

EXECUTIVE SUMMARY: “FLICK COMMITTEE REPORT”

1. Mandate received by the Board of Directors

This document represents an “*Executive Summary*” of the Final Report prepared by the Flick Committee (hereinafter “Committee”)¹, an independent third-party body, appointed by the Board of Directors of Finmeccanica S.p.a (hereinafter “Finmeccanica” or “the Company” or the “Parent Company”) with the task of:

- ✓ *«identifying the behavioral criteria to which a Group of an important size and global presence operating in the Aerospace and Defence sector must follow in order to comply with the newest and the highest level best practices for the implementation of ethical principles and their application in the industrial sector»;*
- ✓ *«making the necessary “Recommendations” for their achievement».*

In particular, the Committee has made its own Recommendations in order to:

- ✓ *«identify measures and actions to further raise awareness of the principles and ethical standards to be complied with in business conduct (with regards to the type of target markets and the international dimension of the Group and taking into account the profile of the industrial and technological activities carried out), contributing to the redefinition of industry best practices»;*
- ✓ *«identify further measures to ensure that these new principles and ethical standards are effectively implemented with the greatest possible effectiveness».*

At the end of the implementation of the following Recommendations, the Company will appoint an independent third-party the task of verifying the adequate and correct application within the Group or rather to assess the reasons expressed by the same of for the non-implementation of some of the Recommendations.

¹The Committee is made up by: GIOVANNI MARIA FLICK, Emerit President of the Constitutional Court and Ministry of Justice from 1996 to 1998; the Prof. Flick who is also Chairman of the Committee; ALBERTO ALESSANDRI, Professor of Criminal Law at the Bocconi University; VITTORIO MINCATO, CEO of ENI S.p.A. from 1998 to 2005, President of Poste Italiane S.p.A. from 2005 to 2008, Chairman of Assonime from 2005 al 2009, ex Board Member of FIAT and Parmalat, also member of the Internal Control Committee of FIAT from 2005 to 2012; GIORGIO SACERDOTI, Professor of International Law at the Bocconi University and Vice-President, from 1995 to 2001, of the Comitato OCSE for the fight against international corruption; ANGELO TANTAZZI, President of Borsa Italiana S.p.A. from 2000 to 2011 and Vice-President of the London Stock Exchange Group Plc from 2007 to 2010.

2. The activities carried out by the Committee

Since the appointment of the mandate, the Committee has met fifteen times².

The findings of the Committee have taken into account:

- ✓ the peculiarities of the Italian scenario and of the Finmeccanica Group (hereinafter also “the Group”);
- ✓ of the effects of reputational damage following the various Legal proceedings that have taken place;
- ✓ from the Corporate governance model and the changes of the same over time, even with the solace and explanations obtained in-depth meetings conducted with the Top and Senior management of the Group.

The Committee activities have taken into account the following:

- ✓ the Group’s *governance* structure;
- ✓ relations with counterparts, both domestic and foreign;
- ✓ the regulatory system (both internal and external to the Group);
- ✓ roles and responsibilities in the various organizational levels, regarding the management of ethical and reputational risks;
- ✓ areas/business operations most exposed to ethical and reputational risk, taking into consideration the activities of the territories operated in and operational tools (consulting, intermediaries, *offset*, *M&A*);
- ✓ the relationship between transparency and openness (essential for the management of ethical and reputational risk) and confidentiality (closely related to the nature of Group transactions);
- ✓ the “Guidelines for the Internal Control System and Risk Management” (compliance, strategic, operational and financial risks), with specific reference to ethical and reputational risk;
- ✓ the information flows within the Company and between it and its Subsidiaries (hereinafter also the “Subsidiaries”), with regard to the management of ethical and reputational risks;

² May 22nd, June 6th, July 10th, July 24th, August 8th, September 11th, September 25th, October 16th, November 13th and December 12th 2013, January 9th, January 17th, February 4th, February 15th and March 6th 2014.

- ✓ the relationship between the ethical and reputational risk and other business risks, with particular reference to the need/opportunity to put them all on the same level, in the corporate culture and in the preparation of monitoring and management tools;
- ✓ the role of the Internal Audit in the implementation of the controls to oversee the ethical and reputational risk.

