

REPORT ON REMUNERATION  
POLICY AND FEES PAID  
**2023**

## LETTER OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE



Michela Patrizia Giangualiano

Dear Shareholders,

as the Chairman of the Remuneration Committee, I am pleased to submit the Report on remuneration policy and fees paid, which was approved by Leonardo's Board of Directors on 29 March 2023, for your consideration, as prepared pursuant to articles 123-ter of the Consolidated Law on Financial Intermediation (TUF) and 84-quater of the Issuers' Regulation and in accordance with the principles of Directive (EU) 2017/828 - SRD II.

The eruption of the Russian-Ukrainian conflict, together with the continuation of the post-pandemic period, characterised 2022 as a particularly complex year, during which Leonardo was called upon to ensure support to its institutions while continuing to demonstrate soundness, responsibility and commitment to the entire community in which it operates.

Despite these exceptional events and the resulting inflationary pressures, Leonardo has strengthened its path to growth by sustaining on an ongoing basis the increase in profitability that is underway as early as from 2020. The Group has in fact continued to put in place its Be Tomorrow 2030 plan, which was already launched in 2020, with the aim to strengthen its business, boosting growth with a view to sustainability and technological innovation.

In order to support the implementation of this strategy, Leonardo laid the foundations, as early as in 2020, for a remuneration policy aimed at increasing competitiveness in the long term and ensuring the achievement of sustainable success.

During its term of office, the Board of Directors has in fact supported the development of Leonardo's remuneration strategy, based on evidence deriving from specific market benchmarking analyses and through the continuous involvement and listening to all stakeholders; at the same time it has carried out, year after year, a careful review of the Report, in order to align the remuneration system with the Group's objectives and strategy, with a view to pursuing sustainable success and creating value in the long term.

Specifically, the actions taken by Leonardo during the three-year period from 2021 to 2023 were aimed at:

- strengthening the link between remuneration and sustainability strategy through the increase in the weight of the ESG component in the scorecard of the short-term plan and the focus on ESG indicators pertaining to the environmental sphere and of Diversity, Equity & Inclusion, as far as the long-term plan is concerned;
- strengthening the variable incentive systems in order to make them even more aligned with market best practices, linking them to a structured set of objectives capable of assessing performance as a whole;
- improving disclosure on the process and areas in which exceptions may be made to the remuneration policy, in the exceptional cases provided for by the Consolidated Law on Financial Intermediation (TUF);
- aligning the remuneration policy with market best practices and the instructions from proxy advisors, in the area of severance and non-competition agreements.

Furthermore, I can proudly say that the Board of Directors' commitment to sustainability has been translated into concrete and measurable goals of remuneration policy, has actively contributed to accelerating the achievement of key milestones in the areas of occupational safety, reducing the environmental impact and enhancing diversity and inclusion within the broader sustainability roadmap.



The appreciation you show as Shareholders for our continuing commitment is confirmed by the favourable votes obtained at the meetings held over the past three years, which reached approval levels of 97.78% on Section I and 98.61% on Section II in 2022.

Furthermore, during this year too, the Board of Directors, with the support of the Remuneration Committee, proceeded with the review of the level of competitiveness of Leonardo's remuneration policy, taking into appropriate consideration the relevant benchmarking analyses, compared to an Italian and an international peer group, the guidelines of proxy advisors and institutional investors.

As already illustrated in previous years, the benchmark showed a limited competitiveness of Leonardo's remuneration policy, in particular with regard to the Chief Executive Officer. This must also be considered in relation to the need, which has already arisen during the mandate of this Board of Directors and which arises with greater urgency for the next one, of a competitive remuneration system, which ensures the attraction and retention of talents in the most critical positions, to support the ever greater development of the Group's business.

In this regard, I deem it useful to recall the indications provided in the document " Guidelines of the Board of Directors of Leonardo S.p.a. to the Shareholders on the optimal qualitative and quantitative composition of the Board of Directors", which, among the challenges for the future, include:

- strengthening competitiveness in the labor market and, in particular, the ability to retain and attract professionals in line with the evolution of key skills for the business;
- also thanks to the high level of cohesion and professionalism achieved so far, continuing to seek the consolidation of the system of values and the best practices of managerial development in the selection and management of the first line managers, paying special attention to talent management models.

The analyses and insights carried out during the term of office, detailed in this Report, may be appropriately considered by the newly appointed Board of Directors.

I would like to take this opportunity to thank the other members of the Remuneration and Nomination Committee Elena Comparato, Federica Guidi, Ferruccio Resta and Marina Rubini, for the valuable work they performed during the three-year period.

Furthermore, I would like to thank all the corporate functions that have contributed to improve the remuneration policy, in particular, the Chief People & Organization Officer Organisational Unit for their constant support and ongoing commitment.

Finally, I thank you, as Shareholders, for the attention you will give to this Report, in the hope that it will meet with your broad approval at the meeting.

Yours sincerely,

Patrizia Michela Gianguialano

Chairman of the Remuneration Committee



# REPORT ON REMUNERATION POLICY AND FEES PAID 2023

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

[www.leonardo.com](http://www.leonardo.com)



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## Introduction

This Report has been prepared in compliance with the regulatory provisions in force and in line with the recommendations expressed by the Corporate Governance Code for listed companies, which the Company complies with; it summarises the principles and guidelines on the basis of which Leonardo Spa decides and monitors pay policy and its implementation, with particular reference to the members of the Governing Bodies and Executives with Strategic Responsibilities<sup>1</sup>.

This Report, which was approved by the Board of Directors of Leonardo Spa on 29 March 2023, subject to the opinion of the Remuneration Committee, is divided into two Sections:

- The first Section of the document illustrates the remuneration policy adopted for the 2023 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.
- The second Section on the fees paid in relation to the previous year analyses and details the fees actually paid to, or in any case assigned, to Directors and Statutory Auditors, as well as to other Executives with Strategic Responsibilities, for the 2022 financial year.

Pursuant to art. 123-ter of the TUF, the first Section on remuneration policy is subject to the approval by the Shareholders' Meeting by a binding vote, while the second Section on fees paid is subject to the approval by the Shareholders' Meeting by a consultative vote.

The two sections of the Report on the policy regarding remuneration and fees paid are preceded by a chapter in which the market and investors are presented with some background information useful for reading the Remuneration Policy with a view to the Company's Strategy. This introductory section also provides a summary of the main elements of the Policy that is very easy to read and understand.

If the Shareholders' Meeting does not approve the remuneration policy submitted for voting in accordance with art. 123-ter, paragraph 3-bis, of the TUF, the Company will continue to pay fees conforming to the most recent remuneration policy approved by the Shareholders' Meeting. The Company will submit a new remuneration policy to the shareholders' vote at the latest at the next following Shareholders' Meeting provided for in art. 2364, paragraph 2, or at the Shareholders' Meeting provided for in art. 2364-bis, paragraph 2, of the Italian Civil Code.

The remuneration policy set out in this Report has also been adopted by the Company, as required by CONSOB Regulation no. 17221/2010 with regard to related-party transactions, also in accordance with and for the purposes of art. 11.2(b) of the Procedure for Related Parties Transactions approved by the Board of Directors on 26 November 2010 and finally updated on 17 March 2022.

This document is available at the Company's registered office and on its website ([www.leonardo.com](http://www.leonardo.com)), in the specific "Shareholders' Meeting 2023" and "Corporate Governance/Remuneration" sections, on the website of

<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 17 March 2022, 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 art. 154-bis of the Consolidated Law, as well as the Division Managing Directors and the Heads of organizational units dedicated to the business (they are persons endowed with specific decision-making and greater spending autonomy as a result of being qualified and vested with the responsibility as an "Employer", pursuant to and for the purposes of the regulations governing occupational health and safety, environment and significant accidents). As regards the category of Executives with Strategic Responsibilities, this report only describes the pay policy in relation to the Division Managing Directors, the Head of business organizational units and the CFO/Officer in charge of the Company's financial reporting. The pay policy linked to the members of the Board of Directors and General Manager is described in dedicated paragraphs.



the authorised eMarket STORAGE device ([www.emarkeststorage.com](http://www.emarkeststorage.com)), as well as with the market management company Borsa Italiana S.p.A..

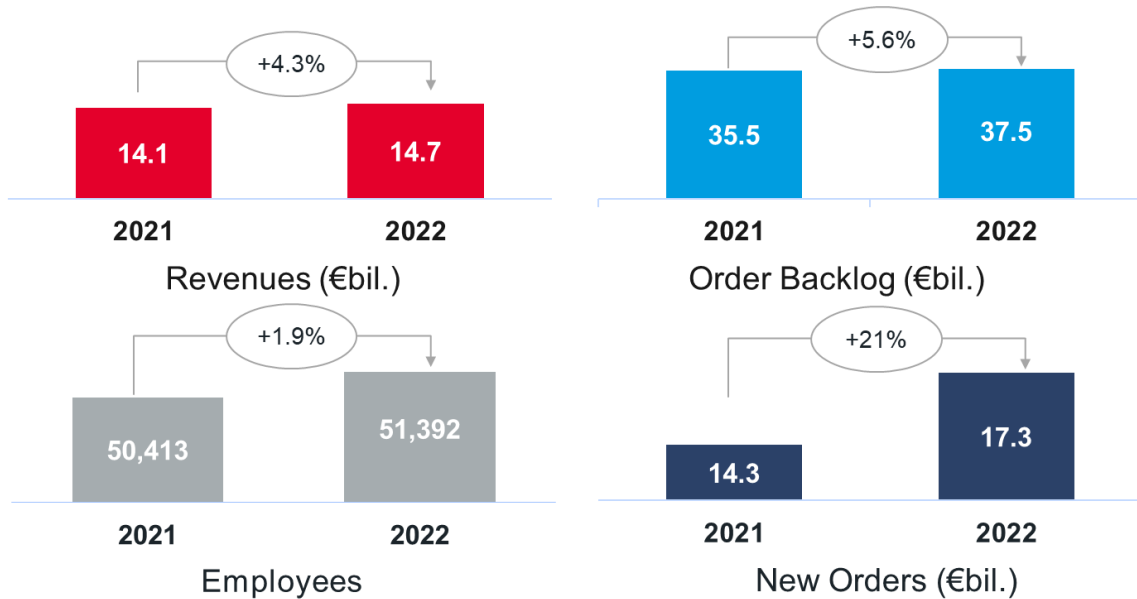
The Executive Summary is also available in the Remuneration section of the company website at the address “Corporate Governance/Remuneration/Remuneration Summary”.







## 2022 HIGHLIGHTS



### “Be Tomorrow – Leonardo 2030”

In 2020 Leonardo launched the “Be Tomorrow – Leonardo 2030” Plan, a renewed strategic vision projected over the next years, even to adapt periodically and with the necessary flexibility to the changing relevant context, leveraging its technology skills, as well as its human and intellectual capital.

“Be Tomorrow – Leonardo 2030” identifies the Group’s strategic guidelines, with the aim of making the company even more solid, global and a driver of innovation.



	<ul style="list-style-type: none"> <li>✓ National leading partner for infrastructure and land monitoring (Global Monitoring)</li> <li>✓ National partner for the implementation of the NRRP</li> </ul>	
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This ambitious objective is based on three main lines of sustainable growth:

**Strengthen Our Core** - Further strengthen our core business and operations, including through a more focused and homogeneous portfolio of activities:

- increasing the critical mass in strategic areas, in particular Helicopters, Electronics, Cyber security and Unmanned vehicles, to strengthen its organisation and gain leadership positions at international level;
- strengthening its footprint in global markets;
- evolving its business approach from being a supplier of products to becoming a global partner.

**Transform to Grow** – Transform processes to make the organisation more modern and flexible and seize new opportunities:

- diversifying the business portfolio, enhancing cross-sector and distinctive competencies - Digitisation, Command and Control, Connectivity, Cyber Security;
- meeting the needs of our customers more and more efficiently, with innovative service-based offer models (X-as-a-Service), measuring customer satisfaction on an ongoing basis and excellence in Simulation & Training solutions and systems;
- investing in people and skills to be able to support business ambitions.

**Master the New** – Create new technologies and new high-tech markets to lead innovation:

- through Leonardo Labs, technology incubators for the development of innovative competencies across all the Group's business;
- increasing the share of investments in research activities;
- focusing on Intelligent Autonomous Systems to achieve leadership in all domains.

On this basis, Leonardo, as a leading industrial and technological company, intends to act as a driver for development to give its contribution to **global safety and progress**:

- by contributing to digital independence and autonomy in a pan-European view;
- by supporting technological sovereignty as a vital condition for the growth of the Company and of the countries in which it operates;
- by promoting a new approach to sustainability, integrated across the business, which is outlined in the Sustainability Plan, in terms of technological and process innovation, inspired by the SDGs of the United Nations 2030 Agenda and the guidelines of the European Green Deal;
- by developing new capabilities, both in civil and military sectors, in order to respond to the challenges posed by the complexity of the digital era: interdependence, interrelationship and speed of evolution.





**Strengthen Our Core**

- ✓ Partner of the Global Combat Air Programme (GCAP)
- ✓ Acquisition of 30% of GEM
- ✓ Acquisition and merger of Kopter
- ✓ Acquisition of 70% of Alea
- ✓ Acquisition of 25% of Hensoldt
- ✓ Completion of the merger of RADA into Leonardo DRS and of its automatic listing



**Transform to Grow**

- ✓ Transform to Grow
- ✓ Launch of the LEAP programme for supply chain development
- ✓ Creation of Integrated Flight Training School (IFTS)
- ✓ Relaunch plan for Aerostructures
- ✓ Industrial reorganisation of Electronics Division
- ✓ Launch of the X-2030 platform
- ✓ Creation of the National Competence Hub for Digitalisation
- ✓ Proposal for a new offer for Global Monitoring



**Master the New**

- ✓ Creation of Leonardo Labs
- ✓ Leadership in ESG ratings and indexes
- ✓ Sustainability operational model adopted by the Group
- ✓ Commitment to the Science-Based Target project
- ✓ Participation in the Skydweller programme
- ✓ Operation of davinci-1 supercomputer
- ✓ Launch of the Cyber & Security Academy
- ✓ Launch of the Business Innovation Factory
- ✓ Setting out a holistic strategy in the Unmanned systems segment

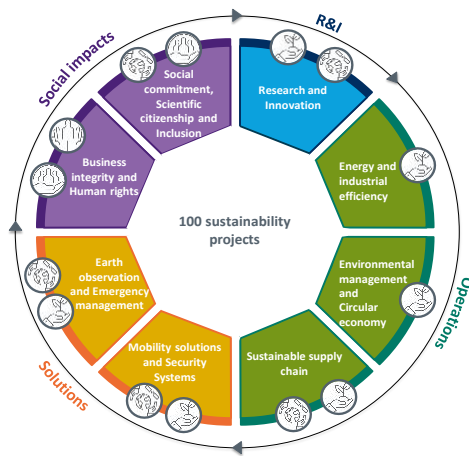
**Key strategic projects 2020-2022**



## Leonardo Sustainability Plan

In line with the Be Tomorrow – Leonardo 2030 and the priorities emerged from the materiality analysis, Leonardo has drawn up a Sustainability Plan to cover the entire value chain: from research and development to operations, from customer support solutions to social impacts. The Sustainability Plan identifies eight thematic areas (clusters) on which to act to address global sustainability challenges and accelerate a sustainable and inclusive transition in the direction of the Sustainable Development Goals (SDGs). Each cluster includes specific projects, measured by KPIs acting on the ESG pillars.

### The Sustainability Plan clusters, value chain and pillars <sup>(1)</sup>



<sup>(1)</sup> The association between clusters and pillars is made according to impact and prevalence criteria

Pillar	Main guidelines of the Sustainability Plan	Impact on SDGs
Governance	<b>Business integrity</b> › Improve control and governance of commercial transactions. › Strengthen the evaluation and monitoring of human right issues.	<b>Core</b> <b>Altri</b> 
People	<b>Diversity and inclusion, training and STEM</b> › Promote gender equality. › Spread sustainability culture. › Strengthen STEM programmes.	
Planet	<b>Decarbonisation</b> › Identify and implement emission reduction initiatives along the value chain. › Improve energy efficiency initiatives.	
	<b>Reducing environmental impact and improving circularity</b> › Reduce, reuse, recycle waste; encourage plasticless and paperless projects. › Reduce water withdrawals and improve water efficiency. › Improve circularity.	
Prosperity	<b>Sustainable supply chain</b> › Promote the sustainable development of the supply chain. › Strengthen the digitisation of purchases. › Define measures to prevent ESG risks in the supply chain.	
	<b>Sustainability solutions</b> › Develop solutions for the protection of people and territories (e.g. for agriculture, forestry and environmental protection). › Develop low-emission solutions for the transport sector. › Develop solutions for Industry 4.0.	

