



CORPORATE
GOVERNANCE
REPORT

2016

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

2015 FINANCIAL YEAR

16 MARCH 2016

FINMECCANICA – Società per azioni

Registered office in Rome, Piazza Monte Grappa no. 4

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Fully paid-up share capital of Euro 2,543,861,738.00

Registered in Rome, Register no. and Tax Ref. 00401990585

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REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

INTRODUCTION

The purpose of this Report, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Finmeccanica Spa's corporate governance system and its shareholder structure.

Specifically, the disclosure contained herein is prepared in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Art. 123-bis and on the basis of the articles of the Corporate Governance Code (hereinafter also referred to as "the Code"). The Company complies with this Code, which was approved by the Corporate Governance Committee and finally updated in July 2015.

The Corporate Governance Code can be found on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf>).

The relevant documentation that is made available to the public and is referred to herein can be found on the Company's website (www.finmeccanica.com).

1. ISSUER PROFILE

The following is a brief Company profile; the subsequent paragraphs of this Report should be referred to for a more detailed view of Finmeccanica's corporate governance structure, the main changes that occurred during the 2015 financial year and the action and measures taken to ensure the closest adherence to the Corporate Governance Code.

Company organisation

The term "Corporate Governance" stands for the set of rules and, from a more general point of view, the corporate governance system that regulate the management and control of the Company.

Finmeccanica's Corporate Governance model, in line with the principles and criteria of application laid down in the Corporate Governance Code, is directed at the maximisation of value for shareholders, control of business risk and the utmost transparency with respect to the market; it also seeks to ensure the integrity and fairness of decision-making processes.

The Company's Corporate Governance structure, which is based on the traditional organisational model, is consistent with the laws applicable to listed issuers, as well as with the guidelines of the Corporate Governance Code and is essentially as follows:

- **SHAREHOLDERS' MEETING**

The Shareholders' Meeting has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the By-Laws.

- **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 those acts reserved to the Shareholders' Meeting by law or by the By-Laws. The current Board of Directors was appointed by the Shareholders' Meeting on 15 May 2014 for the three-year period 2014 – 2016.

- **COMMITTEES**

The Board of Directors of Finmeccanica has established the following internal Committees, with advisory and consulting functions: the **Control and Risks Committee** (which also acts as Committee for Related Parties Transactions), the **Remuneration Committee** and the **Nomination Committee** (as provided for in the Corporate Governance Code), as well as the **Analysis of International Scenarios Committee**. The Committees' composition, duties and operation are illustrated and regulated by appropriate Rules approved by the Board of Directors itself, in accordance with the guidelines laid down in the Code.

- **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors has – *inter alia* - the task of monitoring: a) compliance with the law and by-laws and observance of the principles of proper business administration; b) the adequacy and effectiveness of the Company's organisational structure, internal control and risk management system, as well as the administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; c) any procedures for the actual implementation of the corporate governance rules provided for in the Corporate Governance Code; d) the adequacy of the Company's instructions to subsidiaries with regard to disclosures prescribed by law. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 11 May 2015 for the 2015-2017 term.

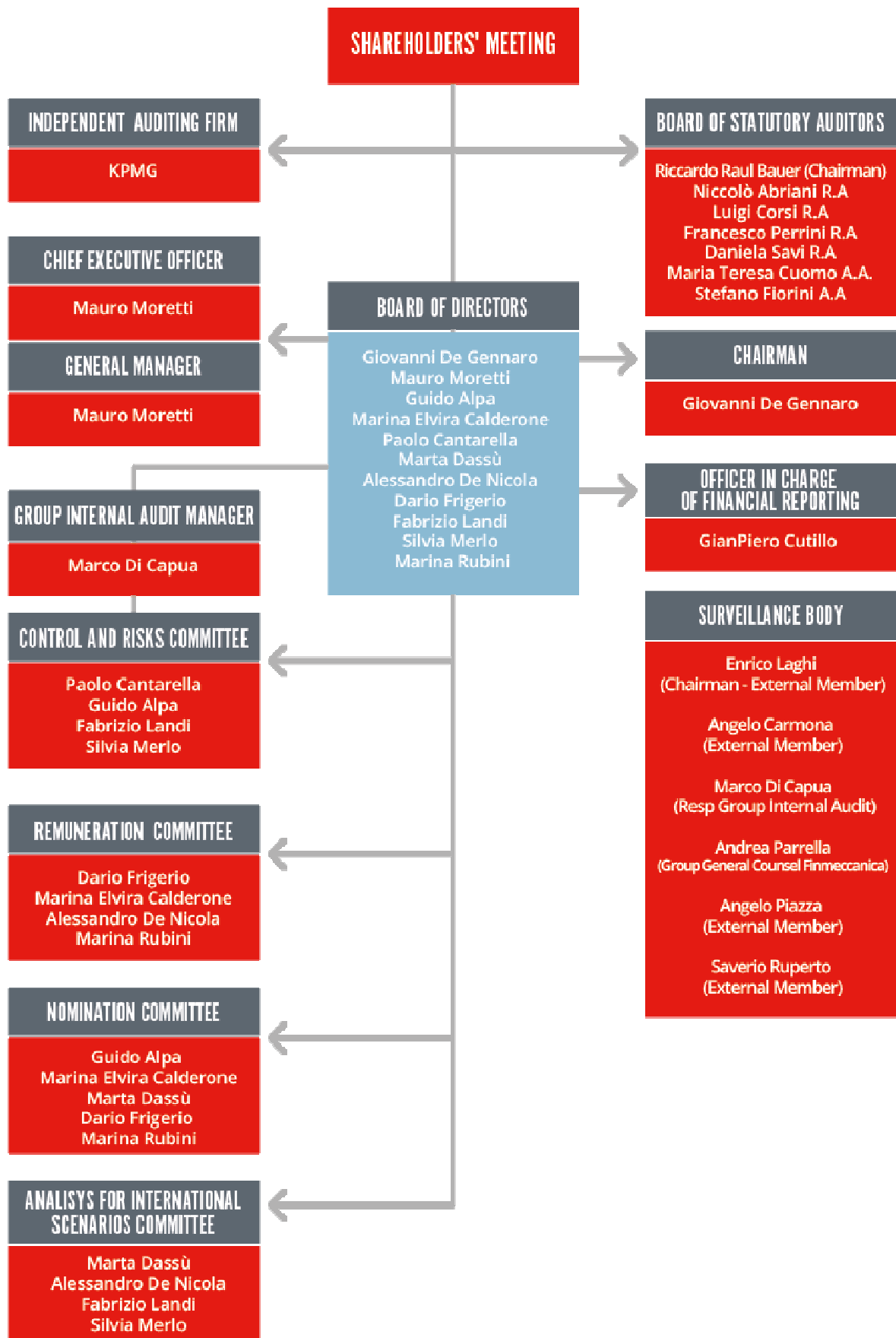
- **INDEPENDENT AUDITING FIRM**

The Independent Auditing firm is the company appointed to carry out the statutory audit of accounts. It is appointed by the Shareholders' Meeting, on a reasoned proposal by the Board of Statutory Auditors. The Shareholders' Meeting of 16 May 2012 appointed KPMG S.p.A. to carry out the statutory audit of the Company's accounts for the period 2012-2020.

- **OFFICER IN CHARGE OF FINANCIAL REPORTING**

On 15 May 2014, pursuant to Art. 154-bis of the Consolidated Law on Financial Intermediation and articles 25.4 and 25.5 of the Company's By-Laws, the Board of Directors confirmed Gian Piero Cutillo (the Company's Chief Financial Officer) in office from 14 June 2012, as the Officer in charge of financial reporting until the expiry of the term of office of the Board of Directors.

Below is reported a chart summarising the Corporate Governance Structure of Finmeccanica.



Objectives and corporate mission

Finmeccanica is a global player in the high technology sector and one of the major world operators in the core sectors of **Aerospace, Defence and Security**. Finmeccanica designs and creates products, systems, services and integrated solutions for both the defence and civil sector employing dual technology applications.

The Group operates with the mission to be a driving force of technological innovation, by developing competitive products and services which are able to satisfy our clients demand and generate value for its Shareholders and all its stakeholders, in addition to working out sustainability solutions by steady commitment to economic and social progress and the protection of health and the environment.

The Company has embarked on a radical process of renewal and transformation with the objective of strengthening its leadership and becoming more competitive on a global scale.

The Business Plan approved by the Company's Board of Directors lays down the outlines of a new Finmeccanica in a process which creates value for shareholders, customers and stakeholders.

The Group's strategy is based on careful analysis of the external scenario and its competitive position in the various sectors of activity. This, with a detailed assessment of industrial processes, has led to the determination of the new reorganisation and growth programme.

One Company

In order to fully implement the guidelines laid down by the Board of Directors on 19 June 2014, as well as those set out in the Business Plan, during 2015 Finmeccanica put a searching renewal of its organisational and operating model in hand, which included the adoption of the best international practices and the highest ethical standards. The new Finmeccanica is the end point of a radical process of transformation from a financial holding to a vast integrated industrial group. For more details on the **Group's new Organisational and Operational Model**, reference should be made to paragraph 15.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE AT 16 MARCH 2016 (Art. 123-bis, para. 1, TUF, *Testo Unico della Finanza*, hereinafter Consolidated Law on Financial Intermediation)

A) STRUCTURE OF THE SHARE CAPITAL (Art. 123-bis, para. 1, lett. a), TUF)

The Finmeccanica's share capital is equal to €2,543,861,738.00 and is made up of 578,150,395 common shares with a par value of €4.40 each, all accompanied by the same rights and obligations.

The holders of Finmeccanica' shares are entitled to vote at the ordinary and extraordinary meetings of the Company.

The Ministry for the Economy and Finance holds a stake of about 30.204% in the share capital of Finmeccanica.

At the date of the approval of this Report the Company owned 3,844,152 treasury shares, equal to about 0.6649% of the share capital.

B) RESTRICTIONS ON SHARE TRANSFER (Art. 123-bis, para. 1, lett. b), TUF)

In accordance with art. 5.1-bis of the Company's By-laws, in the application of the special rules under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as amended and supplemented, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights. The maximum shareholding limit is also calculated in consideration of the total holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.

With also reference to parties other than companies, the term "control" is held to be within the meaning of Art. 93 of the Consolidated Law on Financial Intermediation. The term "affiliation" is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.

For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general.

Furthermore, on the basis of the provisions relating to the Government's special powers that are commented on in point D.1) below and, more in particular, pursuant to article 1, paragraph 5, of Decree Law no. 21 of 15 March 2012, as amended and converted by Law no. 56 of 11 May 2012 and the related provisions, anyone – excluding the Italian Government, Italian public bodies or any entities controlled by the latter – who holds a stake in the share capital which exceeds the threshold set out in article 120, paragraph 2, of Legislative Decree no. 58/98, as amended, or a stake which exceeds the thresholds of 3%, 5%, 10%, 15%, 20% and 25%, is required to notify the acquisition in

question to the Presidency of the Council of Ministers within the terms and according to the procedures set out in Decree Law no. 21 of 15 March 2012, as amended and converted by Law no. 56 of 11 May 2012 and related provisions. The above shall apply in order to allow the Presidency of the Council of Ministers to exercise the special powers (described in paragraph D.1 below) envisaged in the abovementioned regulations in the event of a threat of serious damage to the essential interests of the national defence and security.

C) MATERIAL SHAREHOLDINGS IN THE SHARE CAPITAL (Art. 123-bis, para. 1, lett. c), TUF)

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake exceeding 2% of the share capital, on the basis of the notices disclosed pursuant to Art. 120 of the Consolidated Law on Financial Intermediation and of the other available information, are reported in Table 1 attached hereto.

D) HOLDERS OF SECURITIES THAT CONFER SPECIAL CONTROL RIGHTS (Art. 123-bis, para. 1, lett. d), TUF)

No securities have been issued conferring special control or any other rights.

D.1) SPECIAL POWERS OF THE GOVERNMENT

Law no. 56 of 11 May 2012, which converted Decree Law no. 21 of 15 March 2012, regulates the special powers of the Government on the corporate structures in the sectors of the national defence and security, as well as the activities of strategic importance in the sectors of energy, transportation and communication.

Decree no. 108 issued by the President of the Council of Ministers on 6 June 2014 identifies the activities for the national defence and security system, including any key strategic activities, for the purposes of the exercise of the Government's special powers referred to in the abovementioned Law. In particular, the regulations governing special powers provides, in the event of an actual threat of a serious damage to the essential interests of the national defence and security, for the Government to be entitled to exercise the three special powers described below:

- a) imposition of specific conditions relating to the security of procurement and information, technology transfers, export control, in the case of the acquisition of stakes in companies that carry out activities of strategic importance for the defence and security sector;
- b) veto on the adoption of resolutions passed by the Shareholders' Meeting or of the governing body of a company that carries out activities of strategic importance for the defence and security sector relating to extraordinary transactions or transactions of particular importance concerning mergers, demergers, transfer of businesses or branches of business or of subsidiaries, transfer of the registered office abroad, change in the corporate purpose, dissolution of the company, amendments to by-law clauses that govern the Government's special powers or that may be adopted on limits on

voting rights (pursuant to article 2351, paragraph 3, of the Italian Civil Code), as well as assignments of rights *in rem* or of use in relation to tangible or intangible assets or undertaking of obligations that limit their use;

c) opposition to the acquisition of stakes in a company that carries out activities of strategic importance for the defence and security sector, on the part of an entity other than the Italian Government, an Italian public body or an entity controlled by the latter, where the buyer holds a stake in the voting capital which is capable of affecting the interests of the national defence and security (see point B above). For this purpose, the stake held by third parties with whom the buyer has entered into a shareholders' agreement is considered to be included.

E) EMPLOYEE SHAREHOLDING: VOTING MECHANISM (Art. 123-bis, para. 1, lett. e), TUF)

No provision is made for any employee shareholding scheme. With reference to the incentive plans adopted by the Company, it should be noted that they do not provide for the voting rights attached to the shares being granted, to be exercised by persons other than the beneficiaries of the plan. For more details, reference should be made to the Information Documents prepared pursuant to Article 84-bis of the Issuers' Regulation and available in the Corporate Governance section on the Company's website.

F) VOTING RESTRICTIONS (Art. 123-bis, para. 1, lett. f), TUF)

In accordance with the laws on privatisation (Law 474/94 as amended), the Corporate By-Laws (Art. 5.1-bis) provide that voting rights relating to shares held above the maximum limit of 3% may not be exercised. Article 5.1-bis also provides that voting rights held by Shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the Shareholders concerned. In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included. However, non-voting shares shall be included for the purposes of calculating the meeting quorum.

G) SHAREHOLDERS' AGREEMENTS (Art. 123-bis, para. 1, lett. g), TUF)

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) CLAUSES ON CHANGE OF CONTROL (Art. 123-bis para. 1, lett. h), TUF) AND BY-LAWS PROVISIONS CONCERNING TAKEOVER BIDS (Arts. 104, para. 1-ter and 104-bis, para. 1, TUF)

Material agreements entered into by Finmeccanica or its subsidiaries at 31 December 2015 (on the basis of the notices received pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation), and which will become effective, will be amended or extinguished in

case of a change of control of the company concerned, are listed below with an indication of the corresponding effects.

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
FINMECCANICA SPA	BNPP-BNL, BANCA INTESA SANPAOLO, UNICREDIT	AGREEMENT FOR THE GRANTING OF A REVOLVING CREDIT LINE AMOUNTING TO EURO 2.0 BILLION	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, AFTER AN OPTIONAL 90-DAY REGISTRATION PERIOD, EACH BANK MAY REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, TOGETHER WITH ANY INTEREST ACCRUED UNTIL THAT DATE
FINMECCANICA SPA ALENIA AERMACCHI SPA	BARCLAYS; BNP; CREDIT AGRICOLE; SACE; SOCIETE GENERALE; DEUTSCHE BANK; UNICREDIT	COUNTER GUARANTEE ISSUANCE AND INDEMNITY AGREEMENT	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, AFTER A 90-DAY REGISTRATION PERIOD, EACH BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT TO COLLATERALISE THE AMOUNT WITH THE PAYMENT OF ITS OWN STAKE, OR THE COMMITMENT BY FINMECCANICA TO REPLACE THE BANK WITH ANOTHER COUNTER-GUARANTOR
FINMECCANICA SPA	BAE SYSTEMS ED AIRBUS GROUP (FORMER EADS)	SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, THE OTHER SHAREHOLDERS - BAE SYSTEMS AND EADS – HAVE THE OPTION OF DECIDING WHETHER TO EXTINGUISH FINMECCANICA'S RIGHT TO APPOINT CERTAIN MANAGERS AND TO OBTAIN CERTAIN INFORMATION ABOUT MBDA. IF THIS IS REQUESTED BY THE SHAREHOLDERS, FINMECCANICA CAN ASK THESE SHAREHOLDERS TO BUY ITS STAKE IN MBDA AT MARKET PRICE
FINMECCANICA SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF A LOAN FOR THE "DEVELOPMENT AND PRODUCTION OF	EIB MAY CANCEL THE LOAN AND REQUEST EARLY REIMBURSEMENT IF A PARTY OR GROUP OF PARTIES

		INNOVATIVE AIRCRAFT COMPONENTS” PROJECT OF ALENIA AERMACCHI SPA	ACTING IN CONCERT ACQUIRE CONTROL OF FINMECCANICA PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF FINMECCANICA
FINMECCANICA SPA	THALES	SHAREHOLDERS’ AGREEMENT RELATING TO THALES ALENIA SPACE SAS (“TAS” - FINMECCANICA 33%)	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO BUY FINMECCANICA’ S SHARES IN TAS AT A PRICE TO BE AGREED BY THE PARTIES
FINMECCANICA SPA	THALES	SHAREHOLDERS’ AGREEMENT RELATING TO TELESPAZIO SPA (FINMECCANICA 67%), A COMPANY OPERATING IN THE SATELLITE SERVICES SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA TO A COMPETITOR OF THALES, THALES IS ENTITLED TO SELL ITS STAKE IN TELESPAZIO TO FINMECCANICA AT A PRICE TO BE AGREED BY THE PARTIES
FINMECCANICA SPA	THALES AND BENIGNI	SHAREHOLDERS’ AGREEMENT RELATING TO ELETTRONICA SPA (FINMECCANICA 31.33%), A COMPANY OPERATING IN THE DEFENCE ELECTRONICS SECTOR	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, THE OTHER SHAREHOLDERS HAVE THE RIGHT TO BUY FINMECCANICA’ S SHARES IN ELETTRONICA ON A PRO-RATA BASIS AT A PRICE TO BE AGREED BY THE PARTIES
FINMECCANICA SPA	CHARTIS ASSICURAZIONI	AGREEMENT FOR THE GRANTING OF AN INSURANCE CREDIT LINE FOR THE ISSUE OF SIGNATURE LOANS (BID BOND, PERFORMANCE BOND ETC.) IN THE INTERESTS OF THE FINMECCANICA GROUP’S COMPANIES	IN CASE OF A CHANGE OF CONTROL OF FINMECCANICA, THE INSURANCE COMPANY MAY REQUEST AN IMMEDIATE CASH DEPOSIT EQUAL TO THE AMOUNTS OF THE GUARANTEES IN FORCE AND TO CANCEL THE CREDIT LINE
FINMECCANICA SPA	FINMECCANICA GLOBAL SERVICES SPA	LOAN AGREEMENT	RIGHT OF TERMINATION IN FAVOUR OF FINMECCANICA IN CASE OF CHANGE IN THE CONTROL STRUCTURES OF FINMECCANICA GLOBAL SERVICES OR OF ANY TRANSFER TO THIRD PARTIES OR OF A SIGNIFICANT BRANCH OF BUSINESS OF FINMECCANICA GLOBAL SERVICES

PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
SUBSIDIARIES			
AGUSTAWESTLAND SPA	GENERAL ELECTRIC COMPANY (THROUGH THE AVIATION BUSINESS UNIT, MA, USA - "GE")	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES	RENEGOTIATION OF THE AGREEMENTS IF CONTROL OF AGUSTAWESTLAND IS ACQUIRED BY A COMPETITOR OF GE; AGUSTAWESTLAND IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO THE GE'S PROPRIETARY INFORMATION
AGUSTAWESTLAND SPA	BELL HELICOPTER TEXTRON	LICENCE FOR THE PRODUCTION AND SALE OF 412, 412SP, 412HP, 412EP-SAR, 212, 206A, 206B HELICOPTERS AND SPARE PARTS	TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF AGUSTAWESTLAND TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS
AGUSTAWESTLAND SPA	BOEING COMPANY DEFENCE & SPACE GROUP	AGREEMENT FOR THE REVISION AND SALE OF THE CH47C MODEL AND SPARE PARTS	EXPRESS CANCELLATION CLAUSE, EXCLUDING TRANSFER OF CONTROL WITHIN THE FINMECCANICA GROUP
AGUSTAWESTLAND SPA	OJSC "OPK" OBORONPROM; LLC "INTERNATIONAL HELICOPTER PROGRAMS"; CJSC HELIVERT (THE JVCOMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS
AGUSTAWESTLAND SPA	BRILOG LEASING LTD	FRAMEWORK AGREEMENT FOR THE SUPPLY OF 11 AW189 SAR	RIGHT OF THE COUNTERPARTY TO WITHDRAW FROM CONTRACT IN CASE OF A CHANGE OF CONTROL OF AGUSTAWESTLAND (RESULTING FROM THE DISPOSAL OF A SHAREHOLDING HIGHER THAN 25% OF THE SHARE CAPITAL OF THE SAME)

<p>AGUSTAWESTLAND PHILADELPHIA CORPORATION (OWNED THROUGH AGUSTAWESTLAND SPA)</p>	<p>BELL HELICOPTER TEXTRON INC.</p>	<p>LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609</p>	<p>THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND PHILADELPHIA CORPORATION OR OF GROUP COMPANIES, IS INEFFECTIVE AND INVOLVES THE TERMINATION OF THE LICENCE AGREEMENT AND OF ALL THE OTHER AGREEMENTS WITH BELL RELATED TO THE HELICOPTER AW609, EXCEPT WITH THE PRIOR WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.</p>
<p>AGUSTAWESTLAND PHILADELPHIA CORPORATION (OWNED THROUGH AGUSTAWESTLAND SPA)</p>	<p>CAE FLIGHT SOLUTION USA INC.</p>	<p>ROTORSIM USA LLC AGREEMENT</p>	<p>IN CASE OF A CHANGE OF CONTROL OF ONE OF THE PARTIES TO THE AGREEMENT IN FAVOUR OF A COMPETITOR OF THE OTHER PARTY, THE LATTER IS ASSIGNED THE PRE-EMPTION RIGHT CONSISTING IN THE SALE OF ITS STAKE IN ROTORSIM USA LLC</p>
<p>ALENIA AERMACCHI SPA</p>	<p>BOEING COMPANY</p>	<p>GENERAL TERMS AGREEMENT (“GTA”) CONCERNING THE STAKE OF ALENIA AERMACCHI SPA IN THE BOEING 787 PROGRAMME</p>	<p>SECTION 20.4 OF THE GTA PROHIBITS THE ASSIGNMENT OF THE CONTRACT (ALSO CONSIDERING THE “CHANGE OF CONTROL” OF ALENIA AS SUCH) WITHOUT THE AUTHORISATION OF BOEING. IN THE EVENT OF THE BREACH OF THE ABOVEMENTIONED CLAUSE ON THE PART OF ALENIA, BOEING SHALL BE ENTITLED TO TERMINATE THE CONTRACT WITH ALENIA, EITHER IN WHOLE OR IN PART. FURTHERMORE, SHOULD ALENIA BREACH THE ABOVEMENTIONED SECTION 20.4, BOEING SHALL BE ENTITLED TO BE REPAYED, ON A</p>

			PROPORTIONAL BASIS – AS REGARDS THE SHIPSETS NOT DELIVERED BY ALENIA AS AT THE DATE OF THE BREACH – ANY SUMS PAID BY BOEING TO ALENIA ACCORDING TO SECTION 5.9 OF THE AGREEMENT NAMED “SPECIAL BUSINESS PROVISIONS” IN FORCE BETWEEN BOEING AND ALENIA AGAIN IN RELATION TO THE 787 PROGRAMME
ALENIA AERMACCHI SPA	ABU DHABI AUTONOMOUS SYSTEM INVESTMENTS CO LLC	JOINT VENTURE AGREEMENT CONCERNING THE FORMATION OF A COMPANY (ADVANCED MALE AIRCRAFT LLC) IN ABU DHABI FOR THE DEVELOPMENT AND PRODUCTION OF A CLASS OF REMOTELY-PILOTED AIRCRAFT	TERMINATION OF THE AGREEMENT AT THE OPTION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL. TERMINATION IS SUBJECT TO THE EXECUTION OF AN AMICABLE SETTLEMENT PROCESS AND NOT AN ARBITRATION PROCEDURE. MOREOVER, THE NON-BREACHING PARTY MAY DEMAND THAT THE BREACHING PARTY SELLS ITS SHARES AT MARKET VALUE LESS 20%, OR THAT THE BREACHING PARTY PURCHASES THE SHARES OF THE NON-BREACHING PARTY AT MARKET VALUE PLUS 20%
ALENIA AERMACCHI SPA	LOCKEED MARTIN AERO	STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIPS BETWEEN THE PARTIES UNDER JOINT STRIKE FIGHTER (“JSF”) PROGRAMME TO BUILD A 5 TH GENERATION MULTIROLE FIGHTER PLANE	TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKEED MARTIN IN CASE OF A CHANGE OF OWNERSHIP OR CONTROL OF ALENIA AERMACCHI
ALENIA AERMACCHI SPA	ISRAEL MINISTRY OF DEFENCE	“STRATEGIC PURCHASE CONTRACT” FOR	IN CASE OF A CHANGE OF CONTROL OF ALENIA THE ISRAEL MINISTRY OF

