



Report on Corporate Governance
and Compliance with the
Self-Regulatory Code for Listed Companies

FINANCIAL YEAR 2008

April 2009

Disclaimer

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

Website: www.finmeccanica.it

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1. ISSUER PROFILE

Pursuant to current regulations governing listed companies' disclosures concerning compliance with codes of conduct, the purpose of this Report, on the occasion of the Shareholders' Meeting to be held in order to approve the financial statements for 2008, on the basis of the provisions of the Self-Regulatory Code and with reference to the governance model set forth in the Code, is to provide the necessary periodic and analytic description of Finmeccanica's corporate governance system and of the instruments and methods whereby it complies with the provisions of this Code, also in the light of the measures taken to implement the requirements of the Code during the 2008 financial period and the early months of 2009.

The following is a short Company profile: a fuller description is given in later paragraphs of this Report.

- SHARE CAPITAL

Finmeccanica's share capital consists exclusively of ordinary shares with a nominal value of €4.40 each.

The State's participation is governed by the terms of the President of the Council of Minister's Decree of 28 September 1999, which states that the publicly owned stake may not fall below a minimum threshold of 30% of the Company's share capital, and this was confirmed by Article 59 of Law 133 of 6 August 2008.

Apart from the Ministry of the Economy and Finance, according to the disclosures received by the Company as per Article 120 of the Italian Consolidated Financial Services Act, no other Shareholder directly or indirectly holds shares with voting rights representing more than 2% of the share capital. The table below shows the shareholding structure on the date of the approval of this Report.

SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
Ministry of the Economy and Finance	174,626,554	30.2043%
Other Shareholders	403,076,632	69.7183%
Own Equity	447,209	0.0774%
TOTAL	578,150,395	100.0000%

The Company is not aware of any shareholders' agreements concerning its equity.

- SPECIAL POWERS

In accordance with Law 474 of 30 July 1994, as amended by Law 350 of 24 December 2003 (the 2004 Finance Law), the Minister of the Economy and Finance, jointly with the Minister of Production Activities, now the Minister of Economic Development, holds "special powers" (the so-called "golden share") in some State-owned companies, including Finmeccanica. Following the changes introduced by the law and implementing its provisions, in Decree 3257 of 1 April 2005 the Ministry of the Economy and Finance set out the exact contents of the statutory clause assigning special powers over Finmeccanica, which was embodied into the Company's Articles of Association as Article 5.1 *ter* by a Board of Directors resolution of 21 April 2005.

Specifically, under this clause the “special powers” consist in the following rights:

- to oppose the acquisition of significant shareholdings in the Company (representing at least 3%);
- to oppose the signing of agreements or contracts in which least 3% of the share capital is represented;
- to veto, if duly justified in view of the harm that would be done to State interests, decisions to wind up the Company, sell the business, conduct mergers or demergers, relocate the Company’s head office to a different country or change its business purpose;
- to appoint a Director without voting rights.

- COMPANY ORGANISATION

The organisation of the Company, based on the traditional model, is consistent with the applicable laws provided for listed issuers and is as follows:

- BOARD OF DIRECTORS, which is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company’s business purpose, except for those acts reserved to the Shareholders’ Meeting by law or by the Articles of Association;
- BOARD OF STATUTORY AUDITORS, which has the task of monitoring: (a) compliance with the law and Memorandum of Association and the observance of the principles of correct business administration; (b) the adequacy of the Company’s organisational structure, internal control system and administrative and accounting system, and also the latter’s reliability as a means of accurately reporting business operations; (c) the adequacy of the Company’s instructions to subsidiaries with regard to disclosures;
- SHAREHOLDERS’ MEETING, which has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the Articles of Association;
- INDEPENDENT AUDITORS: the Shareholders’ Meeting of 23 May 2006 appointed PricewaterhouseCoopers S.p.A. to audit the company accounts for the period from 2006 to 2011;
- RESPONSIBLE MANAGER FOR DRAFTING THE COMPANY’S ACCOUNTING DOCUMENTS: pursuant to the terms of article 154 *bis* of the Consolidated Financial Services Act, on 14 June 2007 the Board of Directors appointed Alessandro Pansa, Co-General Manager of the Company, as the responsible manager for drafting the Company’s accounting documents, up to the expiry of the term in office of the current Board of Directors.

- OBJECTIVES AND CORPORATE MISSION

Finmeccanica intends to maintain and enhance its role as the leading Italian industry in the high technology field, developing a synergic and integrated portfolio of activities primarily focused on Aerospace, Defence and Security by means of which it can meet the needs of domestic customers effectively, take part in work on European and international programmes and compete selectively on the global market. To date, the Company operates also in the Energy and Transport sectors.

Finmeccanica pursues its mission rigorously observing the objective of creating value for its Shareholders and aiming at protecting and enhancing Italian expertise in its different business areas.

2. INFORMATION REGARDING THE OWNERSHIP STRUCTURE (UNDER ARTICLE 123-*bis* OF THE CONSOLIDATED FINANCIAL SERVICES ACT)

The information regarding the ownership structure at 10 March 2009, prepared in accordance with Article 123 *bis* of the Consolidated Financial Services Act, is set forth in the special section annexed to the Statutory and Consolidated Financial Statements (Annex 1), which should be consulted for this purpose.

The same information is also to be found on the Company's website (Investor Relations section) in the *Documenti Societari, Dettaglio 2009* area.

3. COMPLIANCE

At its 17 October 2006 Meeting, Finmeccanica's Board of Directors resolved to conform the Company's corporate governance model to the criteria and principles of application of the new Self-Regulatory Code for Listed Companies (March 2006). The model, which was in any event already substantially in line with the recommendations of the previous Code, adopted the new provisions of the new Code, incorporating them into the document entitled "**BOARD OF DIRECTORS' REGULATIONS – ROLE, ORGANISATION AND OPERATING PROCEDURES**" (the "**Regulations**").

Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure.

4. MANAGEMENT AND COORDINATION

Finmeccanica is not subject to management and coordination under Article 2497 ff of the Italian Civil Code.

5. BOARD OF DIRECTORS

5.1. APPOINTMENT AND COMPOSITION

The Company is governed by a Board of Directors composed of not fewer than 8 and not more than 12 members, appointed by the Shareholders' Meeting, which also decides the number of the Board's members and their term of office.

Article 18 of the Articles of Association provides for the list voting mechanism for the appointment of Directors. On the basis of this system, two-thirds of the Directors to be elected are taken from the list that obtains the majority of the votes cast by the Shareholders, the rest being taken from the other lists according to the quotients they obtain. A Director without voting rights is added to the Directors elected in this

manner (as envisaged in Article 5.1 *ter* and Article 18.1 of the Articles of Association), designated by the Minister for the Economy and Finance jointly with the Minister of Production Activities, now the Minister of Economic Development, as per Law 474 of 30 July 1994, as amended by Law 350 of 24 December 2003.

The rights and obligations of the Director thus appointed have also been expressly defined: he has the same rights as those the law or the Articles of Association grant to the other Directors, while he cannot be given the right to assume delegated powers or special positions, even provisionally or as a substitute, and he cannot chair the Board of Directors or be the Company's authorised representative.

As regards the list voting mechanism, lists may only be presented by Shareholders that, alone or together with other Shareholders, represent at least 1% of the shares with voting rights in Ordinary Shareholders' Meetings. The Articles of Association also allow the outgoing Board of Directors to submit its own list.

In the framework of the amendments to the Articles of Association introduced as a result of the provisions of Law 262/2005 (the Savings Law), on 30 May 2007 the Shareholders' Meeting resolved to conform Article 18.4 of the Articles of Association to the new Article 147 *ter*, paragraph 1, of the Consolidated Financial Services Act, inserting a reference to any "smaller proportion that might be envisaged in the provisions of any applicable laws or regulations". On the same occasion the Meeting conformed the aforesaid Article 18.4 to the new Article 147 *ter*, paragraph 4, of the Consolidated Financial Services Act, which states that at least two members of a Board of Directors consisting of more than seven members must satisfy the same independence requirements as those prescribed for the Board of Statutory Auditors. It further states that in the lists of candidates for directorships, those candidates who meet these criteria should be expressly identified.

In order for the provision in the Articles of Association to operate in conformity to the minimum requirement prescribed in the new law, the clause in question was also integrated with provisions concerning the methods for the appointment of Directors on the basis of list voting, so that at least two independent Directors may be elected if this minimum number of independent Directors were not to be elected after the procedure laid down in the Articles of Association has been applied. Specific procedures are prescribed for independent Directors to take over the places of any candidates who do not meet the requirements and who have obtained the lowest ratio of votes.

The Articles of Association, which continue to be operative, also with regard to this specific matter, by virtue of the provisions of law governing privatisations (Law 474/1994), as expressly confirmed by Article 144 *undecies* of Consob Regulations 11971/1999, require the lists submitted by the Shareholders to be deposited at the registered office at least ten days prior to the day on which the Shareholders' Meeting has been convened at first call, together with the relevant supporting documents, and also requires these lists to be published in at least three Italian national daily newspapers, two of which business dailies. In compliance with the recommendation in the Self-Regulatory Code, however, the Board of Directors expressly suggests that Shareholders deposit lists at least fifteen days prior to the day of the Shareholders' Meeting that is to elect candidates to the Board.

Moreover, when Shareholders' Meetings are called, the Shareholders are expressly requested to deposit resumés with exhaustive information regarding the personal and professional characteristics of each candidate (specifying whether he satisfies the requirements to qualify as independent) when they deposit the lists, so that up-to-date information can be published on the Company's website in good time.

The Shareholders' Meeting of 6 June 2008 set the number of the members of the new Board of Directors at 11: they will serve until the approval of the financial statements for the 2010 financial year.

Under Article 5.1 *ter* of the Articles of Association, the 11 members of the Board of Directors chosen by the Shareholders' Meeting were joined by Ambassador Giovanni Castellaneta, the Director without voting rights designated by the Minister of the Economy and Finance, jointly with the Minister of Production Activities, now the Minister of Economic Development, who exercises the special powers referred to in Law 474/1994 as subsequently amended. Ambassador Castellaneta will remain in office until the expiry of the terms of office of the members of the Board appointed by the Shareholders' Meeting.

The Shareholders' Meeting also appointed Ing. Pier Francesco Guarguaglini as Chairman of the Board of Directors, and at its first Meeting the Board also designated Ing. Guarguaglini as the Chief Executive Officer of the Company, empowering him accordingly, in line with the powers vested in him during his previous term of office.

The **Board of Directors** serving at 31 December 2008 is, therefore, composed as follows:

PIER FRANCESCO GUARGUAGLINI (1) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PIERGIORGIO ALBERTI (2)

ANDREA BOLTHO VON HOHENBACH (2)

FRANCO BONFERRONI (1)

GIOVANNI CASTELLANETA

MAURIZIO DE TILLA (2)

DARIO GALLI (1)

RICHARD GRECO (2)

FRANCESCO PARLATO (1)

NICOLA SQUILLACE (1)

RICCARDO VARALDO (1)

GUIDO VENTURONI (1)

(1) Directors appointed from the **majority list** submitted by the Ministry for the Economy and Finance, which was supported by 33.71% of the share capital.

(2) Directors appointed from the **minority list** submitted by Mediobanca S.p.A., which was supported by 1.002% of the share capital.

The table annexed to this Report summarises the structure of the Board of Directors and of the Committees, showing the Directors in office at 31 December 2008 and the Directors that left office during the 2008 financial year.

No changes in the composition of the Board of Directors have taken place since the end of the 2008 financial year.

A brief professional resumé of each member of the present Board of Directors follows.

- **PIER FRANCESCO GUARGUAGLINI – CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Born in Castagneto Carducci (LI) on 25th February 1937. Chairman and Chief Executive Officer of Finmeccanica since 24th April 2002, his mandate was renewed by the Shareholders' Meetings of 16th May 2003, of 12th July 2005 and of 6th June 2008. Graduated in Electronic Engineering at the University of Pisa and awarded a Ph.D. in electrical engineering at the University of Pennsylvania. Lecturer at the University of Rome. A member of the Board of AECMA (European Association of Aerospace Industries) and I.E.E.E. (The Institute of Electrical and Electronics Engineers), he also sits on the councils of Confindustria. Member of the Board of Management for relations between Italy and the USA and Independent Director of Eutelsat Communications. Has occupied a number of roles, including General Manager and later Chief Executive Officer of Officine Galileo (1984-1994), Chief Executive Officer of Oto Melara and Breda Meccanica Bresciana (1994-1996), Group Head of the Defence Sector Companies of Finmeccanica (1996-1999), Chairman of the Board of Directors of Alenia Marconi Systems (1998-2000) and Chief Executive Officer of Fincantieri Cantieri Navali Italiani (1999-2002).

