

# Rules of procedure of the Board of Directors

## *Disclaimer*

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



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## Introduction

These Rules govern the role, organization and workings of the Board of Directors of Leonardo S.p.a. (hereinafter “Leonardo” or the “Company”), as well as the main organizational aspects of Leonardo’s corporate governance model, in keeping with the principles and guidelines set out in the Code of Conduct for Listed Companies (hereinafter the “Code of Conduct”) adopted by the Company.

## Article 1

### Board of Directors

The Company is administered by a Board of Directors (hereinafter the “Board”) which is comprised, pursuant to Article 18 of the Company’s Articles of Association (hereinafter the “Articles of Association”), of between eight and twelve members. The Leonardo Shareholders’ Meeting (hereinafter the “Meeting”) shall, prior to electing the Board, establish the number of members thereof within the aforesaid limits.

Should the Meeting not have already done so, the Board shall elect from among its members a Chairman who, together with his/her mandatory and statutory powers, shall also be entrusted with the role of guiding and supervising the workings of the Board.

Furthermore, the Board may also appoint from among its members a Vice-Chairman who shall take the Chairman’s place in the event of his/her absence or impediment.

The Board shall appoint a Secretary either from within or from outside the Company.

Leonardo’s directors accept and hold their positions insofar as they deem themselves capable of dedicating the required time to the due diligent performance of their duties, bearing in mind the commitment associated with their occupational and professional undertakings, and the overall number of positions as director or auditor they may hold in other companies listed on regulated markets either in Italy or abroad, or in financial, banking or insurance companies or other large-scale entities and the commitment required, also in light of their participation to the Committees of the Board.

The Board believes that the number of positions as director or auditor compatible with the effective performance of their duties as director of the Company must not exceed three (3) in companies listed on regulated markets (either in Italy or abroad) or in financial, banking or insurance companies or other large-scale entities. In calculating such appointments, no account shall be taken of those posts covered by Leonardo’s directors in subsidiaries directly or indirectly controlled, or in companies in which Leonardo possesses a holding.

Further evaluations about the maximum number of positions may be conducted by the Board also on the basis of any recommendations made by the Nomination and Governance Committee.

On the basis of the information it receives from the directors, each year the Board shall establish, and make known in its Report on Corporate Governance and Ownership Structure (hereinafter the “Report on Corporate Governance”), the positions of director or auditor that its own directors hold in the aforementioned companies.



## Article 2

### Role of the Board

The Board:

- a) examines and approves the strategic, industrial and financial plans of the Company, and of the Group which the Company heads, regularly monitoring implementation thereof; defines the Company's corporate governance system and the structure of the Group;
- b) defines the nature and level of risk that is compatible with the Company's strategic targets, taking into account any risk that may affect the sustainability of the issuer's business in a medium-long term perspective;
- c) evaluates, also with reference to Article 2086 of the Civil Code, the adequacy of the organisational, administrative and financial structure of the Company and of its strategically important subsidiaries<sup>1</sup>, with particular reference to the internal control and risk management system;
- d) appoint directors as proxies, and revoke such power of proxy, without prejudice to the exclusive powers of the Board, and establishes the limits on such power of proxy, the manner in which it is to be exercised, and the timeframe of the delegated bodies' reports to the Board on the activities performed during the exercise of such power, without prejudice to the at least quarterly nature of such reports provided for by Article 24.2, final subsection, of the Articles of Association;
- e) establishes the Company's policy on the remuneration of directors and executive managers with strategic responsibility, in accordance with the laws in force and with the Code of Conduct;
- f) determines, upon Remuneration Committee's proposal, the remunerative and normative conditions of those directors with power of proxy, and of the other directors with specific roles (after consultation with the Board of Statutory Auditors pursuant to Article 2389, subsection 3, of the Italian Civil Code);
- g) evaluates the general performance of management, bearing in mind in particular the information received from the delegated bodies, and regularly comparing actual results with planned results;
- h) decides in relation to those transactions reserved for the Board, both by law and by the Articles of Association, and also in relation to those further transactions carried out by the Company or its subsidiaries that are of strategic, economic or financial importance to the Company, and that the Board reserves the right to decide on when granting the aforementioned power of proxy;

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<sup>1</sup> For such purposes, are considered subsidiaries with key strategic roles those subsidiaries directly controlled, identified by the criteria set out by the Board of Directors at the assign of the proxies to the Chief Executive Officer and of the definition of the powers reserved to the same Board as well as the other subsidiaries even indirect, selected on the base of the size of the company and the relevance of the business - Board resolution on 20 May 2020 / Directive on the management of the Corporate bodies, Consortia, Associations and Foundations.