		THE SUPPLY OF 30 ADVANCED TRAINING M346 AIRCRAFT AND RELATED SYSTEMS, SERVICES AND TECHNICAL SUPPORT	DEFENCE MAY TERMINATE THE CONTRACT IF, AS A RESULT OF THE SAME, THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A PARTY LINKED TO A STATE DEFINED AS AN “ENEMY OF THE STATE OF ISRAEL” ACCORDING TO THE ISRAELI LEGISLATION ON “ISRAELI’S TRADING WITH THE ENEMY”
ALENIA AERMACCHI SPA	ELBIT SYSTEMS LIMITED	“CONTRACTOR LOGISTIC SUPPORT CONTRACT” FOR LOGISTIC SUPPORT (SUPPLY, REPAIR AND SERVICE OF SPARE PARTS) TO THE ISRAELI M-346 FLEET	ARTICLE 37.1 OF “CONTRACTOR LOGISTIC SUPPORT CONTRACT” ENVISAGES THAT IN CASE OF A CHANGE OF CONTROL OF ALENIA, AS A RESULT OF WHICH THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A CONTROLLING SHAREHOLDER LINKED TO A STATE THAT DOES NOT HAVE DIPLOMATIC RELATIONS WITH ISRAEL, A PRIOR WRITTEN CONSENT IS REQUIRED FROM ELBIT
WING NED BV (OWNED THROUGH ALENIA AERMACCHI SPA)	OAD SUKHOI COMPANY (“SUKHOI”), SUPERJET INTERNATIONAL SPA (“SJI”)	SJI SHAREHOLDERS’ AGREEMENT RELATED TO SJI, AN ITALIAN COMPANY THAT MARKETS THE SUKHOI SUPERJET 100 AIRCRAFT IN THE WESTERN MARKETS.	ON THE BASIS OF ARTICLE 7.06 OF THE SHAREHOLDERS AGREEMENT, IN CASE OF A CHANGE OF CONTROL OF ALENIA, SUKHOI HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SJI, HELD BY ALENIA THROUGH THE SUBSIDIARY WING NED BV, AT A MARKET PRICE, EQUAL TO THE LOWER OF FAIR MARKET VALUE AND FLOOR RETURN (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF THE SHAREHOLDINGS IN SJI AND IN SCAC), PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA, UNDER THE FUNDING PLAN, LESS

			10%
WORLD'S WING SA (OWNED THROUGH ALENIA AERMACCHI SPA)	OAo SUKHOI COMPANY ("SUKHOI"), OAo SUKHOI DESIGN BUREAU (MERGED INTO SUKHOI), SUKHOI CIVIL AIRCRAFT COMPANY ("SCAC")	SHAREHOLDERS' AGREEMENT RELATED TO SCAC, A RUSSIAN COMPANY WITH REGISTERED OFFICE IN MOSCOW, MANUFACTURER OF THE AIRCRAFT SUKHOI SUPERJET100	ON THE BASIS OF ART. 7.06 OF THE SCAC SHAREHOLDERS' AGREEMENT, IN CASE OF A CHANGE OF CONTROL OF ALENIA, SUKHOI HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SCAC HELD BY ALENIA THROUGH ITS SUBSIDIARY WORLD'S WING SA, AT A MARKET PRICE, EQUAL TO THE LOWER OF FAIR MARKET VALUE AND FLOOR RETURN (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SCAC) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA, UNDER THE FUNDING PLAN, LESS 10%
ANSALDOBREDA SPA AS A MEMBER OF THE TREVI CONSORTIUM	TREVI CONSORTIUM (IN LIQ.), WHICH HAS A LOCOMOTIVE SUPPLY CONTRACT WITH TRENITALIA SPA	BY-LAWS OF THE TREVI CONSORTIUM	THE BY-LAWS OF THE TREVI CONSORTIUM STIPULATE THAT THE SHAREHOLDERS' MEETING CAN DECIDE, BY UNANIMOUS VOTE EXCEPT FOR THE VOTE OF THE CONSORTIUM MEMBER, TO EXCLUDE A MEMBER OF THE CONSORTIUM IN THE CASE OF THE TRANSFER OF THE CONTROLLING INTEREST OF THE CONSORTIUM MEMBER ITSELF, UNLESS SUCH TRANSFER TAKES PLACE WITHIN SUBSIDIARIES AND/OR ASSOCIATES OR, IN ANY CASE, THE SAME FINANCIAL GROUP TO WHICH THE TRANSFEROR BELONGS
ANSALDOBREDA SPA	BOMBARDIER TRANSPORTATION GMBH	COOPERATION AGREEMENT CONCERNING THE JOINT DEVELOPMENT, MANUFACTURE AND SALE OF THE NEW	IN THE CASE IN WHICH MORE THAN 50% OF THE SHARE CAPITAL OF ONE OF THE PARTIES OR ITS PARENT COMPANY IS TRANSFERRED TO A COMPETITOR OF THE

		HIGH-SPEED TRAIN	PARTIES, OR IN THE CASE OF THE TRANSFER OF THE ASSETS TO A COMPETITOR, THE PARTY NOT INVOLVED WILL BE ENTITLED TO TERMINATE THE COLLABORATION CONTRACT
SELEX ES SPA	THALES ALENIA SPACE FRANCE	CONTRACT FOR THE SUPPLY OF INSTRUMENTS (SLSTR) ON SATELLITES FOR THE COPERNICUS SENTINEL 3 PROGRAMME	IN CASE OF A CHANGE OF CONTROL : PRIOR WRITTEN NOTICE TO TAS SPECIFYING THE POTENTIAL INVESTOR / BUYER OR ANY OTHER CHANGE; OBLIGATION TO PROVIDE TAS WITH ANY AND ALL SIGNIFICANT INFORMATION DURING THE PROCESS OF CHANGE OF CONTROL; PROHIBITION ON THE ASSIGNMENT OR TRANSFER THE CONTRACT TO THE NEW PARENT ENTITY WITHOUT THE WRITTEN CONSENT OF TAS'; RIGHT GRANTED TO TAS TO WITHDRAW FROM THE CONTRACT.
SELEX ES LTD (OWNED THROUGH SELEX ES SPA)	NORTHROP GRUMMAN	“MISSILE COUNTER MEASURE (INFRARED)” CONTRACT	TERMINATION OF THE CONTRACT OR ALTERNATIVELY A REQUEST FOR ADDITIONAL PERFORMANCE GUARANTEES, AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL
SELEX SYSTEMS INTEGRATION LTD (OWNED THROUGH SELEX ES SPA)	LOCKHEED MARTIN IS&GS (CIVIL) UK	TEAMING AGREEMENT FOR PRESENTING A BID FOR THE “JOINT MILITARY AIR TRAFFIC SERVICES” PROJECT	TERMINATION OF THE CONTRACT AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL
TELESPAZIO SPA	DLR GFR	BY-LAWS FOR SPACEOPAL GMBH (50% TELESPAZIO SPA; 50% DLR GFR), A COMPANY OPERATING IN THE FIELD OF SATELLITE SERVICES RELATING TO THE GALILEO PROJECT	RIGHT OF THE SHAREHOLDER NOT SUBJECT TO A CHANGE IN CONTROL, WITH THE PRIOR AUTHORISATION OF THE SHAREHOLDERS’ MEETING, TO SELL ITS SHARES TO A THIRD PARTY OR ANOTHER SHAREHOLDER OR TO

			WITHDRAW IN EXCHANGE FOR A PAYMENT TO BE DETERMINED
TELESPAZIO SPA	ITALIAN SPACE AGENCY (ASI)	SHAREHOLDERS' AGREEMENT RELATING TO E-GEOS SPA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD	IN CASE OF MATERIAL CHANGES IN THE SHAREHOLDER STRUCTURE OF TELESPAZIO, ASI IS ENTITLED, AT ITS OPTION: <ul style="list-style-type: none"> • TO REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-GEOS; • TO SELL THE SHARES TO THE SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY. THE CHANGE IN THE SHAREHOLDER STRUCTURE OF FINMECCANICA SPA OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.
DRS DEFENSE SOLUTIONS LLC (OWNED THROUGH MECCANICA HOLDINGS USA INC.)	THALES USA INC.	JOINT VENTURE AGREEMENT CONCERNING ADVANCED ACOUSTIC CONCEPTS, LLC, A COMPANY OPERATING IN THE SONAR SECTOR	OPTION OF THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL (I) TO PURCHASE THE STAKE OF THE OTHER PARTY AT THE MARKET PRICE AS DETERMINED BY AN EXPERT, OR (II) TO OFFER ITS STAKE AT A REASONABLE PRICE TO THE PARTY SUBJECT TO THE CHANGE OF CONTROL WHICH, IF IT REFUSES THE OFFER, WILL BE REQUIRED TO SELL ITS STAKE AT THE SAME PRICE (IN PROPORTION TO THE PERCENTAGE HELD) TO THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL
DRS RADAR SYSTEMS LLC (OWNED THROUGH MECCANICA HOLDINGS USA INC.)	THALES NEDERLAND BV, THALES USA DEFENCE & SECURITY INC.	TECHNOLOGY TRANSFER AND LICENCE AGREEMENT	RIGHT TO TERMINATE THE CONTRACT

DRS DEFENCE SOLUTIONS LLC (OWNED THROUGH MECCANICA HOLDINGS USA INC.)	DRS TECHNOLOGIES INC	LOAN AGREEMENT	IN CASE OF A CHANGE OF CONTROL, OBLIGATION OF DRS DEFENCE SOLUTIONS OF ACCELERATED REPAYMENT OF THE LOAN TO DRS TECHNOLOGIES
DRS NETWORK & IMAGING SYSTEMS LLC (OWNED THROUGH MECCANICA HOLDINGS USA INC.)	DVTEL, INC.	COLLABORATION AND DEVELOPMENT AGREEMENT	RIGHT OF THE PARTIES TO THE AGREEMENT TO WITHDRAW IN THE EVENT OF A CHANGE OF CONTROL OF ONE PARTY IN FAVOUR OF A COMPETITOR OF THE OTHER PARTY
DRS TECHNOLOGIES INC. AND ITS SUBSIDIARIES (OWNED THROUGH MECCANICA HOLDINGS USA INC.)	FINMECCANICA/MECCANICA HOLDINGS USA	LOAN AGREEMENT	IN CASE OF CHANGE OF CONTROL, DRS TECHNOLOGIES IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF FINMECCANICA /MECCANICA HOLDINGS USA

As regards takeover bids, it should be pointed out that the Company's By-Laws do not provide for exceptions to the provisions on the passivity rule under Art. 104, paragraph 1-ter, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under Art. 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation.

D) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (Art. 123-bis, para. 1, lett. i), TUF)

The information required by Art. 123-bis, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Remuneration Report required by Art. 123-ter of the Consolidated Law on Financial Intermediation (cf. point 8 hereof).

L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY-LAWS (Art. 123-bis, para. 1, lett. l), TUF)

As regards the appointment and replacement of Directors, reference is made to paragraph 4.1. below herein.

As regards any amendments to the By-Laws, it should be noted that they shall be approved by the Shareholders' Meeting pursuant to law and By-Laws.

However, under Art. 24.1 of the By-Laws, the Board of Directors has the power to adapt the By-Laws to legislative provisions. Under Art. 22.3 of the By-Laws, any proposals to amend articles or to adopt new By-Laws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office.

Finally, note the Government's veto power over the adoption of amendments to the By-Laws that revoke or modify the special powers provided to the same, referred to in point D.1) above.

M) AUTHORISATION FOR SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (Art. 123-bis, para. 1, lett. m), TUF)

The Board of Directors has no authority to make capital increases under Art. 2443 of the Italian Civil Code, nor do the Directors have the power to issue equity instruments.

On 11 May 2015 the Shareholders' Meeting authorized the acquisition and disposition of treasury shares, for a period of eighteenth months from the date of the relevant resolution and up to a maximum of 5,800,000 ordinary shares, to be intended – for the first period of implementation – to serve the Incentive Plans (Long-Term Incentive Plan and Co-Investment Plan for the Finmeccanica Group's Management) which were approved on the same date. The resolution provides for the purchase of treasury shares by acquiring them on the market in appropriately gradual stages at a maximum and minimum unit price which corresponds to the reference price observed on the Electronic Stock Market (MTA, *Mercato Telematico Azionario*) on the day prior to purchase (more or less 5% for the maximum price and for the minimum price, respectively).

The Company held 3,844,152 treasury shares, equal to about 0.6649% of the share capital, at the date of the approval of this Report.

N) DIRECTION AND COORDINATION

Finmeccanica is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

3. COMPLIANCE (Art. 123-bis, para. 2, lett. a), TUF)

The Board of Directors of Finmeccanica has long since resolved (17 October 2006) to bring the Company's Corporate Governance model into line with the application criteria and principles of the Corporate Governance Code, with which the Company complies. This model has been subject to subsequent updates aimed at approving the instructions given by the Code from time to time, which are currently incorporated in the document **"RULES OF PROCEDURE OF THE BOARD OF DIRECTORS"** (hereinafter also referred to as **"RULES OF PROCEDURE"**), which was duly updated by the Board in order to guarantee the constant alignment with the contents of the Code as well as with the changes made to the Company's organisational structure.

As regards the changes introduced in the latest edition of the Code (July 2015), which issuers are requested to apply within the end of the 2016 financial year (informing the market in the 2017 Corporate Governance Report), the Board of Directors confirmed its acceptance of the Corporate Governance Code and pointed out that Finmeccanica's Governance model is substantially consistent with the new recommendations in the Code. The Board will consider further adjustments to the Company's internal Rules in due course.

The text of the Code can be accessed by the public on the Corporate Governance Committee website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf>).

The text of the Rules of Procedure may be consulted in the specific Corporate Governance section of the Company's website.

Neither Finmeccanica nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company's corporate governance structure; with regard to the activities of the Group in the USA, it is noted that some of them are subject to specific governance rules (such as the "Special Security Agreement" and the "Proxy Agreement"), which were agreed with the Defense Security Service (DSS) of the US Department of Defense and aimed at restricting the access, by the shareholder, to "classified" information.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (Art. 123-bis, para. 1, lett. 1), TUF)

The Company is governed by a Board of Directors that is made up between 8 and 12 members who are appointed by the Shareholders' Meeting. The Shareholders also establish the number of members and the length of their terms in office. Directors are appointed for a term that does not exceed three financial years and may be re-elected pursuant to Art. 2383 of the Italian Civil Code. In the event that the Meeting has not taken steps to do so, the Board will appoint a Chairman from among its members.

Regarding the appointment of the Directors, the By-Laws (section 18.3) provide for the specific “list voting” mechanism, as described below.

The Directors are appointed by the Shareholders’ Meeting on the basis of lists submitted by the Shareholders and by the outgoing Board of Directors in which the candidates are to be numbered consecutively. If the outgoing Board of Directors submits a list of its own, this shall be filed with the registered office of the Company at least 25 days before the date of the Meeting on first call, and made public by the Company at least 21 days before the date of the Meeting, again on first call, according to the procedures provided for by the regulations in force.

Lists submitted by Shareholders shall be filed with the registered office at least 25 days before the date of the Meeting on first call, and made public by the Company at least 21 days before the date of the Meeting, again on first call, according to the procedures provided for by the regulations in force. The time limits and procedures for submitting the lists are specified by the Company in the notice of call of the Shareholders’ Meeting.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.

Only Shareholders who, alone or together with other Shareholders, represent at least 1% of the voting shares in the Ordinary Shareholders’ Meeting will be entitled to submit lists, or such lesser number as may be laid down by provisions of law or regulations, where applicable. By Resolution no. 19499 of 28 January 2016, CONSOB identified the shareholding required to submit lists of candidates for the election of governing and control bodies of Finmeccanica to the extent of 1%, equal to the percentage provided for in Art. 18.3 of the Company By-Laws.

In order to prove ownership of the number of shares necessary for the submission of lists, Shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office, within the time limit prescribed for the publication of the lists by the Company.

At least two Directors must meet the independence requirements as laid down for Statutory Auditors pursuant to law. In this regard, in line with the provisions laid down in the Code, the Company expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates to the position of Director, their eligibility to be qualified as “independent” directors pursuant to law, as well as pursuant to Art. 3 of the aforementioned Code. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.

Lists with a number of candidates equal to or over three must also include candidates of different genders, in accordance with the notice of call of the Meeting, in order to permit a composition of the Board of Directors that is consistent with the regulations in force regarding the balance between genders.

Together with each list, and within the time limit prescribed for the filing of such lists, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and that all the requirements prescribed by the regulations in force are met for their respective positions including any independence requirements as required by the By-Laws.

The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.

Each party entitled to vote may vote for one list only.

The Directors shall be elected as follows:

- a) two thirds of the Directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast, in the order in which they appear in the list;
- b) the remaining Directors will be drawn from the other lists; for that purpose, the votes obtained by these lists will then be divided by one, two, three and so on, depending on the gradual number of Directors to be elected. The scores thus obtained shall be allocated progressively to the candidates of each of the various lists according to the order specified therein. The scores thus allocated to the candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any Directors or which has elected the lowest number of Directors shall be elected.

In the event that none of these lists has elected a Director yet or that they have all elected the same number of Directors, the candidate will be elected whose list has obtained the highest number of votes. In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected;

- c) if, following the application of the procedure described above, the minimum number of independent Directors required by the By-Laws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the By-Laws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent Directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent Directors, the

Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores; c-bis) when the application of procedures a) and b) does not result in compliance with the regulations governing gender equality, the quotient of votes to allocate to each candidate from the lists is calculated, dividing the number of votes obtained by each list by the ranking of each candidate; the candidate from the more represented gender with the lowest quotient of the candidates from all the lists is replaced, without prejudice to the minimum number of independent Directors, by the person belonging to the less represented gender chosen (with the next highest ranking) in the same list as the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate in the list from which the greatest number of Directors have been taken will be replaced; or, subordinately, the candidate from the list that has obtained the lowest number of votes; or, if the votes are even, the candidate that has obtained fewest votes from the Shareholders' Meeting in a special ballot.

Section 18.4 of the Company's By-Laws provides that for the appointment of Directors who are for whatever reason not appointed in accordance with the aforementioned procedures, the Shareholders' Meeting shall resolve with the majorities provided by law and in order to ensure the presence of the minimum number of independent Directors provided by law and the Company's By-Laws as well as to comply with the regulations in force regarding the balance between genders. If in the course of the mandate, one or more Directors cease to hold office, measures will be taken pursuant to Art. 2386 of the Italian Civil Code. To replace the Directors who have ceased to hold office, the Shareholders' Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant to Art. 2386 of the Italian Civil Code, by appointing the replacement Directors on the basis of the same criteria as in the previous period and in order to guarantee the presence of the minimum number of independent Directors provided for by law and the Company's By-Laws as well as to comply with the regulations in force regarding the balance between genders, in the first meeting after the termination.

With particular regard to the provisions introduced by Law no. 120 of 12 July 2011 and by the Consob implementing regulations governing equal access to the governing and control bodies of listed companies and the relative by-laws provisions that apply starting from the first renewal of governing and control bodies after 12 August 2012 and for the following three mandates (art. 34.1 of the Company's By-Laws), it is to be noted that the distribution of the governing and control bodies to be elected shall be carried out on the basis of a criterion that ensures gender equality: in particular, for the first term of office, at least 1/5 (and at least 1/3 for two following terms) of the members of the governing and control bodies must represent the under-represented gender. With regard to the

Board of Directors which currently holds office, appointed on 15 May 2014, the portion of the under-represented gender is equal to 1/3 of the Board's members.

Succession plans

The Company's Board of Directors has considered it appropriate not to adopt a plan for the succession of the executive Directors of Finmeccanica S.p.A., referring this decision to the shareholders. On the other hand, as subsequently reported with regard to the work of the Nomination Committee (paragraph 6), the Board has considered the opportunity to establish, in the absence of a succession plan, a procedure aimed at facing any possible crisis management situation.

4.2. COMPOSITION (Art. 123-bis, para. 2, lett. d), TUF)

The Shareholders' Meeting of 15 May 2014 set the number of the members of the Board of Directors at 11. They will serve until the approval of the Financial Statements for the 2016 financial year.

The **Board of Directors** in office at the 2015 year-end and currently holding office, is made up as follows:

Giovanni De Gennaro (1)	Chairman
Mauro Moretti (1)	Chief Executive Officer and General Manager
Guido Alpa (1)	
Marina Elvira Calderone (1)	
Paolo Cantarella (2)	
Marta Dassù (1)	
Alessandro De Nicola (1)	
Dario Frigerio (2)	
Fabrizio Landi (1)	
Silvia Merlo (2)	
Marina Rubini (2)	

- (1) Director appointed from the list submitted by the majority shareholder (Ministry of Economy and Finance), voted by 56.46% of the share capital represented in the Shareholders' Meeting.
- (2) Director appointed from a list submitted by the minority shareholder (a group of asset management companies and institutional investors), voted by 35.07% of the share capital represented in the Shareholders' Meeting.

The Tables annexed to this Report show the structure of the Board of Directors, specifying the members serving as at the date of approval of this Report as well as the respective details in terms of independence (in accordance with the Consolidated Law on Financial Intermediation and the Corporate Governance Code), membership in Committees and length of service.

A brief *curriculum* of each member of the present Board of Directors follows, stating their age and seniority in the position.

GIOVANNI DE GENNARO – CHAIRMAN

He was born in Reggio Calabria on 14 August 1948. He has been the Chairman of Finmeccanica since 4 July 2013. He took a Degree in Law at the University of Rome “La Sapienza”. After fulfilling his national service obligations as a reserve officer for the Italian Army and a short period of work at the Italian Ministry of Finance, he entered the Ministry of the Interior holding various positions as a Public Security Officer (“*Funzionario di Pubblica Sicurezza*”). He spent most of his career in the Public Security Administration until 1994, when he was appointed “*Prefetto di Prima classe*” (Prefect). In 2000 he became Chief of the Police – Director General of Public Security. In 2007 he was appointed Head of the Ministerial Staff of the Internal Affairs. During his mandate, because of the exceptionally serious crisis related to the waste disposal in Campania, the Italian Government assigned Mr De Gennaro the temporary management of the emergency for 120 days and appointed him Extraordinary Commissioner. In 2008 he held the position of Director General of the Italian Security Intelligence Department (DIS – *Dipartimento per le Informazioni per la Sicurezza*), with the additional task of implementing, from a regulatory and organisational standpoint, the complex reform of the intelligence services called for by the Parliament in 2007. In 2012 he was appointed Under Secretary to the Italian Prime Minister’s Office with powers over the intelligence and security services, by the Council of Ministers. As Government representative he participated in the process of approval, unanimously voted by the Parliament, of another partial reform of the laws governing the intelligence services, with particular regard to the sensitive issue of the State Secret. In 2000 he was bestowed the Knight of Grand Cross (“*Cavaliere di Gran Croce*”) of the Order of Merit of the Italian Republic.

He is the Chairman of the Center for American Studies.

MAURO MORETTI – CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

He was born in Rimini on 29 October 1953. He was appointed Chief Executive Officer and General Manager of Finmeccanica on 15 May 2014.

He has graduated *cum laude* in Electrical Engineering from Bologna University. In 1977 he won a competitive state examination for management positions in the Azienda Autonoma Ferrovie dello Stato, the former Italian State Railways Corporation. Since then he has held a number of positions in various business sectors and in various Ferrovie dello Stato Group companies, where he was appointed Chief Executive Officer in 2006.

In 2005 he was awarded an Honorary Degree in Mechanical Engineering by the University of Cassino, while in 2010 he was honoured with the title of Knight of Labour (*Cavaliere del Lavoro*), i.e. an Italian order of merit for labour.

At present he is the President of ASD – AeroSpace and Defence Industries Association of Europe (from March 2015), the Chairman of the Italy-Japan Business Group (from September 2015), the Honorary Chairman of AIAD - the Italian Aerospace, Defence and Security Industries Federation (from July 2014), as well as the President of the FS Foundation (from 2013).

As regards institutions and associations, he is a Member of the General Council (which has replaced the former board) of Confindustria (the Italian Federation of Industrialists) (from October 2006), of the General Council of Unindustria - Unione Industriali di Roma e Lazio (an Italian association of entrepreneurs in the Rome and Lazio Region areas) (from May 2015) and of the Europe Technical Group (former Europe Technical Committee) of Confindustria (from May 2012), as well as the Chairman and a Member of the Supervisory Board of the Fondazione Ricerca e Imprenditorialità foundation (from February 2015 and December 2014, respectively).

In the cultural and academic fields, he is a Member of the Executive Board of the Associazione Amici dell'Accademia dei Lincei association (from 2013), of the Committee of Honour of the Roman Polyphonic Chorus of Oratorio del Gonfalone (from 2010) and of the Presidency Committee of the Associazione Civita association (from 2007).

Furthermore, he teaches and lectures in various university courses and postgraduate Master's courses and, finally, is the author of a large number of publications regarding transport techniques, technology and economics.

GUIDO ALPA – DIRECTOR

He was born in Ovada (Province of Alessandria) on 26 November 1947. He has been a Director of Finmeccanica since 15 May 2014. He has graduated in Law from Genoa University. He has been Full Professor at the Faculty of Law at Genoa University (Civil law, Comparative private law and Comparative legal systems). He has been Full Professor at the Faculty of Law at La Sapienza University in Rome since 1991 (Civil law and Comparative private law) and the director of the Master's course in European Private Law since 2004. He has been a Visiting Professor at the School of Law of Oregon University and at the University of California (Berkeley), the University of London, the International Faculty of Comparative Law in Mannheim, Trento and Coimbra, the University of Barcelona, the University of Granada and the University of Oxford. He has also taught at the Malta University Summer School, at the Summer School of the Institute of Advanced Legal Studies in London, at the Summer School of the King's College in London. He has been a member of the National Bar Association since 1995 and the Chairman of this Association since May 2004. He is a member of the Steering Committee of the Italian Arbitration Association, of the Steering

Committee of the Italian Comparative Law Association, of the national Steering Committee of the International insurance law association and a member of the Scientific Committee of “Bancaria” (the Italian Bankers’ Association’s monthly magazine), as well as the Chairman of the Italian Civil Lawyers. Furthermore he is also a member of the Advisory Council of the Institute of European Comparative Law at the University of Oxford and has been a member of the Board of Directors of the Cesar Foundation. He has been the Chairman of the Users’ Advisory Council and a board member of ISVAP (the Italian Insurance Supervisory Authority). He has been a member of the Board of Directors of Banca Carige, the Chairman of Carige Assicurazioni S.p.A. and Carige Vita Nuova S.p.A., as well as a member of the Board of Directors of the Carige Foundation and a member of the Board of Directors of Grandi Navi Veloci S.p.A.