- **PIERGIORGIO ALBERTI – DIRECTOR**

Born in Sanremo on 28th March 1943. He has been a Director of Finmeccanica since 12th July 2005 and his term in office was renewed by the Shareholders' Meeting of 6th June 2008. Lecturer in Administrative Law at the Faculty of Law of the University of Genoa. Author of a number of monographs and articles in Italian and foreign scientific publications. Member of the board of cassation lawyers at the Senior Council of Magistrates. Auditor of accounts. Currently a Director of Parmalat s.p.a. and the Ospedali Galliera Hospital Trust, Genoa. He has also acted as: Director of Banca Carige s.p.a., Locat s.p.a., Mediocredito Ligure, Sina s.p.a. and AISCAT – the Italian Association of Motorway and Tunnel Licensee Companies, as well as Vice-chairman of Autostrada dei Fiori s.p.a., Autostrada Ligure Toscana s.p.a. and Finligure s.p.a.,. He has also been a member of the Technical and Scientific Committee set up by the government for the application of section V of the Constitution. A member of various associations (including IISA – the Italian Institute of Administrative Sciences, AIDU – the Italian Association of Town Planning Law, and AIPDA – the Italian Association of Lecturers in Administrative Law). He is joint editor of *Economia e Diritto del Terziario*.

- **ANDREA BOLTHO VON HOHENBACH – DIRECTOR**

Born in Berlin on 13.10.1939. Fellow and Tutor in economics at Magdalen College at the Oxford University (since 1977). He received degrees from the London School of Economics, the University of Paris and Oxford University. In 1966 he began his professional collaboration at the OCSE in the Economics and Statistics Department. He was visiting professor at the Collège d'Europe at Bruges, the Universities of Paris, Venice, Turin, Siena as well as at University of Rome Tor Vergata; he also taught at the Bologna Center of the Johns Hopkins University, the International University of Japan. He was also consultant for the World Bank and he has collaborated with some prominent international groups such as the ABB, Arthur Andersen, Ericsson, FIAT, Generali, IBM, KPGM, Pirelli and Siemens. Author of numerous economics publications.

- **FRANCO BONFERRONI – DIRECTOR**

Born in Reggio Emilia on 10th October 1938. He has been a Director of Finmeccanica since 12th July 2005 and his term in office was renewed by the Shareholders' Meeting of 6th June 2008. Chartered accountant and Statutory auditor of accounts, he has been a Member of Parliament at the Chamber of Deputies (1979-1992) and Senator (1992-1994). A freelance practitioner since 1976, he was a member of the Council of the Chamber of Commerce of Reggio Emilia (1966-1974), of which he was later Chairman (1974-1979). Has acted as a Director in a number of companies, including Autostrada del Brennero SpA (1966-1974), Fidenza Vetraria SpA and Montedil SpA (Montedison Group) (1977-1979). He is currently a Director of Alerion Industries SpA and Cassa di Risparmio di Bra. He has been Chairman of IFOA, the Training Institute for Company Operators (1975-1989), and from 1989 to 1992 he was Under-secretary of State at the Ministry of Trade and Industry and the Ministry of Foreign Trade.

- **GIOVANNI CASTELLANETA – DIRECTOR** ^(*)

Born in Gravina di Puglia (BA) on 11.09.1942, he read law at La Sapienza University in Rome and entered the diplomatic service in 1967. He has held numerous posts both in Italy and abroad. He has been, inter alia, Secretary-General with the Ministry of Foreign Affairs, Press and Cultural Attaché in Paris, Deputy Permanent Representative for Geneva-based International Organisations, Head of the Press and Information Service at the Ministry of Foreign Affairs and Ambassador to Iran and Australia. He has held the post of Diplomatic Advisor to the Italian Prime Minister and has acted as the Prime Minister's Personal Representative for G7/G8 summits. He is currently Italy's Ambassador to the United States.

- **MAURIZIO DE TILLA – DIRECTOR**

Born in Naples on 6.04.1941. He has been a Director of Finmeccanica since 25th October 2000, and his term in office was renewed by the Shareholders' Meetings of 16th May 2003, of 12th July 2005 and 6th June 2008. Civil lawyer at the Court of Cassation and Chairman of the National Social Security and Court Assistance Fund. Chairman of the Association of Private Social Security Bodies, the Italian Institute of Forensic Culture and Senior Vice-chairman of the Federation of Associations of European Advocates. Chaired the Council of the Association of Solicitors of Naples (1993-1994). Former Chairman of the European Court of Arbitration for Southern Italy, and current Chairman of the Naples Interdisciplinary Consultancy Board and Board of Arbiters of the Italy-USA Association of Solicitors. Chairman of Lextel, Director of Alleanza Assicurazioni and member of the board of Assicurazioni Generali. Contributes to a number of legal publications and newspapers and the author of numerous publications (including *Trattato di Diritto Immobiliare*). Joint Director of *Immobili e Diritto* (published by *Il Sole 24 Ore*). As journalist, he is a member of the Council of Journalists of Campania.

- **DARIO GALLI – DIRECTOR**

Born in Tradate (VA) on 25.06.1957. He has a degree in Mechanical Plant Engineering at Politecnico of Milan, since April 2008 he is Provincial President of Varese. He has been Member of Parliament at the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. He was assistant to General Administrative Office of the company FAST in Tradate, Responsible Manager manufacturing system at the AERMACCHI in Varese and Head of production and logistics at the REPLASTIC, Milan. He is currently mechanical contractor. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

^(*) Director without a voting right pursuant to Article 5.1-ter, subparagraph d) of the Articles of Association.

- **RICHARD GRECO – DIRECTOR**

Born in New York on 05.03.1969. He has a degree in Chemistry at Fordham University. He earned an MBA in finance from the University of Chicago and a Master degree in American Foreign Policy from the Johns Hopkins University. He established Filangieri Advisory Corp., where he is President, as well as Director of Mediware Information Systems, Boliven LLC and Performance Metals, Inc. He was an associate at The Scowcroft Group (Washington, D.C. 1996-1997); he practiced corporate finance at the Stern Stewart & Co (1997-2002); in 2002 he was appointed by the President of the United States as a White House Fellow and he was assigned to the Office of the Secretary of Defence as a special assistant. He was chief financial officer of the Department of the Navy. Author of numerous articles on finance, education and foreign policy, he was elected a lifetime member of the Council on Foreign Relations.

- **FRANCESCO PARLATO – DIRECTOR**

Born in Rome on 17th April 1961. He has been a Director of Finmeccanica since 12th September 2007 and his term in office was renewed by the Shareholders' Meeting of 6th June 2008. Graduated in Economics and Commerce at LUISS, Rome. In July 2007, he was appointed to the role of Head of the General Finance and Privatisation Section of the Treasury Department, where he had been head of the department responsible for the privatisation of groups and companies owned by the Ministry of the Economy and Finance since 2003. For a number of years, he occupied management posts at the IRI Finance Department. Currently a member of the Board of Directors of the electrical services body GSE S.p.A. (where he is Chairman of the Compensation Committee) and Fincantieri S.p.A., and a member of the Steering Committee of the Deposits and Loans Office. He has also been a Director of Tirrenia di Navigazione S.p.A. and Mediocredito del Friuli Venezia Giulia S.p.A.

- **NICOLA SQUILLACE – DIRECTOR**

Born in Crotone on 6.08.1964. He has a degree in Law from La Sapienza University of Rome; Lawyer of the Milan Court, he currently provides legal advice in finance and acquisition companies at the *Studio Legale Libonati – Jaeger* in Milan. He was a lawyer at *Studio Legale Schlesinger – Lombardi* and at *Studio Brosio, Casati e Associati*. He has been director of Unicredit Banca per la Casa SpA, as well as Director and member of the executive committee of Milano Assicurazioni SpA. He currently is Director of Mediocredito Italiano (formerly Banca Intesa Mediocredito). Author of numerous articles on corporate and financial law, he has also collaborated to the Department of Corporate Law of the University of Milan.

- **RICCARDO VARALDO – DIRECTOR**

Born in Savona on 17th June 1935. He has been a Director of Finmeccanica since 12th July 2005 and his term in office was renewed by the Shareholders' Meeting of 6th June 2008. Graduated in Economics at the University of Pisa, where he was a lecturer in Economics and Company Management from 1972 onwards. In 1987 he became a member of the staff of Scuola Superiore Sant'Anna for university and postgraduate studies. He is currently Chairman of said organisation, after previously acting as Director (Rector) from 1993 to 2004. Honorary Professor of the Chongqing University, China. Member of the Board of the Italy-Japan Business Group since 2004, of the Scientific Committee of the Lucchini Foundation and of Think Tank of Unioncamere. Currently a Director of Piaggio SpA (since 2006) and member of the Supervisory Board of Intesa San Paolo SpA (since 30 April 2008). He was director of Cassa di Risparmio di Firenze (until March 2008), Targetti Sankey (until April 2006), Oto Melara (2003-2005), Alleanza Assicurazioni, Gruppo Generali (1990-1993),

Nuovo Pignone (1989-1992). Chairman of the Italian Society of Marketing and a member of a number of other associations, including the Italian Society of Economists and the Italian Academy of Company Economics. He occupied a number of roles in ministries and public bodies and currently is membership of Commission MIUR for establishing research companies. Author of a number of monographs and articles in Italian and foreign publications. Editor of *Mercati e Competitività* and Joint Editor of *Economia e Politica Industriale* , and a member of the Scientific Committees of a number of other scientific publications.

- **GUIDO VENTURONI – DIRECTOR**

Born in Teramo on 10th April 1934. He has been a Director of Finmeccanica since 12th July 2005 and his term in office was renewed by the Shareholders' Meeting of 6th June 2008. Attended the Livorno Naval Academy, where he became an officer in 1956. In 1959, he obtained a pilot's licence from the Naval Aviation Branch, which authorised him to operate from aircraft carriers. Promoted to Rear-Admiral in 1982, he later went on to assume roles of increasing responsibility, including Head of Operations at the Navy and later at the Ministry of Defence, Commander of the 1st Naval Division, Deputy Head of the Naval General Staff, and Commander in Chief of the Naval Squadron in the Central Mediterranean. In 1992, he was appointed Head of the Naval General Staff, and in 1994 Head of the General Defence Staff. In 1999, he was appointed to the role of President of the Military Committee of NATO. Admiral Venturoni completed his mandate in Brussels in 2002 and retired from active service after 50 years in the forces. He occupied various important roles and conducted a number of military operations at national and international level, for which he was awarded several Italian and foreign decorations. More specifically, he was in charge of the multinational strategic and operational intervention led by Italy in Albania in 1997. From 2002 to November 2005, he was Chairman of Selenia Communications SpA (formerly Marconi Selenia Communications SpA).

The Directors of Finmeccanica accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration both of the number and type of the positions that they hold in the governing and control bodies of other companies listed on regulated markets (including foreign markets), of finance, banking or insurance companies or of other major companies.

In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as Director or Auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should not be higher than five (5) positions in companies listed on regulated markets, including foreign markets (Article 2 of the Board of Directors Regulations). The Board deems that any positions held by Finmeccanica Directors in companies either directly or indirectly controlled by Finmeccanica, or that are Finmeccanica investee companies, should not count for the purposes of the calculation of the number of directorships. The members of the present Board of Directors comply with the aforesaid limits.

The Board of Directors, however, feels that at the present stage of the law, the Shareholders' Meeting should have the responsibility for considering whether to adopt limits to the number of positions that a Director can hold, also considering the most appropriate procedures to apply to this point.

Each year, the Board notes, stating the results in the Corporate Governance Report, the positions as Directors or Auditors held by Directors in other companies listed in regulated markets (including foreign markets), or in finance, banking or insurance companies or major companies.

The positions as Director or Auditor held by members of the Board of Directors in companies not belonging to the Finmeccanica Group are shown below.

- **PIER FRANCESCO GUARGUAGLINI**
Director of Eutelsat Communications S.A.
- **PIERGIORGIO ALBERTI:**
Director of Parmalat S.p.A.
- **ANDREA BOLTHO VON HOHENBACH**
Director of Oxford Economics Limited
- **FRANCO BONFERRONI:**
Director of Alerion Industries S.p.A.
Director of Cassa di Risparmio di Brà S.p.A.
Director of Centro Banca S.p.A.(gruppo BPI).
- **MAURIZIO DE TILLA:**
Director of Alleanza Assicurazioni S.P.A.
- **RICHARD GRECO**
Director of Mediware Information Systems, Boliven LLC
- **FRANCESCO PARLATO:**
Director of Fincantieri S.p.A
Director of Gestore dei Servizi Elettrici S.p.A.
- **NICOLA SQUILLACE**
Chairman of Investimenti e Sviluppo S.p.A.
Director of Mediocredito Italiano S.p.A.
- **RICCARDO VARALDO:**
Director of Piaggio S.p.A.
Member of the Supervisory Body of IntesaSanPaolo S.p.A.

