



REMUNERATION REPORT  
**2018**

**Drafted pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation - TUF) and pursuant to article 84-quater of CONSOB Resolution no. 11971 of 14 May 1999 (Issuers' Regulation)**

*Disclaimer*

*This Report has 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 the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.*

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## INTRODUCTION

This Report has been prepared in compliance with the regulatory provisions in force and in line with the Corporate Governance Code for Listed Companies.

In fact the Company's Board of Directors' Resolution of 27 March 2018 approved the Remuneration Report pursuant to Article 123-ter of the TUF, which illustrates, among other things, the policy adopted with regard to the remuneration of members of the Governing Bodies and other Executives with Strategic Responsibilities, also in accordance with the recommendations expressed by the Corporate Governance Code, which the Company complies with.

The initial Section of the document illustrates the remuneration policy adopted as of the 2018 financial year, setting out the criteria and guidelines that the Company has adopted in relation to the remuneration of its Governing Bodies' members and other Executives with Strategic Responsibilities. Said Section is subject to the non-binding resolution of the Shareholders' Meeting, pursuant to Article 123-ter, paragraph 6, of the TUF.

The second Section analyses and details the fees actually paid to, or in any case assigned to, members of governing and control bodies, as well as to General Managers and other Executives with Strategic Responsibilities, during the course of 2017.

The remuneration policy set out in this Report has been adopted by the Company, as provided for by Consob Regulation no. 17221/2010 with regard to related-party transactions, also in accordance with and for the purposes of Article 11.2(b) of the Procedure for Related Parties Transactions approved by the Board of Directors on 26 November 2010 and finally updated on 20 December 2016.

This document is available at the Company's registered office and on its website ([www.leonardocompany.com](http://www.leonardocompany.com)), in the specific Corporate Governance section – 2018 Shareholders' Meeting, as well as on the website of the authorised storage device ([www.emarketstorage.com](http://www.emarketstorage.com)).

## SUMMARY

(ESR =Executives with Strategic Responsibilities)

2018 REMUNERATION POLICY			
COMPONENT	PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND PAYOUT
<b>FIXED REMUNERATION</b>	It is an adequate return for services rendered and is proportionate to the duties and responsibilities assigned, with the purpose of retaining talented resources for the performance of the specific duties awarded to them.	It is determined with reference to pay market benchmarks and periodically reviewed, also in relation to the pay-mix policies.  <b>CHAIRMAN'S PAY-MIX</b> = 100% Fixed remuneration  <b>CEO PAY-MIX</b> = 42% Fixed remuneration; 58% Variable remuneration (of which 30% short-term variable remuneration and 28% medium/long-term variable remuneration)  <b>ESR' AND OTHER MANAGERIAL RESOURCES' PAY-MIX</b> ESR and other top managers = Fixed between 30% and 45%; Variable between 70% and 55% Key Executives = Fixed between 45% and 60%; Variable between 55% and 40% Other managerial resources = Fixed between 60% and 85%; Variable between 40% and 15%	<b>CHAIRMAN</b> = gross fees of € 400,000 p.a. - non-recurring fees pursuant to Article 2389 , paragraph 3, for special powers (in addition to gross fees of € 90,000 p.a. set by the Shareholders' Meeting).  <b>CEO</b> = gross fees of € 920,000 p.a. (in addition to gross fees of € 80,000 p.a. set by the Shareholders' Meeting).  <b>ESR AND OTHER MANAGERIAL RESOURCES</b> = remuneration set in relation to the responsibility of the person concerned and the target market positioning.
<b>SHORT-TERM VARIABLE REMUNERATION (LEONARDO GROUP MBO SYSTEM)</b>	<p><b>MBO SYSTEM</b> It is an incentive to achieve the annual objectives set in the Company's budget.</p> <p>Financial/operational and role-specific objectives are set in relation to the responsibility in the Company's organisation.</p> <p>A maximum payout cap is applied to all the participants in the MBO system, to an extent that varies from about 20% to about 80% of fixed remuneration, in relation to the responsibility in the Company's organisation.</p> <p>Two payout thresholds are set, which are linked to the business' overall profitability ratios.</p> <p>A <b>claw-back</b> clause is provided for all the variable incentives, under such clause the Company will be entitled to request repayment of the variable remuneration paid out vis-à-vis such incentives in the event that the payout was awarded on the basis of data which is afterwards proved to be incorrect or misstated.</p>	<p><b>FOR ALL BENEFICIARIES</b> <b>PAYOUT THRESHOLD</b> : The Company has confirmed the application of two thresholds for incentive payments linked to the implementation of the following KPIs : - GROUP EBITA: 85% of budget - GROUP FOCF: 100% of budget - The non-achievement of even only one of the two thresholds prevents the application of the Group's economic and financial KPIs;</p> <p><b>CEO OBJECTIVES</b> The achievement of the threshold provides access to the MBO plan, structured as follows: 1) Group EBITA (30%); 2) Group FOCF (30%); 3) Specific target on Sustainability/ESG, Environmental, Social and Governance issues (10%) 4) Industrial Plan Objectives (30%) structured into 3 specific KPIs: - Progress in the actions under the Industrial master plan concerning the business performance as per the budget (relating to 2018) of the Helicopters and Aerostructures Divisions; - Technology Innovation: implementation of strategic projects and the creation of units responsible for supervising UAVs and definition of a Training Academy business case; - Book to Bill ratio &gt;=1</p> <p><b>ESR'S OBJECTIVES</b> 1) Group EBITA 2) Group FOCF 3) Division EBITA/Division FOCF/Function KPIs 4) Industrial Plan Objectives 5) Revenue Growth Targets 6) Target on Sustainability/ESG issues</p> <p><b>OTHER MANAGERIAL RESOURCES' OBJECTIVES</b> These are assigned in relation to the person's responsibility in the organisation among the following objectives: 1) Group EBITA 2) Group FOCF 3) Division EBITA/Division FOCF/Function KPIs 4) Revenue Growth Targets 5) Industrial Plan Objectives 6) Target on Sustainability/ESG issues</p>	<p><b>CEO PAYOUT AND PERFORMANCE CURVE</b> - Group EBITA: no payout if the budget target is not achieved and a payout of 100% if the target is achieved or over-performed; - Group FOCF: no payout if the budget target is not achieved and a linear payout from 100% to 120% if the budget target is achieved or over-performed until the achievement of the overall maximum - Sustainability/ESG Target: "ON/OFF" - Business Plan Objectives: 0 payout up to 89% of target, a payout of 60% from 90% to 99% of budget and fixed at 100%, from 100% upwards</p> <p><b>ESR'S AND OTHER MANAGERIAL RESOURCES' PAYOUT</b> "CAP" on the maximum payout included between about 20% and about 80% of the Gross Annual Remuneration in relation to the responsibility of the person concerned.</p> <p><b>PERFORMANCE CURVE OF ESR AND OTHER MANAGERIAL RESOURCES</b> - Group and Division EBITA: no payout if the budget target is not achieved and a payout of 100% if the budget target is achieved or over-performed ; - Group and Division FOCF: 0 payout up to 99% of budget, linear correlation between 100% and 120%, fixed at 120%, from 120% of budget upwards - Other function / division / individual objectives: 0 payout up to 79% of target, a payout of 60% from 80% to 99% of budget, linear correlation between 100% and 120%, fixed at 120%, from 120% upwards</p>

## SUMMARY

(ESR = Executives with Strategic Responsibilities)

2017 REMUNERATION POLICY			
COMPONENT	PURPOSES AND BASIC FEATURES	DETERMINATION CRITERIA AND PERFORMANCE CONDITIONS	AMOUNTS AND PAYOUT
<p><b>LONG-TERM VARIABLE REMUNERATION: INCENTIVE PLAN</b></p>	<p><b>PURPOSES</b> Focusing the key managerial positions on the achievement of the objectives under the Company's Business Plan. Creating the conditions for increasing the convergence of the interests of management and those of shareholders. Bringing the system more in line with the practices of the sector peers and, more generally, with the practices adopted by the major European listed companies. Fulfilling the investors' expectations regarding management remuneration.</p> <p><b>VESTING</b> The system consists of three-year cycles which will commence from 2018-2020. The incentive is conditional upon the achievement of targets over a three-year term. The achievement of the targets to which the incentive is linked will be verified at the end of each three-year period.</p> <p><b>LOCK-UP</b> Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the CEO and Executives with Strategic responsibilities and other top management positions. 50% of the shares will not be transferable during this period.</p>	<p>1) Relative Leonardo <b>Total Shareholder Return</b> (TSR) compared to the TSR of a peer group - weight of 50% of total incentive 2) Group <b>Return on Sales</b> (ROS) - weight of 25% of total incentive 3) Group <b>Net Debt</b> - weight of 25% of total incentive The TSR performance will be measured on the basis of Leonardo's positioning compared to the peer group: - equal or greater than the TSR of the companies occupying the top four positions in the ranking: 100% of bonus - lower than the TSR of the company occupying the fourth place in the ranking and equal or greater than the TSR of the company occupying the sixth place in the ranking: 50% of bonus - lower than the TSR of the company occupying the sixth place in the ranking and greater than the TSR of the company occupying the eighth place in the ranking: 25% of bonus - lower or equal than the TSR of the company occupying the eighth place in the ranking: no payout</p> <p>The <u>Return on Sales</u> will be measured on the average of the final values of each financial year part of the vesting period of the Plan; The <u>Group Net Debt</u> will be measured on the final value at the end of the vesting period and for which the following performance conditions have been set: - a maximum threshold equal to the budget that determines the achievement of 100% of the bonus. - a minimum threshold of 5% below budget that determines the achievement of 50% of the bonus. - for the values below the minimum threshold no bonus will be paid out.</p> <p>Intermediate results give bonuses calculated proportionately.</p>	<p>The Plan provides for the assignment of incentives structured into a component that is fully expressed in ordinary Leonardo shares for the Company's Chief Executive Officer, Executives with Strategic Responsibilities and other Top Executives. As regards the other beneficiary Executives, the Plan provides for the payment of a component that is fully expressed in ordinary Leonardo shares and of a cash component, based on a different proportion between cash and shares depending on the different levels of responsibility, the contribution to the Company's results of operations and the position held in the relevant business organisation.</p> <p><b>CEO PAYOUT</b> For the first Plan cycle for the three-year period 2018-2020 allocation of a number of 51,653 shares determined by dividing the maximum incentive of € 500,000 by the unit price of € 9.68 per share used for the conversion of incentives in the implementation of the plan.</p> <p><b>ESR PAYOUT</b> For the first Plan cycle for the three-year period 2018-2020 allocation of a number of shares equal to 140% of gross annual remuneration, determined by making reference to the unit price of € 9.68 per share used for the conversion of incentives in the implementation of the plan.</p>
<p><b>NON-CASH BENEFITS</b></p>	<p>Benefits are granted consistently with the total reward policies applied at the Leonardo Group level.</p>	<p>Non-cash benefits are defined in accordance with provisions of law, collective bargaining agreements and any other applicable union agreements.</p>	<p><b>CEO</b> Non-cash benefits that can be assigned include: - benefits similar and equivalent to those paid to the Group's executives - Insurance Covers - Company car Accommodation for guests' use</p> <p><b>ESR</b> Non-cash benefits that can be assigned include: - participation in the supplementary pension Plan with Previdai (National pension fund for managers of industrial companies) - Supplementary health insurance benefits /in place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI - Insurance Covers - Company car - Accommodation for guests' use</p>
<p><b>PAY IN THE EVENT OF TERMINATION OF OFFICE OR EMPLOYMENT</b></p>	<p>Retention purposes connected with the role in line with long-term strategies, values and interests set by the Board of Directors.</p>	<p>They are set in relation to added value with respect to business development and maintenance, as well as to the extension of non-competition obligations (if any).</p>	<p><b>CHAIRMAN</b> No severance pay.</p> <p><b>CEO</b> If the appointment as Chief Executive Officer is revoked and/or if the term of office is terminated early and/or if the employment contract is terminated by Mr Profumo with just cause, he will be paid an amount as an indemnity and compensation payment, equal to such total remuneration (fixed and variable elements) as would be paid until the natural expiry of the term of office (24 months that will be set to zero upon natural expiry of the term of office).</p> <p><b>ESR</b> Allowances under the National Collective Bargaining Agreement, plus severance payment defined on an individual basis (if any).</p>

**SECTION I**  
**REMUNERATION POLICY 2018**



## 1. BODIES AND PERSONS INVOLVED IN THE PREPARATION, APPROVAL AND IMPLEMENTATION OF THE REMUNERATION POLICY

With regard to the governance of the remuneration systems, the following is a more detailed description of the related management activities and the respective responsibilities, divided according to the role played by each body involved in the formulation and approval of the remuneration policy regarding the members of the Company's Governing Bodies and other Executives with Strategic Responsibilities.