The Committee, in order to obtain a complete overview of the Internal Control System and management of Risk and *governance*, carried out a series of interviews with people who hold the most important roles in the Group. In particular, the Committee has also heard the Directors, Statutory Auditors and members of the Surveillance Body ex Legislative Decree no. 231/01, Internal Audit Managers and Compliance Officers of the Company and major subsidiaries. The Committee and its Chairman, also performed in-depth meetings with the Company's Chairman Dr. Giovanni De Gennaro and the Chief Executive Officer and General Director of the same Dr. Alessandro Pansa.

As part of its activities, the Committee has also examined the evolution of the Group's governance system, also linked to changes in the Top management of the Company and its Subsidiaries, which have taken place mainly over the last three years, also as a result of judicial events that have impacted negatively on the Group's reputation.

The period from 2002/2011 was marked by the development of a control system focused on the management of the business which was not accompanied by a similar development of governance rules for the Group, focused in this period, more on established practices – that had their focus in the direct and informal relationship between the Top management of the Parent Company and its Subsidiaries Top management – and not on building on governing rules for the process of management and coordination by the same Parent Company.

In the following period (and prior to February 2013) the activity of management and coordination has been set on the assumption that the autonomy of the individual Subsidiaries did not require regulatory action by the Parent Company, thus putting emphasis only on the role and responsibilities set out by the Civil Code, in the hands of the Administrative Body of each Company. Such approach was based on an interpretation which was as restrictive as legitimate of the concept of management and coordination, and did not provide for any

relevant interventions, be it systematic and pervasive by the Parent Company in the management of its Subsidiaries activities.

Since February 2013, the Top management of Finmeccanica has adopted a concept of “management and coordination” assigning to the Parent Company a crucial and active role in the definition of rules, organizational structure, operational modalities and control tools regarding the Group’s activities.

The actions undertaken so far (such as for e.g: the Centralization of the Internal Audit activities, strengthening and broading of the articulation of Compliance activities, placement in the organization of the “General Management Operations”, centralizing indirect purchases, creation of a centralised Organizational Unit for “Risk Management”) tend towards an organizational model focused on the unity of management and control. This process is intended to strengthen the *Group Culture*, which further develops and emphasises the attention to ethical issues and reputation. The inadequate evaluation has resulted in the recent past, of the well-known negative effects. This new organizational structure and its relative controls has gradually become operational in 2013; and it constitutes an additional element in the ongoing process of better defining the management and coordination of the activities carried out by the Parent Company, an activity that in the future, will result in the acquisition of a more central role of Finmeccanica.

3. Committee Findings

The Committee believes that it has launched a thorough and positive reform of the governance system. For an adequate assessment regarding its work it is however necessary to wait until it accomplishes the required process of adoption of the rules and penetration of the culture underlying the rules themselves.

The set of initiatives show a coherent and systematic approach has been adopted. Moreover, the Committee points out how essential the actual and substantial acceptance of these rules by all the Subsidiaries, in order to ensure the effectiveness of the rules introduced. In this sense, both the constant monitoring initiatives and pervasive training activities aimed at internalizing the choices made in the Corporate culture, become significant.

Strengthening management and coordination means that today in Finmeccanica, the adoption of international best practices should be to fit within an organizational structure in constant evolution, emphasizing the role of the Parent Company compared to a different context.

Compared to situations of other companies that have given rise to similar analysis to that requested now, in Finmeccanica the gradual acceptance of the principles drawn from international best practices, seems to coincide with a significant evolution aimed to change the relationship between the Parent Company and its Subsidiaries, attributing the former more extensive powers of management and coordination. In this context, we note: *i)* an organizational change that centralizes certain functions allocated in the Subsidiaries, and *ii)* a parallel strengthening of the importance of ethical standards of behavior, which are supposed to be integrated in the operation Company at all levels of the organization and decision-making (next to, of course, the continued pursuit of a high technical competence and the maintenance of an adequate capacity to trade). This double transition, in the opinion of the Committee, requires a significant organizational effort and the results will be more fully evaluated in a mature phase of the process.