5.2. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or by the Articles of Association

The Board takes sole responsibility for the following matters (of course in addition those specified in Article 2381 of the Italian Civil Code), also in light of the provisions of Article 22.3 of the Articles of Association:

1. proposals for the voluntary winding-up of the Company;
2. the approval of merger or demerger projects involving the Company;
3. proposals to amend any clause in the Articles of Association or the adoption of new Articles;
4. the issuer's announcement of public offers to buy or exchange in accordance with Article 29 of Consob Resolution 11971 of 14 May 1999;
5. the definition of corporate strategy and organisation guidelines (including plans, programmes and budgets);
6. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
7. capital increases, incorporation, transformation, listing, mergers, demergers, winding up or the execution of shareholders' agreements with regard to direct subsidiaries;
8. designation of new Directors with powers, or of Directors, Statutory Auditors or external Auditors in direct subsidiaries;
9. the purchase, part exchange or sale of real estate and leases with a duration of more than nine years;
10. medium- and long-term positive and negative financial transactions with values of more than 25 million euro per transaction;
11. issuance of bank guarantees with a value amounting to more than 50 million euro per transaction;
12. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure of more than 250,000 euro;
13. the acquisition of equity investments, also by exercising option rights;
14. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;
15. transfers, contributions, licences and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to Defence;
16. moving research and development work related to Defence outside Italy;
17. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;

18. casting votes in the shareholders' meetings of subsidiaries, associates or investee companies (the notions of subsidiary and associate are to be understood within the meaning of Article 2359 of the Italian Civil Code) that carry out Defence activities concerning those matters specified in sections 14, 15, 16 and 17.

Also falling within the sphere of responsibilities of the Board is the execution of acts and agreements with a value of more than 150 million euro per transaction (the power vested in the Chairman and Chief Executive Officer for this purpose, in fact, is limited to amounts not exceeding 150 million euro per transaction).

Resolutions on matters for which the Board of Directors is solely responsible under the Articles of Association (Article 22.3), which are, in any event, included in the above list, are valid if they are adopted by the votes in favour of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this quotient results in a decimal number).

Further to the resolutions previously passed on the theme of matters reserved for the Board, the Board of Directors approved a specific document entitled "**GUIDELINES AND CRITERIA FOR THE IDENTIFICATION OF MATERIAL AND RELATED PARTIES TRANSACTIONS**" which may be consulted on the Company's website (Investor Relations section, Corporate Governance area).

Material transactions, which are included among those for which the Board of Directors has sole responsibility, were identified, in the light of the type of activity performed by Finmeccanica, in terms of both quantitative and qualitative criteria. It was decided not to attribute a specifically different degree of importance to transactions with related Parties within the significant transaction category, as it was thought that the criteria adopted to identify transactions for which the Board of Directors has sole responsibility already provide full safeguards.

Under the Articles of Association (Article 20), the Board of Directors meets whenever the Chairman deems it necessary, at the written request of the majority of its members or of the Board of Statutory Auditors.

The operational practice that has been followed by the Company for some time ensures that Board of Directors' meetings are held regularly: they take place at least once a month. The calendar for the following year's Board meetings is fixed within the month of December. There are 12 meetings on the calendar for 2009, three of which have already taken place in the first quarter of the year.

14 Board meetings took place during the 2008 financial year, lasting for an average of 2 hours. On the occasion of these meetings, as prescribed in the Board of Directors Regulations, documents are distributed in good time so that the participants are well informed when they take part in the proceedings.

The following are the Directors' attendance data for the meetings that took place during the 2008 financial year:

PIER FRANCESCO GUARGUAGLINI	14/14 meetings
PIERGIORGIO ALBERTI	14/14 meetings
ANDREA BOLTHO VON HOHENBACH	8/8 meetings (1)

FRANCO BONFERRONI	14/14 meetings
GIOVANNI CASTELLANETA	12/14 meetings
MAURIZIO DE TILLA	12/14 meetings
DARIO GALLI	8/8 meetings (1)
RICHARD GRECO	8/8 meetings (1)
FRANCESCO PARLATO	12/14 meetings
NICOLA SQUILLACE	8/8 meetings (1)
RICCARDO VARALDO	13/14 meetings
GUIDO VENTURONI	14/14 meetings
<i>FILIPPO ANDREATTA</i>	<i>6/6 meetings (2)</i>
<i>GIAN LUIGI LOMBARDI-CERRI</i>	<i>5/6 meetings (2)</i>
<i>ROBERTO PETRI</i>	<i>6/6 meetings (2)</i>
<i>PAOLO VIGEVANO</i>	<i>6/6 meetings (2)</i>

(1) from 6 June 2008

(2) up to 6 June 2008

All absences were duly justified.

As envisaged in the aforementioned Regulations, the Board of Directors:

- (a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, its corporate governance system and the Group structure;
- (b) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its key subsidiaries as established by the Chairman and Chief Executive Officer, paying particular attention each year to the adequacy, efficacy and effective functioning of the internal control system and of the system for managing conflicts of interests;
- (c) grants and revokes the Chairman and Chief Executive Officer's delegated powers, while having regard to the matters for which the Board is solely responsible under Article 2381 of the Italian Civil Code and the provisions of Article 22.3 of the Articles of Association, defining the limits and the methods of the exercise of these powers and the frequency with which the Chairman and Chief Executive Officer reports to the Board on the activities performed in their exercise;
- (d) decides the remuneration and conditions of service of the Chairman and Chief Executive Officer through the Remuneration Committee, which has been specifically delegated to do so, and those of the other Directors holding special positions, including membership of the Committees formed by the

Board of Directors, in consultation with the Board of Statutory Auditors and in accordance with Article 2389, paragraph 2, of the Italian Civil Code;

- (e) assesses general management performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
- (f) examines and approves the transactions of the Company and of its subsidiaries in advance when they are of significant strategic or economic importance or if they are materially important in terms of the Company's assets and financial position, paying particular attention to situations in which one or more Directors have interests of their own or on behalf of third parties, and, more generally, to transactions with related parties;
- (g) at least once a year, appraises the size, composition and functioning of the Board itself and of its Committees.

With the help of the Internal Control Committee, the Board of Directors lays down guidelines for the internal control system so that the main risks involving the Company and its subsidiaries are correctly identified and also satisfactorily measured, managed and monitored, also defining criteria for the compatibility of these risks with the sound and correct management of the enterprise.

Every year the Board, on the basis of reports from the Chairman of the Internal Control Committee, appraises the adequacy, efficacy and effective functioning of the organisation, administrative and accounting structure of the Company and of its key subsidiaries. The Board has defined as key subsidiaries those that it directly controls and that are responsible for managing the Group's areas of business - Helicopters, Electronics for Defence and Security, Aviation, Space, Defence Systems, Energy and Transport - having regard to all the activities these companies perform either directly or through other subsidiaries.

The Board of Directors deems that the control structure adopted by Finmeccanica is able to protect the Company from the risks typical of the activities that it carries out and to guard against them effectively, and is also able to monitor them in order to protect the Company and the Group's assets, financial position and income performance.

The Board has delegated the question of its administrative dealings with the Chairman and Chief Executive Officer to the Remuneration Committee, which takes the appropriate decisions in consultation with the Board of Statutory Auditors, keeping the Board fully informed.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by the Board and any subsequent changes.

Each year the Board of Directors appraises its size, composition and functioning and those of its Committees, making suggestions regarding any professionals whose presence on the Board it deems expedient and appropriate. The result of this appraisal is regularly announced to the market in the Corporate Governance Report.

The self-assessment procedure, already introduced in 2006, was again repeated for the fourth consecutive time in the early months of this year. As in previous years, the

self-assessment process took the form of interviews and individual discussions with each of the Directors, conducted with the support of specialist consultants. The process confirmed a favourable overall assessment of effective compliance with the code of practice set out in the Board of Directors Regulations and the Self-Regulatory Code for Listed Companies.

As regards structure, the Board considers that its size and composition - and this applies both to the Board itself and to its Committees - as introduced with its latest mandate - have further improved, starting from previous structures, which moreover were already considered appropriate to Finmeccanica's governance. The composition of the Board is considered excellent both in quality and in size and expertise, recently enhanced by international Directors, as well as by the high number of independent Directors.

The functioning of the Board was also assessed very favourably, as it was thought that the conduct and processes underlying its operations are among the most noteworthy in the field of Italian corporate governance culture, and general satisfaction was expressed with the performance of the Board of Directors, the Company management and the Group.

The Board considers that the size, composition and functioning of the Committees is satisfactory, with room for improvement in the information these Committees give the Board of Directors concerning their work.

During the self-assessment procedure, it was also found that there are opportunities for the members of the Board of Directors to be provided with more detailed information so that they can more fully understand the unusual intricacies of Finmeccanica's business areas and that there is also room for some improvement in the Board's operations. These issues will be the subject of further discussions within the Board itself so that the most appropriate steps can be taken.

Finally, the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision in Article 2390 of the Italian Civil Code. In accepting his position, therefore, each Director has stated that he does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his/her appointment.

5.3 DELEGATED BODIES

The Chairman and Chief Executive Officer, who is the Company's authorised representative and signatory in accordance with the law and the Articles of Association, has been delegated with the following responsibilities:

- directing and running the enterprise, its offices and representations, resolving and performing all the acts falling within the sphere of the Company's day-to-day management;
- identifying the Company and the Group's lines of strategy and the alliances, acquisitions and disposals policy to submit to the Board of Directors, entering into the necessary contacts with subsidiaries, associates and investee companies;

- executing Board of Directors' resolutions, performing the acts, including the acts of extraordinary management, resolved by the Board.

The Chairman and Chief Executive Officer has therefore been vested with the necessary powers to perform the above functions, also setting some limits to their exercise, among which € 150 million as the maximum amount for the execution of acts and agreements on behalf of the Company, € 50 million for the issuing of guarantees, € 25 million for medium- and long-term positive and negative financial transactions and € 25 million for the conclusion of compromise settlements, all per single transaction.

The concentration of the positions of Chairman and Chief Executive Officer in a single person answers the need to provide strong leadership, also so that the complex relations with international partners are managed in the best possible way. This approach also has the agreement of the majority Shareholder and is supported by a wide range of other Shareholders.

The Chairman and Chief Executive Officer is in any case assisted by a management structure that focuses on specific business areas with a high degree of professionalism, coordinated at corporate level by the General Manager, Co-General Manager and the Central Manager for External Relations, who, with the Chairman and Chief Executive Officer, make up the MANAGEMENT COMMITTEE.

The Chairman of the Board of Directors calls Board meetings, coordinates their work and directs the proceedings at meetings, ensuring that the Directors are given satisfactory information in good time so that the Board can express itself in a properly informed manner regarding the matters submitted for their attention.

In this respect, the specific rules governing the procedures involved in the functioning of these meetings, set out in the Board of Directors Regulations, specify the methods whereby the members of this body are assured that the utmost fairness is observed both in the phase in which prior information is supplied regarding the items on the agenda and in the methods of conducting the meetings.

The Chairman and Chief Executive Officer is also expected to provide the Board of Directors with full information regarding the main activities he has performed in the exercise of his delegated powers and regarding any atypical or unusual transactions or transactions with related parties for which the Board of Directors does not have sole responsibility. In this respect, Paragraph 13 below should be referred to for the specific principles of conduct involved, especially as regards transactions with related parties.

This information is provided at the same time as the periodic accounts (annual financial statements, half-year and interim management reports) are submitted for the approval of the Board of Directors.

5.4. OTHER EXECUTIVE DIRECTORS

The Board of Directors is exclusively composed of NON-EXECUTIVE DIRECTORS (namely Directors without delegated operational and/or functional powers in the Company), except for the Chairman and Chief Executive Officer.

The different Company departments have arranged for sessions at which specific themes are discussed in detail in order to provide the Directors and Statutory Auditors with better knowledge of the Company, of the Group and of corporate affairs. This measure was adopted at the initiative of the Chairman and Chief Executive Officer and in consultation with the Lead Independent Director.

Since the new Board was formed in June 2008, sessions have been held on the Group's industrial structure, its target markets, its operations control process, its financial management and the process of the preparation of its consolidated financial statements. There are to be further sessions devoted to examining Directors' liabilities with regard to the Group's governance and its human resources policy.

In addition to this, during each financial year some Board meetings are held in Group companies, also selected in consultation with the Lead Independent Director, to give the Directors the opportunity of becoming acquainted with these other companies' programmes, management and activities.

5.5. INDEPENDENT DIRECTORS

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Self-Regulatory Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. The assessment is repeated annually at the Board meeting called to approve the draft annual budget. In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment, as envisaged in the Board Regulations.

The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which verifies that the assessment criteria and procedures have been correctly applied.

After the assessment conducted on 10 March 2009 involving 10 serving non-executive Directors appointed by the Shareholders' Meeting (and therefore excluding Ambassador Castellaneta, the Director without voting rights designated by Ministry Decree in accordance with Article 5.1 *ter* (d) of the Articles of Association), the Board confirmed that the independence requirements were satisfied in the cases of all the Directors with the sole exception of Francesco Parlato, by virtue of his working relationship with the Ministry of Economy and Finance, which has a shareholding of about 30.20% in the Company's share capital.