### A) Shareholders' Meeting

On remuneration matters, the Shareholders' Meeting:

- determines the fees payable to the members of the Board of Directors and of the Board of Statutory Auditors;
- resolves on any remuneration plans based on financial instruments assigned to Directors, employees, consultants or Executives with Strategic Responsibilities, pursuant to Article 114-bis of the TUF.

### B) Board of Directors

- has set up an internal Remuneration Committee, the composition and functions of which are fully described in section C) below;
- sets, on the proposal of the Remuneration Committee, the remuneration of those Directors with delegated powers granted by the Company and of any other Director vested with specific functions following the opinion of the Board of Statutory Auditors;
- defines the Company's policy in relation to the remuneration of Directors and other Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- approves this Remuneration Report and submits it to the Shareholders' Meeting pursuant to, and within the limits set out in, Article 123-ter, paragraph 6, of the TUF;
- approves, upon proposal from the Remuneration Committee, potential incentive plans based on the allotment of shares or other financial instruments, and submits said plans to the Shareholders' Meeting for its approval;
- implements the aforesaid incentive plans based on shares or other financial instruments, with the support of the Remuneration Committee, in accordance with the authorization of the Shareholders' Meeting.

### C) Remuneration Committee

The Board of Directors has set up its own internal Remuneration Committee, composed of the following members:

**Name:** Dario Frigerio  
Chairman (Independent Director)

**Name:** Marina Elvira Calderone  
(Independent Director)

**Name:** Marina Rubini  
(Independent Director)

**Name:** Antonino Turicchi  
In office from 16/05/2017

**Name:** Alessandro De Nicola  
(Independent Director)  
In office until 16/05/2017

The Committee meets periodically to carry out its functions and duties, and its meetings are considered valid if at least a majority of its members attend. The Chairman of the Committee calls and chairs meetings. The Board of Directors has assigned to the Committee the resources required to carry out its research and investigations. The Committee obtains access to information and to Company structures as necessary for it to perform its task, and, through Company channels that make use thereof, consults external advisors in order to ensure independence of judgment. The Committee's meetings are attended by the Head of the Company's Chief People, Organization and Transformation Officer Organisational Unit and may be attended, on the invitation of the Committee through the Chairman and in relation to the issues being discussed, by other persons, including non-executive members of the Board of Directors and any employee working for the Company or Group Companies, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor appointed by the latter. No Director participates in the Committee's meetings in which proposals are put forward to the Board in relation to his/her own remuneration.

The Remuneration Committee is responsible for taking action:

- to submit proposals to the Board of Directors concerning the definition of the Company's remuneration policy of Directors and other Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- to put forward proposals to the Board of Directors for related resolutions in implementation of the remuneration policy established by the same, with reference to:
  - the remuneration and regulatory treatment of Directors with delegated powers and of all Directors vested with specific functions (following the opinion of the Board of Statutory Auditors, when required by Article 2389 of the Italian Civil Code);
  - the performance targets related to the variable element of the remuneration of Directors with delegated powers and of any other Director vested with specific functions, monitoring the implementation of the decisions adopted and verifying, in particular, their actual achievement;
- to support the Company in defining the best policies for the management of the Group executives as well as the development plans and systems for the Group's key personnel;
- to draw up compensation plans based on the allotment of shares or of options for the purchase of the Company's shares in favour of Directors and Executives of the Company and of the Group companies, to be submitted to the Board for its approval and then to the Shareholders' Meeting for its approval pursuant to the legal provisions, while also defining the implementing provisions;
- to periodically evaluate the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors and other Executives with Strategic Responsibilities.

The Committee's Meetings are duly recorded in minutes, which are reported on by the Committee' Chairman at the first meeting of the Board of Directors. Furthermore, the Committee provides the Board with a report on the most important issues.

The Committee's operations are governed by special Regulations, which acknowledge the principles and implementation criteria recommended by the Corporate Governance Code.

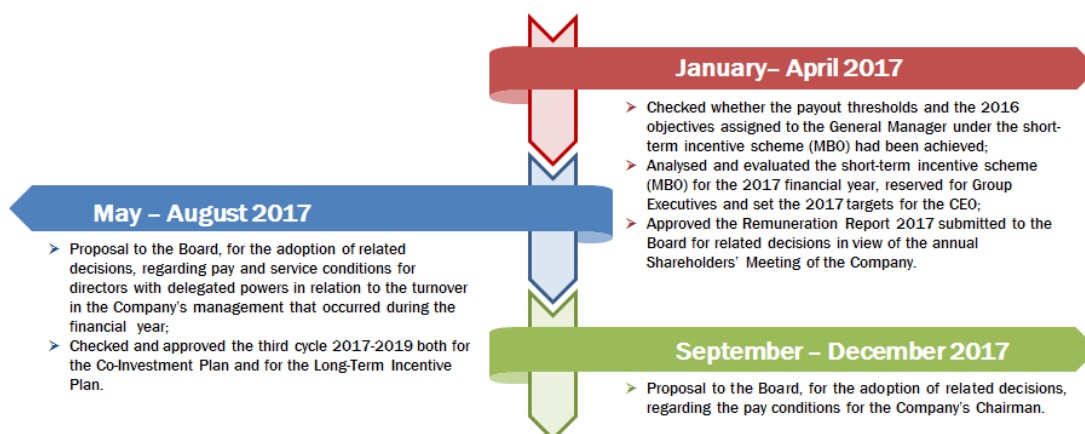
Since it was formed in December 2000, the Remuneration Committee has played a role of supporting the top management with one of the most important issues related to the strategic management of the Group's human resources and of its pay and retention policies.

In acting in this role the Committee has worked out incentive schemes which assist in achieving the Group's results and the objectives of enhancing the value of its stock and of the Group itself.

With specific reference to the remuneration policy outlined in this Report, the Remuneration Committee has defined the principles and practical methodology of application of the policy and has submitted them to the Board of Directors, which, having examined the policy, then submits it to the Shareholders' Meeting for a non-binding resolution, pursuant to Article 123-ter, paragraph 6, of the TUF.

The policy proposed by the Remuneration Committee was approved by the Board of Directors at its meeting held on 27 March 2018.

### **Activities carried out during 2017**



### **D) Board of Statutory Auditors**

On remuneration matters, the Board of Statutory Auditors, which regularly participates in the Remuneration Committee's meetings through the Chairman or a regular Auditor specified by the same, expresses the opinions required by the regulations in force, with particular reference to the remuneration of those Directors vested with specific functions pursuant to Article 2389 of the Italian Civil Code, and it also verifies that said remuneration is in line with the general policy adopted by the Company.

### **E) Independent Experts**

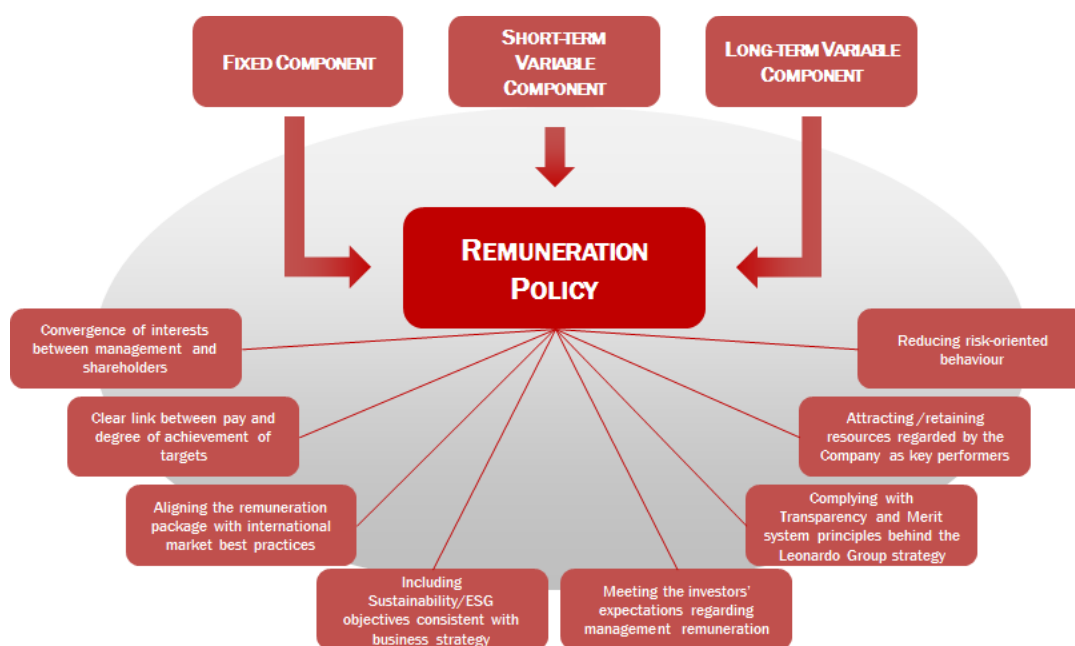
In the course of 2017 the Chief People, Organization and Transformation Officer Organisational Unit made use, as external independent experts, of Mercer for activities concerning remuneration.

## 2. AIMS AND PRINCIPLES OF THE REMUNERATION POLICY

The Remuneration Policy sets out the principles and guidelines to determine the remuneration of the members of the Board of Directors, as well as the specific criteria through which the remuneration of the Group's management is established, in accordance with the Governance model adopted by the Company and the recommendations laid down in the Corporate Governance Code.

The policy is designed to attract and motivate human resources who have the professional qualities required to carry out their duties and fulfil their responsibilities by performing excellently, and matching the interests of the management with the pursuit of the priority objective of creating shareholder value in the medium/long-term through:

- an appropriate balance between the variable element of remuneration and the fixed element, as well as setting a balance between short- and long-term incentives, in order to ensure the sustainability of the policy itself in the long term;
- an efficient alignment of the remuneration and incentive system with the pursuit of the Company's long-term interests, by ensuring that the variable element of remuneration is connected to actual results, through the introduction of not only a direct link between performance and remuneration but also by paying particular attention to the objectivity and measurability of the performance conditions which the remuneration is subject to, and to the indicators used to measure the remuneration, without prejudice to the existence of an upper limit on incentives.



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The 2015-2019 Industrial Plan laid down the outlines of a new Company, by conducting an in-depth analysis of its competitive position in the individual sectors and in the various business segments, thus restructuring the product portfolio and outlining the processes of reorganisation and development necessary to guarantee the Group's competitiveness in international markets and create shareholder value.

The 2018-2022 Industrial Plan is based on the substantial results achieved in recent years in terms of order backlog's focus and recovery of profits, as well as on a thorough internal audit aimed at establishing whether Leonardo's competitive positioning is sustainable over time for each business segment in which the Group operates.

The prospects in target markets are generally positive, in particular as regards exports to international markets, allowing Leonardo to look with confidence at opportunities that can be seized in its core businesses.

In recent years substantial results were achieved for the construction of an operating and effective «One Company» model. However, it is necessary to boost development in order to ensure business sustainability over the long term, making the most of the resources available within the «One Company» structure, strengthening its corporate structure and improving its business approach.