He has received prestigious awards including that of the Knight of Grand Cross (“*Cavaliere di Gran Croce*”) of the Order of Merit of the Italian Republic, Knight of the Equestrian Order of the Holy Sepulchre (“*Cavaliere dell’Ordine Equestre del Santo Sepolcro*”) and Commander of the Order of St Gregory the Great (“*Commendatore dell’Ordine di San Gregorio Magno*”). Finally, he is the author of a large number of publications.

MARINA ELVIRA CALDERONE – DIRECTOR

She was born in Bonorva (Province of Sassari) on 30 July 1965. She was appointed Director of Finmeccanica by the Shareholders’ Meeting of 15 May 2014. She has graduated in International Business Economics. She is a member of the Association of Labour Consultants (*Ordine dei Consulenti del Lavoro*) and is expert in the management of industrial relations and enhancement of corporate human capital. She also provides advice on insolvency proceedings. She has been the Chairman of the National Labour Consultants Council since 2005. She has been the Chairman of the European Labour Law Practice Association since 2006. She has been the Chairman of the Permanent Single Committee of Professional Associations and Boards since 2009. She is a professor of Industrial Relations employed on a part-time contract at Link Campus University in Rome. She is the author of papers and articles, and participates in congresses, workshops, conferences, parliamentary hearings and TV programmes, in relation to labour and labour market analysis issues. Upon appointment by the Italian Government, she has been a member of the European Economic and Social Committee since October 2015. In December 2015 she was awarded the title of Honour Graduate in labour social issues (*Graduado Social de Honor*) from the General Council of Official Colleges of Social Graduates of Spain (*Consejo General de Colegios Oficiales de Graduados Sociales de España*).

PAOLO CANTARELLA – DIRECTOR

He was born in Varallo Sesia (Vercelli) on 4 December 1944. He was appointed Director of Finmeccanica at the Shareholders' Meeting of 4 May 2011 and his mandate was renewed at the Shareholders' Meeting of 15 May 2014. He has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career as the General Manager for Turin companies operating in the automobile components industry. In 1977 he joined Fiat S.p.A. in the Automobile Components division at first assisting the head of this division and then as the Sales Manager of AGES S.p.A. (components production). In 1980 he was appointed assistant to the Chief Executive Officer of Fiat S.p.A., as well as head of the Interdivision Industrial Coordination of the Group. In 1983 he was appointed Chief Executive Officer of Comau, a company in the Fiat Group operating in the production resources and systems division. In 1989, he joined Fiat Auto where he was responsible for Purchasing and Logistics. In 1990 he was appointed General Manager of Fiat Auto, then, Chief Executive Officer of the same and manager of the Automobile Division of the Fiat Group. From 1996 to 2002, he held the position of Chief Executive Officer of Fiat S.p.A., Chairman of Fiat Auto S.p.A. and Chairman of IVECO B.V.. From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). In 1997 he was appointed Knight of Labour (*Cavaliere del Lavoro*). He was a member of the Managing Committee of Confindustria (the Italian Federation of Industrialists) and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali S.p.A.), Alcatel, CNH, Polaroid, Terna, TOROC (Turin Olympics 2006) and IREN S.p.A.. At present, he is a member of the Steering Committee of the Fondazione Teatro Regio Torino foundation, as well as the President of the Historic Sport Car Commission of ACI (Italian Automobile Club) and of the Historic Motor Sport Commission of the FIA (*Fédération Internationale de l'Automobile*).

MARTA DASSU' – DIRECTOR

She was born in Milan on 8 March 1955. She was appointed Director of Finmeccanica by the Shareholders' Meeting of 15 May 2014. She has graduated in Contemporary History from Florence University. She has taught Sociology of International Relations and International Journalism at La Sapienza University in Rome. She has held the following positions: Director of CeSPI (Research Centre for International Politics) in Rome from 1989 to 1999, Councillor for International Relations for the Italian Prime Minister from 1998 to 2001, Councillor for the Presidency of the Republic from 2004 to 2005, head responsible for the Strategy Reflection Group of the Ministry of Foreign Affairs from 2006 to 2007, Member of the Scientific Committee of Confindustria (the Italian Federation of Industrialists) from 2008 to 2011, as well as Director General for International Affairs at the Aspen Institute in Italy from 2001 to 2011, Deputy Minister for the Ministry of Foreign Affairs from 2001 to 2014. She is a member of the Board of Directors of Trevi Finanziaria and of the Fondazione Eni

Enrico Mattei foundation. She is a leader writer for *La Stampa* and the Director of the *Aspenia* magazine.

She currently holds the following positions: Senior Director Europe, The Aspen Institute; Member of the Scientific Committee of the School of Government at LUISS University in Rome; Member of the Advisory Council of the European Policy Centre in Brussels, Member of the Steering Committee of the International Affairs Institute in Rome. She was awarded the French Légion d'Honneur of the French Republic in 2003.

ALESSANDRO DE NICOLA – DIRECTOR

He was born in Milan on 23 October 1961. He was appointed Director of Finmeccanica by the Shareholders' Meeting of 15 May 2014. He is a lawyer who graduated in Law at the Milan Catholic University of the Sacred Heart. He worked for the Nicoletti Law Firm from 1985 to 1987, for the Pavia – Ansaldo Law Firm from 1987 to 1988 and for the Carnelutti Law Firm from 1988 to 1989. He joined the Targa – Di Paco – Pagani – Vichi Law Firm (the correspondent firm of KPMG Peat Marwick) from 1989 to 1992. He held the position of National Director for Legal Affairs of SALT (the Law and Tax Firm of Ernst & Young) from 1992 to 2002. He held the position of Managing Partner of the Italian Orrick firm offices from 2003 to 2010, Partner responsible for the European Corporate Department from 2006 to 2009, while he currently holds the position of Senior Partner of the Italian offices and Deputy Corporate Leader at worldwide level, as well as the manager responsible for Europe. He was a Member of the Scientific Committee of Confindustria (the Italian Federation of Industrialists) from 2002 to 2004 and a Member of the Office of the President of the Council of Ministers working group for the diffusion of biotechnologies from 2003 to 2004. He was a Member of the Scientific Committee of ANIA (National Association of Insurance Companies) from 2005 to 2011. He has held various positions in companies and associations: he was a member of the Board of Directors of Fiera Milano, of the Scientific Institute for the study of Public Administrations, of Ernst & Young Corporate Finance S.r.l. (1996-1998), of Hiatus S.p.A. (Impregilo Group); from 1998 to 2002, of Bentos Assicurazioni S.p.A., of Molmed S.p.A. (2008-2013), as well as an independent member of the Steering Committee of Assogestioni (Italian Asset Management Association) (2007-2013). He is currently a member of the Scientific Committee of FeBAF (Bank, Insurance and Finance Federation) and an independent member of the board of directors of Amundi SGR. He is also the Chairman and a member of a number of Supervisory Boards of leading Italian companies. He has been a Lecturer in Commercial Law since 2000 and, since 2011, a Lecturer in Comparative Business and European Law at Bocconi University in Milan and Scientific Coordinator of the Master's course in Commercial and Company Law at the *Il Sole 24 Ore* Business School.

He has been the President of the Adam Smith Society (a non-profit cultural association, a point of reference in Italy for economic operators interested in studying and spreading market economy, competition and free enterprise principles) from 1993. He is the author of books and other scientific publications. He is a leader writer for *La Repubblica* and *L'Espresso* and has written for a number of other daily newspapers and for many weekly publications, including *Il Sole 24 Ore*, *Il Mondo* and *Panorama*.

DARIO FRIGERIO – DIRECTOR

He was born in Monza on 24 June 1962. He was appointed Director of Finmeccanica at the Shareholders' Meeting of 4 July 2013, and his mandate was renewed at the Shareholders' Meeting of 15 May 2014. He has a degree in Political Economy from the Bocconi University in Milan. He started his professional career in 1991 at Credito Italiano Bank as financial analyst where he dealt with the Bank's own investment portfolio and the asset liability management. In 1996 he was appointed Investment Manager in Milan and Dublin by the Unicredit Group. In 2001 he was appointed Chief Executive Officer of Pioneer Investment (Unicredit Group). After a new reorganisation of the Unicredit Group, in 2004 Mr Frigerio became in charge of the Private Banking unit and was appointed Deputy General Manager of the UniCredit Group, assuming also the role of Chief Executive Officer of Unicredit Private Banking. He was also appointed member of the Executive Committee of the Unicredit Group. Following the acquisition in 2006 of the German HVB Group and the Austrian Bank Austria Group and in 2007 of Capitalia, he took on the responsibility for the Group's Wealth Management business at international level. He also held the chairmanship and vice-chairmanship of various banks and asset management companies in Italy and abroad (such as Pioneer Global, Pioneer Sgr, Activest Germany, Fineco, Xelion and Dat). He was a member of the Supervisory Board of HVB in Germany and Bank Austria in Austria. From 2010 to 2011 he was Senior Advisor of Citigroup in the asset management segment for Europe, Middle East and Africa. From November 2011 to February 2013 he was Chief Executive Officer of Prelios SGR.

At present, he is an Independent Director of listed and unlisted companies, Senior Advisor to companies operating in the asset management and private equity segment and a partner of Wealth Management Companies.

FABRIZIO LANDI - DIRECTOR

He was born in Siena on 20 August 1953. He was appointed Director of Finmeccanica by the Shareholders' Meeting of 15 May 2014. He graduated from Biomedical Engineering at the Polytechnic Institute in Milan. In 1979 he started his professional career in Miles Italia, a Bayer Group company, as a manager responsible for the Life Science Instruments division. In 1981 he joined the Ansaldo Group in Genoa, as a Manager responsible for the Strategic Marketing in the

biomedical electronics sector. He was in managerial roles with various responsible positions in Esaote from 1984 to January 2013, until he took on the post of Chief Executive Officer and General Manager. In 2009 he handled the ownership restructuring which determined the Esaote Group's present structure. After having held various positions as Chairman and Director of the Esaote Group companies, he has also held the position of Member of the Boards of Directors of some North-American and Asian companies operating in the medical high tech sector. He is a member of the Board of Directors of Menarini Diagnostics, Firma and Silicon Biosystem that belong to the Menarini Group in Florence, as well as of the Board of Directors of Banca CRF in Florence.

In 2015 he founded Panakes Partners, which operates as an Asset Management Company in the management of specialist Venture Capital funds and of which he is the Director. He is a member of the Steering Committee and of the Board of Confindustria (the Italian Federation of Industrialists) in Florence, as well as of the Presidency Committee, with delegated powers for start-ups, business networks and the establishment of new companies. He is the Vice-President of the Business Network Committee (*Comitato Reti d'Impresa*) of Confindustria. He is the president of the TLS Foundation in Siena. He is the Vice-President of the Fondazione Ricerca & Imprenditorialità foundation. He collaborates with Italian and foreign universities in the biomedical engineering, healthcare and business management areas.

SILVIA MERLO – DIRECTOR

She was born in Cuneo on 28 July 1968. She was appointed Director of Finmeccanica by the Shareholders' Meeting of 4 May 2011; her appointment was renewed by the Shareholders' Meeting of 15 May 2014. She has graduated in Business Economics. She is Chief Executive Officer of Merlo S.p.A. Industria Metalmeccanica. She holds positions in the Boards of Directors of other companies in the Merlo Group. She has been a member of the Board of Directors, of the Control and Risk Committee, of the Appointment and the Remuneration Committees of Gruppo Editoriale L'Espresso S.p.A. since 2013. She has been a member of the Board of Directors and of the Appointment and Remuneration Committees of Erg S.p.A. since 2015.

MARINA RUBINI – DIRECTOR

She was born in Verona on 16 April 1969. She was appointed Director of Finmeccanica by the Shareholders' Meeting of 15 May 2014. She is a lawyer who graduated in Law at the "Sacro Cuore" Catholic University of Milan and obtained a postgraduate law degree (master of Laws) with honors at the Northwestern University School of Law in Chicago (USA). From 1995 to May 2005 she improved her professional experience collaborating with important law firms in Italy and abroad, such as: Bonelli Errede e Pappalardo in Brussels, PricewaterhouseCoopers in Milan and Gianni, Origoni, Grippo & Partners in Rome. From June 2005 to December 2013, she held increasingly

important positions: Manager responsible for the Corporate Area within the Department of Legal Affairs of Tamoil Italia S.p.A.; Manager responsible for the Corporate, Compliance, Antitrust and Commercial Contracts areas within the Department of Legal and Corporate Affairs of Bayer S.p.A.; Head of Legal & Compliance Italy and Southern Europe Cluster of Novartis Vaccines and Diagnostics S.r.l.. She is a former member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., while at present she is a member of the Supervisory Boards of major Italian companies. Her curriculum was included in the database “1000 Curricula Eccellenti” (1000 excellent curricula) of the Bellisario Foundation which comprises the best curricula of women with excellent professional profiles.

Attitude regarding the plurality of positions

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 the commitment connected to their working and professional activities, as well as the overall number 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 and of the related commitment, also in the light of their participation in the Committees of the Board.

In this respect, the Finmeccanica Board of Directors has expressed an opinion regarding the maximum number of positions as director or statutory auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company, deeming that this number should be no higher than five (5) positions in companies listed on regulated markets, including foreign markets, or in finance, banking or insurance companies or of other major companies (article 1 of the Rules of Procedure). Any positions held by Finmeccanica Directors in companies either directly or indirectly controlled by Finmeccanica Spa, or in which it holds an equity interest, should not count for the purposes of the calculation of the number of directorships. The present composition of the Board is coherent with the aforementioned limits.

As provided for by the present Board Regulation, further observations regarding the maximum number of positions held may be made by the Board of Directors on the basis of any recommendations put forth by the Nomination Committee.

Each year, the Board reviews and reports on the abovementioned positions in this Report.

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

- **Marta Dassù**
Director of Trevi Finanziaria S.p.A
- **Dario Frigerio**
Director of RCS MediaGroup S.p.A
Director of Sogefi S.p.A.
Director of Poste Vita S.p.A
- **Fabrizio Landi**
CEO of Delegato Panakés SGR S.p.A.
Director of Banca CRF S.p.A.
Director of Menarini Diagnostics S.r.l.
- **Silvia Merlo**
Director of Gruppo Editoriale L'Espresso S.p.A.
Director of ERG S.p.A.
CEO of Delegato Merlo S.p.A. Industria Metalmeccanica

4.3. ROLE OF THE BOARD OF DIRECTORS (Art. 123-bis, para. 2, lett. d) TUF)

The Board of Directors is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the By-Laws.

The Board is also entitled, as required by section 24.1 of the By-Laws, to resolve on:

- a) the merger and demerger in the cases envisaged by law;
- b) the establishment or closure of sub-offices;
- c) capital decreases in the case of withdrawal of one or more shareholders;
- d) bringing the By-Laws into line with regulatory provisions;
- e) the transfer of the registered office in the national territory.

Without prejudice to the issues that cannot be delegated pursuant to law (article 2381 of the Italian Civil Code) and the By-Laws (section 22.3), the Board reserved the following issues for its exclusive competence:

1. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);
2. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
3. the incorporation of directly-owned joint-stock companies except for companies whose incorporation results from participating in tenders, or stock exchange listing; capital increases, transformation, mergers, demergers, winding up or the execution of shareholders' agreements

- with regard to directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
4. designation, on proposal of the Chief Executive Officer, of new Directors with powers, or of Directors, Statutory Auditors or Independent Auditors in directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
 5. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
 6. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 50 per transaction, except for those urgent cases for which the Chief Executive Officer shall be authorised to exceed the above limit reporting such case to the Board of Directors;
 7. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
 8. the engagement, appointment and dismissal of executives or of the Head of the Audit are reserved by the law and the By-Laws to the Board of Directors, subject to the proposal of the Chief Executive Officer; the Board is also entitled to assign consulting engagements on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;
 9. the acquisition of equity investments, also by exercising option rights, except for transfers of intergroup equity investments, without prejudice to paragraph 14 below;
 10. 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;
 11. transfers, contributions, licences and all other acts of disposal, including those carried out within 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;
 12. moving research and development work related to defence outside Italy;
 13. 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 within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
 14. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 10), 11), 12) and 13).

Resolutions on matters for which the Board of Directors is solely responsible under the By-laws (Article 22.3) are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

The Board's meeting is convened by the Chairman, by a notice specifying the issues on the agenda to be discussed and resolved, within the annual planning of the board's meetings or in any case whenever the same deems it necessary or it is so requested, in writing, by the majority of its members or by the Board of Statutory Auditors.

The individual Directors may ask the Chairman to insert issues on the agenda. Where the Chairman deems it appropriate not to grant the request, he/she shall promptly inform the Director concerned.

The notice of call is usually served on each member of the Board and of the Board of Statutory Auditors at least three days before that set for the meeting pursuant to section 20.2 of the By-Laws, as well as according to procedures that are suitable to ensure confidentiality and timeliness of the call and that allow to verify that the notice has been received; in cases of urgency, at the discretion of the Chairman, the notice will be sent as promptly as possible, according to the specific circumstances.

As required by the By-Laws, the Board's meetings may be also attended by tele-conference or video-conference, provided that a prior notice thereof is given to the Secretary to the Board, that all the participants may be identified and that the same are able to follow the discussion and at the same time to take part in the discussion of the issues, as well as to peruse, in real time, such documentation as may be distributed in the course of the meeting.

At the request of one or more Directors, the Chairman may invite executives from the Company or from Group companies to participate in the individual board's meeting, as well as any other persons or external consultants, whose presence is deemed useful in relation to the issues on the agenda. In any case, these persons will be required to comply with the same confidentiality obligations as those laid down for Directors and Statutory Auditors. In respect of the actual participation of executives of the Issuer in the Board meetings, it is to be noted that, during the 2015 financial year, the persons in charge of the 1-st level Finmeccanica Organisational Units took part in the Board of Directors' meetings, upon invitation of the CEO, providing the required in-depth analyses on the issues on the agenda within the sphere of their respective responsibilities.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The annual calendar of the meetings of the Board relating to corporate events is communicated by the Company in the month of January of the related financial year.

In the course of the 2015 financial year, the Board met 14 times for an average of 3 hours per meeting. During this year, at 16 March 2016 no. 3 board's meetings have already been held (compared to the scheduled 11 meetings) including that held at the same date.

The following are the Directors' attendance records for the meetings that took place during 2015:

	Attendance
Giovanni De Gennaro	14 out of 14 meetings
Mauro Moretti	14 out of 14 meetings
Guido Alpa	13 out of 14 meetings
Marina Elvira Calderone	13 out of 14 meetings
Paolo Cantarella	13 out of 14 meetings
Marta Dassù	14 out of 14 meetings
Alessandro De Nicola	14 out of 14 meetings
Dario Frigerio	12 out of 14 meetings
Fabrizio Landi	13 out of 14 meetings
Silvia Merlo	14 out of 14 meetings
Marina Rubini	13 out of 14 meetings

All absences were excused.

As envisaged in their own Rules of procedures, the Board of Directors:

- a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, monitoring its implementation periodically; defines its corporate governance system and the Group structure;
- b) defines the nature and level of risk compatible with the strategic objectives of the Company;
- c) evaluates the adequacy of the general organisational, administrative and accounting structure of the Company as well as of its key subsidiaries, paying particular attention to the internal audit system and of the system for risk managing;
- d) grants and revokes powers delegated to directors, except for those reserved solely to the Board, establishing the limitations on and manner of exercising these powers and determining the frequency with which the delegated bodies must report to the Board on the actions that have been taken pursuant to the delegation, provided that this will be made at least on a quarterly basis pursuant to section 24.2, last paragraph, of the By-Laws;
- e) defines the Company's policy governing the fees due to directors and executives with strategic responsibilities, in accordance with the regulations in force and with the Code;
- f) decides, upon proposal of the Remuneration Committee, the remuneration and conditions of service of the directors provided with delegated powers and those of the other directors holding special positions (in consultation with the Board of Statutory Auditors and in accordance with Art. 2389 (3) of the Italian Civil Code);

- g) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
- h) resolves as to the transactions that are reserved for the same by the law and the By-Laws, as well as to any additional transactions of the Company and subsidiaries, when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, which the Board reserves for itself on the occasion of the granting of delegated powers;
- i) at least once a year, appraises the functioning of the Board itself and of its Committees;
- j) in order to ensure the correct management of corporate information, adopts, as proposed by the Chief Executive Officer, a procedure for the internal management and external communication of documents and information concerning the Company, with specific regard to the treatment of inside information;
- k) provides information, in the Report on Corporate Governance, on the procedures for the performance of its duties.

Subject to the opinion of the Control and Risks Committee and following the periodical identification of the main corporate risks supervised by the Director in charge of the internal control and risk management system, at the meeting of 16 March 2016, the Board of Directors provided – as well as finally updated – the “Guidelines for the internal control and risk management system” so that the main risks involving the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, also defining the degree of compatibility of these risks with the management of the enterprise that is consistent with the defined strategic objectives.

In fact, as regards the new reference to the sustainability parameter introduced into the framework of these appraisal activities in the latest edition of the Code, the Risk Library used for Board of Directors' assessments (prepared by the competent Risk Management organizational unit) already has information regarding the risk areas specifically relevant to medium- and long-term sustainability.

As regards specific activities and assessments carried out by the Board, for which reference should be made to paragraph 10 below, it should be noted that in the meeting held on 16 March 2016 the Board of Directors, on the basis of the opinion given by the Control and Risks Committee, found the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning, with specific regard to the internal control and risk management system.

The Board has defined as key subsidiaries those that are responsible for managing the Group's areas of business and having regard to all the activities these companies perform either directly or through other subsidiaries.

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.

With regard to the criteria for the identification of the transactions of significant importance, it should be noted that these transactions coincide with those that are already reserved for the Board pursuant to the By-Laws or on the occasion of the resolutions granting delegated powers.

Board evaluation

As provided for in its own Rules and in the Corporate Governance Code, the Board of Directors of Finmeccanica carries out, on an annual basis, an evaluation of the functioning of the Board itself and of its Committees, as well as of its related size and composition, also taking account of the professional skills, expertise – both in management and internationally–, gender and seniority of its members.

Taking account of the outcome of such evaluation, the Board then expresses its position to the shareholders, before the renewal of its term of office, also on the basis of the recommendations or opinions provided by the Nomination Committee. With regard to the new instructions in the 2015 Code, it should be noted that the guidelines on the new composition of the Board, which were already set out by the outgoing Board members (holding office for the three-year period from 2011 to 2013) at the time of the appointment – by the Shareholders' Meeting held on 15 May 2014 – of the present governing body, actually take account of such profile and skills from both a managerial and a professional perspective, as are required from the new Directors.

In the 2015 financial year the Board of Directors of Finmeccanica carried out the second evaluation of the Board and of its Committees for the current term of office. The evaluation process was conducted in accordance with the recommendations laid down in the application criterion 1.C.1., letter g), of the Corporate Governance Code and in line with the most recent international best practices. It should be pointed out that Finmeccanica conducted its first self-evaluation process during the 2005 financial year; therefore, the appraisal we are dealing with is the eleventh self-evaluation completed in accordance with the best practices.

The Board decided to make use of the advice available from an external consultant and, once again, it appointed the consulting firm Crisci & Partners – Shareholders and Board Consulting; the appointment was renewed due to the firm's specialisation in and professional focus on corporate governance practices and its independence. Crisci & Partners, which at present does not provide additional services, either to Finmeccanica, or to Group Companies, has not had any economic relationships with Finmeccanica and the companies it controls other than those maintained directly with its Board (the same consulting firm assisted the Board of Directors of Finmeccanica in conducting the self-evaluation processes relating to the three-year period from 2008 to 2010), except for the Board of Ansaldo STS S.p.A. in the three-year period from 2011 to 2013.

The self-evaluation of the Board of Directors and Committees of Finmeccanica was carried out by two senior professionals through interviews that were held in December 2015 and January 2016. The interviews were conducted through assistance in compiling a common questionnaire on quantitative aspects, while discussing qualitative issues based on open-ended questions. They were preceded by a careful reading of the documentation and of the minutes of the Board's and Committees' meetings, as well as by meetings with the Company's Chairman and Chief Executive Officer and General Manager, the Chairman of the Board of Statutory Auditors and the Secretary to the Board of Directors, as observers.

The interviews with the Directors of Finmeccanica were carefully personalised and were focused on the various aspects concerning the composition and functioning of the Board and of its Committees. For reasons of continuity and in order to allow a comparison with the results reported in the previous year, the questionnaire format and the issues of the interviews were substantially the same as those used in the self-evaluation conducted in 2014. The main aspects that were analysed considered:

- professionalism, in terms of knowledge, professional experience and skills gained by the individual Directors and expressed by the Board as a whole;
- composition and balancing of the roles held within the Board;
- frequency and quality of the induction meetings and application of succession plans for the top management positions held by the executive staff;
- functioning of the Board as a whole;
- proceedings of the Board's meetings in terms of frequency, issues discussed, duration, procedures for participating in the meetings, with particular attention to the strengthening of relationships of trust, collaboration and dialogue of the Directors between each other and between them and the Chief Executive Officer and General Manager;
- the Chairman's roles and leadership;
- information flows between the Board and its Committees;
- composition, functioning and quality of the discussion that characterise the individual Committees.

From the self-evaluation process the following conclusions emerged, which are summarised below.

In 2015 the process that led to a new organisation structured into sectors and divisions required intensive work from the Board of Finmeccanica. The Board was engaged in the assessment of a number of extraordinary transactions and of the issues relating to the change in the profile of the risk to be borne by the One Company. The intense common activity highlighted the individual skills of the Directors and enhanced the efforts they had made in giving their contribution collectively.