Also on this occasion, the Board of Statutory Auditors verified that the criteria and procedures had been correctly applied by the Board of Directors.

Upon depositing the lists of candidates for positions as Directors, the candidates themselves also declared that they satisfied the independence requirements prescribed by law (Article 148, paragraph 3, of the Consolidated Financial Services Act).

It should be noted that none of the serving non-executive Directors has any substantial direct or indirect commercial, financial or professional relationship with the Company and/or its subsidiaries.

The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board Regulations:

- persons in a position to significantly influence Finmeccanica are shareholders holding 10%, even indirectly, of its equity and, in any event, the Ministry of the Economy and Finance and the Ministry of Economic Development, inasmuch as they have the special powers envisaged in the Articles of Association.
- as regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Director's independence. The Board, however, set a limit to Directors' emoluments (51,660 euro), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.
- additionally, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Finmeccanica through the Ministry of the Economy and Finance, the Board of Directors appraises Directors' past or present employment by the Office of the President of the Council of Ministers, the Ministry of the Economy and Finance, the Ministry of Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities' policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his obligation to the Company to attend to his duties with the diligence called for by the nature of the position and by his specific expertise.

Independent Directors meet at least once a year, in the absence of the other Directors. Meetings are convened at the request of the independent Directors or by the Lead Independent Director. 3 meetings of independent Directors were held during 2008. During these meetings, the independent Directors examined the most important factors in the Group's evolution and some of the key themes involved in working out the strategic planning policies and guidelines for the future, the Group's organisational model, investment policies and the strategic development of human capital.

During the 2008 financial year, the Directors also received specific information regarding the position and the trends of structural costs from the Company offices concerned, and asked to be updated on the action taken by the management to monitor the Group's industrial processes in order to make them more efficient.

5.6. LEAD INDEPENDENT DIRECTOR

On 26 June 2008, the Board of Directors, with the abstention of the Chairman and Chief Executive Officer as provided for in the Board's Regulations, appointed Admiral Guido Venturoni to the position of Lead Independent Director, with the task of leading and coordinating the requests and contributions of non-executive directors, and specifically:

- assisting the Chairman and Chief Executive Officer in ensuring that Directors receive full and prompt information;
- convening, independently or at the request of other Board members, special meetings of independent Directors to discuss issues considered relevant to the functioning of the Board or the Company's operations;
- facilitating the process of the assessment of the members of the Board;
- working with the Chairman and Chief Executive Officer in drawing up the annual calendar of Board meetings;
- informing the Chairman and Chief Executive Officer of any matters to be submitted to the Board for scrutiny and appraisal.

The Lead Independent Director serves throughout the term of office of the Board of Directors, that is, until the Shareholders' Meeting held to approve the 2010 financial statements.

The Lead Independent Director met the Chairman and Chief Executive Officer several times to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the transactions that are submitted for the Board's attention.

Apart from deciding the contents of the independent Directors' meetings referred to above, and chairing them, the Lead Independent Director worked with the Chairman and Chief Executive Officer in defining the measures to take in order to give Directors and Statutory Auditors a better knowledge of the Company, the Group and their performance.

6. MANAGEMENT OF CORPORATE INFORMATION

Particular care was taken within the Company to the management and handling of confidential information and the methods whereby it was transmitted externally, with special regard to confidential information.

For some time now, specific internal procedures have been adopted to coordinate the management and transmission of this information within the Group, in order to ensure compliance with the special restrictions and disclosure obligations imposed on listed issuers at every structural level, including subsidiaries.

These procedures were updated in more organic terms during 2007, by means of a specific directive addressed to Company executives and employees, Directors, Auditors and external advisors regarding relations with the media and, more generally, the handling of inside and confidential information.

This directive was also distributed to the companies controlled by Finmeccanica, which must also abide by and implement its provisions.

The Company's Central Public Relations Department is responsible for the management of the process of announcing corporate information to the outside world.

In the framework of the procedures for the management and announcement of corporate information and in accordance with the Internal Dealing Regulations, at its meeting on 28 March 2006 the Board of Directors resolved to adopt a **CODE OF INTERNAL DEALING**, to replace the previous Code of Ethics. The new Code, which complies with the implementation regulations issued by CONSOB in adopting the provisions of the European Directive on Market Abuse, may be consulted on the Company's website (Internal Dealing area, accessible through Investor Relations / Corporate Governance).

The Code of Internal Dealing, which became effective on 1 April 2006, regulates the flows of information on any transactions relating to shares issued by Finmeccanica and other "related financial instruments" as described by CONSOB, that may have been executed, even through a third party, by the "Relevant Persons" of the Company and parties "closely connected" with them. For the purposes of the Code, the notion of 'Relevant Persons' includes the Directors, Auditors and General Manager and all persons acting as Co-General Managers. The disclosure requirements laid down in the Code also extend to transactions carried out by "Parties closely connected with Relevant Persons", as defined by CONSOB.

The Code sets a value threshold for transactions entered into on or after 1 April 2006 that have to be disclosed: under the new rules, only transactions with a total value of less than 5,000 euro are exempt from the obligation.

As regards the deadline for disclosure to CONSOB and to the public, "Relevant Persons" are required to ensure that their notification reaches the Company within four trading days after the transaction, and the Company must inform CONSOB, the Stock Exchange and the press agencies before the end of the trading day after receiving the information. The Company also promptly publishes the information transmitted on its website, in the Internal Dealing area, which is accessible through Investor Relations / Corporate Governance.

In order to ensure that the new rules are correctly applied, the Company has laid down specific operating methods to ensure that "Relevant Persons" are made aware of their obligations and are provided with the help necessary for them to fulfil them.

Finally, in accordance with Article 115 *bis* of the Consolidated Financial Services Act, the Company has arranged for the opening of a register of persons who have either regular or occasional access to inside information owing to their work or profession or by virtue of the functions that they perform, and sees that the Register is kept up to date in compliance with the current regulations.

7. BOARD OF DIRECTORS' INTERNAL COMMITTEES

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Self-Regulatory Code and as laid down in its own Regulations. Among these Committees are the Internal Audit Committee and the Remuneration Committee, whose functions, work and composition is described in detail below.

The Board has also set up a **STRATEGIC COMMITTEE**, consisting of:

PIER FRANCESCO GUARGUAGLINI – Chairman

ANDREA BOLTHO VON HOHENBACH	from 26 June 2008
GIOVANNI CASTELLANETA	
DARIO GALLI	from 26 June 2008
RICHARD GRECO	from 26 June 2008
FRANCESCO PARLATO	
NICOLA SQUILLACE	from 26 June 2008
GUIDO VENTURONI	
<i>FILIPPO ANDREATTA</i>	<i>until 6 June 2008</i>
<i>ROBERTO PETRI</i>	<i>until 6 June 2008</i>
<i>PAOLO VIGEVANO</i>	<i>until 6 June 2008</i>

This Committee's task is to assess the strategy options for the Group's advancement and the relative business plans drawn up by the Chairman and Chief Executive Officer for submission to the Board of Directors.

During 2008, the Committee did not meet. In light of the nature of the main strategic operations, the entire Board was involved in their appraisal from their early stages.

During the first quarter of 2009, this Committee scrutinised the activities and strategic development outlook of the Finmeccanica Electronics, Defence and Security sectors.

In January 2007, in order to obtain the support of experts and other persons involved in the international aerospace and defence sectors, the Board of Directors resolved to set up the **SENIOR DEFENCE ADVISORY COMMITTEE (SDAC)** composed of Prof. Christian de Boissieu (France), Sir Brian Burrige (UK), Admiral Gregory G. Johnson (USA), Sir Kevin Tebbit (UK), General Peter Pace (USA) and Director Admiral Guido Venturoni. This step was taken for the benefit of the Company's top management and Board in deciding and evaluating sector strategy.

8. APPOINTMENTS COMMITTEE

The Board of Directors has taken the decision not to form a Board committee to propose candidates for positions as Directors or to exercise its right to present its own list of candidates as to date it has not found that the Shareholders have any difficulty in submitting lists of candidates on the basis of the list voting mechanism.

Please refer to Paragraph 5.1 above for information on the method and procedures for the appointment of Directors.

9. REMUNERATION COMMITTEE

<u>MEMBERS OF THE REMUNERATION COMMITTEE:</u>	<u>ATTENDANCE</u>
RICCARDO VARALDO – Chairman	5/5 meetings
PIERGIORGIO ALBERTI	5/5 meetings
FRANCO BONFERRONI	5/5 meetings
DARIO GALLI	(from 4 February 2009)
FRANCESCO PARLATO	3/5 meetings

This Committee met five times during the 2008 financial year and three times during the first quarter of 2009.

The duties of this Committee, composed of 5 non-executive Directors, 4 of which are independent, are:

- to determine the remuneration and conditions of service of the Company's Chairman and Chief Executive Officer, in consultation with the Board of Statutory Auditors if so required by Article 2389 of the Italian Civil Code, within the framework and limits of regulating his working relationship with the Company;
- assessing the proposals of the Chairman and Chief Executive Officer of the Company in relation to the general criteria for remunerations and incentives and considering the plans and mechanisms in place for developing the management skills of the Group's key resources and the executive Directors of Group companies;
- assisting the Company's top management to decide on the best policies for the handling of the Group's managerial resources;
- assessing top management proposals for the introduction of and changes to share-based incentive or stock option plans for Company Directors and executives for submission to the Board of Directors;
- performing the functions for which it is responsible in relation to the management of the long-term incentive plan as prescribed in the appropriate Regulations.

The Committee's work is subject to specific **RULES OF PROCEDURE**, the text of which may be consulted on the Company's website (Investor Relations section in the *Documenti Societari* area).

Since it was formed in December 2007, the Remuneration Committee has played a role in support of the Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and its salary and retention policies.

In this respect, incentive plans have been implemented based on performance and growth targets set for the Group's share price and value.

Furthermore, in line with the strategic objective of refocusing on management development and planning as one of the key priorities of Finmeccanica, the Committee has supported the creation of a qualified, structured and periodic management appraisal process, designed to select the beneficiaries of the long-term incentive programme objectively and impartially.

In greater detail, during 2008 the Committee:

- examined the 2008 MBO Programme for the Group management and specifically approved the MBO programme for the Chairman and Chief Executive Officer;
- recommended the confirmation of the Group's medium- to long-term incentive programme, consisting of the Long-Term Incentive Plan (cash) and Performance Share Plan (stock grant) and verified that the targets for the 2007 financial year had been achieved;
- having noted the results for the 2007 financial year with reference to the short- and medium- to long-term incentive plans for the Group management, it arranged for the Chairman and Chief Executive Officer to receive what was due to him and authorised the transfer of company shares to those participating in the Performance Share Plan, who include the Chairman and Chief Executive Officer;
- continued managing the Performance Share Plan for the three-year period 2008-2010 and the previous stock grant incentive plan 2002-2004, also arranging, as envisaged in the Plan Regulations, for the subscription price of the shares to be adjusted after the capital increase transaction that was carried out during the financial year;
- defined the details of the administrative relationship with the Chairman and Chief Executive Officer for the term of his new appointment.

In the early months of 2009, the Committee assessed the short- and medium- to long-term incentive schemes in force and approved the assignment of the 2009 MBO incentives and of the 2008-10 non-share incentive plan to the management, also determining their related performance objectives. The Committee expressed its approval of the incentives and objectives assigned to the Chairman and Chief Executive Officer.

The Committee also examined and assessed the key features of the Group's remuneration policy. Finally, it analysed employment change trends and labour costs with reference to domestic and international operations.

The Committee avails itself of the Company's Central Human Resources Department and of assistance from external professionals in the performance of its functions.

Committee meetings are duly minuted.

The Co-General Manager, the Central Human Resources Manager and the Chairman of the Board of Statutory Auditors are always asked to attend Remuneration Committee meetings.

10. DIRECTORS' REMUNERATION

The Board of Directors has formed a special **REMUNERATION COMMITTEE**, as described in Paragraph 9 above. The Committee is responsible, *inter alia*, for determining the salary and conditions of service of the Chairman and Chief Executive Officer of the Company, in consultation with the Board of Statutory Auditors if required by Article 2389 of the Italian Civil Code, based on the terms of his employment contract with the Company. The Committee reports its decisions to the Board.

Like all the Group's key resources, the Chairman and Chief Executive Officer receives two kinds of variable payments in addition to his basic salary, including the pay resolved by the Shareholders' Meeting:

1. an annual MBO and additional payments (Long-Term Incentive Plan) in respect of the three-year rolling incentive plans, all of which linked to quantitative targets related to the Group's achieving certain economic and financial results as laid down with the approval of the Remuneration Committee;
2. the free allocation of shares, as provided for in the Long-Term Incentive Plan, based on shares and approved by the Shareholders' Meeting, also linked to the attainment of Group economic and financial results as stipulated with the approval of the Remuneration Committee.