- i) evaluates, at least once a year, its own operations and those of its Committees, in the manner set out in Article 14 below;
- j) adopts, upon suggestion from the Chief Executive Officer, and in order to guarantee the due handling of corporate information, a procedure for the internal management and disclosure to the public of documents and information regarding the Company, with specific regard to the processing of inside information;
- k) provides information, in its Report on Corporate Governance, regarding the manner in which its own duties are to be performed.

### Article 3

#### Activities of the Board

Pursuant to Article 24.1 of the Articles of Association, the Board is granted the broadest powers over the ordinary and extraordinary administration of the Company, and in particular, it is empowered to take all the actions it deems necessary for the pursuit and achievement of the Company's corporate purpose, with the sole exception of those actions reserved, by law and by the Articles of Association, for the Shareholders' Meeting. The Board is also assigned, by Article 24.1 of the Articles of Association, the power to resolve upon:

- a) mergers and demergers, in those cases provided for by law;
- b) the opening or closure of secondary offices;
- c) the reduction of share capital in the event of the withdrawal of one or more shareholders;
- d) the amendment of the Articles of Association in accordance with legal requirements;
- e) the transfer of the registered office within Italy.

Without prejudice to those matters that may not be delegated according to law or to the Articles of Association, the Board reserves exclusive rights with regard to the following<sup>2</sup>:

1. the identification of strategic and organizational corporate guidelines (including plans, programmes and budgets);
2. agreements with sector operators, other companies or groups, both in Italy and abroad, of exceptional strategic importance in respect of the normal course of business;
3. the incorporation of directly-owned joint-stock companies – except for companies whose incorporation results from participating in tenders – and the stock exchange listing; capital increases, transformation, mergers, demergers, winding up or the execution of shareholders' agreements with regard to directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;

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<sup>2</sup> Resolution by the Board of Directors on 20 May 2020.



4. the appointment, upon Chief Executive Officer's proposal, of new directors with powers, or directors, statutory auditors and audit firms outside the Group, in directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
5. the purchase, exchange or sale of properties, and leasehold agreements having a duration of more than 9 years;
6. medium and long-term debit and credit transactions with an individual value of more than € 50 million, except in urgent cases for which the Chief Executive Officer may also provide directly beyond that limit reporting to the Board of Directors;
7. pledging guarantees for values in excess of € 50 million per transaction;
8. the hiring, appointment and dismissal of managers, reserved for the Board by law and by the Articles of Association, and the Head of the Audit department, for which the Board resolves upon Chief Executive Officer's proposal; the assignment of permanent consultancy posts lasting more than one year or for fees over € 250,000;
9. the acquisition of shareholdings in companies, also through the exercise of option rights, except for transfers of intergroup equity investments even if the Company is the transferor, without prejudice to paragraph 14;
10. the transfer, contribution, leasing, granting of life tenancy of the company going concerns and any other form of disposal or restriction, also within the framework of joint ventures;
11. the transfer, assignment, licensing of any technology, productive process, know-how, patent, industrial design or other intellectual property, pertaining to any defence-related activities, and any other form of disposal or restriction, also within the context of joint ventures;
12. the transfer outside of Italy of R&D regarding defence-related activities;
13. the transfer of interests in other companies also through the exercise or waiver of option rights, contribution, granting of life tenancy, pledges and any other form of disposal or restriction, also within the context of joint ventures or of restrictions on disposal;
14. voting at the shareholders' meetings of subsidiaries, affiliated companies or companies in which it holds an interest (the notions of subsidiary and affiliated companies is to be understood in accordance with Article 2359 of the Italian Civil Code), whose operations pertain to defence as far as regards the matters set out in points 10), 11), 12) and 13) above.