## Leonardo Remuneration Policy

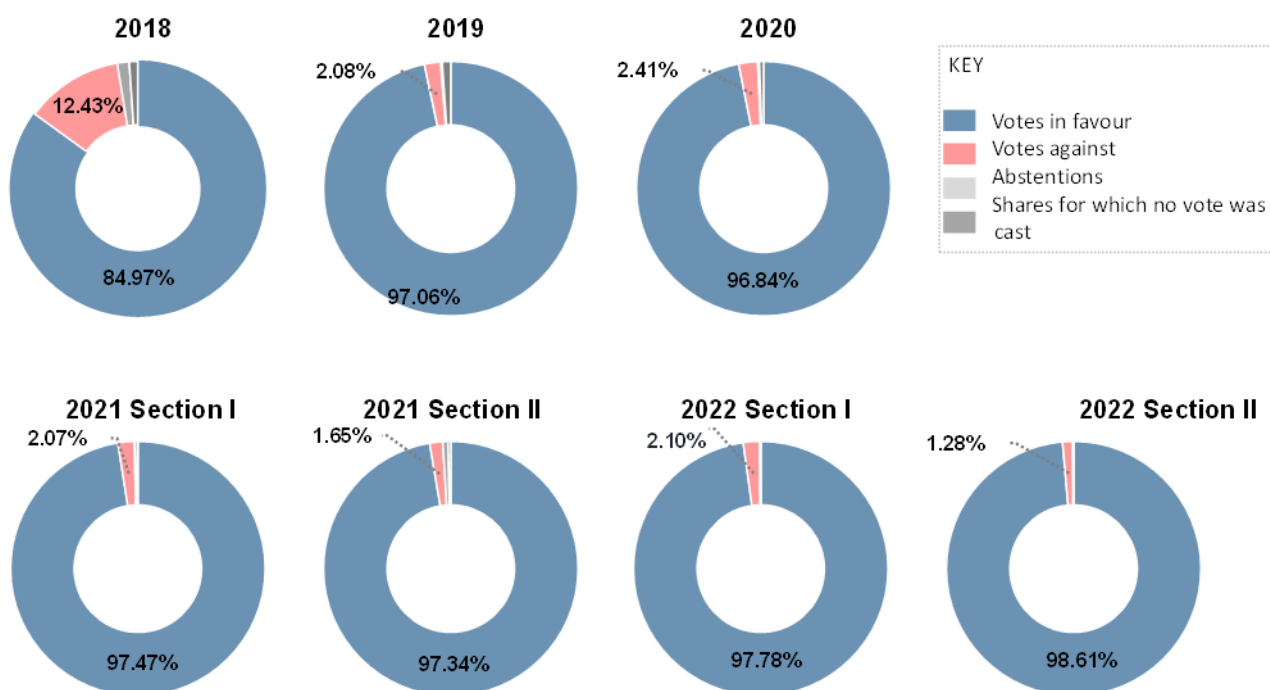
Leonardo's Remuneration Policy is designed to meet the challenges posed by the Strategic and Sustainability Plan, forming an integral part of the Industrial Plan. The link between variable incentive plans and the Industrial Plan is described below:

STRATEGIC SUSTAINABILITY PLAN		SOLID	GLOBAL	INNOVATIVE	SUSTAINABLE
AMBITION FOR A COMPANY...					
MBO PLAN	EBITA	✓			
	FREE OPERATING CASH FLOW	✓			
	BOOK TO BILL	✓	✓		
	STRATEGIC PLAN	✓	✓	✓	✓
	DOW JONES SUSTAINABILITY INDICES		✓	✓	✓
	ACCIDENT FREQUENCY REDUCTION	✓			✓
LTI PLAN	TOTAL SHAREHOLDER RETURN	✓	✓	✓	✓
	NET DEBT	✓			✓
	RETURN ON INVESTED CAPITAL	✓	✓	✓	✓
	CLIMATE CHANGE		✓	✓	✓
	GENDER DIVERSITY (STEM AREA)		✓	✓	✓






### Trend of voting result on the annual remuneration report (2018-2022)

The following graph shows the trend of voting at Shareholders' Meetings relating to the contents of Section I on the remuneration policy in the last five years (2018-2022). It shows a substantially positive trend of votes in favour in these years. The results in general and especially the reasons given for votes against cast at the 2022 Shareholders' Meeting, even through stakeholder engagement and the monitoring of recommendations from proxy advisors, have been taken into account in considering and evaluating the updates and improvements made to the Remuneration Policy and this document.



## Summary schedule on the Remuneration Policy 2023

The following section provides a summary of the 2023 policy elements, without prejudice to the powers of the Shareholders' Meeting and of the newly-appointed Board of Directors to set out fees pursuant to Article 2389, paragraph 1, and Article 2389, paragraph 3, of the Italian Civil Code, respectively.

FIXED REMUNERATION			
PRINCIPLE AND PURPOSE 	CHARACTERISTICS AND PERFORMANCE CONDITIONS 	AMOUNTS 	REF.
It is proportionate to the responsibilities assigned, the contribution requested, competencies and experience	It is determined with reference to market pay benchmarks and periodically reviewed also in relation to the pay-mix policies	<b>CHAIRMAN</b> € 490.000 p.a., of which: <ul style="list-style-type: none"> <li>- € 90.000 pursuant to art. 2389, paragraph 1 of the Italian Civil Code</li> <li>- € 400.000 pursuant to art. 2389, paragraph 3 of the Italian Civil Code</li> </ul>	Pag. <a href="#">31</a>
		<b>CEO</b> €1.000.000 p.a., of which: <ul style="list-style-type: none"> <li>- € 80.000 pursuant to art. 2389, paragraph 1 of the Italian Civil Code</li> <li>- € 920.000 pursuant to art. 2389, paragraph 3 of the Italian Civil Code</li> </ul>	Pag. <a href="#">31</a>
		<b>GENERAL MANAGER</b> Fixed remuneration equal to € 652.000	Pag. <a href="#">38</a>
		<b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b> Remuneration set in relation to the responsibilities of the person concerned and the market positioning	Pag. <a href="#">41</a>
SHORT-TERM VARIABLE REMUNERATION (LEONARDO GROUP MBO SYSTEM)			
It is an incentive to achieve annual business and sustainability targets set out in accordance with the Strategic Plan and the Budget	<b>FOR ALL BENEFICIARIES</b> If one or both of the following thresholds is not achieved: <ul style="list-style-type: none"> <li>- Group EBITA 85% of budget</li> <li>- Group Free Operating Cash Flow (FOCF): 100% of budget</li> </ul> the bonus relating to both KPIs (60% weight for CEO and in a range of between 40% and 50% for Executives with Strategic Responsibilities) is set to zero)	<b>CHAIRMAN</b> MBO not envisaged	Pag. <a href="#">29</a>
	<b>2022 CEO OBJECTIVES</b> <ol style="list-style-type: none"> <li>1) Group EBITA (30%)</li> <li>2) Group FOCF (30%)</li> <li>3) Book to Bill (15%)</li> <li>4) Launch of 3 new lines of research for Leonardo Labs (15%)</li> <li>5) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%)</li> <li>6) Reduction in average accident frequency rate (5%)</li> </ol>	<b>CEO</b> <ul style="list-style-type: none"> <li>- Target incentive: 66% of total fixed remuneration (71.7% if we only consider the fees payable for the position of CEO)</li> <li>- Maximum incentive equal to target incentive</li> </ul>	Pag. <a href="#">32</a>



	<p><b>GENERAL MANAGER</b></p> <ol style="list-style-type: none"> <li>1) Group EBITA (25%)</li> <li>2) Group FOCF (25%)</li> <li>3) Launch of 3 new lines of research for Leonardo Labs (15%)</li> <li>4) Achievement of Milestones envisaged for the Corporate Value Creation project for 2023 (25%)</li> <li>5) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%)</li> <li>6) Reduction in average accident frequency rate (5%)</li> </ol>	<p><b>GENERAL MANAGER</b></p> <ul style="list-style-type: none"> <li>- Target incentive: 70% of Fixed Remuneration</li> <li>- Maximum incentive: about 82% of Fixed Remuneration</li> </ul>	Pag. <a href="#">39</a>
	<p><b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b></p> <ol style="list-style-type: none"> <li>1) Group EBITA (from 20% to 25%)</li> <li>2) Group FOCF (from 20% to 25%)</li> <li>3) Business / Functions Targets (from 40% to 50%)</li> <li>4) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%)</li> <li>5) Reduction in average accident frequency rate (5%)</li> </ol>	<p><b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b></p> <ul style="list-style-type: none"> <li>- Target incentive: from 60% to 70% of Fixed Remuneration, commensurate with the role</li> <li>- Maximum incentive: from about 70% to about 85% of Fixed Remuneration</li> </ul>	Pag. <a href="#">42</a>
	<p><b>TYPE OF RESULT MEASUREMENT</b></p> <ul style="list-style-type: none"> <li>• On / off: Group EBITA, Division EBITA, Strategic Plan and ESG objectives</li> <li>• Payout Range (100%-150%): Group<sup>2</sup> and Division Free Operating Cash Flow</li> <li>• Payout Range (100%-120%): Objective by role, function and division's orders</li> </ul> <p>Plan subject to Malus and Claw-back clauses</p>		Pag. <a href="#">33</a> Pag. <a href="#">39</a> Pag. <a href="#">43</a>

## LONG-TERM VARIABLE REMUNERATION

<p>It is aimed at promoting the pursuit of Leonardo's sustainable success in the long-term. .</p>	<p>The features are described for the Long-Term Incentive Plan approved by the Shareholders' Meeting held on 19 May 2021.</p> <p>The Plan provides for a free allotment of the Company's ordinary shares (Performance Share) to the CEO, the General Manager and the Executives with Strategic Responsibilities and is structured into three annual awards.</p> <p><b>2023-2025 OBJECTIVES</b></p> <ol style="list-style-type: none"> <li>1) Relative Total Shareholder Return (35%)</li> <li>2) Group Net Debt (25%)</li> <li>3) Return on Invested Capital (20%)</li> <li>4) Climate Change - Reduction in Emissions (10%)</li> <li>5) Diversità di genere - % of female new hires with STEM degree (Science, Technology, Engineering and Mathematics) (10%)</li> </ol> <p><b>RESULT MEASUREMENT</b></p> <ul style="list-style-type: none"> <li>• Relative benchmarks (TSR): compared to the Peer Group</li> <li>• Absolute benchmarks (Group Net Debt, ROIC, Climate Change, Gender Diversity): compared to the targets of the Strategic Plan</li> </ul> <p><b>NO. OF SHARES ACCRUED AT THE END OF THE PERFORMANCE PERIOD</b></p> <ul style="list-style-type: none"> <li>• Minimum: 50% of shares awarded</li> <li>• Maximum: 100% of shares awarded</li> </ul>	<p><b>CHAIRMAN</b></p> <p>LTI not envisaged.</p>	Pag. <a href="#">29</a>
		<p><b>CEO</b></p> <p>The LTI share envisaged for the CEO is equal to 62% of overall fixed component of remuneration (67.4% if we only consider the fees payable for the position of CEO)</p>	Pag. <a href="#">34</a>
		<p><b>GENERAL MANAGER</b></p> <p>The share envisaged for the GM is equal to 140% of the fixed component of remuneration</p>	Pag. <a href="#">40</a>
		<p><b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b></p> <p>The share of LTI provided for up to a maximum of 140% of the fixed component of remuneration, commensurate with the role</p>	Pag. <a href="#">44</a>

<sup>2</sup> The maximum incentive for the CEO is equal to the target incentive.



	<p><b>PERFORMANCE AND HOLDING PERIODS</b></p> <ul style="list-style-type: none"> <li>• Performance period: three years</li> <li>• Holding Period: 50% of awarded shares are subject to 2-year non-transferability obligation</li> </ul> <p>Plan subject to Malus and Claw-back clauses .</p>		
<b>NON-CASH BENEFITS</b>			
Benefits are granted consistently with the purposes of the Leonardo Group's remuneration policy.	Non-cash benefits are defined in accordance with provisions of law, collective bargaining agreements and any other applicable union agreements.	<ul style="list-style-type: none"> <li>• supplementary pension plan</li> <li>• supplementary/ replacement health insurance benefits</li> <li>• insurance cover</li> <li>• company car</li> <li>• accommodation for guests' use</li> </ul>	Pag. <a href="#">37</a> Pag. <a href="#">41</a> Pag. <a href="#">44</a>
<b>PAY IN THE EVENT OF TERMINATION OF OFFICE AND EMPLOYMENT</b>			
Retention purpose connected with the role in line with long-term strategies, values and interests	They are set in relation to key roles and non-competition obligations.	<b>CHAIRMAN</b> No severance pay	
		<b>CEO</b> The severance pay equal to 24 months' fees of Short-term Fixed and Variable Remuneration in the event of termination of office or of employment .	Pag. <a href="#">37</a>
		<b>GENERAL MANAGER</b> Allowance under the National Collective Bargaining Agreement of reference	Pag. <a href="#">40</a>
		<b>EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b> Allowance under the National Collective Bargaining Agreement of reference	Pag. <a href="#">44</a>
<b>PAY-MIX TARGET</b>			
It shows the weight of various (fixed, short-term variable and long-term variable) components of remuneration	The charts below refer to the pay-mixes, calculated by considering the valuation of short- and long-term incentives after assuming results by target		









# REPORT ON REMUNERATION POLICY AND FEES PAID 2023

## Section I

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## Governance

### Bodies and person 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 preparation and approval of the remuneration policy regarding the members of the Governing Bodies, the General Manager and the other Executives with Strategic Responsibilities.

#### Shareholders' Meeting

The duties of the Shareholders' Meeting – as far as the matters of interest to this Report are concerned - are:

- to set the fees payable to the members of the Board of Directors and the Statutory Auditors;
- to approve any remuneration plans based on financial instruments assigned to Directors, the General Manager, other Executives with Strategic Responsibilities, other employees and consultants, pursuant to art. 114-bis of the TUF;
- to examine and assess Section I of the Report regarding the remuneration policy in order to cast a binding vote and Section II of the Report about the fees paid in the previous year to cast a non-binding vote.

#### Board of Directors

The duties of the Board of Directors – as far as the matters of interest to this Report are concerned - are:

- to determine, on the proposal of the Remuneration Committee, the remuneration of those Directors with delegated powers and of any other Director vested with specific functions following the opinion of the Board of Statutory Auditors;
- to define the Company's policy in relation to the remuneration of Directors, General Manager and other Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code for listed companies;
- to approve this Remuneration Report and submit it to the Shareholders' Meeting pursuant to, and within the limits set out in, art. 123-ter, paragraphs 3-bis and 6, of the TUF;
- to submit to the Shareholders' Meeting, upon proposal from the Remuneration Committee, potential remuneration plans based on the allotment of shares or other financial instruments;
- to implement the aforesaid remuneration plans based on shares or other financial instruments, with the support of the Remuneration Committee, as approved by the Shareholders' Meeting.

No Director attends Board of Directors' meetings at which motions regarding his/her own remuneration are approved.

Furthermore, there has been a Remuneration Committee in the Board of Directors for a long time, the composition and functions of which are detailed below.

#### Remuneration Committee

The Remuneration Committee is composed of the following members:



	Position	Independence	Date of first appointment
<b>Michela Patrizia Giangualiano</b>	Chairman	✓ <sup>*</sup>	May 2020
<b>Elena Comparato</b>	Director		May 2020
<b>Marina Rubini</b>	Director	✓ <sup>*</sup>	May 2014
<b>Federica Guidi</b>	Director	✓ <sup>*</sup>	May 2020
<b>Ferruccio Resta</b>	Director	✓ <sup>*</sup>	May 2020

<sup>\*</sup> Independent director also pursuant to the Corporate Governance Code

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 Committee is provided with 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 tasks, and takes advantage, through Company channels that make use thereof, from the work performed by external advisors in order to ensure independence of judgment. The Head of the Company's Chief People & Organization Officer Organisational Unit is invited to attend the Committee's meeting on a permanent basis and the meetings 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. The entire Board of Statutory Auditors attends the Committee's Meeting. 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 give its opinion to the Board of Directors concerning the definition of the Company's remuneration policy of Directors, General Manager and other Executives with Strategic Responsibilities, in compliance with the legal provisions in force and with the Corporate Governance Code;
- 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 art. 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, the actual achievement of performance targets;
- to support the Company in defining the best policies for the management of the Group executives as well as the managerial development plans and systems for the Group's key managers;
- to monitor the adoption and actual implementation of measures aimed at promoting equal treatment and opportunities between genders within the company organisation;
- to assess the management's proposals and to give its opinion as to 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 of Directors for its assessment and then to the Shareholders' Meeting for its subsequent approval pursuant to the legal provisions and related implementing Regulations;
- to periodically evaluate the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors, General Manager and other Executives with Strategic Responsibility;



- to examine in advance the Report on remuneration policy and fees paid;
- to analyse, with reference to the issues within its respective competences, the relevant issues for Leonardo for the generation of long-term value.

The Committee's meetings and resolutions are duly recorded in minutes and the work performed is reported by the Chairman of the Committee 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 Rules of Procedures, which acknowledge the principles and the recommendations laid down in the Corporate Governance Code.

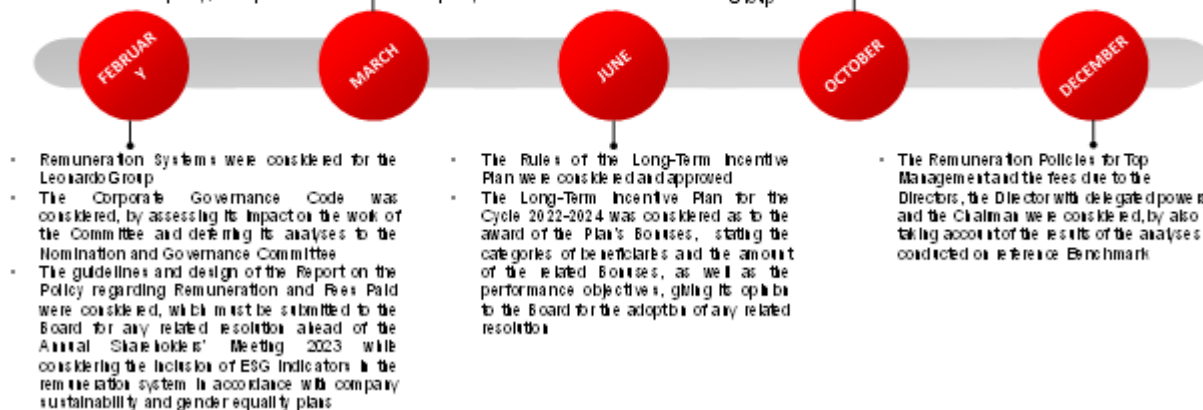
Since it was formed, the Remuneration Committee has played a role of supporting the top management with one of the most important issues related to the strategic management of the Group's human resources and of its pay and retention policies.