These forms of variable remuneration are also paid to key executives in the Company and the Group.

As has already been pointed out, no other Director has executive duties in the Company or the Group. Non-executive Directors' remuneration is set by the Shareholders' Meeting, and is therefore not linked to the Company's results. Furthermore, non-executive Directors are not beneficiaries of share-based incentive plans.

In consultation with the Board of Statutory Auditors, the Board of Directors has set a special fixed annual payment of € 2,500 for attendance at Internal Committee meetings, together with an attendance fee of € 2,000 per meeting. The Chairman of the Internal Control Committee and the Chairman of the Remuneration Committee also receive an additional sum of € 5,000 per year.

The independent Director that acts as Chairman of the Supervisory Body is paid a special additional sum of € 7,500 per year in addition to an attendance fee of € 2,000 per meeting.

Admiral Guido Venturoni, who also acts as the Chairman of the Senior Defence Advisory Committee (SDAC), is paid a special fixed sum of € 5,000 per year in addition to an attendance fee of € 2,000 per meeting.

In compliance with disclosure obligations for listed issuers, it should be noted that Finmeccanica prepares a detailed report each year on the remuneration paid for any reason and in any form, including sums paid by subsidiaries, to individual Directors and Auditors, to the General Manager and to key executives.

A table showing this information may be consulted in the notes to the financial statements.

11. INTERNAL AUDIT COMMITTEE

The Board of Directors formed an Internal Audit Committee from among its members, which met 8 times during the financial year, while it met twice in the early part of 2009.

The Committee was composed as follows during 2008:

<u>INTERNAL CONTROL COMMITTEE:</u>	ATTENDANCE
PIERGIORGIO ALBERTI – Chairman	8/8 meetings
FRANCO BONFERRONI	8/8 meetings
MAURIZIO DE TILLA	7/8 meetings
GIAN LUIGI LOMBARDI-CERRI (1)	4/8 meetings
NICOLA SQUILLACE (2)	4/8 meetings

(1) until 6 June 2008

(2) from 26 June 2008

The Committee is composed of four non-executive Directors, all independent; moreover, the composition of the Committee is consistent with the recommendation that at least one of its members should have appropriate experience in accounting and finance.

The work of the Internal Audit Committee is governed by specific Rules of Procedure approved by the Board of Directors, the text of which has been reviewed in the light of the changes made to the Self-Regulatory Code and the introduction of the new role of executive with responsibility for the preparation of the accounting and corporate documents.

The text of the **RULES OF PROCEDURE** may be consulted on the Company's website (Investor Relations section, *Documenti Societari* area).

At the Committee's request, the Board of Statutory Auditors and the Internal Audit Manager constantly attend its meetings, and the Chairman and Chief Executive Officer may also attend. If it is deemed appropriate, also depending on the items on the agenda, Company and Group executives and employees may also be asked to attend meetings of this Committee as well as third parties who are not members.

The Committee is vested with the tasks of advising and putting forward proposals to the Board of Directors in the framework of the performance of its supervisory responsibilities.

Specifically, the Committee's duty is to verify the levels of functionality and adequacy of the internal control system and effective compliance with the internal procedures, both operational and administrative, that have been adopted on the one hand in order to assure sound and effective management and on the other, in order, as far as possible, to identify, prevent and manage financial and operational risks and fraud against the Company.

The following are mentioned from among the Committee's specific tasks:

- (a) assisting the Board of Directors in laying down the guidelines for the internal control system and in at least an annual assessment of its adequacy, efficacy and effective functioning;
- (b) together with the executive responsible for the preparation of the Company's accounting documents and the Auditors, assessing the adequacy of the accounting principles adopted and their homogeneity for the purposes of the preparation of the consolidated financial statements;
- (c) expressing opinions, at the request of the executive Director responsible for the matter, on specific aspects arising from the identification of the main business risks and the design, creation and management of the internal control system;
- (d) examining the working plan drawn up by the Internal Control Manager and his periodic reports;
- (e) considering the proposals made by the auditing firm in applying for the appointment and the working plan drawn up for the audit, and the results set out in the report and in the letter of recommendations, if any;
- (f) supervising the efficacy of the accounts audit process;
- (g) reporting on the work done and on the adequacy of the internal control system to the Board of Directors at least every six months during the meetings held to approve the budget and the half-year accounts statements;
- (h) carrying out any additional duties assigned to it by the Board of Directors.

During the 2008 financial year and in the first months of 2009, the Internal Audit Committee dealt with the matters referred to below, consequently periodically verifying the adequacy and effective functioning of the organisational structure of the internal control system. Specifically, during this period the Committee:

- continued with the monitoring of the process of the implementation of and conformity to Finmeccanica directives, which also act as guidelines for the procedures adopted by subsidiaries, with a view to the integrated and homogeneous management of corporate activities and processes;
- continued with the process of verifying the procedures followed by subsidiaries in order to ensure that they are complete and respond to the requirement for correct

management of the activities and processes of each company and are consistent with the Parent Company's guidelines;

- examined the Audit Department report on the work done during 2008 and all the audit reports issued during the period;
- approved the 2008 Audit Plan, which envisages a series of inspections of some corporate processes;
- examined the methods that the Company follows in handling civil and administrative litigation;
- examined the training and human resources development system adopted in the Finmeccanica Group;
- examined the methods adopted by Finmeccanica's main subsidiaries in applying the guidelines laid down in the Internal Audit Manual;
- examined the information given by Finmeccanica's Board of Statutory Auditors regarding the results of the meetings that it held in conformity to the combined provisions of Article 151, paragraph 2, of the Consolidated Financial Services Act and Article 2403 *bis*, paragraph 2, of the Italian Civil Code, in order to allow information to be acquired regarding the systems of governance and control of the various companies and regarding the Company's general business performance;
- continued with the monitoring of the Finmeccanica Procedures and Directives system and with seeing that they are correctly applied, also by its subsidiaries.

With the support of the Audit Department, the Committee carried out the operations necessary to enable the Board of Directors to assess the adequacy of the organisational, administrative and general accounting structures of the Company and its key subsidiaries.

The Committee also audited the preparation of the half-year report and the annual financial statements, issuing special reports to the Board of Directors with information concerning the findings of these audits, with recommendations as appropriate.

The Committee also received periodic updates regarding the work done in connection with conformity to the rules introduced by Law 262/2005, including investigation into the applicability to the Company of the obligations on listed companies arising from the control of foreign companies outside the European Union. In particular, the Committee was informed of the progress that has been made on this matter in the Group, the different phases and the time it is expected to take for the Company to fully conform to the new legislation.

Finally, on the basis of reports from the Internal Audit Manager and the auditing firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing consolidated financial statements

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, as has already been stated, were duly minuted.

For the performance of its tasks, the Committee has the right to avail itself of the Internal Audit Manager and the assistance of both internal employees and outside

professionals, provided they are appropriately bound by contract to observe confidentiality and to abide by the Company's ethical principles.

In carrying out its work the Committee also uses the appropriate Company structures, from which it receives the necessary information. Consequently, while it retains the right, mentioned above, to avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

12. INTERNAL AUDIT SYSTEM

The Board of Directors, with the support of the Internal Audit Committee, and also by means of the work of the executive Director responsible, defines the guidelines for the internal control system so that the main risks relating to the Company and its subsidiaries can be correctly identified and properly measured, managed and monitored. It also determines the criteria for assessing whether these risks are compatible with the sound management of the Company.

The Internal Audit Committee Rules of Procedure adopt the internal audit principles laid down in the Self-Regulatory Code, taken as the combination of rules, procedures and organisational structures whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, to allow the enterprise to be managed on a sound and proper basis, consistently with the targets that it sets itself.

Finmeccanica's internal control system is at present composed of:

- the Internal Audit Committee;
- the Internal Audit Manager;
- the Supervisory Body, which verifies the implementation and efficacy of the Organisational, Management and Control Model.

Aware of how fundamentally important a proper internal control system is for fair and efficient business management, the Board of Directors believes that the audit structure adopted by Finmeccanica S.p.A. is an effective safeguard against the risks inherent in its core business and a suitable means of monitoring these risks in order to protect the Company and the Group's assets and economic and financial situation.

On the basis of the statements made by the Chairman of the Internal Audit Committee, during the financial period the Board of Directors assessed the organisational, administrative and accounting structure of the Company and of its main subsidiaries as being adequate, efficacious and actually operative. After this assessment, the Internal Audit Committee informed the Board of Directors of the special meetings that had taken place with the subsidiaries with the purpose of examining the functioning of their respective internal control systems.

The assessment process involved, in particular: an examination of the findings of the risk analyses conducted on key corporate processes presented by the individual subsidiaries; an examination of the findings of the operational procedure tests and of the analysis of the Company's organisation carried out by the Audit Department; and

an examination of the findings of the meetings held between Finmeccanica's Board of Statutory Auditors and the corresponding bodies in the main subsidiaries.

Meetings were held under the aegis of the Committee at which the procedures adopted by the subsidiaries were examined in detail together with the management of the subsidiaries concerned in order to verify that they are complete and respond to the need for the correct management of corporate activities and processes and that they conform to the Group's guidelines, after preparatory work had been done in the form of appropriate research and investigation on the part of the Internal Audit Manager.

12.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL AUDIT SYSTEM

Ing. Pier Francesco Guarguaglini, the Chairman and Chief Executive Officer, is responsible for supervising the functionality of the internal audit system. Ing. Guarguaglini puts the guidelines laid down by the Board of Directors into practice, seeing to the planning, creation and management of the internal control system.

In this capacity, Ing. Guarguaglini, with the support of the Internal Audit Committee and the Internal Audit Manager:

- ensured that the main corporate risks (strategic, operational, financial and compliance) were identified in the light of the features of the activities carried on by the Company and its subsidiaries, periodically submitting them to the attention of the Board;
- supervised the planning, creation and management of the internal control system, constantly verifying its overall adequacy, efficacy and efficiency;
- saw that the system was adjusted to changes in operational conditions and the legislative and regulatory framework;
- proposed to the Board that Dott. Giuseppe Bargiacchi, the Audit Manager, be appointed as Internal Audit Manager, with a remuneration consistent with the Company's policy with regard to these positions.

12.2. INTERNAL AUDIT MANAGER

At the proposal of the executive Director responsible for the supervision of the functionality of the internal control system, in consultation with the Internal Audit Committee, on 15 May 2002 the Board of Directors resolved to appoint Dott. Giuseppe Bargiacchi, whose remuneration, as has already been stated, is consistent with the corporate pay policy, as Internal Audit Manager, with the responsibility for verifying that the internal control system is always adequate, fully operative and functional. Dott. Bargiacchi also fills the position of Audit Manager.

The Internal Audit Manager, who reports to the Chairman and Chief Executive Officer, is not accountable to the managers of the operational areas, including the administration and finance area, has direct access to all the information he needs in order to perform his duties and periodically reports on his work to the Internal Audit

Committee, the Board of Statutory Auditors and to the executive Director responsible for the supervision of the functionality of the internal control system.

During 2008 the Internal Audit Manager carried out the following main activities:

- executed the Audit Plan;
- managed and updated the register of natural and legal persons that have access to inside information;
- coordinated the Internal Audit Managers of the companies involved in implementing Law 262/05. In this context, particular importance was attached to the role of the guidelines and “narratives” introduced in 2008 to specify and describe the activities and responsibilities of the persons involved in relevant processes for the purposes of Law 262/05 and the monitoring related to it. During the 2008 financial year 6 guidelines and 19 narrative documents were issued.
- expert support to the Supervisory Body set up under Legislative Decree 231/01, also in connection with work on reviewing the Company’s Organisational, Management and Control Model.

The main activities related to Group companies that the Internal Audit Manager reported to the Internal Audit Committee were:

- coordination of the three-year Risk-Based Audit plans and monitoring the work involved;
- checking the implementation of the TeamMate software tool in support of auditing work;
- conclusion of the second phase in the Quality Assurance and Improvement Programme, which involved seven subsidiaries in the 2008 period. This programme, which was launched in 2007, gradually concerned all the first-level subsidiaries, checking the degree to which they had adopted the organisational and operational instructions in the Group guidelines on internal auditing.

The Internal Audit Manager reported to the Internal Audit Committee on the work done by the main Group companies with regard to Legislative Decree 231/01. The Manager stated that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Supervisory Body by their respective Boards of Directors. In this connection, the companies (as also Finmeccanica S.p.A.) are engaged in reviewing their Organisational, Management and Control Models as a result of the recent changes to the text of Legislative Decree 231/01.

The Internal Audit Manager has financial resources included in the Audit Department budget in order to carry out his duties. This Department’s activities have not been outsourced.