Also remain exclusive powers of the Board acts and operations exceeding the value limits that have been specified in the list of powers conferred to the executive directors.

The Board may delegate powers to an executive committee as per Article 25.1 of the Articles of Association, or to the Chairman and/or other members of the Board, and establish the terms, limits and manner of exercising such powers; the delegated bodies shall report every three months, as indicated in the preceding Article 2, letter d), on exercise of said delegated powers and on implementation of the Board's decisions.



The Board, on the basis of the preliminary activities carried out in that regard by the Nomination and Governance Committee, updates the procedures to face any possible crisis management situations.<sup>3</sup>

## Article 4

### Independent Directors

At least one third of the Board's members shall be independent directors.

The Board, subject to each director's obligation to perform his/her own duties with the due diligence called for by the nature of the appointment and by that director's specific skills, shall regularly evaluate – on the basis of the information provided by the directors themselves or available to the Company, and according to the principles and criteria set out in Article 3.C.1. of the Code of Conduct – the independence of its own members in order to establish whether any relationships exist which could compromise their independent judgement.

The Board shall make said evaluation after its appointment, and then again each year, and also in the event that circumstances arise which could affect the aforesaid independence.

For the purposes of the aforesaid evaluation, the Board, after consultation with the Board of Statutory Auditors, has established the terms of, and the manner in which directors provide, the aforementioned information, as well as the principles to be followed by the Company as reported below.

#### Principles to be followed when evaluating independence.

The Board shall evaluate the independence of its own non-executive members on the basis of both substance and form, and bearing in mind that a director is not deemed to be independent, as a rule, in the following cases, although such are not to be considered imperative:

- a) if said person, either directly or indirectly through subsidiaries, trustees or third parties, controls Leonardo, or is capable of exercising a significant influence over same, or is party to a shareholders' agreement whereby one or more persons may exercise control or significant influence over Leonardo. Specifically, it is hereby deemed that said significant influence is exercised by shareholders who hold, direct or indirectly, 10% or more of the Company's shares;
- b) if said person is, or in the previous three business years was, an important representative – that is, the Chairman, an executive director or director delegated with powers, the General Manager or an executive with strategic responsibilities of Leonardo, of any strategically-significant subsidiary<sup>4</sup> thereof, or of a company subject to joint control together with Leonardo, or of a company or body

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<sup>3</sup> Resolution by the Board of Directors on 16 March 2016.

<sup>4</sup> For such purposes, are considered subsidiaries with key strategic roles those subsidiaries directly controlled, identified by the criteria set out by the Board of Directors at the assign of the proxies to the Chief Executive Officer and of the definition of the powers reserved to the same Board as well as the other subsidiaries even indirect, selected on the base of the size of the company and the relevance of the business - Board resolution on 20 May 2020 / Directive on the management of the Corporate bodies, Consortia, Associations and Foundations.



which, also together with others through a shareholders' agreement, controls the Company, or is capable of exercising significant influence over same as defined in point a) above;

- c) if said person directly or indirectly (through, for example, subsidiaries or companies of which he/she is an important representative, or as partner in a professional firm or firm of consultants) has, or in the previous business year had, any significant business, financial or professional relationship - to be evaluated on the basis of the economic entity of such relationship and of its significance in terms of the economic situation and the assets and liabilities of the person in question
- with the Company, or a subsidiary of the Company, or one of the Company's significant representatives as defined in point b);
  - with a person controlling Leonardo, also together with others through a shareholders' agreement, or in the case of companies or bodies, with the respective significant representatives as defined in point b) above;

or if said person is, or during the course of the previous three business years has been, an employee of one of the aforementioned persons.

As concern any commercial, financial or professional relationships, the Board of Directors can determine - giving specific disclosure in the Corporate Governance Report - quantitative and/or qualitative reference criteria for such evaluation, without prejudice to its own discretion in evaluating the specific situation taking into account the Company's best interests, the relevance of the relationship and its capacity to affect the independence of the Director owner of the same relationship.