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.

The Remuneration Committee gives an opinion on the structure and content of this report and submits them to the Board of Directors, which, after having examined them, then submits them to the Shareholders' Meeting for a binding vote on Section I and cast a non-binding vote on Section II, pursuant to art. 123-ter of the TUF.

### Main issues dealt with by the Remuneration Committee in 2022

- The Policy of the short-term Incentive Plan (MBO) was considered for 2023
- The Report on remuneration policy and fees paid was considered and approved on a preliminary basis, which must be submitted to the Board for any related resolution ahead of the annual Shareholders' Meeting 2023
- It was verified whether the 2022 objectives assigned to the CEO had been achieved within the short-term Incentive Plan (MBO) and the Long-Term Incentive Plan 2022-2024
- Short-term objectives (MBO) were set for the CEO for 2023, giving the related opinion to the Board for the adoption of any related resolution, as well as Long-Term objectives were set for the CEO for the three-year period from 2022-2024 cycle
- Knowledge was enhanced about the activities carried out within the Leonardo Group to achieve the sustainability objectives envisaged in the remuneration policy, with specific focus on Gender Equality
- A Benchmark analysis was carried out to establish whether the Leonardo's Remuneration Policy complies with markets standards and the Corporate Governance Code guidelines, considering the findings of the Shareholders' Meetings held in 2022 and the voting policy of Proxy Advisors for 2023
- The Committee acknowledged the supplementary agreement of the Leonardo Group



### Board of Statutory Auditors

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

### Independent Experts

In the course of 2022, the Chief People & Organization Officer Organizational Unit made use, as external independent experts, of Mercer for activities concerning remuneration.



### Other Subjects

The Chief People & Organization Officer Organisational Unit, sets out the guidelines, supported by all the technical details necessary for preparing the Remuneration Policy. This Function also acts as a specialist in-house body assisting the Remuneration Committee, for which it prepares the material that the Committee needs in order to carry out its work.

The Administration, Finance and Control Organisational Unit helps set out the operating and financial objectives underlying the short- and long-term plans and verifies that they have been attained and determining the panel for TSR as a performance objective in the long-term incentive system.

The Chief Technology & Innovation Officer Organisational Unit and the Administration, Finance and Control Organisational Unit deal with the ESG matters.

### Independent Legal Auditors

The Audit Firm in charge of the statutory audit of the accounts yearly verifies the preparation by the directors of Section II of the Report by carrying out a mere formal check on the publication of the information without expressing any opinion thereon, or on the consistency of such information with the financial statements or its compliance with the regulations, as is required for the review on the preparation of the Non-Financial Statement (“NFS”) pursuant to Legislative Decree 254/2016.

### Procedure for approval of Remuneration Policy 2023

In exercising its powers and in accordance with the Corporate Governance Code, the Remuneration Committee expressed a favourable view of the structure and contents of remuneration policy for the purposes of the preparation of this report.

The Report was submitted by the Remuneration Committee to the Board of Directors, which approved it on 29 March 2023.

The remuneration policies determined in accordance with the guidelines provided by the Board of Directors are applied by the bodies authorised to do so with the support of the corporate functions concerned.

The Board of Directors submitted this Remuneration Report approved by them on 29 March 2023 for a binding and consultative vote of the Shareholders' Meeting.

Finally, this document has been prepared in accordance with best market practices, particularly those in FTSE-MIB companies.

### Term of the remuneration policy and derogation procedure in special circumstances

According to the provisions laid down in the paragraph 3-bis of art. 123-ter of the TUF, this policy has a term of one year.

In exceptional circumstances, Leonardo's Board of Directors may temporarily derogate from some provisions of the Remuneration Policy laid down in this Report, with a reasoned resolution. Such derogation should not affect, in any case, the compliance with legal and regulatory obligations and should be taken in accordance with Leonardo's Procedure for Related Parties Transactions (in particular, subject to the reasoned opinion of the Committee for Related Parties Transactions pursuant to the aforesaid Procedure), at the proposal or in any way subject to the opinion of the Remuneration Committee.

In compliance with the provisions of the abovementioned rule, exceptional circumstances mean the situations where the derogation from the Remuneration Policy is required in order to pursue the Company's long-term interests and sustainability as a whole or to ensure its ability to stay in the market. They include, but are not limited to:

- significant changes in social and economic scenarios or, in any event, the occurrence of extraordinary and unforeseeable events (e.g. pandemics, conflicts, etc.), affecting the Group and/or the sectors



and/or markets in which it operates, which may have a profound impact on the relevant market environment at a global level and/or that of each country/region;

- substantial variations in the scope of the business activity during the period of validity of the Remuneration Policy (e.g. transfer of a company/branch of business on whose activity the performance objectives of the reference Remuneration Policy were based; acquisition of a significant business, etc.);
- need to attract and retain people with the most suitable skills and professionalism to run the business and ensure its sustainable success.

The process also makes it necessary for all persons concerned to abstain from voting on resolutions related to any exception that may involve them.

Exceptions (if any) may concern:

- the parameters and weights related to the assignment and/or award of the variable components of remuneration;
- the granting of indemnities, except for directors, in consideration of specific working conditions and in extraordinary selective situations.

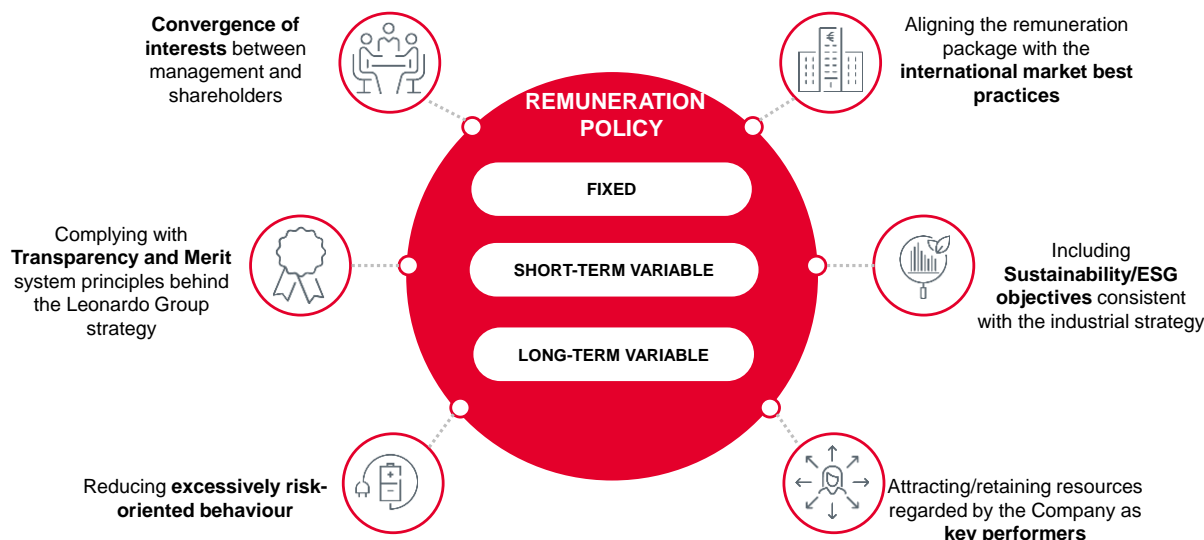
The Board's resolution shall also establish the duration of such exception and the specific elements of the Policy that are waived, in accordance with the provisions laid down above.

Leonardo provides information on any exceptions to the Remuneration Policy applied in exceptional circumstances in Section II Fees paid in the subsequent year.



## Purposes and instruments of remuneration policy

The remuneration policy sets out the principles and the 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.



In recent years, there has been a systemic push towards the pursuit of "sustainable success" oriented towards the creation of value not only for shareholders but also for other major stakeholders. In particular, the regulatory authorities at Italian and European levels have encouraged companies to achieve this goal, also through the Corporate Governance Code 2020 and the application of the provisions of the Shareholder Rights Directive II (SRD II).

The sustainability of success is linked to the protection of a broader notion of capital, from economic capital to, for example, environmental, human, social and technological capital.

In determining the Remuneration Policy for the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities, the Board of Directors confirmed the key elements of the remuneration strategy, which make it "functional to the pursuit of sustainable success"<sup>3</sup> by also empowering management to listen to and engage with various stakeholders and to create value for different sources of capital.

The policy aims to attract and motivate human resources who have the professional qualities required to carry out their duties and fulfil their responsibilities, through adequate remuneration systems that are aimed at pursuing the Company's long-term interests with respect to new areas for the creation of value, and the alignment of the management's interests with the priority objective of creating sustainable value for shareholders in the medium/long-term, and has been prepared by taking account of the wages and working conditions of the Group's employees.

In particular, the objective of the variable component of remuneration is aimed to recognising the results that have been achieved, establishing a direct link between remuneration and performance in the short and long term, paying particular attention to the objectivity and measurability of the performance conditions and the indicators used to measure the remuneration, without prejudice to the existence of an upper limit on incentives.

<sup>3</sup> Corporate Governance Code (art. 5); this concept is also referred to by SRD2, art. 9-bis, paragraph 6, according to which "The remuneration policy shall contribute to the company's business strategy and long-term interests and sustainability and shall explain how it does so".





## Remuneration policy instruments

The remuneration policy of Executive Directors and Executives with Strategic Responsibilities has been formulated as described below:

### Fixed Remuneration

The fixed component of remuneration is such that it adequately remunerates the services provided and is proportioned to the assigned duties and responsibilities, in addition to being sufficient to remunerate the services delivered should the variable component not be paid. 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.

### Variable Remuneration

Variable remuneration is divided into a short-term component (typically annual – the MBO scheme) and a long-term component, reserved exclusively for a key manager population.

#### *Short-term Variable Component*

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 Industrial 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.

#### *Long-term Variable Component*

While maintaining the main architectural elements of the previous LTI plan unchanged, the Long-Term Incentive Plan of Leonardo, approved by the Shareholders' Meeting held on 19 May 2021, has provided for some changes aimed at the structural introduction of sustainability objectives and strengthening the pay-for-performance link, in line with the best market practices.

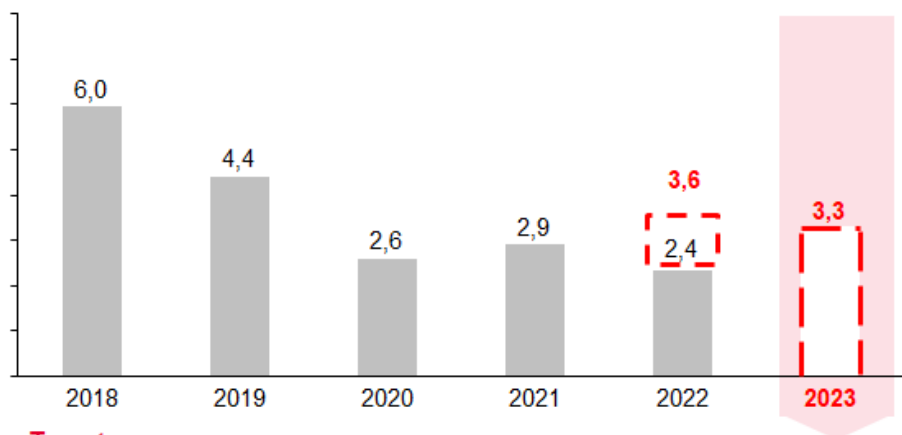
This tool is targeted at key managers, to be selected, on a priority basis, according to a criterion that considers the positions of greatest impact on the Company's business in the medium term, in the executive grade (or equivalent abroad) in the Company, Subsidiaries with their registered offices in Italy or abroad, as well as associates (former employees) in top management and/or other management positions in the Company or Subsidiaries.



ESG Objectives Focus

### MBO 2023 Occupational Safety – Reduction in Average Accident Frequency rate

Evolution of KPI and targets 2023



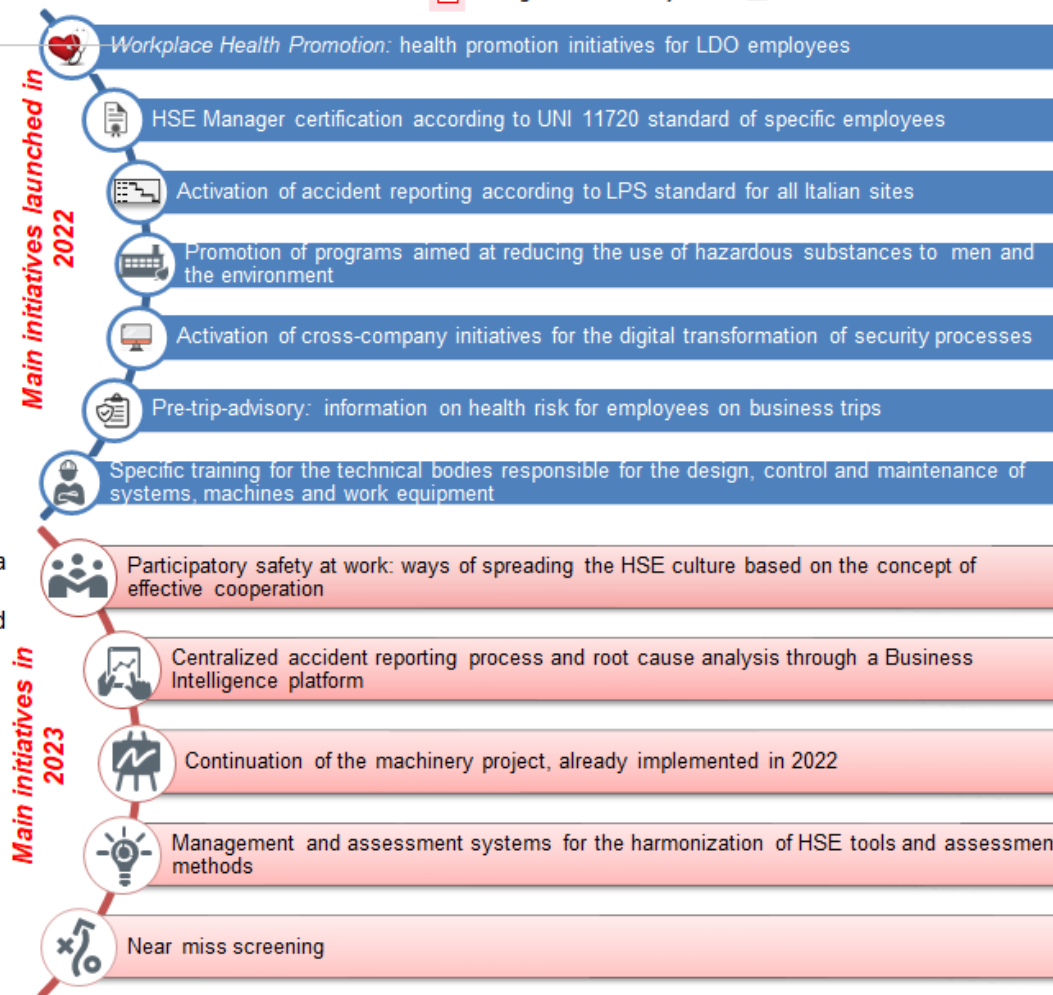
**Target**

- The 2022 target has been achieved, with a KPI of 2.4 vs target 3.6;
- The 2022 value, calculated on the basis of one million hours worked, implies a reduction of 19%, compared to the 2021 value;
- The 2023 target was set assuming a reduction of approximately 8% compared to the 2022 target

**Leonardo's commitment**

- Leonardo confirms its commitment in the field of occupational safety, also reaching the target set for 2022;
- In 2022 Leonardo's new Integrated Policy for Health, Safety and the Environment was issued, valid for all the group which strengthens the commitment in Health & Safety;
- The wide spread of HSE Management Systems certified according to the ISO 14001 and ISO 45001 international standards, the specialized training provided, the sharing of best practices and strategies on central coordination tables, as well as the strong focus provided by the ever-increasing application of the LPS concretely contributed to the achievement of this result.