This has further strengthened the process of cohesion between the Directors and the development of a constructive relationship of trust with the management, which was already started during 2014.

Then, the Directors express their unanimous satisfaction for the work carried out and their awareness of the important objectives achieved in defining the new business perimeter. This result has been contributed to by a balanced composition in terms of skills and experience of the Board, which is composed of eleven Members, nine of whom are independent directors. A good balancing is also reported as regards both size and gender representation.

The Directors acknowledge that they are well supported in performing their functions: the scheduling of their meetings is efficient, the amount of information is clear and exhaustive, the minutes of the meetings provide a true and complete report.

During the year the role of the Lead Independent Director was further strengthened in order to encourage discussion between the Independent Directors as regards the issues and procedures concerning the functioning of the Board and help to provide guidance on the induction activity. This was appreciated by the Directors, who had the opportunity to actually visit some of the most important operating units. Thus, again due to the encouragement by the Lead Independent Director, induction is becoming an increasingly ongoing activity.

The self-evaluation carried out in 2014 reported the lack of succession plans, above all in the case of crisis, and the opportunity to strengthen the risk management function as areas for significant improvement. During 2015 the Board entrusted the Nomination Committee with the task of setting out, in the absence of a succession plan, a procedure to face any possible crisis in relation to the top management positions (as reported in paragraph 6 below). Furthermore, the risk assessment function was enhanced by the appointment of a Chief Risk Officer.

The Remuneration Committee has developed a plan, with the help of qualified external consultants, in line with international and national best practices.

The role and objectives of the Analysis for International Scenarios Committee have been further defined. In addition to the fundamental contribution in terms of strategic approach, the Committee is increasingly becoming important to establish international relations at the highest levels.

The Chairman has continued to play his role in a very careful manner so as to ensure stability and guarantee well-balanced and active debates within the Board.

In addition, the relationship of mutual trust and appreciation has been further strengthened between the Chief Executive Officer and General Manager and the other Board Members. His willingness to outline operational events and share the rationale of management decisions is particularly appreciated, also thanks to the support received from the top managers responsible for the main Functions. There are unanimous satisfaction with and appreciation of the important results achieved during the year by Finmeccanica under his direction.

Within the context of its task of facilitating the process and the self-evaluation experience of the Board of Directors, Crisci & Partners has shared the positive assessments and constructive opinions provided by the Directors in relation to the functioning of the Board and of its Committees and to the possibility of their further development and has confirmed the excellent level of compliance with the provisions laid down in the Corporate Governance Code and international best practices.

Board induction

As required by the Rules of Procedure of the Board, the Chairman is in favour of Directors and Statutory Auditors taking part in induction sessions in order to help them to familiarise themselves with the manner in which the Company is organised - and this not only after their appointment but also during their term of office and the business area in which it operates - the corporate dynamics and their evolution.

In this regard, the Lead Independent Director, in consultation with the Chairman and Chief Executive Officer and with the assistance of the Company's competent functions, took steps to draw up - for the benefit of the Directors and the members of the Board of Statutory Auditors - a programme of presentations which were given at meetings devoted to the acquisition of deeper knowledge of the Group's activities and business. During 2015 meetings were arranged with the managements of subsidiaries Selex ES, AgustaWestland and Alenia Aermacchi, at which Finmeccanica's activities, products and plans were described. The meetings were held at the subsidiaries' manufacturing sites and were followed by guided tours of the factories during which Directors and Statutory Auditors were given the opportunity to acquaint themselves with the Group's various processes and see demonstrations of the functioning of the products and systems concerned. Directors and Statutory Auditors are normally invited to attend Top Management meetings with Group executives at which the Chief Executive Officer and General Manager presents the management with the Group's main plans, programmes and initiatives.

The members of the Board of Directors and of the Board of Statutory Auditors have also been invited to participate in the main international airshow for the aerospace and defence sector, which took place in June 2015 (Paris Le Bourget Airshow) as well as in other events organized by the Company with the participation of the Company's and Group's executives.

Finally, in order to promote better knowledge of the relevant business, legislative and self-regulatory framework and of developments in this scenario, a specific set of reference corporate and company documents (Board's and Committees' Rules, Procedures, Codes) that are useful for the performance of the mandate, is made available to the Directors and Statutory Auditors, which is regularly updated.

Furthermore, on the occasion of the Board of Directors' Meetings, periodic information reports are prepared and distributed to the Directors and Statutory Auditors on the most important legislative and regulatory developments concerning the Company and the corporate bodies.

It should be noted that the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision under Art. 2390 of the Italian Civil Code.

In this regard, in accepting his position each Director has stated that he/she 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/she made at the time of his/her appointment.

4.4. DELEGATED BODIES

Chief Executive Officer and General Manager

On 3 November 2015 the Board of Directors conferred to the Chief Executive Officer and General Manager Mauro Moretti, without prejudice to the duties reserved to the Board of Directors, in addition to being the legal representative of the Company, in accordance with the law and the By-Laws, having signatory powers on behalf of the Company and having the power to implement the resolutions of the governing body, all the necessary powers and authorisations to jointly manage the Company, its branches of business and its subsidiaries and for the management of any and all interests held in associated and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors; authorities and delegated powers other than those granted by the Board on 15 May 2014 at the time of the appointment, which are effective from 1 January 2016. Delegated powers and authorities had to be re-allocated in order to implement the Group's new Organisational and Operational Model; for the relevant contents, reference should be made to paragraph 15 below.

The Chief Executive Officer and General Manager has been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 50 limit on the issue of guarantees €mil. 50 limit on medium and long-term credit and debt financial transactions, and €mil. 200 limit on settlement of agreements other than concerning labour issues, relating to each individual transaction.

We specify that, in compliance with the Corporate Governance Code requirements, there are no situations of interlocking directorate.

Chairman of the Board of Directors

On 3 November 2015, the Board granted the Chairman of the Company, Mr Giovanni De Gennaro, in office since 4 July 2013, some powers concerning Institutional Relationships - to be exercised in coordination with the Chief Executive Officer - Group Safety and Group Internal Audit, thus confirming the powers granted to him on 15 May 2014 at the time of the appointment, in addition to

the authority as legal representative of the Company and signatory powers pursuant to law and to the By-Laws.

Information to the Board of Directors

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 its attention.

The Board of Directors of the Company, in its Rules, specifies the methods whereby the Directors are assured that the utmost fairness is observed both in the phase prior to the meeting whereby information is supplied regarding the items on the agenda and in the procedures for conducting the meetings. The Company has also adopted an internal procedure whose specific aim is to regulate the management of information flows between its governing bodies in compliance with the fundamental principles of timeliness, completeness and confidentiality of information.

Specifically, for the discussion of the items on the agenda of the Board's meetings, the Directors and Statutory Auditors are provided with the supporting documentation, which provides the necessary information to allow them to express themselves in a properly informed manner regarding the matters being resolved on.

The abovementioned documentation is made available in such a way as to ensure, also by accessing the relevant specific online platform ("Virtual Area"), the necessary confidentiality and well in advance of the date of the board's meeting, which is usually by the third day prior to that set for the meeting, except in urgent cases when the documentation is made available in due time and subject to prior notice within the same time limit.

However, the Directors and the Statutory Auditors can access the aforesaid information documentation at the registered office in the days immediately prior to that of the meeting, as well as ask for clarification or additional information to help them to better evaluate the matters submitted to the Board.

The Chairman shall verify that the aforesaid information has been duly made available to the Directors and to the Statutory Auditors at the Offices.

The abovementioned deadline of three days for sending the information prior to the date of the meeting has usually been respected during the financial year in question, with exception to urgent cases. In such cases, the information was in any case provided in due time and in compliance with the provisions of the Board of Directors Rules of Procedures and the matters on the agenda were the object of specific, precise and adequate in-depth analyses during the Board's meetings, also through the IT support provided by the Heads of the Organisational Units and the provision of a full and detailed documentation.

In the event of particularly complex issues or documentation, the Company provides the most essential relevant documentation to the Directors in order to facilitate the illustration of the issues on the agenda.

The Chief Executive Officer is also expected to provide the Board of Directors, at least on a quarterly basis, with full information regarding the main activities he has performed in the exercise of his delegated powers, as well as with periodic disclosures in relation to the implementation of the resolutions passed by the Board.

This information is provided at the same time as the periodic accounts (Annual, Half-Year and Interim Financial Statements and Reports) are submitted for the approval of the Directors.

4.5. OTHER EXECUTIVE DIRECTORS

The Board of Directors is made up exclusively of non-executive Directors (i.e. without delegated operational powers and/or management duties within the Company), with the exception of the Chief Executive Officer and General Manager Mauro Moretti.

4.6. INDEPENDENT DIRECTORS

In accordance with the Company's corporate governance model, which, as mentioned earlier, has been aligned with the recommendations of the new Corporate Governance Code, Finmeccanica's Board of Directors assesses the degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed periodically, on an annual basis, as well as upon the occurrence of any circumstances that are relevant for independence purposes.

In assessing independence, the Board considers the information given by the individuals concerned regarding circumstances relevant to the assessment. To this end, the Board has defined, after having heard the Board of Statutory Auditors, the contents and procedures according to which the individual Directors provide information under their responsibility, as well as the application criteria relating to the Company, as reported in the Rules of Procedure (section 4).

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.

The serving Board of Directors has evaluated the independence of its members and has made its findings known, after the appointment by the Shareholders' Meeting held on 15 May 2014, as well as, at a later time, at the time of the approval of the 2015 Corporate Governance Report on 18 March 2015 and – in the current financial year – during the meeting held on 18 February 2016 (periodical assessments).

As a result of the assessments carried out in the last meeting referred to above, the Board confirmed its previous assessments according to which all non-executive Directors holding office (Guido Alpa,

Marina Elvira Calderone, Paolo Cantarella, Marta Dassù, Alessandro De Nicola, Dario Frigerio, Fabrizio Landi, Silvia Merlo and Marina Rubini) met the independence requirements pursuant to law (article 148, paragraph 3, of the Consolidated Law on Financial Intermediation) and to the Corporate Governance Code, except for the Chairman Mr De Gennaro in that he was “a prominent representative” of the Company, in accordance with the Corporate Governance Code.

Therefore, the Company is largely in line with the instruction laid down in the Code (as expressly approved by the Board’s Rules of Procedure) which requires the issuers belonging to the FTSE-Mib index to appoint at least one third of independent Directors.

It should be noted that, at the time of the filing of the lists the abovementioned Independent Directors, pursuant to the Code, also declared that they met the independence requirements set out by law.

In its assessment pursuant to the Corporate Governance Code, the Board of Directors has adopted the same parameters and criteria specified in the abovementioned Code and adopted in the Board’s Rules of Procedure. The Board of Statutory Auditors has positively verified the correct application of the assessment criteria and procedures adopted by the Board, without making objections.

In the assessment of independence and in the framework of the appraisal criteria specified in the Code and adopted in the Board’s Rules of Procedure, the latter specifies as follows.

“Prominent representative” is a term that indicates the Chairman, the executive director or a director duly empowered, the General Manager or Joint General Manager (of Finmeccanica or of any other company contemplated by the Code).

Persons who are in a position to exercise “significant influence” over Finmeccanica are shareholders holding at least 10%, even indirectly, of its shares.

The Board of Directors has stated that it would determine quantitative and/or qualitative criteria to refer to in evaluating any commercial, financial or professional relationships on the basis of an assessment of their economic importance and their significance, while retaining its discretionary power 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. For some time, however, the Board has adopted the annual remuneration for the position of Company Director (currently equal to €80,000) as the quantitative criterion for establishing the significance of any professional relationships, while the Board’s prior authorisation is required for appointing its members to professional positions.

Additionally, again for the purposes of independence assessment, 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 for the Economy and Finance, the Board of Directors appraises Directors’ past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance,

the Ministry for 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 (other than and additional to those of the internal Committees) are convened at the request of the independent Directors or by the Lead Independent Director.

In 2015, the independent Directors met five times, in all cases as requested by the Lead Independent Director and without the presence of the Chairman and Chief Executive Officer and General Manager.

At these meetings the independent Directors considered some questions related to the functioning of the Board in general and the relationships with the Company's Top Management; specifically, they examined, with the help of an advisor whom they selected themselves but who was paid by the Company, the assessment processes and criteria of the disposal of businesses in the Transportation sector, which they believed it was their duty to evaluate independently.

Additionally, during the 2015 financial year the Independent Directors, also with the support of the competent corporate functions and of the Company's advisors, considered the most important issues arising from the preparation and implementation of the Group's new Organisational and Operational Model, coming to their own autonomous conclusions.

The Independent Directors also reached their own autonomous conclusions regarding the process of adjustment of the Organisational, Management and Control Model of Finmeccanica as per Legislative Decree 231/2001.

Finally, the Board's internal Committees, where appropriate and including matters assigned to them and in the event of particularly important issues, consult with the other independent Directors in order to obtain their opinions.

4.7. LEAD INDEPENDENT DIRECTOR

Following the renewal of the Board of Directors by the Shareholders' Meeting of 15 May 2014, the Board appointed in the same date the Director Paolo Cantarella as Lead Independent Director, with the task of coordinating the requests and contributions from non-executive Directors and in particular from independent Directors.

In this respect, the Rules of Procedure provide, even in the absence of the specific situations contemplated in the Corporate Governance Code, for such power of appointment on the part of the Board, with the abstention of the executive Directors and in any case of the non-independent

Directors; it is also envisaged that in any case the Board has to make this appointment in the event of the Chairman being granted delegated operational powers. The Board has not granted delegated operational powers to the Chairman: however (also in consideration of the authorities granted to the same) the Board considered it appropriate to appoint the Lead Independent Director.

The Lead Independent Director will serve throughout the term of office of the Board of Directors.

Specifically, the Lead Independent Director:

- assists the Chairman in ensuring that Directors receive full and prompt information and in taking appropriate actions to allow Directors and Statutory Auditors to enhance their knowledge of the Company, of the Group and of the corporate dynamics;
- convenes, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- contributes to the process of the assessment of the members of the Board;
- collaborates with the Chairman in the annual planning of the Board's works;
- informs the Chairman of any matters to be submitted to the Board for scrutiny and appraisal.

During the financial year 2015 the Lead Independent Director met with the Chairman and the Chief Executive Officer to explain the requirements of the independent Directors, to increase and enhance their knowledge of the Group's activities and of the strategic context of the Aerospace, Defence and Security sector in which it operates.

Specifically, as already anticipated when dealing with the Board Induction, the Lead Independent Director, in consultation with the Chairman and Chief Executive Officer, took steps to define an induction programme within which presentations at meetings were organised, with the assistance of the Company's competent functions and for the benefit of both Directors and the members of the Board of Statutory Auditors, which were devoted to the detailed analysis of the Group's business sectors, products, structure, reference scenarios and competitive positioning, as well as meetings with the Group's management and visits to the respective production sites described above.

Furthermore, in the first months of the 2015 financial year the Lead Independent Director coordinated the activities of the independent Directors in relation to the examination of transactions of disposals (as reported in paragraph 4.6 above) and maintained relationships with the Company's Top Management in that regard, with the corporate units and the independent advisor appointed by the independent Directors themselves.

4.8. HANDLING OF CORPORATE INFORMATION

Privileged Information

In order to ensure the proper management of corporate information, the Board of Directors' Rules of Procedure provide for the adoption, by the Board and on the proposal of the Chief Executive Officer, of a procedure for the internal management and the external transmission of documents and information concerning the Company, with specific regard to privileged information.

On the proposal of the Chief Executive Officer, on 26 March 2013 the Board of Directors approved – and then on 2 July 2015 it updated - the **PROCEDURE FOR PRIVILEGED AND CONFIDENTIAL INFORMATION**, whose text can be found in the Corporate Governance section of the Company's website; this followed the previous provisions that had already been adopted for some time in order to coordinate the management and circulation of this information.

When the Procedure, which had been approved in July 2015, was reviewed, in addition to aligning its contents to the Company's new organisational system, the main aspects of its contents and methods, which were based on the reference legislative and regulatory framework, were examined in greater detail and more accurately in order to ensure exact compliance with the present methods for transmitting inside information, and, more generally, for publishing all "regulated information" subject to price sensitive information rules.

Basing itself on the Board Procedure, therefore, the Company issued a separate internal Procedure (in addition to a Group Directive) which regulates the specific obligations and operating methods for the correct handling of inside and confidential information. Finally, in the framework of the implementation of the process of structuring the Company into divisions, modifications were also made to the internal Procedure in order to ensure that it is correctly applied at both Corporate and Division level.

The Procedure adopted by the Board defines principles, obligations of conduct, roles, responsibilities and information flows as to the processing of privileged and confidential information concerning Finmeccanica Spa and its subsidiaries, with specific regard to the related external communication.

The persons involved, through specific roles and responsibilities, in the management and dissemination of said corporate information are: the Chief Executive Officer and General Manager, the Organisational Units of External and Institutional Relations and Communication (EIR&C), or Investor Relations (IR) and SRI (Sustainable Responsible Investors), in agreement with the Chief Financial Officer (CFO)/Officer in charge of financial reporting, as well as the Legal, Corporate Affairs and Compliance (LCA&C) Organisational Unit and/or the other organisational units as regards the issues within the sphere of their responsibilities.

Finally, the Procedure includes specific provisions as to the confidentiality obligations placed on the members of the corporate bodies, the Company's employees and external consultants.

Code of Internal Dealing

Within the scope of the procedures in force the management and communication of information pertaining to the Company, the Board of Directors of Finmeccanica passed a resolution some time ago (28 March 2006) to adopt a **CODE OF INTERNAL DEALING** (in order to replace the Code of Conduct), in the implementation of the relevant regulatory provisions, as well as in compliance with the implementing regulations imposed by Consob for the adoption of the provisions of the European Market Abuse Directive.

The Code, which governs the flow of information to the market about transactions involving shares issued by Finmeccanica or other financial instruments connected to these and initiated, also through a third party, by “Key Persons” or by persons “closely connected” to them, was reviewed afterwards, also on the basis of the various changes made to the Company’s organisational structure.

The provisions concerning periods during which transactions cannot be carried out (blackout periods) were significantly extended, in the light of best practice as well as the guidance and requirements of foreign institutional investors in relation to practices adopted in their respective markets.

At present the Code provides for a distinct blackout period, which, for executive Directors and for the General Manager (as well as for persons closely connected to them) starts from the fourteenth day before the close of each accounting period and ends on the day following the issue of the press release announcing the results achieved in the period; for other Key Persons (non-executive Directors, Statutory Auditors, Officer in charge of Financial Reporting and persons closely connected to them) the blackout period starts from the closing date of the relevant accounting period and ends on the day after the issue of the press release announcing the relevant results.

The quantitative threshold identified by the Code for transactions subject to disclosure provides – in compliance with the regulatory provisions – for the exemption from disclosure obligations in relation to transactions with a total value that does not reach €5,000 by the end of the same calendar year are excluded from the obligation.

As regards the deadline for disclosure to Consob and to the public, “Key Persons” are required to ensure that their notification reaches the Company within 4 trading days after the transaction and it is provided that the Company informs the markets, according to the prescribed methods, before the end of the trading day after receiving the information.

In order to ensure that the rules are correctly applied, the Company has laid down specific information flows and procedures to ensure that “Key Persons” are made aware of their obligations and are provided with the help necessary to fulfil them.

Finmeccanica promptly publishes the information in the Corporate Governance section on its website, in the specific Internal Dealing area, where the updated text of the abovementioned Code is also promptly made available.

Register of persons who have access to privileged information

Pursuant to Art. 115-bis of the Consolidated Law on Financial Intermediation, the Company has created a special Register of persons who have regular or occasional access to privileged information owing to their work or profession or by virtue of the functions that they perform. The Register is kept up to date in compliance with current regulations. In this regard, the Company has also issued a specific **PROCEDURE (“KEEPING AND UPDATING THE REGISTER OF PERSONS WHO HAVE ACCESS TO INSIDE INFORMATION IN FINMECCANICA”)** concerning the management of the Register, which can be found in the Corporate Governance section of its website, as well as a Directive aimed at regulating the issues within the Group.

4.9. DIRECTORS’ INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions with related parties, the Company adopted the specific **“PROCEDURE FOR RELATED PARTIES TRANSACTIONS”** (hereinafter referred to as “the Procedure”), as approved by the Board of Directors on 26 November 2010 pursuant to Art. 4 of the Consob Regulation no. 17221 of 12 March 2010 (and subsequent amendments and additions). The Procedure was unanimously approved by the Board, after having received the unanimous favourable opinion by the Procedures Committee (as specially established by and composed of independent Directors), and also underwent a first revision on 13 December 2011 in order to take account of certain formal adjustments due to the changed organisational structure of the Company.

Moreover, the Board assigned the Control and Risks Committee the task of acting also as the Committee for Related Parties Transactions.

The Procedure requires, in accordance with the recommendations of the Consob, a periodic assessment (at least every three years) as to the suitability of the Procedure adopted and the decision whether to proceed with the related review, also in light of the application practice. The relevant changes, if any, must be approved by the Board of Directors, subject to the favourable opinion of a Committee exclusively composed of the independent Directors (i.e. the Control and Risks Committee as specified below).

On 7 November 2013, The Board of Directors resolved to proceed with said review, appointing the Control and Risks Committee (in its capacity as Committee for Related Parties Transactions) to give its preliminary opinion concerning any changes in question, which were subsequently approved by the Board (subject to the unanimous favourable opinion of the Committee) in the meeting held on 19 December 2013.

The Procedure aims to define, based on the principles laid down by Consob, rules for ensuring transparency and substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through its subsidiaries. To that end, the Procedure establishes the criteria and methods for identifying parties related to the Company (identified in accordance with the Consob Regulation), as well as the quantitative criteria for identifying transactions of greater or lesser “importance” entered into by the Company; establishes the procedures for examining and approving such transactions, identifying specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries; establishes the procedures for meeting the disclosure requirements related to the regime. The Procedure adopted by the Board also applies as instructions given by Finmeccanica to its subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation, together with the operational provisions laid down within the related execution.

The Procedure sets out the types of transactions exempt from the procedural rules as provided for by the Consob Regulation, subject to the regulatory plan concerning disclosure requirements.

It also established the quantitative criteria for identifying so-called “minor” transactions not subject to the Procedure, i.e. transactions of amounts of not more than €mil. 3, or €th. 250 (per year) for on going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or executives with strategic responsibilities.

Following the mentioned periodical review, in addition to a series of formal adaptations connected with the changes that occurred in the Company’s organisational structure, some changes were made which were suggested by the application practice and by the experience gained at the time of the implementation of the rules, including in particular:

- the extension of the concept of “Related Parties”, including the members of the Surveillance Body in the related scope of enforcement and the consequent application of the Procedure to the same as well;
- the introduction of a periodic flow of information, in favour of the Board of Directors and of the Committee, on the implementation of the Transactions of Greater Importance (carried out by Finmeccanica either directly or indirectly), which are subject to the specific exemption envisaged for the ordinary Transactions concluded at arm’s length or standard conditions;
- the extension of the scope of application of the threshold for the “Minor transactions”, which has been set out to a different and reduced extent (€250,000) for any transactions with individuals (consultancy /professional services/awarding remuneration and financial benefits), to Directors, Statutory Auditors and to any other executives with strategic responsibilities, as well as – following the change already commented on above – to the members of the Surveillance Body,

including to their close family members or to the companies in which such persons hold a significant stake;

- the permanent appointment of the Control and Risks Committee, in its capacity as Committee for Related Parties Transactions (made up exclusively of independent Directors as required by the Consob Regulation) to give the required opinion concerning the changes to be made in the Procedure.

Finally, the Procedure was updated (by an order issued by the Chief Executive Officer pursuant to art. 13.2) in December 2015, with effect from 1 January 2016. In addition to minor purely formal amendments, this revision was carried out in order to adopt some changes resulting from the new organisational structure of the Company and from the completion of the process of structuring it into divisions. Particularly to be mentioned is the inclusion of the Division Managers as Managers with Strategic Responsibilities of the Company (and their consequent inclusion in the category of Related Parties of Finmeccanica), as well as the specific involvement of the Organisational Units of both the Corporate Center and the Divisions in the information and operational flows established with regard to the Transactions effected directly by Finmeccanica. Then the Company made the necessary changes to provisions in internal procedures in order to ensure that the rules are also applied at Division level.

The Committee was promptly informed, sometimes before they were made, of these amendments to the Board procedure.

The full text of the current Procedure is available in the Corporate Governance section on the Company's website, in the specific area of "Transactions with Related Parties".

The Surveillance Body monitors whether the Procedure adopted complies with the principles set out in the Regulation, as well as the relative observance and reports its findings to the Shareholders' Meeting.

Finally, with reference to the situations in which a Director who, under art. 2391 of the Italian Civil Code, has an interest in the transaction subject to the examination of the Board, on his own behalf or on behalf of third parties, the Rules of the Board provide for the duty of the Directors to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. Furthermore, the Directors themselves will abstain from the related resolutions.

5. INTERNAL BOARD COMMITTEES (Art. 123-bis, para. 2, lett. d), TUF)

The Board of Directors has established the following Internal Committees with fact-finding and consultative functions, in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure: the **Control and Risks Committee**, the **Remuneration Committee** and the

Nomination Committee. As regards their functions, work and composition, reference should be made to what is reported in details below.

In full compliance with the recommendations of the Corporate Governance Code, only Non-Executive and Independent Directors serve on these Committees.

On 19 June 2014 the Board also established the **Analysis of International Scenarios Committee** to replace the previous Strategy Committee.

The Committee is made up as follows:

ANALYSIS OF INTERNATIONAL SCENARIOS COMMITTEE	Attendance
Marta Dassù – Chairman	3 out of 3 meetings
Alessandro De Nicola	3 out of 3 meetings
Fabrizio Landi	2 out of 3 meetings
Silvia Merlo	3 out of 3 meetings

The Analysis of International Scenarios Committee met no. 3 times during the 2015 financial year, as well as one time in the current 2016 financial year. The Committee meetings, which last 1 hour on the average, are always preceded by preparatory meetings with outside experts, which last 2 hours on the average, in which work is done on the matters for discussion. In addition to the members of the Committee, the other Directors were also invited to attend these preparatory meetings.