The 2018-2022 Industrial Plan is therefore based on a transformation path that will be structured and implemented in the following areas:

1. optimising the operating model ("Leonardo 2.0") through a centralised organisational structure capable of supporting the businesses' action in an effective manner and sharing/generating best practices, a stronger identity and a more integrated resources management;
2. a more effective customer approach through a strong boost to international business development, a structured and cross-business customer support and relations process, and an effective governance of technology innovation;
3. investments targeted at supporting growth, focused on key products and technology and on sales network development;
4. a greater focus on costs based on a cost transformation programme widespread across the entire Group, with the aim to improve competitiveness of its products and invest in growth;
5. streamlining the product portfolio (Portfolio Reshaping) focused on the allocation of resources to core businesses, including through partnerships;
6. actions targeted at improving the performance in the Helicopters Division, which was affected by difficulties due to non-structural causes during 2017; this Division constitutes an excellent business at an international level, with a range of leading products that are very appreciated by customers in target markets and increasing shares in the most attractive market segments.

The 2018-2022 Industrial Plan will provide Leonardo with the resources for a new phase of sound, sustainable growth on an ongoing basis, aimed at creating value to the benefit of all stakeholders in the long term.

## REFERENCE TO MARKET REMUNERATION POLICIES

The remuneration policy is determined following a thorough analysis of the remuneration systems and best practices both at national and international level, also in relation to aggregate external benchmarks, with reference to a panel of large Italian industrial groups listed on the FTSE MIB 40 Italia index, as well as to international listed companies operating in the Sectors of Defence, Industrial Engineering, Technology Hardware and Equipment.

## REMUNERATION POLICY PRINCIPLES AND INSTRUMENTS

The remuneration policy of Executive Directors and other Executives with Strategic Responsibilities<sup>1</sup> has been formulated according to the principles that are described below.

### **Fixed Remuneration**

The fixed element of remuneration is such that it adequately remunerates the services provided by the members of the Governing Bodies and by other Executives with Strategic Responsibilities and is proportioned to the assigned duties and responsibilities.

For those Directors not entrusted with specific duties, the remuneration consists exclusively of a fixed element, to be determined by the Shareholders' Meeting, and it is in no way linked to the achievement of performance targets.

For Executive Directors and other Executives with Strategic Responsibilities, the remuneration is composed of a fixed element and a variable element.

In principle, the fixed element of remuneration is set at a level that sufficiently compensates the performance of the Chief Executive Officer and of Executives with Strategic Responsibilities in the event that the variable element is not paid out, due to the failure to achieve the underlying performance targets.

In any case, the fixed element of remuneration is determined by taking into account the scope and nature of the specific powers assigned to the individuals, also on the basis of external benchmarks, at national and international level.

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<sup>1</sup> Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated on 20 December 2016, the concept of "Executive with Strategic Responsibilities" of Leonardo includes the members of the Board of Directors, the Regular Statutory Auditors and any persons who hold the position of General Manager of the Company, the Officer in charge of the Company's financial reporting, pursuant to article 154-bis of the Consolidated Law on Financial Intermediation, as well as (from 1 January 2016) the Division Managing Directors, pursuant to article 154-bis of the Consolidated Law on Financial Intermediation.

	<p>For Executive Directors and Executives with Strategic Responsibilities, non-cash benefits are provided for which are in line with the Company's policies, guaranteeing equitable treatment in relation to internal practices, and, at the same time, adequate levels of competitiveness against the market. Such rewards and benefits may include insurance provisions, welfare or pension contributions, and other forms of company benefits.</p>
<p><b>Variable Remuneration</b></p>	<p>Similarly, the variable element of remuneration, provided for Executive Directors and Executives with Strategic Responsibilities, is determined by taking into account the scope and nature of the specific powers assigned to the individuals, as well as in relation to external benchmarks that are defined also on the basis of the practices in place at comparable companies at national and international level.</p> <p>Specifically, in order to reduce any excessively risky forms of behaviour and to encourage behaviours leading to sustainable results and the creation of value for shareholders in the medium/long term, the variable part of remuneration is composed of a short-term element (typically an annual incentive) and a long-term element granted through incentive plans set up for the Leonardo Group's management. The use of financial instruments will be structured on the basis of essential principles in line with the Corporate Governance Code (vesting period, performance conditions, etc.).</p> <p>In accordance with the guidelines issued by the Corporate Governance Committee regarding Executives with Strategic Responsibilities, the composition of variable remuneration is structured so as to provide for long-term incentives that are higher than short-term benefits.</p> <p>The variable remuneration systems provide for "self-funding" mechanisms designed to ensure that all costs associated with the incentive plans are included in the profitability criteria conditioning the awarding of incentives.</p>
<p><b>MBO Scheme</b></p>	<p>The aim of the short-term variable component is to encourage the achievement of the annual objectives laid down in the Company's budget and in line with the business plan for the relevant year. The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved. Hence primarily quantitative targets are set which represent and are consistent with the Company's strategic and industrial priorities and are measured according to preset and objective criteria.</p>

*Performance gates*

The Company has confirmed the application of two thresholds for incentive payments, linked to the achievement of the following KPIs set by the Board of Directors:

- Group EBITA (85% of budget);
- Group Free Operating Cash Flow<sup>2</sup> (FOCF) (100% of budget);
  - The Group FOCF, which was not envisaged in previous financial years, has been set as a gate and with a higher threshold to stress the key importance of this KPI to Leonardo;
- The non-achievement of even only one of the two gates leads to setting the Group's economic and financial KPIs to zero.
- 

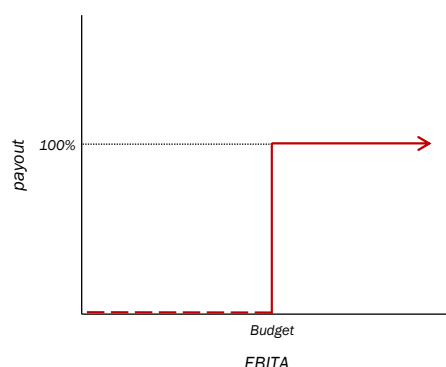
*Performance indicators*

The performance indicators to which the short-term variable component is linked are modulated depending on the beneficiaries' role and organisational responsibility. The assigned targets are selected from the following:

- Group and Division EBITA
- Group and Division FOCF
- Revenue Growth Objectives
- Specific Function Objectives
- Specific Sustainability/ESG Objectives
- Objectives linked to the Industrial Plan.

*Incentive curve*

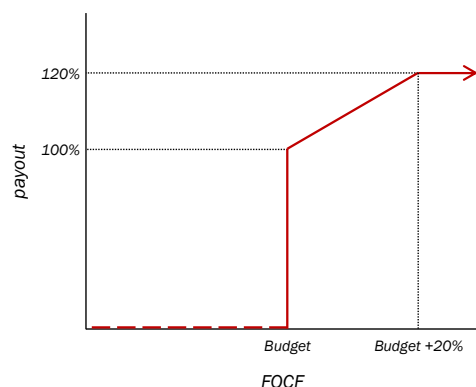
The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus as follows:



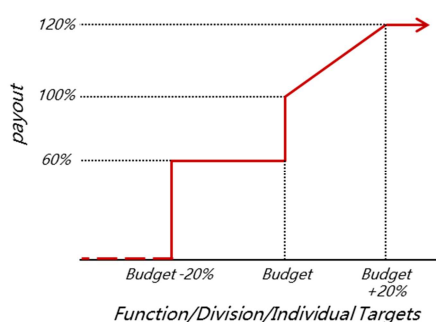
- Group EBITA:
  - no payout if the budget target is not achieved
  - a payout of 100% for the achievement of budget targets

<sup>2</sup> Free Operating Cash-Flow (FOCF) is obtained as a sum of the cash flow generated (used) by operating activities (excluding changes relating to the Group Net Debt items), the cash flow generated (used) by core investing activities (property, plant and equipment, intangible assets and equity investments, net of cash flows arising from the purchase or disposal of equity investments that, by their very nature or importance, can be qualified as "strategic investments") and dividends received.





- Group FOCF:
  - no payout if the budget target is not achieved
  - a payout with linear incentive from 100% to 120% if the budget targets is achieved or over-performed



- Function/Division/individual targets:
  - 0 payout up to 79% of budget
  - A payout of 60% from 80% to 99% of budget
  - Linear correlation between 100% and 120% of budget

**Co-Investment Plan**

The 2017 financial year saw the start of the third and last cycle (2017 - 2019) of the Co-Investment Plan approved by the Shareholders' Meeting on 11 May 2015 (for the operation of the Plan, reference should be made to the Remuneration Report 2017).

**Long-Term Incentive Plan**

2017 saw the start of the third and last cycle of the Plan (2017 - 2019) approved by the Shareholders' Meeting on 11 May 2015. The Company's Board of Directors' meeting held on 27 March 2018 resolved to submit for the consideration of the Shareholders' Meeting, pursuant to Article 114-bis of the TUF, the proposed approval of a new Long-Term Incentive Plan. The Plan is reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Company's business in the medium term, in the executive grade (or equivalent abroad) in the Company, Subsidiaries with their registered offices in Italy or abroad, as well as consultants (former employees) in top management and/or other management positions in the Company or Subsidiaries.

*Performance conditions and incentive curve*

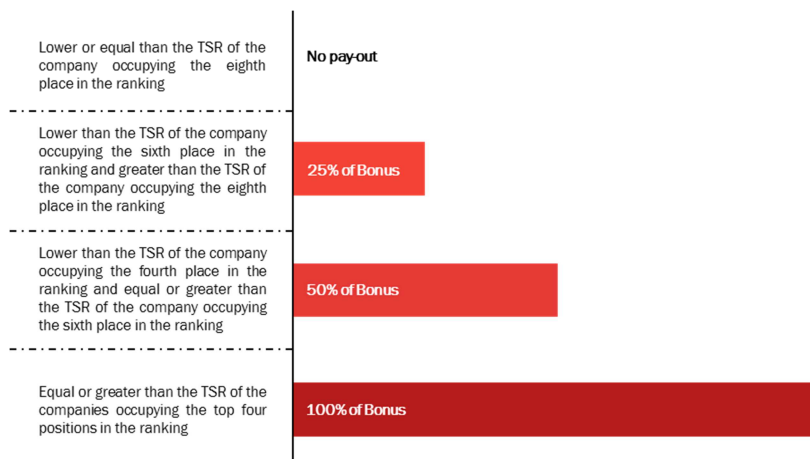
The payment of the incentive is conditional on the achievement of targets relating to a three-year period and linked to the following performance indicators:



With reference to the TSR indicator, Leonardo's performance will be measured in relation to a "peer group" selected on the basis of comparability analyses of the stock, including companies in the Aerospace and Defence sector at global level and industrial companies in the FTSE MIB index. The panel consists of companies in the relevant sector in Europe and North America for two thirds and of Italian listed companies for one third:



The portion of bonus earned in relation to the TSR performance is determined on the basis of Leonardo's positioning with respect to the "peer group", as illustrated below:



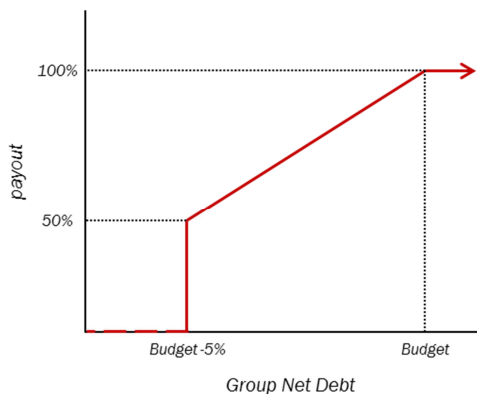
The Return on Sales will be measured on the average of the final values of each financial year during the vesting period of the Plan.

The Group Net Debt will be measured on the final value at the end of the vesting period and for which the following performance conditions have been set:

- a maximum threshold equal to the budget that determines the achievement of 100% of the bonus.

- a minimum threshold of 5% below budget that determines the achievement of 50% of the bonus.
- for the values below the minimum threshold no bonus will be paid out.

Intermediate results give bonuses calculated proportionately.

