the Company objectives, with the exception of those reserved for the Shareholders' Meeting in accordance with the law and the Articles of Association.

The Shareholders' Meeting also appointed 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.

The following changes in the composition of the Board took place during the 2007 financial year.

Following the resignation of Ernesto Monti on 28th February 2007, the Board of Directors appointed Filippo Andreatta to replace him, on a pre-emption basis on 27 March 2007.

On 30th May 2007, the Ordinary Shareholders' Meeting confirmed the appointment of Filippo Andreatta as a member of the Board of Directors.

Subsequently, following the resignation of Dario Scannapieco from the Board with effect as of 3rd September 2007, the Board of Directors appointed Francesco Parlato to the Board on 12th September 2007, again by pre-emption.

On 16th January 2008, the Ordinary Shareholders' Meeting confirmed the appointment of Dario Scannapieco as a member of the Board of Directors.

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

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)
FRANCESCO PARLATO (*)**
ROBERTO PETRI (1)
RICCARDO VARALDO (2)
GUIDO VENTURONI (1)
PAOLO VIGEVANO (1)

- (1) Directors appointed from the majority list submitted by the Minister of the Economy and Finance, which held a shareholding equal to 33.98% of the company share capital.
- (2) Directors appointed from the minority list submitted by Mediobanca S.p.A. and MB Finstrutture Intersommer SpA, held a total shareholding equal to 1.59% of the company share capital.

In accordance with the terms of 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 2007 financial year, 15 board meetings took place. On each occasion, the documentation enabling informed participation in the Board's work were issued in good time

(*) Director pre-empted following the resignation of Ernesto Monti from the Board on 27th March 2007, confirmed in office by the shareholders' meeting of 30th May 2007.

(**) Director without voting rights appointed by the Ministry of the Economy and Finance, following consultancy with the Ministry for Manufacturing, now known as the Ministry for Economic Development.

(***) Director pre-empted following the resignation of Dario Scannapieco from the Board on 12th September 2007, confirmed in office by the shareholders' meeting of 16th January 2008.

The attendance figures for the board members at the meetings held during the 2007 financial year are as follows:

| | |
|-----------------------------|-------------|
| PIER FRANCESCO GUARGUAGLINI | 15 meetings |
| PIERGIORGIO ALBERTI | 13 meetings |
| FILIPPO ANDREATTA | 11 meetings |
| FRANCO BONFERRONI | 14 meetings |
| GIOVANNI CASTELLANETA (*) | 14 meetings |
| MAURIZIO DE TILLA | 13 meetings |
| GIAN LUIGI LOMBARDI-CERRI | 15 meetings |
| ERNESTO MONTI (**) | 0 meetings |
| FRANCESCO PARLATO | 4 meetings |
| ROBERTO PETRI | 15 meetings |
| DARIO SCANNAPIECO (***) | 8 meetings |
| RICCARDO VARALDO | 14 meetings |
| GUIDO VENTURONI | 15 meetings |
| PAOLO VIGEVANO | 14 meetings |

Any absence was duly justified

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 professional 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 25th February 1937. Chairman and Chief Executive Officer of Finmeccanica since 24th April 2002, his mandate was renewed by the Shareholders' Meetings of 16th May 2003 and 12th July 2005. Graduated in Electronic Engineering at the University of Pisa and awarded a Ph.D. in electrical engineering at the University of Pennsylvania. Lectures at the University of Rome. A member of the Board of AECMA (European Association of Aerospace Industries) and I.E.E.E. (The Institute of Electrical and Electronics Engineers). Member of the Board of Management for relations between Italy and the USA and Independent Director of Eutelsat Communications. Has occupied a number of roles, including General Manager and later Chief Executive Officer of Officine Galileo (1984-1994), Chief Executive Officer of Oto Melara and Breda Meccanica Bresciana (1994-1996), Group Head of the Defence Sector Companies of Finmeccanica (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 – DIRECTOR**

Born in Sanremo on 28th March 1943. Lecturer in Administrative Law at the Faculty of Law of the University of Genoa, where he also teaches European Administrative Law. Author of a number of monographs and articles in Italian and foreign scientific publications. Member of the board of cassation lawyers at the Senior Council of Magistrates, he is holder law firm

(*) Director with no voting rights, pursuant to article 5.1 (iii) d) of the articles of association.

(**) Resigned on 28th February 2007.

(***) Resigned on 3rd September 2007

Alberti & Associati. Auditor of accounts. Currently a Director of Parmalat s.p.a. and the Ospedali Galliera Hospital Trust, Genoa. He has also acted as: Director of Banca Carige s.p.a., Locat s.p.a., Mediocredito Ligure, Sina s.p.a. and AISCAT – the Italian Association of Motorway and Tunnel Licensee Companies, as well as Vice-chairman of Autostrada dei Fiori s.p.a., Autostrada Ligure Toscana s.p.a. and Finfigure s.p.a.,. He has also been a member of the Technical and Scientific Committee set up by the government for the application of section V of the Constitution. A member of various associations (including IISA – the Italian Institute of Administrative Sciences, AIDU – the Italian Association of Town Planning Law, and AIPDA – the Italian Association of Lecturers in Administrative Law). He is joint editor of *Economia e Diritto del Terziario*.

- **FILIPPO ANDREATTA – DIRECTOR**

Born in Bologna on 12th July 1968. Lecturer in Political Science at the University of Bologna. Also teaches at the R. Ruffilli Faculty of Political Science in Forlì, where he is in charge of the post-graduate course in International and Diplomatic Sciences and Head of courses in International Relations, Strategic Studies and Comparative Foreign Policy. Joint Director of the course on The Future of European Foreign Policy at the Bologna Centre of the School of Advanced and International Studies of Johns Hopkins University.