The duty of the Committee is to provide, in support of the work conducted by the Board of Directors, detailed and targeted studies of major geopolitical opportunities and risks in order to lay down the Company and the Group's lines of strategy. The Committee receives information regarding the Group's main strategy options and projects from the Chief Executive Officer and General Manager in order to decide which matters are to be discussed.

During the abovementioned meetings, the Committee specifically examined any possible developments in the European aerospace, defence and security industry in the scenario of new threats and the persistence of economic instability, the Far East Asia markets with specific regard to the core business sectors (A,D&S); the evolution of international markets.

In the first meeting held in 2016, the Committee examined the Cyber Security issue as a new frontier, with specific regard to strategic and business challenges.

As for all the other Committees established by the Board, the work of the Committee for the Analysis of International Scenarios is governed by specific **RULES OF PROCEDURE** approved by the Board of Directors (available in the Corporate Governance section of the Company's website), and which lay down the functioning procedures for their different duties.

6. NOMINATION COMMITTEE

The Company's Board of Directors took steps to formally set up the Nomination Committee on 19 December 2013, and subsequently it updated its composition following the appointment of the new board of directors.

This Committee, more than meeting the recommendations of the Corporate Governance Code, which require such committee to have at least a majority of three independent members, is at present composed of five Directors who are all non-executive and independent.

The Committee met 3 times during the 2015 financial year (the average duration of the meetings was 1 hour). In the current 2016 financial year and until the approval of this Report, there was one meeting of the Committee.

NOMINATION COMMITTEE

Attendance

Guido Alpa – Chairman	(Independent Member)	3 out of 3 meetings
Marina Elvira Calderone	(Independent Member)	2 out of 3 meetings
Marta Dassù	(Independent Member)	3 out of 3 meetings
Dario Frigerio	(Independent Member)	2 out of 3 meetings
Marina Rubini	(Independent Member)	3 out of 3 meetings

The activities of the Committee are regulated by specific **RULES OF PROCEDURES**, which have been approved by the Board of Directors (available in the Corporate Governance section of the Company's website), and which adopt the application criteria recommended by the Code.

The Committee is responsible for putting forward proposals and providing advice with the aim to support the Board of Directors in the assessments and decisions concerning the size and composition of the Board itself, or as to the number of appointments that is compatible with the position of Director of the Company, as well as the appointment of independent Directors.

Specifically, pursuant to the related Rules of Procedures, the Nomination Committee is tasked with the following duties:

- submitting opinions to the Board of Directors concerning the size and composition of the same, as well as expressing recommendations as to professionals, the presence of which in the Board is considered appropriate;
- expressing recommendations to the Board of Directors according to the related opinion regarding the maximum number of positions as director or statutory auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company;
- putting forward proposals to the Board of Directors in relation to the candidates to the position of Director in the cases of co-option, where it is necessary to replace independent Directors;

- carrying out, at the request of the Board of Directors, preliminary investigation activities for the purposes of the assessment by the Board itself of the adoption, if any, of a plan for the replacement of executive Directors, as well as preliminary investigation activities as to the preparation, if any, of the plan itself.

The Committee is authorized to access the information required to perform its duties, as well as to seek assistance from the corporate Organisational Units, or from external consultants at the Company's expense, provided that the latter are adequately bound by the necessary confidentiality agreements and are not in such a situation as to impair their independence of judgment.

Furthermore, the Company is required to provide the Committee with the necessary financial resources for the performance of its duties. The Committee's meetings have been regularly minuted.

Taking account of the considerations expressed by the Board in the framework of its 2014 self-evaluation process, during the 2015 financial year the Committee concentrated on evaluating the possibility of drawing up a procedure to handle possible top management crises which could lead to a power vacuum, as there is no plan for succession to top management positions. In this regard, the Committee, taking account of the present governance structure of Finmeccanica, the recommendations laid down in the Corporate Governance Code, the experience relating to other large listed companies, as well as of the considerations reported in the Board's self-evaluation process relating to the previous financial year, agreed to propose to the Board the adoption of a suitable procedure to ensure continuity in the Company's ordinary operations promptly and effectively, upon occurrence of events that could prevent the Chief Executive Officer from performing his duties during his term of office.

In the first meeting held in 2016, the Nomination Committee then approved the proposed procedure to be submitted to the Board of Directors, for the adoption of any related measure, for the case of any impediment to the performance of duties on the part of the Chief Executive Officer during his term of office.

Finally (as already reported when dealing with the Board evaluation issues), when the Board of Directors was renewed by the Shareholders' Meeting in 2014, the outgoing Board (required to hold office for the three-year period from 2011 to 2013), expressed its opinion to the shareholders, as an outcome of the self-evaluation process and on the basis of the suggestions made by the Nomination Committee serving at the time, on the profile and managerial, and not only professional, expertise that new Directors should be in possession of.

7. REMUNERATION COMMITTEE

The Board of Directors has established an internal Remuneration Committee.

This Committee met no. 6 times in the course of the 2015 financial year, as well as no. 2 times in the present 2016 financial year. The average duration of the meetings was about one hour and fifteen minutes.

This Committee, more than meeting the recommendations of the Corporate Governance Code, which require such committee to have at least three independent members or, alternatively, a majority of non-executive and independent Directors, is at present composed of four Directors who are all non-executive and independent.

REMUNERATION COMMITTEE		Attendance
Dario Frigerio – Chairman	(Independent Member)	6 out of 6 meetings
Marina Elvira Calderone	(Independent Member)	3 out of 6 meetings
Alessandro De Nicola	(Independent Member)	6 out of 6 meetings
Marina Rubini	(Independent Member)	6 out of 6 meetings

The composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member in possession of an adequate knowledge and experience in financial or remuneration policy issues, evaluated by the Board at the moment of the appointment.

The duties of this Committee are:

- submitting proposals to the Board of Directors as to the definition of the Company's policy as to the fees due to directors and managers with strategic responsibilities, in accordance with the current regulations and with the Code;
- proposing to the Board for the related resolutions and in the implementation of the remuneration policy set out by the same:
 - the compensation and conditions of service of the Directors provided with delegated powers and of the other Directors who hold specific positions (in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code);
 - the performance targets correlated to the variable component of the remuneration due to Directors provided with delegated powers and of the other Directors who hold specific positions, monitoring the application of any decisions adopted and verifying, in particular, the actual achievement of performance targets;
- assisting the Company in deciding on the best policies for the handling of the Group's management employees, as well as the plans and mechanisms in place for developing the management skills of the Group's key employees;

- preparing, for the approval by the Board, remuneration plans based on the assignment of shares or options for the purchase of the Company's shares to the benefit of Directors and executives of the Company and of the Group companies, to be submitted for the subsequent approval of the Shareholders' Meeting pursuant to the regulations in force, as well as defining their implementing regulations;
- assessing, on a periodic basis, the adequacy, the overall consistency and the actual application of the remuneration policy for directors and managers with Strategic Responsibilities.

The activities of the Committee are regulated by appropriate **RULES OF PROCEDURE** (available in the Corporate Governance section of the Company's website).

Since it was formed 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 programmes objectively and impartially.

During the 2015 financial year, the Committee:

- examined the short-term 2015 incentive plan (MBO) reserved for the Group executives and set the General Manager's 2015 objectives;
- verified that the General Manager had achieved his 2014 objectives set out in relation with the MBO plan, as well as with the third tranche of the 2012-2014 Performance Cash Plan;
- examined and approved the 2015 Remuneration Report submitted to the Board for the related decisions in expectation of the annual Shareholders' Meeting of the Company;
- examined all the phases of the review process of the Company and the Group's Management incentive schemes and approved the Chief Executive Officer's proposal for the creation of the 2015-2017 long-term Incentive Plan and of the Co-Investment Plan for the Group's Management, and expressed its favourable opinion in this regard to the Board of Directors;
- expressed its favourable opinion on the approval by the Board of Directors of the Rules on the Long-Term Incentive Plan and of the criteria to apply for setting out the beneficiaries, the performance targets and related bonuses of the 2015-2017 cycle;
- expressed its favourable opinion on the approval by the Board of the Rules on the Co-Investment Plan for the Management staff of the Finmeccanica Group;

- examined the process of the appraisal and selection of the Group's Management in relation to the new corporate organisational structure and, in particular, examined the selection process and principles and guidelines followed by the Chief Executive Officer and General Manager in appointing Sector Managers and Division Managers, and expressed its opinion in this regard to the Board of Directors.

Finally, in the first months of the current year the Committee:

- examined the general criteria for the remuneration of Managers with Strategic Responsibilities appointed within the new corporate organisational structure;
- examined and approved the 2016 Remuneration Report to be submitted to the Board for any related resolution in view of the annual Shareholders' Meeting of the Company;
- verified that the General Manager had achieved his 2015 objectives set out in relation with the MBO plan and the long-term 2015-2017 Incentive Plan, and set out his 2016 objectives in relation to the same Plans.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Human Resources and Organisation Organisational Unit, which during 2015 availed itself of the HayGroup external independent experts for the review of the incentive plans reserved for the Group's Management, also with regard to market practices and benchmarking, and of Egon Zehnder for selecting the candidates for the appointment as Sector Managers and Division Managers within the new corporate organisational structure. No specific budget has been prepared for the Committee's activity, without prejudice to the abovementioned right to make use of external professionals, which the Board has not yet exercised.

Committee meetings are duly minuted. The Manager responsible for the Human Resources and Organisation Organisational Unit regularly participates in the Committee meetings of the Company; and other persons are invited to participate on the invitation of the Committee through the Chairman and in relation to the issues being discussed, including the non-executive members of the Board of Directors and the employees of the Company, as well as the Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the latter. The Chairman of the Board of Statutory Auditors regularly participates in the Committee meetings. No director takes part in Committee meetings in which proposals regarding his/her pay are made. HayGroup advisors attended the Committee meetings at which the Chief Executive Officer's proposal regarding the creation of the Long-Term Incentive Plan and of the Co-Investment Plan was presented.

8. REMUNERATION OF THE DIRECTORS AND OF THE MANAGERS WITH STRATEGIC RESPONSIBILITIES

General remuneration policy

In accordance with the regulations on the transparency of remuneration under Art. 123-ter of the Consolidated Law on Financial Intermediation, as well as in compliance with Art. 6 of the Corporate Governance Code, the Board of Directors takes steps, in an annual basis, following the valuations made and the proposals put forward by the Remuneration Committee, to approve the Company's policy on the remuneration of the members of governing bodies, General Managers and of the other Managers with Strategic Responsibilities envisaged in paragraph 3, letter a) of the abovementioned Art. 123-ter.

The first section of the abovementioned Report, containing the Company's remuneration policy (with reference to the 2016 and subsequent financial years), as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to Art. 123-ter, paragraph 6, of the Consolidated Law on Financial Intermediation) to the consultative voting at the next Shareholders' Meeting called to approve the 2015 Financial Statements.

The policy adopted – which is summarised in the following points – is the object of an analytical description, in compliance with the information criteria and elements envisaged in the provisions of laws and regulations referred to above, in the abovementioned Report to which reference is made in full.

For detailed information as to the remuneration paid out in the 2015 financial year, for any reason and in any form, including that paid by subsidiary and associated companies, to the individual members of the Board of Directors, as well as to the Statutory Auditors, the General Managers and any other Managers with Strategic Responsibilities, reference is made to the second section of the Remuneration Report, which has been prepared pursuant to Art. 123-ter, paragraph 4, of the Consolidated Law on Financial Intermediation.

The full text of the Remuneration Report, following the related approval by the Board of Directors, is made available according to the procedures set out by law, also through the publication on the Company's website, within the time limit of 21 days prior to the date of the Shareholders' Meeting called to approve the Financial Statements.

Share-based remuneration plans

On 11 May 2015 the Shareholders' Meeting approved a Long-Term Incentive Plan and a Co-Investment Plan for the Management of the Finmeccanica Group which also made provision for the granting of Company shares to the beneficiaries as a component of the incentive. The new Incentive Plan arises from the Company's need to have a tool which encourages Management to achieve the

medium- and long-term objectives set out in the Group's Business Plan, and ensures that Management pay is better matched to the creation of shareholder value; the Plan is reserved for Executive Directors, Managers with Strategic Responsibilities and a category of managers primarily consisting of persons occupying the positions which have the greatest impact on the Group's business in the medium term. The incentive is divided into an equity part, expressed in ordinary Finmeccanica shares, and a cash part, in different proportions of shares and cash according to the levels of the managers concerned. The incentive reserved for Executive Directors and Managers with Strategic Responsibilities is fully composed of ordinary Finmeccanica shares.

The Co-Investment Plan consists in the voluntary deferment of all or a part of the annual bonus earned under the MBO scheme for three years, converting it into shares. At the end of the vesting period, provided that the beneficiaries have always passed through the MBO performance gate, they are granted 1 matching share for each 3 shares held.

The Remuneration Report should be referred to for details of the contents of the Plans, as should the Information Documents prepared pursuant to art. 84-*bis* of the Issuers' Regulation; it should be noted that the equity-based incentive plans are in line with the recommendations laid down in the Corporate Governance Code, according to which:

- a) the average vesting period for shares, options and all other rights granted to Directors, the General Manager and Managers with Strategic Responsibilities for the purchase of shares or for remuneration on the basis of share price performance should be at least three years;
- b) vesting should be subject to preset and measurable performance objectives;
- c) the Directors should keep a portion of the shares granted or acquired by exercising these rights until the end of their term of office.

Remuneration of executive Directors and Managers with Strategic Responsibilities

In order to ensure a correct balancing of the Company's interests, aimed at retaining and motivating managers with the necessary skills for managing the Company and business development and at ensuring an alignment of the management's objectives with the creation of value for shareholders in the medium/long term, the remuneration of the executive Directors is determined by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors. The remuneration due to Managers with Strategic Responsibilities is calculated on the basis of their specific responsibilities, which are allocated in compliance with the remuneration policy guidelines adopted by the Company.

In particular, the variable remuneration is structured into a short-term component (which is typically annual) and a medium/long-term component.

The short-term variable remuneration is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, whose results can be objectively measured and verified.

The medium/long-term variable remuneration policy is implemented with the participation of the executive Directors and of the Managers with Strategic Responsibilities in the Incentive Plans described in the following paragraph.

Finally, in conformity to the Corporate Governance Code recommendations, from the 2014 financial year onwards there is a claw-back clause for all variable incentives, whereby the Company shall be entitled to ask for the sum paid to be returned if it has been granted on the basis of data that afterwards prove to be erroneous or false.

For more information, reference is made to the Remuneration Report.

Incentive plans for the Head of the Group Internal Audit

In accordance with the Code, on a motion by the Chief Executive Officer in his capacity as the Director in charge of the internal control and risk management system, with the prior agreement of the Control and Risks Committee and in consultation with the Board of Statutory Auditors, the Board of Directors appointed the Head of the Group Internal Audit organisational unit and set his pay, including the variable incentive structure, proposed in line with the corporate policies and ensuring him of sufficient resources to perform his duties in compliance with the Corporate Governance Code.

The payment of the short-term variable component of remuneration (MBO) is only conditional on the efficacy and efficiency of the organisational structure of the Group Internal Audit. When a variable medium- to long-term component is granted in the place of participation in the incentive plans created for the Company management and in accordance with the relevant provisions laid down in the Corporate Governance Code, in order to ensure the sustainability of the results over time, it has been decided that a further amount payable in 2018 may be paid out, following the approval of the 2017 financial statements and on the basis of the average degree to which MBO scheme objectives are attained over the previous three-year period.

For more information, reference is made to the Remuneration Report.

Remuneration of non-executive Directors

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.

With reference to the fees due to the Company's Chairman – again on a fixed basis - as determined (due to the specific powers granted to the same) to supplement the resolutions passed by the

Shareholders' Meeting for the Chairman of the Board of Directors, reference is made to the Remuneration Report.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (under Art. 123-bis, para. 1, lett. i), TUF)

There are no agreements previously entered into between the Company and Directors which provide for indemnities to the benefit of the same in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions concerning executive Directors, as to treatments in case of ceasing to hold office or the early termination of the employment relationship, reference is made to the specific information provided in the Remuneration Report.

Finally, it should be noted that the Company has adopted the recommendations provided by the Code regarding the disclosures to make when Executive Directors or General Managers leave their position or terminate their employment, providing for the issue of a special announcement to the market in this circumstance.

This ensures the utmost transparency because the information is disclosed before the publication of the Remuneration Report.

9. CONTROL AND RISKS COMMITTEE

The Board of Directors has set up a Control and Risks Committee (formerly the Internal Control Committee) which, in the course of the financial year, met no. 8 times; in the current 2016 financial year the Committee met twice. The average duration of the meetings was about one hour and thirty minutes.

This Committee, more than meeting the recommendations of the Corporate Governance Code, which require such committee to have at least three independent members or, alternatively, a majority of non-executive and independent Directors, is at present composed of four Directors who are all non-executive and independent.

CONTROL AND RISKS COMMITTEE

Attendance

Paolo Cantarella – Chairman	(Independent Member)	7 out of 8 meetings
Guido Alpa	(Independent Member)	6 out of 8 meetings
Fabrizio Landi	(Independent Member)	7 out of 8 meetings
Silvia Merlo	(Independent Member)	8 out of 8 meetings

The composition of the Committee – all “independent” Directors – is in line with the provisions of the Corporate Governance Code, and consistent with the recommendation, made by the Code, as to

the presence of at least one member who must have an adequate experience in accounting and financial or risk management issues, evaluated by the Board at the moment of the appointment. The activities of the Control and Risks Committee are regulated by **RULES OF PROCEDURE** approved by the Board of Directors, which are available on the Company's website (Corporate Governance section).

The Board of Statutory Auditors and the Head of the Group Internal Audit are constantly involved in the Committee's work; the Chairman and the Chief Executive Officer and General Manager may also take part. If appropriate, depending on the items on the agenda, the Committee meetings may also be attended by other persons, including the members of the Board of Directors and the employees of the Company or of Group companies.

During the 2015 financial year, on the invitation of the Committee in relation to the issues being discussed, some meetings were attended by the first-level managers of Finmeccanica and external consultants of which the Committee made use for the performance of specific duties.

The Committee supports, with an adequate preliminary investigation activity, the assessments and decisions made by the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of the periodic financial reports.

The Committee hands down a prior opinion to the Board of Directors:

- on laying down the lines to be taken by the internal control and risk management system and the determination of the extent to which the system can cope with the main risks - concerning the Company and its subsidiaries - while managing business consistently with strategy objectives;
- on assessing, at least once a year, the adequacy of the internal control and risk management system to the Company's characteristics and the risk factor accepted, as well as its efficacy;
- on the approval, at least once a year, of the work plan prepared by the Head of the Group Internal Audit Organisational Unit;
- on appraising the final comments made by the Independent Auditing Firm if it has submitted a letter of recommendations (if any) and the report on the main issues that arose at the time of the statutory audit of accounts;
- in connection with the appointment and removal of the Head of the Group Internal Audit Organisational Unit, on setting the remuneration of the person concerned in conformity to Company policy and the adequacy of the resources allocated to him.

The information-gathering work (referred to in the latest edition of the Code), carried out in order to support the Board in reaching conclusions and making decisions regarding the management of risks arising from harmful events which have come to the Board's attention, is, in practice, already included in the more general activities which the Committee performs in support of Board conclusions and decisions in accordance with the internal control and risk management system

(SCIIGR). This particular work, however, will be expressly mentioned when the Company Regulations are amended during this financial year in order to comply with the new recommendations in the 2015 Code.

In particular, as regards the activities carried out by the Committee as to the assessment of the adequacy of the internal control and risk management system with respect to the characteristics of the company and to its risk profile, as well as of its effectiveness, reference is made to paragraph 10 below.

The Committee, within the framework of its activity of assistance and support to the Board of Directors, specifically performs the following duties:

- a) together with the Officer in charge of financial reporting and after having heard the Independent Auditing Firm and the Board of Statutory Auditors, assessing the correct use of the accounting standards, as well as their uniformity in preparing Consolidated Financial Statements;
- b) expressing opinions on specific issues pertaining to the identification of the main business risks;
- c) examining the periodic reports concerning the assessment of the internal control and risk management system, as well as any reports of particular importance prepared by the Group Internal Audit Organisational Unit;
- d) monitoring the independence, adequacy, effectiveness and efficiency of the Group Internal Audit Organisational Unit; the Committee itself oversees its activities should operating powers be granted to the Chairman of the Board;
- e) being entitled to ask the same Organisational Unit to carry out checks on specific operating areas, giving notice thereof, at the same time, to the Chairman of the Board of Statutory Auditors;
- f) reporting on the activity carried out to the Board of Directors at least on a six-monthly basis and, in any case, on the occasion of the approval of the draft Separate Financial Statements and of the half-year financial report, as well as on the adequacy of the internal control and risk management system;
- g) performing such additional duties as may be assigned to it by the Board of Directors.

The Control and Risks Committee also performs functions as Committee for Related Parties Transactions, pursuant to the Procedure for Related Parties Transactions which was approved by the Board of Directors of the Company pursuant to the relevant CONSOB Regulation (which was adopted by Resolution no. 17221 of 12 March 2010, as amended and supplemented).

Committee meetings, constantly attended by the members of the Board of Statutory Auditors, are duly minuted.

In performing its duties, the Committee may seek assistance from the outside professionals, provided they are contractually bound by specific confidentiality agreements and are not in such a situation as to impair their independence of judgment.

Furthermore, the Committee is entitled to access any necessary information to perform its duties and makes use of the Company's Organisational Units. Consequently, while it retains the right, mentioned above, to make use of services provided by outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

For a full description of the activities carried out by the Committee within the framework of the internal control and risk management system, reference is made to paragraph 10 below.

In 2015 and from January 2016 to the date of publication of this Report, the Control and Risks Committee, while discussing the main following issues:

- continued the process to check the operations of the internal control and risks management system of Finmeccanica and of the main subsidiaries; in view of the complex implementation phase of the new Group Organisational and Operating Model, it supported the Board of Directors in appraising the system's effectiveness;
- examined the Reports of the Group Internal Audit Organisational Unit on the work carried out in the course of 2015 and the audit reports, including those concerning the cross-sector audits conducted on the Finmeccanica Group and issued in the course of such financial year;
- discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (Art. 36 of Consob's Market Regulation no. 16191/2007 as amended and supplemented), and noted that the administration and accounting system responsible for the Financial Reporting process functions effectively and that it essentially meets the requirements of Art. 36, and therefore no special plan to bring it into compliance is needed;
- expressed a favourable opinion on the "Whistleblowing Guidelines" (referred to in paragraph 15 below);
- examined the method adopted to conduct impairment tests with the support of the CFO;
- examined some internal control and risk management issues, including environmental activities, sometimes in meetings with first-level managers devoted to the matters concerned;
- met the Chief Risk Officer, discussing the Company's main risks and scheduling the work to do during 2015;
- reported on its work to the Board of Directors every six months.

The Committee also reviewed the preparation of the Half-year Report and the Annual Financial Report, meeting with the Independent Auditing Firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing Annual and Half-Year Reports.

As regards the activities carried out in the capacity as Committee for Related Parties Transactions, as required by the Procedures adopted by the Company, the Committee receives, during the financial year, periodic flows of information concerning the Transactions of Greater Importance regulated by the Board Procedure, the execution of the Transactions of Greater Importance which have been exempted under the provisions for Ordinary Transactions concluded on conditions equivalent to market or standard terms and information regarding the measurement of particularly significant Transactions.

Furthermore, the Committee was promptly informed – also as a precautionary measure - of the changes made to the Board Procedure in December 2015 (as already discussed in paragraph 4.9 above).

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Rules of Procedure of the Board of Directors and of the Control and Risks Committee adopt the provisions laid down in the Code in relation to the internal control and risk management system, taken as the combination of rules, procedures and organisational structures whose purpose is the identification, measurement, management and monitoring of the main risks.

The system outlined in this manner provides, in short, for the Board of Directors to play a general role of guidance and assessment of the adequacy of said system; specifically, subject to the opinion of the Control and Risks Committee, the Board of Directors:

- a) defines the guidelines for the internal control and risk management system, so that the main risks involving the Company and its subsidiaries are correctly identified, as well as satisfactorily measured, managed and monitored, also defining the degree of compatibility of these risks with a management of the enterprise consistent with the identified strategic objectives;
- b) assesses, at least on an annual basis, the adequacy of the internal control and risk management system with respect to the characteristics of the enterprise and to the assumed risk profile, as well as its efficiency; the results of this assessment are disclosed in the Corporate Governance Report on an annual basis;
- c) approves, at least on an annual basis, the work plan prepared by the Head of the Group Internal Audit, after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;

- d) assesses, after having heard the Board of Statutory Auditors, the results presented by the independent auditor in the letter of recommendations (if any) and in the report on the main issues that arose at the time of the statutory audit of accounts;
- e) appoints and dismisses the Head of the Group Internal Audit, sets the related remuneration in line with the corporate policies and ensuring him of sufficient resources to perform his duties.

In this regard, the Board of Directors, with reference to the activities referred to in the aforesaid points a), and b) and subject to the favourable opinion of the Control and Risks Committee issued on 16 March 2016, took steps - in its meeting held on the same date - to approve the “Guidelines for the internal control and risk management system”, as well as to assess the adequacy of the same with respect to the characteristics of the enterprise and to the risk profile, after the periodic definition of the risk nature and level compatible with the Company’s strategy objectives. As regards the activities referred to in point c) above, the Board of Directors took steps – in the meeting held on 16 March 2016 – to approve the Audit Plan, subject to a favourable opinion given by the Control and Risks Committee on the same date and after having heard the Board of Statutory Auditors, as well as the Director in charge of the internal control and risk management system. Specifically, in this regard, the Board of Directors of Finmeccanica approved the Company’s 2016 Audit Plan and acknowledged the 2016 Aggregated Audit Plan of the Finmeccanica Group.