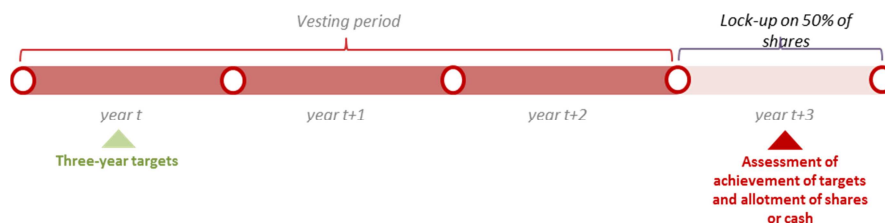


*Incentive instruments*

The Plan provides for the assignment of incentives structured into a component that is fully expressed in ordinary Leonardo shares for the Company's Top Management, Executives with Strategic Responsibilities and other Top Executives; as regards the other beneficiaries of the Plan, the Company reserves the right to set the bonus, based on a different proportion between cash and shares depending on the different levels of responsibility, the contribution to the Company's results of operations and the position held in the relevant business organisation.

*Vesting period and lock-up*

Once the three-year vesting period is elapsed, the plan provides for a one-year lock-up period for the Company's Top Management, Executives with Strategic Responsibilities and other Top Executives for which a bonus has been set which is fully expressed in shares. 50% of the shares will not be transferable during this period.



<b>Claw-back</b>	<p>As recommended in the Corporate Governance Code and in accordance with the specific guidelines recently issued by the Corporate Governance Committee of Borsa Italiana S.p.A., for all variable incentive schemes – in both short and long term - , a claw-back clause has been put in place whereby the Board of Directors is entitled, through the competent corporate functions, to request the beneficiaries to return the bonuses they have received (in the form of cash or the value of the shares allocated to them) if the Board finds that the degree to which their performance objectives have been achieved has been determined on the basis of clearly erroneous or falsified calculations. This clause applies if the difference between the data utilised and the data rectified has led to a Bonus in cash and/or in Shares being granted in excess of the amount to which the beneficiaries are actually entitled to and places an obligation on the beneficiaries to return the bonuses that have been unduly paid.</p>
<b>Pay in the event of early termination of employment</b>	<p>As regards termination indemnities, the Company has been adopting for some time a policy for which, as a rule, it does not sign agreements covering, <i>ex ante</i>, the financial aspects of early termination of the management’s employment with the Company, without prejudice however to the obligations provided for by law and by the applicable collective bargaining agreement. Nevertheless, for Executive Directors and other top management staff members, in light of their specific professional skills and the importance of retention in relation to their roles, the Company may establish special clauses that govern <i>ex ante</i> the effects of the early termination of employment, in line with the long-term strategies, values and interests established by the Board of Directors.</p> <p>In particular, after careful consideration, the Company may determine, with reference to Executive Directors and other Executives with Strategic Responsibilities, that they are entitled to specific severance payments, should their office as directors be terminated in advance, or in the event of their resignation and/or dismissal as employees of the Company, without prejudice to the obligations provided for by law and by the applicable collective bargaining agreement.</p> <p>Such severance pay shall be, in any case, determined in relation to the value added and to the contribution given to the growth and maintenance of the business, as well as to the associated retention interests of the Company.</p> <p>The specific early termination provisions will also identify the methodology for the calculation of the variable part of remuneration due.</p>
<b>Non-Competition Agreement</b>	<p>Furthermore, with regard to Executive Directors and other Executives with Strategic Responsibilities and in case of individuals with particularly significant professional skills (such that termination of their employment could represent a risk for the Company), the Company may define, on a case-by-case basis, non-competition agreements, providing for the payment of a compensation commensurate with the duration and scope of the obligations arising from the agreement itself.</p>

### 3. REMUNERATION POLICY 2018

#### DEVELOPMENT OF THE GOVERNANCE STRUCTURE

On 16 May 2017 the Shareholders' Meeting appointed the Board of Directors for the three-year period 2017-2019, which will end at the same time as the Shareholders' Meeting called to approve the financial statements at 31 December 2019; the Meeting also renewed the appointment of Giovanni De Gennaro as Chairman of the Company appointed Alessandro Profumo as Director.

Mr De Gennaro had also been appointed as Chairman by the previous Board of Directors' meeting held on 4 July 2013.

On 16 May 2017 the Board of Directors also appointed Mr Profumo as Chief Executive Officer with delegation of related powers.

On 28 June 2017 the Board of Directors resolved the replacement of Sectors as organisational units of the One Company structure, while confirming the existing operating and governance model, according to which the organisation is directly structured into seven business Divisions and head office functions responsible for strategic direction and control for the Group governance.

It should be noted that the current "Procedure for Related Parties Transactions" also includes the Company's Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016.

#### MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF STATUTORY AUDITORS

The remuneration of the members of the Board of Directors and of the Board of Statutory Auditors shall be determined by the Shareholders' Meeting.

The Shareholders' Meeting held on 16 May 2017 set, for the three-year period 2017-2019, the remuneration of the Chairman of the Board of Directors at € 90,000 per year before tax and that of the other members of the Board at € 80,000 per year before tax.

Furthermore, at the meeting held on 16 May 2017, the Board of Directors granted Mr De Gennaro, as Chairman, some specific responsibilities whose exercise attracts the special remuneration referred to in Article 2389, paragraph 3, of the Italian Civil Code, in relation to which the Board of Statutory Auditors provided the related opinion.

On 8 November 2017 the Remuneration Committee, following a resolution passed by the Board of Directors' meeting held on 16 May 2017, decided on the Chairman's remuneration as per Article 2389, paragraph 3, of the Italian Civil Code for carrying out the specific responsibilities assigned to him by the Board, setting the gross

amount at € 400,000 per year<sup>3</sup>, with effect from 16 May 2017, additional to the gross annual fees that the Shareholders' Meeting set for the position of Chairman.

No severance payments were determined for the event of early termination of the office or for the event of non-renewal of his mandate.

Furthermore, insurance cover and welfare policies have been provided to the benefit of the Chairman, together with other benefits connected with the performance of duties required of his office and additional powers delegated to him.

In line with best practices, the remuneration awarded to those Directors who are not entrusted with specific duties is not linked in any way to the achievement of specific performance targets, and thus consists of a fixed element only, rather than of a variable element as well. To the fixed component of remuneration set by the Shareholders' Meeting must be added the fees set by the Board of Directors for the participation in internal Committees.

The Company's Board of Directors, by a resolution passed on 16 May 2017, set the following fees for the members of the Committees set up within the Board itself:

- € 2,500 per year before tax for each member and € 7,500 per year before tax for the Chairman of the Committee;
- € 2,000 attendance fee, payable on the occasion of each Committee meeting.

The fees due to the members of the Board of Statutory Auditors, which remained unchanged with respect to those added to by the Shareholders' Meeting held on 28 April 2016, amounted to a gross amount of € 80,000 per year for the Chairman and to a gross amount of € 70,000 per year for each of other Regular Auditors.

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<sup>3</sup> The previous remuneration had been set at € 148,000 following the express recommendation made by the majority shareholder, the Ministry of Economy and Finance, during the Shareholders' Meeting held on 15 May 2014. This recommendation was not confirmed in 2017 at the time of the renewal of the appointment.

## CHIEF EXECUTIVE OFFICER

### 1. Overall remuneration structure

The Company has entered into a collaboration agreement with the Chief Executive Officer, which sets out the same remuneration as that payable to the former Chief Executive Officer, who had entered into a subordinate employment agreement with the Company, as Company executive and General Manager.

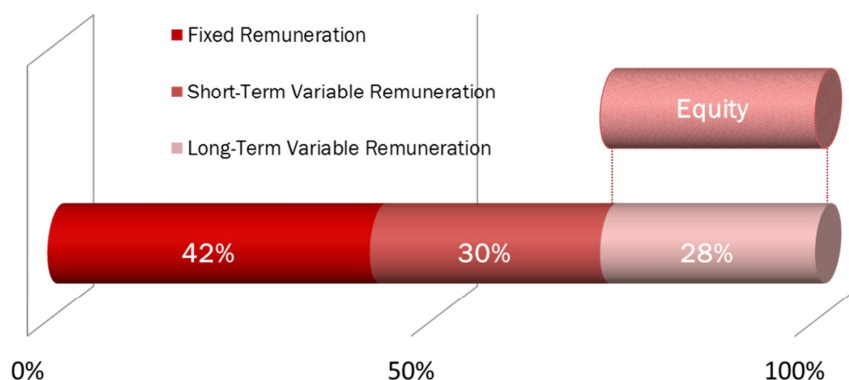
The solution adopted for Mr Profumo is certainly more favourable to the Company, entailing lower social security contribution costs.

At the proposal of the Remuneration Committee and having heard the Board of Statutory Auditors, the Board of Directors has set the fees reported below for the performance of duties as Chief Executive Officer and the exercise of the authority and powers that were granted to him upon his appointment, as non-recurring fees pursuant to Article 2389, paragraph 3, of the Italian Civil Code, in addition to the fees payable to Directors and set by the Company's Shareholders' Meeting.

### 2. Pay-mix

The pay-mix was set as follows:

- **FIXED REMUNERATION:** 42% of the overall maximum remuneration attainable;
- **VARIABLE REMUNERATION:** 58% of the overall maximum remuneration attainable (divided into 30% short-term incentive and 28% long-term incentive).



The remuneration is determined as follows:

- **FIXED REMUNERATION** = gross annual salary of € 920,000;
- **MAXIMUM VARIABLE REMUNERATION** = gross annual potential pay of € 1,280,000 (of which € 660,000 as short-term maximum variable pay-out per annum and € 620,000 as long-term maximum variable pay-out per annum).

### 3. Short-term variable remuneration

The short-term variable remuneration for the Chief Executive Officer consists of maximum overall gross fees of € 660,000 per year (equal to 71.7% of fixed remuneration) and is subject to the following performance conditions:

- *Thresholds*

The Company has confirmed the application of two thresholds for incentive payments, linked to the achievement of the following KPIs set by the Board of Directors:

- Group EBITA (85% of budget);
- Group FOCF (100% of budget);
  - The Group FOCF, which was not envisaged in previous financial years, has been introduced as a gate and with a higher threshold to stress the key importance of this KPI to Leonardo;
- The non-achievement of even only one of the two gates leads to setting the Group's economic and financial KPIs to zero.

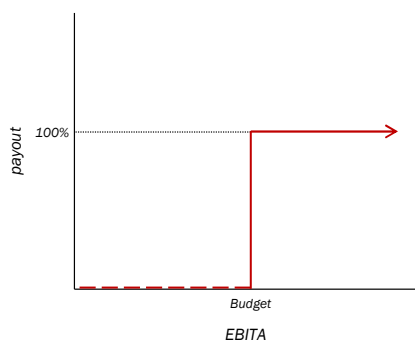
- *Performance Targets*

In consideration of the maintenance of the Group's targets of sustainable development, competitive costs and margins, as well as the achievement of the levels of Operating Profit and Free Operating Cash Flow, in close connection with the strategic objectives behind the Industrial Plan, the following performance indicators have been included for 2018:

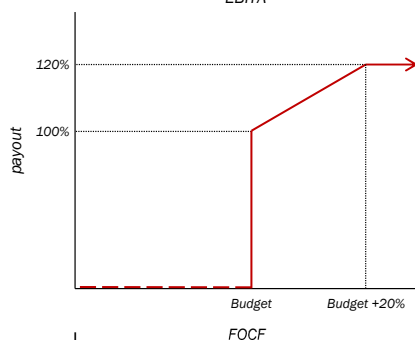
- Group EBITA (30% of budget);
- Group FOCF (30% of budget);
- Specific target on Sustainability/ESG, Environmental, Social and Governance issues (10% - ON/OFF target linked to the inclusion of Leonardo in Dow Jones Sustainability Indexes);
- Industrial Plan Objectives (30%) structured into three specific KPIs:
  - Progress in the actions under to the Industrial master plan, concerning the business performance as per the budget (relating to 2018) of the Helicopters and Aerostructures Divisions;
  - Technology Innovation: implementation of strategic projects and the creation of units responsible for supervising UAVs and the definition of a Training Academy business case;
  - Book to Bill ratio  $\geq 1$ .