12.3. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL UNDER LEGISLATIVE DECREE 231/2001

In view of the entry into force of Legislative Decree 231/01 as amended and supplemented, introducing specific corporate responsibility for certain types of criminal offence, the Company has adopted appropriate measures to prevent it from incurring any criminal responsibility in accordance with the provisions of this law. Special supervisory systems have been put in place aimed at preventing the offences contemplated in this Decree, which could potentially be committed by Directors, Auditors, management, employees or any other party having contractual/financial/commercial relations with Finmeccanica S.p.A.

For this purpose, during its meeting of 26 July 2007 the Board of Directors of Finmeccanica S.p.A. approved the new version of the Organisational, Management and Control Model prepared pursuant to Legislative Decree 231/01 (this document was first adopted by the company by means of a Board resolution of 12 November 2003). The new version was prepared in the light of the additional provisions of law inserted into the body of Legislative Decree 231/01: Law 62/05 (on market abuse) and 262/05 (protection of savings).

In detail, this Model, which is also a point of reference for other Group companies in the preparation of their own protocols, is composed of:

- a General Part, essentially dealing with:
 - 1) the Supervisory Body, the flows of information that have to be sent to it and its reports on the work it has done with respect to Company bodies;
 - 2) staff training and the circulation of the Model within and outside the Company;
 - 3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- Part A, which covers offences against the public authorities and corporate offences, listing areas of the company potentially at risk from these types of crime, establishing the rules of conduct for individuals working in these areas and defining monitoring procedures;
- Part B, which covers corporate offences, structured as per section A above, for corporate offences, structured in the same way as Part A.

The following annexes are integral parts of Finmeccanica S.p.A.'s Organisational, Management and Control Model:

- Code of Ethics;
- organisational structure;
- distribution and system of delegating powers;
- report sheet for monitoring areas in which there is the risk of criminal offences against public authorities;
- list of "Relevant Parties" in accordance with the Code of Internal Dealing;
- legislative framework.

The aforementioned **ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGISLATIVE DECREE 231/2001** may be consulted on the Company's website, in the Investor Relations/Corporate Governance section. In addition to this, we wish to state that all the key Italian subsidiaries have adopted Organisational, Management and Control Models under Legislative Decree 231/01, which can also always be consulted on their respective websites.

With regard to the legislative framework scenario, we have to report that after the Finmeccanica Board of Directors resolution of 26 July 2007, the legislator made further additions to the types of criminal offence for which the entity concerned may be answerable, by virtue of the following provisions affecting Legislative Decree 231/01:

- Law 123/2007 (effective from 25 August 2007), which reorganised the law governing health and safety in the workplace and extended the administrative liability of legal persons for certain wrongful acts committed in breach of health and safety laws (Article 25 *septies* of Legislative Decree 231/01);
- Legislative Decree 231/2007 (of 21 November 2007) which introduced Article 25 *opties* into Legislative Decree 231/01, concerning criminal offences such as receiving, money laundering and using funds, assets or profits of illicit origin;
- Law 48 of 5 April 2008, ratifying the European Convention on Cybercrime, which inserted Article 24 *bis* into Legislative Decree 231/01; this law regarded computer crime and the illegal processing of data.

A review of the current Organisational, Management and Control Model under Legislative Decree 231/01 was started after a resolution regarding the matter by Finmeccanica's Board of Directors on 25 September 2008, as a result of these changes in the law, which affected Legislative Decree 231/01, and as a result of the changes that had been made to the Company's organisational structure. The following work is to be done in the framework of the review:

- the corporate risk map must be updated in the light of the new criminal offences introduced into Legislative Decree 231/01 (Article 25 *septies* and *octies* and Article 24 *bis*), and the monitoring points must be established;
- the persons in charge of activities at risk must be identified and the monitoring in existence or to be started in these risk areas must be specified;
- the different types of criminal offence must be related to the methods for the implementation of the Model.

This work should be terminated before the end of the first half year of 2009 with the Company Board of Directors' approval of the new document, which is also to incorporate the instructions in the reviewed version of the Italian Confederation of Industrialists' guidelines, issued in 2008. The process of reviewing the subsidiaries' Organisational, Management and Control Models has also been started and in fact has already been concluded by some companies. In general, this process is expected to be completed for all the companies within the Group before the end of 2009.

The structure of the Supervisory Body established pursuant to the terms of Legislative Decree 203/01, which had been composed of one person since 2002,

was changed in May 2005 by the Board of Directors, which adopted a multiple member format, in line with the latest Italian Confederation of Industries guidelines and developments in case law relating to medium to large industrial groups. The subsidiaries were subsequently also notified of this decision so that their respective Boards of Directors could carry out their own appraisals. To date, the Supervisory Bodies of the Group's main subsidiaries are collective, while the approach for the minor companies is to have a one-person Supervisory Body as per Article 6 of Legislative Decree 231/01.

Finmeccanica's SUPERVISORY BODY is composed of a non-executive Director acting as Chairman, Avv. Maurizio de Tilla, and the current Managers of the Audit and Legal and Corporate Affairs Departments as members. The Board of Directors has decided that the Supervisory Bodies of the first-level subsidiaries should be composed in the same way; in cases where there is no independent Director, a member of the Board of Statutory Auditors has been appointed as Chairman of the Supervisory Body. In some companies, in view of the complexity of the Company's business and its organisation, consideration has been given to the consequent implications with regard to Legislative Decree 231/01 and the Board of Directors has provided for the entry of an outside professional as the fourth member of the Supervisory Body.

The duties, activities and functioning of the Supervisory Body are governed by a specific charter approved at the Finmeccanica Board of Directors meeting of 15 December 2005, on which occasion the Board of Directors also inspected the Supervisory Body's internal regulations. A similar procedure was followed by the subsidiaries' Boards of Directors.

12.4. INDEPENDENT AUDITORS

On 23 May 2006 the Shareholders' Meeting appointed PricewaterhouseCoopers S.p.A. to audit the accounts during the period 2006 to 2011. The firm's appointment, therefore, will terminate at the time of the approval of the financial statements for 2011. The appointment envisages the auditing firm carrying out the following activities:

- (1) auditing Finmeccanica's annual statutory financial statements, prepared in accordance with IAS/IFRS accounting principles, in accordance with Articles 155 ff of the Consolidated Financial Services Act;
- (2) auditing the Finmeccanica Group's consolidated financial statements, prepared on the basis of IAS/IFRS accounting principles, in accordance with Articles 155 ff of the Consolidated Financial Services Act;
- (3) verifying, during the financial period, that the accounts are properly kept in accordance with Articles 155 ff of the Consolidated Financial Services Act;
- (4) a limited accounts audit of the consolidated half-year report, prepared on the basis of IAS/IFRS accounting principles, in accordance with Consob Resolution 10867 of 31 July 1997;
- (5) an accounts audit of the Company's reporting package, prepared on the basis of the Finmeccanica Group's IAS/IFRS principles, on 31 December each year;

- (6) a limited accounts audit of the Company's half-year reporting package, prepared on the basis of the Finmeccanica Group's IAS/IFRS principles, on 30 June each year.

12.5. RESPONSIBLE MANAGER FOR DRAFTING THE COMPANY'S ACCOUNTING DOCUMENTS

In accordance with Article 154 *bis* of the Consolidated Financial Services Act, the Company's incoming Board of Directors appointed Dott. Alessandro Pansa, Co-General Manager of the Company, as the responsible manager for drafting the Company's accounting documents until the expiry of the term of office of the Board of Directors. In fact under Article 25 of the Articles of Association, the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him.

The choice of an executive for this position is made from among persons that, for a period of at least three years:

- a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than two million euro; or
- b) have had legal powers of control over the accounts of companies such as those specified in section (a) above, or
- c) have been professionals or full university professors in financial or accounting matters; or
- d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the Articles of Association, the executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors, Dott. Alessandro Pansa has been formally vested, in addition to the powers already conferred on him as Co-General Manager, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

For this purpose, Dott. Pansa has the express right to have access to and request all information that he considers relevant both within the Company itself and within its subsidiaries and associates; the right to avail himself, in the performance of the work assigned to him, of the services of other Company and Group departments/functions and their respective staff; the right to urge the adoption of corporate procedures or directives, also by Group companies, that are helpful or necessary for the correct reporting of the Company and the Group's income, financial position and assets and liabilities.

Finally, the Company has taken further steps to implement activities with the purpose of ensuring compliance with the relative legislation by defining in greater detail the

administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the interim reports.

13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors has specifically approved the document that has already been mentioned, **GUIDELINES AND CRITERIA FOR THE IDENTIFICATION OF MATERIAL AND RELATED PARTIES TRANSACTIONS**, which may be consulted on the Company's website, in the Investor Relations/Corporate Governance section.

Significant transactions, which are included among those for which the Board of Directors has sole responsibility, were identified, in the light of the type of work done by Finmeccanica, by means of both quantitative and qualitative criteria.

It was deemed that a specifically different level of importance for transactions with related parties should not be envisaged, as it was thought that the criteria adopted to identify transactions for which the Board of Directors has sole responsibility already provided full safeguards.

The Board of Directors paid particular attention to any situations of conflicts of interests and to transactions with related parties not already included among those for which the Board has sole responsibility, as previously specified. Information regarding this matter, also with regard to subsidiaries, is provided for the Board of Statutory Auditors at least every quarter in accordance with the provisions of Legislative Decree 58/1998 and Article 24.2 of the Articles of Association.

In order to ensure that there is openness and fairness in connection with transactions with related parties, Finmeccanica's Board of Directors has also formally approved, together with the above guidelines, the adoption of specific principles of conduct whose purpose is to regulate the main substantive and procedural aspects of the management of such transactions, also applicable to those not falling within the sphere of the sole responsibility of the Board of Directors, in the terms set out below. The principles that have been adopted will be included in any adjustments that may become necessary in the light of the general principles that Consob is called upon to hand down in accordance with Article 2391 *bis* of the Italian Civil Code.

PRINCIPLES OF CONDUCT FOR TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are managed abiding by special criteria of substantive and procedural fairness. For a definition of **RELATED PARTIES**, as envisaged in the Issuer Regulations, amended by Consob Resolution 14990 of 14 April 2005, reference should be made to the definition in the specific accounting principle (IAS 24) adopted in European Commission Regulation (EC) 2238/2004 of 29 December 2004.

For the purposes of the application of the principles of conduct, typical or usual transactions, or transactions to be concluded on market conditions, are not considered to be transactions with related parties.

Typical or usual transactions are those which, by their subject or nature, are not extraneous to the Company's normal course of business and transactions that do not

present any particularly critical factors by virtue of their characteristics, the risk attached to the nature of the counterparties or the time at which they are carried out.

Transactions carried out on market conditions are those concluded on conditions that are not significantly different from those usually practised in dealings with unrelated parties.

– RELATED PARTIES TRANSACTIONS RESERVED EXCLUSIVELY TO THE BOARD OF DIRECTORS

The Board of Directors must receive satisfactory information regarding the nature of the relationship, the procedure for the execution of the transaction, the temporal and economic conditions on which it is to be completed, the valuation procedure adopted, the reasons for the transaction and any risks for the Company.

Each Director must give the Company all the information that is necessary to enable it to observe the principles of conduct. In particular, any Directors that have an interest, including a potential or indirect interest, in the transaction must give the Board of Directors prompt and exhaustive information as to the existence of the interest and the circumstances involved. These Directors will also leave the Board meeting when a resolution is taken, unless this jeopardises the maintenance of the quorum necessary to constitute the Board.

If the nature, value or other features of the transaction so require, in order to prevent the transaction from being completed on conditions that differ from those that would probably have been negotiated between unrelated parties, the Board of Directors may require the transaction to be completed with the help of one or more independent experts for the purposes of the valuation of the assets concerned and/or the necessary financial, legal or technical support. In selecting these experts (banks, auditing firms, legal firms or other experts whose professionalism is recognised and who have specific expertise), the Board will carefully evaluate their independence, possibly using different experts for each related party in the most important cases.

– RELATED PARTIES TRANSACTIONS NOT SUBJECT TO THE PRIOR APPROVAL OF THE BOARD OF DIRECTORS

Transactions with related parties, which are not reserved exclusively to the Board of Directors are described by the Chairman and Chief Executive Officer when he gives the Board his periodic information regarding the use he has made of his delegated powers and when he gives the Board of Statutory Auditors, in accordance with Article 150, paragraph 1, of Legislative Decree 58/1998, information regarding the most significant transactions on the profitability, financial position and assets and liabilities carried out by the Company or its subsidiaries.

In making these periodic reports on such transactions, the Chairman and Chief Executive Officer will explain the nature of the relationships, the procedures for the execution of the transactions, the temporal and economic conditions on which they are to be completed, the valuation procedure adopted, the justification for the transactions and any risks for the Company.