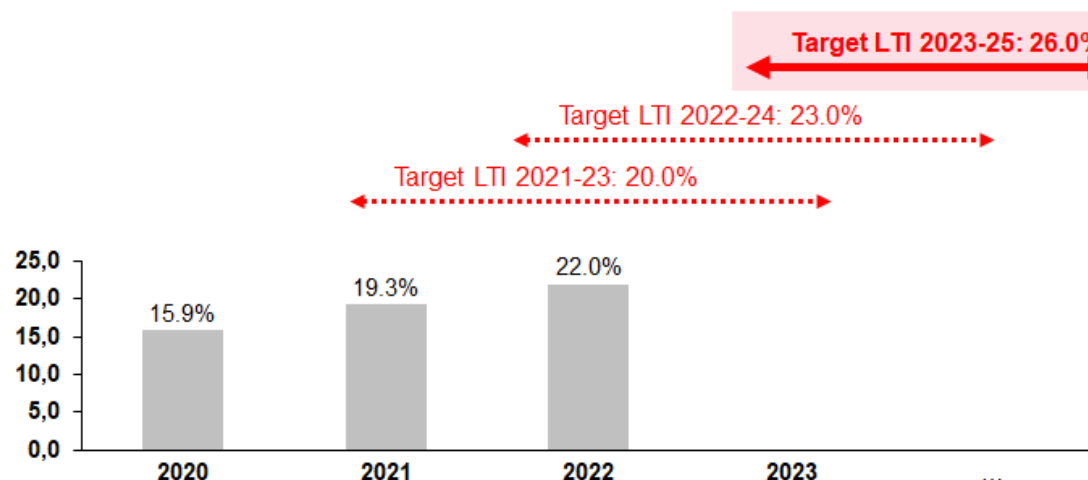
  Previous target  
  Target of 2023 Policy  
 Actual value



## LTI 2023-25 Gender Equality – New female hires in the STEM area

- Target of 2023 Policy
- Previous target
- Actual value

### Evolution of cumulative KPI and target 2023-2025



### Target

- The objective includes a target of 26% new female hires in the STEM area over the 2023-2025 period (average of cumulative values over the 3 FYs).
- The objective is consistent with the medium-term target, relative to the hiring of 30% of women with a STEM degree in 2025, and calls for constant growth compared to the targets of the previous LTI plans.
- The growth results obtained demonstrate the effectiveness of the actions launched by Leonardo, aimed at ensuring the protection of gender equality in the attraction, retention and development phases, and of the link between sustainability strategy and incentive plans

### Leonardo's commitments

- Attracting and developing human capital in the STEM area is a critical success factor for achieving the objectives under the BeTomorrow 2030 plan
- In 2021 women accounted for 37% of those enrolled in STEM degrees, compared to 57% of total university enrolments (Ministry of Education data 2020-21)
- To achieve its ambitious goals, Leonardo has implemented numerous initiatives, including:

**Unconscious Bias**, a programme dedicated to Leonardo managers, aimed at counteracting cognitive biases and distortions related to gender equality

**STEM Role Model**, a series of inspirational talks delivered by Leonardo female colleagues to middle and high school students

**Springboard**, an international programme for the professional development of women at Leonardo which has involved more than 100 female colleagues in 2022

Leonardo's entry into **multiple initiatives and awareness-raising courses within schools and universities** to promote the study of STEM disciplines among girls (es Girls@POLIMI)

**Employer Branding** - Career Day: in 2022, Leonardo took part in over 20 appointments with students and recent graduates from the most prestigious university campuses, paying particular attention to job fairs dedicated to hiring women with STEM degrees and engineering graduates in the company.

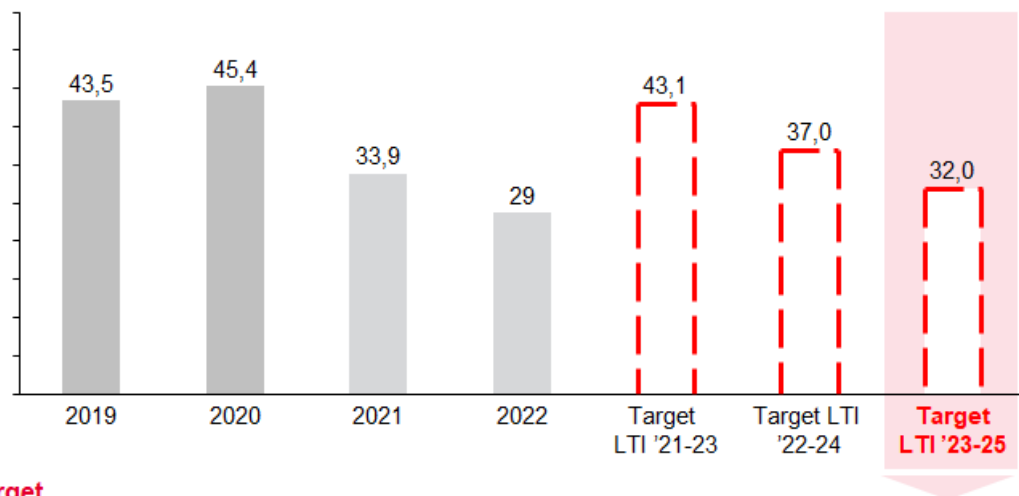


NOTE: the reporting on this KPI was started in 2020: for this reason, no data is available for previous financial periods

## LTI 2023-25 Climate Change – Reduction in Scope 1/2 GHG<sup>1</sup> Emissions ratio to revenues

  Target of 2023 Policy  
  Previous target  
 Actual value

### Evolution of KPI and target at 2025



### Target

- Measured as the ratio of scope 1 and 2 emissions<sup>2</sup> (tCO<sub>2</sub>e) to revenues (M€) per year.
- Scope 1 emissions are generated from sources owned or controlled by the company; Scope 2 emissions are indirect in relation to purchased/imported electricity and heat.
- Target value for LTI 2023-25 is referred to the 2025 FY value.
- Target at 2025 is equivalent to a 13.5% reduction from the target set for the three years 2022-24.

### Leonardo's commitment

- Through the **Sustainability Plan** Leonardo carries out a series of initiatives aimed at reducing emissions.
- Among these is the project to reduce the use of SF<sub>6</sub> gas used in the production processes of helicopter components, which accounted for ~30% of emissions in the two-year period 2019-20 and ~16% in 2021.
- The project to replace this gas with a gas with lower «Global Warming Potential» was initiated in late 2020 and has already delivered results beyond expectations.

**Plan for the replacement of SF<sub>6</sub> gas with gas with lower Global Warming Potential**

- The **Sustainability Plan** also includes other initiatives including:

Implementation of the **Self-production Plan** to increase the % of **self-produced energy from renewable sources**

Implementation of the **Full Potential LED** programme and of the **efficiency projects** with zero investment

Procurement of **thermal energy from district heating systems**

Overall **optimization of emission-sensitive manufacturing processes, with revamping and replacement of furnaces and other plants**

**Revision of «Autoclave» processes**



1 GreenHouse Gases    2 Emissioni Location Based

## Reference to market remuneration policies

Role	Provider	Criteria	Peer Group	
<b>President<sup>4</sup></b>	Mercer	Italian companies comparable to Leonardo by size (capitalization, turnover and number of employees), operational business model, shareholding structure and level of internationalisation.	Italian Companies	International companies
<b>Non-executive Directors</b>			<ul style="list-style-type: none"> <li>- Brembo</li> <li>- CNH Industrial</li> <li>- Enel</li> <li>- Eni</li> <li>- Ferrari</li> <li>- Fincantieri</li> <li>- Italgas</li> <li>- Maire Tecnimont</li> <li>- Prysmian</li> <li>- Saipem</li> <li>- Snam</li> <li>- STMicroelectronics</li> <li>- Telecom Italia</li> <li>- Terna</li> <li>- Webuild</li> </ul>	<ul style="list-style-type: none"> <li>- BAE Systems</li> <li>- Bombardier</li> <li>- Dassault Aviation</li> <li>- Hensoldt</li> <li>- Hurtington Ingalls Technologies</li> <li>- Meggitt</li> <li>- Rolls-Royce</li> <li>- Saab</li> <li>- Safran</li> <li>- Spirit AeroSystems</li> <li>- Textron</li> <li>- Thales</li> </ul>
<b>Chief Executive Officer</b>			International companies comparable to Leonardo by size and business affinity.	
<b>Executives with Strategic Responsibilities</b>	Mercer	Mercer Executive Remuneration Guide Western Europe. This survey only includes information on the Executive workforce of Companies operating in the main European countries.		

Without prejudice to the powers of the Shareholders' Meeting and of the newly-appointed Board of Directors to determine fees pursuant to Article 2389, paragraph 1, and Article 2389, paragraph 3, of the Italian Civil Code, respectively, the Board of Directors intends to provide evidence of the work done during its term of office, with a view to transparency towards the market and in order to provide all the background elements to support the considerations and assessments made by the newly-appointed Board of Directors.

During the term of office, the Remuneration Committee monitored, on an ongoing basis, the competitiveness of Leonardo's remuneration policy with respect to peer groups consisting of Italian and international entities, selected based on qualitative and quantitative assessments.

In particular, for the selection of the peer group of Italian companies, large Italian industrial companies have been considered, which are similar to Leonardo in terms of business model and labour market, operating in a global/international geographic scope and with a similar shareholder structure.

These companies were, moreover, selected on the basis of size parameters that considered both economic/financial indicators (revenues and market capitalisation), and size of organization (number of employees) in order to ensure the greatest comparability with Leonardo.

<sup>4</sup> For the role of Chairman, only companies in the Italian peer group, which provide for the appointment of a Non-executive Chairman in line with Leonardo, have been considered for the purposes of the analysis.



The international panel was defined by considering companies operating in the same sector or in related sectors with a similar business model or that preside over the most important stages of Leonardo's value chain (design, project management, product engineering) and comparable to Leonardo in terms of size.

The assessment that was carried out has confirmed the policy's substantial alignment with market trends with reference to its elements, the instruments used and the features of the incentive systems, including the type and nature of performance objectives underlying the short- and long-term incentive plans.

In terms of remuneration positioning with respect to the peer groups, the analysis that was carried out has instead showed a limited competitiveness of Leonardo's remuneration policy, which would also reflect in the Group's ability to attract and retain talent.

With specific regard to the role of CEO, the analyses showed a positioning of the overall remuneration package that was significantly lower than the first quartile of the market, both with reference to the Italian and international peer group.

Specifically, the total remuneration package allocated to the CEO turns out to be -40% compared to the market median, whose value is around €mil. 3.5<sup>5</sup> in the Italian area.

In terms of pay mix, the CEO's fixed component appears to have a higher incidence than the variable component, due to the limited competitiveness of the offering related to incentive systems, contrary to what emerges from market practices, which instead provide on average for a preponderant weight of variable remuneration.

In addition, Leonardo's CEO remuneration package provides for a substantial balance of short-term and long-term variable remuneration, in contrast to what is provided for by the companies in the peer groups, whose long-term variable component records a higher incidence over total variable remuneration.

With regard to the non-executive members of the Board of Directors, following the aforementioned benchmarking analyses, it also emerged that:

- the remuneration provided for the role of Chairman and Member of the Board of Directors is in line with third-quartile market benchmarks;
- the remuneration awarded to Non-Executive Directors for participation in Board committees appears to be generally non-competitive with the market.

## Remuneration Policy 2023

### Remuneration of the members of the Board of Directors and the Board of Statutory Auditors

*This section gives the main features of the remuneration policy for:*

- Directors who are not entrusted with specific duties
- Board of Statutory Auditors
- Directors vested with specific duties:
  - Chairman of the Board of Directors
  - Chief Executive Officer

The following paragraphs show the remuneration paid to Directors for the three-year period from 2020 to 2022 and those paid to the Statutory Auditors for the three-year period from 2021 to 2023, which are envisaged until the expiry of the related term of office.

<sup>5</sup> This value includes the long-term variable incentive component, valued on a fair-value basis



These fees are in line with the Company's current policy and the recommendations of the Corporate Governance Code, as well as with the remuneration studies carried out with the support of the independent Advisor. With regard to Directors vested with specific duties, as until today, a balanced and challenging mix may be maintained between a fixed component appropriate to the responsibilities assigned and a variable component, set within maximum limits and aimed at pegging their remuneration to the respective performance achieved.

It should be noted that the objectives linked to incentive schemes have been set in relation to the strategic plan.

In view of the renewal of the Board of Directors, the prerogatives of the Shareholders' Meeting and of the newly-appointed Board of Directors to determine fees shall continue to apply pursuant to Article 2389, paragraph 1, and Article 2389, paragraph 3, of the Italian Civil Code, respectively.

## Remuneration of Directors who are not entrusted with specific duties

### Remuneration set by the Shareholders' Meeting

The Shareholders' Meeting held on 20 May 2020 set, for the three-year period from 2020 to 2022, the remuneration of the Directors who are not entrusted with specific duties, in a gross amount of € 80,000 per year for each Director.

In line with the best market 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 Board Committees.

### Remuneration for members of Board Committees

The Company's Board of Directors, by a resolution passed on 25 June 2020, 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.

## Remuneration for members of the Board of Statutory Auditors

On the occasion of the renewal of the Board of Statutory Auditors, the Shareholders' Meeting held on 19 May 2021 set, for the three-year period from 2021 to 2023, the fees due to the members of the Board, in a gross amount of € 80,000 per year for the Chairman and a gross amount of € 70,000 per year for each of other Regular Auditors.

The fees due to the members of the Company's Board of Statutory Auditors are commensurate with the expertise, professionalism and commitment required by the importance of the position held, as well as with the size and sector characteristics of Leonardo, in line with the guidelines of the Corporate Governance Code.



## Remuneration of Directors vested with specific duties

### Chairman of the Board of Directors

The total remuneration for the 2020 to 2022 term of office of the Chairman of the Board of Directors consists exclusively of the fixed component, composed as follows:

- gross annual fees of € 90,000 pursuant to art. 2389, paragraph 1, of the Italian Civil Code, as resolved by the Shareholders' Meeting held on 20 May 2020.
- gross annual fees of € 400,000: as remuneration payable by virtue of the powers the Board of Directors vested in the Chairman at the meeting held on 20 May 2020 pursuant to art. 2389, paragraph 3, of the Italian Civil Code, after having heard the Board of Statutory Auditors.

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

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.

### Chief Executive Officer

#### *Overall remuneration structure*

The Company has entered into a working relationship with the Chief Executive Officer, which will end on the expiry of the term of office of the Board of Directors, expected with the Shareholders' Meeting called to approve the financial statements at 31 December 2022. The solution adopted is favourable for the Company with a view to reducing costs of social security contributions.

For the current 2020-2022 term of office, the fixed and variable remuneration for the position of Chief Executive Officer was set by the Board of Directors' meeting held on 20 May 2020:

- **FIXED REMUNERATION:**
  - gross annual fees of € 80,000 as a director, pursuant to art. 2389, paragraph 1, of the Italian Civil Code, set by the Shareholders' Meeting held on 20 May 2020;
  - gross annual fees of € 920,000 for the office of the Chief Executive Officer pursuant to art. 2389, paragraph 3, of the Italian Civil Code, set by the Board of Directors' meeting held on 20 May 2020, having heard the opinion of the Board of Statutory Auditors
- **SHORT-TERM VARIABLE REMUNERATION:** fees of € 660,000 per year, equal to 66% of the overall fixed remuneration (71.7% if we only consider the fees payable for the position of CEO), as maximum short-term variable incentive.
- **LONG-TERM VARIABLE REMUNERATION:** fees of € 620,000 per year, equal to 62% of the overall fixed remuneration (67.4% if we only consider the fees payable for the position of CEO), as maximum long-term variable incentive.

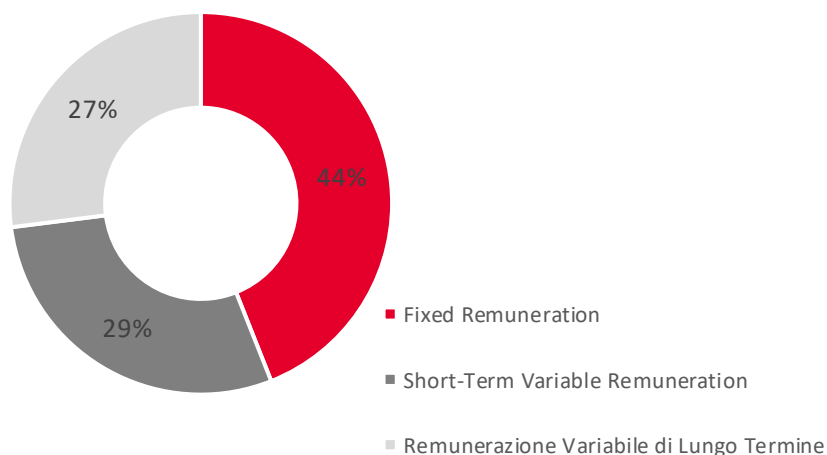




## Pay mix

The pay-mix was set as follows:

Pay-mix for the Chief Executive Officer



## Short-term variable remuneration

The short-term variable remuneration (MBO) for the Chief Executive Officer consists of target and maximum overall gross fees of € 660,000 per year (equal to 66% of the overall fixed remuneration) and is subject to the following performance targets:

	Type of objective	Objective	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Group Economic and Financial	Group EBITA	30%	On / Off	€ 1.260 Mln € 1.310 Mln	In one or both the following thresholds are not achieved: • Group EBITA: 85% of Budget • Group FOCF: 100% of Budget The bonus relating to both KPIs is set to zero
		Group Free Operating Cash Flow (FOCF)	30%	Range Payout: 100%-150%	Ca. € 600 mln	
	Strategic	Book to Bill	15%	On / Off	≥ 1	
		Launch of 3 new lines of research for Leonardo Labs	15%	On / Off	Strategic Plan	
	Sustainability	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%	On / Off	Inclusion of Leonardo	
		Reduction in average accident frequency rate	5%	On / Off	$I_f \leq 3,3$	

The final assessment of economic, financial and sustainability objectives – which are common for the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities – is performed by providing for the following possible adjustments: changes in the perimeter, M&A transactions and, in general, non-recurring operations or extraordinary exogenous events not envisaged in the Budget-Plan, amendments to accounting or reporting standards, exchange rate effects on the financial statements in foreign currency.

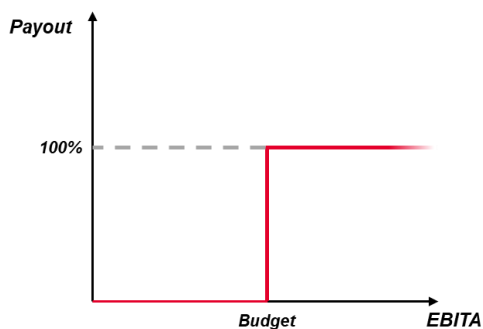
Leonardo's Remuneration Policy 2023 for the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities is focused in particular on ESG (Environmental, Social &



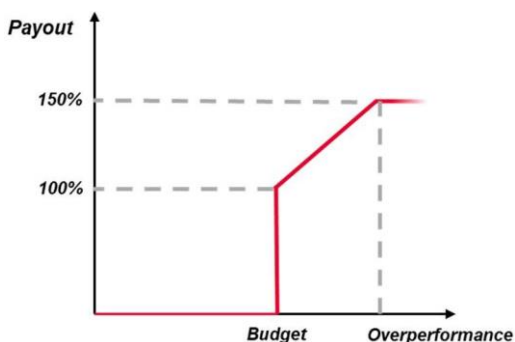
Governance) objectives. In particular, as in 2021 and 2022, the ESG performance is expected to be assessed in relation to a further objective linked to the Health and Safety of Leonardo's employees in addition to the objective linked to the inclusion of Leonardo in the Dow Jones Sustainability Indices that has been reported in the schedule of objectives of the Top management roles for several years. This objective is measured through the synthetic indicator of the average Frequency of accidents, which is calculated according to the GRI (Global Reporting Institute) method as number of accidents per 1,000,000 hours worked. The target of 3.3 implies a reduction of about 8% compared to the 2022 target.