The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus as reported below:

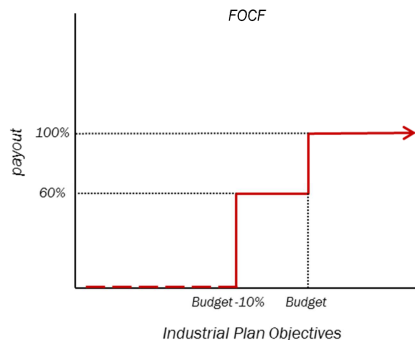




- Group EBITA:
- no payout if the budget target is not achieved
- a payout of 100% for the achievement of budget targets



- Group FOCF:
- no payout if the budget target is not achieved
- a payout with linear incentive from 100% to 120% if the budget target is achieved or over-performed until achieving the overall maximum amount



- Sustainability/ESG Objective: "ON/OFF" Approach
- Industrial Plan Objectives
- 0 payout up to 89% of budget
- A payout of 60% from 90% to 99% of budget
- 100%, from 100% of budget upwards

#### 4. Long-term variable remuneration

The part of long-term variable remuneration, up to an annual overall maximum gross amount of € 620,000 (equal to 67.4% of fixed remuneration), comes from the participation of the Chief Executive Officer in the Company's long-term share incentive plan, subject to the approval of the Shareholders' Meeting concerning the creation of the new Plan reserved for the Group's management.

Incentives payable are fully expressed in ordinary Leonardo shares.

In the light of the system's rolling mechanism, and in consideration of the amount of annual remuneration paid in relation to the long-term variable portion envisaged in the employment contract of the Chief Executive Officer, the sum allocated for the first plan cycle for the three-year period 2018-2020 is set at a maximum amount of € 500,000. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable to the Chief Executive Officer had been set at 51.653, obtained by dividing the maximum incentive by the unitary price of € 9.68<sup>4</sup> used for the determination of the incentive when implementing the plan.

<sup>4</sup> Average price of ordinary Leonardo shares in the period 01 January 2018 – 30 March 2018 in the application of the resolution passed by the Board of Directors on 27 March 2018.

Based on the allocations envisaged for the overall long-term variable remuneration payable to the Chief Executive Officer, this amount and the amounts of future allocations have been calculated by making reference to the natural expiry of the term of office, which is conventionally set at 31 May 2020 for these purposes.

## **5. Pay in the event of termination of office or employment**

If the appointment as Chief Executive Officer is revoked and/or if the term of office is terminated early and/or if the employment contract is terminated by Mr Profumo with just cause, he will be paid an amount as an indemnity and compensation payment, equal to such total remuneration (fixed and variable elements) as would be paid until the natural expiry of the term of office (24 months that will be set to zero upon natural expiry of the term of office).

These amounts will be calculated, as follows: (i) as regards the fixed element on the basis of the annual pre-tax remuneration effectively received at the time of termination of employment, (ii) as regards the short-term variable element, remuneration shall be calculated on the basis of the average amount received or accrued for the period before the expiry of the term of office, (iii) as regards long-term variable remuneration, on the basis of an amount commensurate on a *pro-rata temporis* basis with respect to 100% of the overall long-term variable remuneration, thus assuming the achievement of 100% of the performance targets, less the amount accrued in relation to the plans already allocated on that date, for which it is considered valid what defined in art. 13 of the Long Term Incentive Plan Regulations (Termination of the Relationship) which establishes the right to receive the bonus in shares of the assigned plans granted in the time and manner provided for in the Regulations, subject to the achievement of the Performance Targets.

No indemnities will be payable if the appointment is not renewed.

## **6. Other benefits**

The Chief executive Officer will also receive benefits that are similar and equivalent to those payable to the Group executives (including Fasi, Assidal funds, etc.), as well as the mandatory forms of insurance cover - in compliance with the provisions of law, non-cash benefits envisaged for top management positions in line with the Company's practices (company car and accommodation for guests' use).

## **7. Chief Executive Officer's purchase of Shares**

On 31 January 2018 the Chief Executive Officer acquired no. 100,000 shares of the Company, at an average price of € 9.7328, for a total investment of € 973,280.

## EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND OTHER MANAGERIAL RESOURCES

### 1. Overall remuneration structure

The fixed remuneration of Executives with Strategic Responsibilities and other managerial resources is proportionate to the role and responsibilities assigned to them, also considering the market positioning with respect to comparable Italian and international companies, as well as in relation to individual benchmarks for positions with similar levels of responsibility and managerial complexity.

### 2. Pay-mix

The pay-mix of fixed and variable remuneration components is consistent with the position assigned to the person concerned: the weight of the variable component increases for positions that have greater impact on the Company's results directly.

The current average pay-mix is determined as follows:

	FIXED REMUNERATION	VARIABLE REMUNERATION	OF WHICH SHORT TERM	TOTAL
ESR AND OTHER TOP MANAGERS	30% - 45%	70% - 55%	About 35%	100%
SENIOR MANAGERS	45% - 60%	55% - 40%	About 50%	100%
OTHER EXECUTIVES	60% - 85%	40% - 15%	100%	100%

### 3. Short-term variable remuneration

Executives with Strategic Responsibilities and other executives participate in the short-term variable Remuneration Plan (MBO), which has been already described in its essential details in the previous Section "Remuneration Policy Principles and Instruments" (page 11).

As further recommended by the Corporate Governance Committee of Borsa Italiana S.p.A., a maximum incentive cap is applied to all participants in the MBO system in an amount varying from about 20% to about 80% of fixed remuneration, according to the person's responsibility in the organisation.

### 4. Long-term variable remuneration

Executives with Strategic Responsibilities and other managers participate in the long-term incentive plan, which will be submitted for the approval of the Shareholders' Meeting, which is reserved for key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Group's business in the medium term.

This plan provides for the Executives with Strategic Responsibilities to be paid incentives that are fully expressed in ordinary Leonardo shares; the allocation for the first cycle for the three-year period 2018 - 2020 is set at 140% of the annual gross remuneration, expressed in a number of shares calculated using as reference the unit price of 9.68<sup>5</sup> per share used for the conversion of incentives.

The methods and mechanisms of operation of the Plan are the same as those described previously (on page 13 and following pages). Furthermore, for more details, reference should be made to the Disclosure Document relating to the plan that has been filed with the registered company located in Rome, at Piazza Monte Grappa no. 4, on the Company's website ([www.leonardocompany.com](http://www.leonardocompany.com)), with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised storage device ([www.emarketstorage.com](http://www.emarketstorage.com)).

## **5. Pay in the event of termination of office or employment**

In the event of termination of their employment contracts, Executives with Strategic Responsibilities will be paid any fees set in the National Collective Bargaining Agreement, in addition to benefits (if any) defined on an individual basis.

## **6. Other benefits**

For Executives with Strategic Responsibilities obligatory social security and insurance covers are provided for in compliance with the law, with the National Collective Bargaining Agreement and the trade union agreements applicable to their executive employment contract with the Company, as well as non-cash benefits envisaged for top management positions in line with the Company's practices (among which may be provided accommodation, company car, etc.).

In line with the provisions applicable to all Executives of Leonardo, Executives with Strategic Responsibilities are eligible to participate in the supplementary pension benefits with Previdai (the national pension fund for managers of industrial companies), as well as supplementary health insurance benefits in addition to or in place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI.

## **DEFERRED REMUNERATION SCHEMES**

The Company had no deferred payment systems in place at the date of this Report since the Co-Investment Plan was completed in the 2017 financial year.

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<sup>5</sup> Average price of ordinary Leonardo shares in the period 01 January 2018 – 30 March 2018 in the application of the resolution passed by the Board of Directors on 27 March 2018.

## INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

As regards Executive Directors, Executives with Strategic Responsibilities and other top managers, the proposal will be submitted for the approval of the Shareholders' Meeting to establish a new long-term Incentive Plan, based on the award of ordinary Leonardo shares and cash benefits, as detailed in the specific section above (on page 13 and following pages).

The actual implementation of the abovementioned scheme is subject to the approval of the Shareholders' Meeting.

For any details on the methods and mechanisms of the Plan, reference should be made to Section I, on page 13 and following pages, as well to the Disclosure Document made available by the Company within the time limits prescribed by law, at the registered office located in Rome, at Piazza Monte Grappa no. 4, on the Company's website ([www.leonardocompany.com](http://www.leonardocompany.com)), with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised storage device ([www.emarketstorage.com](http://www.emarketstorage.com)).

## REMUNERATION OF THE HEAD OF THE GROUP INTERNAL AUDIT ORGANISATIONAL UNIT

In accordance with the Corporate Governance Code, the Board of Directors took steps – at the proposal of the Chief Executive Officer, in his capacity as the Director responsible for the Internal Control and Risk Management System and subject to the approval of the Control and Risks Committee and of the Board of Statutory Auditors – to set the remuneration payable to the Head of the Group Internal Audit Organisational Unit. The variable incentive structure has been proposed in accordance with the Company's policy, while ensuring the resources allocated for the performance of related duties. The short-term variable component of remuneration (MBO) is conditional on the achievement of targets that are exclusively linked to the effectiveness and efficiency of the Group Internal Audit organisational unit. As regards the long-term variable component, a provision has been made for the possibility of paying an additional amount, which may be disbursed in 2018 following the approval of the 2017 financial statements, proportionally to the average achievement of targets allocated within the MBO system during the previous three-year period (see the Remuneration Report 2016, page 25), instead of participating in incentive plans established for the Company's management and in accordance with the Corporate Governance Code's provisions governing the matter, in order to ensure the sustainability of results over time. The Board of Directors will be responsible for setting appropriate targets for each position held during the subsequent three-year periods, at the proposal of the Chief People, Organization and Transformation Officer function.

## Resolution proposal

Dear Shareholders,

pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98, you are called upon to vote, with a non-binding resolution, on the first section of the Remuneration Report referred to in Article 123-ter, paragraph 3, of Legislative Decree 58/98, subject to publication in accordance with provisions of law, which discusses the Company's policy on the remuneration of the members of the Governing Bodies and other Executives with Strategic Responsibilities, as well as the procedures used to adopt and implement that policy.

In view of the foregoing, we submit for approval of the ordinary Shareholders' Meeting the following proposed non-binding resolution on point six of the agenda:

"The Ordinary Shareholders' Meeting of Leonardo – Società per azioni:

- having regard to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99;
- having regard to the Remuneration Report approved by the Board of Directors on 27 March 2018, prepared pursuant to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99 and in accordance with the recommendations of the Corporate Governance Code for listed companies, which the Company has adopted, and published within the time limit of 21 days prior to the first call of the Shareholders' Meeting to approve the Financial Statements at 31 December 2017;
- having examined in particular the first section of that Report, which discusses the Company policy concerning the remuneration of the members of the Governing Bodies and other Executives with Strategic Responsibilities, as well as the procedures used to adopt and implement that policy;
- having regard to the non-binding nature of this resolution, pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98

resolves

In favour of the first section of the Remuneration Report prepared and approved by the Board of Directors pursuant to Articles 123-ter of Legislative Decree 58/98 and 84-quater of Consob Regulation no. 11971/99".

**SECTION II  
IMPLEMENTATION OF REMUNERATION POLICIES AND FEES RELATING TO THE 2017 FINANCIAL  
YEAR**

**PART ONE**



## 1. IMPLEMENTATION OF 2017 REMUNERATION POLICIES

Also having regard to the periodic assessment of the implementation of the remuneration policy as required by the Corporate Governance Code, the Remuneration Committee considered that the remuneration paid in 2017 was consistent with the policy adopted, and that the principles and practical application were consistent with the market benchmarks in terms of positioning and pay mix.

With reference to the 2017 financial year, the following elements constituted the remuneration paid to the members of the Governing and Supervisory Bodies, to the General Managers and to the Executives with Strategic Responsibilities.