Since 2005, he has been a member of the Advisory Committee for the Transatlantic Relations project of the Institute of International Affairs. Co-founder and Co-chairman of the Standing Group for International Relations at the Italian Political Science Society. A Director of the Alma Graduate School and member of the scientific committees of a number of institutes, including the Research and Legislation Agency (Arel). Carries out intense publishing and research activities.

- **FRANCO BONFERRONI – DIRECTOR**

Born in Reggio Emilia on 10th October 1938. Chartered accountant and Statutory auditor of accounts, he has been a Member of Parliament (1979-1992) and Senator (1992-1994). A freelance practitioner since 1976, he was a member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), of which he was later Chairman (1974-1979). Has acted as a Director in a number of companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA (Montedison Group) (1977-1979). He is currently a Director of Alerion Industries SpA and Cassa di Risparmio di Bra. He has been Chairman of IFOA, the Training Institute for Company Operators (1975-1989), and from 1989 to 1992 he was Under-secretary of State at the Ministry of Trade and Industry and the Ministry of Foreign Trade.

- **GIOVANNI CASTELLANETA – DIRECTOR** ^(*)

Born in Gravina di Puglia (BA) on 11th September 1942. Graduated in Law at La Sapienza University, Rome and undertook a diplomatic career in 1967. Has occupied a number of roles in Italy and abroad, at the General Secretariat of the Ministry for Foreign Affairs, as Press and Cultural Attaché in Paris, permanent Vice-representative at the International Organisations in Geneva, Head of the Press and Information Service at the Ministry for Foreign Affairs, and Ambassador to Iran and Australia. Operated as Diplomatic Counsellor to the Prime Minister and personal representative of the Prime Minister at G7/G8. Currently Italian ambassador to the USA.

- **MAURIZIO DE TILLA – DIRECTOR**

Born in Naples on 6.04.1941. He has been a Director of Finmeccanica since 25th October 2000, and his term in office was renewed by the Shareholders' Meetings of 16th May 2003

(*) Director with no voting rights, pursuant to article 5.1 (iii) d) of the articles of association.

and 12th July 2005. Civil lawyer at the Court of Cassation and Chairman of the National Social Security and Court Assistance Fund. Chairman of the Association of Private Social Security Bodies, the Italian Institute of Forensic Culture and Senior Vice-chairman of the Federation of Associations of European Advocates. Chaired the Council of the Association of Solicitors of Naples (1993-1994). Former Chairman of the European Court of Arbitration for Southern Italy, and current Chairman of the Naples Interdisciplinary Consultancy Board and Board of Arbiters of the Italy-USA Association of Solicitors. Chairman of Lextel, Director of Alleanza Assicurazioni and member of the board of Assicurazioni Generali. Contributes to a number of legal publications and newspapers and the author of numerous publications (including *Trattato di Diritto Immobiliare*). Joint Director of *Immobili e Diritto* (published by *Il Sole 24 Ore*). As journalist, he is a member of the Council of Journalists of Campania.

- **GIAN LUIGI LOMBARDI-CERRI – DIRECTOR**

Born in Genoa on 9th May 1926. A director of Finmeccanica since 16th May 2003, and his term in office was renewed by the Shareholders' Meeting of 12th July 2005. A graduate in Industrial and Mechanical Engineering from Milan Polytechnic. Freelance professional (designer of machine tools and production lines). Former lecturer in Machine Tools Technology at the ISTIM-Upper Institute of Technology of Milan, and lecturer in Industrial Engineering at Milan Polytechnic. Technical consultant and arbiter to UCIMU. Specialist consultant to the Autonomous Province of Trento on the automation problems of the companies operating in the province. Has occupied a number of company roles, including Technical Manager at Officine Mariani, General Manager of Ceruti-Imes, Production Manager of Ceretti & Tanfani, Technical Manager of Induma, Production Manager of Caser and General Manager of Canavese.

- **FRANCESCO PARLATO – DIRECTOR**

Born in Rome on 17th April 1961. Graduated in Economics and Commerce at LUISS, Rome. In July 2007, he was appointed to the role of Head of the General Finance and Privatisation Section of the Treasury Department, where he had been head of the department responsible for the privatisation of groups and companies owned by the Ministry of the Economy and Finance since 2003. For a number of years, he occupied management posts at the IRI Finance Department. Currently a member of the Board of Directors of the electrical services body GSE S.p.A. (where he is Chairman of the Compensation Committee) and Fincantieri S.p.A., and a member of the Steering Committee of the Deposits and Loans Office. He has also been a Director of Tirrenia di Navigazione S.p.A. and Mediocredito del Friuli Venezia Giulia S.p.A.

- **ROBERTO PETRI – DIRECTOR**

Born in Pescara on 12th November 1949. Graduated in Law. A former official of Banca Nazionale del Lavoro, where he occupied a number of roles, including Head of the Credit Rating Office at BNL Busto Arsizio (1982), Vice-manager of the industrial section at the Ravenna branch (1983-1987), Area Manager at BNL Venice (1987-1989), and Joint Manager at the Rome Head Office (1989-1990). From 1990 to 1994, he was Commercial Manager at Banca Popolare di Ravenna, where he was in charge of the credit and development operations. Later, in October 1994, he moved to the Cassa di Risparmio di Ravenna Group, as Commercial Manager. He has acted as Head of the special administrative office of the Under-secretary of Defence, Filippo Berselli, and has been a member of the Board of Directors of Fintecna SpA.