If the target is over-performed for the FOCF indicator (the only one for which over-performance is envisaged), this does not entail the over-performance of the overall short-term variable incentive. In fact the maximum amount set for this remuneration component is equal to the target. Therefore, a payout >100% for FOCF is awarded only if other objectives are not achieved to target.

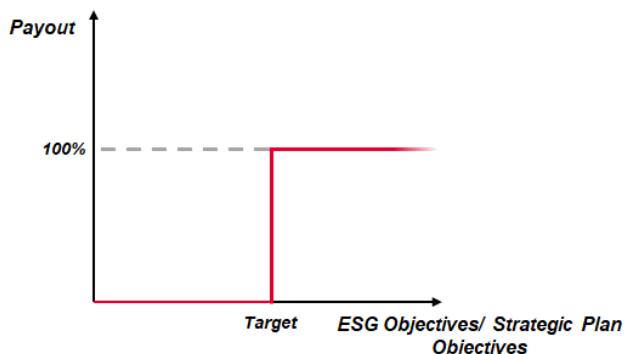
Performance targets relating to the aforesaid indicators shall be determined by providing for an access threshold for incentive and a restructuring of the bonus as stated below:



- **EBITA:**  
"ON/OFF" basis
- no payout if the budget target is not achieved
- a payout of 100% if the budget target is achieved



- **Group FOCF**
- no payout if the budget target is not achieved
- a payout with linear incentive from 100% to 150% between the budget and the maximum level of performance
- a payout of not more than 150% (cap) if the maximum level of performance is exceeded

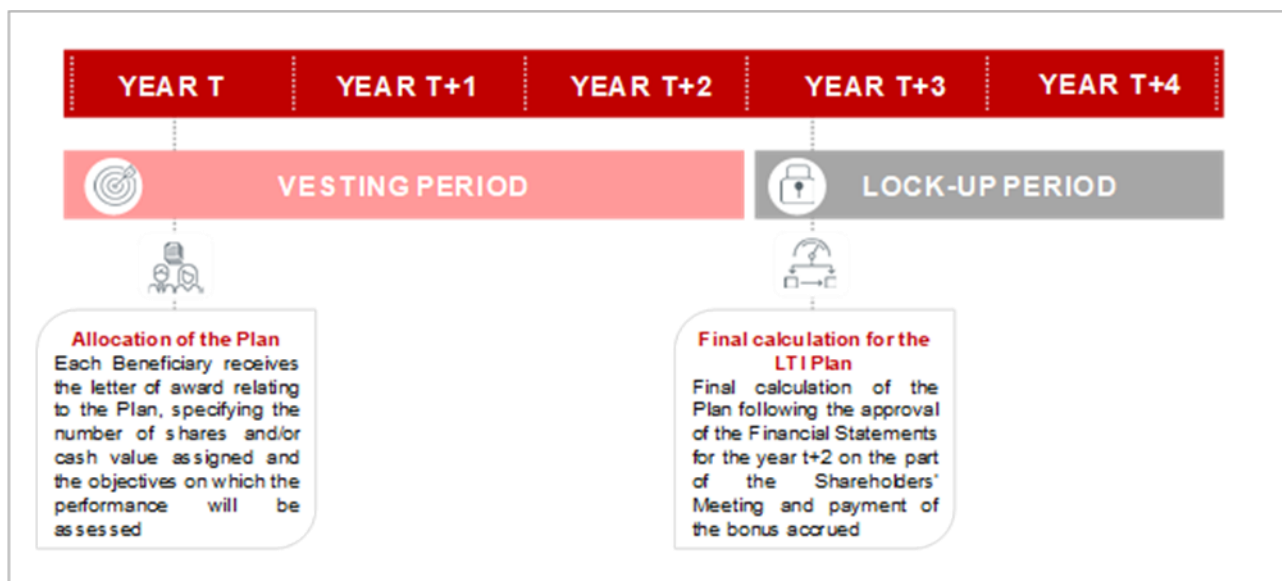


- **ESG/Strategic Plan Objectives:**  
"ON/OFF" basis
- no payout if the target is not achieved
- a 100% payout if the target level is achieved or exceeded



### Long-term variable remuneration

The Shareholders' Meeting held on 19 May 2021 approved the Long-Term Incentive Plan of Leonardo. While maintaining the main architectural elements unchanged, the Incentive Plan has introduced, at a structural level, sustainability performance objectives consistent with the Strategic Plan, as well as the strengthening of the pay-for-performance link by designing payout curves for all objectives. The Plan envisages three annual awards as from 2021, each with a three-year vesting period in line with the table reported below..



For the Chief Executive Officer, the General Manager and the Executives with Strategic Responsibilities the Plan provides for the free allotment of ordinary shares of the Company, the vesting of which is subject to establishing whether the performance conditions described below have been fulfilled.

For the remaining beneficiaries, the Plan provides for the allocation of a portion of the bonus in the form of ordinary shares of the Company and a portion in the form of cash, depending on the category to which staff members belong, subject to the same performance conditions.

The portion of long-term variable incentive envisaged for the Chief Executive Officer is set up to an overall target and maximum amount of € 620,000 for each cycle of award, equal to 62% of the overall fixed remuneration.

The maximum number of shares attributable to the Chief Executive Officer for the 2023 - 2025 cycle is determined by dividing the maximum amount set by the unitary price of € 9,891<sup>6</sup>, per share, used for the conversion of the incentives when implementing the plan. Therefore, the maximum number of shares attributable is set at no. 62.684. As regards the maximum number of shares attributable to the Chief Executive Officer within the scope of the entire plan (2021-2023, 2022-2024 and 2023-2025 cycles), it is estimated, at present, that the maximum number of shares may be equal to about no 243.228, if all performance targets are achieved in full, on the basis of the terms and conditions already laid down and detailed in the Disclosure Document.

<sup>6</sup> Average price of ordinary Leonardo shares in the period from 1 January to 31 March 2023, in the application of the resolution passed by the Board of Directors' meeting held on 24 March 2021, which determined to take as reference price for the shares subject to the Long-Term Incentive Plan, the average price of the Leonardo share in the first quarter of the financial period in which the bonus is awarded.



## Performance conditions and incentive curve

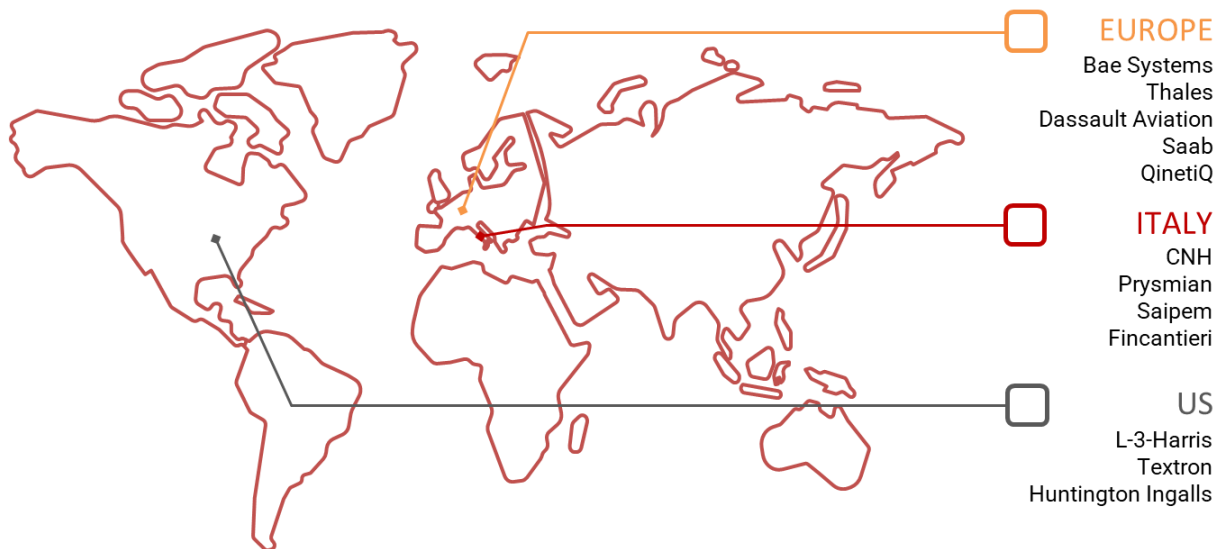
The payment of the incentive is conditional on the achievement of targets relating to a three-year period and linked to the following performance indicators:

KPIs	Weight	Reference Financial Periods	Performance Range (target / guidance)	Payout Range
Relative Total Shareholder Return	35%	2025 (Δ vs 2023)	1 2 3 4 5 6 7 8 9 10 11 12 13	100% 100% 100% 100% 50% 50% 25% 0% 0% 0% 0% 0% 0%
Group Net Debt	25%	2025	Target (< ~€ 1.600 Mln)	100%
			Minimum	50%
Returned on Invested Capital	20%	2025	Target (~13%)	100%
			Minimum	50%
Climate Change (Reduction in Emissions of scopes 1 and 2)	10%	2025	32,0	100%
			Minimum	50%
Gender diversity (% of women of total new hires with STEM degree)	10%	2023-2025	26%	100%
			Minimum	50%

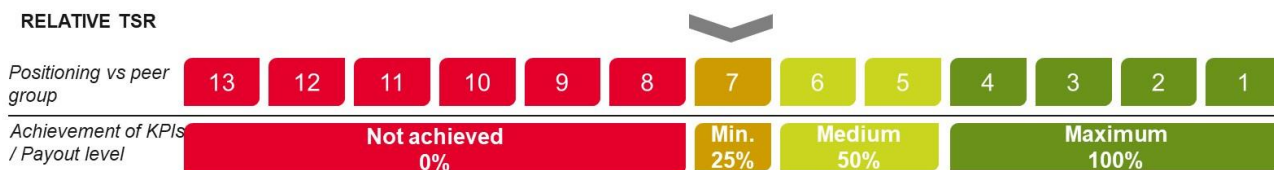
Interim results provide for bonuses that are calculated proportionally using a linear incentive curve. No payments are envisaged below the minimum value.

- Relative TSR:** 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. Following the delisting of Meggitt in September 2022, the Board of Directors has proceeded to start an inquiry regarding the panel of companies in the TSR peer group. For the purposes of maintaining a balance of sectors, geographies and ranges of size consistent with that approved in the LTI plan information document in 2021, it was deemed appropriate to replace Meggitt with QinetiQ. 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 relative TSR performance is determined on the basis of Leonardo’s positioning with respect to the peer group, as illustrated below:



A position under the median, therefore, means the payment of a 0% bonus.

- **Group Net Debt:** this objective is also included in the previous Plan for which the key role is confirmed in assessing the implementation of the Strategic Plan. This objective is measured on the final value at the end of the vesting period;
- **Return on Invested Capital:** this profitability objective is key to Leonardo's Strategic Plan. This objective is measured on the final value at the end of the vesting period.
- **Climate Change:** this objective involves reducing emissions of Greenhouse Gases for Scopes 1 and 2. It is one of Leonardo's main commitments regarding the sustainable use of energy resources and the reduction of environmental impact. The indicator is calculated according to the location-based method as a ratio of emissions of Scopes 1 and 2 location-based (tCO2e) to revenues (€mil.) per year (Intensity of CO2 emissions on revenues). The target of 32.0 at 2025 is consistent with a 13.5% reduction in emissions with respect to the target for 2022-24 LTI, equal to 37.0, and constitutes an important objective of the Leonardo Sustainability Plan.
- **Gender Diversity:** this objective aims to improve Gender Balance, with particular reference to the STEM (Science, Technology, Engineering and Mathematics) areas, which are at the heart of Leonardo's Strategic Plan. This objective – which is calculated as the ratio of female new hires with a STEM degree out of total new hires with a STEM degree – provides for a gradual increase with an average target of 26%, with respect to the exact objective of 30% at 2025.



## Vesting period and lock-up

Once the three-year vesting period has elapsed, the plan provides for a two-year lock-up period for the Chief Executive Officer. 50% of the shares awarded will not be transferable during this period.

For more developments, reference should be made to the Disclosure Document relating to the plan that has been filed with the registered office located in Rome, at Piazza MonteGrappa no. 4, on the Company's website ([www.leonardo.com](http://www.leonardo.com)) in the Remuneration section that can be consulted at the address "Corporate Governance/Remuneration" and with the market management company Borsa Italiana S.p.a., as well as on the website of the authorised eMarket STORAGE device ([www.emarketstorage.com](http://www.emarketstorage.com)).

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

In accordance with the recommendations in the Corporate Governance Code, the severance pay is set by providing for a maximum limit that is not higher than two years' remuneration. In any case of revocation of the appointment as Chief Executive Officer and/or of early expiry of the term of office and/or of termination of employment on the part of Mr. Profumo due to just cause, an amount will be paid on account of indemnity and compensation payment, equal to 24 monthly fees; the reference taken for the fixed component will consist of the amount envisaged for his annual fixed remuneration (in accordance with art. 2389, paragraphs 1 and 3, of the Italian Civil Code), while as regards the short-term variable component it will consist of the average of the amount received or accrued in the three years before the expiry of the term of office. The amount calculated in this manner shall be paid together with any other sum due in relation to the termination of employment.

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver<sup>7</sup>, the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of Good Leaver, the rights granted under the Plan will be lost.

It should be noted that the position of Chief Executive Officer is held exclusively within an employment relationship that will end when the term of office of the Board of Directors expires with the Shareholders' Meeting called to approve the 2022 financial statements, expected in May 2023, and, therefore, there is no provision for a notice period.

## *Other benefits*

For the Chief Executive Officer both mandatory forms of insurance cover and non cash benefits are envisaged, in compliance with the provisions of law and in line with Company's practices for Top Management (company car and accommodation for guests' use).

In the same way as with the provisions applied to all executives of Leonardo, the Chief Executive Officer is entitled to receive benefits under supplementary healthcare schemes that are additional to or replace those envisaged by the national supplementary healthcare Funds FASI and ASSIDAI for the category.

<sup>7</sup> Good Leaver means any case in which the Relationship is terminated as a result of: a) death or total and permanent disability of the Beneficiary; b) termination of the Relationship by the relevant Company for reasons other than just cause, or for any other cause that makes the termination of the Relationship justified due to the conduct of the Beneficiary; c) resignation of the Beneficiary for just cause.



## Remuneration of General Manager and Executives with Strategic Responsibilities

### General Manager

On 25 June 2020, the Board of Directors passed a resolution on an important organisational evolution of the company, by establishing – as from 1 September 2020 - the General Manager function reporting directly to the Chief Executive Officer, whose responsibilities were entrusted to Mr Lucio Valerio Cioffi. The function, to which two Divisions and some organisational units must report, including business units, aims to cope with the new market context, but to also accelerate the new phase of implementation of the Be Tomorrow 2030 Strategic Plan, thus increasing flexibility and agility in order to be even more competitive in facing the new challenges that will arise.

### Overall remuneration structure

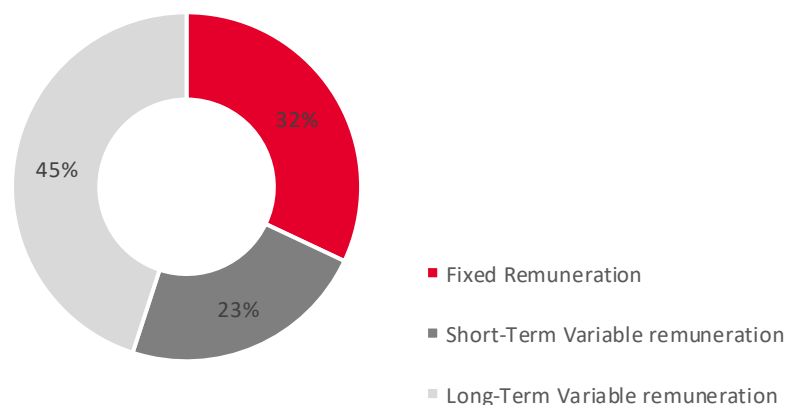
The General Manager's overall remuneration, in line with the remuneration policy described for the Chief Executive Officer, is made up of a fixed component that is proportional to the responsibilities assigned and a variable component aimed at providing incentives to achieve the annual targets set out in the budget, as well as the long-term targets set out in the Strategic Plan:

- **FIXED REMUNERATION:** € 652,000 only composed of Gross Annual Fees as an Executive of the Company;
- **SHORT-TERM VARIABLE REMUNERATION:** € 456,400 per year, equal to 70% of fixed remuneration, as short-term target variable incentive;
- **LONG-TERM VARIABLE REMUNERATION:** € 912,800 per year, equal to 140% of fixed remuneration, as long-term maximum variable incentive.