## 2. FIXED REMUNERATION

(Table 1)

The members of the Board of Directors and the members of the Board of Statutory Auditors received the fixed remuneration determined by the Shareholders' Meeting. The Directors vested with specific functions also received the fixed element of their remuneration, as determined by the Company's Remuneration Committee (Table 1, "Fixed Remuneration" column).

Directors who are members of a Committee received the fixed remuneration determined by the Company's Board of Directors, together with the sums paid as attendance fees, on the occasion of each Committee meeting (Table 1, "Remuneration for participation in Committees" column).

The Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities received the fixed element of their salary as set forth in their respective employment contracts taking into account the effective permanence in the position (Table 1, "Fixed Remuneration" column), including any compensation due under the National Collective Bargaining Agreement (public holidays, travel allowances etc.).

## 3. NON-EQUITY VARIABLE REMUNERATION (bonuses and other incentives)

(Table 1 and Table 3B)

Payments reported in Table 3B relate to the short-term incentive plan – MBO Scheme - described in the Remuneration Report of the previous financial year.

### Chief Executive Officer

The short-term variable remuneration for Mr Profumo for the 2017 financial year has been reset at an overall maximum gross amount of € 412,500 per year, as a *pro-rata temporis* portion (7.5 months) attributable for the actual term of office. The Board of Directors has decided, consistently with the message of continuity that was to be brought at the time of the Top Management turnover, to maintain the same targets as those assigned to Mr Moretti for the 2017 financial year.

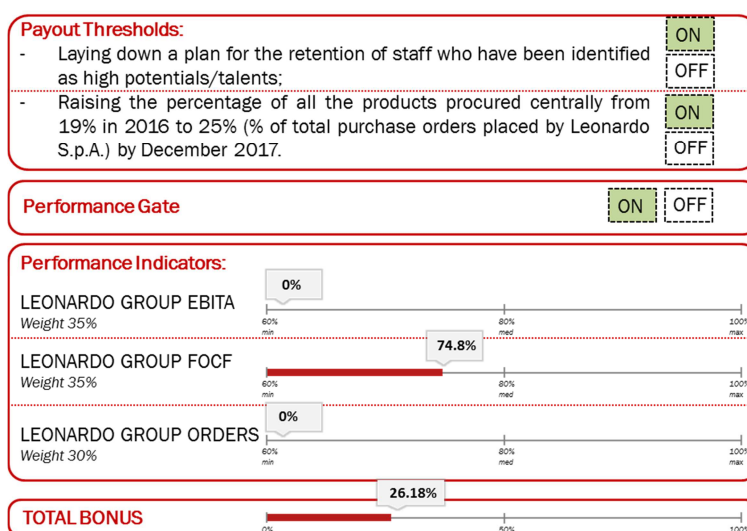
The targets are objectively measurable and closely related to the targets set in the Company budget-plan and are subject to the achievement of one threshold established consistently with the Group's key objectives.

This threshold, which consists of the following KPIs set by the Board of Directors:

- lay down a plan for the retention of staff who have been identified as High Potentials/Talents by;
- raise the percentage of all the products procured centrally from 19% in 2016 to 25% (% of total purchase orders placed by Leonardo Spa) by December 2017,

was regarded as achieved by the Remuneration Committee's and the Board of Directors' meetings held respectively on 26 and 27 March 2018; accordingly, it was unanimously resolved to consider that the targets had been attained for the performance gate for the payment of short-term variable remuneration for the 2017 financial year.

Below are the performance indicators set for short-term incentives for the Chief Executive Officer for the 2017 financial year, and the related degree of achievement:



For the functioning mechanisms of the MBO Scheme, reference should be made to the Remuneration Report 2017, Section I, page 21.

### Executives with Strategic Responsibilities

Executives with Strategic Responsibilities participated in the Leonardo annual bonus scheme (MBO short-term incentive system) as senior Executives of the Group, according to the terms and conditions laid down in the applicable corporate policy, as described in the Remuneration Report 2017, to which reference is fully made.

The amounts relating to the variable remuneration shown in Tables 1 and 3B that follow are calculated on an accrual basis and are subject to the approval of Financial Statements by the Shareholder's Meeting.

#### **4. NON-CASH BENEFITS AND OTHER FEES**

(Table 1)

Non-cash benefits of the Chairman refer to insurance and welfare policies, as well as to other benefits connected with the performance of duties required of his office and additional powers delegated to him.

Non-cash benefits of the Chief Executive Officer, which are calculated on a *pro rata temporis* basis, relate to insurance and welfare policies, the allocation of a company car and the accommodation for guests' use.

Non-cash benefits of the General Manager, which are calculated on a *pro rata temporis* basis, relate to the participation in the Supplementary Pension Fund with the national Previdai Pension Fund in the sector, as well as to the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car and the insurance covers stipulated.

Non-cash benefits of Executives with Strategic Responsibilities include their participation in the Supplementary Pension Fund with the national Previdai Pension Fund in the sector, the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car for business and personal use and to the insurance covers.

#### **5. SEVERANCE PAY**

(Table 1)

The Company's Board of Directors' meeting held on 16 May 2017 established that the requirements had been met to make an indemnity and compensation payment to Mr Moretti, equal to € 9,262,000, in addition to severance pay benefits and any other amount payable in relation to the rights accrued within the scope of long-term incentive plans, as described in the Company's Remuneration Report.

This assignment has been determined in accordance with the provisions of contracts, as well as in compliance and consistently with the guidelines of Leonardo's remuneration policy with the involvement of the Remuneration Committee, illustrated in the Remuneration Report prepared pursuant to Article 123-ter of the TUF, approved by the Board of Directors' meeting held on 15 March 2017 and by advisory vote by the Shareholders' Meeting held on 16 May 2017.

To this indemnity must be added an amount of € 180,000 in consideration of specific waivers made by Mr Moretti as a result of the termination of his employment.

No provision has been made for non-competition agreements to be complied with after the termination of employment and, therefore, no fees may be paid for this reason.

Likewise, no fees are due to Mr Moretti for the termination of his office as Chief Executive Officer following the waiver thereof made at the time.

Specifically, his employment contract was terminated through an agreement aimed at finally settling the matter in the interests of the Company.

The indemnity has been calculated on the basis of criteria linked to the overall remuneration payable to the executive, including benefits additional to cash payments, as expressly prescribed by law and collective agreements.

In particular, the three annual instalments and the compensation in lieu of notice have been calculated by including all remuneration items, and specifically all fees that are payable under an employment contract in accordance with the abovementioned regulatory provisions.

Therefore, the following elements, both in cash or in kind, have been included in conventional monthly payments, set out by law, as a basis for calculation of the indemnity and compensation, pursuant to Article 2121 of the Italian Civil Code: the fixed component of remuneration (in the amount actually received at the time of the termination of employment); the variable component of remuneration (assuming the average fees actually received for this reason during the last three years); the benefits (the amount of which has been calculated with reference to the cost of the actual replacement services) and the contributions to be paid by the Company to the executive for social security and welfare benefits (Previndai and FASI+ASID funds).

## **6. STOCK OPTIONS**

(Table 2)

As at the date of this Report, the Company has no stock option plans in place.

## **7. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS**

(Table 3A)

During 2017 it was provided that the Chief Executive Officer and General Manager and the Executives with Strategic Responsibilities will participate in the Long-Term Incentive Plan for the 2017-2019 cycle.

Table 3A reports the maximum attributable number of shares and related fair value.

Specifically:

- for Mr Profumo: in the light of the system's rolling mechanism, and in consideration of the amount of annual remuneration paid in relation to the long-term variable portion envisaged in the director employment contract, he received the sums allocated under the existing plans, as calculated on a *pro rata temporis* basis, making reference to the actual term of office within the scope of each of the 3 cycles. The decision to include Mr Profumo in the existing plans is consistent with the message of continuity that was to be brought to the entire Company at the time of the Top Management turnover:
  1. for the first plan cycle for the three-year period 2015–2017 the incentive allocated was set at a maximum amount of € 129,000 (16/05/2017 – 31/12/2017); therefore, the maximum number of shares attributable to Mr Profumo was set at 11,865, obtained by dividing the maximum incentive by

the price of € 10.8728<sup>6</sup>. This price was taken as a reference for the determination of the incentive in the implementation phase of the 2017-2019 plan, as well as for the calculation of the number of shares to be allocated to Mr Profumo for all the 3 cycles in place, at the decision of the Remuneration Committee in exercising the specific delegated powers granted by the Board of Directors;

2. the incentive allocated for the second plan cycle for the three-year period 2016–2018 was set at a maximum amount of € 336,000; therefore, the maximum number of shares attributable to Mr Profumo was set at 30,903, obtained by dividing the maximum incentive by the price of € 10.8728;
  3. the incentive allocated for the third plan cycle for the three-year period 2017–2019 was set at a maximum amount of € 543,000; therefore, the maximum number of shares attributable to Mr Profumo was set at 49,942, obtained by dividing the maximum incentive by the price of € 10.8728;
- For General Manager: in the light of the system’s rolling mechanism, and in consideration of Mr Moretti’s leaving the Company on 16 May 2017, the amount of annual remuneration paid in relation to the long-term variable portion envisaged in the employment contract, equal to € 621,000 for the third plan cycle for the three-year period 2017–2019, was reset, on a *pro rata temporis* basis, at € 77,625 (4.5 months out of 36) with a maximum number of shares of 7,140;
  - for Executives with Strategic Responsibilities: the sum allocated for the third plan cycle for the three-year period 2017-2019 was set at a maximum amount of € 3,965,375. Therefore, as at the date of allocation of the plan, the maximum number of shares allocated was set as 364,706, obtained according to the same calculation method as described above. The above figures refer to all the persons who carried out the function of Executives with Strategic Responsibilities during 2017. They are *pro rata* according to the time in the function for those who only served for a fraction of the year.

The final calculation for the 2017-2019 cycle will be made at the end of the performance period in 2020 and the number of shares actually earned, over the three-year vesting period, will be subject to a one-year lock-up period during which 50% of allocated shares will not be transferable.

The fair value reported in Table 3A, corresponding to the maximum amount of the incentive that can be allocated upon full achievement of all performance targets, has been calculated on the basis of the following parameters:

- the book value referring to the TSR (adjusted fair value € 8.55);
- the book value referring to the Group Debt and ROS (€ 14.76);
- the maximum number of shares that can be allocated within the Plan;
- the vesting period effectively elapsed in 2017 (5/36 months, i.e. from 1 August 2017 to 31 December 2017).

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<sup>6</sup> Average price of ordinary Leonardo shares in the period 1 July 2016 - 31 December 2016 in the application of the resolutions passed by the Board of Directors on 15 March 2017.

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Table 3A also reports the values relating to the first cycle 2015-2017 and to the second cycle 2016-2018 of the long-term Incentive Plans based on financial instruments, considering the vesting period effectively elapsed in 2017.

For the mechanisms of the Plans, see the Remuneration Report 2017, Section I, page 14 and following pages.

