Remuneration Report 2021

LETTER OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE


Michela Patrizia Giangualano

Dear Shareholders,

as the Chairman of the Remuneration Committee, I am pleased to submit Leonardo's Report on remuneration policy and fees paid for your consideration. The Report aims to communicate to Leonardo's stakeholders the company Remuneration Policy concerning the fees envisaged for 2021 and those paid in 2020, in a transparent fashion and describing the key role of the policy in the pursuit of corporate strategic and sustainability objectives.

The introduction of Say-on-Pay rules and the presence of Institutional Investors within the ownership structure, with which Leonardo maintains a dialogue on an ongoing basis, have contributed to Leonardo's evolution towards ever greater transparency on the adoption of remuneration policies, which is reflected in this Report.

The current year has marked a moment of strong discontinuity with the past, involving new challenges that have been generated or strengthened by the pandemic, which have had a significant impact on the business and the Communities in which Leonardo operates. Discontinuities due to infectious diseases, climate change, and environmental disasters constitute important risks that Leonardo assesses, monitors, and manages on an ongoing basis in order to optimise the probability of occurrence and the impact on key company business indicators.

The Leonardo Group's Remuneration Policy has been developed by taking into consideration the scenario of considerable change and uncertainty created by the pandemic, paying particular attention to its effects on the working conditions of the Company's employees.

In this context, Leonardo has proved to be a resilient company, at the service of our country which, thanks to the efforts and contribution of all employees, has put in place actions aimed at overseeing its Business Continuity without resorting to the wage-support schemes provided by our legal system; it has also done so while trying to meet collective and individual needs marked by fragility, such as for example those that are dealt with under the "Leonardo for School" project, which, thanks to donations from employees, has allowed 46 Educational Institutions to be equipped with PCs and tablets, as identified in agreement with the Ministry of Education: 30 Schools and 16 Juvenile Penitentiary Institutes, for a total of 18 Italian regions involved.

As early as from March 2020, Leonardo provided more than 13,000 employees with the tools that are necessary to enable work from home and promptly put in place a rigorous plan concerning all the safety measures required by government decrees and protocols. The Company also offered its employees and, where possible, their families, the possibility of carrying out serological tests and antigenic and molecular swabs, as well as flu vaccines despite their limited availability on the market.

Despite the emergency period, Leonardo's action has always been aimed at ensuring sustainability over a medium- to long-term, in support of the development plans of the countries in which it operates. With the revision of the Be Tomorrow 2030 strategic plan, we are working on projects and investments aimed at ecological transition and digital transformation, while trying to develop employment and a forward-looking, sustainable and inclusive growth, with the health and safety of our people and the areas in which we operate at the centre of our concerns.

The **Be Tomorrow 2030** Strategic Plan, which has been revised following the Covid-19 emergency, has in fact set ambitious objectives, aimed at gaining and strengthening Leonardo's leadership in the various business sectors. With the new Be Tomorrow 2030 plan, which has also been designed through an ongoing dialogue with our stakeholders, the Company intends to enhance its historical heritage and transform it into an opportunity for re-launch and evolution, as well as for diversification of its production capacity, in the light of the changes and new challenges of transformation that are being faced at present. The key pillars of the plan are based on a vision of sustainable growth that focuses on innovation, technology, the communities in which Leonardo operates and people, whether they are company employees or third-party partners. These pillars make it possible to fully enhance Leonardo's Purpose, which is deeply rooted within the organisation and the perception from outside the industry with the aim of contributing to a positive impact on the planet, while growing its business at the same time.

In this context, Leonardo's Remuneration Policy must constitute a fundamental tool to contribute to the pursuit of the ambitious objectives set out in the new Strategic Plan, while guaranteeing compliance with key business and sustainability objectives, as well as endeavouring to attract, motivate and retain people with the professional skills required to run the Leonardo Group in a successful manner and recognise their merit at all levels.

The Committee, which, following the Shareholders' Meeting held on 20 May 2020, is now composed of directors Elena Comparato, Federica Guidi, Ferruccio Resta and Marina Rubini, in addition to the undersigned member, has undertaken an accurate and careful process involving preliminary inquiries and audits aimed at strengthening the link between Remuneration Policy and Strategy on an ongoing basis, in line with the best market practices, as well as paying particular attention to the guidelines given by the shareholders during the last meetings held in 2020 and the engagement process carried out with Leonardo's stakeholders during the year.

In compliance with the regulatory amendments brought in with the implementation of the second European Shareholder Rights Directive (Directive (EU) no. 2017/828, SRD II), the Committee has started a process of review and updating of this Report with a view to making its content clearer and easier to read; particular attention has also been paid to the Remuneration Policy developments that were submitted for approval by the Shareholders' Meeting called to approve the financial statements at 31 December 2020, as well as to the elements for which the shareholders requested greater disclosure during the last meetings held in 2020.

In the light of these elements, the Committee has put forward a proposal for a Remuneration Policy for our Top Management, which is designed to ensure the integration of the concept of sustainable success into the Remuneration Policy structure, as well as to strengthen the pay-for-performance link.

In particular, the Committee's preliminary inquiry work has included an in-depth analysis of market practices aimed at assessing the appropriateness of the current remuneration structure for our Top Management that will be called upon to put in place the ambitious Strategic Plan over the coming years.

In this regard, the Committee has considered a redesign of the comparison panel to be used in the assessment of the above-mentioned Policies with the support of an independent consulting firm. The analysis has led to identifying two different Peer Groups of companies, including Italian companies comparable to Leonardo in terms of size, business in contiguous areas and distinctive features (large orders, high technology, industrial engineering, construction), on one hand, and on the other international companies comparable to the company in terms of size and type of business.

Despite the fact that the benchmark has showed a limited competitiveness of Leonardo's remuneration policy compared to the aforesaid Peer Groups, which is also reflected in the Group's ability to attract and retain talent, the Committee has decided not to make any substantial change to the remuneration structure after an in-depth discussion aimed at considering the difficult social and economic situation due to the Covid-19 epidemic, postponing any possible evaluation of policy revision to the future. Only a few changes have been considered which allow the Group to take account of the new fronts on which our Management is engaged and to increasingly enhance the commitment of our people, who contribute to achieving the objectives of all stakeholders with a sense of identity towards Leonardo's mission and strong involvement in company projects.

In particular, it is first proposed to align the indemnity envisaged in any case of early termination of the Chief Executive Officer employment, providing for an amount equal to 24 months' fees, in line with the shareholders' guidelines received during the 2020 shareholders' meetings, the dialogue established with the Proxy Advisors and the analysis of the best market practices.

The Committee has also examined and approved the design of the new Long-Term Incentive Plan which, while keeping the main architectural elements unchanged (share plan, three annual awards, three-year vesting period), brings in some important developments:

- Sustainability performance objectives consistent with the new Be Tomorrow 2030 Strategic Plan and Leonardo Sustainability Plan;
- Incentive curve with increasing payout within a certain range, instead of using the on/off approach, for all the objectives of the Plan, in order to strengthen the pay-for-performance link;
- Applying the ROIC (Return On Invested Capital) indicator, in place of ROS (Return On Sales), as it is regarded as more suitable for measuring value creation in a capital-intensive sector, as is also the case in Peer Groups’ practices.

The Remuneration Policy has been adopted by the Board of Directors, which approved this Report at its meeting of 24 march 2021, in the structure required by Article 123-*ter* of the Consolidated Law on Financial Intermediation (TUF).

On behalf of the Committee, I would like to thank the Organizational Unit of the Chief People, Organization and Transformation Officer for the technical support and active collaboration it has provided both during the customary review of the remuneration policy and for the various in-depth analyses carried out.

Moreover, we are confident that the greater transparency envisaged in this Report and the commitment and efforts undertaken by Leonardo will meet the expectations of our stakeholders, as well as that the changes made to the Remuneration Policy in order to ensure effective support for the pursuit of our challenging sustainable success objectives will have a positive response and be appreciated. Finally, I take this opportunity to thank you, personally and on behalf of the other members of the Committee, for the approval and support you will certainly give to the Remuneration Policy proposed for 2021.

Patrizia Michela Giangualano

Chairman of the Remuneration Committee

REPORT ON THE POLICY REGARDING REMUNERATION AND FEES PAID 2021

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)

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, 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[1].

This Report, which was approved by the Board of Directors of Leonardo Spa on 24 march 2021, on proposal of the Remuneration Committee is divided into two Sections:

- The first Section of the document illustrates the remuneration policy adopted for the 2021 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 2020 financial year.

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[2].

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.

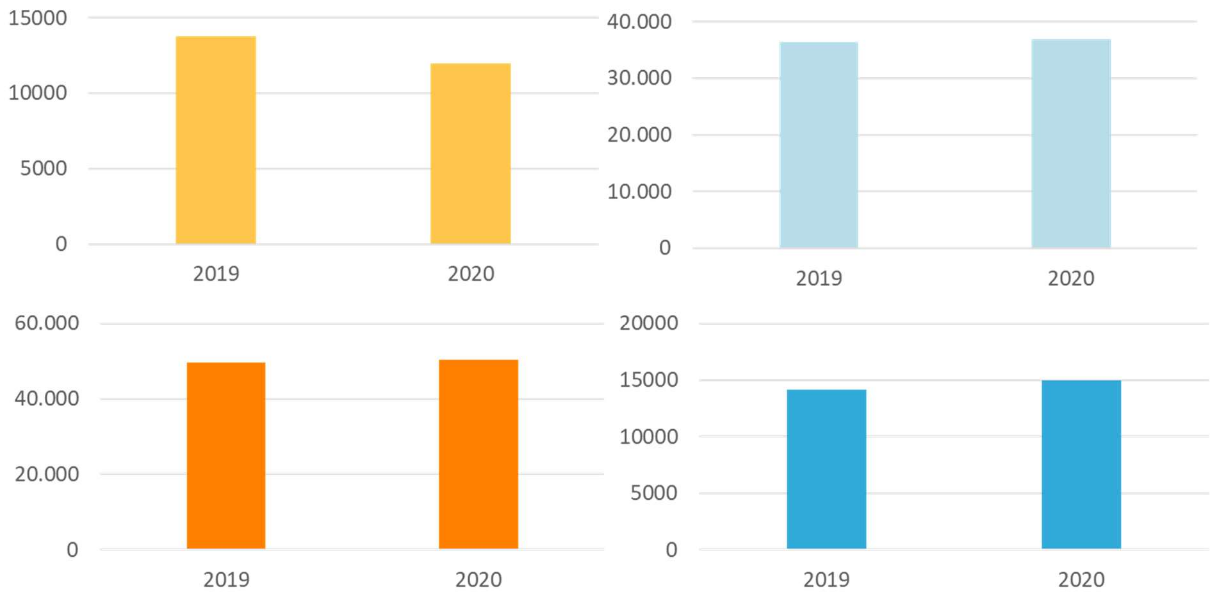
The remuneration policy set out in this Report has also been adopted by the Company, as provided for by CONSOB Regulation no. 17221/2010 with regard to related-party transactions, also in accordance with and for the purposes of art. 11.2(b) of the Procedure for Related Parties Transactions approved by the Board of Directors on 26 November 2010 and finally updated in December 2019.
This document is available at the Company's registered office and on its website (www.leonardocompany.com), in the specific "Shareholders' Meeting 2021" section and in the section "Remuneration", as well as on the website of the authorised eMarket STORAGE device (www.emarketstorage.com).

[1] Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated in December 2019, 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 on Financial Intermediation, as well as the Division Managing Directors and the Heads of Business Units.
[2] This provision shall apply in compliance with the new regulatory provisions (art. 123-*ter* of Consolidated Law on Financial Intermediation), which were novated at primary level by Legislative Decree no. 49/2019 – laying down the provisions required to implement Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC (Shareholder Rights Directive or SHRD) as regards the encouragement of long-term shareholder engagement.

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

Executive summary – Leonardo Remuneration Policy

2020 highlights



Leonardo Strategic Plan

The markets in which Leonardo operates, both nationally and internationally, are characterised by highly complex ongoing transformation processes and an ever-increasing level of competition.

Moreover, the recent health and economic crisis linked to the Covid-19 pandemic, in the uncertainty of an international framework that is still evolving, has profoundly altered the pre-existing balances, leading to an epochal paradigm shift at a technological, cultural, social and economic level, in a perspective in which the consequences will continue for a long time to come.

In this scenario, there is a need to continue and give new impetus to the improvement path in terms of competitive positioning on international markets, through choices and investments that will allow the achievement of the objectives set in the plan.

Leonardo is now at a turning point to give greater impulse to the transformation and growth process started in 2018. The current situation is in fact a call to action for the Company to meet the challenges imposed by the new normal thanks to a renewed attitude resulting from an innovative strategic vision projected into the future, launched well before the outbreak of the pandemic, with the aim of adapting with the necessary flexibility to the changing context of reference on a cyclical basis, leveraging technological skills, as well as the Company's human and intellectual capital.