In line with the guidelines laid down in the Corporate Governance Code, on 27 October 2014 the Board of Directors took steps, on a proposal by the Director responsible for the internal control and risk management system, subject to a favourable opinion given by the Control and Risks Committee and having heard the Board of Statutory Auditors, to appoint Marco Di Capua as the Head of the Group Internal Audit of Finmeccanica, setting his remuneration in line with the corporate policies and ensuring him of sufficient resources to perform his duties.

Subsequently, the Board of Directors approved (in the meeting held on 2 July 2015), on the basis of a proposal put forward by the Director responsible for the internal control and risk management system, subject to a favourable opinion given by the Committee and having heard the Board of Statutory Auditors, variable incentives to the benefit of the Head of the Group Internal Audit for the 2015 period of performance on a proportional basis.

In addition to the Board of Directors and to the Control and Risks Committee, the main persons involved in Finmeccanica’s internal control and risk management systems are:

- Director in charge of the internal control and risk management system;
- Head of Group Internal Audit;
- Head of Risk Management;
- Officer in charge of financial reporting pursuant to Law 262/05;

- Surveillance Body formed as per Legislative Decree 231 /2001;
- Board of Statutory Auditors.

For a brief picture of any criminal proceedings that are currently pending against Finmeccanica Spa for various reasons or which have come to its attention because they involved Group companies, with specific regard to the events that occurred in 2015 and in early 2016, reference is made to the specific disclosures provided in the notes to the financial statements (see paragraph “Provisions for risks and charges and contingent liabilities”) of the 2015 Annual Financial Report, which can be found in the Investors section of the Company’s website.

In the course of 2015, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to the proceedings brought by the Judicial Authority, involving the Group companies for various reasons.

The Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee and the Surveillance Body of Finmeccanica were kept duly informed about said events.

As already pointed out, the Board of Directors confirmed the evaluation of the suitability of the organisational, administrative and accounting structure of the Company, as well as of any subsidiaries having strategic importance, with specific reference to the internal control and risk management system.

Furthermore, it should be noted that the Company also started a complex and detailed process of reviewing its internal rules in late 2015 in the framework of the final implementation of the plan to structure it into Divisions.

“Project Intangibles”

With reference to the information already provided in the previous Reports on Corporate Governance, following the resolutions passed by the Board of Directors of Finmeccanica on 7 March and 15 April 2013, Deloitte Financial Advisory S.r.l. (hereinafter the “Advisor”) was appointed to conduct an audit of some expenditure items concerning intangible assets, which had been incurred by the operating companies for procurement from third parties between 2010 and 2012. Specifically, the audit concerned any expense incurred for commercial brokerage and agency services, consultancy advice, engineering and software.

Given the complexity of the Group structure and the number of sectors in which it operates, some business areas were selected which the Advisor focused on in its audit work, at least in an initial stage. Specifically, audits were conducted in relation to the Italian and European companies operating in the relevant businesses of aeronautics, space and defence systems.

More specifically, the total operating companies included in the abovementioned perimeter were 17 (4 for the aeronautics sector, 4 for the defence systems sector and 9 for the space sector).

The work conducted by the appointed Advisor consisted of a thorough and complex transaction review based on an appropriate work plan, the audit objectives of which concerned:

- the pertinence and effectiveness of the services rendered;
- the fairness of transaction values (if permitted in the circumstance);
- the correctness of the methods to implement the transactions being examined, in terms of both the possibility of documenting and tracing them and, more in general, compliance with the procedures in place;
- the honesty and reputation of the counterparties.

In operational terms, the Advisor carried out its transaction review in relation to a sufficiently representative sample of costs/transactions. The selected sample, which was made up of 1,026 transactions for a total value of about €mil. 578, accounted for about 50% of relevant costs, i.e. any costs relating to the period from 2010 to 2012, which were accounted for by the companies in question in the abovementioned three-year period.

At the end of the transaction review, a confrontation was arranged with the operating companies in order to conduct any in-depth analysis required to complete and supplement the work performed by the Advisor.

At the end of this phase, in January 2016 the Advisor submitted its conclusions to the Company, by classifying the transactions under examination by their nature and type of findings noted (critical transactions, transactions involving findings on the counterparty and transactions involving no findings or formal findings). Specifically, the Advisor selected some transactions (accounting for 6% of the total transactions examined) which presented critical issues.

In this regard the Company's Chief Executive Officer and General Manager promptly appointed a Working Group to assess these findings, in order to also take any possible action required for this purpose. At present this Working Group is conducting some in-depth analyses, including with reference to the possibility of gathering additional information and documents in relation to some of the transactions analysed by the Advisor. The results of this work will be promptly shared with the Advisor for any possible review of the conclusions reached by the same.

Finally, for an examination of any additional organisational measures and specific actions taken by the Company to strengthen its Corporate Governance, reference is made to paragraph 15 below.

10.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE PROCESS OF FINANCIAL REPORTING

The Internal Control over Financial Reporting (hereinafter ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Finmeccanica, there is a specific internal audit system governing the financial reporting process that has been defined in accordance with the principles issued by the Committee of Sponsoring Organisations (CoSO) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT). The abovementioned internal control system is made up of an organic and complete set of administrative and accounting procedures (narratives) which clearly define the corporate processes that have direct or indirect accounting effects on the accounts and on any other financial reports, describing the activities, the controls, the roles and the responsibilities, as well as the information and documentary flows in support of the creating process of the financial reporting.

Moreover, a specific component to manage the risks of fraud has been integrated into ICFR. In particular, the administrative and accounting procedures have been updated, including an additional set of anti-fraud controls and additions to the already existing controls, in accordance with the provisions under Auditing Standard no. 5 “An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements”, issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the Financial Statements or of misappropriating the corporate assets. These antifraud checks are tested within the framework of usual monitoring activities according to the plan defined by the Officer in Charge of Financial Reporting. In addition, the Officer in Charge of Financial Reporting started further specific monitoring aimed at reporting fraudulent acts or significant deficiencies in the ICFR system.

As a whole, the management of the ICFR system developed by Finmeccanica features the following general stages:

- **Risk identification and assessment**

The risk assessment (Financial Risk Assessment) is the set of activities aimed at identifying and assessing any actions or events, whose occurrence or absence may compromise, in whole or in part, the achievement of the ICFR objectives and, specifically, the reliability of financial reporting. Within the framework of risk assessment, particular attention is paid to the fraud risk

assessment, identifying and assessing any conditions (risk factors) that could increase the risk of frauds within the Company.

Risks identification and assessment are identified by considering the likelihood that an event will occur and its potential impact on the Financial Statement items, without taking account, from a prudential perspective, of the existence of controls aimed at reducing the risk to acceptable levels.

- **Assessment of the adequacy of related control**

On the basis of analyses of potential (Financial and Fraud) risks, control measures have been identified which are aimed at mitigating the same. The adequacy of the control measures is assessed on the basis of their ability to reduce risks, with reasonable certainty, to acceptable levels.

The defined controls are attributable to the following macro-types:

- Process Level Controls;
- Entity-Level Controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- IT General Controls (ITGC).

- **Check the operations of the internal control system and specific monitoring**

In order to check and ensure the operations of the system for internal control on financial reporting, specific testing and monitoring activities are expected to be carried out by independent third parties (Group Internal Audit).

The test plan defined by the Officer in Charge of Financial Reporting provides for checks to be carried out, on a turnover basis, on all the control components of the ICFR system of Finmeccanica; specifically:

- any controls that are considered to be “key” tests as defined in the descriptions are tested on an annual basis;
- the correct segregation of incompatible roles is tested on an annual basis;
- ITGC components that are considered to be necessary to ensure adequate control over applications and the infrastructure are tested on an annual basis; ITGC components that are not subject to systematic changes, as they pertain to structural aspects of the company (e.g. organisation, policy, etc.), are tested on a quarterly basis, on a turnover basis, and in any case, on the occasion of significant changes;
- Entity Level Controls are tested on a quarterly basis and, in any case, on the occasion of significant changes.

Furthermore, to integrate the control model, specific monitoring activities are envisaged which are aimed at reporting the existence of possible fraudulent acts and/or significant deficiencies in the

ICFR system (so-called Detection Audit). This activity is carried out on a turnover basis according to a “Top-down-risk based” approach, which allows the application of controls starting from any areas at highest risk; furthermore, the activity is also carried out in relation to specific events, including, but not limited to, organisational changes or reports, such as to presuppose the presence of fraudulent acts or significant deficiencies.

The responsibilities for establishing and maintaining the ICFR, on the whole, are governed and distributed throughout the organisation. In particular, Finmeccanica’s model currently calls for the involvement of the following corporate positions:

- **Governing body to which authority has been delegated.** This refers to the Chief Executive Officer.
- **Officer in charge of financial reporting.** Reference is made to paragraph 10.6 below.
- **Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent.** To comply with Law 262/05, within the major companies of the Group, the Boards of Directors, after having heard the opinion of the Officer in Charge of Financial Reporting of Finmeccanica and of the Board of Statutory Auditors of the company concerned, have appointed a Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent, with the task of supporting the Officer in charge of Financial Reporting of Finmeccanica in the performance of the relevant duties.

The Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent has the following duties:

- developing and updating for each Group company administrative and accounting procedures (narratives), on the basis of the instructions received from the Officer in charge of financial reporting of Finmeccanica, underlying the financial reporting process in order to ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim Financial Statements and is in line with the actual operations of the company concerned;
 - defining and implementing any plans for improvement;
 - attesting, with respect to the Officer in charge of financial reporting of Finmeccanica, together with the Delegated Governing Body of the Company, to what is requested by the Parent Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.
- **Group Internal Audit Organisational Unit of Finmeccanica Spa.** The Officer in charge of financial reporting has entrusted the Group Internal Audit Organisational Unit with responsibility for “independently” assessing the functioning of the ICFR. The Group Internal Audit

Organisational Unit, through its competent structures and based on indications provided by the Officer in charge of financial reporting, conducts tests of the actual application of the administrative and accounting procedures in place within the Group and defines, by means of a specific plan of operations, the methods for verifying the implementation of controls. The results of the tests conducted for each company are submitted to its Management, which determines what improvements should be made so that a suitable, up-to-date action plan can be prepared, and, finally, to the Officer in charge of Financial Reporting of Finmeccanica and the Delegated Governing Body, in order to allow an overall assessment of the adequacy and actual application of the administrative and accounting procedures followed in preparing the separate Financial Statements, the condensed half-year Financial Report, and the consolidated Financial Statements, for the purposes of the issue of the certifications envisaged in the relevant regulations.

Within the plan to monitor the 2015 Financial Statements, Finmeccanica has conducted, both testing of antifraud controls and specific monitoring activities on the processes of “Stock Management” and “Purchasing Cycle”, in relation to the Group companies that fall within the scope of application of Law no. 262/05. Furthermore, some investigation was carried out at Company level in order to monitor the internal control area (Entity Level Control / IT General Control).

It should be noted that during 2015 a change occurred in the scope of application of Law no. 262/05, which saw the exit of the Ansaldo STS S.p.A. Group and of AnsaldoBreda S.p.A., as a result of agreements reached between Finmeccanica and Hitachi for the acquisition by the latter of the present business of AnsaldoBreda and of the entire stake held by Finmeccanica in the share capital of Ansaldo STS.

Therefore, with reference to the new perimeter of the Finmeccanica Group Companies, tests were conducted on about 3,100 controls, divided among the following components of the ICFR:

- 2,324 controls at “Process” level, as defined in the narratives (the so-called Process Level Control);
- 561 controls relating to the operation and management of IT systems (the so-called IT General Control);
- 215 controls at “Entity” level in relation to the structure and organisation of the individual companies (the so-called Entity Level Control).

The tests have confirmed the efficacy of the controls, while, in the case of ineffective controls, the overall efficacy of the procedures in place to monitor the risk areas under examination, through compensating controls and/or material tests.

With reference to the specific monitoring activities within the process of “Stock Management” for Alenia Aermacchi S.p.A. and of the “Purchasing Cycle” for Finmeccanica Global Services S.p.A.,

Agusta Westland Philadelphia Corporation, Whitehead Sistemi Subacquei S.p.A. and PZL-Świdnik S.A., the controls provide for the following macro-phases:

- *Mapping:*
 - identification of information flows and systems in support of the processes to be analysed, in order to identify the information set in relation to which the subsequent analyses must be carried out.
- *Scoping:*
 - the application of specific risk indicators (Key Risk Indicators) to the database identified during the mapping phase and made up of the process transactions recorded in the IT systems in the period under consideration; these indicators have been developed on the basis of the fraud patterns identified within the Fraud Risk Assessment;
 - the definition of analyses and correlations to be used for processing data and for extrapolating inconsistencies/potential anomalies (if any).
- *Test:*
 - the analysis of any anomalies identified after the scoping phase, in order to identify the so-called “False Positives”, if any, (justified exceptions) and/or evident errors;
 - performance of tests for any anomalies in relation to which additional analyses are necessary.

The specific monitoring activities, which are currently being carried out, are expected to be completed in the first half of 2016.

10.2. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As required by the Rules of Procedure of the Board of Directors, the Chief Executive Officer also holds the position of Director in charge of the internal control and risk management system, which is responsible for the implementation and maintenance of an effective System.

In particular, the same Director:

- a) identifies the main corporate risks, in light of the features of the activities carried out by the Company and its subsidiaries, periodically submitting them to the scrutiny of the Board;
- b) implements the guidelines defined by the Board and takes care of the planning, creation and management of the internal control and risk management system, constantly verifying its overall adequacy, efficacy and efficiency;
- c) sees that the system is adjusted in response to changes in operational conditions and the legislative and regulatory framework;
- d) may ask the Group Internal Audit Organisational Unit to carry out controls on specific operating areas and to check for compliance with internal rules and procedures in performing

business operations, at the same time giving notice thereof to the Chairman of the Board, the Chairman of the Control and Risks Committee and to the Chairman of the Board of Statutory Auditors;

- e) promptly reports to the Control and Risks Committee or to the entire Board as to problems and critical issues arisen in performing his duties or of which he has become aware, so that the Committee or the Board may take any appropriate actions.

In particular, the Director in charge of the internal control and risk management system (SCIGR) of Finmeccanica Spa, supervised the identification of the main corporate risks on which basis the Board of Directors, upon favourable opinion of the Control and Risks Committee, defined the “Guidelines for the internal control and risk management system”. Through a risk assessment process, the risk owners, with the support of the Risk Management Organisational Unit, identified and assessed the risks that were associated with the Group Library, as well as the corresponding degree of coverage by means of the existing control mechanisms.

The “Guidelines for the internal control and risk management system” report, in an analytical and detailed manner, the following aspects of the SCIGR:

- i) the methodological tools used for the identification, measurement, management and monitoring of the main risks;
- ii) the agents, showing their respective roles in the light of the current Corporate Governance structure of Finmeccanica, which, in turn, reflects the provisions under the Corporate Governance Code;
- iii) the process aimed at identifying, assessing and managing the Finmeccanica Group’s risks, divided based on their related type as follows:
 - 1) Compliance risks: arising from the performance of ordinary business operations, which relate to the failure by the business activities to comply with the relevant contractual clauses, laws, regulations and rules; this non-compliance may cause the company to incur administrative and criminal sanctions, as well as to affect the company’s image and the its operations themselves.
 - 2) Strategic risks: affecting the degree of success of the Company’s strategies, the processes’ ability to achieve the objectives defined by Top Management and the Company’s image.
 - 3) Operating risks: concerning ordinary business operations, which affect the efficacy and efficiency of the various corporate areas / processes.
 - 4) Financial risks: arising from the performance of ordinary business operations, which affect economic and financial figures within the management of accounting and reporting, taxation, cash and credit.

The Finmeccanica Group manages 90 macro-risks, which are associated with elementary risks, classified by categories and broken down by the abovementioned type.

The Management of the Finmeccanica Group's Companies, within the related Risk Assessments, assesses the risks and the related control system to monitor the same.

Specifically, risks are assessed considering the impact and the probability of their occurrence, net of on-going controls (inherent) and in consideration of the efficiency of the existing controls level (residual). The risk and control system assessment is carried out by combining qualitative and quantitative techniques.

10.3. HEAD OF GROUP INTERNAL AUDIT

On 27 October 2014 the Board of Directors approved the appointment of Marco Di Capua as the Head of the Group Internal Audit of Finmeccanica. The appointment was made on a proposal by the Director responsible for the internal control and risk management system, subject to the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors.

Furthermore, the Board itself (again on a proposal by the Director responsible for the system, subject to the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors) has also set the related remuneration in line with the corporate policies and ensuring him of sufficient resources to perform his duties.

The Head of the Group Internal Audit was appointed to verify that the internal control and risk management system was operational and adequate.

The Board of Directors ensures that the Head of the Group Internal Audit is provided with adequate resources to fulfil his responsibilities and defines his fees, in accordance with the Company's policies, as well as with the duties assigned to the same.

The Group Internal Audit Organisational Unit has the responsibility for supporting the Board of Directors, the Director in charge of the internal control and risk management system, the Control and Risks Committee and the Board of Statutory Auditors of Finmeccanica Spa, as well as the Boards of Directors and Boards of Statutory Auditors of the Group Companies not included in the divisional perimeter, in making assessments of the adequacy and effectiveness of the functioning of the internal control and risk management system of the Finmeccanica Group. This organisational unit is also responsible for assisting the Officer in charge of Financial Reporting in the performance of his duties and the Surveillance Body of Finmeccanica Spa (as well as the Surveillance Bodies of the Group Companies not included in the divisional perimeter) in carrying out its work of verifying the functioning of the Organisational, Management and Control Model as per Legislative Decree 231/2001 in accordance with the instructions it receives from the Officer and the Body.

Specifically, as specified in the Rules of Procedure, the Head of the Group Internal Audit:

- a) checks, both on an on-going basis and in relation to specific needs and in accordance with international standards, the operations and suitability of the internal control and risk management system, through an Audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
- b) he is not responsible for any operating area and reports to the Board of Directors and, through the same, to the Chairman, or, should the latter be granted delegated operating powers, to the Control and Risks Committee and, through it, to its Chairman;
- c) he has direct access to all useful information to perform his duties;
- d) he prepares any periodic reports containing adequate information on his activity, on the procedures according to which the risk management is carried out, as well as on the compliance with any plans defined to limit them; the periodical reports contain an assessment of the suitability of the internal control and risk management system;
- e) he promptly prepares reports on events of particular importance;
- f) he forwards the reports referred to in points d) and e) to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- g) he checks, within the framework of the Audit plan, for the reliability of the IT systems, including accounting systems.

In 2015 and in the first months of the current year, the Head of the Group Internal Audit coordinated the following main activities:

- performing audits and monitoring the action plans deriving from previous controls, at the Parent Company and at the companies that fall within the scope of the consolidation, on the basis of the aggregate 2015-2017 Audit Plan;
- performing special audits on particular issues concerning both Finmeccanica and its subsidiaries;
- performing tests for the purposes of compliance with Law 262/05 at Finmeccanica and at the companies falling within the perimeter, supporting the Officer in Charge of Financial Reporting;
- providing support to control and surveillance Bodies and, specifically as regards the Surveillance Body of Finmeccanica, and performing checks included in the Company's Audit Plan, on the basis of the specific mandate received;
- participating in the meetings of the Surveillance Body and of the Coordinating and Consultative Body for the prevention of corruption (see paragraph 15 below), while the Secretary's office work is the responsibility of the internal staff Group Internal Audit Organisational Unit. The Board of Directors' Meeting of 17 December 2015 appointed the Head of the Group Internal Audit Organisational Unit as a temporary regular member of the Surveillance Body in order to make up the Board's numbers;

- participating in the meetings of the Whistleblowing Committee, as a regular member (Service Order no. 23 of 19 March 2015);
- participating in preparing the Organisational, Management and Control Model as per Legislative Decree 231/01 relating to the One Company (as a member of the Steering Committee);
- participating in the working Group appointed to implement some of the recommendations expressed by the “Flick Committee”;
- managing and updating the Register of natural and legal persons that have access to privileged information.

The abovementioned Head of the Group Internal Audit has financial resources included in the Group Internal Audit Organisational Unit’s budget, in order to carry out his duties.

10.4. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231/01

Legislative Decree 231/2001 introduced, into the Italian legal system, a regime of administrative liability against Entities, for certain types of offences committed in the interests or to the benefit of the same. The Company has adopted appropriate measures to prevent it from incurring any criminal liability through the establishment of specific regulatory systems aimed at preventing the commission of any offences contemplated by this Decree on the part of Directors, Statutory Auditors, management, employees, collaborators, or any other party having relationships of any nature with Finmeccanica Spa, either with or without valuable consideration.

To this end, on 12 November 2003, the Board of Directors of Finmeccanica Spa adopted an **ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001** (hereinafter also referred to as the “Organisational Model”), as updated by resolutions of 26 July 2007, 25 June 2009, 16 December 2010, 31 July 2012, 15 April 2013, 30 July 2015 and 17 December 2015.

The current Organisational Model – which has been updated in line with the latest regulatory amendments concerning Legislative Decree 231/2001, as introduced by Law 186/2014, Law 68/2015 and Law 69/2015 – is made up of a “General Section” and ten “Special Sections”.

The “General Section” essentially deals with:

- 1) the Surveillance Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
- 2) staff training and the circulation of the Organisational, Management and Control Model within and outside the Company;
- 3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;

4) updating and review of the Organisational Model.

The Organisational, Management and Control Model as per Legislative Decree 231/2001 can be found on the Company's website in the specific Ethics and Compliance area.

The Surveillance Body of Finmeccanica Spa is made up of four external professionals, Enrico Laghi (who holds the position of Chairman), Angelo Carmona, Angelo Piazza and Saverio Ruperto, as well as of the Company's Group General Counsel and Head of the Legal, Corporate Affairs and Compliance Organisational Unit, Andrea Parrella and by the Head of the Group Internal Audit Organisational Unit, Marco Di Capua (internal members). The Board of Directors decided to make up the numbers of the Surveillance Body with an additional internal member, the Head of Group Internal Audit, on 17 December 2015 after the Group's new Organisational and Operating Model had been finalised in order to ensure that the supervisory work entrusted to this Body is conducted as effectively and correctly as possible. The Body is called upon to interact with new units and analyse new corporate processes. The present composition of the Body is such as to satisfy the necessary requirements of autonomy, independence, professionalism and continuity of action.

The duties, activities and functioning of this Body are governed by specific By-Laws, which were approved by the Board of Directors of Finmeccanica Spa on 15 December 2005 and finally updated on 17 December 2015 in order to adopt the abovementioned change in the composition of the Surveillance Body. The By-Laws entrust the Surveillance Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational, Management and Control Model as per Legislative Decree 231/2001. Within these tasks, among other things, the Surveillance Body receives reports (if any) on the part of company representatives or third parties, holds periodical hearings to hear the managers responsible for potential areas at risk of offences pursuant to Legislative Decree 231/01, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the top management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. The Surveillance Body has also adopted internal rules.

10.5 INDEPENDENT AUDITING FIRM

On 16 May 2012 the Shareholders' Meeting appointed KPMG SpA to audit the accounts during the period from 2012 to 2020.

The firm's appointment, therefore, will terminate at the time of the approval of the Financial Statements for 2020.

The appointment envisages the Independent Auditing Firm carrying out the following activities:

- auditing of the Separate Financial Statements of Finmeccanica Spa;
- statutory audit of the Consolidated Financial Statements of Finmeccanica Spa;

- review of the condensed consolidated Half-year Financial Statements of Finmeccanica Spa;
- periodical reviews of regular book-keeping.

10.6. OFFICER IN CHARGE OF FINANCIAL REPORTING AND OTHER CORPORATE ROLES AND ORGANISATIONAL UNITS

Officer in charge of financial reporting

In accordance with Art. 154-bis of the Consolidated Law on Financial Intermediation and Arts. 25.4 and 25.5 of the Company's By-Laws, the Company's Board of Directors (15 May 2014) confirmed Gian Piero Cutillo, Chief Financial Officer of the Company (who was already appointed on 14 June 2012), as the Officer in charge of financial reporting until the expiry of the term of office of the Board of Directors.

The company By-Laws envisages that 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 who, 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 €mil. 2; or
- b) have had legal powers of control over the accounts of companies such as those specified in letter a), 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 By-Laws, the Officer in charge of financial reporting 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 Gian Piero Cutillo has been formally vested, in addition to the powers already conferred on him as Chief Financial Officer of the Company, with all the powers necessary for the correct performance of the duties for which he is responsible by law.

The Officer in charge of financial reporting releases the certification required by Art. 154-bis, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chief Executive Officer, the attestation under Art. 154-bis, paragraph 5 of the Consolidated Law on Financial Intermediation.

The **corporate roles and Organisational Units** which are specifically involved in the internal control and risk management system, in addition to the above described Group Internal Audit Organisational Unit (para. 10.3), include, in particular:

- the **Compliance Organisational Unit** (within the Legal, Corporate Affairs and Compliance Organisational Unit), which is responsible, in particular, for: directing and coordinating initiatives and issues concerning the Trade Compliance and Business Compliance areas, ensuring an adequate control of legal risks in order to prevent behaviours that do not conform to the norms; ensuring the necessary support for Trade Compliance issues and supervising the implementation of the Group's Trade Compliance Program; ensuring any due diligence activities and the necessary audits for reputational, financial and other aspects, with reference to agents, consultants and business promoters (Business Compliance), while providing assistance in the preparation of any related contracts; providing adequate information flows concerning Compliance to the benefit of the Top Management, the corporate bodies and the managers responsible for corporate units, reporting to the Control and Risks Committee and to the Board of Statutory Auditors on a periodical basis.
- the **Crimes, Ethics & Integrity Organisational Unit** (within the Legal, Corporate Affairs and Compliance Organisational Unit), which is responsible for providing specialist support in applying and updating the Model under Legislative Decree no. 231/2001, as well as for defining the Company's anti-corruption policies (ethical business conduct) and providing assistance in relation to the regulations applied in the Countries where the Group operates.
- the **Risk Management Organisational Unit**, a central Organisational Unit which was established in 2014, is managed by the Chief Risk Officer and is responsible for supporting the Top Management in monitoring the activities relating to the management of corporate risks, in accordance with the national and international standards and best practices, with the objective to strengthen the Group's Governance, as well as for ensuring the definition, upgrading and circulation of methods, metrics and tools for a correct risk identification, analysis, measurement, management and monitoring. The Unit operates in close relationship with any other competent units of the Parent Company in order to carry out an efficient and coordinated monitoring of any and all risk areas (strategic, financial, legal, contractual, Compliance and other risks). The structure of this Unit was conceived during 2015 with the creation of the specific Project Risks and Business Risks Organisational Units, which, respectively, oversee the processes of the management of risks associated with orders and new products and the process of the Group's Enterprise Risk Management for strategic, financial, operating and non-compliance risks. The

unit liaises with the competent Company units, coordinating with the work of Risk Management Units in Operating Companies/Divisions.