**PART TWO**

Part two of Section II provides an analytical summary of all the amounts relating to the 2017 financial year, regardless of their nature or form, in favour of those persons who held, during said year, even for a fraction of the period, the position of member of the Governing or Supervisory bodies, General Manager or Executives with Strategic Responsibilities.

on behalf of the Board of Directors

**The Chairman**

**Giovanni De Gennaro**



**TABLE 1.** REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (Amounts in thousands of euro)

LAST AND FIRST NAME(S)	POSITION HELD IN THE FINANCIAL YEAR 2017	TERM OF OFFICE	EXPIRY OF THE TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR THE PARTICIPATION IN COMMITTEES	NON-EQUITY VARIABLE REMUNERATION		NON-CASH BENEFITS	OTHER FEES	TOTAL	FAIR VALUE OF EQUITY PAYMENTS	TERMINATION OR SEVERANCE INDEMNITY
						BONUSES AND OTHER INCENTIVES	PROFIT-SHARING					
De Gennaro Giovanni	Chairman	1.1/31.12.2017	FY 2017	90				7		403		
Moretti Mauro	Director	1.1/16.05.2017	FY 2017	306						524	345 (5)	9.442 (*)
	Chief Executive Officer and General Manager			440			54					
Profumo Alessandro	Director	16.05/31.12.2017	FY 2017	50						749	363 (5)	
	Chief Executive Officer			576		108	15					
Alpa Guido	Consigliere	1.1/31.12.2017	FY 2017	80	36					116		
Bader Luca	Director	16.05/31.12.2017	FY 2017	51	17					68		
Calderone Marina Elvira	Director	1.1/31.12.2017	FY 2017	80	31					111		
Cantarella Paolo	Director	1.1/31.12.2017	FY 2017	80	29					109		
Dassù Marta	Director	1.1/31.12.2017	FY 2017	80	30					110		
De Nicola Alessandro	Director	1.1/16.05.2017	FY 2017	30	12					42		
Frigerio Dario	Director	1.1/31.12.2017	FY 2017	80	38					118		
Landi Fabrizio	Director	1.1/31.12.2017	FY 2017	80	27					107		
Merlo Silvia	Director	1.1/31.12.2017	FY 2017	80	25					105		
Rubini Marina	Director	1.1/31.12.2017	FY 2017	80	35					115		
Turicchi Antonino	Director	16.05/31.12.2017	FY 2017	51 (1)	19					70		
Bauer Riccardo Raul	Chairman Board of St. Aud.	1.1/31.12.2017	FY 2017	80					44 (2)	124		
Abriani Nicolò	Regular Auditor	1.1/31.12.2017	FY 2017	70						70		
Corsi Luigi	Regular Auditor	1.1/31.12.2017	FY 2017	70					16 (3)	86		
Perrini Francesco	Regular Auditor	1.1/31.12.2017	FY 2017	70						70		
Savi Daniela	Regular Auditor	1.1/31.12.2017	FY 2017	70					12 (4)	82		
Executive with Strategic Responsibilities			FY 2017	3.440		1.085		253		4.778	1.669 (5)	
(I) Remuneration in the Company drawing up the financial statements				6.064	299	1.193	0	329	7	7.892	2.377 (5)	9.442
(II) Remuneration from subsidiaries and affiliates									65	65		
(III) Total				6.064	299	1.193	0	329	72	7.957	2.377 (5)	9.442

(\*) €th. 9.262 as indemnity and compensation paymen and €th. 180 in consideration of specific waivers made by Mr. Moretti as a result of the termination of his employment.

(1) The amount related to the fee is paid to the MEF.

(2) €th. 7 for refund of lump-sum expenses and €th. 37 for remuneration for position held in other Group Company from 10/04/2017 to 31/12/2017.

(3) Remuneration for position held in other Group Company from 9/5/2017 to 31/12/2017.

(4) Remuneration for position held in other Group Company from 27/4/2017 to 31/12/2017.

(5) Sum of the amounts related to the fair value pertaining to FY 2017 reported in Table 3A in relation to the 2015-2017, 2016-2018 and 2017-2019 LTI Plans, 2015-2017, 2016-2018 and 2017-2019 Co-Investments Plans.

The above figures refer to all the persons who carried out the function of Executives with Strategic Responsibilities during 2017, including those who only served for a fraction of the year as Executives with Strategic Responsibilities.

The remuneration for Executives with Strategic Responsibility not paid in euros have been converted into euros using the average exchange rate for the financial year 2017.

**TABLE 2. STOCK OPTIONS ALLOCATED TO THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

A	B	OPTIONS HELD AT THE BEGINNING OF THE FINANCIAL YEAR			OPTIONS ALLOCATED DURING THE FINANCIAL YEAR						OPTIONS EXERCISED DURING THE FINANCIAL YEAR			OPTIONS EXPIRED DURING THE FINANCIAL YEAR	OPTIONS HELD AT THE END OF THE FINANCIAL YEAR	OPTIONS FOR THE FINANCIAL YEAR	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
LAST AND FIRST NAME (8)	POSITION HELD IN FINANCIAL YEAR 2018	PLAN	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	FAIR VALUE AT THE DATE OF ALLOCATION	DATE OF ALLOCATION	MARKET PRICE OF THE SHARES UNDERLYING ALLOCATION OF THE OPTIONS	NUMBER OF OPTIONS	STRIKE PRICE	MARKET PRICE OF THE UNDERLYING SHARES AT THE DATE OF THE EXERCISE	NUMBER OF OPTIONS	NUMBER OF OPTIONS	FAIR VALUE
Moretti Mauro	Chief Executive Officer and General Manager (1)		0			0						0			0	0	
Profumo Alessandro	Chief Executive Officer (2)		0			0						0			0	0	
Dirigenti con responsabilità strategiche			0			0						0			0	0	

(1) Chief Executive Officer and General Manager from 1/1/2017 to 16/05/2017

(2) Chief Executive Officer from 16/5/2017 to 31/12/2017.

**TABLE 3A. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ANY OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2017	PLAN	FINANCIAL INSTRUMENTS ALLOCATED DURING PREVIOUS FINANCIAL YEARS THAT ARE NOT VESTED DURING THE FINANCIAL YEAR		FINANCIAL INSTRUMENTS ALLOCATED DURING THE FINANCIAL YEAR					FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR BUT NOT IMPUTED	FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR AND IMPUTABLE		FINANCIAL INSTRUMENTS FOR THE FINANCIAL YEAR
			NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT THE DATE OF ALLOCATION	VESTING PERIOD	DATE OF ALLOCATION	MARKET PRICE AT ALLOCATION	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT THE VESTING DATE	FAIR VALUE
Moretti Mauro	Chief Executive Officer and General Manager from 01/01/2017 to 16/05/2017	2015-2017 LTI; resolution of 11/5/2015	n° 104.666 shares <sup>(1)</sup> pro-rata temporis	31/07/2015 - 31/07/2018						0	0		€ 198.477 <sup>(2)</sup>
Moretti Mauro	Chief Executive Officer and General Manager from 01/01/2017 to 16/05/2017	2016-2018 LTI; resolution of 11/5/2015	n° 26.815 shares <sup>(3)</sup> pro-rata temporis	31/07/2016 - 31/07/2019						0	0		€ 50.131 <sup>(4)</sup>
Moretti Mauro	Chief Executive Officer and General Manager from 01/01/2017 to 16/05/2017	2017-2019 LTI; resolution of 11/5/2015			n° 7.140 shares <sup>(5)</sup> pro-rata temporis	€ 83.217	15/03/2017 - 15/03/2020	15/03/2017	€ 13,52	0	0		€ 36.993 <sup>(6)</sup>
Moretti Mauro	Chief Executive Officer and General Manager from 01/01/2017 to 16/05/2017	2016-2018 Co-Investment; resolution of 11/5/2015	n° 3.842 shares <sup>(7)</sup> pro-rata temporis	31/05/2016 - 31/05/2019						0	0		€ 12.964 <sup>(8)</sup>
Profumo Alessandro (*)	Chief Executive Officer from 16/05/2017 to 31/12/2017	2015-2017 LTI; resolution of 11/5/2015			n° 11.865 shares <sup>(9)</sup> pro-rata temporis	€ 142.499	16/05/2017 - 31/07/2018	31/07/2017	€ 14,74	0	0		€ 142.499 <sup>(10)</sup>
Profumo Alessandro (*)	Chief Executive Officer from 16/05/2017 to 31/12/2017	2016-2018 LTI; resolution of 11/5/2015			n° 30.903 shares <sup>(11)</sup> pro-rata temporis	€ 211.840	16/05/2017 - 31/07/2019	31/07/2017	€ 14,74	0	0		€ 81.479 <sup>(12)</sup>
Profumo Alessandro (*)	Chief Executive Officer from 16/05/2017 to 31/12/2017	2017-2019 LTI; resolution of 11/5/2015			n° 49.942 shares <sup>(13)</sup> pro-rata temporis	€ 582.074	16/05/2017 - 31/07/2020	31/07/2017	€ 14,74	0	0		€ 138.590 <sup>(14)</sup>
Executives with Strategic Responsibilities		2015-2017 LTI; resolution of 11/5/2015	n° 78.413 shares <sup>(15)</sup>	31/07/2015 - 31/07/2018						0	0		€ 313.913 <sup>(16)</sup>
Executives with Strategic Responsibilities (*)		2016-2018 LTI; resolution of 11/5/2015	n° 331.950 shares <sup>(17)</sup>	31/07/2016 - 31/07/2019						0	0		€ 758.506 <sup>(18)</sup>
Executives with Strategic Responsibilities		2015-2017 Co-Investment; resolution of 11/5/2015	n° 1.301 shares <sup>(19)</sup>	31/05/2015 - 31/05/2018						0	0		€ 4.952 <sup>(20)</sup>
Executives with Strategic Responsibilities (*)		2016-2018 Co-Investment; resolution of 11/5/2015	n° 411 shares <sup>(21)</sup>	31/05/2016 - 31/05/2019						0	0		€ 1.695 <sup>(22)</sup>
Executives with Strategic Responsibilities (*)		2017-2019 LTI; resolution of 11/5/2015		31/07/2017 - 31/07/2020	n° 364.706 shares <sup>(23)</sup>	€ 4.250.648	31/07/2017 - 31/07/2020	31/07/2017	€ 14,74	0	0		€ 590.372 <sup>(24)</sup>

(\* The current "Procedure for Related Parties Transactions" also includes the Company's Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016. The reported number of shares also includes those persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities

(\* At the proposal of the Remuneration Committee and having heard the Board of Statutory Auditors, the Board of Directors has decided Mr Profumo's participation in existing Plans, as regards the long-term variable component, with the allocation of shares calculated on a *pro-rata temporis* basis and taking account of his appointment on 16/05/2017 and the natural expiry of the term of office expected in May 2020.