14. APPOINTMENT OF STATUTORY AUDITORS

As for members of the Board of Directors, the list voting system has also been adopted for the appointment of Statutory Auditors. Under the provisions of Article 28.3 of the Articles of Association, which remain operative by virtue of the privatisation rules laid down in Law 474/1994, as expressly confirmed by Article 144 *undecies* of Consob Regulations 11971/1999, lists of candidates submitted by the Shareholders are deposited at the Company's registered office and published in at least three national dailies, two of which business dailies, at least ten days prior to the date of the Shareholders' Meeting at first call.

The Board of Directors, however, abiding by a recommendation in the Self-Regulatory Code, expressly recommends that the Shareholders deposit these lists at least fifteen days prior to the date of the meeting that is to decide on the renewal of the Board of Statutory Auditors. In the notice announcing the relative Shareholders' Meeting, Shareholders are also expressly asked to see that resumés of the candidates are deposited at the same time as the lists so that they can be published on the Company's website in good time.

Lists may only be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders' Meetings, or, as already mentioned with reference to the appointment of Directors, holding lower percentages if envisaged in applicable laws or regulations. The Articles of Association also require two Regular and one Substitute Auditor to be taken from the minority list and that the Chairman of the Board of Statutory Auditors be chosen from among the Auditors elected from the minority list.

In the event of the replacement of a Regular Auditor elected from the majority list during the three-year period, the Substitute Auditor elected from the same majority list takes his place, while in the event of the replacement of the Regular Auditor elected from the minority list, the Substitute Auditor elected from the same minority list takes his place.

Article 28.1 of the Articles of Association also require at least two of the Regular Auditors and at least one of the Substitute Auditors to be chosen from persons enrolled in the register of auditors who have exercised legal control over accounts for a period of not fewer than three years. Auditors that do not satisfy this requirement will be chosen from among those that have obtained a total of three years of experience in:

- a) performing duties of governance and control, or management, in stock companies with a share capital of not less than two million euro; or
- b) being professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or
- c) performing functions as executives in public or private bodies in the banking, finance or insurance sectors, or in any event in sectors closely connected with the Company's activities, in the sense of matters and sectors closely related to any essential to the conduct of the work envisaged in the Company's business purpose.

Article 28.3 of the Articles of Association also states, without this affecting situations of incompatibility and ineligibility as provided by law, that persons may not be elected as Auditors that act as Regular Auditors in five issuers, or perform governance and control functions in a number of other companies that, altogether, exceed the limit laid down in current legislation.

Finally, as also mentioned in Paragraph 6 above, the confidentiality obligations binding Auditors - as well as Directors - of the Company are expressly regulated by the specific procedures for the handling of inside and private information.

15. Statutory AUDITORS

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 23 May 2006 for the 2006-2008 period. The Board will therefore stand down at the next Shareholders' Meeting, held to approve the financial statements for the period ended on 31 December 2008.

The Chairman of the Board of Auditors was appointed by the same meeting from the two Auditors elected by the minority.

The **Board of Statutory Auditors** serving at 31 December 2008 was composed as follows:

LUIGI GASPARI (2) CHAIRMAN

GIORGIO CUMIN (1)

FRANCESCO FORCHIELLI (3)

SILVANO MONTALDO (1)

ANTONIO TAMBORRINO (1)

(1) Auditors appointed from the **majority list** submitted by the Ministry of Economy and Finance, which had a shareholding of 33.80% of the share capital.

(2) Auditor appointed from the **minority list** submitted by Capitalia Asset Management SpA SGR, Arca SGR SpA, BNL Gestioni SGR PA, CAAM SGR SpA, DWS Investments Italy SGR SpA, Fideuram Gestioni SA, Fideuram Investimenti SGR SpA, Hermes Administration Services Limited (on behalf of The Trustees of BT Pension Scheme, Hermes Assured Limited), Interfund SICAV, Mediolanum Gestione Fondi SGR PA, Mediolanum International Funds Ltd, Monte Paschi Asset Management SGR SpA, Pioneer Asset Management SA, Pioneer Investment Management SGR PA and San Paolo IMI Asset Management SGR SpA, which held an aggregate shareholding equal to 2.17% of the share capital.

(3) Auditor appointed from the **minority list** submitted by Mediobanca S.p.A., which had a shareholding of 1.01% of the share capital

and two Alternate Statutory Auditors appointed by the Shareholders' Meeting on 23 May 2006:

MAURIZIO DATTILO (2)

PIERO SANTONI (1)

- (1) Auditor appointed from the **majority list** submitted by the Ministry of Economy and Finance, which had a shareholding of 33.80% of the share capital.
- (2) Auditor appointed from the **minority list** submitted by Mediobanca S.p.A., which had a shareholding of 1.01% of the share capital.

The summary table annexed to this Report shows the structure of the Board of Statutory Auditors, specifying the members serving at 31 December 2008. No changes in the composition of the Board have taken place since the end of the 2008 financial year.

27 Board of Statutory Auditors' meetings were held in 2008. The Individual Auditors', as also the 14 Board of Directors' meetings that were held in 2008, are given below.

	<u>B. Aud.</u>	<u>B. Dir.</u>
LUIGI GASPARI	27/27	14/14 meetings
GIORGIO CUMIN	26/27	14/14 meetings
FRANCESCO FORCHIELLI	26/27	13/14 meetings
SILVANO MONTALDO	27/27	14/14 meetings
ANTONIO TAMBORRINO	26/27	13/14 meetings

All absences were excused.

Brief resumés of the careers of the members of the Board of Statutory Auditors are given below.

- **LUIGI GASPARI – CHAIRMAN**

Born in Rome on 14th September 1956. A practising Chartered Accountant since 1985. Entered in the register of auditors of accounts. He has held a number of offices, including Operational Head of RIA, the National Certification Society (1980-1985) and Consultant to Assogestioni (1985-2000). In 2001, he was a member of the steering committee for the establishment of the Italian Accounting Body, of which he is currently a Management Council Member. He has held and continues to hold a number of posts on boards of directors, liquidation commissions, boards of auditors and control committees, and acts as a company consultant, company evaluator and technical consultant to the legal authorities and independent parties.

- **GIORGIO CUMIN – REGULAR STATUTORY AUDITOR**

Born in Milan on 7th October 1937. Statutory auditor of Finmeccanica since 10th May 2000, and his term in office renewed by the Shareholders' Meeting of 16th May 2003. Graduated in Economics and Commerce at the Bocconi University of Milan. Member of the Order of Chartered Accountants of the Courts of Milan and Lodi, and entered in the register of auditors of accounts. As a freelance practitioner, he has occupied a number of directorship and auditing posts in other companies, some of which in the role of chairman, and has acted as liquidator and sole commissioner to companies in liquidation and extraordinary administration. Currently acts as auditor to a number of industrial companies and liquidating commissioner to companies in extraordinary administration.

- **FRANCESCO FORCHIELLI – REGULAR STATUTORY AUDITOR**

Born in Urbino (PU) on 14th March 1930. Statutory auditor of Finmeccanica since 14th June 1994, and his term in office renewed by the Shareholders' Meeting of 16th May 2003. Graduated in Economics and Commerce, he has worked as a chartered accountant since

1952. He has acted as bankruptcy and controlled administration commissioner and receiver for a number of bankruptcies. He has held and continues to hold a number of directorships in major companies, including specific roles as chairman and Chief Executive Officer, and has been a member or chairman of a number of boards of auditors and auditors of accounts.

- **SILVANO MONTALDO – REGULAR STATUTORY AUDITOR**

Born in Laigneglia (SV) on 24th May 1957. Has worked as a chartered accountant since 1981 and entered in the register of auditors of accounts since 1995. A former member of a number of personnel assessment boards, auditor of accounts to public bodies and supervisory bodies. He acts as extraordinary commissioner to insolvent industrial groups. He is also a member on the boards of auditors of a number of major companies.

- **ANTONIO TAMBORRINO – REGULAR STATUTORY AUDITOR**

Born in Torre del Greco (NA) on 23rd September 1939. Statutory auditor of Finmeccanica since 16th May 2003, and his term in office renewed by the Shareholders' Meeting of 23rd May 2006. A chartered accountant, entered in the register of auditors of accounts. A freelance practitioner, he lectures in the economics of insurance companies at the University of Lecce. He has taught on masters and specialist courses at the Universities of Lecce and Bari, and at CECCAR in Bucarest. Formerly chairman of the Order of Chartered Accountants for the Province of (1993-1996), and chairman of the National Council of Chartered Accountants from 2002 until 31st December 2007. Has occupied a number of roles as director, auditor, chairman of boards of auditors and auditors of accounts and liquidator to bodies and companies, as well as legal posts (bankruptcy receiver, legal commissioner and official court consultant). He is the author of a number of publications, and chairs and coordinates the work of two national study commissions within the CNDC.

- **MAURIZIO DATTILO – ALTERNATE STATUTORY AUDITOR**

Born in Milan on 19th March 1963. A graduate in Economics and Commerce at the Bocconi University in Milan, entered in the Order of Chartered Accountants since 1990 and the register of auditors of accounts since 1995. Works as a chartered accountant at Studio Dattilo Commercialisti Associati, which provides tax consultancy services for Mediobanca and other group companies such as Compass, Selma BPM Leasing, Compage and Spafid, as well as Banca Esperia, Banca Profilo, Banca IMI, IW-Bank, Distillerie F.lli Ramazzotti, Eurofly SpA and the European Oncology Institute.

He also acts as statutory auditor to a number of companies, including the listed companies GIM SpA of Florence and Sopaf SpA.

- **PIERO SANTONI – ALTERNATE STATUTORY AUDITOR**

Born in Rome on 3rd November 1936. A graduate in Economics and Commerce, he is entered in the register of auditors of accounts. Worked at IRI until 1987, as vice-director of the Planning and Management Control Department, then moved on to Sistemi Urbani, where he occupied the post of joint general manager until 1993. Has acted as director and auditor in a number of IRI Group companies. Currently statutory auditor to Isotta Fraschini Motori and Cetena, and chairman of the board of auditors of Finsider in liquidation.

In compliance with the provisions of the Self-Regulatory Code, the Board of Statutory Auditors of the Company also ascertained during the 2008 financial year that all Regular Auditors satisfied and continued to satisfy the independence requirement, applying all the criteria laid down in the Code to this matter.

Except for Dott. Luigi Gaspari (Regular Auditor of Banca Italease S.p.A. and Substitute Auditor of Telecom S.p.A.) and Substitute Auditor Dott. Maurizio Dattilo

(Regular Auditor of Gemina S.p.A. and Substitute Auditor of Assicurazioni Generali S.p.A.), the members of the Board of Statutory Auditors do not have positions as Directors or Auditors in other companies listed on Italian regulated markets.

The table annexed to this Report also shows the number of positions held by the Regular Auditors in the companies specified in Book V, Part V, Chapters V, VI and VII of the Italian Civil Code; the detailed list of these positions is annexed, in accordance with Article 144 *quinquiesdecies* of the Consob Issuer Regulations to the Board of Auditors' report on their supervisory activities in accordance with Article 153, paragraph 1, of the Consolidated Financial Services Act.

Any Auditors that have an interest, either on their own account or on behalf of a third party, in a certain transaction to be carried out by the issuer must promptly give the other Auditors and the Chairman of the Board of Directors full information concerning the nature, terms, origin and scope of the interest.

The Board of Statutory Auditors supervises the independence of the auditing firm, verifying compliance with the provisions of law governing the matter and the nature and the extent of the services, other than auditing services, provided for the issuer and its subsidiaries by the firm in question and by the other entities belonging to its network.

In performing its work, the Board of Statutory Auditors liaises constantly with the Company's Audit Department and the Internal Control Committee. Specifically, the Board of Statutory Auditors receives the necessary operational assistance for the performance of its own auditing work from the Audit Manager, obtains all the audit reports and examines the Annual Audit Plan. As already stated, the Board of Statutory Auditors also attends all the Internal Control Committee meetings.

16. SHAREHOLDERS' RELATIONS

In view of the importance, emphasised by the Code, of establishing an ongoing professional relationship with the general body of Shareholders and institutional investors, a special Company function has been set up, the Investor Relations Department, devoted exclusively to this activity.

This Department also provides all the key information required for the financial markets to be able to gain a picture of the Company that reflects the intrinsic value of the Group's activities. This objective, pursued in line not only with regulatory provisions but also with Italian and international best practice, is to develop a transparent and ongoing dialogue with the Italian and international financial community, founded on a clear strategic view of Finmeccanica's business and prospects.

Investor Relations is in constant contact with institutional and retail investors and financial analysts, relaying information about the Group's income, financial position, assets and liabilities and its commercial performance and also preparing guidance and carefully monitoring market consensus.

In addition to this, information regarding the composition of the Company's governance bodies, resumés of their members' careers, internal dealing and the Articles of Association, in addition to the Company's Annual Corporate Governance

Report and its compliance with the Self-Regulatory Code, may easily be found on the Company's website in the Investors Relations section, Corporate Governance area,. This information is always up to date.