### Pay mix

The pay-mix was set as follows:

Pay-mix for General Manager



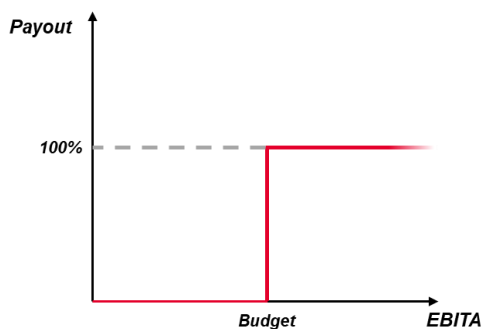
**Short-term variable remuneration**

The short-term variable remuneration (MBO) for the General Manager consists of target maximum overall gross fees of € 456,400 per year (equal to 70% of fixed remuneration). If there is over-performance, this value may be increased up to a maximum of about 82%.

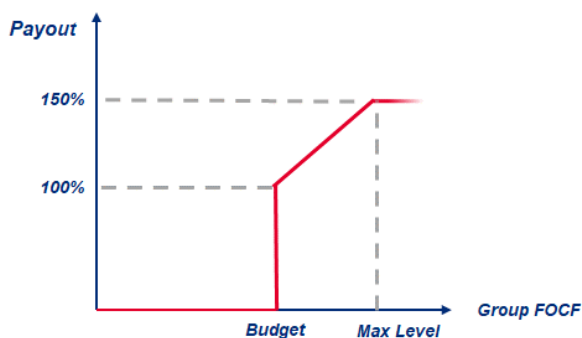
The General Manager's variable incentive plan is subject to the following structure of performance objectives:

	Type of objective	Objective	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Group Economic and Financial	EBITA di Gruppo	25%	On / Off	€ 1.260 Mln - € 1.310 Mln	In one or both the following thresholds are not achieved: • Group EBITA : 85% of Budget • Group FOCF: 100% of Budget The bonus relating to both KPIs is set to zero
		Free Operating Cash Flow (FOCF) di Gruppo	25%	Range Payout: 100%-150%	Ca. € 600 mln	
Strategic / Role	Launch of 3 new lines of research for Leonardo Labs	15%	On / Off	Strategic Plan		
	Achievement of Milestones envisaged for the Corporate Value Creation project for 2023	25%	Range Payout: 100%-120%	Strategic Plan		
Sustainability	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%	On / Off	Inclusion of Leonardo		
	Reduction in average accident frequency rate	5%	On / Off	$I_f \leq 3,3$		

Performance targets relating to the aforesaid indicators shall be determined by providing for an access threshold for incentive and a restructuring of the bonus as reported below.



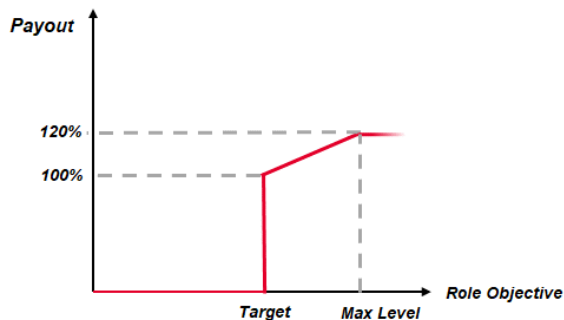
- **EBITA:** "ON/OFF" basis
  - no payout if the budget target is not achieved
  - a payout of 100% if the budget target is achieved



- **Group FOCF**
  - no payout if the budget target is not achieved
  - a payout with linear incentive from 100% to 150% between the budget and the maximum level of performance
  - a payout of not more than 150% (cap) if the maximum level of performance is exceeded

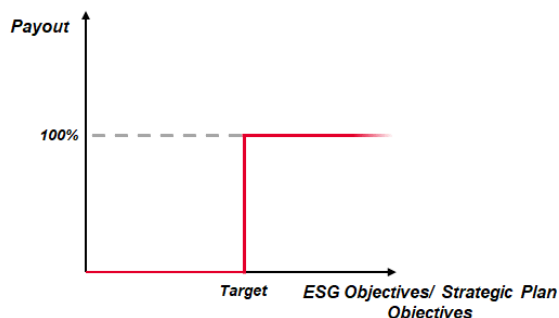






#### ■ Role Objective

- no payout if the budget target is not achieved
- a payout with linear incentive from 100% to 120% between the budget and the maximum level of performance
- a payout of not more than 120% (cap) if the maximum level of performance is exceeded



#### ■ ESG/Strategic Plan Objectives “ON/OFF” basis”

- no payout if the target is not achieved
- a 100% payout if the target level is achieved or exceeded

### Long-term variable remuneration

The General Manager is a beneficiary of the Long-Term Incentive Plan of Leonardo.

The award for the cycle of the three-year period from 2023 to 2025 for the General Manager is set at a maximum amount of 140% of gross annual fees.

The maximum number of shares attributable to the General Manager for the 2023 - 2025 cycle is determined by dividing the maximum amount set by the unitary price of € 9,891<sup>8</sup>, per share, used for the conversion of the incentives when implementing the plan. Therefore, the maximum number of shares attributable is set at no. 92.286. As regards the maximum number of shares attributable to the General Manager within the scope of the entire plan (2021-2023, 2022-2024 and 2023-2025 cycles), it is estimated, at present, that the maximum number of shares may be equal to about no. 357.660, if all performance targets are achieved in full, on the basis of the terms and conditions already laid down and detailed in the Disclosure Document.

The functioning methods and mechanisms of the Plan are the same as those described above for the Chief Executive Officer. For more details, reference should also be made to the Disclosure Document relating to the plan that has been filed with the registered office located in Rome, at Piazza Monte Grappa no. 4, on the Company’s website ([www.leonardo.com](http://www.leonardo.com)) in the Remuneration section that can be consulted at the address “Corporate Governance/Remuneration”, and with the market management company Borsa Italiana S.p.a., as well as on the website of the authorised eMarket STORAGE device ([www.emarketstorage.com](http://www.emarketstorage.com)).

### Pay in the event of termination of office of employment

With regard to the severance indemnity payable to the General Manager, who works for the Company under a permanent management employment contract, no agreement is envisaged in order to regulate in advance the pay conditions relating to the early termination of employment, except for the severance indemnity fees established by the relevant national collective bargaining agreement (CCNL for Executives of companies that provide goods and services). This agreement provides, in addition to specific rules on notice periods, for an

<sup>8</sup> Average price of ordinary Leonardo shares in the period from 1 January 2023 to 31 March 2023 in the application of the resolution passed by the Board of Directors’ meeting held on 24 March 2021, which determined to take as reference price for the shares subject to the Long-Term Incentive Plan, the average price of the Leonardo Share in the first quarter of the financial period in which the bonus is awarded.



indemnity that is set according to the length of service, up to a maximum of 24 months' total remuneration (Gross Annual Fees and variable remuneration).

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay envisaged in the relevant National Collective Bargaining Agreement.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver, the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of *Good Leaver*<sup>9</sup>, the rights granted under the Plan will be lost.

### Other benefits

In accordance with the policy envisaged for the Executives with Strategic Responsibilities, the General Manager will receive the mandatory forms of welfare and insurance cover - in compliance with applicable provisions -, as well as non-cash benefits envisaged for top management positions in line with the Company's practices (among which there may be accommodation for guests' use, company car, etc.).

In line with the provisions applied to all executives of Leonardo, the General Manager is entitled to receive benefits under supplementary pension schemes from the national pension Fund Previdai for the category, as well as under supplementary healthcare schemes that are additional to or replace those envisaged by the national supplementary healthcare Funds FASI and ASSIDAI for the category.

### Executives with Strategic Responsibilities

Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated on 17 March 2022, the concept of "Executive with Strategic Responsibilities" of Leonardo includes the members of the Board of Directors, the Regular Statutory Auditors, any persons who hold the position of General Manager of the Company and the Officer in charge of the Company's financial reporting, pursuant to art. 154-bis of the TUF, as well as the Division Managing Directors and the Heads of Business Organisational Units<sup>10</sup>.

In relation to the category of Executives with Strategic Responsibilities, the remuneration policy is described below only as regards the Division Managing Directors, the Heads of Business Organisational Units and the CFO/Officer in charge of the Company's financial reporting.

### Overall remuneration structure

The fixed remuneration of the 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 responsibilities and managerial complexity.

### 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.

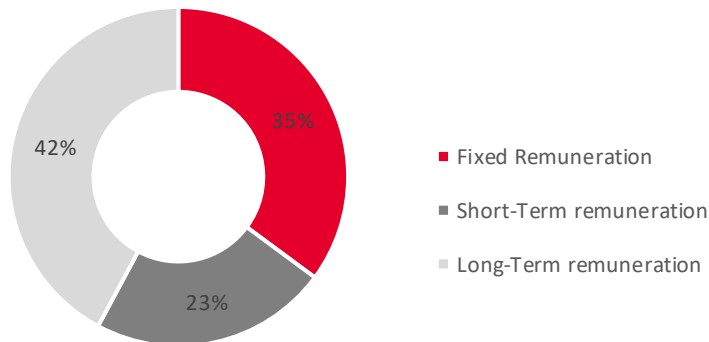
<sup>9</sup> Good Leaver means any case in which the Relationship is terminated as a result of: a) death or total and permanent disability of the Beneficiary; b) termination of the Relationship by the relevant Company for reasons other than just cause, or for any other cause that makes the termination of the Relationship justified due to the conduct of the Beneficiary; c) resignation of the Beneficiary for just cause.

<sup>10</sup> They are persons endowed with specific decision-making and greater spending autonomy as a result of being qualified and vested with the responsibility as an "Employer", pursuant to and for the purposes of the regulations governing occupational health and safety, environment and significant accidents.



The current average pay-mix is determined as follows:

Pay-mix for Executives with Strategic Responsibilities



**Short-term variable remuneration**

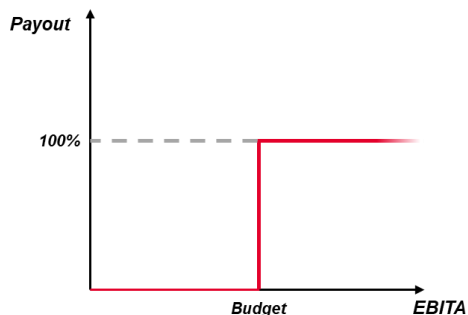
Executives with Strategic Responsibilities participate in the short-term variable remuneration plan (MBO) with a target incentive ranging from about 60% of fixed remuneration to about 70% of fixed remuneration, depending on the responsibility assigned in the organisation. As further recommended by the 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 67% to about 85% of fixed remuneration, according to the person’s responsibility in the organisation.

The short-term Incentive Plan for Executives with Strategic Responsibilities is subject to the following structure of performance targets:

	Type of objective	Objective	Weight	Target / Guidance	
Performance Gate	Group Economic and Financial	Group EBITA	from 20% to 25%	€ 1.260 Mln € 1.310 Mln	In caso di mancato raggiungimento di una delle seguenti soglie o di entrambe: <ul style="list-style-type: none"> <li>• EBITA di Gruppo: 85% del Budget</li> <li>• FOCF di Gruppo: 100% del Budget</li> </ul> Si prevede l'azzeramento del premio relativo ad entrambi i KPIs
		Group Free Operating Cash Flow (FOCF)	from 20% to 25%	Ca. 600 € Mln	
	Business / Function Objectives	Business objectives set according to the responsibilities assigned to each role (e.g. Division EBITA, Division FOCF)	from 40% to 50%		
	Business / Function Objectives	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%		
		Average accident frequency rate	5%		

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:

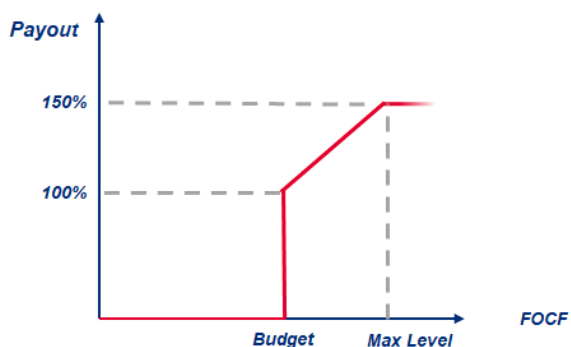




■ **Group and Division EBITA**

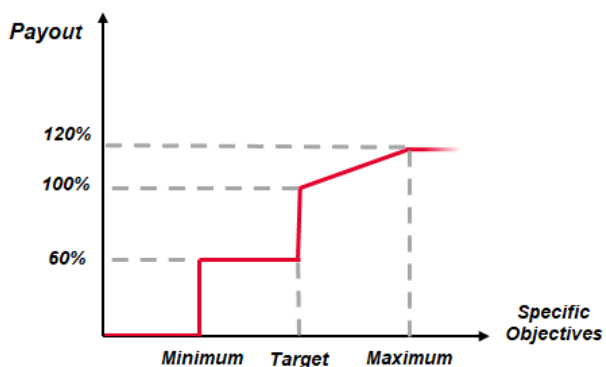
ON/OFF BASIS

- no payout if the budget target is not achieved
- a payout of 100% if the budget target is achieved or exceeded



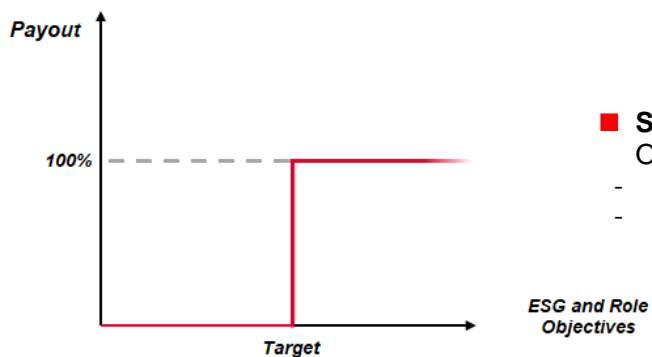
■ **Group and Division FOCF**

- no payout if the budget target is not achieved
- a payout with linear incentive from 100% to 150% between the budget and the maximum level of performance
- a maximum payout of 150% (cap) if the maximum level of performance is exceeded



■ **Specific Function targets and New Orders:**

- 0% payout up to the minimum amount set for the specific objective
- 60% of payout between the minimum level and the target level set for the specific objective
- a payout with linear incentive from 100% to 120% between the target level and the maximum level set for the specific objective
- a maximum payout of 120% (cap) if the maximum level of performance is exceeded



■ **Specific role and sustainability/ESG objectives:**

ON/OFF BASIS

- No payout if the target is not achieved
- A payout of 100% if the target level is achieved or exceeded



### *Long-term variable remuneration*

Executives with Strategic Responsibilities are beneficiaries of the Long-term Incentive Plan of Leonardo, which is also 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 long term.

The allocation for the cycle for the three-year period from 2023 to 2025 is set at a maximum percentage of 140% of the gross annual remuneration, expressed in a number of shares calculated using as reference the price of € 9,891 for the conversion of incentives.

The methods and mechanisms of operation of the Plan are the same as those described previously for the Chief Executive Officer. Furthermore, for more details, reference should be made to the Disclosure Document relating to the plan that has been filed with the registered office located in Rome, at Piazza Monte Grappa no. 4, on the Company's website ([www.leonardo.com](http://www.leonardo.com)) in the Remuneration section that can be consulted at the address: "Corporate Governance/Remuneration" and with the market management company Borsa Italiana S.p.A., as well as on the website of the authorised eMarket STORAGE device ([www.emarketstorage.com](http://www.emarketstorage.com)).

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

As regards termination indemnities of Executives with Strategic Responsibilities, working for the Company under a permanent employment contract for their category, the Company has been adopting for some time a policy for which, as a rule, it does not sign agreements covering in advance the pay conditions of early termination of the employment relationship, except for the termination benefits set in the National Collective Bargaining Agreement for the relevant sector (CCNL for Executives of companies providing goods and services). This agreement provides, in addition to specific rules on notice periods, for an indemnity that is set according to the length of service, up to a maximum of 24 months' total remuneration (Gross Annual Fees and variable remuneration).

There are still in place individual agreements entered into in the past that govern in advance the effects of the early termination of employment, in lieu of the pay schemes provided for by the relevant National Collective Bargaining Agreement, set within the maximum limits of the safeguards set out in the same Agreement.

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay envisaged in the relevant National Collective Bargaining Agreement.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver<sup>11</sup>, it is envisaged that the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of Good Leaver, the rights granted under the Plan will be lost..

### *Other benefits*

For Executives with Strategic Responsibilities mandatory social security and insurance covers are envisaged - in compliance with applicable provisions -, as are non-cash benefits envisaged for top management positions in line with the Company's practices (among which may be provided accommodation for guests' use, 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

<sup>11</sup> Good Leaver means any case in which the Relationship is terminated as a result of: a) death or total and permanent disability of the Beneficiary; b) termination of the Relationship by the Company for reasons other than just cause, or for any other cause that makes the termination of the Relationship justified due to the conduct of the Beneficiary; c) resignation of the Beneficiary for just cause.



place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI.

### Other form of discretionary, occasional and non-recurring remuneration

It is the Company's policy not to pay discretionary bonuses to Directors. In very selective extraordinary circumstances, there is the possibility of paying the Executives with Strategic Responsibilities, excluding directors and statutory auditors, by Top Management with the support of the Chief People & Organization Organisational Unit – forms of one-off remuneration in consideration of transactions of significant strategic importance to the Group.

### Malus and Claw-back

As recommended in the Corporate Governance Code and in accordance with the specific guidelines issued by the Corporate Governance Committee, for all variable incentive schemes – both short and long term – malus and claw-back clauses have been put in place whereby the Board of Directors is entitled, through the competent corporate functions, not to pay bonuses being accrued or accrued and not yet paid or 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. The claw-back 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.

### Non-competition agreements

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.

At present no non-competition agreement has been entered into with the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities.

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay.