In order to evaluate the independence of persons belonging to, or that have belonged to, the State Public Administration - a shareholder in Leonardo through the Ministry of Economy and Finance - account shall be taken of existing or past dependent employment with the Prime Minister's Office, the Ministry of Economy and Finance, the Ministry of Economic Development, and the Ministry of Defence, and of any posts held that contribute towards determining the conduct of the Administrations in question;

- d) if said person receives, or has received during the course of the previous three business years, any significant remuneration from Leonardo or any subsidiary or parent company, in addition to his/her "fixed" fee as non-executive director of the Company and his/her payment for participation in the Committees, as per Article 6 below, including any remuneration that may take the form of involvement in incentive plans connected to corporate performance, including stock-based remuneration;
- e) if said person has been a director of the Company for more than nine years out of the last twelve;
- f) if said person is an executive director of another company in which an executive director of Leonardo is a member of the board;



- g) if said person is the shareholder or director of a company or entity belonging to the network of the company appointed to audit Leonardo's accounts;
- h) if said person is a close relative of a person who finds him/herself in any one of the situations described in the previous points; the category "close relative" includes, in any case: a) non-separated spouses and common-law spouses, b) the person's children and parents, and c) the children of a non-separated spouse or common-law spouse, d) the relatives of such who live with the couple.

In order to evaluate independence, the Board may in any case consider, in relation to the specific situation of each director, any further aspect or factor deemed helpful or appropriate, adopt additional criteria and/or partly diverse criteria that give precedence to substance over form, providing the relevant details in the Report on Corporate Governance.

The Board shall submit its evaluation of the independence of its own members to the Board of Statutory Auditors, which shall ascertain whether the aforementioned criteria have been duly applied.

The outcome of the assessments carried out by the Board shall be disclosed to the market following the appointment and, subsequently, within the framework of the Report on Corporate Governance, as well as in the event that circumstances arise which could affect the aforesaid independence.

The outcome of the assessments carried out by the Board of Statutory Auditors shall be disclosed to the market within the framework of the Report on Corporate Governance, or of the Report by the Statutory Auditors to the Shareholders' Meeting.

The independent directors shall meet at least once a year in the absence of the other directors. Meetings, additional to those of the internal Committees, shall be convened at the initiative of the Lead Independent Director, or on request from the other independent Directors.

## Article 5

### Lead Independent Director

The Board of Directors may appoint the Lead Independent Director from among the independent directors, with the abstention of the executive directors and in any case of the non-independent directors; it shall see to doing so in any case if requested by the majority of independent Directors or in the event that the Chairman be delegated operating powers.

The Lead Independent Director shall be assigned the task of coordinating the motions and contributions submitted by the non-executive directors, and in particular those submitted by the independent directors.

More specifically, the Lead Independent Director shall:

- cooperate with the Chairman in order to ensure that the directors are promptly and fully informed, and to define the measures to be taken to ensure that directors and auditors possess the best possible understanding of the Company and Group, and of corporate dynamics;



- either on his/her own initiative or upon request from other directors, convene special meetings of independent directors only, in order to discuss items deemed of interest in relation to the workings of the Board or to corporate management;
- contribute to the process of evaluation of the Board;
- cooperate with the Chairman on drafting the Board's annual operating plan;
- report to the Chairman on any questions to be submitted to the Board for examination and evaluation thereof.

## **Article 6**

### **Committees**

The Board shall set up internal Committees, composed of at least three members, whose task it is to provide the Board with support in the performance of its duties.

In this regard, the Board has set up the Control and Risks Committee, the Remuneration Committee, the Nomination and Governance Committee and the Sustainability and Innovation Committee<sup>5</sup>.

The duties of each Committee are set by a Board resolution at the time such Committees are set up and these duties may be subsequently modified or added to by a resolution by the Board itself, even in the context of amendment of the respective Regulations adopted by the same Board; the Board shall also see to establishing the composition of the Committees and, following consultation with the Board of Statutory Auditors, it shall also set the additional remuneration to be paid to the respective members thereof.

The Control and Risks Committee shall be composed of independent directors or, alternatively, of non-executive directors the majority of which shall be independent; in the latter case, the Chairman of said Committee shall be chosen from among the independent directors. At least one member of the Control and Risks Committee shall have suitable experience in the accounting and financial fields, or in the field of risk management.