- **RICCARDO VARALDO – DIRECTOR**

Born in Savona on 17th June 1935. Graduated in Economics at the University of Pisa, where he was a lecturer in Economics and Company Management from 1972 onwards. In 1987 he became a member of the staff of Scuola Superiore Sant'Anna for university and

postgraduate studies. He is currently Chairman of said organisation, after previously acting as Director (Rector) from 1993 to 2004. Honorary Professor of the Chongqing University, China. Member of the Board of the Italy-Japan Business Group since 2004, of the Scientific Committee of the Lucchini Foundation and of Think Tank of Unioncamere. Currently a Director of Piaggio SpA (since 2006). He was director of Cassa di Risparmio di Firenze (until March 2008), Targetti Sankey (until April 2006), Oto Melara (2003-2005), Alleanza Assicurazioni, Gruppo Generali (1990-1993), Nuovo Pignone (1989-1992). Chairman of the Italian Society of Marketing and a member of a number of other associations, including the Italian Society of Economists and the Italian Academy of Company Economics. He occupied a number of roles in ministries and public bodies and currently is membership of Commission MIUR for establishing research companies. Author of a number of monographs and articles in Italian and foreign publications. Editor of *Mercati e Competitività* and Joint Editor of *Economia e Politica Industriale*, and a member of the Scientific Committees of a number of other scientific publications.

- **GUIDO VENTURONI – DIRECTOR**

Born in Teramo on 10th April 1934. Attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot's licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. Promoted to Rear-Admiral in 1982, he later went on to assume roles of increasing responsibility, including Head of Operations at the Navy and later at the Ministry of Defence, Commander of the 1st Naval Division, Deputy Head of the Naval General Staff, and Commander in Chief of the Naval Squadron in the Central Mediterranean. In 1992, he was appointed Head of the Naval General Staff, and in 1994 Head of the General Defence Staff. In 1999, he was appointed to the role of President of the Military Committee of NATO. Admiral Venturoni completed his mandate in Brussels in 2002 and retired from active service after 50 years in the forces. He occupied various important roles and conducted a number of military operations at national and international level, for which he was awarded several Italian and foreign decorations. More specifically, he was in charge of the multinational strategic and operational intervention led by Italy in Albania in 1997. From 2002 to November 2005, he was Chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

- **PAOLO VIGEVANO – DIRECTOR**

Born in Genoa on 28th March 1948. An engineering graduate from Sapienza University in Rome, he has been Head of the Technical Department and Policy Councillor at the Ministry for Innovation and Technologies, Chairman of Innovazione Italia S.p.A.. From 2002 to 2005, he was Vice-chairman of the ICCP Committee (Information Communications Computer Policies) of the OECD, member of the Upper Council for Communications and Chairman of the Interministerial Executive Committee for the preparation of the national development plan for broadband. In 2001, he chaired the Interministerial Commission for the organisation of the programme of operations for the development and promotion of broadband telecommunications networks. In 2004, he headed the Interministerial Commission on digital content within the Internet. He was an editor at Radio Radicale from 1979 onwards and Agorà Telematica from 1989, and has acted as a manager and director at a number of companies (SOGEI-FINSIEL). He founded and chaired the association of national radio broadcasting networks, RNA (1986) and FIERTI (1983), and the Federation of Italian Radio and Television Broadcasters. He acted as Treasurer of the Radical Party on various occasions over a period of more than two decades (1975 - 1998) and was elected to parliament in the lists of Riformati in Forza Italia in 1994 he is Head of institutional relations at the Almagora Group.

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 its subsidiaries of strategic importance ^(*) prepared by the Chairman and Chief Executive Officer , particularly with reference to the suitability, effectiveness and efficiency of the internal control 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;
- 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.

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

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 on an annual basis.

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

- **PIER FRANCESCO GUARGUAGLINI**
Member of the Board of Directors of Eutelsat Communications
- **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.
- **MAURIZIO DE TILLA:**
Member of the Board of Directors of ALLEANZA ASSICURAZIONI S.P.A.
- **FRANCESCO PARLATO:**
Director of Fincantieri S.p.A.
Director of Gestore dei Servizi Elettrici S.p.A.
- **RICCARDO VARALDO:**
Member of the Board of Directors of PIAGGIO S.P.A.

The Board has delegated the following powers to the Chairman and Chief Executive Officer of 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.

ASSESSMENT OF THE OPERATIONS 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, 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 2007 and early 2008 and taking account of the results of the previous assessment.

The analysis recently carried out confirmed 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 prospects especially at international level; a unanimous vote of confidence in the Chairman and Chief Executive Officer, whose accessibility has improved compared with previous analyses; the adequacy and quality 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, in addition to a greater understanding of the business and the key operating factors which have had an important influence on Board's effectiveness and decision-making capacities. By comparison with the previous analysis, the appointment of the Lead Independent Director and the ensuing possibility of developing matters outside the area of the Board's responsibility was deemed positive and critical on Members' preparation levels.

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.

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 evaluation 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" requirement, with the sole exception of Francesco Parlato, by virtue of his working relationship with the Ministry of Economy and Finance, which approximately holds a 33.71% 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.

Notwithstanding the above, 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 and his specific skills.