The Board of Directors' explanatory reports, minutes of Shareholders' Meetings and other important corporate documents are also published in the *Documenti societari* area, and a review of the press releases issued by the Company may be seen in the *Avvisi legali* area.

The Investor Relations section also publishes the Company's financial statements and presentations with the relevant broadcasts. The same section also provides a range of other data related to the retail market (the Company calendar, dividends, share capital and share price performance).

Moreover, the Company's website is being constantly expanded in the framework of a general process of renewal of the site so that Shareholders can obtain information on the Company quickly and easily.

At Shareholders' Meetings the Investor Relations Department arranges for the presentation of the financial statements data, ensuring that the information given at the meeting corresponds to the disclosures conveyed through the other channels that the Department utilises for its financial announcements.

During the year events are organised with the purpose of making the Group better known to the financial market and presenting the Company's income performance and financial position and their probable outlook (economic and financial guidance). The instruments take the form, firstly, of arranging two institutional roadshows with the Group's top management, preferably when the results for the year and the half year are published, in line with the best practice adopted by listed companies. The roadshows last at least two days and take place in Milan and London, in the main European financial centres such as Paris and Frankfurt, with stages also at New York and Boston in the United States, possibly in other US centres (California, Chicago, etc.) or in Canada.

Among the other events organised by the Investor Relations Department is **Investor Day**, which takes place once a year and is deemed the ideal platform for presenting the top management of Finmeccanica and of the other Group companies to the financial community. This is an opportunity for financial analysts and institutional investors to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects as well as to make direct contact with its top managers.

There are also conference calls with the financial markets when quarterly results are published and/or following significant extraordinary transactions; visits to Group plants (so far visits have been made to aviation, helicopter and electronic defence sites), normally preceded by a presentation on the Company given by its top management; and the chance to take part in a number of sector financial conferences, especially held abroad, also attended by the Investor Relations Department and some heads of Group companies.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France), meetings are arranged between the financial community and the top management of Finmeccanica and of the

Group's main companies, with special presentations and one-to-one or restricted meetings.

The Manager of the Investor Relations Department is John Douglas Stewart, who reports directly to the Co-General Manager (currently Alessandro Pansa). A Financial Disclosures Unit has been created within the Investor Relations Department, headed by Raffaella Luglini.

Contacts

Tel +39 06 3247.290/066.

Fax: +39 06 32473514

Contacts are also available at the following dedicated e-mail address: investor_relations@finmeccanica.com

17. SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened by means of a notice published in the Italian Official Gazette, by an announcement in a national daily and a message published on the website in good time.

In the calling, planning and management of these events, particular attention has always been paid to encouraging as many Shareholders as possible to attend Shareholders' Meetings and also to ensuring that the information provided to the Shareholders on these occasions is of the highest quality, subject to the restrictions on the methods of disclosure of price sensitive information. For this purpose, the documents regarding the items on the agenda of Shareholders' Meetings are made available to Shareholders in good time through the Company's website and they are deposited at the same time at the Company's registered office and with the Italian Stock Exchange. Specifically, for Shareholders' Meetings the Company prepares a special section of its website containing the documents and information pertaining each specific meeting, with a direct link from the home page in order to make it even easier for Shareholders to obtain access to this section.

Under Article 13 of the Articles of Association, Shareholders are entitled to attend Shareholders' Meetings if they have sent the relevant notice of their intention to attend (as per Article 2370, paragraph 2, of the Italian Civil Code) to the issuer within two days before the day of the meeting, through an intermediary authorised in accordance with current rules. The same provision in the Articles of Association also states, with regard to attendance at Shareholders' Meetings, that the shares connected with the Shareholder's notice mentioned above may not be withdrawn before the meeting has taken place.

Finmeccanica adopted **SHAREHOLDERS' MEETING REGULATIONS** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, laying down rules for main aspects such as the right to take part in meetings or to be present at them, methods of discussion, methods of voting, arrangements for voting operations, etc., so that the proceedings take place properly and Shareholders are assured of the right to speak on the items on the agenda. In order to ensure that all Shareholders are enabled to

exercise this right correctly, the Regulations contain special provisions specifically concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again, also to state how they will vote if they wish to do so.

Provision is also made for specific powers held by the Chairman that enable him to compose conflicts among the persons attending the meeting or prevent them from arising and repress abuses of any kind.

These Regulations, approved by the Shareholders' Meeting itself on 10 May 2000, are always distributed to all Shareholders whenever a meeting is held, and may be consulted on the Company's website (Investor Relations section, *Documenti societari* area).

The Company's Board of Directors and top management always report on the activities that have been performed during the financial year and the issuer's future plans to the Shareholders' Meeting called to approve the annual financial statements.

The Board of Directors also sees that Shareholders are given accurate and timely information regarding the items on the agenda so that all Shareholders are in a position to be well informed and have full knowledge of the facts involved in taking the decisions for which the Shareholders' Meeting is responsible

During the 2008 financial year, against the background of the general economic and financial market crisis, there were substantial variations in the market capitalisation of the issuer's shares.

During this period, after the capital increase transaction resolved by the Extraordinary Shareholders' Meeting on 1 August 2008 had been completed, the Ministry of the Economy and Finance's stake changed from about 33.71% to about 30.20% of the Company's share capital.

Shareholders are reminded that the percentages prescribed for the exercise of the prerogatives for the safeguarding of minority Shareholders, namely the possession of 1% of the share capital with the right to vote in Ordinary Shareholders' Meetings (unless a lower percentage should be prescribed by any applicable laws or regulations), which is the requirement for the presentation of lists of candidates for positions as Company Directors or Auditors, are laid down in the Articles of Association (Articles 18.4 and 28.3) on the basis of Article 4 of Law 474/1994 (the Privatisation Law), as expressly confirmed by Article 144 *undecies* of Consob Regulations 11971/1999.

The Articles of Association, moreover, as already stated in this Report, envisage specific procedures within the list voting mechanism to ensure that some Directors and Auditors are appointed from lists presented by minority Shareholders.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors appointed by the Shareholders' Meeting on 6 June 2008 (°°)								Internal Audit Committee		Remuneration Committee		Strategic committee	
Office	Members *	Executive	Non-executive	Independent Code	Independent Fin. Serv. Act	Board meetings attended **	Other offices ***	Member	Att. **	Member	Att. **	Member	Att. **
Chairman and Chief Executive Officer	Pier Francesco GUARGUAGLINI	X		==	==	14/14	1					X	==
Director	Piergiorgio ALBERTI *		X	X	X	14/14	1	X	8/8	X	5/5		
Director	Andrea BOLTHO VON HOHENBACH *		X	X	X	8/8 (°)	1					X	==
Director	Franco BONFERRONI		X	X	X	14/14	3	X	8/8	X	5/5		
Director	<i>Giovanni CASTELLANETA</i>		(°°)	(°°)	(°°)	12/14	=					X	==
Director	Maurizio DE TILLA *		X	X	X	12/14	1	X	7/8				
Director	Dario GALLI		X	X	X	8/8 (°)	=			X	== (°°°)	X	==
Director	Richard GRECO *		X	X	X	8/8 (°)	1					X	==
Director	Francesco PARLATO		X	==	==	12/14	2			X	3/5	X	==
Director	Nicola SQUILLACE		X	X	X	8/8 (°)	2	X	4/8 (°°°°)			X	==
Director	Riccardo VARALDO		X	X	X	13/14	2			X	5/5		
Director	Guido VENTURONI		X	X	X	14/14	=					X	==

Number of meetings held during 2008:	BoD: 14	Internal Audit Committee: 8	Remuneration Committee: 5	Strategic Committee: ===	Appointments Committee: not envisaged
Quorum for presentation of minority lists: 1% of share capital with voting rights at Ordinary Shareholders' Meetings (unless provision is made for a lower percentage in applicable laws or regulations: Article 18.4 of the Articles of Association).					

NOTES

* Asterisk indicates a Director appointed from a minority list.

** All absences from BoD or ICC meetings excused.

*** This column contains the number of positions as Director or Auditor held by the persons serving at present in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.

(°) Serving since 6 June 2008.

(°°) Ambassador Castellaneta was appointed as a Director without voting rights by Ministry Decree on 26 August 2008 in accordance with Law 474/94 and Article 5.1 *ter* of the Articles of Association.

(°°°) Member of Committee since 4 February 2009.

(°°°°) Member of Committee since 26 June 2008.

TABLE 2: DIRECTORS WHO LEFT OFFICE DURING FINANCIAL YEAR 2008

Office	Members *	Executive	Non-executive	Independent Code	Board meetings attended **	Other offices ***	Internal Audit Committee		Remuneration Committee		Strategic committee	
							Member	Att. **	Member	Att. **	Member	Att. **
Director	Filippo ANDREATTA (°)		X	X	6/6	=					X	==
Director	Gian Luigi LOMBARDI-CERRI (°)		X	X	5/6	=	X	4/8				
Director	Roberto PETRI (°)		X	X	6/6	=					X	==
Director	Paolo VIGEVANO (°)		X	X	6/6	=					X	==

NOTES

(°) Served till 6 June 2008.

* Asterisk indicates a Director appointed from a minority list.

** All absences from BoD or ICC meetings excused.

*** For Directors that left office at the time of the Shareholders' Meeting of 6 June 2008, the number of positions as Director or Auditor held in other companies listed on regulated markets, in Italy and abroad, and in finance houses, banks, insurance companies or major companies, is as of April 2008.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors				
appointed by the Shareholders' Meeting on 23 May 2006				
Office	Members *	Independent Code	Attendance at Board Meetings (°)	Number of other offices **
Chairman	Luigi GASPARI *	X	27/27	11
Regular Auditor	Giorgio CUMIN	X	26/27	20
Regular Auditor	Francesco FORCHIELLI *	X	26/27	18
Regular Auditor	Silvano MONTALDO	X	27/27	15
Regular Auditor	Antonio TAMBORRINO	X	26/27	16
Alternate Auditor	Maurizio DATTILO *	==	=	2
Alternate Auditor	Piero SANTONI	==	=	=
Number of meetings held during 2008: 27				
Quorum for presentation of minority lists for the election of two Regular and two Substitute Auditors: 1% of share capital with voting rights at Ordinary Shareholders' Meetings (unless provision is made for a lower percentage in applicable laws or regulations: Article 28.3 of the Articles of Association).				

NOTES

* Asterisk indicates a Director appointed from a minority list.

** This column contains the number of positions held by Regular Auditors in companies specified in Book V, Part V, Chapters V, VI and VII of the Italian Civil Code, and the positions as Directors or Auditors held by Substitute Auditors in other companies listed on Italian regulated markets. The positions held in other companies listed on Italian regulated markets are described in full in the Report. The detailed list of the positions held by Regular Auditors is annexed, in accordance with Article 144 *quinquiesdecies* of the Issuer Regulations, to the Board of Statutory Auditors' report on their supervisory activities prepared in accordance with Article 153, paragraph 1, of the Consolidated Financial Services Act.

(°) All absences from Board of Statutory Auditors' meetings excused.

TABLE 4: OTHER PROVISIONS OF THE SELF-REGULATORY CODE

	Yes	No	Brief account of the justification for any departures from the recommendations in the Code
System of delegated powers and transactions with related parties			
Has the BoD conferred powers specifying their			
(a) limits	X		
(b) method of exercising them	X		
(c) and reporting intervals?	X		
Has the BoD reserved its responsibility for the scrutiny and approval of transactions significantly impacting on profitability, assets and liabilities and financial position (including transactions with related parties)?	X		
Has the BoD laid down guidelines and criteria for the definition of significant transactions?	X		
Are the above guidelines and criteria set out in the report?	X		
Has the BoD laid down special procedures for the scrutiny and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties set out in the report?	X		
Procedures adopted in the latest appointments of Directors and Auditors			
Were the names of the candidates for positions as Directors deposited at least ten days in advance?	X		
Were the names of the candidates for positions as Directors supported by full information?	X		
Were the names of the candidates for positions as Directors accompanied by a specification of whether they qualified as independent?	X		
Were the names of the candidates for positions as Auditors deposited at least ten days in advance?	X		
Were the names of the candidates for positions as Auditors supported by full information?	X		

Shareholders' Meetings			
Has the company approved Shareholders' Meeting Regulations?	X		
Are the Regulations annexed to the report (<u>or does the report state where they can be obtained/downloaded</u>)?	X		
Internal control			
Has the company appointed internal control managers?	X		
Are the internal control managers not accountable to managers of operating areas?	X		
Organisational unit responsible for internal control	Audit Department		
Investor relations			
Has the company appointed an Investor Relations Manager?	X		
Name of the organisational unit and contacts (address, telephone, fax, e-mail of the Investor Relations Manager)	Investor Relations Department - Manager: John Douglas Stewart, Financial Disclosures Manager: Raffaella Luglini. Piazza Monte Grappa, 4-00195 Rome – Tel. +39 06 3247.290/066. Fax: +39 06 32473514 – e-mail: investor_relations@finmeccanica.com		