



**Guidelines of the Board of Statutory Auditors of Leonardo
S.p.A. to the Shareholders on the composition of the Board of
Statutory Auditors**



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1. Applicable framework

The Board of Statutory Auditors of Leonardo, consisting of five Regular and two Alternate Statutory Auditors, is appointed by the Shareholders' Meeting according to the "list voting" mechanism. The Board performs specific supervisory duties pursuant to the law, with particular regard to:

- the compliance with the law and the by-laws;
- the compliance with the principles of correct management;
- management of risks and of the administrative and accounting system of the Company;
- effective implementation of the governance rules provided for in the Code of Corporate Governance (from 2021, the Corporate Governance Code) the Company adheres to;
- adequacy of the provisions given to subsidiaries pursuant to the law.

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

The current composition of the Board, which was renewed in 2021, is as follows:

Members of the Board of Statutory Auditors	
Chairman	Luca Rossi
Regular Auditor	Anna Rita De Mauro
Regular Auditor	Sara Fornasiero
Regular Auditor	Leonardo Quagliata
Regular Auditor	Amedeo Sacrestano
Alternate Auditor	Giuseppe Cerati
Alternate Auditor	Eugenio Pinto

Each year the Board of Statutory Auditors carries out a self-evaluation aimed at gathering the opinions of the Board members with regard to the functioning and composition of the Board itself as a whole, taking also into account the evolution of its role over time.

On request of the Board of Statutory Auditors, the advisors of Eric Salmon & Partners supported, for the fourth consecutive year, in the process of self-evaluation of the Board.



2. The composition and functioning of the current Board of Statutory Auditors

The Statutory Auditors expressed a positive opinion on the current composition of the Board of Statutory Auditors of Leonardo: the balanced mix of skills and experiences, the overall solidity and high standing have been assessed in a positive manner. Reputation, professionalism and independence meet the high quality standards required. Diversity, assessed in terms of experience, age, gender and background, is in line with the applicable best practices. The Board demonstrated its capacity to hold a quality debate enriched by exchanges of views and challenges, when necessary, suited to the complexity of the issuer.

On conclusion of the mandate of Leonardo's Board of Statutory Auditors, the opinion on its functioning remained extremely positive and highlighted a mutual appreciation and fruitful collaboration among the Statutory Auditors. The relationships between the Board and the other corporate bodies were regarded favourably, including those with the Board of Directors, the External Audit Firm, the Board's internal committees, as well with the risk management and internal audit functions, and the Surveillance Body. Induction activities were also highly appreciated.

The remuneration policy represents the sole and only critical issue: as was already noted in the previous guidelines, considering the dimensions and international structure of the Group, the characteristics of its business, the professional profiles and commitment required in having such a role, within an increasingly complex legal and economic context, the Board of Statutory Auditors points out the advisability of an increase in its remuneration to be resolved on the part of the Shareholders' Meeting.

3. The optimal qualitative and quantitative composition of the future Board of Statutory Auditors

The core aspect of the "end-of-term self-evaluation" of the Board of Statutory Auditors of Leonardo S.p.A. concerns the optimal composition, in qualitative and quantitative terms, which the outgoing Board expresses to the shareholders on the next renewal of the Board itself that will be appointed with the approval of the 2023 financial statements. For this purpose, an analysis was performed of both current and desired skill composition. In the first case, the Statutory Auditors were asked to express their opinion on the current presence - albeit in collective form - of a diversified and complementary set of knowledge, skills and experience, while in the second case to assess the importance that these should have in forming the future Board of Statutory Auditors.

Among the knowledge, skills and experience considered to be currently well represented in the Board, and equally important for the future, the following are highlighted as being of utmost importance:

- Law and contractual expertise
- Accounting expertise
- Skills in reading and interpreting financial documents
- Internal control system and risk management expertise
- Corporate governance expertise
- Sustainability expertise
- Authoritativeness and standing-up skills (ability to defend one's own ideas)
- Experience in supervising the adequacy and effective functioning of the organizational structure and internal control system in large sized limited liability companies
- Experience gained in companies listed on the Stock Exchange

The following are of high importance:

- Statutory audit expertise



- Financial expertise and experience in extraordinary transactions
- Knowledge of the main businesses of Leonardo, the typical scenarios and strategies of the sectors in which it operates
- Experience gained in industrial companies operating at global level, of size and complexity comparable to Leonardo

Less importance (average rating) is instead assigned to university teaching experience in legal, economic, financial and technical-scientific subjects.

With regard to the guidelines to the shareholders on the characteristics and composition of the future Board of Statutory Auditors of Leonardo, worth noting are issues such as diversity (gender, age) and skills.