The "Be Tomorrow – Leonardo 2030" Strategic Plan is not just merely an industrial plan, but an organic vision of the world in which the Company must project itself and with respect to which it intends to act as a driver to development in order to contribute to global security and progress from its positioning as an industrial and technological leader.

Leonardo has identified the key priorities underlying its path to innovation and sustainable growth, with the ambition of becoming a company in 2030 which will be in:

Solid	Global	Driver of innovation
Investment grade Profitable Sound cash conversion ability	World leading company in Helicopters and in Simulation and Training solutions European leading company in Defence Electronics and autonomous systems Leading player in international cooperation programmes in Aeronautics Partner to Security institutions	100%-digitalised in processes, production and offering Engine of an innovative eco-system on transversal technology Leading benchmark in green innovation

This ambition is built around three key pillars:

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

- Evolve from being a product supplier to a Global Partner;
- Further strengthen the international commercial network with a "ONE Voice" approach;
- Optimise the portfolio of its activities around its core capabilities in order to gain leadership positions in all the segments in which it is present.

"**Transform to Grow**" – Make the organisation more modern and flexible and adopt innovative and more effective business models to meet the needs of our Customers:

- Promote the development of a "ONE Company" Culture, invest in People and competencies to be able to support business ambitions;
- Become a company that is 100% digitalised in all key processes;
- Promote the development of its Supply Chain, leveraging a transparent and sustainable partnership relationship to create an innovative, integrated and resilient eco-system;
- Paying constant heed to our Customers by spreading a service-based offer model, measuring customer satisfaction on an ongoing basis and excellence in Simulation & Training solutions and systems.

"**Master the New**" – Innovate and create new technologies and new high-tech markets:

- Accelerate innovation, increasing investment in research, aligning it with the top peers in the sector, in order to enter new markets and develop new products;
- Create Corporate Laboratories for the development of inter-divisional programmes with highly innovative content on the following enabling technologies: HPC Design & Simulation, Big Data,

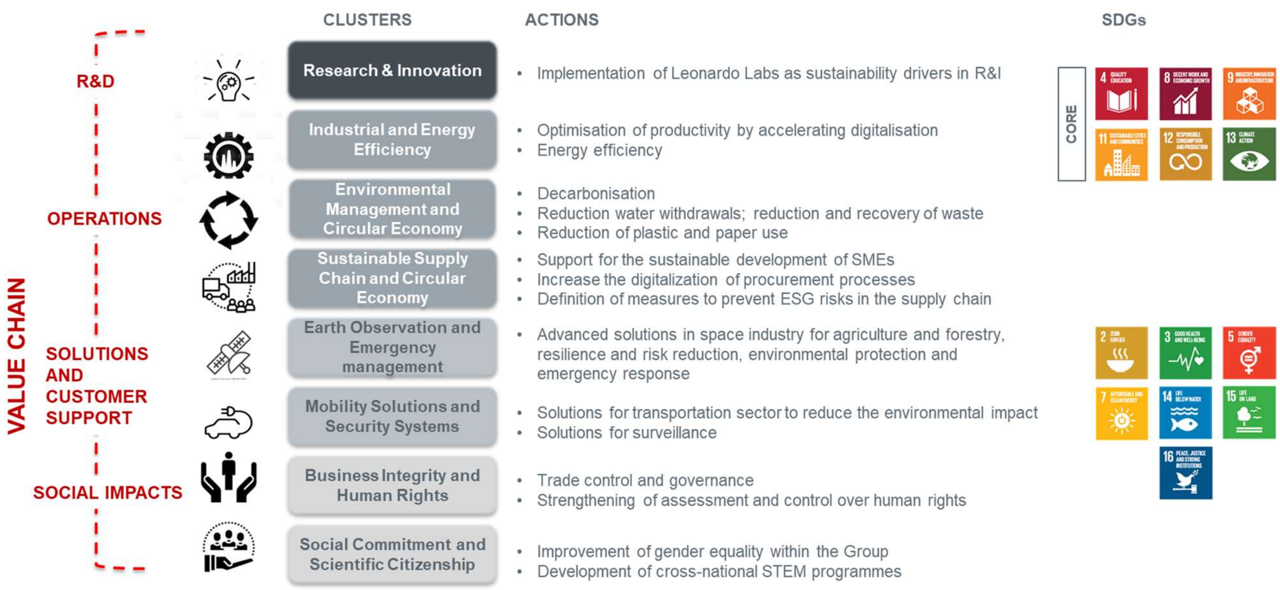
Artificial Intelligence and Autonomous Intelligent Systems (AISs), Quantum Technology and Cryptography, Electric Mobility, Innovative Materials;

- Put a new policy for the promotion, management and enhancement of intellectual property at the centre of its activities, taking an open approach to the market (technology M&A and patent marketing) and innovative start-ups;
- Set up a high-tech fund to enhance the IP produced by Leonardo Labs and, at the same time, invest in innovative start-ups;
- Focus on Autonomous Intelligent Systems (AISs) to gain leadership in Remotely Piloted Aircraft Systems - RPAS, artificial intelligence applications and products and advanced sensing in Europe;
- Enhance the positioning of the Space sector as an application domain of new technology (e.g. robotics) and key asset to strengthen the offer of value-added services (e.g. Earth Observation, territory monitoring, precision agriculture, security and navigation).

Leonardo Sustainability Plan

In line with the Be Tomorrow 2030 Strategic Plan and the priorities resulting from the materiality analysis, Leonardo has prepared a Sustainability Plan aimed at covering the entire value chain: from research and technological innovation to operations and the development of new solutions and new business models. The Plan sets out eight thematic clusters on which to take action in order to accelerate transition to sustainability, thus strengthening our business and ability to create shared value with a view to the Sustainable Development Goals (SDGs) and the European Green Deal.

Sustainability Plan – Integration into Leonardo value chain



Leonardo Remuneration Policy

Leonardo's Remuneration Policy is designed to meet the challenges posed by the Strategic and Sustainability Plan. The link between variable incentive plans and the Strategic and Sustainability Plan is described below.

Strategic and Sustainability Plan	Short-term incentive						Long-term incentive				
	EBITA	FOCF	Book to Bill	Strategic plan	Dow Jones Sustainability Indices	Accident frequency reduction	Total Shareholder Return	Net debt	ROIC	Climate Change	Diversity *(STEM area)*
Solid	●	●	●	●		●	●	●	●		
Global			●	●	●		●		●	●	●
Innovative				●	●		●		●	●	●
Sustainable				●	●	●	●	●	●	●	●

Leonardo's response to the pandemic

The year 2020 was the year in which the world experienced all kinds of difficulties due to the Covid-19 health emergency. The pandemic has forced people and businesses to face sudden and radical changes in the way people work, study and socialise, imposing restrictions on freedoms and habits.

Leonardo has coped with the pandemic crisis in the awareness of being, with more than 30,000 employees and about 80,000 people in its allied industries, a vital organ of the State, the technological and industrial asset in support of its national security.

In this context, the Company has approached the pandemic in the awareness that activities are carried out at Leonardo's plants, which cannot be interrupted, because they support the continuity of operations of civil and military institutions.

For this reason, the Company and the Trade Unions have addressed the issues impacting both the working life of employees and the performance of industrial operations according to preventive measures oriented towards a twofold aim: to safeguard the Company's business continuity and economic sustainability in the event of changes in the scenario by adopting temporary organisational and operational solutions that preserve it and reduce its impact, on one hand, and, on the other hand, to support needs, both collective and individual, marked by fragility.

With reference to agile working, Leonardo provided more than 13,000 employees with the necessary tools to enable work from home as early as from the end of March 2020, the first month of the outbreak of the epidemic, recording more than satisfactory levels of productivity.

For those employees who have continued to go to work , with a strong sense of duty, the Company promptly put in place a rigorous plan concerning all the safety measures required by government decrees and protocols, as well as numerous actions and operational measures aimed at protecting the health and safety of its workers. The company protocol to combat the spread of the Covid-19 virus was signed, the first in Italy, with the trade unions on 15 March 2020, and subsequently subjected to updates and regulatory amendments on an ongoing basis.

All the tools recommended by government and health authorities, as well as those requested by the unions, have been implemented, including, but not limited to, hourly flexibility, extensive use of vacations, remote working, temperature control measures at access points and the provision of personal protective equipment. The Company has also offered its employees and, where possible, their families the possibility of carrying out serological tests to search for antibodies to the Sars-CoV-2 virus and antigenic and molecular swabs, as well as flu vaccines, despite their limited availability on the market, by means of agreements with the national network present throughout most of our country.

On the side of national solidarity, Leonardo has also launched numerous projects, many of which have received attention from the press.

A number of shuttle flights were carried out in support of the Civil Protection between Italian and foreign airports, including China, to ensure the transport of medical equipment (respirators, masks, etc.) by using two large-capacity transport aircraft (C-27J and ATR 72). Three helicopters and their crews were also made available for the transport of masks and medicines throughout Italy. In addition, an AW139 helicopter was made available for other emergency transport and transfers.

Engineering operations in the Helicopters division engaged a team of technicians in order to provide solutions to enable the safe transport of Covid-19 patients on Leonardo helicopters on the part of all Italian healthcare operators, as well as by State Military Corps. The same operations were repeated in various other parts of the world - Europe, America and Asia - in collaboration with local civil and military aviation authorities.

Leonardo’s personnel have distinguished themselves for their spontaneous solidarity with various projects, from 3D printing of valves for respirators to active volunteering for associations that help the most needy people.

In addition, Leonardo has launched its first Crowdfunding project to support an extensive programme of digitisation of Italian schools, one of the sectors most affected by the Covid-19 emergency. The “Leonardo for School” fundraising was targeted at all employees in Italy and included the 2019 bonus of Leonardo's Chief Executive Officer, which was donated in full to the project. The objective was to help equip 46 educational institutes, identified in agreement with the Ministry of Education, with PCs and tablets : 30 primary, middle and high Schools, 18 of which were also committed to providing teaching to children hospitalised for long periods, and 16 Juvenile Penitentiary Institutes, for a total of 18 Italian regions involved.

Finally, the creation of a "solidarity fund" was significant, to which the Company contributed 30,000 days and employees, especially those who had accumulated leave in previous years, paid a part of the fund in favour of colleagues forced to stay at home.

The Leonardo Group’s Remuneration Policy has been developed by taking into consideration the situation of strong change and uncertainty emerged after the pandemic, with particular attention to its effects on the working conditions of the Company's employees.

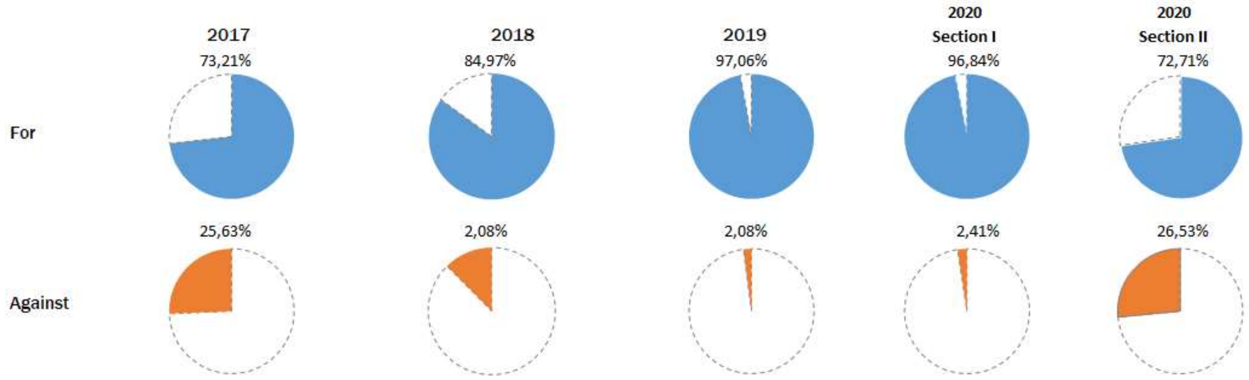
As regards the business results, although Covid-19 affected the Company’s performance in 2020, Leonardo has proven to be able to face the effects of the pandemic in a scenario that was out of the ordinary, indeed unprecedented, thanks to its diversified and balanced portfolio of products and services, as well as to its widespread presence all over the world. The business fundamentals and prospects in the medium to long-term therefore remain unchanged.

In the face of the serious crisis that struck the civil aviation sector, Leonardo gave further proof of its resilience in that its sales performance was at the same level as the previous year, while benefitting from orders gained from domestic customers in government and military sectors.

While benefiting from the actions taken to bring the business back to full operation and ensure cost reduction, industrial performance and profitability were impacted by the slowdowns recorded during the first phase of the emergency and by a lower demand in the civil aviation sector that affected in particular the Aerostructures Division, helicopters in the civil sector and the ATR JV, which were heavily hit by the drop in demand from the operators in the sector.