- (1)** The table reports the maximum number of shares attributable to Mr Moretti under the 2015-2017 LTI plan, upon full achievement of all performance targets, calculated on a *pro-rata temporis* basis and making reference to the date he left the company on 16/05/2017. The final calculation will be made in 2018 at the end of the performance period. 50% of shares allocated to the General Manager will not be subject to the 1-year lock-up period as he has already left the Company.
- (2)** The fair value relating to the 2015-2017 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 10.9), the relevant book value for the Group Debt and ROS (€ 13.12), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (4.5/36 months, i.e. 1.1.2017 - 16.05.2017 the date when Mr Moretti left the Company).
- (3)** The table reports the maximum number of shares attributable to Mr Moretti under the 2016-2018 LTI plan, upon full achievement of all performance targets, calculated on a *pro-rata temporis* basis and making reference to the date he left the company on 16/05/2017. The final calculation will be made in 2019 at the end of the performance period. 50% of shares allocated to the General Manager will not be subject to the 1-year lock-up period as he has already left the Company.
- (4)** The fair value relating to the 2016-2018 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.88), the relevant book value for the Group Debt and ROS (€ 9.83), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (4.5/36 months, i.e. 1.1.2017 - 16.05.2017 the date when Mr Moretti left the Company).
- (5)** The table reports the maximum number of shares attributable to Mr Moretti under the 2017-2019 LTI plan upon full achievement of all performance targets, calculated on a *pro-rata temporis* basis and making reference to the date he left the company on 16/05/2017. The final calculation will be made in 2020 at the end of the performance period. 50% of shares allocated to the General Manager will not be subject to the 1-year lock-up period as he has already left the Company.
- (6)** The fair value relating to the 2017-2019 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (2/36 months, i.e. 15.03.2017 - 16.05.2017 the date when Mr Moretti left the Company).
- (7)** Mr Moretti has invested a 100% share of the annual bonus accrued in 2015, converting it into shares; the table reports the number of bonus shares, calculated on a *pro-rata temporis* basis, relating to the Co-Investment Plan, which may be possibly allocated (provided that the acquired shares remain subject to "restrictions on transfer", as per the Plan Regulations), as the performance condition under the plan was satisfied in the 2016 and 2017 financial years.
- (8)** The fair value relating to the 2016-2018 Co-Investment Plan, corresponding to the number of bonus shares calculated on a *pro-rata temporis* basis, attributable in the event that the performance condition under the plan is satisfied for all the 2016 and 2017 financial years, has been calculated on the basis of the following parameters: the relevant book value of bonus shares (€ 12.37), the number of shares that can be effectively allocated, the vesting period effectively elapsed in 2017 (4.4/36 months, i.e. 1.1.2017 - 16.05.2017).
- (9)** The table reports the number of shares attributable to the Chief Executive Officer, calculated on a *pro-rata temporis* basis and with reference to the date he was appointed on 16/05/2017, making reference to the actual term of office within the scope of the entire 2015-2017 cycle upon full achievement of all performance targets. The final calculation will be made in 2018 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a one-year lock-up period during which they will not be transferable.
- (10)** The fair value relating to the 2015-2017 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 10.9), the relevant book value for the Group Debt and ROS (€ 13.12), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (7.5/36 months, i.e. 16.05.2017 - 31.12.2017 the date when Mr Profumo was appointed).
- (11)** The table reports the number of shares attributable to the Chief Executive Officer, calculated on a *pro-rata temporis* basis with reference to the date he was appointed on 16/05/2017, making reference to the actual term of office within the scope of the entire 2016-2018 cycle upon full achievement of all performance targets. The final calculation will be made in 2019 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a one-year lock-up period during which they will not be transferable.
- (12)** The fair value relating to the 2016-2018 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.88), the relevant book value for the Group Debt and ROS (€ 9.83), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (7.5/36 months, i.e. 16.05.2017 - 31.12.2017 the date when Mr Profumo was appointed).
- (13)** The table reports the number of shares attributable to the Chief Executive Officer, calculated on a *pro-rata temporis* basis with reference to the date he was appointed on 16/05/2017, making reference to the actual term of office within the scope of the entire 2017-2019 cycle upon full achievement of all performance targets. The final calculation will be made in 2020 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a one-year lock-up period during which they will not be transferable.
- (14)** The fair value relating to the 2017-2019 LTI Plan, corresponding to the incentive calculated on a *pro-rata temporis* basis in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76), the number of shares that can be allocated, the vesting period effectively elapsed in 2017 (4.5/36 months, i.e. 16.05.2017 - 31.12.2017 the date when Mr Profumo was appointed).
- (15)** Maximum number of shares attributable within the 2015-2017 LTI Plan upon full achievement of all performance objectives. The final calculation will be made in 2018 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a one-year lock-up period during which they will not be transferable.
- (16)** The fair value relating to the 2015-2017 LTI Plan, corresponding to the maximum incentive attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 10.9), the relevant book value for the Group Debt and ROS (€ 13.12), the maximum number of shares that can be allocated, the vesting period effectively elapsed in 2017 (12/36 months, i.e. 1.1.2017 - 31.12.2017).
- (17)** Maximum number of shares attributable within the 2016-2018 LTI Plan upon full achievement of all performance objectives. The final calculation will be made in 2019 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a one-year lock-up period during which they will not be transferable.
- (18)** The fair value relating to the 2016-2018 LTI Plan, corresponding to the maximum incentive attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.88), the relevant book value for the Group Debt and ROS (€ 9.38), the maximum number of shares that can be allocated, the vesting period effectively elapsed in 2017 (12/36 months, i.e. 1.1.2017 - 31.12.2017).
- (19)** Executives with Strategic Responsibilities have invested a share of the annual bonus accrued in 2014, converting it into shares; the table reports the maximum number of bonus shares relating to the Co-Investment Plan, which may be possibly allocated, assuming the achievement of the performance condition under the plan in the three financial years of 2015, 2016 and 2017.
- (20)** The fair value relating to the 2015-2017 Co-Investment Plan, corresponding to the maximum number of bonus shares attributable in the event that the performance condition under the plan is satisfied for all the three financial years of 2015, 2016 and 2017 financial years, has been calculated on the basis of the following parameters: the relevant book value of bonus shares (€ 11.42), the maximum number of bonus shares that can be allocated, the vesting period effectively elapsed in 2017 (12/36 months, i.e. 1.1.2017 - 31.12.2017).
- (21)** Executives with Strategic Responsibilities have invested a share of the annual bonus accrued in 2015, converting it into shares; the table reports the maximum number of bonus shares relating to the Co-Investment Plan, which may be possibly allocated, assuming the achievement of the performance condition under the plan in the three financial years of 2016, 2017 and 2018.
- (22)** The fair value relating to the 2016-2018 Co-Investment Plan, corresponding to the maximum number of bonus shares attributable in the event that the performance condition under the plan is satisfied for all the three financial years of 2016, 2017 and 2018 financial years, has been calculated on the basis of the following parameters: the relevant book value of bonus shares (€ 12.37), the maximum number of bonus shares that can be allocated, the vesting period effectively elapsed in 2017 (12/36 months, i.e. 1.1.2017 - 31.12.2017).
- (23)** Maximum number of shares attributable within the 2017-2019 LTI Plan upon full achievement of all performance objectives. The final calculation will be made in 2020 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a one-year lock-up period during which they will not be transferable.
- (24)** The fair value relating to the 2017-2019 LTI Plan, corresponding to the maximum incentive attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76), the maximum number of shares that can be allocated, the vesting period effectively elapsed in 2017 (5/36 months, i.e. 1.8.2017 - 31.12.2017).

**TABLE 3B. CASH INCENTIVE PLANS FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

A	B	(1)	(2)			(3)			(4)
			Annual bonus			Previous Years' Bonuses			Other Bonuses
LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2017	PLAN	(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Vesting period	No longer payable	Payable/paid	Still deferred	
Moretti Mauro	Chief Executive Officer and General Manager (1)	MBO 2017	(2)	0	0	0	0	0	
Profumo Alessandro	Chief Executive Officer (3)	MBO 2017	€ 107.992,50	0	0	0	0	0	
Executives with Strategic Responsibilities (*)		MBO 2017	€ 1.084.875,00	0	0	0	0	0	

(1) Chief Executive Officer and General Manager from 1/1/2017 to 16/05/2017

(2) Mr. Moretti waived the payment accrued pro-rata temporis of the amount related to the 2017 bonus.

(3) Chief Executive Officer from 16/5/2017 to 31/12/2017.

(\*) The Current "Procedure for Related Parties Transactions" also includes the Division Managing Directors under the definition of Executives with Strategic Responsibilities, with effect from 1 January 2016. The number of shares reported also includes those individuals who held, during FY 2017, the position of Executive with Strategic Responsibilities only for a fraction of the period.

**SECTION III  
SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES AND ALL  
EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

### SEZIONE III

The following table shows the shareholdings in the Company or in its subsidiaries, which are held by persons who held the position of member of the Governing and Supervisory Bodies, General Manager or Executive with Strategic Responsibilities in the course of the 2017 financial year, even if only for a fraction of the period in question, as well as by their respective spouses that are not legally separated and minor children. Except as otherwise specified, said shareholdings must be deemed to be held indirectly and by way of property.

#### SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGERS AND ALL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

LAST AND FIRST NAME	POSITION held in financial year 2017	INVESTEES COMPANY	Number of shares held at the end of the previous financial year (2016) (*)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the year in question (2017)
<b>Moretti Mauro</b>	<i>Chief Executive Officer and General Manager (until 16/05/2017)</i>	Leonardo S.p.a.	<b>25.149 (1)</b>	<b>0</b>	<b>0</b>	<b>25.149 (**)</b>
<b>Executive with Strategic Responsibilities</b>		Leonardo S.p.a.	<b>37.781 (2) (3)</b>	<b>5.000</b>	<b>5.300</b>	<b>33.526 (3) (4)</b>

(\*) At the date of appointment, concerning positions held for part of the financial year 2017.

(\*\*) Shares held at the date 16 may 2017.

(1) Shares purchased on the basis of the Co-investment Plan (Shareholder's Meeting 11.05.2015).

(2) of which n. 11.030 shares purchased on the basis of the Co-investment Plan(Shareholder's Meeting 11.05.2015).

(3) of which n. 1.750 Shares held by the spouse.

(4) In addition to n.3.955 shares (referred to the Co-investment Plan) at the date of termination, with regard to positions held for a portion of the 2017 financial year.

**IMPLEMENTATION STATUS OF THE 2017-2019 LONG-TERM INCENTIVE PLAN  
AND OF THE 2017-2019 CO-INVESTMENT PLAN**

**TABLE 7 ANNEX 3A**

Pursuant to art. 84-*bis*, paragraph 5 of “Issuers Regulation”, annexed to the Remuneration Report are the Tables containing updated data concerning the implementation status of the Long-Term Incentive Plan and Co-investment Plan, which were approved by the Shareholders’ Meeting on 11 May 2015.



		CO-INVESTMENT PLAN - THIRD CYCLE 2017 - 2019 - ALLOCATION FY 2017						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (CONVERSION OF THE ANNUAL BONUS INTO SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS ACCORDING TO THE BoD's PROPOSAL TO THE SHAREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF THE SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD (*)
Dirigenti con Responsabilità Strategiche	-----	11/5/2015		-		-		
Altri Dirigenti, dipendenti e collaboratori (ex dipendenti) (n. 92)	-----	11/5/2015	Azioni di Leonardo S.p.a.	9.854 <sup>(1)</sup>	31/05/2017	-	€ 15,73	31/05/2017 - 31/05/2020

(\*) Vesting period of the bonus converted into shares subject to restrictions on their transfer.

(1) Other Executives, employees and collaborators (former employees) have invested a portion of their 2016 bonus converting it into shares; the table reports the maximum number of matching shares that can be allocated only at the end of the vesting period, calculated assuming the attainment in all three financial years of the performance targets under the Plan. The number of shares acquired is 29,563.

		LONG-TERM INCENTIVE PLAN - THIRD CYCLE 2017 - 2019 ALLOCATION FY 2017						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (ALLOCATION OF SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS ACCORDING TO THE BoD's PROPOSAL TO THE SHAREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF THE SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS (*)	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD*
Moretti Mauro	Chief Executive Officer and General Manager of Leonardo S.p.a. (1)	11/5/2015	Leonardo S.p.a. shares	7.140 <sup>(3)</sup>	15/03/2017(§)	-	€ 13,52	31/03/2017 - 31/03/2020
Alessandro Profumo	Chief Executive Officer of Leonardo S.p.a. (2)	11/5/2015	Leonardo S.p.a. shares	49.942 <sup>(4)</sup>	31/07/2017	-	€ 14,74	31/07/2017 - 31/07/2020
Executives with strategic responsibilities	-----	11/5/2015	Leonardo S.p.a. shares	364.706 <sup>(5)</sup>	31/07/2017	-	€ 14,74	31/07/2017 - 31/07/2020
Other Executives, employees and collaborators (n. 183)	-----	11/5/2015	Leonardo S.p.a. shares	998.947	31/07/2017	-	€ 14,74	31/07/2017 - 31/07/2020

(\*) Vesting period of the bonus converted into shares subject to restrictions on their transfer.

(\*) Maximum number of shares that can be allocated within the 2017-2019 LTI Plan upon full achievement of all performance targets. The final calculation will be made at the end of the performance period in 2020. For the CEO, the Executives with Strategic Responsibilities and other top executives, once the three-year vesting period is elapsed, 50% of shares will be subjected to a one-year lock-up in which the shares will not transferable.

(§) Date of the Board of Directors preceding the renewal of the mandate that approved the assignment of the 2017-2019 cycle for Mr. Moretti.

(1) Chief Executive Officer and General Manager from 1/1/2017 to 16/05/2017.

(2) Chief Executive Officer from 16/5/2017 to 31/12/2017.

(3) Number of shares calculated *pro-rata temporis* making reference to the actual term of office within the scope of the financial year 2017 (4,5/36 months)

(4) Number of shares calculated *pro-rata temporis* making reference to the actual term of office within the scope of the entire 2017-2019 cycle.

(5) The number of shares shown also includes those assigned to the individuals who during FY 2017 held the position of Executive with Strategic Responsibilities even just for a fraction of the period.