4. Recommendations

In consideration of the analyses carried out, the definition of existing best practices and the evolution of the governance of Finmeccanica, the Committee has issued seven recommendations, in order to *“further raise the ethical principles and standards to be complied with in the conduct of its business”*, in terms of:

1. Complete and authoritative definition of integrity and anti-corruption rules, applicable to the Group as a whole, including partners and external collaborators (Integrity and anti-corruption Code for the Finmeccanica Group);
2. Attribution to a competent and independent Committee the function of overseeing the formulation, implementation and updating of the Code (Integrity and Anti-corruption Committee - “Group Committee”);
3. Adequate structuring of the Top Management, in terms of skills and information flow the role of monitoring the application of the Code, in order to ensure the most appropriate action in cases where weaknesses or violations emerge (*Audit*);

4. Exploitation of reports including those made anonymously;
5. Training system articulated and targeted according to the functions of the recipients and their exposure to risk;
6. Engagement to anti-corruption initiatives as a public expression of “commitment” of the Group, also at international level, typical of large companies at the forefront of its sector;
7. Strengthening of the *Compliance* system, with particular reference to commercial “*Trade Compliance*”.

Recommendation n. 1 – Integrity and anti-corruption Code for the Finmeccanica Group

It is recommended that there be a drafting and adoption of a Code of Integrity and Anti-Corruption (hereinafter: the “Code”), which defines, in a complete and organic manner, the principles of integrity, transparency and prevention of corruption, in line with international best practice, aimed at preventing and tackling corruption risks in the activities of Finmeccanica and the Group companies.

The Code should:

- a) be adopted at the highest Corporate level (for example by the Board of Directors), by Finmeccanica and all Group companies, with extensive publicity of the decision and its contents even outside the Corporate environment;
- b) be an integral part of the Corporate culture and *modus operandi* of the entire Group;
- c) be addressed to all members of the corporate bodies, employees, external partners such as the intermediary of any kind (agents, representatives, consultants, etc.), business partners (for example shareholders in joint-ventures), both in Italy and abroad.

The formalization and definition of the Code should:

- a) should be written in a clear and concise manner (in the form of a “Manual”);
- b) be accessible to all staff in the language in use in the territory of each foreign location;
- c) be formulated taking fully into account the latest best practices aimed at international multinational companies - particularly those operating in the defense sector;
- d) be revised and updated with the frequency required and in any event annually, taking into account, in particular, of mishaps that can help to identify any gaps, in order to resolve the same;
- e) consolidate, simplifying, all regulations which are currently fragmented in more corporate regulatory acts (Code of Ethics, Organizational and Control Model, Charter of Values, etc.);
- f) contain adequate tools to enhance and protect reports which can also be anonymous, whoever they come from, and to ensure their effective and careful management, which

means contrasting behavior contrary to the principles of the Code, in accordance with Recommendation. n.4.

Recommendation n. 2 – Integrity and Anti-corruption Committee (“Group Committee”)

From the analysis carried out, it has emerged that there is a convergence of actions in contrasting corruption. Therefore, in the framework for the implementation of the Code, it is recommended that a Committee for Integrity and Anti-Corruption (hereinafter: “Committee”) competent for all Group companies be founded. The Committee should be in line with the latest international best practices and practical application on the part of large Groups.

The positioning of such Committee in the organization chart of the Parent Company – also to avoid overlap – its specific discipline and its relationship with the governing bodies and other Group bodies are delegated to the top-level Corporate bodies of the Parent Company, formalized in a specific and dedicated regulation.

The Committee should:

- a) be characterized by autonomy, professionalism and competence, be provided with adequate resources, and be able, where appropriate, to access the expertise necessary to carry out its tasks;
- b) be formed by members of the Corporate bodies and internal committees chosen on the basis of their professional skills and expertise, as well as at least an expert and independent, in order to ensure coordination between the above mentioned bodies and committees;
- c) collect the information from international practices, from regulatory changes and judicial application, suggesting modifications or interventions, both on the regulatory and organizational level;
- d) verify the adequacy of the Code to ensure standards of integrity and prevent corruption; early warnings of the need or opportunity to update or modify the Code;
- e) verify compliance of the procedures and guidelines with the Code, with the possibility to suggest modifications and updates/revisions;

- f) identify any deficiencies in the structure or in the regulation and to propose remediation in the light of subsequent reports, including those which are anonymous, received from third parties and from the analysis of “accidents”;
- g) overseeing the training of staff in relation to the Code and its principles across the Group as set out in Recommendation no. 5.