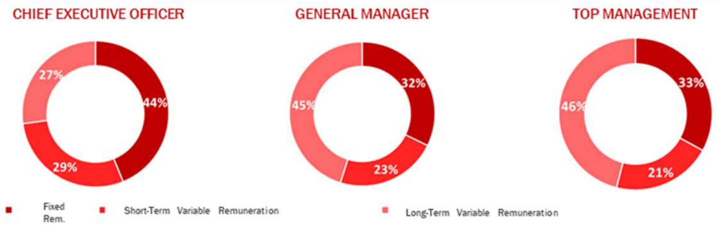
Trend of voting result on the annual Remuneration Report (2017-2020)

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 four years (2017-2020). 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 in the 2020 Shareholders' Meeting 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 2021

COMPONENT AND PURPOSE	CHARACTERISTICS AND PERFORMANCE CONDITIONS	AMOUNTS	PAGE REFERENCE
Fixed Remuneration 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.	CHAIRMAN € 490,00.000 p.a., of which: • € 90,000 pursuant to art. 2389, paragraph 1 of the Italian Civil Code; • € 400,000 pursuant to art. 2389, paragraph 3 of the Italian Civil Code . CEO € 1,000,000 p.a., of which : • € 80,000 pursuant to art. 2389, paragraph 1 of the Italian Civil Code; • € 920,000 pursuant to art. 2389, paragraph 3 of the Italian Civil Code . GENERAL MANAGER Fixed remuneration equal to € 650,000 p.a. TOP MANAGEMENT: remuneration set in relation to the responsibilities of the person concerned and the market positioning.	Page 27 Page 27 Page 34 Page 37
Short-term Variable Remuneration (Leonardo Group MBO System) It is an incentive to achieve annual business abd sustainability targets set out in accordance with the Strategic Plan and the Budget.	FOR ALL BENEFICIARIES If one or both of the following thresholds is not achieved : - GROUP EBITA : 85% of budget - GROUP FOCF : 100% of budget the bonus relating to both KPIs (60% weight for CEO and in a range of between 40% and 50% for Top Management) is set to zero. 2021 CEO OBJECTIVES 1) Group EBITA (30%) 2) Group FOCF (30%) 3) Business Plan Objectives (30%) 4) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%) 5) Reduction in average accident frequency rate (5%) GENERAL MANAGER 1) Group EBITA (25%) 2) Group FOCF (25%) 3) Business Plan Targets (40%) 4) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%) 5) Reduction in average accident frequency rate (5%) TOP MANAGEMENT 1) Group EBITA (25%) 2) Group FOCF (25%) 3) Business / Functions Targets (40%) 4) Inclusion of Leonardo in Dow Jones Sustainability Indices (5%) 5) Reduction in average accident frequency rate (5%) TYPE OF RESULT MEASUREMENT • On / off: Group EBITA, Business Plan Objectives, Sustainability • Payout Range (100%-120%): Group Free Operating Cash Flow Plan subject to Clawback.	CHAIRMAN: not envisaged. CEO • Maximum incentive : 66% of the fixed component of remuneration (71.7% if we only consider the fees payable for the position of CEO) GENERAL MANAGER • Target incentive 70% of Fixed Remuneration TOP MANAGEMENT • Maximum incentive : from about 20% to about 80% of the fixed component of remuneration, commensurate with the role	Page 28 Page 34 Page 38
Long-term Variable Remuneration It is aimed at promoting the pursuit of Leonardo's sustainable success in the long-term.	The features are described for the Long-Term Incentive Plan which was submitted for approval by the Shareholders' Meeting of 19 may 2021. The Plan provides for a free allottment of the Company's ordinary shares to the CEO and the Top Management and is structured into three annual awards. OBIETTIVI 2021-2023 1) Relative Total Shareholder Return (35%) 2) Group Net Debt (25%) 3) Return on Invested Capital (20%) 4) Climate Change – Reduction in Emissions (10%) 5) Gender diversity - % of female new hires with STEM degree (10%) RESULT MEASUREMENT • Relative benchmarks (TSR): compared to the Peer Group • Absolute benchmarks (Group Net Debt, ROIC, Climate Change, Gender Diversity): compared to the targets of the Strategic Plan NO. OF SHARES ACCRUED AT THE END OF THE PERFORMANCE PERIOD • Minimum: 50% of shares awarded • Maximum: 100% of shares awarded PERFORMANCE AND HOLDING PERIODS • Performance period: three years • Holding Period: 50% of shares awarded are subject to restricitons on their transferability for two year. Plan subject to Clawback.	CHAIRMAN There is no provision for his inclusion in the plan. CEO • Number of shares awarded equal to 62% of the fixed component of remuneration (67.4% if we only consider the fees payable for the position of CEO) GENERAL MANAGER • Number of shares awarded equal to 140% of the fixed component of remuneration TOP MANAGEMENT • Number of shares awarded up to a maximum of 140% of the fixed component of remuneration, commensurate with the role	Page 29 Page 36 Page 40

Component and Purpose	Characteristics and Performance Conditions	Amounts	Page Reference
Non-Cash Benefits 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.	• supplementary pension plan • supplementary/replacement health insurance benefits • insurance covers • Company car • accommodation for guests' use	Pages 33;37;40
Pay in the event of Termination of Office or Employment Retention purposes 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.	CHAIRMAN No severance pay. CEO The severance pay equal to 24 months' fees of Short-term Fixed and Variable Remuneration GENERAL MANAGER Allowances under the National Collective Bargaining Agreement. TOP MANAGEMENT Allowances under the National Collective Bargaining Agreement.	Page 33 Page 36 Page 40
PAY-MIX TARGET[3] It shows the weight of various (fixed, short-term variable and long-term variable) components of remuneration			Pages 28;34;38
CEO PAY RATIO Ratio of CEO's remuneration to employees' average pay	CEO PAY RATIO The ratio is calculated between CEO's total remuneration (fixed + short-term variable elements) and employees' average pay in 2020.	The Ratio was 23 in 2020 (31 in 2019)	Page 50

3 The Target Pay-mix for the CEO matches is maximum pay-mix due to the fact that no over performance is allowed

Section I
Report on the remuneration policy
2021

Governance

Bodies and persons involved in the preparation, approval and implementation of the Remuneration Policy

With regard to the governance of the remuneration systems, the following is a more detailed description of the related management activities and the respective responsibilities, divided according to the role played by each body involved in the formulation and approval of the remuneration policy regarding the members of the Governing Bodies and Top Management.

Shareholders' Meeting

The duties of the Shareholders' Meeting, according to the By-Laws – 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, employees, consultants or Top Management, pursuant to art. 114-*bis* of the TUF;
- to examine and assess – in compliance with the regulatory framework updated by Legislative Decree 49/2019, implementing the EU Shareholder Rights Directive II (SHRD II) – 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, according to the By-Laws – 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 and Top Management, 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 approve, upon proposal from the Remuneration Committee, potential remuneration plans based on the allotment of shares or other financial instruments, and submit said plans to the Shareholders' Meeting for its approval;
- 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	Committee composition	Gender	Date of first appointment
Chairman (*Independent)	Michela Patrizia Giangualano		May 2020
Director	Elena Comparato		May 2020
Director (*Independent)	Marina Rubini		May 2014
Director (*Independent)	Federica Guidi		May 2020
Director (*Independent)	Ferruccio Resta		May 2020

* Independent directors 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, through Company channels that make use thereof, consults external advisors in order to ensure independence of judgment. The Head of the Company's Chief People, Organization and Transformation 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, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor appointed by the latter. No Director participates in the Committee's meetings in which proposals are put forward to the Board in relation to his/her own remuneration.

The Remuneration Committee is responsible for taking action:

- to give its opinion to the Board of Directors concerning the definition of the Company's remuneration policy of directors and top management, in compliance with the legal provisions in force and with the Corporate Governance Code for Listed Companies;
- to put forward proposals to the Board of Directors for related resolutions in implementation of the remuneration policy established by the same, with reference to;
  - the remuneration and regulatory treatment of Directors with delegated powers and of all Directors vested with specific functions (following the opinion of the Board of Statutory Auditors, when required by 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 and top management;
- 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 are duly recorded in minutes, which are reported on by the Committee' Chairman at the first meeting of the Board of Directors. Furthermore, the Committee provides the Board with a report on the most important issues.
The Committee's operations are governed by special Rules of Procedures, which acknowledge the principles and implementation criteria recommended by 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 has defined the principles and practical methodology of application of this report and has submitted them to the Board of Directors, which, having examined such principles and methodology, then approves them and submits them to the Shareholders' Meeting for a binding vote on Section I and cast a non-binding vote on Section II, pursuant to the new art. 123-*ter* of the TUF.

Main issues dealt with by the Remuneration Committee in 2020

January – May 2020

- Examination of the Corporate Governance Committee's recommendations of Borsa Italiana and of provisions of Legislative Decree no. 49 of 10 May 2019 on the Remuneration Policy;
- Industrial relations: information on the negotiations concerning the company supplementary agreement;
- People Survey 2020: state of progress;
- Report on remuneration policy and fees paid 2020;
- 2019 MBO for the CEO – Final results;
- 2020 MBO for CEO – Allocation of objectives;
- Rules of the Long-Term Incentive Plan;
- Long-Term Incentive Plan for CEO: 2017 - 2019 cycle – Final results;
- Long-Term Incentive Plan for CEO - 2020 - 2022 cycle – Allocation of objectives;
- Final results of the Long-Term Incentive Plan and Co-Investment Plan - 2017 – 2019 cycle;

June – August 2020

- First meeting of the new Remuneration Committee after the Shareholders' Meeting of 2020
- Analysis of Remuneration Systems;
- Long-Term Incentive Plan – 2020 – 2022 cycle: proposal for selection of beneficiaries and their respective incentive levels;
- Benchmark on fees payable to Directors, the Director with delegated powers and the Chairman;
- Benchmark on Fees payable to the management;
- LTI Plan – additions to the awards to the CEO for the remaining period of the cycles in progress;

Board of Statutory Auditors

On remuneration matters, the Board of Statutory Auditors, which regularly participates in the Remuneration Committee's meetings through the Chairman or a regular Auditor specified by the same, expresses the opinions required by the regulations in force, with particular reference to the remuneration of those Directors vested with specific functions pursuant to 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 2020 the *Chief People, Organization and Transformation Officer Organisational Unit* made use, as external independent experts, of Mercer for activities concerning remuneration.

Other Boards

The Human Resources Organisational Unit, as a part of the Chief People, Organization and Transformation Officer Organisational Unit, lays down 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.
The Investor Relations and Credit Rating Agencies Organisational Unit, as part of the Administration, Finance and Control Organisational Unit assists in determining the panel for TSR as a performance objective in the long-term incentive system.

The Sustainability Organisational Unit, as part of the Chief Technology & Innovation Officer Organisational Unit, deals with the ESG matters.

Independent Legal Auditors

In accordance with the new regulatory framework for listed companies, 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 2021

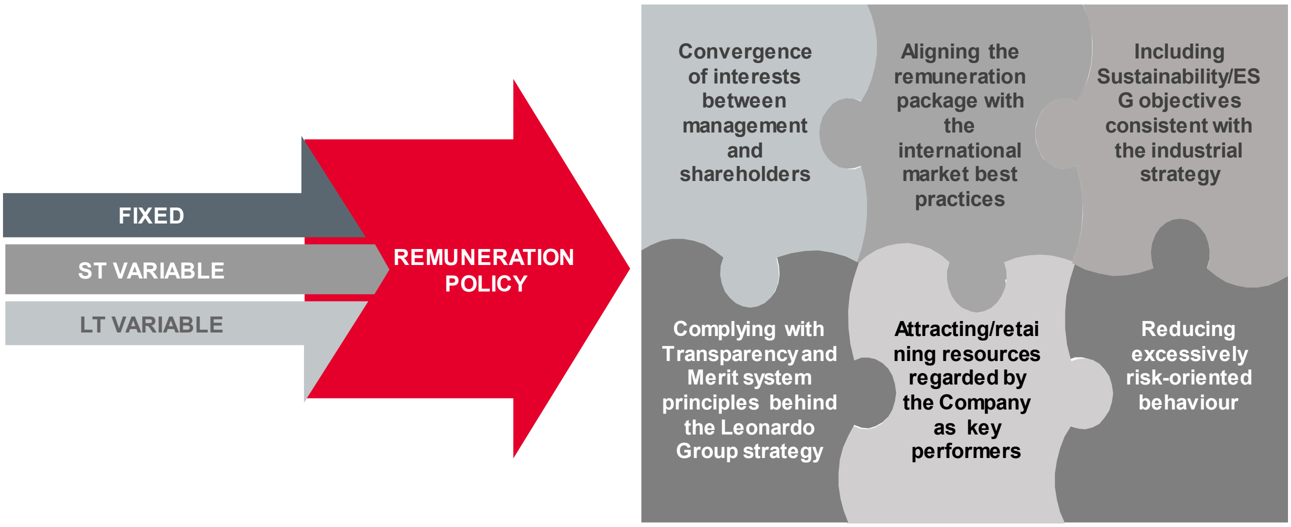
In exercising its powers and in accordance with the Corporate Governance Code, the Remuneration Committee expressed a favourable view of the structure and contents of Leonardo's remuneration policy for the purposes of the preparation of this report.
The Report was submitted by the Remuneration Committee to the Board of Directors, which approved it on 24 march 2021.
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 24 march 2021 for a binding and consultative vote of the Shareholders' Meeting.
Finally, this document has been prepared in accordance with market best 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 new paragraph 3-*bis* of art. 123-*ter* of the TUF, this policy has a term of one year. In exceptional circumstances – in accordance with the provisions of art. 123-*ter*, paragraph 3-*bis*, of the TUF, these being 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– Leonardo's Board of Directors, on proposal of or in any way having heard the Remuneration Committee, may derogate from the provisions of the Remuneration Policy laid down in this Report, with a reasoned resolution and following the Procedure on Related Party Transactions adopted by the Company.