On 26th July 2007, the Board of Directors, with the abstention of the Chairman and Chief Executive Officer, as laid down in the Board's regulations, appointed Guido Venturoni to the position of Lead Independent Director, with 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 remains in office for the remaining term of the Board of Directors, that is, until the Shareholders' Meeting for the approval of the 2007 financial statements.

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.

During the 2007 financial year 2 meetings of the independent Directors took place, and 2 meetings were held in the first quarter of 2008.

3. TREATMENT OF COMPANY INFORMATION

Particular attention was dedicated within the Company to the handling and usage of confidential information and outside communications, especially with reference to privileged information.

For some time now, specific internal procedures have been implemented in order to coordinate the management and dissemination of said information within the Group, so as to guarantee compliance with the limits and obligations imposed on listed issuers at every structural level, including on the part of the subsidiaries companies.

These procedures were updated in more organic terms during 2007, by means of a specific directive on the handling and usage of privileged and confidential information by managers and employees of the Company and its Directors, Auditors and external consultants.

The aforesaid directive was also relayed to Finmeccanica's subsidiaries, so that it may be transposed and that its regulation be put into operation.

The Central Department for External Relations of the Company is responsible for managing the dissemination process.

As part of the procedures for the management and distribution of Company information and in accordance with the Internal Dealing regulations, the Board of Directors resolved during its meeting of 28th March 2006 to adopt a **CODE OF CONDUCT FOR INTERNAL DEALING**, to replace the previous Code of Conduct. The new Code complies with the regulations on application issued by CONSOB, which has adopted the new provisions of the European Directive on Market Abuse.

The new Code, which became effective on 1st April 2006, regulates the flows of information on operations relating to the shares issued by Finmeccanica and other related financial instruments identified by CONSOB, which may have been

established, directly or indirectly, by the Relevant Persons of the Company and parties closely related thereto..

For the purposes of the Code, the notion of 'Relevant Persons' includes the Directors, Auditors and Chief Operating Officer, and all the parties acting as Co-General Manager and Co-Chief Operating Officer. The disclosure requirements stipulated by the Code also extend to the operations carried out by 'Parties closely related to the Relevant Persons', as defined by CONSOB.

The Code lays down the value threshold for operations subject to disclosure requirements as of 1st April 2006. In accordance with the new regulations, only operations with a value of less than Euro 5,000 are excluded from such obligation.

As regards the obligation to inform CONSOB and the public, the Relevant Persons must inform the company within 4 business days of the date of the operation, and the company must inform CONSOB, the stock exchange and press agencies within the business day following receipt of said information.

In order to guarantee the correct application of the new regulations, the Company has laid down specific operating methods, by means of which the Relevant Persons will be made aware of their obligations and are offered assistance in achieving their fulfilment suitably in advance.

4. BOARD OF DIRECTORS' COMMITTEES

The Board of Directors has set up Committees composed by Directors according to the Self – Regulatory Code for Listed Companies, in particular the Internal Audit Committee and the Remuneration Committee, as well as the Strategic Committee; the related functions and composition are hereinafter described.

The Board of Directors has decided not to set up its own committee to nominate candidates for the office of Director, nor to exercise the right to submit its own list for candidates, since so far shareholders have not reported any problems with organising nominations based on the voting list system.

INTERNAL AUDIT COMMITTEE:

MEETING ATTENDANCE

| | |
|---|-------------|
| PIERGIORGIO ALBERTI – Chairman (since February 2007) | 10 meetings |
| FRANCESCO BONEFERRONI | 7 meetings |
| MAURIZIO DE TILLA | 8 meetings |
| GIAN LUIGI LOMBARDI-CERRI | 10 meetings |

The Committee is composed of four 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 control system, for which the Board is responsible.

The composition of the Committee is also coherent with the requirement that at least one member of the Committee has sufficient accounting and financial experience.

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 control system, in addition to the effective compliance 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, without limitations, 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 control 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 2007 financial year, the Committee met ten times.

In early 2008, the Committee met three times.

During the 2007 financial year and the first quarter of 2008, 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 control system.

In particular during the 2007 financial year and the first quarter of 2008, the Committee:

- continued monitoring the set of procedures and directives issued by Finmeccanica which also operate as guidelines for the procedures adopted by the Subsidiaries for the integrated and uniform management of their business processes and activities;
- continued checking the application of the procedures adopted by the 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;
- examined the reports received from the Finmeccanica Board of Auditors on the outcomes of the meetings held by it with the control bodies of some of Finmeccanica subsidiary companies, pursuant to article 151, paragraph 2, of the Financial Services Act, and article 2403 *bis*, paragraph 2, of the Italian Civil Code, in order to obtain information on the company administration and control systems and the general business trend of these companies;

- took note of the operations carried out by the Audit Department for assessing staff selection and recruitment processes at Finmeccanica in order to ensure compliance with the applicable regulations ;
- took note of the results of the operations carried out by the Audit Department for assessing the processes implemented by Finmeccanica for the correct application of the fiscal regulations to the financial statement data;
- took note of the audit carried out by the Audit Department on the costs of acquiring services by Finmeccanica, to ensure compliance of the Company procedures on ‘Acquisition of Goods and Services’ with the terms of Legislative Decree 231/01 and the Code of Ethics;
- examined the Finmeccanica Corporate Governance model to ensure that it is in line with the Self-Regulatory Code for Listed Companies;
- examined the Audit Department report on the operations carried out in 2007;
- continued to monitor Finmeccanica system of procedures and directives and their correct application by the Company and its Subsidiaries.

With the support of the Audit Department, the Committee carried out the operations necessary to enable the Board of Directors to assess the adequacy of the organisational, administrative and general accounting structures of the Company and the Subsidiaries of strategic importance.