The Control and Risks Committee shall also perform the functions of a Committee for Transactions with Related Parties on the basis of the "Procedures for Transactions with Related Parties" approved by the Board of Directors pursuant to Article 4 of CONSOB Regulation no. 17221 of March 12, 2010 (and subsequent amendments and additions thereto).

The Remuneration Committee shall be composed of independent directors, or alternatively of non-executive directors, the majority of which shall be independent; in the latter case, the Chairman of said Committee shall be chosen from among the independent directors.

At least one member of the Remuneration Committee shall have suitable experience in the financial or pay policy field.

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<sup>5</sup> Resolution by the Board of Directors on 25 June 2020.



The Nomination and Governance Committee and the Sustainability and Innovation Committee shall be composed of directors the majority of which shall be independent.

The Committees may avail themselves of the services of external consultants, at the Company's expense.

The activities of the Control and Risks Committee, of the Remuneration Committee, of the Nomination and Governance Committee and of the Sustainability and Innovation Committee shall be governed by specific Regulations establishing the working procedures associated with the duties that each Committee is entrusted with.

Committee's meetings are minuted and the Chairman of each Committee shall inform the Board of Directors thereof during the first available meeting.

## **Article 7**

### **Convening Board meetings**

Board meetings shall be convened by the Chairman by means of a notice containing details of the items on the agenda to be discussed and resolved upon, within the framework of the annual planning of board meetings, or in any case each time that the Chairman deems it necessary, or when a written request for a board meeting is submitted by the majority of its members or by the Board of Statutory Auditors.

Individual directors may ask the Chairman to include items in the agenda. Should the Chairman not agree with the inclusion of any such items, he/she shall promptly notify the director in question.

As a rule, the notice of meeting shall be sent to each member of the Board of Directors and of the Board of Statutory Auditors, at least three days prior to the date set for the meeting pursuant to Article 20.2 of the Articles of Association, in such a manner as to guarantee the confidentiality and promptness of the convening of the meeting, and to ascertain due receipt of the notice of meeting. In urgent cases, and subject to the Chairman's discretion, the notice of meeting may be sent as quickly as possible given the specific circumstances.

## **Article 8**

### **Supporting documents**

In order to discuss the items listed in the agenda, directors and statutory auditors shall be provided by the Board's Secretary with supporting documents which shall provide the information required in order that said persons may knowingly express their views on the items constituting the subject matter of the resolution.

The supporting documents shall be made available to the directors and statutory auditors in a manner guaranteeing the required confidentiality, and in good time prior to the date of the meeting - as a rule by the end of the third day prior to said meeting - except in urgent cases, where said documents shall be provided as quickly as possible, subject to notification, and by the same term. Directors and statutory auditors may nevertheless consult the aforesaid documents at the Company's registered offices in the days immediately prior



to the meeting. The Chairman shall verify, at said offices, that the aforementioned documents have been duly made available to directors and statutory auditors.

Directors and statutory auditors shall be notified within the term indicated in the previous paragraph, also in the event that the Chairman deems it opportune for the documents in question to be furnished directly at the meetings, given the nature of the item and of the respective resolution to be taken.

The supporting documents distributed to directors and statutory auditors shall be stored in the Board's files.

## **Article 9**

### **Attendance of meetings**

As provided for by the Articles of Association, meetings may also be attended via videoconferencing or eventually via teleconferencing, provided that prior notice thereof is given to the Board's Secretary, that all participants can be identified, and that all participants are able to follow the debate and can simultaneously participate in the discussion of the matters in question, and can examine in real time any documents distributed during the course of the meeting.

The Chairman, also upon request from one or more directors, may invite executive managers of the Company or of the Group's companies, together with other external persons or consultants, whose presence is deemed useful in relation to the items listed in the order of business, to attend the meeting. Said persons shall nevertheless be bound to observe the very same confidentiality obligations binding upon directors and statutory auditors, as provided for by Article 12 below.

## **Article 10**

### **Meetings and resolutions**

Meetings shall be chaired by the Chairman, or in the event of the latter's absence or impediment by the Vice-Chairman insofar as one has been elected; in the absence thereof, meetings shall be chaired by the oldest director.

The Board's meetings shall be conducted by the Chairman, or by the person replacing him/her, in the manner deemed most likely by the Chairman to ensure that Board meetings proceed in the best possible way.