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. Italian and European legislators have encouraged companies to achieve this goal, for example through the Shareholder Rights Directive II (SRD II) and the Corporate Governance Code 2020 in Italy. 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 and the Top Management, the Board of Directors considered it essential to revise the remuneration policy with a view to "functional pursuit of sustainable success"[4], aimed at empowering management to listen to and dialogue with different stakeholders, together with the board, the commitment to creating value for different sources of capital and the management of further complexity and sophistication, linked to the integration of these objectives.

The policy is designed to attract and motivate human resources who have the professional qualities required to carry out their duties and fulfil their responsibilities in line with the interests of the management and with the priority objective of creating sustainable shareholder value in the medium/long-term through an efficient alignment of the remuneration and incentive system with the pursuit of the Company's long-term interests with respect to new areas of value creation, by ensuring that the variable element of remuneration is connected to actual results, through the introduction of not only a direct link between performance and remuneration, but also by paying particular attention to the objectivity and measurability of the performance conditions which the remuneration is subject to, and to the indicators used to measure the remuneration, without prejudice to the existence of an upper limit on incentives.

[4] Corporate Governance Code (Article 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 Top Management 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.

Furthermore, in accordance with the Strategic Plan, according to the MBO System sustainability/ESG objectives are set for both the Chief Executive Officer and all the other beneficiaries of the short-term incentive plan.

Long-term Variable Component

The Shareholders' Meeting called to approve the Financial Statements at 31 December 2020 shall be called, among other things, to approve the new Long-Term Incentive Plan of Leonardo.

While maintaining the main architectural elements unchanged, the Plan provides 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. While keeping the number of shares serving the Plan unchanged (approximately 2,000,000 shares), a higher number of beneficiaries are expected to be included, up to a maximum of 250 resources.

Reference to market remuneration policies

In 2020 the Remuneration Committee dealt with the issue of defining the comparison panels for the analyses of remuneration positioning and practices on the remuneration structure offered to the Company's Directors and Top Management.

The preliminary inquiry led to identifying the following Peer Groups of Companies that are regarded as suitable to assess Leonardo's Remuneration Policy:

<table>
<tr><th>Role</th><th>Provider</th><th>Criteria</th><th colspan="2">Peer Group</th></tr>
<tr><td>Chairman</td><td rowspan="3">Mercer</td><td rowspan="3">Italian companies comparable to Leonardo by size (capitalisation, turnover and number of employees), operational business model, shareholding structure and level of internationalisation.

International companies comparable to Leonardo by size and business affinity.</td><td rowspan="3">Italian companies
Brembo
CNH Industrial
Enel
Eni
Ferrari
Fincantieri
Italgas
Prysmian
Saipem
Snam
Telecom Italia
Terna
Webuild</td><td rowspan="3">International companies
BAE Systems
Bombardier
Dassault Aviation
Howmet Aerospace
Hurtington Ingalls
Meggitt
Northrop-Grunmman
Rolls-Royce
Saab
Safran
Spirit AeroSystems
Textron
Thales</td></tr>
<tr><td>Non-executive Directors</td></tr>
<tr><td>Chief Executive Officer</td></tr>
<tr><td>Top Management</td><td>Mercer</td><td colspan="3">Mercer Executive Remuneration Guide Western Europe. This survey only includes information on the Executive workforce of Companies operating in the main European countries.</td></tr>
</table>

Leonardo's remuneration policy has been therefore analysed with respect to the Peer Groups reported above, in terms of instruments and types of objectives used, as well as of competitiveness on the labour market.
In terms of instruments, Leonardo's policy is in line with the best market practices.
In terms of types of objectives, the benchmark has showed, in the incentive system, a partial presence of objectives linked to the creation of sustainable value on several sources of capital, which has led to revising the objectives under the incentive plans, in order to take account of the new fronts on which our Management is engaged and to increasingly enhance the commitment of people who contribute to the achievement of the objectives of all stakeholders. These changes are detailed in the chapter concerning the 2021 Remuneration Policy.
In terms of positioning with respect to the Peer Group, the analysis has showed a limited competitiveness of Leonardo's remuneration policy, which is also reflected in the Group's ability to attract and retain talent. However, the Committee has decided not to make any substantial change to the remuneration structure, postponing any possible assessment of policy revision to the future, after an in-depth discussion aimed at considering the difficult social and economic situation resulting from the Covid-19 epidemic.

Remuneration Policy 2021

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

It should be noted that the following paragraphs show the remuneration for the three-year period from 2020 to 2022, prepared until the expiry of the term of office. 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. Therefore, 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 the remuneration to the respective performance achieved.
It should be noted that the objectives linked to incentive plans have been set in relation to the strategic plan.

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.
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 20 May 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

The Shareholders' Meeting held on 15 May 2018 set, for the three-year period from 2018 to 2020, the fees due to the members of the Board of Statutory Auditors, 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.

As part of the self-appraisal process, as a result of which the Board of Statutory Auditors drew up the Guidelines to Shareholders for the renewal of the control body, the Board carried out in-depth analyses on the amount of the commitment required for the performance of the duties as Statutory Auditor of Leonardo. In particular, in view of the size and international footprint of the Group, the characteristics of its business, the professional skills and the commitment required for the performance of the duties concerned, in an increasingly complex legal and economic framework, the Board of Statutory Auditors, which must also perform the duties of the Internal Control and Auditing Committee, points out that it would be advisable for the Shareholders' Meeting to resolve an increase in the fees payable to the control body.

The Shareholders' Meeting, called to approve the Financial Statements at 31 December 2020, shall be called, among other things, to set the fees due to the members of the Board of Statutory Auditors, while taking into consideration the recommendations of the Corporate Governance Code and the in-depth analyses carried out by the outgoing members of the Board of Statutory Auditors, without prejudice to the limits set out in art. 2402 of the Italian Civil 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, were confirmed by the Shareholders' Meeting held on 20 May 2020;
- gross annual fees of € 400,000, whose exercise attracts the special remuneration referred to in art. 2389, paragraph 3, of the Italian Civil Code, in relation to which the Board of Statutory Auditors provided the related opinion.

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

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

Chief Executive Officer

Overall remuneration structure

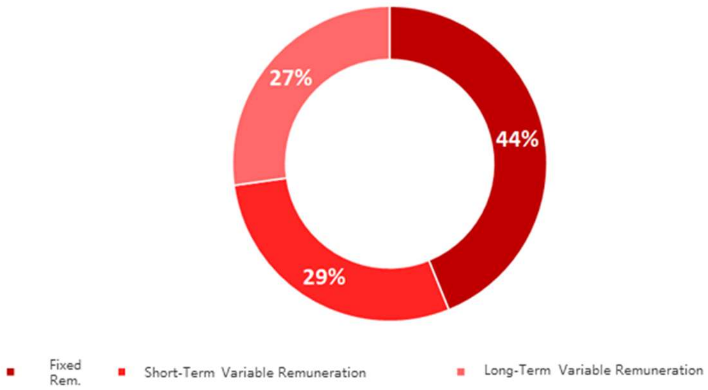
The Company has entered into a working relationship with the Chief Executive Officer, which will end on the expiry of the term of office of the Board of Directors, expected to be in May 2023. The solution adopted is favourable for the Company with a view to reducing costs of social security contributions.

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:
    - annual fees of € 80,000, pursuant to art. 2389, paragraph 1, of the Italian Civil Code, set by the Shareholders' Meeting held on 20 May 2020;
    - special remuneration of € 920,000 pursuant to art. 2389, paragraph 3, of the Italian Civil Code, set by the Board of Directors' meeting held on 20 May 2020, at the proposal of the Remuneration Committee and 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:



Short-term variable remuneration

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

Type of Objective	KPIs	Weight	Functioning mechanism	Target/Guidance	
Performance Gate – Group's Economic and Financial [6]	Group EBITA	30%	On / off	€mil. 1,075 - €mil. 1,125	If one or both of 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%-120%	approx. €mil. 100	
Strategic	Aerostructure Division Restructuring Plan	15%	On / off	Business Plan	
	Book to Bill	15%	On / off	≥1	
Sustainability [6]	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%	On / off	Inclusion of Leonardo	
	Reduction in average accident frequency rate	5%	On / off	$I_t \leq 0,78$	

Leonardo's 2021 Remuneration Policy for the Chief Executive Officer and Top Management is focused in particular on ESG (Environmental, Social & Governance) objectives. In 2021, 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, which has been reported in the sheet of targets of Top Management positions for several years. This objective, measured through the synthetic indicator of the average Frequency of accidents, is part of a broader plan to implement the Leonardo Production System at all manufacturing sites, of which Occupational Safety is one of the fundamental pillars. In particular, the indicator is calculated according to the GRI (Global Reporting Institute) method as number of accidents per 1,000,000 hours worked. The target of 0.78 implies a reduction of 25% compared to the average frequency for the two-year period from 2018 to 2019[5], equal to 1.04.

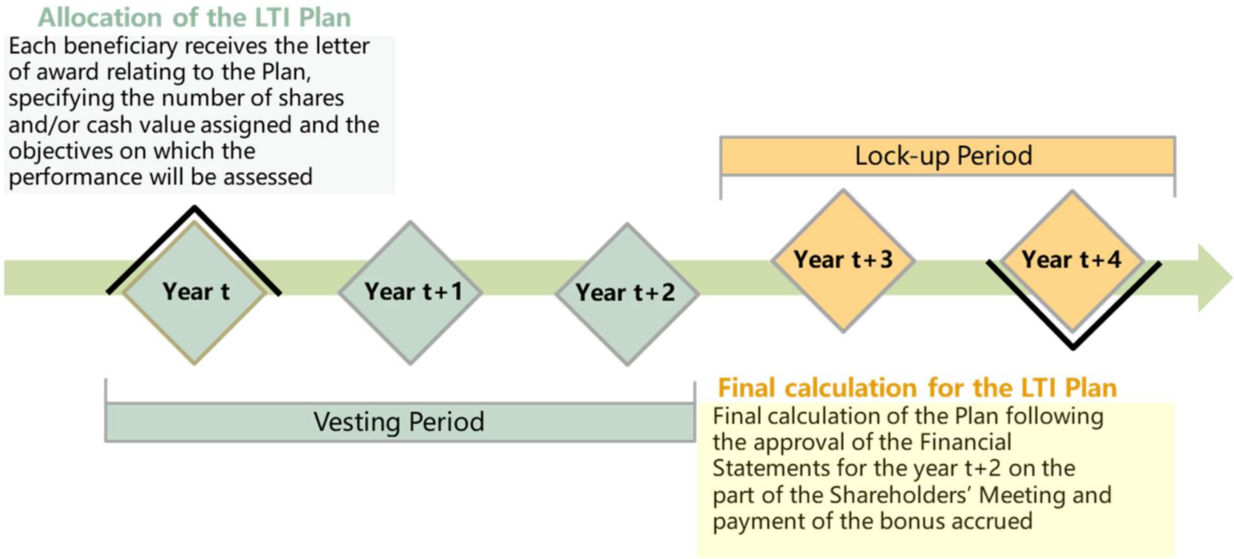
If the budget target is over-performed, no overperformance fees will be payable, but consideration will be paid to using it to offset a possible failure to achieve other objectives.

Long-term variable remuneration

In 2020 awards were completed for the Long-Term Incentive Plans, which had been approved by the Shareholders' Meeting held on 15 May 2018 (2018-2020, 2019-2021 and 2020-2022 cycles).
The Shareholders' Meeting called for the approval of the Financial Statements at 31 December 2020 shall be called, among other things, to approve the new Long-Term Incentive Plan of Leonardo.
While maintaining the main architectural elements unchanged, the new Incentive Plan includes changes that were already announced last year, providing for the structural introduction of 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.