- the **Security Organisational Unit**, which is responsible, in particular, for: ensuring the security of the Company's resources, information/data and tangible and intangible assets, in accordance with the lines of strategy and business targets; ensuring the management of crisis and emergencies; ensuring the Business Continuity; ensuring the analysis of the reputation of suppliers, partners and third parties; ensuring the monitoring of anti-fraud activities, in agreement with the Group Internal Audit Organisational Unit; organizing security to protect classified information; defining Cyber Security policies and specifications. The specific Business Security, IT Security and Security Processes Organisational Units were also established within the abovementioned Unit.

10.7. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As required by the Code, in order to maximise efficiency of the internal control and risk management system and to reduce any duplication of activity, specific procedures were set out for the coordination between the various persons involved.

In particular:

- the Board of Statutory Auditors and the Head of the Group Internal Audit regularly participate in the Control and Risks Committee's meetings;
- the Control and Risks Committee reports to the Board of Directors at least on a six-monthly basis – in any case, on the occasion of the approval of the draft Separate Financial Statements and of the Half-year Financial Report – on the activity carried out, as well as on the adequacy of the internal control and risk management system;
- the Board of Statutory Auditors and the Surveillance Body hold periodic joint meetings, usually on a six-monthly basis;
- the Board of Statutory Auditors holds periodic meetings, in particular with the Officer in charge of Financial Reporting, the Head of the Group Internal Audit and any other corporate functions with specific duties concerning the internal control and risk management system;
- the Risk Management Organisational Unit works in close collaboration with the other competent Finmeccanica units in order to oversee all risk areas in an effective and coordinated manner.

The internal Procedure for the management of information flows with corporate bodies (para. 4.4.) lays down operating methods which ensure that the various bodies involved are coordinated as necessary, that the information provided for internal control managers is prompt and complete and that the system works as efficiently as possible, also through reducing duplication of work.

11. APPOINTMENT OF STATUTORY AUDITORS

As with the appointment of the members of the Board of Directors, the list voting system has also been adopted for choosing Statutory Auditors. The provisions of the By-Laws governing the election of the Board of Statutory Auditors (Art. 28.3) provides for the deadlines and methods for filing and publishing lists, as well as the related documentation, in compliance with the regulations in force.

Therefore Art. 28.3 of the By-Laws currently requires that the list of candidates presented by Shareholders, together with related supporting documentation, be deposited at the Company's registered office at least 25 days prior to the date set for the first convocation of the Shareholders' Meeting and must be published by the Company at least 21 days prior to the Meeting, always on first call, in accordance with applicable law.

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 holding lower percentages if envisaged by applicable laws or regulations.

It should be noted that with regard to the appointment of the Board of Directors, the minimum shareholding required to present a list of candidates for the election of Finmeccanica's administration and control bodies was set by Consob (with Resolution no. 19499 of 28 January 2016) at 1%, percentage envisaged in section 28.3 of the Company's By-Laws. The Board of Statutory Auditors is appointed based on lists submitted by the Shareholders in compliance with the procedures described below, in order to ensure the election of two regular members and one alternate member on the part of the minority list. The Chairman of the Board of Statutory Auditors is appointed by the Meeting from among the Statutory Auditors elected from the minority list pursuant to Art. 148, para. 2-bis, of Legislative Decree no. 58/98, as well as to Art. 28.3, second-last paragraph, of the Company's By-Laws.

Each list, in which candidates are listed in consecutive order, is divided into two sub-lists: one list for candidates to the position of regular Auditor and the other list for candidates to the position of alternate Auditor. At least the first candidate in each sub-list must be registered with the Register of Auditors and must have been performing statutory audits of accounts for a period of no less than three years.

The members of the Board of Statutory Auditors shall be appointed as follows:

- a) three regular Auditors and one alternate Auditor will be taken from the list that receives the majority of votes cast, in the consecutive order in which they appear in the list;
- b) two regular Auditors and one alternate Auditor will be taken from minority lists; to this end, votes obtained by the lists are subsequently divided by one and by two according to the consecutive order in which the candidates were listed.

The scores thus obtained shall be allocated to the candidates of each of said lists, according to the order of the lists as respectively envisaged. The scores thus assigned to the candidates of the various lists are reported in a single decreasing order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate has obtained the same score, the candidate from the list which has not yet elected any regular Auditor shall be elected.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire Meeting and the candidate with the majority of votes will be elected.

In the event of the replacement of a regular Auditor elected from the majority list, the alternate 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 alternate Auditor elected from the same minority list takes his place.

The new members of the Board, pursuant to Art. 2401 of the Italian Civil Code, shall be appointed by the Meeting from among the candidates in the same list of the Auditor who has ceased to hold office.

In the event that, for whatever reason, the appointment of one or more regular Auditors or alternate Auditors or the integration of the Board of Statutory Auditors cannot be made as required above, the Meeting shall resolve with the majorities prescribed by law, in compliance with the principle of the representation of minorities.

Article 28.1 of the Company's By-Laws also requires at least two of the regular Auditors and at least one of the alternate Auditors to be chosen from Registered Auditors of Accounts with at least three years of auditing experience.

Auditors that do not satisfy this requirement must have at least three-year experience:

- a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
- b) as professionals or full university professors in legal, economic, financial or technical and scientific matters closely connected with the Company's activities; or
- c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors closely connected with the Company's activities, intended as those that are useful for achieving the Company's business purpose.

Furthermore, it is envisaged that persons who serve as Statutory Auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as regular Auditors.

Furthermore, all the members of the Board of Statutory Auditors must meet the independence requirements laid down for Statutory Auditors in the current regulations. In this regard, the Company

(as also reported in relation to the appointment of the Directors) expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates, their eligibility to be qualified as “independent” directors, on the basis of the criteria laid down for Directors in Art. 3 of the Code.

In accordance with the provisions under Law no. 120/2011 governing gender equality (as already reported regarding the appointment of Directors) pursuant to Arts. 28.3 and 28.3*bis* of the Company’s By-Laws at least 1/5 of the members in the first term of office (at least 1/3 in the following terms) must represent the under-represented gender.

Therefore, any lists that, considering both the sub-list of regular Auditors and that of alternate members, present a number of candidates equal or higher than three, must include, in the sub-list of regular Auditors, candidates of different gender so as to ensure a composition of the Board of Statutory Auditors in compliance with the current regulations governing gender equality. In the event that the sub-list of alternate Auditors from said lists indicates two candidates, they must belong to different genders.

The provisions described above apply, for three consecutive terms of office, starting from the first renewal of the Board of Statutory Auditors after 12 August 2012 (art. 34.1 of the Company’s By-Laws).

The portion of the less represented gender in the Board of Statutory Auditors serving at present, appointed on 11 May 2015, is one-fifth of the members.

12. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (Art. 123-bis, para. 2, lett. d), TUF)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders’ Meeting of 11 May 2015 for the 2015-2017 term. The Board will, therefore, stand down at the next Shareholders’ Meeting, to be held to approve the 2017 Financial Statements.

The **Board of Statutory Auditors** serving at 31 December 2015 was composed as follows:

Riccardo Raul Bauer (2)	Chairman
Niccolo’ Abriani (2)	Regular Auditor
Luigi Corsi (1)	Regular Auditor
Francesco Perrini (1)	Regular Auditor
Daniela Savi (1)	Regular Auditor
Maria Teresa Cuomo (1)	Alternate Auditor
Stefano Fiorini (2)	Alternate Auditor

- (1) Auditor appointed from the majority list submitted by the majority shareholder (the Ministry of the Economy and Finance), voted by 52.56% of the share capital represented in the Shareholders' Meeting.
- (2) Auditor appointed from the list submitted by the minority shareholder (a group of asset management companies and institutional investors), voted by 46.36% of the share capital represented in the Shareholders' Meetings.

The Tables annexed to this Report summarise the structure of the Board of Statutory Auditors, showing the Auditors serving at the date of approval of this Report and the Auditors who ceased to hold their office during 2015, the related characteristics in terms of independence and length of service, as well as the number of any additional positions of regular Auditor held by the present members of the Board in other issuers¹ – at 31 December 2015 – (in observance¹ of the restrictions pursuant to Art. 144-terdecies, paragraph 1, of the Issuers' Regulation²).

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2015 financial year.

Brief *curricula* of the careers of the members of the Board of Statutory Auditors are given below, specifying their respective age and seniority in the position .

RICCARDO RAUL BAUER – CHAIRMAN

Mr Bauer was born in Milan on 12 January 1951. He has been the Chairman of the Board of Statutory Auditors of Finmeccanica since 16 May 2012 and his mandate was renewed by the Shareholders' Meeting held on 11 May 2015. He holds an Economics and Business degree and is a Certified Public and Professional Accountant. He is a Contract Professor for Company Audit and Control at the Sacro Cuore University in Milan. He has carried out statutory audit and professional training activities at PricewaterhouseCoopers S.p.A. (1968-1998). He has provided consultancy and assistance services to leading Italian companies. Currently, he is, *inter alia*, the Chairman of the Board of Statutory Auditors of the Union of Italian Jewish Communities, a member of the Board of Statutory Auditors of the Museum of Jewish Heritage and Shoah and the Chairman of the Board of Statutory Auditors of the Israelite Hospital of Rome. He is enrolled in the Register of Intermediaries at the Ministry of Justice. He is the author of various editions of the "Civil Code" and of the "Tax Code" as well as numerous publications concerning audits and control.

¹ "Issuers" means any companies listed on regulated markets (either in Italy or in any other EU Countries), i.e. any companies that issue financial instruments distributed among the public to a significant extent pursuant to article 116 of the Consolidated Law on Financial Intermediation and article 2-bis of the Issuers' Regulation.

² Pursuant to article 144-terdecies, paragraph 1, of the Issuers' Regulation, the position of member of the board of statutory auditors of an issuer may not be held by the persons who hold the same position in five issuers. The full list of the offices of administration and control held by each Regular Statutory Auditor, at the companies referred to in Volume V, Title V, Chapters V, VI and VII of the Italian Civil Code, pursuant to article 144-terdecies, paragraph 2, of the Issuers' Regulation, is published by Consob on its website, as required by article 144-quinquiesdecies, paragraph 2, of the said Regulation.

NICCOLO' ABRIANI – REGULAR STATUTORY AUDITOR

Mr Abriani was born in Turin on 8 July 1966. He has been a Regular Statutory Auditor of Finmeccanica since 16 May 2012 and his mandate was renewed by the Shareholders' Meeting held on 11 May 2015. He is a lawyer and a Professor of Commercial Law at Florence University; Lecturer for the Post-graduate course for Business Lawyers and of the PhD course in Law and Business at "Luiss Guido Carli" University in Rome. He is Co-editor of the "*Rivista del Diritto Societario*" (a magazine of company law) and of the "*Rivista di Diritto dell'Impresa*" (a magazine of business law). He has held many academic positions, including: Dean of the Faculty of Economics at the University of Foggia. He is a member of the Committee established by the CNDCEC (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, National Council of Professional and Certified Public Accountants) for the drafting of the Rules of Conduct of boards of statutory auditors; he has also been an independent director of listed companies and a member of the working table established by Consob for the regulatory simplification of the Italian financial market – a subgroup of the Control System.

LUIGI CORSI – REGULAR STATUTORY AUDITOR

Mr Corsi was born in Sant'Angelo Lodigiano (Province of Lodi) on 27 March 1959. He was appointed Regular Statutory Auditor of Finmeccanica by the Shareholders' Meeting held on 11 May 2015. He graduated in Business Administration degree (with specialisation in Marketing) at Bocconi University in Milan in 1983. He is a Certified and Professional Public Accountant. He held the position of Assistant to the Chief Executive Officer of "BIC Italia S.p.A." from 1986 to 1988. He was also a City Councillor in Lodi (from 1985 to 1987 and from 1993 to 1995) and a City Councillor in Lodi with delegated powers for Budget, Finance, Assets and Special Companies (from 1996 to 1998).

He has been practising since 1989 as a Professional Accountant in Lodi at the offices of his firm, which is a member of "Studio Associato Camia-Corsi: Commercialisti" network. Within his professional activity, he collaborates with the Court of Lodi as a Trustee in bankruptcy, Expert appraiser, Court-appointed expert. He has held positions as a member of governing and/or control bodies at a number of private companies, credit institutions, public entities and associations, including as a Regular Statutory Auditor of Banca Popolare Italiana Soc. Coop. (listed on the Italian Stock Exchange) (2006-2007), a Member of the Management Board of Banco Popolare Soc. Coop. (listed on the Italian Stock Exchange) (2007-2011), a Regular Statutory Auditor of Agos-Ducato S.p.A. (2012-2013). At present he is, *inter alia*, the Chairman of the Board of Statutory Auditors of Lazzari Auto S.p.A., Fenzi S.p.A., Lazzari S.p.A.; he is also a Regular Statutory Auditor of Lodigiana Maceri S.r.l., Ferrari Giovanni Industria Casearia S.p.A.; he is also an Auditor of Famiglia Nuova Società Coop Sociale and Società Coop. Sociale la Formica; he is the Sole Director of

Consulenti Associati S.r.l.; he is the Chairman of the Board of Directors of Studio Corsi Curioni S.r.l., as well as a Member of the Board of Directors of Banco Popolare Soc. Coop. and the Vice-Chairman of the Board of Directors of Fondazione Banca Popolare di Lodi.

FRANCESCO PERRINI – REGULAR STATUTORY AUDITOR

Mr Perrini was born in Bari on 10 December 1965. He was appointed Regular Statutory Auditor of Finmeccanica by the Shareholders' Meeting held on 11 May 2015. He graduated in Business Administration from Bocconi University in Milan and ITP at the Stern School of Business, New York University; he is a senior Professor of "Accounting, Control, Corporate and Real Estate Finance" at SDA Bocconi of Bocconi University; he is Full Professor of Business Economics and Management and Chair of "Social Entrepreneurship & Philanthropy" of SIF (*Società Italiana di Filantropia*, Italian Philanthropy Association), Department of Management and Technology and the Rector's Representative for the Presidency of the Bocconi Sustainability Committee. He has been a director of the Degree Course in Business Administration and Management (CLEAM), the director of CRESV - *Centro di Ricerche su Sostenibilità e Valore* (Research Centre for Sustainability and Value), M&A Observatory and Observatory on Business Crisis and Restructuring of Bocconi University, with Bergamo University; the Head of CSR Unit - "Business Ethics and Social Issue in Management", as well as the director of MAGER - Master in Sustainability, Green Management, Energy and CSR and a member of the Executive Board of Claudio Demattè Research, a division of SDA Bocconi. He is the founder of the Finetica Observatory at Pontifical Lateran University in the Vatican City. He has also been a Visiting Professor at UCLA, Babson College and Wharton School of Business, University of Pennsylvania in Philadelphia. He is a Certified and Professional Public Accountant and an independent advisor to listed and unlisted companies, which operate in various sectors. He has been working in the Finance sector since 1990, holding positions at finance companies. At present he holds the following positions: Board Member of Banca Profilo S.p.A. and Salini Costruttori S.p.A., Sole Director of FP S.r.l.; Chairman of the Board of Statutory Auditors of Banzai S.p.A., Regular Statutory Auditor of Prima TV S.p.A., Europa Network S.r.l., Vita S.p.A., RA.MO S.r.l., Arepo BP S.p.A., Raccorderie Metalliche S.p.A. and G.B.S. General Broker Service S.p.A.; Judicial Liquidator of Fondazione San Raffaele Monte Tabor and Special Commissioner of Infocontact S.r.l.. He is the author of a number of national and international publications regarding finance and strategy issues.

DANIELA SAVI – REGULAR STATUTORY AUDITOR

Mrs Savi was born in Piacenza on 13 January 1970. She was appointed Regular Statutory Auditor of Finmeccanica by the Shareholders' Meeting held on 11 May 2015. She graduated in Economics at Bocconi University in Milan. She is a Certified and Professional Public Accountant and has gained

her professional experience as an advisor in relation to plans for corporate reorganisation and composition with creditors; an independent expert providing certified opinions on feasibility studies (*attestatore*); a Judicial Commissioner and Court-appointed Expert at the Court of Piacenza. She is also the author of papers and reports for articles on tax transactions. She is a teacher at the Centro di Formazione Manageriale del Terziario (C.F.M.T.) (Service Sector Managerial Training Centre) of Manageritalia and is a spokeswoman in conferences on business crisis management. At present she holds the following positions: Regular Statutory Auditor of Rai Com S.p.A., Sole Statutory Auditor of Compagnia Generale Immobiliare S.r.l., Regular Statutory Auditor of Doppel Farmaceutici S.r.l. and Independent Auditor of Bluenergy Group S.p.A..

MARIA TERESA CUOMO – ALTERNATE STATUTORY AUDITOR

Mrs Cuomo was born in Nocera Inferiore (Province of Salerno) on 3 March 1975. She graduated in Economics at Salerno University. She is a Certified and Professional Public Accountant. She gained a PhD in Economics and Management of Public Enterprises at Salerno University (1998-2001); she was a University Researcher in “Business Economics and Management” at Salerno University (2001-2011); she was a Visiting Professor at University of Hull Yorkshire (UK) – Business School (2008-2009). In 2010 she qualified as an Associate Professor at Bocconi University, for scientific research and academic teaching, in the sector of “Business Economics and Management”. She has been an Associate Professor of “Business Economics and Management” at Salerno University and “Bicocca” Milan University since 2011. She has been providing management, finance and market consultancy services for a number of private companies since 2001. She is an expert in economic and financial reorganisation and business and organisational development plans, business and investment valuation, internal auditing. She was the Chairman of the Board of Auditors of the City Council of Nocera Inferiore (2009-2015) and the Chairman of the Board of Auditors of the Fondazione “CRIS” foundation, Province of Salerno (2011-2015). She has been the Chairman of the O.I.V. (*Organismo Indipendente di Valutazione*, Independent Evaluation Board) of IACP (*Istituto Autonomo Case Popolari*, Independent Public Housing Institute), Province of Salerno, since 2012; a Court-appointed Expert - Civil Division – of the Court of Naples since 2014; the Chairman of the Board of Statutory Auditors of Honda Palace S.p.A., in Rome, since 2014; a member of the O.I.V. of the Salerno ASL (*Azienda Sanitaria Locale*, Local Health Unit) since 2015; a Member of the Technical and Scientific Committee of the SAF (*Scuola di Alta Formazione*, Higher Training School) of the ODCEC (*Ordine dei Dottori Commercialisti e degli Esperti Contabili*, Association of Professional and Certified Public Accountants) of the Campania Region since 2015. She has been the “Coordinator of Admission tests, Department of Business Studies and Research” at Salerno University since 2015. She is a leader writer for *Corriere del Mezzogiorno* and *Mezzogiorno Economia* (RCS) concerning economics issues since 2014. She is a Member of the Editorial Board of the Scientific Journals

“*Esperienza d’Impresa*” and “South Asian Journal of Global Business”, as well as a member of the Editorial Board of the Reviewers of the “Journal of Marketing Communications” Taylor and Francis, London. She is the Italian Delegate for “Global Innovation and Knowledge Academy”, GIKA, USA and the Coordinator of a number of Italian and international scientific research projects, as well as a Conference Chair and Spokeswoman in foreign workshops and conferences. Finally, she is the author of a number of scientific publications in important national journals and international top journals.

STEFANO FIORINI – ALTERNATE STATUTORY AUDITOR

Mr Fiorini was born in Genoa on 15 July 1969. He graduated in Economics. He is a Certified Public Accountant. He has gained significant experience in the main sectors of industrial activities and services. He has worked in the auditing sector at KPMG S.p.A. and Arthur Andersen S.p.A.. He has held the position of Investment Director at PM & PARTNERS and ABN Amro Capital Investments NV. He provides consultancy services in relation to extraordinary corporate finance transactions and in civil and criminal proceedings concerning disputes relating to economic, business and financial issues. He is the Chairman of the Board of Statutory Auditors of Meta-fin S.p.A., Phoenix Asset Management S.p.A. and Vimec S.r.l., as well as a regular statutory auditor of Elemaster S.p.A., Iacobucci HF Aerospace S.p.A. and an alternate statutory auditor of S.M.R.E. S.p.A. and I.E.T. S.p.A.. He is an associate member of NedCommunity.

In compliance with the Corporate Governance Code, the Board of Statutory Auditors assesses the requirements of independence of its members, in the first meeting after the appointment (which was held on 24 June 2015), as well as on a yearly basis on occasion of the preparation of this Report.

During the current financial year the Board of Statutory Auditors assessed (at the meeting of 17 February 2016) the continuity of the requirements of independence of each Regular Statutory Auditor. With regard to the notion of independence of the Statutory Auditors, the Board Statutory Auditors followed the indications of the Code regarding the concept of independence for the Directors.

In addition to the supervisory functions (pursuant to article 149 of the Consolidated Law on Financial Intermediation) already listed in paragraph 1 of this Report, the Board of Statutory Auditors performs the duties attributed to it (pursuant to article 19 of Legislative Decree no. 39/2010) in the capacity as “Internal Control and Auditing Committee”. In this capacity, the Board supervises: a) the financial reporting process; b) the effectiveness of the internal control and risk management systems; c) the statutory audit of annual and consolidated accounts; d) the autonomy of the Independent Auditing firm, with specific regard to the performance of services other than the

audit of accounts provided to the Company and to its subsidiaries on the part of the Independent Auditing Firm and of the entities belonging to its network.

Furthermore, the Board of Statutory Auditors: submits the reasoned proposal to the Shareholders' Meeting as to the appointment of the independent auditing firm for the statutory audit of accounts and the determination of the relevant fees; verifies the correct application of the assessment procedures and of the criteria adopted by the Board of Directors to assess the independence of its members; supervises the conformity with the principles reported in the Consob Regulation of the Procedure adopted by the Company regarding Related Party Transactions, as well as the relative compliance, and reports to the Shareholders' Meeting in accordance with art. 2429, paragraph 2, of the Italian Civil Code and art. 153 of the Consolidated Law on Financial Intermediation.

In particular, in this regard the Board of Statutory Auditors constantly supervises if the Company correctly applies the existent procedures on the matter.

The Statutory Auditors take part in the meetings of the Board of Directors; in this regard, they are provided, at the same time as the Directors, with the documentation on the issues on the agenda of the Board, as well as with periodic information on the legislative and regulatory developments regarding the Company and its corporate bodies. The Board of Statutory Auditors consults units within the Company to obtain further information regarding the reference legislative and self-regulation framework.

In performing its work, the Board of Statutory Auditors liaises with the Company's organizational Units (in particular with the Group Internal Audit, Legal and Corporate Affairs and Compliance units), the Independent Auditors, the Control and Risks Committee, the Surveillance Body referred to in Legislative Decree no. 231/2001 and with the Officer in charge of financial reporting referred to in law no. 262/05. Specifically, the Board of Statutory Auditors – that constantly attends the meetings of the Control and Risks Committee - receives the necessary operational assistance for the performance of its own auditing work from the Head of the Group Internal Audit, obtains all the Audit Reports and examines the Annual Control Plan.

In the course of the financial year, the Board of Statutory Auditors plans meetings with the Boards of Statutory Auditors of the companies that are directly owned or "strategic" (in order to allow a profitable exchange of information with specific regard to the corporate operations, the characteristics of the internal control and risk management system and the corporate organisation), as well as with the Top Management of the Company and of directly-owned or "strategic" companies.

The Board of Statutory Auditors meets the Surveillance Body as per Legislative Decree 231/2001 periodically also with the purpose of obtaining the information necessary for it to fulfil its responsibility for overseeing the functioning of and compliance with the Organisational Model and its reviews.

Statutory Auditors also attend Shareholders' Meetings and, collectively or individually, Board of Directors Committee meetings.

The Board of Statutory Auditors' meetings may be held by tele-conference or video-conference, provided that all the participants may be identified and are able to follow the discussion, to simultaneously intervene in the discussion of the issues dealt with, as well as to peruse the documents in real time.

As already reported in paragraph 4.3 above), the Statutory Auditors take part, together with the Directors, in induction actions aimed at encouraging a deeper knowledge of the activities and of the specific issues concerning the Group. Furthermore, in order to assist them in coming to a better knowledge of the scenario in which Finmeccanica operates and of its legislative and regulatory framework, both the Auditors and the members of the Board of Directors are specially informed and updated regarding legislation and self-regulation in order to help them in the performance of their functions.

The Board of Statutory Auditors must report on its supervision activity to the Shareholders' Meeting in the specific Report prepared pursuant to art. 153 of the Consolidated Law on Financial Intermediation, which is published together with the Annual Financial Report.

The Board (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days. During the 2015 financial year, the Board of Statutory Auditors held no. 19 meetings, of an average duration of about 3 hours. During the 2016 financial year, as at the date of approval of this Report, no. 4 meetings had been held.