The Committee 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 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:

ATTENDANCE

| | |
|--|------------|
| RICCARDO VARALDO – Chairman | 5 meetings |
| PIERGIORGIO ALBERTI | 3 meetings |
| FRANCO BONFERRONI | 5 meetings |
| FRANCESCO PARLATO ^(*) | 1 meetings |
| DARIO SCANNAPIECO ^(**) | 3 meetings |

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

- 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 this is required by Article 2389 of the Italian Civil Code, based on his employment contract with the Company;

^(*) Became a member of the Committee on 18th October 2007.

^(**) Resigned on 3rd September 2007.

- 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 senior management for the introduction or modification of share incentive and allocation plans for directors and senior managers of the Company and the 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 senior 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 2007, the Committee held five meetings, and met once in the first quarter of 2008.

In the 2007 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, during the course of the 2007 financial year, the Committee:

- examined the "Guidelines of the 2007 Human Resources Operating Plan", prepared by Finmeccanica's Human Resources Division, with particular reference to the various activities required for its implementation and the initiatives to be adopted for the selection and training of suitable resources and ensuring a progressive management renewal process, taking the increasing internationalisation of the operations of the Group into account;
- examined the 2007 MBO Programme for Group Management, essentially in line with the structure already applied in 2005 and 2006, and specifically approved the MBO programme for the Chairman and Chief Executive Officer;

- confirmed its approval of the medium to long term incentive programme of the Group already in force for the 2005-07 period, consisting of the Long Term Incentive Plan (cash) and Performance Share Plan (stock grant). In relation to the latter, the Committee approved the Board of Directors' proposal for the confirmation of the PSP plan for the 2008-10 period, to be submitted to the Shareholders' Meeting for final approval. This proposal, supported also by the Board of Directors, was approved by the Shareholders' Meeting of 30th May 2007. Subsequently, the Committee approved the new regulations for the application of the PSP, essentially similar to that already in force for the 2005-07 PSP, whose application did not encounter any particular difficulties;
- took note of the results for the 2006 financial year in terms of the short and medium/long term incentive plans for Group management. In this sense, the Committee expressly authorised the transfer of company shares to those participating in the Performance Share Plan, who include the Chairman and Chief Executive Officer;
- approved the remuneration due to the Chairman and Chief Executive Officer in relation to the performance objectives achieved in the 2006 financial year, with reference to the non-share incentive plans and the 2006 MBO, as previously approved by the Committee;
- examined and approved the employment trends and the labour cost situation within the Group, the effectiveness of the incentives in terms of the training and development of key resources and the recruitment of talented personnel from the market (FHINK Masters) and the Group Education Policy, all of which were presented to the Board of Directors during the financial year.

During the first few months of 2008, the Committee assessed the short and medium/long term incentive schemes in force and approved the assignment of the 2008 MBO incentives and those of the 2008-10 non-share incentive plan to management, also determining their related performance objectives. The Committee expressed its approval of the incentives and objectives assigned to the Chairman and Chief Executive Officer

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

STRATEGIC COMMITTEE:

ATTENDANCE

| | |
|---|------------|
| PIER FRANCESCO GUARGUAGLINI – Chairman | 3 meetings |
| FILIPPO ANDREATTA | 2 meetings |
| GIOVANNI CASTELLANETA | 3 meetings |
| FRANCESCO PARLATO ^(*) | 1 meetings |
| ROBERTO PETRI | 3 meetings |
| DARIO SCANNAPIECO ^(**) | 2 meetings |
| GUIDO VENTURONI | 3 meetings |

^(*)Became a member of the Committee on 18th October 2007.

^(**)Resigned on 3rd September 2007.

PAOLO VIGEVANO

3 meetings

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

During the 2007 financial year, the Committee met three times.

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

In 2007, the Committee:

- examined the strategic assumptions for further growth in the UK market 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 this market.
- examined the usefulness of establishing strategic alliances in the defence systems sector, aimed at promoting certain business segments that would reinforce the competitive position of the Group, while at the same time safeguarding its technological skills and industrial presence on the Italian market.

The Committee also examined the advantages of reinforcing Finmeccanica's role as prime contractor / intermediary in major systems, with a view to becoming a reference player in the area of major security and defence systems.

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

For better conduct of related activities 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), Sir Kevin Tebbit (UK) and the member of the Board of Directors Guido Venturoni, Chairman. The evaluations expressed by the Committee during its activities have been reported to the Board of Directors.

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 for Manufacturing, now known as the Minister for Economic Development, pursuant to Law 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 Law 262/2005 (Savings Law), the Shareholders of the Company, at its meeting of 30 May 2007, decided 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 Shareholders' Meeting also adapted 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 have 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 statutory 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.

The Articles of Association still effective about this specific matter in accordance with the privatisation law (Law 474/1994), states 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 is however made to Shareholders in the notice of call of the 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.

Moreover, so that up-to-date information can be published on the Company's website, the notice of call of the meeting contains 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.

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, defined following resolution by the Remuneration Committee;
2. the free allocation of shares, as provided for in the long-term share incentive plan and approved by the Shareholders' Meeting, also subject to the Group achieving certain financial and economic results, defined following resolution by the Remuneration Committee.

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 Officer and the Directors with strategic responsibilities

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 control 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.

Conscious of how fundamentally important a proper internal control 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 audit 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.

On the basis of the report by the Chairman of the Internal Audit Committee, the Board of Directors has assessed as appropriate, effective and actually efficient the organisational, administrative and general accounting structures of the Company and its main Subsidiaries.