As to gender, the present Board has maintained a gender balance and, in accordance also with the regulations, there are no grounds for modifying the current proportion. Similar considerations emerged during the self-evaluation in relation also to age. Overall, the current diversity of the Board, as arisen from the self-evaluation processes, fully meets the needs imposed by the dimension and operational complexity of Leonardo and it is hoped that the future Board can keep on in the same fashion.

With regard to the skills, the comparative analysis on the two skill matrices (mix of current and prospective skills of the Board) highlighted a considerable overlap between the current mix of knowledge, skills and experiences and the ideal one of the future Board. This result, in light of the recently renewed Board of Directors – 12 new members out of the total 12 – and of the high technical complexity of Leonardo’s operations, suggests by way of exception to take advantage of the benefits arising from the continuity of the Board actions compared to a possible turnover of a part of its members.

4. Evaluation of the Board of Statutory Auditors on commitment required and remuneration

In order to provide adequate instructions to the shareholders to identify the suitable profiles to propose as statutory auditors of Leonardo S.p.a., the Board of Statutory Auditors asked the People & Organization OU to perform a benchmarking analysis of the remuneration of the Boards of Statutory Auditors, with the support of the Mercer consultant. From such analysis it emerged that the fees paid to the Chairman of the Board of Statutory Auditors (€80,000 per year) and to each regular statutory auditor (€70,000 per year) are lower than the remuneration benchmarks of the compared markets.

Specifically, an element underlying the analysis was the particular commitment required to the members of the monitoring body during their mandate, considering that according to the Company’s practice all the Statutory Auditors should attend the meetings of the internal Board committees.

Below are the 2023 data:

BOARD	NUMBER OF MEETINGS	AVERAGE DURATION
Board of Statutory Auditors	22	2 h
Board of Directors	13	2 h 40’
Control and Risks Committee	11	2h
Remuneration Committee	8	1h 20’
Nomination and Governance Committee	9	1h
Sustainability and Innovation Committee	8	1h 40’

Total meetings 71



The data shown above highlight the significant commitment required to the Statutory Auditors of Leonardo S.p.a. for the fulfilment of duties attributed to them by statutory, regulatory and corporate governance sources. In 2022 the total number of meetings attended by the Board of Statutory Auditors was equal to 75.

Since that for many companies in the FTSE MIB it was not possible, from the analysis of publicly available documentation, to reconstruct the actual attendance of all members of the board of statutory auditors at the meetings of the internal board committees, an initial comparison was made by subdividing the companies in the FTSE MIB to the number of meetings attended by the Board of Statutory Auditors. The companies considered were divided into groups according to the number of meetings held. The number of meetings of the Board of Statutory Auditors of Leonardo S.p.a. was comparable to the group of companies in which the board holds more meetings. In such companies, the remuneration received is significantly higher than in Leonardo.

A second comparison was made with the panel of Italian companies used by the Leonardo Remuneration Committee for the benchmark of the other roles envisaged by the remuneration policy, first of all the CEO-GM. Within this panel Leonardo ranks between the median and the third quartile for “size factors” - capitalization, revenues, Ebit, number of employees - and the remuneration of the Chairman of the Board of Statutory Auditors and regular Statutory Auditor is lower than these benchmarks.

Finally, a third comparison was performed taking into account the recommendation contained in the «Rules of conduct of the boards of statutory auditors of listed companies» of the Italian Accounting Profession, to compare the fee for the chairman of the board of statutory auditor with that of the chairman of the control and risks committee.

The Chairman of the latter Committee reaches a fee amounting to € 115,000, obtained by adding the remuneration determined by the Shareholders' Meeting to that recognized by the Board of Directors for the position of Chairman of the Control and Risks Committee. This comparison does not, however, take into account the fact that each non-executive director is a member of two Committees.

Furthermore, the Board highlights that, as concerns the responsibilities of the monitoring body, the Chairman of the Board of Statutory Auditors of Leonardo S.p.a is assigned with specific certification duties considering the particular business of the Company. The Chairman of the Board of Statutory Auditors of Leonardo is required, among other things, by the Ministry of Enterprises and Made in Italy, to sign an affidavit certifying specific income statement and balance sheet values for the purpose of receiving the subsidies envisaged to support R&D costs incurred by the Company. The provisions of Law no. 808/85 also require the Chairman of the Board of Statutory Auditors to sign statements certifying the actual costs on R&D projects financed in accordance with the mentioned Law.

It should be noted that the remuneration paid to the Board of Statutory Auditors of Leonardo S.p.a. has been the same since 2018. The increase in the level of inflation, specifically in the last period, has evidently eroded the real value of the fee determined some 6 years ago now.

In light of the above considerations, and also taking into account the purposes pursued by recent legislative initiatives (Law no. 49 of 21 April 2023, - the so-called law on fair compensation) for adequate remuneration of professionals, the current Board of Statutory Auditors of Leonardo S.p.a. highlights to Shareholders a limited competitiveness of the fees received by them in comparison to the different market benchmarks considered.