The meetings' resolutions shall be taken in accordance with law and with the Articles of Association.

With regard to transactions with related parties, the provisions of the specific "Procedure for Transactions with Related Parties", approved by the Board of Directors pursuant to CONSOB regulation no. 17221 of March 12, 2010 (and subsequent amendments and additions) shall apply.

Any directors who, in accordance with Article 2391 of the Italian Civil Code, have an interest, on their own behalf or on behalf of any third party, in any transaction submitted to the Board for examination, must promptly and fully inform the Board itself of the existence of such interest and of the respective circumstances. Said directors, moreover, shall abstain from voting on any related resolutions.



## **Article 11**

### **Minutes of meetings**

Following the meeting, a draft copy of the minutes shall be sent to all directors and statutory auditors, in order that they may make any comments or observations, which shall be collated by the Board's Secretary.

As a rule, the final text of the minutes shall be submitted to the Board for its formal approval, at the first Board meeting possible, and transcribed in the minutes book of the Board's meetings and resolutions, kept by the due company departments.

That part of the minutes concerning those resolutions passed requiring immediate implementation, may be certified and extracted by the Chairman and the Secretary, even prior to completion of the process of verification of the full minutes including also any comments made.

## **Article 12**

### **Confidentiality obligations**

Directors and statutory auditors are bound to keep all documents and information, acquired during the course of their duties, strictly confidential, and they shall observe the rules adopted by the Company with regard to the disclosure of the aforementioned documents and information, in the manner provided for by the specific internal procedures pertaining to the management and processing of inside and confidential information.

## **Article 13**

### **Calendar of company events**

In compliance with the obligations of listed issuers provided for by Borsa Italiana S.p.A.'s Markets Regulation, the Board annually approves the dates of meetings concerning the corporate events provided for by the aforesaid Regulations, to be notified to the market without delay, and in any case by the thirtieth of January of each year.

The calendar shall specify, within the framework of the Board meetings set for the new business year, the dates fixed for approval of the budget plan and the periodic financial reports, as well as the date fixed for the Shareholders' Meeting for approval of the annual financial statements. Details shall also be given, if so required, of any Board meetings called to approve interim figures, together with the dates set for presentation of accounting figures to the financial analysts.

In the event that time intervals have been indicated for one or more events, the Company shall be bound to promptly notify Borsa Italiana and the market of the dates set for the respective events, together with any subsequent changes in the information given in the calendar.



## Article 14

### Assessment of the Board's operation

At least once a year, the Board shall assess its own operation, and shall assess the operation, size and composition of its Committees, bearing in mind the professional qualities, the experience – including that of a managerial and international nature - and the gender of its members, as well as their seniority. The Report on Corporate Governance shall provide information regarding the manner in which said assessment process is carried out.

In light of the results of the aforesaid assessment process, also based on the recommendations or opinions expressed by the Nomination and Governance, the Board provide shareholders, prior to nomination of the new board of directors, with guidance regarding the managerial and professional profiles whose presence is deemed opportune.

## Article 15

### The Board and the internal control and risk management system

The Board play a general role of guidance and assessment of the adequacy of the internal control and risk management system. Specifically, the Board, subject to the opinion of the Control and Risks Committee as per Article 6 above:

- a) establishes guidelines for the internal control and risk management system, in such a way that the principal risks encountered by the Company and its subsidiaries, are correctly identified and properly quantified, managed and monitored, and that the compatibility of such risks with a form of corporate management in keeping with the identified strategic objectives is determined;
- b) assesses, at least once a year, the adequacy of the internal control and risk management system (with also reference to the risks that may affect the sustainability in a medium-long term prospective) in relation to the nature of the company and to the accepted risk profile, as well as its efficacy; the results of this assessment shall be reported each year in the Report on Corporate Governance;
- c) approves, at least once a year, the working plan drawn up by the Head of the Group Internal Audit department, following consultation with the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- d) following consultation with the Board of Statutory Auditors, evaluates the results presented by the external auditor in any letter of recommendations and in the report on the fundamental questions that emerged during the external audit.