With regard to the tasks of the Internal Audit Committee, as described in section 4 above, the Board of Directors approved the updated version of the regulations in April 2007, taking into account the updates to the Self-Regulatory Code on the introduction of a responsible manager for drafting Company financial reports.

In 2002, Finmeccanica appointed an INTERNAL AUDIT MANAGER, who is also the 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 Statutory Auditors.

As part of internal audit management, the Audit Department is responsible for managing audits at Group level; preparing and coordinating the annual and long-term audit plan; assessing the suitability of the internal control 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 Chief Executive Officer 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 Auditors of Finmeccanica consists of five Regular Statutory Auditors and two Alternate Statutory Auditors, who were appointed by the Shareholders' Meeting of 23rd May 2006 for the 2006-08 period.

The Chairman of the Board of Auditors was appointed by the same meeting from the two 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 Ministry of Economy and Finance, which had a shareholding of 33.80% in the share capital.
- (2) Auditor appointed from the minority list submitted by Capitalia Asset Management SpA SGR, Arca SGR SpA, BNL Gestioni SGR PA, CAAM SGR SpA, DWS Investments Italy SGR SpA, Fideuram Gestioni SA, Fideuram Investimenti SGR SpA, Hermes Administration Services Limited (on behalf of The Trustees of BT Pension Scheme, Hermes Assured Limited), Interfund SICAV, Mediolanum Gestione Fondi SGR PA, Mediolanum International Funds Ltd, Monte Paschi Asset Management SGR SpA, Pioneer Asset Management SA, Pioneer Investment Management SGR PA and San Paolo IMI Asset Management SGR SpA, which held an aggregate shareholding equal to 2.17% of the share capital.
- (3) Auditor appointed from the minority list submitted by Mediobanca S.p.A., which held a shareholding equal to 1.01% of the share capital.

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 Ministry of Economy and Finance, which held a shareholding equal to 33.80% in the share capital.
- (2) Auditor appointed from the minority list submitted by Mediobanca S.p.A., which held a shareholding equal to 1.01% of the share capital.

In 2007, 21 meetings of the Board of Statutory Auditors were held.

The attendance information for the single Statutory Auditors at the aforementioned meetings of the Board of Statutory Auditors and at the 15 meetings of the Board of Directors held during the 2007 financial year is as follows:

| | <u>Board of Auditors</u> | <u>Board of Directors</u> |
|----------------------|--------------------------|---------------------------|
| LUIGI GASPARI | 21 | 14 meetings |
| GIORGIO CUMIN | 19 | 13 meetings |
| FRANCESCO FORCHIELLI | 10 | 10 meetings |
| SILVANO MONTALDO | 18 | 13 meetings |
| ANTONIO TAMBORRINO | 16 | 13 meetings |

Any absence was duly justified.

A brief professional profile of each member of the Board of Auditors is set out below.

• **LUIGI GASPARI – CHAIRMAN**

Born in Rome on 14th September 1956. A practising Chartered Accountant since 1985. Entered in the register of auditors of accounts. He has held a number of offices, including Operational Head of RIA, the National Certification Society (1980-1985) and Consultant to Assogestioni (1985-2000). In 2001, he was a member of the steering committee for the establishment of the Italian Accounting Body, of which he is currently a Management Council Member. He has held and continues to hold a number of posts on boards of directors, liquidation commissions, boards of auditors and control committees, and acts as a company consultant, company evaluator and technical consultant to the legal authorities and independent parties.

• **GIORGIO CUMIN – REGULAR STATUTORY AUDITOR**

Born in Milan on 7th October 1937. Statutory auditor of Finmeccanica since 10th May 2000, and his term in office renewed by the Shareholders' Meeting of 16th May 2003. Graduated in Economics and Commerce at the Bocconi University of Milan. Member of the Order of Chartered Accountants of the Courts of Milan and Lodi, and entered in the register of auditors of accounts. As a freelance practitioner, he has occupied a number of directorship and auditing posts in other companies, some of which in the role of chairman, and has acted as liquidator and sole commissioner to companies in liquidation and extraordinary administration. Currently acts as auditor to a number of industrial companies and liquidating commissioner to companies in extraordinary administration.

- **FRANCESCO FORCHIELLI – REGULAR STATUTORY AUDITOR**

Born in Urbino (PU) on 14th March 1930. Statutory auditor of Finmeccanica since 14th June 1994, and his term in office renewed by the Shareholders' Meeting of 16th May 2003. Graduated in Economics and Commerce, he has worked as a chartered accountant since 1952. He has acted as bankruptcy and controlled administration commissioner and receiver for a number of bankruptcies. He has held and continues to hold a number of directorships in major companies, including specific roles as chairman and Chief Executive Officer, and has been a member or chairman of a number of boards of auditors and auditors of accounts.

- **SILVANO MONTALDO – REGULAR STATUTORY AUDITOR**

Born in Laigueglia (SV) on 24th May 1957. Has worked as a chartered accountant since 1981 and entered in the register of auditors of accounts since 1995. A former and current member of a number of personnel assessment boards and auditor of accounts to public bodies. He has been member of boards of arbitration and supervisory bodies and is currently extraordinary commissioner to the IAR SILTAR SpA and OLCESE SpA industrial groups.

He is also chairman or statutory auditor on the boards of auditors of a number of major companies, including GSE and Autostrada dei Fiori.