[5] 2020 has not been considered in the calculation of the target since it was significantly affected by remote working, in particular during the first months after the outbreak of the pandemic.
[6] The final statement of economic, financial and sustainability objectives – which are common for the Chief Executive Officer, the General Manager and Executives with Strategic responsibilities – is prepared by providing for the following possible adjustments: changes in the perimeter, M&A transactions and, in general, non-recurring operations not envisaged in the Budget-Plan, amendments to accounting or reporting standards, exchange rate effects on the financial statements in foreign currency.

The Plan, like the previous one, 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 and Top Management, 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 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 2021-2023 cycle has been set at no. 95,968, obtained by dividing the maximum amount set by the unitary price of € 6.4605[7] per share, used for the conversion of the incentives when implementing the plan. As regards the maximum number of shares attributable 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. 300,000 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.

Performance conditions and incentive curve

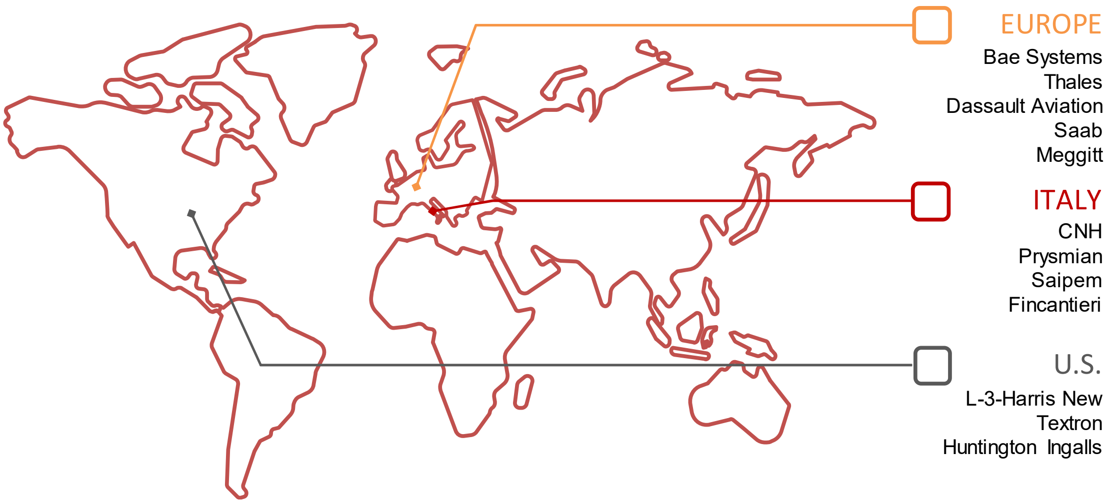
The payment of the incentive is conditional on the achievement of targets relating to a three-year period and linked to the following performance indicators:

[7] Average price of ordinary Leonardo shares in the period from 1 January 2021 to 31 March 2021 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.

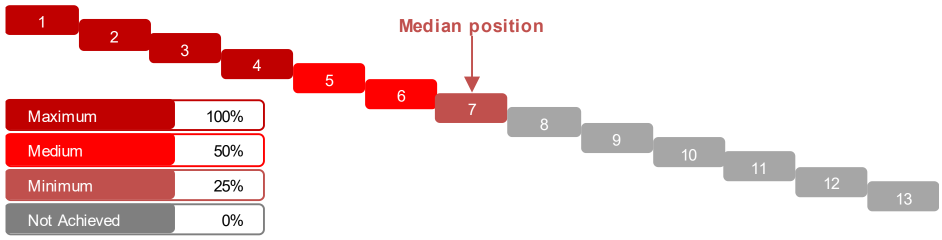
KPIs	Weight	Reference Financial Periods	Performance Range *(Target/Guidance)*	Payout Range
Relative Total Shareholder Return	35%	2021-2023	1	100%
			2	100%
			3	100%
			4	100%
			5	50%
			6	50%
			7	25%
			8	0%
			9	0%
			10	0%
			11	0%
			12	0%
			13	0%
Group Net Debt	25%	2021-2023	Target (< €bil. 3)	100%
			Minimum	50%
Return on Invested Capital	20%	2021-2023	Target (approx. 14%)	100%
			Minimum	50%
Climate Change (Reduction in Emissions of Scopes 1 and 2)	10%	2021-2023	43.1	100%
			44	50%
Gender diversity (% of women of total new hires with a STEM degree)	10%	2021-2023	20%	100%
			18%	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. 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, included in place of the Return on Sales as it is regarded as being more representative of the Company's business performance. This objective is measured on the final value at the end of the vesting period.

The Long-Term Incentive Plan submitted to the approval by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2020 also provides for the structural inclusion of objectives linked to Sustainability, in line with the Company's Strategic Plan. Specifically:

- **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 (tCO_{2e}) to revenues (€mil.) per year (Intensity of CO_2 emissions on revenues). The target of 43.1 at 2023 is consistent with a reduction in emissions with respect to the values for 2020, equal to 45.39, 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 20% over the three-year period, expecting a growth compared to the baseline for 2020, equal to about 15.9%.

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 Monte Grappa no. 4, on the Company's website (www.leonardocompany.com) in the Remuneration section that can be consulted at the address "Corporate Governance/Remuneration" and in the section on "2021 Shareholders' Meeting", 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).

Pay in the event of termination of office or of 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.
With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver[8], 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 in May 2023, and, therefore, there is no provision for a notice period.

Other benefits

The Chief Executive Officer will also receive benefits (including Fasi, Assidai funds, etc.) and the mandatory forms of insurance cover - in compliance with the provisions of law, as well as non-cash benefits envisaged for top management positions in line with the Company's practices (company car and accommodation for guests' use).

Remuneration of General Manager and Top Management

General Manager

On 25 June 2020, the Board of Directors passed a resolution on an important organisational evolution of the company, by establishing the General Manager function reporting directly to the Chief Executive Officer. The function, to which various Divisions and Business Units report, aims to cope with the new market context characterised by the impacts of COVID-19, 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. The responsibilities of the function were entrusted to Lucio Valerio Cioffi on 1 September 2020.

[8] 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.

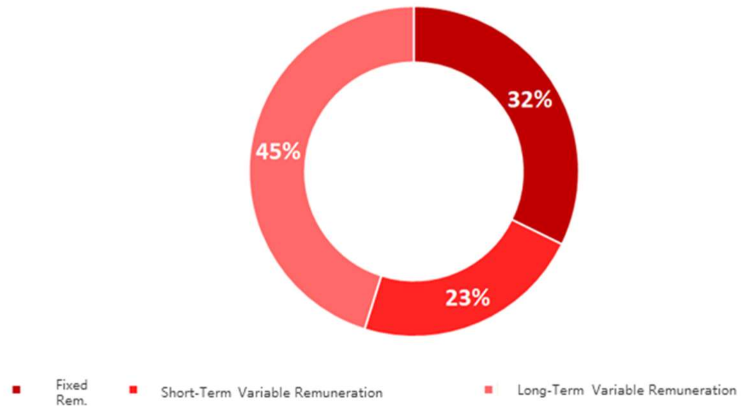
Overall remuneration structure

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:
  - € 650,000, only composed of Gross Annual Fees as an Executive of the Company;
- SHORT-TERM VARIABLE REMUNERATION: € 455,000 per year, equal to 70% of fixed remuneration, as short-term target variable incentive;
- LONG-TERM VARIABLE REMUNERATION: € 910,000 per year, equal to 140% of fixed remuneration, as long-term maximum variable incentive.

Pay mix

The pay-mix was set as follows:



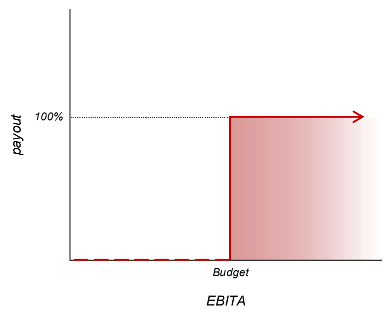
Short-term variable remuneration

The short-term variable remuneration (MBO) for the General Manager consists of target maximum overall gross fees of € 455,000 per year (equal to 70% of fixed remuneration) and is subject to the following performance target structure, according to the responsibilities of the General Manager:

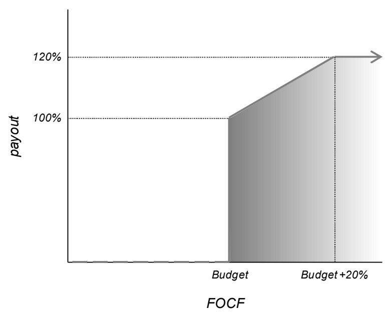
	Type of Objective	KPIs	Weight	Functioning mechanism	Target/Guidance	
Performance Gate	Group's Economic and Financial	Group EBITA	25%	On / off	€mil. 1,075 - €mil. 1,125	If one or both of the following thresholds are not achieved: • Group EBITA : 85% of Budget • Group FOCF : 100% of Budget the bonus relating to both KPIs is set to zero
		Group Free Operating Cash Flow (FOCF)	25%	Range Payout: 100%-120%	approx. €mil. 100	
	Strategic	Aerostructure Division Restructuring Plan	20%	On / off	Business Plan	
		Definition of the General Manager Function Business Plan	20%	On / off	Business 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	$I_t \leq 0{,}78$	

If the budget target is over-performed, *overperformance* fees will be payable to the general Manager and Top Management, to be linked to the results of the Free Operating Cash Flow.

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



- FOCF
  - no payout if the budget target is not achieved
  - a payout with linear incentive from 100% to 120% if the budget target is achieved or overperformed

- <u>Strategic Plan and specific Sustainability/ESG Objectives:</u> "ON/OFF" basis:
  - Inclusion of in Dow Jones Sustainability Indices
  - Reduction in average accident frequency rate

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 2021 to 2023 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 2021-2023 cycle has been set at no. 140,856, obtained by dividing the maximum amount set by the unitary price of € 6.4605[9] per share, used for the conversion of the incentives when implementing the plan. As regards the maximum number of shares attributable 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 no. 420,000 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.leonardocompany.com) in the Remuneration section that can be consulted at the address "Corporate Governance/Remuneration" and in the section on "2021 Shareholders' Meeting", 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).

Pay in the event of termination of office or 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 labour agreement (CCNL for Executives of companies that provide 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).
With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver[10], 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.

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[9] Average price of ordinary Leonardo shares in the period from 1 January 2021 to 31 March 2021 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.
[10] 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.

Other benefits

In accordance with the policy envisaged for the Top Management, 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 Previndai 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.

Top Management

Pursuant to the "Procedure for Related Parties Transactions", which was approved by the Board of Directors on 26 November 2010 and finally updated in December 2019, 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 TUF, as well as the Division Managing Directors and the Heads of Business Units, provided with specific decision-making autonomy and greater spending autonomy, in line with the attribution to them of the title and responsibilities as an "Employer".
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 Areas and the CFO.

Overall remuneration structure

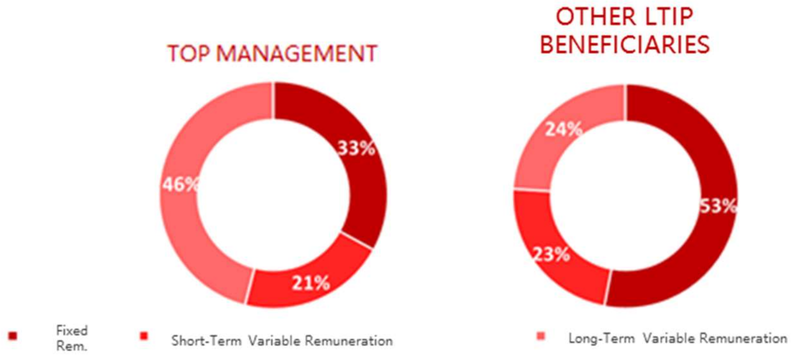
The fixed remuneration of the Executives with Strategic Responsibilities and other managerial resources is proportionate to the role and responsibilities assigned to them, also considering the market positioning with respect to comparable Italian and international companies, as well as in relation to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

The current average pay-mix is determined as follows:

Executives with strategic responsibilities and other Top Management members



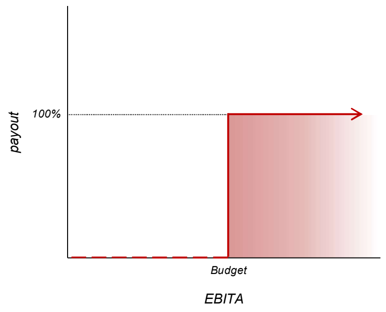
Short-term variable remuneration

Executives with Strategic Responsibilities, the Top Management and other managerial resources participate in the short-term variable remuneration plan (MBO). As further recommended by the Corporate Governance Committee of Borsa Italiana S.p.A., a maximum incentive cap is applied to all participants in the MBO system in an amount varying from about 20% to about 80% of fixed remuneration, according to the person's responsibility in the organisation.