The Chief Executive Officer acts as the Director in charge of the internal control and risk management system and performs the following activities:



- a) shall see to identifying the principal corporate risks, bearing in mind the nature of the business of both the Company and its subsidiaries, and submit such risks to the Board for examination;
- b) shall implement the guidelines drawn up by the Board, designing, setting up and managing the internal control and risk management system, and constantly monitor the adequacy and effectiveness of such system;
- c) shall adapt the aforesaid system to existing working conditions and to legislative and regulatory developments;
- d) may ask the Group Internal Audit department to carry out checks on specific business areas and on the compliance of company's operations with internal rules and procedures, providing prompt notification thereof to the Chairman of the Board of Directors, to the Chairman of the Control and Risks Committee, and to the Chairman of the Board of Statutory Auditors;
- e) report promptly to the Control and Risks Committee, or to the entire Board of Directors, with regard to any problems or critical issues that may emerge during the course of his/her duties, or which he/she has become aware of in any case, so that the Committee or the Board may take the necessary measures.

Furthermore, the Board, upon proposal from the director in charge of the internal control and risk management system, and subject to the approval of the Control and Risks Committee, following consultation with the Board of Statutory Auditors, appoint/dismiss the Head of the Group Internal Audit department, ensures that the same possesses the resources required to perform his/her duties, establishing his/her remuneration in keeping with company policy.

More specifically, the Head of the Group Internal Audit department:

- a) shall ascertain, both constantly and in response to specific requirements, and in compliance with international standards, the effectiveness and suitability of the internal control and risk management system, by means of an Audit Plan approved by the board of Directors, based on a structured process of analysis and prioritization of the principal risks in question;
- b) is not responsible for any business area, and is accountable to the Board of Directors, and thus to the Chairman representing said Board, or in the event that the Chairman be delegated operating powers, to the Control and Risks Committee, and thus to the Chairman representing said Committee;
- c) shall have direct access to all information required in order to carry out his/her duties;
- d) shall draw up regular reports containing due information about his/her activities, about the way in which risks are managed, and about observance of the plans envisaged for the containment of such risks; these regular reports shall contain an assessment of the suitability of the internal control and risk management system;
- e) shall promptly draw up reports on any events of particular importance;



- f) shall convey the reports as per points d) and e) above to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee, and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- g) shall verify, within the framework of the Audit Plan, the reliability of the information systems, including the financial reporting systems.

The Control and Risks Committee, set up within the Board of Directors, has the task of providing support, following due preparation, to the Board's evaluations and decisions regarding the internal control and risk management system, as well as those regarding approval of the regular financial reports; the Control and Risks Committee is also entrusted with the task of monitoring the independence, adequacy and efficiency of the Group Internal Audit department; the same Committee is also responsible for supervising the activities of said department in the event that the Chairman be delegated operating powers.

The other bodies involved in the Company's internal control and risk management system are the Board of Statutory Auditors, also as the committee responsible for internal and control, whose task it is to monitor the effectiveness of the internal control and risk management system; the Surveillance Body, whose task it is to monitor the functioning of, and compliance with, the Organisation, Management and Control Model adopted by the Company in accordance with Italian Legislative Decree no. 231/01; the other corporate functions and organisational units with specific responsibilities relating to internal control and risk management, depending on company size, complexity and risk profile.

## **Article 16**

### **Board Induction**

The Chairman, in agree with the Lead Independent Director, promotes participation by directors and statutory auditors, in the ways deemed appropriate, to initiatives aimed at providing them with an adequate knowledge of the business sector in which the Company operates, of the corporate dynamics and their evolution, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework.

The Company provides to Directors and Statutory Auditors periodic information about main legislative and regulatory developments concerning the Company and the corporate Bodies and gives support in deepening specific relevant issues, also providing a specific set of reference corporate and business documents, relevant to the fulfillment of the mandate.



## Article 17

### Final provisions

Any changes to these Rules, as well as those of the Board Internal Committees, are approved by the Board of Directors. The Chairman may proceed directly, reporting to other Directors at the first available meeting, to adjustments of the Rules of Procedure of the Board of Directors or of the Rules of Procedure of the Board Committees resulting from legislative or regulatory provisions, from organizational Company's changes or following to specific resolutions passed by the Corporate Bodies.





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