- **ANTONIO TAMBORRINO – REGULAR STATUTORY AUDITOR**

Born in Torre del Greco (NA) on 23rd September 1939. A chartered accountant, entered in the register of auditors of accounts. A freelance practitioner, he lectures in the economics of insurance companies at the University of Lecce. He has taught on masters and specialist courses at the Universities of Lecce and Bari, and at CECCAR in Bucarest. Formerly chairman of the Order of Chartered Accountants for the Province of (1993-1996), and chairman of the National Council of Chartered Accountants from 2002 until 31st December 2007. Has occupied a number of roles as director, auditor, chairman of boards of auditors and auditors of accounts and liquidator to bodies and companies, as well as legal posts (bankruptcy receiver, legal commissioner and official court consultant). He is the author or a number of publications, and chairs and coordinates the work of two national study commissions within the CNDC.

- **MAURIZIO DATTILO – ALTERNATE STATUTORY AUDITOR**

Born in Milan on 19th March 1963. A graduate in Economics and Commerce at the Bocconi University in Milan, entered in the Order of Chartered Accountants since 1990 and the register of auditors of accounts since 1995. Works as a chartered accountant at Studio Dattilo Commercialisti Associati, which provides tax consultancy services for Mediobanca and other group companies such as Compass, Selma BPM Leasing, Compagnie and Spafid, as well as Banca Esperia, Banca Profilo, Banca IMI, IW-Bank, Distillerie F.lli Ramazzotti, Eurofly SpA and the European Oncology Institute.

He also acts as statutory auditor to a number of companies, including the listed companies GIM SpA of Florence and Sopaf SpA.

- **PIERO SANTONI – ALTERNATE STATUTORY AUDITOR**

Born in Rome on 3rd November 1936. A graduate in Economics and Commerce, he is entered in the register of auditors of accounts. Worked at IRI until 1987, as vice-director of the Planning and Management Control Department, then moved on to Sistemi Urbani, where he occupied the post of joint general manager until 1993. Has acted as director and auditor in a number of IRI Group companies. Currently statutory auditor to Isotta Fraschini Motori and Cetena, and chairman of the board of auditors of Finsider in liquidation.

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 ascertained that all Regular Statutory Auditors satisfy the “independence” requirement also during the course of 2007.

Except for Dr Luigi Gaspari (Alternate Statutory Auditor of Telecom S.p.A., Regular Statutory Auditor of Banca Italease 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 call of the 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 call of the 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 appointed 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 of 30th May 2007 – 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. SHAREHOLDERS 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 the **Investor Day**, which takes place once a year and is deemed the ideal platform for presenting Finmeccanica senior management and the parent company to the financial community. On this occasion, financial analysts and institutional investors are able to find out more about the Group’s operations and gain an understanding of its dynamics, commercial, industrial, economic and financial prospects, as well as to make direct contact with senior management

Other initiatives 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 and the chance to take part in a number of sector financial conferences, most of

which are held abroad, in the presence of the Investor Relations Department and a number of senior management representatives.

Finally, during the annual International Airshow (which alternates between Farnborough (UK) and Le Bourget (France)), 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 Alessandro Pansa. A Financial Communications 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

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 dissemination procedures applicable to price-sensitive information.

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

On the occasion of the Shareholders' meetings, the Company dedicates a specific section, also available directly from the home page of the website, which contains the documentation and information specific to each meeting, aimed at simplifying Shareholder's access to the relevant material.

Moreover, the Investor Relations section of the website, in the area specifically dedicated to Corporate Governance, contains, regularly updated, information on members of executive bodies, in addition to members' résumés, Internal Dealing notices and the Articles of Association of the Company, as well as the Board's annual report on corporate governance and the Company's adherence to the Self-Regulatory Code.

The Corporate documents section also contains the Board's Reports, the minutes of the Shareholders' meetings and any other relevant Company documentation, as well as (in the Legal Notices area) the notices issued by the Company.

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

The contents of the Company's website are also 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.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTOR AND COMMITTEES

| Board of Directors | | | | | | | Internal Audit Committee • | | Remuneration Committee ♦ | | Strategic Committee | |
|---|------------------------------|-----------------------|---------------|-------------|---------------------------|----------------------------|---------------------------------------|-------|--------------------------|------|---------------------|------|
| Office | Members | Executive | Non-executive | Independent | **** | Number of other offices ** | *** | **** | *** | **** | *** | **** |
| Chairman and Chief Executive Officer | Guarguaglini Pier Francesco | X | | == | 15/15 | 1 | | | | | X | 3/3 |
| Director | Alberti Piergiorgio * | | X | X | 13/15 | 1 | X | 10/10 | X(°) | 3/3 | | |
| Director | Andreatta Filippo(°°) | | X | X | 11/11 | = | | | | | X(°°°) | 2/2 |
| Director | Bonferroni Franco | | X | X | 14/15 | 2 | X (°°°°) | 7/7 | X | 5/5 | | |
| Director | <i>Castellaneta Giovanni</i> | | (°°°°°) | (°°°°°) | 14/15 | = | | | | | X | 3/3 |
| Director | De Tilla Maurizio * | | X | X | 13/15 | 1 | X | 8/10 | | | | |
| Director | Lombardi-Cerri Gian Luigi | | X | X | 15/15 | = | X | 10/10 | | | | |
| • Summary of explanations for absence from the Committee or different composition with respect to the Code recommendations: ===== | | | | | | | | | | | | |
| ♦ Summary of explanations for absence from the Committee or different composition with respect to the Code recommendations : ===== | | | | | | | | | | | | |
| Number of meetings of the Board of Directors during the financial year | Board: 15 | Internal Committee:10 | Audit | | Remuneration Committee: 5 | Strategic Committee: 3 | Appointment Committee: not applicable | | | | | |

NOTES

* The asterisk indicates that the director was appointed from a minority list.