### Remuneration of the Head of the Group Internal Audit Organisational Unit

The Board of Directors took steps – at the proposal of the Chief Executive Officer, in his capacity as the Director responsible for establishing and maintaining the Internal Control and Risk Management System and subject to the approval of the Control and Risks Committee, to set the remuneration payable to the Head of the Group Internal Audit Organisational Unit.

With specific regard to the variable incentive, it 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, instead of participating in incentive plans established for the Company's management, in order to ensure the sustainability of results over time, the Board of Directors has approved a cash amount replacing the bonus in shares, for the three-year period taken into account, and has set appropriate targets for the role as proposed by the Chief People & Organization Office.



## Resolution Proposal – First Section

Report on remuneration policy and fees paid: binding resolution on the first section pursuant to art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98.

Dear Shareholders,

pursuant to Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98 you are invited to cast your vote, with a binding resolution, on the first section of the Report on remuneration policy and fees paid pursuant to Art. 123-ter, paragraph 3, of Legislative Decree No. 58/98, which sets out the Company's policy for the 2023 year regarding the remuneration of the members of the Board of Directors, the General Manager and other Executives with Strategic Responsibilities and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, of the members of the Board of Statutory Auditors, as well as the procedures used for the adoption and implementation of this policy.

The resolution on the first section of the Report will have binding effect, as required by Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98.

In line with the provisions of Art. 123-ter, paragraph 3-bis, the 2023 policy is submitted to your attention.

The Report on remuneration policy and fees paid, which includes the first section, is made available to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website [www.leonardo.com](http://www.leonardo.com) (Section "2023 Shareholders' Meeting") and on the website of the authorized storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)), in accordance with the law.

In view of the foregoing, we submit for your approval the following proposal of binding resolution on the seventh item on the agenda:

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

- having regard to Art. 123-ter of Legislative Decree No. 58/98 and Art. 84-quater of Consob Regulation No. 11971/99;
- having examined the first section of the "Report on remuneration policy and fees paid", approved by the Board of Directors on 29 March 2023 pursuant to Art. 123-ter of Legislative Decree No. 58/98 and Art. 84-quater of Consob Regulation No. 11971/99 and published by the Company in accordance with the law;
- having considered the binding nature of this resolution, pursuant to Art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/98,

resolves

to approve the first section of the "Report on remuneration policy and fees paid" of Leonardo S.p.a".





# IMPLEMENTATION OF REMUNERATION POLICIES AND FEES RELATING TO THE 2022 FINANCIAL YEAR

## Section II



## First Part – Implementation of 2022 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 2022 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 2022 financial year, the following elements constituted the remuneration paid to the members of the Governing and Supervisory Bodies, the General Manager and the Executives with Strategic Responsibilities.

In compliance with the regulatory developments brought in while implementing the second European directive on shareholder rights (Directive (EU) 2017/828, SRD II), as well as considering the vote cast by the Shareholders' Meeting on the second section of the Report, the Committee has started a revision and updating process, including with reference to the Second Section of the Report, with a view to making the content clearer and easy to read and understand.

In line with the provisions of art. 123-ter, paragraph 8-bis, of the TUF, the company appointed to carry out the statutory audit of the accounts – EY S.p.A. – has established that the directors have actually prepared the second section of the Report.

### 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 relevant bodies of the Company (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 members of Committees" column).

The Chief Executive Officer, 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 pursuant to the applicable provisions of law and contracts (public holidays, travel allowances etc.).

### Non-equity variable remuneration (bonuses and other incentives)

[\(Table 1 e Table 3B\)](#)

Payments reported in Table 3B relate to the short-term incentive plan for 2022 – MBO Scheme - described in the 2021 Remuneration Report.

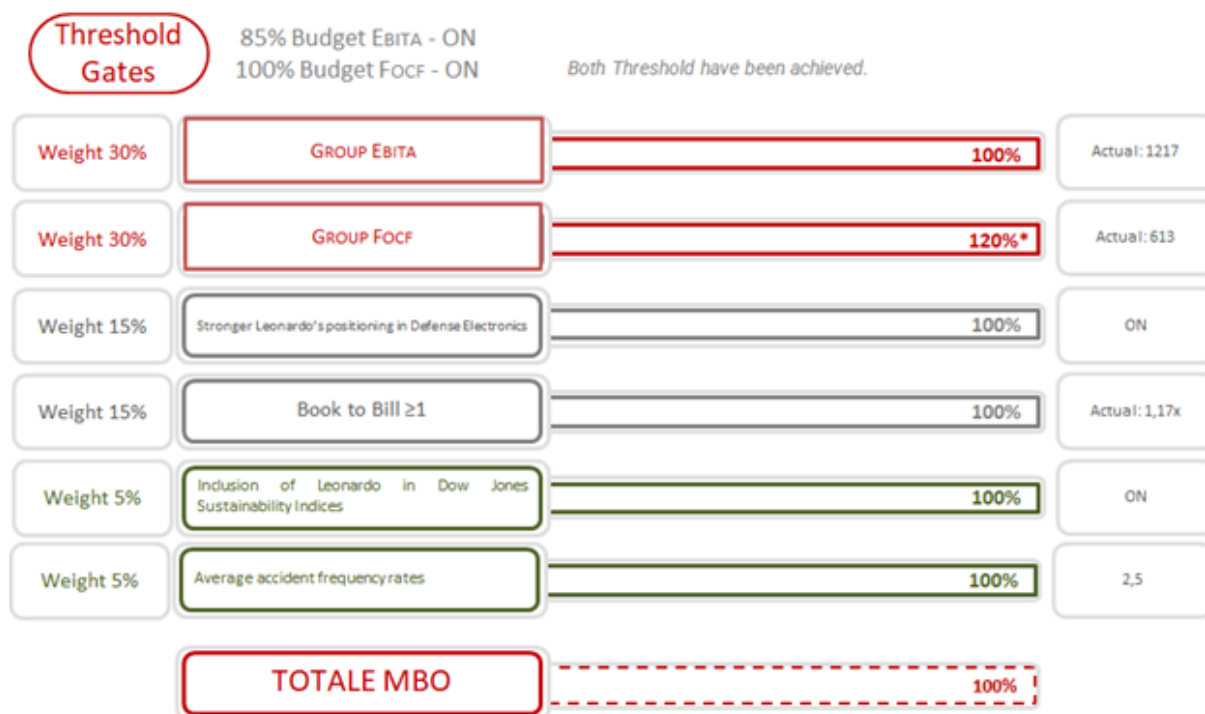
#### Chief Executive Officer

The short-term variable remuneration for Mr Profumo for the 2022 financial year has been set at an overall maximum gross amount of € 660,000 per 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.



Below is a summary of the final results of the 2022 MBO Plan for the Chief Executive Officer:



\* Until the maximum total amount envisaged by the Determinations is reached

The final assessment of economic, financial and sustainability objectives is performed by providing for the following possible adjustments: changes in the perimeter, M&A transactions and, in general, non-recurring operations or extraordinary exogenous events not envisaged in the Budget-Plan, amendments to accounting or reporting standards, exchange rate effects on the financial statements in foreign currency.

According to the percentages of achievement of the Performance Targets, the final results for the 2022 MBO Plan for the Chief Executive Officer were equal to a 100% of maximum value, i.e. € 660.000.

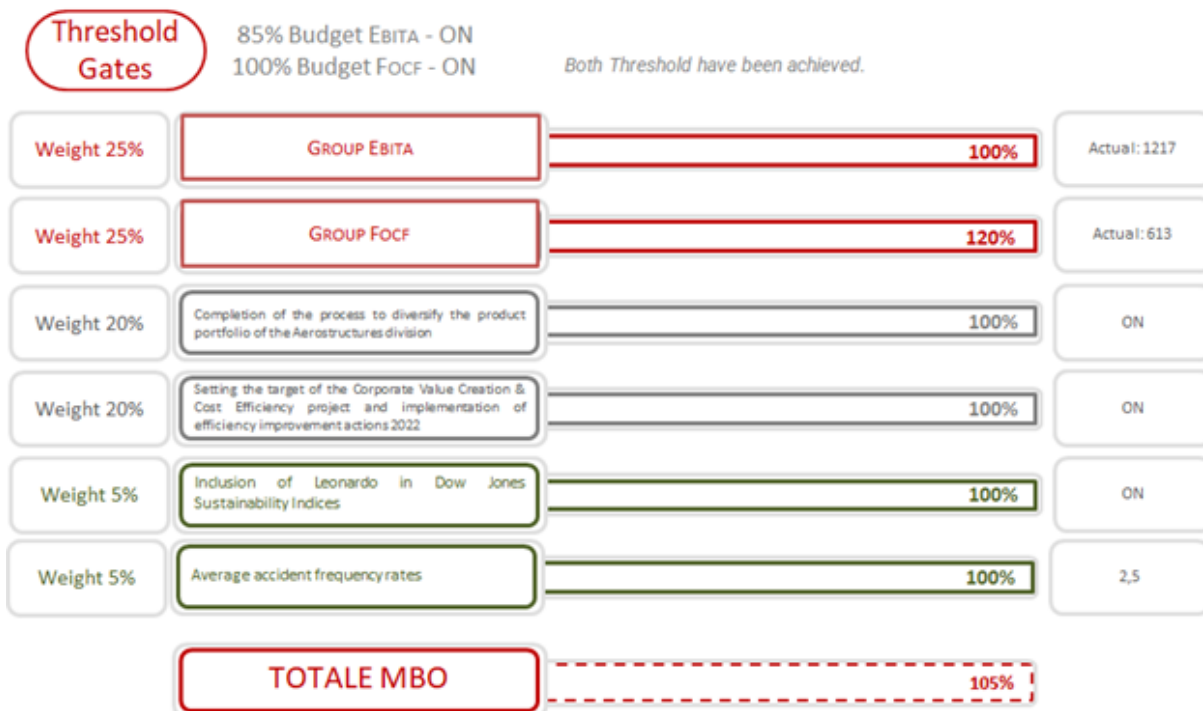
For other functioning mechanisms of the MBO Scheme, reference should be made to the 2022 Remuneration Report, Section I, starting from page 29.

### General Manager

The General Manager participated in the Leonardo MBO short-term incentive system as an Executive of the Group, according to the terms and conditions laid down in the applicable corporate policy, as described in the 2022 Remuneration Report, to which reference is fully made.

The targets are objectively measurable and closely related to those set in the Company budget plan and are subject to the achievement of an access threshold established consistently with the Group's key objectives. Below is a summary of the final results of the 2022 MBO Plan for the General Manager:





*The final assessment of economic, financial and sustainability objectives is performed by providing for the following possible adjustments: changes in the perimeter, M&A transactions and, in general, non-recurring operations or extraordinary exogenous events not envisaged in the Budget-Plan, amendments to accounting or reporting standards, exchange rate effects on the financial statements in foreign currency.*

According to the percentages of achievement of the Performance Targets, the final results for the 2022 MBO Plan for the General Manager were equal to a percentage of 105% of target value, i.e. € 478.984.

For other functioning mechanisms of the MBO Scheme, reference should be made to the 2022 Remuneration Report, Section I, starting from page 35.

### Executives with Strategic Responsibilities

The 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 2022 Remuneration Report, to which reference is fully made.

For the purposes of the final results of the 2022 MBO Plan, reference should be made in full to the following description envisaged for Executives with Strategic Responsibilities.

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

## 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 relate to insurance and welfare policies, the allocation of a company car and the accommodation for guests' use.



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

## Severance pay

[\(Table 1\)](#)

During 2022 no indemnities were paid to Executives with Strategic Responsibilities.

## Stock options

[\(Table 2\)](#)

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

## Incentive Plans based on financial instruments other than stock options

[\(Table 3A\)](#)

### Final calculation for the 2020-2022 cycle

As regards the 2020-2022 cycle of the Long-Term Incentive Plan, an incentive has accrued for the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities, equal to 0% of the maximum set out according to the degree of achievement of the performance Targets reported below:

OBJECTIVE	WEIGHT %	FINAL RESULT	OBJECTIVE ACHIEVEMENT %	DEGREE ACCRUED
- RELATIVE TOTAL SHAREHOLDER RETURN LEONARDO	50%	8 <sup>a</sup> Position	Not Achieved	0%
- AVERAGE RETURN ON SALES	25%	7.7%	Not Achieved	0%
- GROUP NET DEBT	25%	2.594 €m	Not Achieved	0%
<b>TOTAL BONUS</b>			<b>0% OF MAXIMUM PAYOUT</b>	

*The final assessment of economic, financial and sustainability objectives is performed by providing for the following possible adjustments: changes in the perimeter, M&A transactions and, in general, non-recurring operations or extraordinary exogenous events not envisaged in the Budget-Plan, amendments to accounting or reporting standards, exchange rate effects on the financial statements in foreign currency.*

With reference to the final calculation of relative TSR, it is specified that, following the delisting of Meggitt which took place in September 2022, the Board of Directors proceeded to start an inquiry regarding the panel of companies in the TSR peer group.

For the purposes of maintaining a balance of sectors, geographies and ranges of size consistent with that approved upon defining the LTI cycle, it was deemed appropriate to replace Meggitt with QinetiQ.

Table 3A reports the details related to the plan.

### Allocation of the 2022-2024 cycle

During 2022 it was provided that the Chief Executive Officer and Executives with Strategic Responsibilities will participate in the Long-Term Incentive Plan for the 2022- 2024 cycle.

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



Specifically:

- for Mr Profumo: for the cycle of the Long-Term Plan for the three-year period from 2022 to 2024 the incentive allocated was set at a maximum amount of € 620,000; therefore, the maximum number of shares attributable was set at 84,576 obtained by dividing the maximum incentive by the price of €7.3307. This price was taken as a reference for the determination of the incentive in the implementation phase of the plan, at the proposal of the Remuneration Committee and subject to the approval by the Board of Directors, relates to the average price of Leonardo shares during the first quarter of the financial year in which the bonus is paid (for the 2022-2024 cycle it was therefore the first quarter of 2022)
- for the General Manager, the incentive that can be allocated for the plan cycle for the three-year period from 2022 to 2024 was set at a maximum amount of € 912,800. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable was set as 124,518, which was obtained through the calculation system described above.
- for the Executives with Strategic Responsibilities, the incentive that can be allocated for the plan cycle for the three-year period from 2022 to 2024 as set at a maximum amount of € 3,756,854. Therefore, as at the date of allocation of the plan, the maximum number of shares allocated was set at 512,487, 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 2022. 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 of the number of shares actually earned for the 2022-2024 cycle will be made at the end of the performance period in 2025, and 50% of the allocated shares, once elapsed the three-year vesting period, will be subject to a further 2-year lock-up period during which they 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 € 6.40);
- the book value referring to the other objectives (€ 9.15);
- the maximum number of shares that can be allocated within the Plan;
- the vesting period effectively elapsed in 2022 (5/36 months, i.e. from 1 August 2022 to 31 December 2022).

\*\*\*

Table 3A also reports the values relating to the 2020-2022 cycle and to the 2021-2023 cycle of the Long-Term Incentive Plans based on financial instruments, considering the vesting period effectively elapsed in 2022. For the mechanisms of the Plans, see the 2022 Remuneration Report, Section I, page 28 and following pages.



## Annual changes in fees, Leonardo's performance and Pay- Ratio

The table below reports, for the last four financial years, the annual change of the total remuneration of each of the subjects for whom the information referred to in this section of the Report is provided by name:

		2019	2020	2021	2022
Carta Luciano	President	-	302	490	490
Profumo Alessandro	Chief Executive Officer	1,806	1,340	1,660	1,660
Cioffi Lucio Valerio	General Manager	-	214	1,130	1,130
Frigerio Dario	Director	112	119	132	134
Rubini Marina	Director	97	113	121	121
America Carmine	Director	-	70	115	115
Barletta Pierfrancesco	Director	-	70	127	129
Comparato Elena	Director	-	68	115	113
Gianguialano Patrizia Michela	Director	-	70	116	118
Giannetakis Paola	Director	-	68	121	125
Guidi Federica	Director	-	68	113	111
Pinnarò Maurizio	Director	-	72	132	134
Resta Ferruccio	Director	-	70	116	118
Employee Average Remuneration		54	55	51	56
Pay Ratio CEO and Employee Average		33x	24x	32.5x	29.6x

Values in thousand €

The values for each year are influenced by the different levels of achievement of the variable incentives

Pay Ratio of the Chief Executive Officer: the ratio of total remuneration of the Chief Executive Officer (fixed + short-term + long term accrued in this section II) to the average remuneration of employees in 2022 was equal to 29.6x.

The Company's shares held by the Chief Executive Officer (no. 221,219), expressed as a multiple of the fixed remuneration paid in 2022, are equal to about 1.86x<sup>12</sup>.

Di seguito viene riportata la variazione annuale per gli ultimi quattro esercizi dei risultati della società:

	2019	2020	2021	2022
REVENUES (BN)	€ 13.8	€ 13.4	€ 14.1	€ 14.7
Delta y/y		(-2.7%)	(+5.4%)	(+4.3%)
ORDER BACKLOG (BN)	€ 36.5	€ 35.5	€ 35.5	€ 37.5
Delta y/y		(-2.7%)	(+0.1%)	(+5.6%)
NEW ORDERS (BN)	€ 14.1	€ 13.8	€ 14.3	€ 17.3
Delta y/y		(-2.5%)	(+4%)	(+21%)
NUMBER OF EMPLOYEES	49,530	49,882	50,413	51,392
Delta y/y		(+0.7%)	(+1.1%)	(+1.9%)

<sup>12</sup> The shares have been valued by using the average price relating to 2022.



## Resolution Proposal – Second Section

Report on remuneration policy and fees paid: non-binding resolution on the second section pursuant to art. 123-ter, paragraph 6, of Legislative Decree No. 58/98.