Recommendation n. 3 – Audit activity and information flow

In view of the ongoing centralization in the Parent Company of auditing activities, in order to improve the efficiency and effectiveness of the control by the same, it is recommended that:

1. Both the ordinary and transversal annual audit plans, be drawn up and defined by the Group Internal Audit, have listened to the opinions of the Surveillance Body, the Risk and Audit Committee and are approved by the Board of Directors of the Parent Company;
2. They perform special audits of individual business lines or operating companies or sectors of them, where the bodies of the Parent Company have significant information regarding the possible violation of the Code or, even more so, of criminal law.
3. The Auditors share the results of the audits to Top-level management and of controls of the Company subjected to audit, in order to collect proposals for remedies to any abnormalities, deviations and violations. The report is transmitted to the Surveillance Body of the Company.
4. Each report shall be forwarded to the Group Internal Audit Department, who transmits it to the Committee together with its own opinion about the further transmission to the corporate bodies of the Parent Company. The Committee, if it finds violations of the Code, conflicts of interest or evidence of violation of criminal law, be it Italian or foreign, or other situations that may cause reputational damage to the Group, transmits it to the Managing Director, Chief Executive Officer, the President of the Board of Statutory Auditors, the Chairman of the Audit and Risk Committee and the Chairman of the Surveillance Body of the Parent Company, in order for them to take measures within their competence.

Recommendation n. 4 – Valorization and management of reporting

It is recommended that the Code provides appropriate means of reporting (whistle-blowing) and assistance to directors, employees and consultants (helpline) which require it, finding themselves in dangerous situations, with specific reference to corruption.

The Group enhances and ensures these forms of reports, albeit with due caution, as a starting point for the necessary investigations and inspections. Such reports are reported to the Committee that follows how they are dealt with, ensuring appropriate safeguards to protect the rights and reputation of others. To favour this tool, it is recommended that it:

- i. indicate a single recipient (a person) to which the messages are sent;
- ii. ensure anonymity, also in relation to the means of communication used;
- iii. create a corporate culture that is ready to accept and use the reports as a cue to also undertake audits.

Recommendation n. 5 – Training System

It is recommended that particular attention be paid to the adequacy of the training system of business risks, especially that of corruption, aimed to the members of bodies/committees of the Group companies, employees and people with whom the Group has contractual relationships with.

In particular, it is recommended that the Training System:

- a) be differentiated according to the level of exposure of each risk and corruption in relation to the nature the contractual relationship maintained;
- b) effectively transfers knowledge of the rules of conduct contained in the Code;
- c) induces the recipients to conform his conduct to professional integrity, to correct trade/commercial and administrative practices, personnel management and compliance with safety;
- d) commits the recipients to the diffusion and implementation of a culture of integrity in the within the Group, in order to protect and safeguard at all times the Group's reputation.

Furthermore, the Committee, in its training, takes care that employees are offered examples of the problematic situations in which they may be at work and of have proper guidelines for

dealing (for example payment of business promoters/commercial advisors, gifts, travel and hospitality; political party contributions and facilitation payments).

It is recommended that training programs be approved in advance by the Committee and other relevant bodies and be then subjected to deliberation by the Board of Directors of Finmeccanica, who is annually informed of the results of such programs.

Recommendation n. 6 – Public engagement and support for anti-corruption initiatives

In line with the adoption of the Code by the Finmeccanica at the highest level of the Group, the Committee recommends that:

- a) the company's commitment to support the culture of integrity and to prevent and contrast all forms of corruption by Finmeccanica and the companies of the Group is adequately expressed and diffused in all communications of Finmeccanica and of the Group companies;
- b) Finmeccanica actively participates in international bodies involved in the fight against corruption and support the anti-corruption initiatives at national and international level

Recommendation n.7 - Strengthening of the Compliance system

It is recommended to proceed in the strengthening of the Compliance system, at Group level, with particular reference to the Trade Compliance and anti-corruption.

In particular, it is recommended that further strengthening of management and coordination of the Parent Company in the Trade Compliance area and that this be adequately provided with means placed within the company's organizational structure in order to assure a correct and proper functionality

Rome, 31st March 2014