** This column contains the number of directorships or auditorships held in other companies listed on Italian and foreign regulated markets, in finance, banking or insurance companies or other major companies. The corporate governance report contains a detailed description of the offices.

*** An X in this column indicates a member of the Board of Directors who sits on the Committee.

**** This column indicates the percentage of attendance by the directors at the meetings of the Board and the Committees.

Any absence from the Board meetings was duly justified.

(°) Became a member of the Committee on 14th May 2007 as a replacement for Ernesto Monti.

(°°) Appointed pursuant to the terms of article 2386 of the Italian Civil Code on 27th March 2007 as a replacement for Ernesto Monti. Confirmed in office by the shareholders' meeting of 30th May 2007.

(°°°) Became a member of the Committee on 14th May 2007 as a replacement for Ernesto Monti.

(°°°°) Became a member of the Committee on 14th May 2007 as a replacement for Ernesto Monti.

(°°°°°) Director without voting rights, appointed by ministerial decree on 22nd July 2005, pursuant to the terms of law no. 474/94 and article 5.1 *ter d)* of the Articles of Association.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

| Board of Directors | | | | | | | Internal Audit Committee • | | Remuneration Committee ♦ | | Strategic Committee | |
|---|------------------------|-----------|---------------|-------------|-------|----------------------------|----------------------------|------|--------------------------|------|---------------------|------|
| Office | Members | Executive | Non-executive | Independent | **** | Number of other offices ** | *** | **** | *** | **** | *** | **** |
| Director | Monti Ernesto * | | (°) | (°) | (°) | = | | | | | | |
| Director | Parlato Francesco (°°) | | X | == | 4/5 | 2 | | | X(°°°) | 1/1 | X(°°°) | 1/1 |
| Director | Petri Roberto | | X | X | 15/15 | = | | | | | X | 3/3 |
| Director | Scannapieco Dario | | (°°°°) | (°°°°) | 8/9 | = | | | X | 3/3 | X | 2/2 |
| Director | Varaldo Riccardo * | | X | X | 14/15 | 1 | | | X | 5/5 | | |
| Director | Venturoni Guido | | X | X | 15/15 | = | | | | | X | 3/3 |
| Director | Vigevano Paolo | | X | X | 14/15 | = | | | | | X | 3/3 |
| • Summary of explanations for absence from the Committee or different composition with respect to the Code recommendations : ===== | | | | | | | | | | | | |
| ♦ Summary of explanations for absence from the Committee or different composition with respect to the Code recommendations : ===== | | | | | | | | | | | | |

NOTES

* The asterisk indicates that the director was appointed from a minority list.

** This column contains the number of directorships or auditorships held in other companies listed on Italian and foreign regulated markets, in finance, banking or insurance companies, or other major companies. The corporate governance report contains a detailed description of the offices.

*** An X in this column indicates a member of the Board of Directors who sits on the Committee.

**** This column indicates the percentage of attendance by the directors at the meetings of the Board and the Committees during the 2007 financial year.

Any absence from the Board meetings was duly justified.

(°) Resigned on 28th February 2007.

(°°) Director appointed pursuant to article 2386 of the Italian Civil Code on 12th September 2007 as a replacement for Dario Scannapieco. Confirmed in office by the Shareholders Meeting of 16th January 2008.

(°°°) Became a member of the Committee on 18th October 2007 as a replacement for Dario Scannapieco.

(°°°°) Resigned on 3rd September 2007

TABLE 2: BOARD OF STATUTORY AUDITORS

| Office | Members | Attendance rate at Board meetings ([°]) | Number of other offices ** |
|---|------------------------|---|----------------------------|
| Chairman | Luigi Gaspari * | 21/21 | 2 |
| Regular Statutory auditor | Giorgio Cumin | 19/21 | = |
| Regular Statutory auditor | Francesco Forchielli * | 10/21 | = |
| Regular Statutory auditor | Silvano Montaldo | 18/21 | = |
| Regular Statutory auditor | Antonio Tamborrino | 16/21 | = |
| Alternate Statutory Auditor | Maurizio Dattilo * | = | = |
| Alternate Statutory Auditor | Piero Santoni | = | = |
| Number of meetings held during the period: 21 | | | |
| Quorum required for the submission of lists by minorities for the election of two regular members and one alternate member: 1% of the share capital with voting rights at Ordinary General Meetings (^{°°}). | | | |

NOTES

* The asterisk indicates that the auditor was appointed from a minority list.

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

([°]) Any absence from the Board meetings was duly justified.

(^{°°}) Or such lesser number as may be provided by legal or regulatory provisions, where applicable (Article 28.3 of the Articles of Association).

TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATORY CODE

| | YES | NO | Summary of explanations for any departure from the recommendations of the Code |
|---|---|----|--|
| Delegation of powers and related-party transactions | | | |
| 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 | | |
| Procedures for most recent appointment of directors and statutory auditors | | | |
| 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 | | |
| Shareholders' meetings | | | |
| 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 | | |
| Internal Audit | | | |
| Has the company appointed internal audit managers? | X | | |
| Are they hierarchically independent from operating managers? | X | | |
| Organisational unit responsible for internal audit & control | Audit Department | | |
| Investor Relations | | | |
| 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: investor_relations@finmeccanica.com | | |