Below are reported the data concerning the presence of the Statutory Auditors in the meetings of the Board of Statutory Auditors, as well as in the meetings of the Board of Directors, which were held in the course of the 2015 financial year:

	Attendance	
	Board of Statutory Auditors	B.o.D.
Riccardo Raul Bauer	19/19 meetings	13/14 meetings
Niccolo' Abriani	18/19 meetings	14/14 meetings
Luigi Corsi ^(°)	10/10 meetings	6/6 meetings
Francesco Perrini ^(°)	9/10 meetings	6/6 meetings
Daniela Savi ^(°)	9/10 meetings	5/6 meetings

^(°) Holding office from 11 May 2015

<i>STATUTORY AUDITORS WHO CEASED TO HOLD OFFICE</i>	<i>Attendance</i>	
	<i>Board of Statutory Auditors</i>	<i>B.o.D.</i>
<i>Maurilio Fratino</i> (1)	<i>9/9 meetings</i>	<i>6/8 meetings</i>
<i>Silvano Montaldo</i> (1)	<i>9/9 meetings</i>	<i>8/8 meetings</i>
<i>Eugenio Pinto</i> (1)	<i>8/9 meetings</i>	<i>7/8 meetings</i>
<i>(1) Holding office until 11 May 2015</i>		

All absences were excused.

13. INVESTOR RELATIONS

The Company has formed an Organisational Unit under the name of Investor Relations in view of the importance, stressed in the Corporate Governance Code, of establishing an ongoing and professional relationship with all its Shareholders and institutional investors. In 2014 this unit was renamed Investor Relations and SRI (Sustainable Responsible Investors). The Organisational Unit handles financial and extra-financial disclosures related to ESG (Environmental, Social and Governance) issues, as well as relations with the credit rating agencies (Moody's, Fitch, Standard & Poor's).

Sustainable Responsible Investors (SRI)

The decision to form a SRI team in the Investor Relations Organisational Unit is based on a substantial increase in requests from outside and engagement in ESG issues on the part of equity and fixed income investors, but also on the awareness that these ESG issues cannot be disregarded if stakeholders are to make a correct economic, financial and reputational appraisal of a listed international company.

The Organisational Unit is responsible for drawing up the Sustainability Report, for relations with rating agencies (EIRIS, GES, MSCI, OEKOM, Sustainalitics, VIGEO), NGOs (Carbon Disclosure Project, PRI), brokers and sustainable investors and supports both other Company units and the Management in circulating information regarding ESG aspects.

Finally, IR&SRI handle the process of the Group's admission to the ESG stock market indices (Dow Jones Sustainability, FTSE4Good Russell). In 2015 Finmeccanica was placed, for the sixth consecutive year, in the prestigious DJSI indexes, which assess, every year, company performance and the extent to which they have honoured their commitments to economic, social and environmental sustainability.

Credit Rating Agencies

IR&SRI is responsible for handling relations with the three Credit Rating agencies (Moody's, Standard & Poor's, Fitch) which have, up to this time, awarded Finmeccanica a credit rating and a rating for its bonds.

Given the particular nature of relations with these agencies, individual meetings and conference calls are arranged periodically in order to provide the latest details of the quarterly results, the economic and financial outlook and transactions of significance for credit rating purposes, in addition to meetings at which the results for the year are examined, with the participation of the Finmeccanica Management.

Financial Disclosures

Many events are organised during the year to make Finmeccanica's strategy better known to the financial community, mainly the international community, as regards its strategy, business, commercial and economic and financial performance and the related prospects, as well as Corporate Governance issues.

A particularly important part of this activity are presentations of the annual, six-monthly and quarterly financial results, usually made in London (also in conference call and by webcast).

Moreover, IR&SRI organises Company Roadshows with the Group's Management, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day that is organised on average once a year.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France) meetings between groups of investors and the Management of Finmeccanica and of the main Operating Companies are organised, proposing specific presentations of the main products and systems present at the airshow (product tour).

Shareholder Engagement

In consideration of a significantly increased participation of the international institutional investors at the Finmeccanica's Shareholders' Meetings (Shareholder Activism), IR&SRI has responded promptly to this phenomenon with a strong commitment to Shareholder Engagement which meets their needs and expectations and helps them to take an active part in these meetings by drawing up special documents and arranging dedicated conference calls and meetings, especially during the months leading up to Shareholders' Meetings.

On Line Communication

The financial market section of Finmeccanica's institutional website (Investors) proposes a wide range of documents aimed at satisfying all the stakeholders. More information on its Debt structure, Risk Management and Guidance notes has been included, in addition to the Consolidated Financial

Statements and the financial Presentations, with links to the webcast, audio/video. A large area of the Investors section, which is also being optimised, is also dedicated to the SRI (Sustainable Responsible Investors) and ESG (Environmental, Social and Governance) issues.

Other information of interest to shareholders is available in the Corporate Governance section of the Company's website, as mentioned in greater detail in paragraph 14 below.

The IR&SRI unit is also committed to an increasing use of the most recent social and collaboration tools, like *Twitter*, *SlideShare* and *YouTube*.

The Head of the Investor Relations and Sustainable Responsible Investors (SRI) is Raffaella Luglini, who reports directly to the CEO – Chief Executive Officer and General Manager Mauro Moretti.

Contacts

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14. SHAREHOLDERS' MEETINGS (Art. 123-bis, para. 2, lett. c), TUF)

Notice of call and disclosures to Shareholders

The Shareholders' Meeting is the body through which shareholders can play an active part in the life of the Company, casting their votes according to the procedures and on the subjects prescribed by law and by the Company's By-Laws.

As required by section 12.2 of the Company's By-Laws, the Shareholders' Meeting is called at least once a year to approve the Financial Statements within 180 days of the close of the fiscal year.

Shareholders' Meetings are called by means of a notice published on the Company's website (as well as in at least one national daily newspaper), containing the information required by Art. 125-bis of the Consolidated Law on Financial Intermediation, at least 30 days prior to the date set for the Shareholders' Meeting on first call, except for any Shareholders' Meetings called: i) to appoint the members of the corporate bodies through the list voting (for which the time limit is of 40 days); ii) to resolve on defence measures in the case of a take-over bid (for which the time limit is of 15 days) and iii) to resolve on capital decreases and the appointment and dismissal of liquidators (for which the time limit is 21 days).

The Shareholders who represent, even together with other Shareholders, at least a fortieth of the share capital may make, within the time limits and according to the procedures set out in article 126-bis of the Consolidated Law on Financial Intermediation and in the Company's notice of call, additions to the list of issues to be discussed at the Shareholders' Meeting or submit proposed resolutions on any issues that are already on the agenda of the Shareholders' Meeting, specifying the

related reasons. In any case, the Shareholders will be entitled to submit, regardless of the shareholding held by each of them, proposed resolutions regarding the issues on the agenda in the course of the Shareholders' Meeting.

In the calling, planning and management of these events, the focus has always been on encouraging as many Shareholders as possible to attend Shareholders' Meetings and on ensuring that Shareholders are provided with the highest quality information, in full compliance with the regulations regarding price sensitive information and the disclosure of "regulated information".

Therefore, all the relevant documents regarding the items on the agenda concerning the specific Shareholders' Meeting are promptly made available to the public through the Company's website and are simultaneously filed as required by regulations, including with reference to the provisions laid down in articles 125-*bis*, 125-*ter* and 125-*quater* of the Consolidated Law on Financial Intermediation; in particular, the Company takes steps to promptly publish – in an appropriate area that can also be accessed directly from the website's home page – the notice of call, the explanatory Reports of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting, proxy forms and information on the amount and composition of the share capital, as well as any documents following the same Meeting (a summary report on voting and minutes of the shareholders' meeting).

The specific Corporate Governance section on the Company's website also includes further relevant information concerning the Company which are interesting for the shareholders: composition of the corporate bodies, *curricula vitae* of the related members, disclosures on Internal Dealing, minutes of the Shareholders' Meetings and of the Board of Directors meetings, the Company's By-Laws and other relevant corporate documentation, including this Report, with related historical archive.

Furthermore, a specific chart has been prepared, which illustrates the Company's Corporate Governance system, in order to allow an overview of the various bodies, as well as to report, for each of them, the related composition and place of each body within the corporate governance structure.

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

The Board of Directors participate in the Shareholders' Meetings. Specifically, the Chief Executive Officer reports – also with the help of specific presentations - on the activity carried out during the financial year and on the Issuer's future plans, at the Shareholders' Meeting called to approve the Annual Financial Statements, providing any necessary clarification at the request of the shareholders. 7 out of 11 Directors attended the Meeting of 11 May 2015.

The Shareholders' Meeting is also attended by the Statutory Auditors, as well as by the Group's Executives invited by the Chairman in relation to the issues being discussed during the meeting.

Right of attendance and voting at the Shareholders' Meeting

Based on the Record Date mechanism, the right to attend Shareholders' Meeting and vote is held by those who communicate via an authorised financial broker that they hold shares of the Company seven trading days prior to the date set for the Shareholders' Meeting in first convocation.

Any notices given by the broker shall be received by the Company by the end of the third trading day prior to the date set for the Shareholders' Meeting on first call. Shareholders are entitled to speak and vote if their notices reach the Company after the above time limit provided that it does so while the meeting is still in progress.

Credit and debit entries in the broker's account after the Record Date are not relevant to the entitlement to exercise voting rights at the Shareholders' Meeting.

The entitled persons can be represented by written proxy, which may be notified to the Company pursuant to Law and By-Laws as indicated in the notice calling the Shareholders' Meeting. The Company provides the entitled persons with a proxy form for the participation in the individual Shareholders' Meetings.

The Art. 14 of the By-Laws also provides for the Company to be entitled to designate a common representative for each Shareholders' Meeting, i.e. a person to which the Shareholders may grant a proxy with instructions on how to vote (which the common representative shall comply with) on all or certain of the items on the agenda. Such proxy must be given by the end of the second trading day prior to the date set for the Shareholders' Meeting on first call, and without incurring expenses.

There has been a Company-appointed shareholders' representative to whom shareholders may give proxies free of charge since the 2012 Shareholders' Meeting.

Finally, as required by article 127-ter of the Consolidated Law on Financial Intermediation, the Shareholders may also submit questions on the issues on the agenda before the Shareholders' Meeting, within the time limit (so-called cut-off date) and according to the procedures specified by the Company in the notice of call. The Company gives answers during the Shareholders' Meeting at the latest; it may also do so on paper at the beginning of the Meeting.

Operations and Competences

The Shareholders' Meeting is held in ordinary and extraordinary sessions and may pass resolutions on all issues reserved to them by applicable laws, except for the Board's right to resolve (pursuant to article 2365, paragraph 2, of the Italian Civil Code and section 24.1 of the Company's By-Laws) on the issues specified in paragraph 4.3 above.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under Art. 22.3 of the By-Laws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (Art. 16.5 of the By-Laws).

Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (Art. 16.4 of the By-Laws).

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, who directs the proceedings ensuring that discussions take place correctly and that shareholders are enabled to exercise their rights to speak and reply on each item dealt with.

With the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, **SHAREHOLDERS' MEETING REGULATIONS** have been adopted by the Company for some time, which define the main aspects (such as the right to take part in Meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations, etc.) so that the proceedings are properly conducted and the shareholders are permitted to exercise their right to speak on the items on the agenda.

In order to ensure that all Shareholders are able to exercise this right, the Regulations contain special provisions 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 and to state how they will vote if they wish to do so.

The Regulations also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.

Furthermore, the Regulations exactly define procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) and expressly provide for procedures for addressing Shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force.

These Regulations are always distributed to all Shareholders whenever a meeting is held and may be viewed in the Corporate Governance section of the Company's website.

During 2015, changes were recorded in the Company's market capitalisation which, despite the European economic and financial scenario that is still weak, has significantly improved.

It should be remembered that, as already reported in this Report, the percentages envisaged in the By-Laws as to the exercise of the rights protecting minority Shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.3 and 28.3 of the Company's By-Laws), are actually corresponding to (as were in the course of the 2015 financial year) the minimum share identified by Consob.

The abovementioned By-Laws provisions also set down, as previously illustrated, specific procedures aimed at ensuring, within the described “list voting” mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

15. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (Art. 123-bis, para. 2, lett. a), TUF)

This paragraph provides the latest information on the main organisational measures and the most important decisions taken by the Company during the 2015 financial year in the implementation of the overall process of reorganising its structure and strengthening its Corporate Governance system which was started in 2014.

Specifically, information is provided below in relation to the final implementation of the Group’s new Organisational and Operating Model (the guidelines of which were issued by the Board of Directors on 19 June 2014) and to the specific Governance initiatives – which are already in line with some contents of the new 2015 Corporate Governance Code – undertaken by the Company, also in compliance with the Recommendations set out in the final Report issued by the Flick Committee in 2014³.

✓ Group’s Organisational and Operating Model – One Company

Starting from 1 January 2016, all the Group’s activities in the core sectors of Aerospace, Defence and Security (A, D&S) have been concentrated in the “new” **Division-based Finmeccanica, a single** operationally decentralised company (“**One Company**”) consisting of four Sectors and seven Divisions.

On 19 June 2014 the Company’s Board of Directors approved, in the framework of the measures taken to strengthen and consolidate the Group’s Governance and the overall process of reorganisation that the Company has embarked on, the guidelines for the implementation of the Group’s new Organisational and Operating Model, in line with the structural measures undertaken by our main competitors in the context. An internal process was then started in which the new Model was drawn up and implemented. The process also identified the corporate transactions which best fitted in with the implementation of the model and was approved by Board of Directors resolutions on 2 July and 3 November 2015.

The new organisational structure outlined in this manner, which is characterised by elements which are signs of pronounced discontinuity with the Group’s past plans, has entailed the adoption of a division-based model and the strengthening of Corporate functions: in fact, the development of the new Model has led to the concentration of the activities carried out by the wholly-owned Italian

³ The Flick Committee’s Report and Recommendations are available in the section of Ethics and Compliance on the Company’s website.

companies operating in the core business of Aerospace, Defence and Security, in Finmeccanica. Said activities have been transferred to the Divisions of the “new” Finmeccanica, with all the functions necessary for developing and managing their respective business lines.

Setting the previous holding company model aside, with the new One Company Organisational and Operating model, Finmeccanica has become a single concern with a new system of Governance which centralises the system of guidance and control and at the same decentralises business management to the Divisions.

The corporate transactions carried out preliminarily to the implementation of the new Model, which were resolved upon by the Board of Directors’ meeting held on 30 July 2015 (merger of OTO MELARA SpA and WHITEHEAD SISTEMI SUBACQUEI SpA by incorporation into Finmeccanica; partial spin-off of ALENIA AERMACCHI SpA, AGUSTAWESTLAND SpA and SELEX ES SpA in favour of Finmeccanica), satisfied the need to include all the Companies’ core business activities in Finmeccanica, so that a single company was created, the organisation of whose operations are decentralised and which is structured in Sectors and Divisions.

The purposes of the plan to structure in Divisions were to make the Group’s industrial operations more efficient and to reduce the cost of business operations by making scale economies and maximising synergies among the different business areas.

The new Governance system aims to centralise the guidance and control systems and at the same time decentralise business operations to the Divisions through:

- ✓ integrated and coherent governance to the advantage of productivity, scale economies and greater competitiveness;
- ✓ simplification of the control chain increasing effectiveness, flexibility and operational responsiveness;
- ✓ a more effective and coordinated approach to key markets at Group level;
- ✓ greater efficiency in industrial processes through targeted measures to improve engineering and the supply chain.

The new organisational structure of Finmeccanica’s business is based on **4 Sectors** and **7 Divisions**:

- **Aeronautics Sector**
 - Aircraft Division
 - Aerostructures Division
- **Helicopters Sector**
 - Helicopters Division
- **Electronics, Defence and Security Systems Sector**
 - Airborne and Space Systems

- Land & Naval Defence Electronics Division
- Defence Systems Division
- Security & Information Systems Division

- **Space Sector**

The **Corporate Governance** system includes the centralised functions for the governance of the One Company, which guide its policy and control systems and those of other Group's companies in addition to providing common/shared services.

The **Divisions** act autonomously in developing and managing their business portfolios in a specific reference market, with all the necessary means and resources. Heads of Divisions have been granted all the powers necessary for the end-to-end management of the entire range of their activities with consequent full responsibility for profitability. Divisions are also responsible for coordinating the operations of the subsidiaries and associates which have roles in their respective areas of business.

Sectors, which are an integral part of the Corporate Governance system, are lean units which coordinate the various Divisions, especially in certain specific areas of business. Their main activities are to coordinate the Divisions' commercial and promotional work. Sectors are also responsible for coordinating the subsidiaries and JVs/investees related to their business area.

Finmeccanica will continue to perform the management and coordination functions proper to a Parent Company for all the One Company's subsidiaries and JVs/investees, also with the support of the Sector Managers.

Indeed, in the new structure Finmeccanica retains the function of Parent Company and Corporate Centre for subsidiaries and JVs/investees too, even if their operations and business activities are managed at division level.

The effects of the operations described above started (including for accounting and tax purposes) from 1 January 2016.

- ✓ **Anti-Corruption Code**

In the meeting held on 21 April 2015 the Company's Board of Directors approved, also on the basis of Recommendation no. 1 expressed by the Flick Committee, the "**Anti-Corruption Code of the Finmeccanica Group**" which integrates the rules for preventing and fighting corruption already in place in the Group; it is an organic and coherent system based on the principles of integrity and transparency whose purpose is to counter the risks of unlawful practices in the conduct of corporate business and activities at any working level and in any geographic area.

The Code is the strong measure that the Board has decided to take in order to complete the task of boosting internal control safeguards, in accordance with the relevant regulations and in line with the highest international best practices in the sector.

Among the provisions in the Code is one (in accordance with Recommendation no. 5 expressed by the Flick Committee) which refers to a training programme whose aim is to prevent the risk of corruption through annual sessions in which Personnel are instructed in the contents of the Code.

✓ **Corruption Prevention Coordination and Consulting Board**

This Board, which was established in 2014 (also in accordance with Recommendation no. 2 expressed by the Flick Committee) and is composed of the *pro tempore* Chairman of Finmeccanica and by the *pro tempore* Chairmen of the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body as per Legislative Decree 231/2001 of Finmeccanica, is responsible for coordinating the offices responsible for verifying compliance with the applicable rules of conduct at Group level, as well as for overseeing the application of the Anti-Corruption Code and for making proposals for it to be reviewed or amended.

✓ **Whistleblowing Guidelines**

Acting on the desire expressed by the Corporate Governance Committee in the latest edition of the Corporate Governance Code issued in July 2015 (as well as in accordance with Recommendation no. 4 expressed by the Flick Committee), at a meeting held on 18 March 2015 the Board of Directors, again in the framework of the measures it is taking to strengthen the Group's governance system, approved specific rules on "**Whistleblowing Management Guidelines**" in order to lay down and describe the process of handling these reports by either named or anonymous individuals who become aware of actions which are against the law or the Group's internal regulations. Dedicated channels have been created to encourage personnel to report their complaints and at the same time assure whistleblowers of the utmost protection and confidentiality.

The Board also approved the consequent formation of the **Whistleblowing Committee**, which is responsible for handling all the complaints received that involve the Finmeccanica Group in the various phases of their investigation, reporting and monitoring the action plans put in place to resolve any anomalies that are detected.

The Committee is composed of the Heads of the following Organisational Units: Group Internal Audit; Legal, Corporate Affairs and Compliance; Administration, Finance and Control; Human Resources and Organisation; Security.

✓ **Directive on the management of business negotiations**

An especially important role in the framework of this process of enhancing the vital principles of honesty and transparency is that of the issue – on 30 March 2015 - of a Directive on the management of business negotiations, which introduces a number of rules to be observed by all persons involved in the key activities of procuring goods and services for the Group and of executing works,

particularly by means of: a selection of suppliers subject to the execution of competitive tenders, except for some binding cases set out in the Directive itself; the attention paid to ensuring that suppliers satisfy the requirements of reliability and integrity, without this constituting a hindrance to the widest possible participation of all the operators in the market; the principle of job rotation for the personnel in charge of procurement activities; the adoption of more stringent rules to regulate the separation of powers; additional measures to protect an “ethical” and sustainable market approach that is fully compliant with the legislation in force, as well as with the guidelines laid down in the Organisational, Management and Control Model as per Legislative Decree 231/2001 and the Code of Ethics.

- **Purchasing Commission**, set up in accordance with this Directive and composed of a representative of the Legal, Corporate Affairs and Compliance Organisational Unit of Finmeccanica, the Head of the Purchasing Business Unit of Finmeccanica Global Services S.p.A., the Head of the Legal, Corporate Affairs and Compliance Organisational Unit of Finmeccanica Global Services S.p.A., as well as the Heads of Procurement of the Operating Companies/Divisions. Among the main spheres of the Commission’s activities are to give guidance on and monitor measures taken to optimise the Group’s purchasing and supply chain management processes, to oversee the system for the approval of suppliers and contractors and to conduct investigations leading up to a decision on whether a supplier or contractor should be included in the Group Black List. The Commission normally meets once a month, or whenever special circumstances require a meeting to be called.

TABLE 1: INFORMATION ON THE SHAREHOLDERS STRUCTURE*Significant stakes in the share capital*

SHAREHOLDERS	% of ownership
	on the ordinary capital
	and voting capital
Ministry of Economy and Finance	30,204
Libyan Investment Authority (1)	2,010
Norges Bank (2)	2,031

(1) The name has been updated [formerly "Libyan Investement Authority (Arab Bkg Corp / Libyan Inves, Man)"] following communication under Art. 83-*sexies* of Legislative Decree 58/98 for the participation in the 2014 Shareholders' Meeting (record date: 29 April 2014).

(2) Model 120A of 25 September 2015 (transaction date of 23 September 2015) relative to an equity investment held for ownership.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors for the three year period 2014-2016 appointed by the Shareholders' Meeting on 15 May 2014									Control and Risks Committee ***		Nomination Committee ***		Remuneration Committee ***		Analysis of International Scenarios Committee ***	
Position	Members	Date of first appointment	Executive	Non- Executive	Independent Corp. Gov. Code	Independen t Cons. Law on Fin. Intermed.	Attenda nce BoD meetings *	Other positions **	Members	* Attendanc e	Members	* Attendanc e	Members	* Attendanc e	Members	* Attendanc e
Chairman	Giovanni DE GENNARO	04/07/2013		X			14/14	0								
Chief Executive Officer and General Manager □	Mauro MORETTI	15/05/2014	X				14/14	0								
Director	Guido ALPA	15/05/2014		X	X	X	13/14	0	M	6/8	C	3/3				
Director	Marina Elvira CALDERONE	15/05/2014		X	X	X	13/14	0			M	2/3	M	3/6		
Director and Lead Independent Director	Paolo CANTARELLA ^(°)	04/05/2011		X	X	X	13/14	0	C	7/8						
Director	Marta DASSU [°]	15/05/2014		X	X	X	14/14	1			M	3/3			C	3/3
Director	Alessandro DE NICOLA	15/05/2014		X	X	X	14/14	0					M	6/6	M	3/3
Director	Dario FRIGERIO ^(°)	04/07/2013		X	X	X	12/14	3			M	2/3	C	6/6		
Director	Fabrizio LANDI	15/05/2014		X	X	X	13/14	3	M	7/8					M	2/3
Director	Silvia MERLO ^(°)	04/05/2011		X	X	X	14/14	3	M	8/8					M	3/3
Director	Marina RUBINI ^(°)	15/05/2014		X	X	X	13/14	0			M	3/3	M	6/6		
Number of meetings held during 2015:				BoD: 14	Control and Risks Committee: 8			Nomination Committee: 3		Remuneration Committee: 6			Analysis of International Scenario Committee: 3			
Quorum for presentation of lists for the appointment of the BoD: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting																

NOTES

□ Director in charge of the internal control and risk management system.

* All absences from BoD or Committees meetings are excused.

** This column contains the number of positions as Directors or Statutory Auditors held by the persons serving 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.

*** This column contains the position of the BoD member in the Committee (C/Chairman, M/Member).

(°) Director appointed from a list submitted by the minority.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (three-year period 2015-2017) appointed by the Shareholders' Meeting of 11 May 2015						
Position	Members	Date of first appointment	Independent Corp. Gov. Code	Attendance at the BoSA meetings **	Attendance at the BoD meetings **	Number of other positions held ***
Chairman	Riccardo Raul BAUER*	16/05/2012	X	19/19	13/14	0
Regular Auditor	Niccolò ABRIANI *	16/05/2012	X	18/19	14/14	0
Regular Auditor	Luigi CORSI	11/05/2015	X	10/10	6/6	0
Regular Auditor	Francesco PERRINI	11/05/2015	X	9/10	6/6	1
Regular Auditor	Daniela SAVI	11/05/2015	X	9/10	5/6	0
Alternate Auditor	Maria Teresa CUOMO	11/05/2015	--	--	--	0
Alternate Auditor	Stefano FIORINI *	16/05/2012	--	--	--	1
Number of meetings held during 2015: 19						
Quorum for presentation of lists for the appointment of the Board of Statutory Auditors: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting						

NOTES

* Auditor appointed from a list submitted by the minority.

** All absences from meetings are excused.

*** This column indicates the number of positions as auditor (Art. 144-terdecies, para 1, Issuers' Regulations) held in other issuers. The full list of governing and control positions (Art. 144-terdecies, para, 2, Issuers' Regulations) is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Issuers' Regulations.

TABLE 4: OUTGOING STATUTORY AUDITORS IN 2015

Outgoing statutory auditors on 11 May 2015						
Position	Members	Date of first appointment	Independent Corp. Gov. Code	Attendance at the BoSA meetings **	Attendance at the BoD meetings **	Holding office until
Regular Auditor	Maurilio FRATINO °	29/04/2009	X	9/9	6/8	11/05/2015
Regular Auditor	Silvano MONTALDO °	23/05/2006	X	9/9	8/8	11/05/2015
Regular Auditor	Eugenio PINTO °	16/05/2012	X	8/9	7/8	11/05/2015
Alternate Auditor	Vincenzo LIMONE °	16/05/2012	--	--	--	11/05/2015
Number of meetings held during 2015: 9						
Quorum for presentation of lists for the appointment of the Board of Statutory Auditors: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting						

NOTES

° Auditor appointed from a list submitted by the majority shareholder.

** All absences from meetings are excused.