Dear Shareholders,

pursuant to Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98 you are invited to cast your vote, with a non-binding resolution, on the second section of the Report on remuneration policy and fees paid pursuant to Art. 123-ter, paragraph 4, of Legislative Decree No. 58/98 that:

- a) contains the representation of each of the items comprising remuneration of the Members of the Board of Directors and of the Board of Statutory Auditors, of the General Manager and of the other Executives with Strategic Responsibilities;
- b) analytically illustrates the fees paid to the subjects listed above in 2022 for any title and in any form by the Company and by its subsidiaries or associates.

The resolution on the second section of the Report will have non-binding effect as required by Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98.

The Report on remuneration policy and fees paid, which includes the second section, is made available to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website [www.leonardo.com](http://www.leonardo.com) (Section "2023 Shareholders' Meeting") and on the website of the authorized storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)) in accordance with the law.

In view of the foregoing, we submit for your approval the following proposal of non-binding resolution on the eighth item on the agenda:

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

- having regard to Art. 123-ter of Legislative Decree No. 58/98 and Art. 84-quater of Consob Regulation No. 11971/99;
- having examined the second section of the "Report on remuneration policy and fees paid" approved by the Board of Directors on 29 March 2023 pursuant to Art. 123-ter of Legislative Decree No. 58/98 and Art. 84-quater of Consob Regulation No. 11971/99" and published by the Company in accordance with the law;
- having considered the non-binding nature of this resolution, pursuant to Art. 123-ter, paragraph 6, of Legislative Decree No. 58/98,

resolves

in favour of the second section of the "Report on remuneration policy and fees paid" of Leonardo S.p.a."



## Second part – Remuneration paid in the Financial Year 2022

Part two of Section II provides an analytical summary of all the amounts relating to the 2022 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.

This quantitative information is provided below and reported in table form in accordance with art. 123-ter of Legislative Decree no. 58 of February 1998 (Consolidated Law on Financial Intermediation - TUF) and the CONSOB tables referred to in Annex 3A attached to the Issuers' Regulation, Schedule 7-bis.

on behalf of the Board of Directors

**The Chairman**

**Luciano Carta**





**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 2022	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	FAIR VALUE OF EQUITY PAYMENTS	TOTAL	PAY-MIX BETWEEN FIXED AND VARIABLE REMUNERATION	TERMINATION OF SEVERANCE INDEMNITY	
						BONUSES AND OTHER INCENTIVES	PROFIT SHARING							
Carta Luciano	Chairman	1.1/31.12.2022	FY 2022	400	(iv)			14			504			
				90	(i)									
Profumo Alessandro	Chief Executive Officer	1.1/31.12.2022	FY 2022	920	(iv)		660	21		279	1.960	Fixed: 52% Variable: 48%	#	
	Director			80	(i)									
Cioffi Lucio Valerio	General Manager	1.1/31.12.2022	FY 2022	651	(v)		479	83		410	1.623	Fixed: 42% Variable: 58%	#	
Frigerio Dario	Director	1.1/31.12.2022	FY 2022	80	(i)	54 (1)	(ii)				134			
Rubini Marina	Director	1.1/31.12.2022	FY 2022	80	(i)	41 (2)	(ii)				121			
America Carmine	Director	1.1/31.12.2022	FY 2022	80	(i)	35 (3)	(ii)				115			
Barletta Pierfrancesco	Director	1.1/31.12.2022	FY 2022	80	(i)	49 (4)	(ii)				129			
Comparato Elena	Director	1.1/31.12.2022	FY 2022	80	(i)	33 (5)	(ii)				113 (11)			
Giangualano Patrizia Michela	Director	1.1/31.12.2022	FY 2022	80	(i)	38 (6)	(ii)				118			
Giannetakis Paola	Director	1.1/31.12.2022	FY 2022	80	(i)	45 (7)	(ii)				125			
Guidi Federica	Director	1.1/31.12.2022	FY 2022	80	(i)	31 (8)	(ii)				111			
Pinnerò Maurizio	Director	1.1/31.12.2022	FY 2022	80	(i)	54 (9)	(ii)				134			
Resta Ferruccio	Director	1.1/31.12.2022	FY 2022	80	(i)	38 (10)	(ii)				118			
Rossi Luca	Chairman of the Board of Statutory Auditors	1.1/31.12.2022	FY 2022	80	(i)				2 (12)	(iii)	82			
De Mauro Anna Rita	Regular Auditor	1.1/31.12.2022	FY 2022	70	(i)				20 (13)		90			
Fornasiero Sara	Regular Auditor	1.1/31.12.2022	FY 2022	70	(i)				25 (14)		95			
Quagliata Leonardo	Regular Auditor	1.1/31.12.2022	FY 2022	70	(i)				40 (15)		110			
Sacrestano Amedeo	Regular Auditor	1.1/31.12.2022	FY 2022	70	(i)						70			
Executives with Strategic Responsibilities							2.196	428		1.667	7.771	Fixed: 50% Variable: 50%	#	
(I) Remuneration in the Company drawing up the financial statements						6.781	418	3.335	0	546	2	2.356	13.438	0
(II) Remuneration from subsidiaries and affiliates						0	0	0	0	85	0	85	0	0
(III) Total						6.781	418	3.335	0	546	87	2.356	13.523	0

Remuneration details: (i) relevant remuneration approved by the shareholders' meeting; (ii) committee participation fees; (iii) reimbursement of expenses; (iv) remuneration received for the performance of particular offices, pursuant to article 2389, paragraph 3, of the civil code; (v) fixed salaries as an employee.

(2) the proportion is calculated by taking as reference for the fixed part, the values relating to fixed remuneration and non-cash benefits, while for the variable part the bonus and other incentive and the fair value of equity remuneration.

(1) Control and Risks Committee: 35.5k Nomination and Governance Committee: 18.5k

(2) Control and Risks Committee: 28.5k Remuneration Committee: 12.5k

(3) Nomination and Governance Committee: 18.5k Sustainability and Innovation Committee: 16.5k

(4) Control and Risks Committee: 30.5k Nomination and Governance Committee: 18.5k

(5) Remuneration Committee: 16.5k Nomination and Governance Committee: 16.5k

(6) Remuneration Committee: 21.5k Sustainability and Innovation Committee: 16.5k

(7) Nomination and Governance Committee: 28.5k Sustainability and Innovation Committee: 16.5k

(8) Remuneration Committee: 14.5k Nomination and Governance Committee: 16.5k

(9) Control and Risks Committee: 30.5k Nomination and Governance Committee: 23.5k

(10) Remuneration Committee: 16.5k Sustainability and Innovation Committee: 21.5k

(11) The amount relating to the emolument was paid to the Ministry of Economy and Finance.

(12) Eth. 2 for reimbursement of lump-sum expenses

(13) Eth. 20 for fees due for the position held in other Companies invested in by the Group.

(14) Eth. 25 for fees due for the position held in other Companies invested in by the Group.

(15) Eth. 40 for fees due for the position held in other Company/invested in by the Group.

The reported fees for the Executives with Strategic Responsibilities also include those due to person who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities. The total number of individuals, in addition to those expressed by name, who held the position of Executive with Strategic Responsibilities in the course of 2022 amount to 10.

In addition, the fees not paid in euros were converted into euros using the average exchange rate for 2022.

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

		OPTION HELD AT THE BEGINNING OF THE FINANCIAL YEAR			OPTION ALLOCATED DURING THE FINANCIAL YEAR						OPTION EXERCISED DURING THE FINANCIAL YEAR			OPTION EXPIRED DURING THE FINANCIAL YEAR	OPTION HELD AT THE END OF THE FINANCIAL YEAR	OPTION FOR THE FINANCIAL YEAR	
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
LAST AND FIRST NAME	POSITION HELD IN 2022	PLAN	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	FAIR VALUE AT 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
Profumo Alessandro	Chief Executive Officer		0			0						0			0	0	
Cioffi Lucio Valerio	General Manager		0			0						0			0	0	
Executives with Strategic Responsibilities			0			0						0			0	0	

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

LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2022	PLAN	FINANCIAL INSTRUMENTS ALLOCATED DURING PREVIOUS FINANCIAL YEARS THAT WERE NON VESTED DURING THE FINANCIAL YEAR		FINANCIAL INSTRUMENTS ALLOCATED DURING THE FINANCIAL YEAR					FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR BUT NOT	FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR AND IMÛPUTABLE	FINANCIAL INSTRUMENTS FOR THE 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
Profumo Alessandro	Chief Executive Officer	LTI 2020-2022 resolution of 15/5/2018									n° 0 gross shares (1)	€ 0
Profumo Alessandro	Chief Executive Officer	LTI 2021-2023 resolution of 19/05/2021	n° 95.968 shares (2)	31/07/2021 - 31/07/2024								€ 182.570 (3)
Profumo Alessandro	Chief Executive Officer	LTI 2022-2024 resolution of 19/05/2021			n° 84.576 shares (4)	€ 692.466	31/07/2022 - 31/07/2025	31/07/2022	€ 9.136			€ 96.176 (5)
Cioffi Lucio Valerio	General Manager	LTI 2020-2022 resolution of 15/5/2018									n° 0 gross shares (6)	€ 0
Cioffi Lucio Valerio	General Manager	LTI 2021-2023 resolution of 19/05/2021	n° 140.856 shares (7)	31/07/2021 - 31/07/2024								€ 267.964 (8)
Cioffi Lucio Valerio	General Manager	LTI 2022-2024 resolution of 19/05/2021			n° 124.518 shares (9)	€ 1.019.491	31/07/2022 - 31/07/2025	31/07/2022	€ 9.136			€ 141.596 (10)
Executives with Strategic Responsibilities (*)		LTI 2020-2022 resolution of 15/5/2018									n. 0 gross shares (11)	€ 0
Executives with Strategic Responsibilities (*)		LTI 2021-2023 resolution of 19/05/2021	n° 575.199 shares (12)	31/07/2021 - 31/07/2024								€ 1.056.616 (13)
Executives with Strategic Responsibilities (*)		LTI 2022-2024 resolution of 19/05/2021			n° 512.487 shares (14)	€ 4.195.987	31/07/2022 - 31/07/2025	31/07/2022	€ 9.136			€ 610.839 (15)

(\*) 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.

- ( 1 )** The table reports the final number of shares calculated (equal to 0% of shares allocated) during the 2022 financial year in relation to the 2020-2022 LTI Plan.
- ( 2 )** The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2021-2023 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2024 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 2-years lock-up period during which they may not be transferred.
- ( 3 )** The fair value relating to the 2021-2023, LTI Plan, corresponding to the incentive calculated in relation to the maximum 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 € 3.7), the relevant book value for the other performance targets is (€ 6.788), the number of shares that can be allocated, the vesting period effectively elapsed in 2022 (12/36months, i.e. 01.12.2022 - 31.12.2022).
- ( 4 )** The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2022-2024 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2025 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 2-year lock-up period during which they may not be transferred.
- ( 5 )** The fair value relating to the 2022-2024, Plan, corresponding to the incentive calculated in relation to the maximum 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 € 6.4), the relevant book value for other performance targets is (€ 9.15), the number of shares that can be allocated, the vesting period effectively elapsed in 2022 (5/36 months, i.e.01.08.2022 - 31.12.2022).
- ( 6 )** The table reports the number of the shares effectively calculated in 2022 (0% of those allocated) related to the 2020-2022 LTI Plan.
- ( 7 )** The table reports the maximum number of shares attributable to the General Manager under the 2021-2023 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2024 at the end of the performance period. 50% of shares allocated to the General Manager will be subject to a 2-year lock-up period during which they may not be transferred.
- ( 8 )** The fair value relating to the 2021-2023 LTI Plan, corresponding to the incentive calculated in relation to the maximum 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 € 3.7), the relevant book value for the other performance targets is (€ 6.788), the number of shares that can be allocated, the vesting period effectively elapsed in 2022 (12/36months, i.e. 01.08.2022 - 31.12.2022).
- ( 9 )** The table reports the maximum number of shares attributable to the General Manager under the 2022-2024 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2025 at the end of the performance period. 50% of shares allocated to the General Manager will be subject to a 2-year lock-up period during which they may not be transferred.
- ( 10 )** The fair value relating to the 2022-2024 LTI Plan, corresponding to the incentive calculated in relation to the maximum 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 € 6.4), the relevant book value for other performance targets is (€ 9.15), the number of shares that can be allocated, the vesting period effectively elapsed in 2022 (5/36months, i.e. 01.08.2022 - 31.12.2022).
- ( 11 )** The table reports the number of the shares effectively calculated in 2022 (0% of those allocated) related to the 2020-2022 LTI Plan.
- ( 12 )** The table reports the maximum number of shares attributable to the 2021-2023 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2024 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities - Level A - will be subject to a 2-year lock-up period during which they may not be transferred.
- ( 13 )** The fair value relating to the 2021-2023 LTI Plan, corresponding to the incentive calculated in relation to the maximum 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 € 3.7), the relevant book value for the other performance targets is (€ 6.788), the number of shares that can be allocated, the vesting period effectively elapsed in 2021 (2022?) (12/36 months, i.e. 01.08.2021(2022?) - 31.12.2021(2022?)).
- ( 14 )** The table reports the maximum number of shares attributable to the 2022-2024 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2025 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities - Level A - will be subject to a 2-year lock-up period during which they may not be transferred.
- ( 15 )** The fair value relating to the 2022-2024, LTI Plan, corresponding to the incentive calculated in relation to the maximum 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 € 6.4), the relevant book value for other performance targets is (€ 9.15), the number of shares that can be allocated, the vesting period effectively elapsed in 2022 (5/36 months, i.e. 01.08.2022 - 31.12.2022).

**TABLE 3B. CASH INCENTIVE FOR THE BENEFIT OF THE MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (€th.)**

A	B	(1)	(2)			(3)			(4)
			Annual bonus			Previous years' Bonuses			Other Bonuses
LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2022	PLAN	(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / paid	Deferred	Deferment period	No longer payable	Payable / paid	Still deferred	
Profumo Alessandro	Chief Executive Officer	MBO 2022	€ 660	0	0	0	0	0	
Cioffi Lucio Valerio	General Manager	MBO 2022	€ 479	0	0	0	0	0	
Executives with Strategic Responsibilities (*)		MBO 2022	€ 2.196	0	0	0	0	0	

(\*) The amount reported also includes those due to persons who held, during the financial year, even for a fraction of the period, the position of Executive with Strategic Responsibilities.



## SECTION 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, or General Manager (stated by name) or Executive with Strategic Responsibilities (stated in aggregate form) in the course of the 2022 financial year, even if only for a fraction of the period in question, as well as by their respective spouses who are not legally separated and minor children. Except as otherwise specified, said shareholdings are deemed to be held directly and by way of property.

**SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES, GENERAL MANAGER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

Surname and Name	Position Held in FY 2022	Investee Company	Number of Shares held at the end of the previous Financial Year (2021) (*)	Number of Shares Purchased	Number of Shares Sold	Number of Shares held at the end of Reporting Period (2022) (**)
PROFUMO Alessandro	Chief Executive Officer	Leonardo S.p.a.	221.219 (1)	0	0	221.219 (1)
CIOFFI Lucio Valerio	General Manager	Leonardo S.p.a.	14.672 (2)	0	0	14.672 (2)
Executive with Strategic Responsibilities (***)		Leonardo S.p.a.	125.467 (3) (****)	655	18.032	108.090 (3)

(\*) i.e. at the date of appointment, with regard to positions held for a fraction of FY 2022.

(\*\*) i.e. at the date of expiry of the term of office, with regard to positions held for a fraction of FY 2022.

(\*\*\*) The data includes n. 10 positions of Executive with Strategic Responsibilities held during the FY 2022.

(\*\*\*\*) The difference in the number of shares held at the end of 2021, compared to the corresponding table in the previous Report, is due to the turnover of Executive with Strategic Responsibilities.

(1) Of which n. 21.219 shares relating to Incentive Plans

(2) Of which n. 13.915 shares relating to Incentive Plans

(3) Of which n. 1.750 shares held by the spouse



## Implementation status of the 2022-2024 long-term incentive plan

		LONG-TERM INCENTIVE PLAN - CYCLE 2022 - 2024 ALLOCATION FOR FY 2022						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (ALLOCATION OF SHARES)						
		SECTION 2 NEWLY ALLOCATED INSTRUMENTS BASED ON THE BoD'S DECISION FOR PROPOSAL TO THE SAHREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMEBR OF FINANCIAL INSTRUMENTS(*)	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MARKET PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD (*)
Profumo Alessandro	Chief Executive Officer of Leonardo S.p.a.	19/5/2021	Shares of Leonardo S.p.A.	84.576	31/07/2021	-	€ 9.136	31/07/2022 - 31/07/2025
Cioffi Lucio Valerio	General Manager of Leonardo S.p.A.	19/5/2021	Shares of Leonardo S.p.A.	124.518	31/07/2021	-	€ 9.136	31/07/2022 - 31/07/2025
Executives with Strategic Responsibilities (1)	---	19/5/2021	Shares of Leonardo S.p.A.	512.487	31/07/2021	-	€ 9.136	31/07/2022 - 31/07/2025
Other Executives, employees and collaborators (no. 210)	---	19/5/2021	Shares of Leonardo S.p.A.	2.092.635	31/07/2021	-	€ 9.136	31/07/2022 - 31/07/2025

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

(\*) Maximum number of shares attributable under the 2022-2024 LTI plan upon full achievement of all performance targets. The final calculation will be made in 2025 at the end of the performance period. 50% of shares attributable to the Chief Executive Officer, Executives with Strategic Responsibilities and other top management position, after the 3-year vesting period has elapsed, will be subject to a 2-year lock-up period, during which they may not be transferred.

(1) 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







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