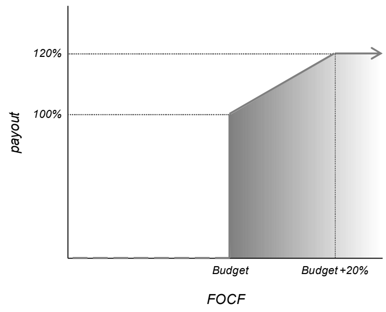
The short-term Incentive Plan for Executives with Strategic Responsibilities and other Top Management members is subject to the following structure of performance targets:

	Type of Objective	KPIs	Weight	Target/Guidance	
Performance Gate	Group Objectives	Group EBITA	25%	€mil. 1,075 - €mil. 1,125	If one or both of 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
Performance Gate	Group Objectives	Group Free Operating Cash Flow (FOCF)	25%	approx. €mil. 100	
	Business / Function Objectives	Business objectives set according to the responsibilities assigned to each role (e.g. Division EBITA, Division FOCF)	40%		
	Sustainability	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%		
	Sustainability	Reduction in average accident frequency rate	5%		

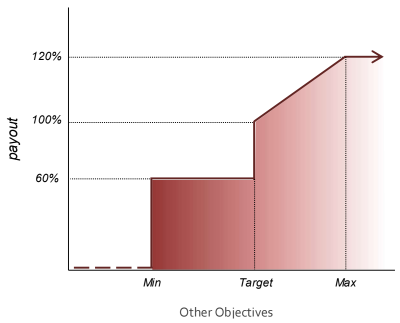
The performance targets relating to the aforesaid indicators will be established by providing for an incentive entry level and a composition of the bonus as follows:



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



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



- Specific Function/Division targets:

  ON/OFF basis or according to the performance curve reported on the left side:

  - 0 payout from the minimum amount up to the target set for the specific objective
  - 60% of payout from the minimum to the targets set for the specific objective and 100% - 120% of payout with linear correlation between the target and the maximum amount set for the specific objective

- Specific sustainability/ESG objectives:
  "ON/OFF" basis:

  - Inclusion of Leonardo in Dow Jones Sustainability Indices
  - Reduction in Average Accident Frequency Rate

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 2021 to 2023 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 € 6.4605 used 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.leonardocompany.com) in the Remuneration section that can be consulted at the address: "Corporate Governance/Remuneration" and in the section on "2021 Shareholders' Meeting", with the market management company Borsa Italiana S.p.A. and on the website of the authorised eMarket STORAGE device (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 Labour Agreement for the relevant sector (CCNL for Executives of companies providing goods and services).
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 Labour Agreement, set within the maximum limits of the safeguards set out in the same Agreement.
With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver[11], 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 and other Top Management members, obligatory social security and insurance covers are provided for - 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 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 and other Top Management members are eligible to participate in the supplementary pension benefits with Previndai (the national pension fund for managers of industrial companies), as well as supplementary health insurance benefits in addition to or in place of the benefits under the supplementary healthcare fund for managers of industrial companies FASI and ASSIDAI.

[11] 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.

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 Top Management - by Top Management with the support of the Human Resources Organisational Unit – forms of one-off remuneration in consideration of transactions of significant strategic importance to the Group.

Claw-back

As recommended in the Corporate Governance Code and in accordance with the specific guidelines recently issued by the Corporate Governance Committee of Borsa Italiana S.p.A., for all variable incentive schemes – both short and long term - , a claw-back clause has been put in place whereby the Board of Directors is entitled, through the competent corporate functions, to request the beneficiaries to return the bonuses they have received (in the form of cash or the value of the shares allocated to them) if the Board finds that the degree to which their performance objectives have been achieved has been determined on the basis of clearly erroneous or falsified calculations. This clause applies if the difference between the data utilised and the data rectified has led to a bonus in cash and/or in shares being granted in excess of the amount to which the beneficiaries are actually entitled to and places an obligation on the beneficiaries to return the bonuses that have been unduly paid.

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 and Executives with Strategic Responsibilities.

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 the Internal Control and Risk Management System and subject to the approval of the Control and Risks Committee and of the Board of Statutory Auditors – to set the remuneration payable to the Head of the Group Internal Audit Organisational Unit. The variable incentive structure has been proposed in accordance with the Company's policy, while ensuring the resources allocated for the performance of related duties. The short-term variable component of remuneration (MBO) is conditional on the achievement of targets that are exclusively linked to the effectiveness and efficiency of the Group Internal Audit organisational unit.
As regards the long-term variable component, 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 and Transformation Officer.

Resolution Proposal – First Section

Report on the policy regarding remuneration and the fees paid: 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 ("Consolidated Law on Finance - TUF") you are called to express, with a binding resolution, Your vote on the first section of the Report on the policy regarding remuneration and the fees paid pursuant to art. 123-*ter*, paragraph 3, of Legislative Decree No. 58/98, which explains the corporate policy for the 2021 year regarding 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 2021 policy is submitted to your attention.

The Report on the policy regarding remuneration and the fees paid, which includes the first section, is provided to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, "2021 Shareholders' Meeting" Section) and on the website of the eMarket STORAGE (www.emarketstorage.com) authorized storage mechanism in accordance with the law.

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

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

- having regard to articles 123-*ter* of Legislative Decree No. 58/98 and 84-*quater* of Consob Regulation No. 11971/99;
- having examined the first section of the "Report on the policy regarding remuneration and the fees paid", approved by the Board of Directors on 24 March 2021 pursuant to arts. 123-*ter* of Legislative Decree No. 58/98 and 84-*quater* of Consob Regulation No. 11971/99" and published by the Company in accordance with the law;

- having taken into account 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 the policy regarding remuneration and the fees paid by Leonardo S.p.a.".

Section II
Implementation of remuneration policies and fees relating to the 2020 financial year

First Part - Implementation of 2020 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 2020 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 2020 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 – KPMG SpA – has established that the directors have actually drawn up 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 under the National Collective Bargaining Agreement (public holidays, travel allowances etc.).
The remuneration for the General Manager is reported on a pro rata basis according to the positions held during 2020: Executive with Strategic Responsibilities until 31 August 2020 and General Manager after this date.

Non-equity variable remuneration (bonuses and other incentives)

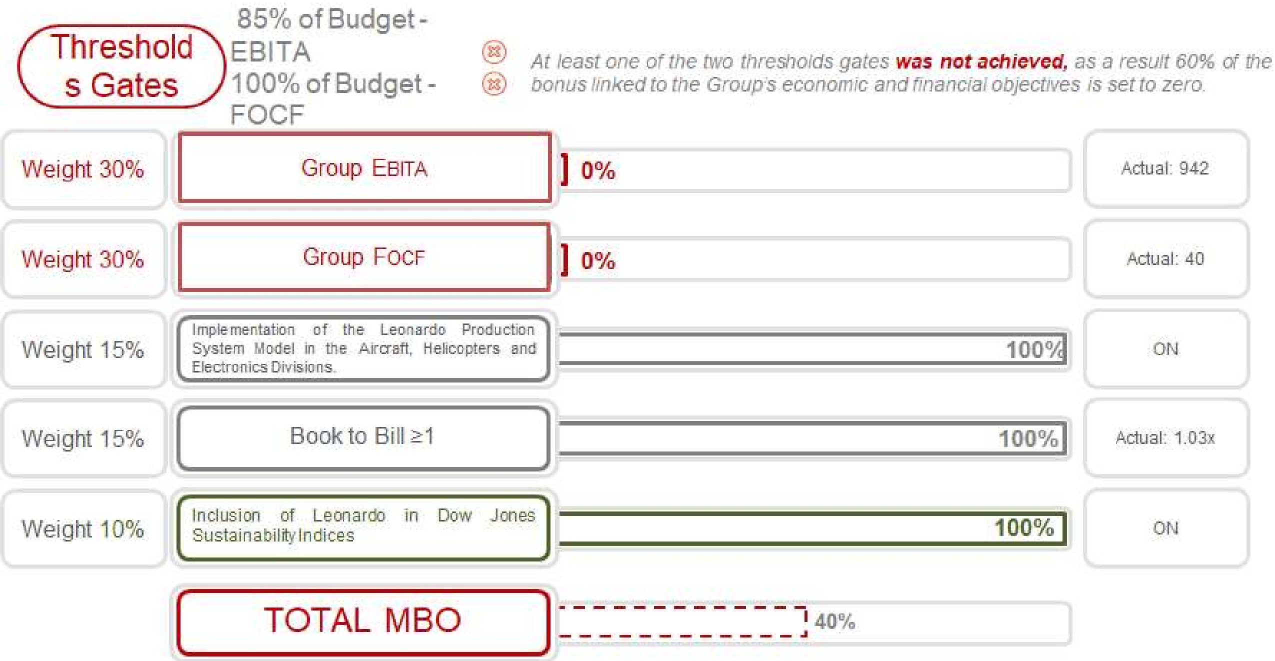
(Table 1 and Table 3B)

Payments reported in Table 3B relate to the short-term incentive plan for 2020 – MBO Scheme - described in the 2020 Remuneration Report.

Chief Executive Officer

The short-term variable remuneration for Mr. Profumo for the 2020 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 2020 MBO Plan for the Chief Executive Officer:



The objectives linked to the thresholds were not achieved as it can be inferred from the 2020 Consolidated Financial Statements approved by the Board of Directors' meeting held on 9 March 2021, accordingly,
the failure to achieve the two Gates led the Group's economic and financial KPIs to be set to zero and the bonus to be reduced by 60%.
According to the percentages of achievement of the remaining Performance Targets, the final results for the 2020 MBO Plan for the Chief Executive Officer were equal to a percentage of 40% of maximum value, equal to € 264,000.
For the functioning mechanisms of the MBO Scheme, reference should be made to the Remuneration Report 2020, Section I, page 27.

General Manager and 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 Remuneration Report 2020, to which reference is fully made.
The General Manager participated in the short-term incentive system MBO as an Executive with Strategic Responsibilities since, as at the date when the plan objectives were assigned, the responsibilities of General Manager had not been yet allocated. Therefore, for the purposes of the final results of the 2020 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 Previndai Pension Fund in the sector, the Supplemental/Replacement Health Insurance (FASI), the assignment of a company car for business and personal use and to the insurance covers.

Severance pay

(Table 1)

During 2020 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 2017-2019 cycle

In the 2020 financial year the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities were entitled to receive the number of shares to be awarded for the 2017-2019 cycle under the Long-Term Incentive Plan at a percentage of 25% of the maximum set out.
The performance indicators on which the long-term incentive was conditional and the related degree of achievement are set out below:

Incentive targets	Weight %	Final Result	Objective Achievement %	Degree Accrued
- Relative Total Shareholder Return Leonardo	50%	12th position	Not Achieved	0%
- Return on Sales	25%	9.1%	Not Achieved	0%
- Group Net Debt	25%	€m 2,225	100%	25%
		Total Bonus	25% of Maximum Payout	

In the 2020 financial year the final calculation was made for the 2017-2019 Co-Investment Plan in relation to whether the performance condition was fulfilled under the Plan (for the mechanisms of the Plans, see the Remuneration Report 2017, page 14 and ff.).
The fair value of these plans is not reported in Table 1 since it is not pertaining to 2020.

Final calculation of the 2018-2020 cycle

As regards the 2018-2020 cycle of the Long-Term Incentive Plan, the Chief Executive Officer, the General Manager and Executives with Strategic Responsibilities have accrued the right to receive the number of shares envisaged for the award at a percentage equal to 17.3% of the applicable maximum, according to the degree of achievement of the performance Targets reported below:

Incentive targets	Weight %	Final Result	Objective Achievement %	Degree accrued
- Relative Total Shareholder Return Leonardo	50%	13th position	Not Achieved	0%
- Return on Sales	25%	8.4%	Not Achieved	0%
- Group Net Debt	25%	€m 2,639[12]	69%	17.3%
		TOTAL BONUS	17.3% of Maximum Payout	

Table 3A reports the final number of shares actually awarded under the plan and their related fair value.

Allocation of the 2020-2022 cycle

During 2020 it was provided that the Chief Executive Officer and Executives with Strategic Responsibilities will participate in the Long-Term Incentive Plan for the 2020-2022 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 2020 to 2022 the incentive allocated was set at a maximum amount of € 86,000; therefore, the maximum number of shares attributable was set at 9,045, obtained by dividing the maximum incentive by the price of € 9,5078. 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 2020-2022 cycle it was therefore the first quarter of 2020);
- for the General Manager, the incentive that can be allocated for the plan cycle for the three-year period from 2020 to 2022 was set at a maximum amount of € 632,354. Therefore, as at the date of allocation of the plan, the maximum number of shares attributable was set as 66,509, which was obtained through the calculation system described above;

12 For the calculation of the group net debt value used to finalize the 2018-2020 LTI cycle, the 2020 financial statement figure was adjusted neutralizing non-ordinary phenomena not foreseen / foreseeable in the result profile defined in the cycle planning 2018-2020, for example: changes in accounting standards, extraordinary transactions and exchange rate effects, in accordance with what is reported in the Financial Reports 2018, 2019 and 2020.

- for the General Manager and Executives with Strategic Responsibilities: the incentive allocated for the plan cycle for the three-year period from 2020 to 2022 was set at a maximum amount of € 3,242,654. Therefore, as at the date of allocation of the plan, the maximum number of shares allocated was set as 341,052, 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 2020. 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 2020-2022 cycle will be made at the end of the performance period in 2023, and 50% of the allocated shares, once elapsed the three-year vesting period, will be subject to a further one-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 € 1.73);
- the book value referring to the Group Debt and ROS (€ 5.41);
- the maximum number of shares that can be allocated within the Plan;
- the vesting period effectively elapsed in 2020 (2/36 months, i.e. from 1 November 2020 to 31 December 2020).

***

Table 3A also reports the values relating to the 2018-2020 cycle and to the 2019-2021 cycle of the Long-Term Incentive Plans based on financial instruments, considering the vesting period effectively elapsed in 2020.
For the mechanisms of the Plans, see the Remuneration Report 2018, Section I, page 13 and following pages.

Adjustment to the no. of Shares for the Chief Executive Officer – Current plans

On 16 May 2017, the Board of Directors passed a resolution, at the time of the first appointment of the Chief Executive Officer, according to which the Long-Term Incentive was attributed to the latter under the Long-Term Incentive Plan (while also including it in the Plans already in place as from 2015). In the light of the structure of the Plan - rolling scheme based on recurring cycles – the determination of the amount of incentive due and payable has been developed in calculating the bonus by taking account of the actual time in service of the Chief Executive Officer according to the *pro rata temporis* criterion, taking as reference the date of natural expiry of the mandate set at 31 May 2020 for these purposes.

After the renewal of the mandate for the three-year period from 2020 to 2022, which took place at the Shareholders' Meeting held on 20 May 2020, the Company carried out the same calculations for the Chief Executive Officer by taking as reference the date of natural expiry of the mandate that is conventionally set at 31 May 2023 for these purposes.

Therefore, in considering that following and in relation to the confirmation of the Chief Executive Officer, the Company proceeded with additions to the awards still in place (relating to the 2018-2020, 2019-2021 and 2020-2022 cycles) and then subjected them to adjustments, while taking account of the period after May 2020 and the end of the period of each cycle on the same terms and conditions. The calculations were carried out at the same conditions as those of the initial awards, including the conventional values of the shares for the determination of their number compared to the remuneration accrued in each period, and the performance targets (the values of adjustments are reported in table 3A) as summarised below:

- For the 2018-2020 cycle, additions of 12,397 shares, for a total of 64,050 shares for an overall award of € 620,000 (price of € 9.68 per share);
- For the 2019-2021 cycle, additions of 37,414 shares, for a total of 70,938 shares for an overall award of € 620,000 (price of € 8.74 per share);
- For the 2020-2022 cycle, additions of 56,165 shares, for a total of 65,210 shares for an overall award of € 620,000 (price of € 9.5078 per share).

Annual change in fees, Leonardo's performance and Pay Ratio

The table below reports, for the last two financial years, the annual change in the remuneration due to the Chief Executive Officer and the employees in the main geographical areas in which Leonardo operates (Italy, the United Kingdom, Poland and the United States), excluding the people the remuneration of whom is stated by name in this section of the Report):

	2019 Remuneration	2020 Remuneration	Annual change
Chief Executive Officer*	€ 1,660,000	€ 1,264,000	-24%
Employee Average Remuneration*	€ 54,035	€ 55,153	2%
Pay Ratio	31x	23x	-25%

* The calculation for the Chief Executive Officer remuneration and the employee average remuneration takes into consideration short-term fixed and variable remuneration

At present this information is not provided for the other members of the Board of Directors since the directors were appointed by the Shareholders' Meeting held on 20 May 2020.

Pay Ratio of the Chief Executive Officer: the ratio of total remuneration of the Chief Executive Officer (short-term fixed + variable components) to the average pay of employees in 2020 was equal to 23x.
The Company's shares held by the Chief Executive Officer (214,903), expressed as a multiple of the fixed remuneration paid in 2020, are equal to about 1.44x[13].
It should be noted that the Pay Ratio reported in this Report is regulated by methods of calculation other than those used in the previous Report, in order to meet the requirements of the recent regulatory developments on the matter.

Below is the annual change for the last two financial years concerning the Company's results:

	2019	2020	Annual change
Revenues (*mil.*)	€ 13,784	€ 13,410	-2.7%
Order Backlog (*mil.*)	€ 36,513	€ 35,516	-2.7%
New Orders	€ 14,105	€ 13,800	-2.2%
Number of Employees	49,530	49,882	+0.7%

[13] The shares have been valued by using the average price relating to 2020.

Other information

Leonardo’s Chief Executive Officer has acquired 100,000 shares at a unit price of € 5,036 for an overall countervalue of € 503,600.

Resolution Proposal – Second Section

Report on the policy regarding remuneration and the fees paid: 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 called to express, with a non-binding resolution, Your vote on the second section of the Report on the policy regarding remuneration and the fees paid pursuant to art. 123-*ter*, paragraph 4, of Legislative Decree No. 58/98 that:

a) provides the representation of each of the items comprising remuneration of the members of the Board of Directors and the Board of Statutory Auditors, the General Manager and the other Executives with Strategic Responsibilities;

b) analytically illustrates the fees paid to the persons listed above in 2020 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 provided for by art. 123-*ter*, paragraph 6, of Legislative Decree No. 58/98.

The Report on the policy regarding remuneration and the fees paid, which includes the second section, is provided to the public at the registered office, at Borsa Italiana S.p.A., on the Company's website (www.leonardocompany.com, "2021 Shareholders' Meeting" Section) and on the website of the eMarket STORAGE (www.emarketstorage.com) authorized storage mechanism in accordance with the law.

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

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

- having regard to articles 123-*ter* of Legislative Decree No. 58/98 and 84-*quater* of Consob Regulation No. 11971/99;
- having examined the second section of the "Report on the policy regarding remuneration and the fees paid", approved by the Board of Directors on 24 March 2021 pursuant to arts. 123-*ter* of Legislative Decree No. 58/98 and 84-*quater* of Consob Regulation No. 11971/99" and published by the Company in accordance with the law;
- having taken into account 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 the policy regarding remuneration and the fees paid by Leonardo S.p.a.".

Second Part – Remuneration paid in the Financial Year 2020

Part two of Section II provides an analytical summary of all the amounts relating to the 2018 financial year, regardless of their nature or form, in favor 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 2019	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 FIX AND VARIABLE COMPENSATION	TERMINATION OR SEVERANCE INDEMNITY
						BONUSES AND OTHER INCENTIVES	PROFIT-SHARING						
Carta Luciano	President	20.05/31.12.2020	FY 2020	246 56				14			316		
De Gennaro Giovanni	*President*	*1.1/19.05.2020*	FY 2020	*167* *35*				*5*			*207*		
Profumo Alessandro	Director Chief Executive Officer	1.1/31.12.2020	FY 2020	920 80		264		21		299	1.584	(#) Fixed: 64,5% Variable: 35,5%	
Cioffi Lucio Valerio	General Manager	1.9/31.12.2020	FY 2020	155 (*)		42				13	210	(#) Fixed: 73,8% Variable: 26,2%	
Alpa Guido	Director	1.1/19.05.2020	FY 2020	31	16						47		
Bader Luca	Director	1.1/19.05.2020	FY 2020	31	10						41		
Calderone Marina Elvira	Director	1.1/19.05.2020	FY 2020	31	14						45		
Cantarella Paolo	Director	1.1/19.05.2020	FY 2020	31	16						47		
Dassù Marta	Director	1.1/19.05.2020	FY 2020	31	10						41		
Frigerio Dario	Director	1.1/31.12.2020	FY 2020	80	39						119		
Landi Fabrizio	Director	1.1/19.05.2020	FY 2020	31	10						41		
Merlo Silvia	Director	1.1/19.05.2020	FY 2020	31	10						41		
Rubini Marina	Director	1.1/31.12.2020	FY 2020	80	33						113		
Turicchi Antonino	Director	1.1/19.05.2020	FY 2020	31	14						45		
America Carmine	Director	20.05/31.12.2020	FY 2020	49	21						70		
Barletta Pierfrancesco	Director	20.05/31.12.2020	FY 2020	49	21						70		
Comparato Elena	Director	20.05/31.12.2020	FY 2020	49	19						68 (1)		
Giangualano Patrizia Michela	Director	20.05/31.12.2020	FY 2020	49	21						70		
Giannetakis Paola	Director	20.05/31.12.2020	FY 2020	49	19						68		
Guidi Federica	Director	20.05/31.12.2020	FY 2020	49	17						66		
Pinnarò Maurizio	Director	20.05/31.12.2020	FY 2020	49	23				14 (2)		86		
Resta Ferruccio	Director	20.05/31.12.2020	FY 2020	49	21						70		
Rossi Luca	Chairman Board of St. Aud.	1.1/31.12.2020	FY 2020	80					2 (3)		82		
Fornasiero Sara	Regular Auditor	1.1/31.12.2020	FY 2020	70					34 (4)		104		
Quagliata Leonardo	Regular Auditor	1.1/31.12.2020	FY 2020	70					42 (5)		112		
Perrini Francesco	Regular Auditor	1.1/31.12.2020	FY 2020	70					20 (6)		90		
Savi Daniela	Regular Auditor	1.1/31.12.2020	FY 2020	70					15 (7)		85		
Executive with Strategic Responsabilities			FY 2020	3.461		615		260		1.660	5.996	(#) Fixed: 62,1% Variable: 37,9%	1.121
(I) Remuneration in the Company drawing up the financial statements				6.280	334	921	0	300	4	1.972	9.811		1.121
(II) Remuneration from subsidiaries and affiliates									123		123		
(III) Total				6.280	334	921	0	300	127	1.972	9.934		1.121

(*) the reported amounts refer to the pro rata period of 4 months from the moment of appointment as General Manager, the amounts of the remaining months have been added to the cumulative figure of the Executives with Strategi Responsabilities for his position as Head of a Division
(#) 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) The amount relating to the emolument was paid to the Ministry of Economy and Finance
(2) €th. 14 for fees due for the position held in another Company invested in by the Group from 01/1/2020 to 17/07/2020
(3) €th. 2 for reimbursement of lump-sum expenses
(4) €th. 34 for fees due for the position held in anotehr Company invested in by the Group: €th. 30 from 01/1/2020 to 31/12/2020 and €th. 4 from 29/07/2020 to 31/12/2020
(5) €th. 2 for reimbursement of lump-sum expenses and €th. 40 for fees due for the position held in another Company invested in by the Group from 01/01/2020 al 31/12/2020
(6) €th. 20 for fees due for the position held in another Company invested in by the Group from 01/1/2020 al 17/07/2020
(7) €th. 15 for fees due for the position held in another Company invested in by the Group from 01/1/2020 al 31/12/2020

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

			OPTIONS HELD AT THE BEGINNING OF THE FINANCIAL YEAR			OPTIONS ALLOCATED DURING THE FINANCIAL YEAR						OPTIONS EXERCISED DURING THE FINANCIAL YEAR			OPTIONS EXPIRED DURING THE FINANCIAL YEAR	OPTIONS HELD AT THE END OF THE FINANCIAL YEAR	OPTIONS FOR THE FINANCIAL YEAR
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 (S)	POSITION HELD IN FINANCIAL YEAR 2020	PLAN	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	NUMBER OF OPTIONS	STRIKE PRICE	POSSIBLE PERIOD OF EXERCISE	FAIR VALUE AT THE DATE OF ALLOCATION	DATE OF ALLOCATION	MARKET PRICE OF THE SHARES UNDERLYING ALLOCATION OF THE OPTIONS	NUMBER OF OPTIONS	STRIKE PRICE	MARKET PRICE OF THE UNDERLYING SHARES AT THE DATE OF THE EXERCISE	NUMBER OF OPTIONS	NUMBER OF OPTIONS	FAIR VALUE
Profumo Alessandro	Chief Executive Officer		0			0						0			0	0	
Cioffi Lucio Valerio	General Manager (*)		0			0						0			0	0	
Executives with Strategic Responsabilities			0			0						0			0	0	

(*) Nominated on the 1/9/2020

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

			FINANCIAL INSTRUMENTS ALLOCATED DURING PREVIOUS FINANCIAL YEARS THAT WERE NOT VESTED DURING THE FINANCIAL YEAR		FINANCIAL INSTRUMENTS ALLOCATED DURING THE FINANCIAL YEAR					FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR BUT NOT IMPUTED	FINANCIAL INSTRUMENTS VESTED DURING THE FINANCIAL YEAR AND IMPUTABLE		FINANCIAL INSTRUMENTS FOR THE FINANCIAL YEAR
LAST AND FIRST NAME	POSITION HELD IN FINANCIAL YEAR 2020	PLAN	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT THE DATE OF ALLOCATION	VESTING PERIOD	DATE OF ALLOCATION	MARKET PRICE AT ALLOCATION	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT THE VESTING DATE	FAIR VALUE
Profumo Alessandro	Chief Executive Officer	LTI 2017-2019 resolution of 11/5/2015								0	n° 12.486 gross shares (1)	€ 6,0089	€ 145.524(2)
Profumo Alessandro	Chief Executive Officer	LTI 2018-2020 resolution of 15/5/2018								0	n° 11.081 gross shares (3)		€ 76.237 (4)
Profumo Alessandro	Chief Executive Officer	LTI 2019-2021 resolution of 15/5/2018	n° 33.524 shares (5)	31/07/2019-31/07/2022						0	0		€ 99.231 (6)
		(#)	n° 37.414 shares							0	0		€ 110.745 (6)
Profumo Alessandro	Chief Executive Officer	LTI 2020-2022 resolution of 15/5/2018			n° 9.045 shares (7)	€ 250.890	30/10/2020-30/10/2023	30/10/2020	€ 4,0658	0	0		€ 1.794 (8)
		(#)			n° 56.165 shares								€ 11.139 (8)
Cioffi Lucio Valerio	General Manager	LTI 2020-2022 resolution of 15/5/2018			n° 66.509 shares (9)	€ 237.437	30/10/2020-30/10/2023	30/10/2020	€ 4,0658	0	0		€ 13,191 (10)
Executives with Strategic Responsibilities (*)		LTI 2017-2019 resolution of 11/5/2015								0	n. 95.639 gross shares (11)	€ 6,0089	€ 1.114.673 (12)
Executives with Strategic Responsibilities (*)		Coinvestment 2017-2019 resolution of 11/5/2015								0	n. 221 gross shares (13)	€ 6,0600	€ 2.734 (14)
Executives with Strategic Responsibilities (*)		LTI 2018-2020 resolution of 15/5/2018								0	n. 53.877 gross shares (15)		€ 370.674 (16)
Executives with Strategic Responsibilities (*)		LTI 2019-2021 resolution of 15/5/2018	n. 412.809 shares (17)	31/07/2019 - 31/07/2022						0	0		€ 1.221.915 (18)
Executives with Strategic Responsibilities (*)		LTI 2020-2022 resolution of 15/5/2018			n° 341.052 shares (19)	€ 1.217.556	30/10/2020 - 30/10/2023			0	0		€ 67.642 (20)

(*) 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.

(#) During the prior term of office expired on 20 May 2020 for the three-year cycles 2018-2020, 2019-2021 and 2020-2022 the extent of the related assignement was calculated with reference to the period between the start of each cycle and May 2020, the conventional expiry date of the office applying the *prorata temporis* criterion. Following and in relation to the confirmation of Mr Profumo as Chief Executive Officer, the BoD proceeded with the additions to such awards for the period after May 2020 and the end of the period of each cycle on the same terms and conditions of the initial awards, including the conventional values of shares for the determination of their number compared to the remuneration accrued for each period and the performance targets.

(1) The table reports the final number of shares calculated (equal to 25% of shares allocated) during the 2020 financial year in relation to the 2017-2019 LTI plan.

(2) The fair value relating to the 2017-2019 LTI Plan corresponds to the incentive calculated on the final number of gross shares allocated effectively reported and on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55), the relevant book value for the Group Debt and ROS (€ 14.76).

(3) The table reports the number of shares effectively calculated (equal to 17.3% of those allocated) related to the 2018-2020 LTI plan. The allocation will took place in 2021. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.

(4) The fair value related to the 2018-2020 LTI Plan, corresponding to the incentive calculated on the number effectively calculated of gross shares that will be allocated, was calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.51), the relevant book value for the Group Debt and ROS (€ 10.25) and the number of attributable shares.

(5) The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2019-2021 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2022 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.

(6) The fair value relating to the 2019-2021 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 6.72), the relevant book value for the Group Debt and ROS (€ 11.04), the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (12/36months, i.e. 01.01.2020 - 31.12.2020).

(7) The table reports the maximum number of shares attributable to the Chief Executive Officer under the 2020-2022 LTI Plan upon full achievement of all performance targets.The final calculation will be made in 2023 at the end of the performance period. 50% of shares allocated to the Chief Executive Officer will be subject to a 1-year lock-up period during which they may not be transferred.

(8) The fair value relating to the 2020-2022 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 1.73), the relevant book value for the Group Debt and ROS (€ 5.41), the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (2/36months, i.e. 01.11.2020 - 31.12.2020).

(9) The table reports the maximum number of shares attributable to the General Manager under the 2020-2022 LTI Plan upon full achievement of all performance targets.The final calculation will be made in 2023 at the end of the performance period. 50% of shares allocated to the General Manager will be subject to a 1-year lock-up period during which they may not be transferred.

(10) The fair value relating to the 2020-2022 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 1.73), the relevant book value for the Group Debt and ROS (€ 5.41),the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (2/36months, i.e. 01.11.2020 - 31.12.2020).

(11) The table reports the final number of shares calculated (equal to 25% of shares allocated) during the 2020 financial year in relation to the 2017-2019 LTI Plan.

(12) The fair value relating to the 2017-2019 LTI Plan corresponds to the incentive calculated on the final number of gross shares allocated effectively reported and on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 8.55),the relevant book value for the Group Debt and ROS (€ 14.76).

(13) The table reports the number of shares effectively calculated in 2020 related to the 2017-2019 Coinvestment Plan which reached 100% of the performance condition envisaged by the plan.

(14) The fair value relating to the 2017-2019 Coinvestment Plan corresponds to the incentive calculated on the final number of gross shares allocated effectively reported and on the basis of the following parameters: the relevant book value for bonus shares (€ 12.37), the number of shares effectively calculated.

(15) The table reports the number of shares effectively calculated (equal to 17.3% of those allocated) related to the 2018-2020 LTI plan. The allocation will took place in 2021. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.

(16) The fair value related to the 2018-2020 LTI Plan, corresponding to the incentive calculated on the number effectively calculated of gross shares that will be allocated, was calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 3.51), the relevant book value for the Group Debt and ROS (€ 10.25) and the number of attributable shares.

(17) The table reports the maximum number of shares attributable to the Executives with Strategic Responsibilities under the 2019-2021 LTI Plan upon full achievement of all performance targets. The final calculation will be made in 2022 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.

(18) The fair value relating to the 2019-2021 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 6.72), the relevant book value for the Group Debt and ROS (€ 11.04), the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (12/36months, i.e. 01.01.2020 - 31.12.2020).

(19) The table reports the maximum number of shares attributable to the Executives with Strategic Responsibilities under the 2020-2022 LTI Plan upon full achievement of all performance targets.The final calculation will be made in 2023 at the end of the performance period. 50% of shares allocated to the Executives with Strategic Responsibilities will be subject to a 1-year lock-up period during which they may not be transferred.

(20) The fair value relating to the 2020-2022 LTI Plan, corresponding to the incentive calculated in relation to the maximum amount attributable in the event that all performance conditions are satisfied in full, has been calculated on the basis of the following parameters: the relevant book value for TSR (adjusted fair value € 1.73), the relevant book value for the Group Debt and ROS (€ 5.41), the number of shares that can be allocated, the vesting period effectively elapsed in 2020 (2/36months, i.e. 01.11.2020 - 31.12.2020).

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

A	B	(1)	(2)			(3)			(4)
			Annual bonus			**Previous Years' Bonuses**			**Other Bonuses**
LAST AND FIRST NAME	**POSITION HELD IN FINANCIAL YEAR 2020**	**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 2020	€ 264.000,00	0	0	0	0	0	
Cioffi Lucio Valerio	General Manager	MBO 2020 (1)	€ 42.466,67	0	0	0	0	0	
Executives with Strategic Responsibilities (*)		MBO 2020	€ 615.418,67	0	0	0	0	0	

(*) The amount reported 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 reported amounts refer to the pro rata period of 4 months from the moment of appointment as General Manager, the amounts of the remaining months have been added to the cumulative figure of the Executives with Strategi Responsabilities for his position as Head of a Division

Section III
Shareholding of members of governing and supervisory bodies and all executives 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 Executive with Strategic Responsibilities in the course of the 2020 financial year, even if only for a fraction of the period in question, as well as by their respective spouses that are not legally separated and minor children. Except as otherwise specified, said shareholdings must be deemed to be held directly and by way of property.

SHAREHOLDINGS OF MEMBERS OF GOVERNING AND SUPERVISORY BODIES AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

SURNAME AND NAME	POSITION HELD IN FY 2020	Investee Company	Number of Shares held at the end of the previous Financial Year (2019) (*)	Number of Shares Purchased	Number of Shares Sold	Number of Shares held at the end of Reporting Period (2020) (**)
PROFUMO Alessandro	Chief Executive Officer	Leonardo S.p.a.	**107.786 (1)**	**107.117 (2)**	**0**	**214.903**
CIOFFI Lucio Valerio	General Manager (***)	Leonardo S.p.a.	**6.405 (3)**	**3.988 (4)**	**0**	**10.393**
Executive with Strategic Responsibilities		Leonardo S.p.a.	**88.443 (5)**	**40.990 (6)**	**8.433**	**121.000 (7)**

(*) i.e. at the date of appointment, with regard to positions held for a fraction of FY 2020.
(**) i.e. at the date of expiry of the term of office, with regard to positions held for a fraction of FY 2020.
(***) General Manager from 1°.09.2020; already Executive with Strategic Responsibilities in the reporting period (1°.01.2020 - 31.08.2020)
(1) Of which n. 7.786 shares relating to Incentive Plans
(2) Of which n. 7.117 shares relating to Incentive Plans
(3) Number of Shares held at the end of the Fianncial Year 2019, of which n. 5.648 shares relating to Incentive Plans
(4) shares relating to Incentive Plans
(5) Of which n. 1.750 shares held by the spouse and n. 2.500 azioni pervenute a titolo di successione
(6) Of which n. 22.557 shares relating to Incentive Plans
(7) Of which n. 1.750 shares held by the spouse

Implementation status of the 2020-2022 long-term incentive plan

		LONG-TERM INCENTIVE PLAN - CYCLE 2020 - 2022 ALLOCATION FOR FY 2020						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (ALLOCATION OF SHARES)						
		SECTION 2 NEWLY-ALLOCATED INSTRUMENTS BASED ON THE BoD's DECISION FOR PROPOSAL TO THE SHAREHOLDERS' MEETING						
LAST AND FIRST NAME OR CATEGORY	POSITION	DATE OF SHAREHOLDERS' MEETING RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS (°)	DATE OF ALLOCATION	PURCHASE PRICE (IF ANY) OF INSTRUMENTS	MAREKT PRICE AT THE DATE OF ALLOCATION	VESTING PERIOD (*)
Profumo Alessandro (#)	Chief Executive Officer of Leonardo S.p.A.	15/5/2018	Shares of Leonardo S.p.a.	65.210	30/10/2020	-	€ 4,0658	30/10/2020 - 30/10/2023
Cioffi Lucio Valerio	Dgeneral Manager of Leonardo S.p.a.	15/5/2018	Shares of Leonardo S.p.a.	66.509	30/10/2020	-	€ 4,0658	30/10/2020 - 30/10/2023
Executives with Strategic Responsibilities (1)	-------	15/5/2018	Shares of Leonardo S.p.a.	341.052	30/10/2020	-	€ 4,0658	30/10/2020 - 30/10/2023
Other Executives, employees and collaborators (n. 189)	-------	15/5/2018	Shares of Leonardo S.p.a.	1.330.778	30/10/2020	-	€ 4,0658	30/10/2020 - 30/10/2023

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

(°) Maximum number of shares attributable under the 2020-2022 LTI plan upon full achievement of all performance targets. The final calculation will be made in 2023 at the end of the performance period. 50% of shares attributable to the Chief Executive Officer, Executives with Strategic Responsibilities and other top management positions, after the 3-year vesting period has elapsed, will be subject to a 1-year lock-up period, during which they may not be transferred.

(#) During the previous mandate expired on May 20, 2020 for the three-year cycle 2020-2022, the amount of the assigned shares was calculated with reference to the period between the start of each cycle and the month of May 2020, the conventional expiry date of the previous mandate with the application of the prorata temporis principle. Following the confirmation of Mr. Profumo as Chief Executive Officer, the Board of Directors resolved to proceed with the integration of the number of assigned shares for the period after May 2020 and the end of the cycle period under the same terms and conditions as the original assignments, including the conventional values of the shares for the determination of their number with respect to the remuneration for each period and the performance objectives.

(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 Execuive with Strategic Responsibilities.

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