



Report on Corporate Governance
and Shareholder Structure

2013 FINANCIAL YEAR

19 March 2014

Website: www.finmeccanica.com

Disclaimer

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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 current Corporate Governance Code of Listed Companies (hereinafter also referred to as "the Code"). The Company complies with this Code, which was approved in March 2006 by the "Corporate Governance Committee" and finally updated in December 2011.

The aforementioned Code can be found on the Borsa Italiana website (www.borsaitaliana.it).

1. ISSUER PROFILE

The following is a brief profile of the Company. A fuller description is provided in later sections of this Report.

Company organisation

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

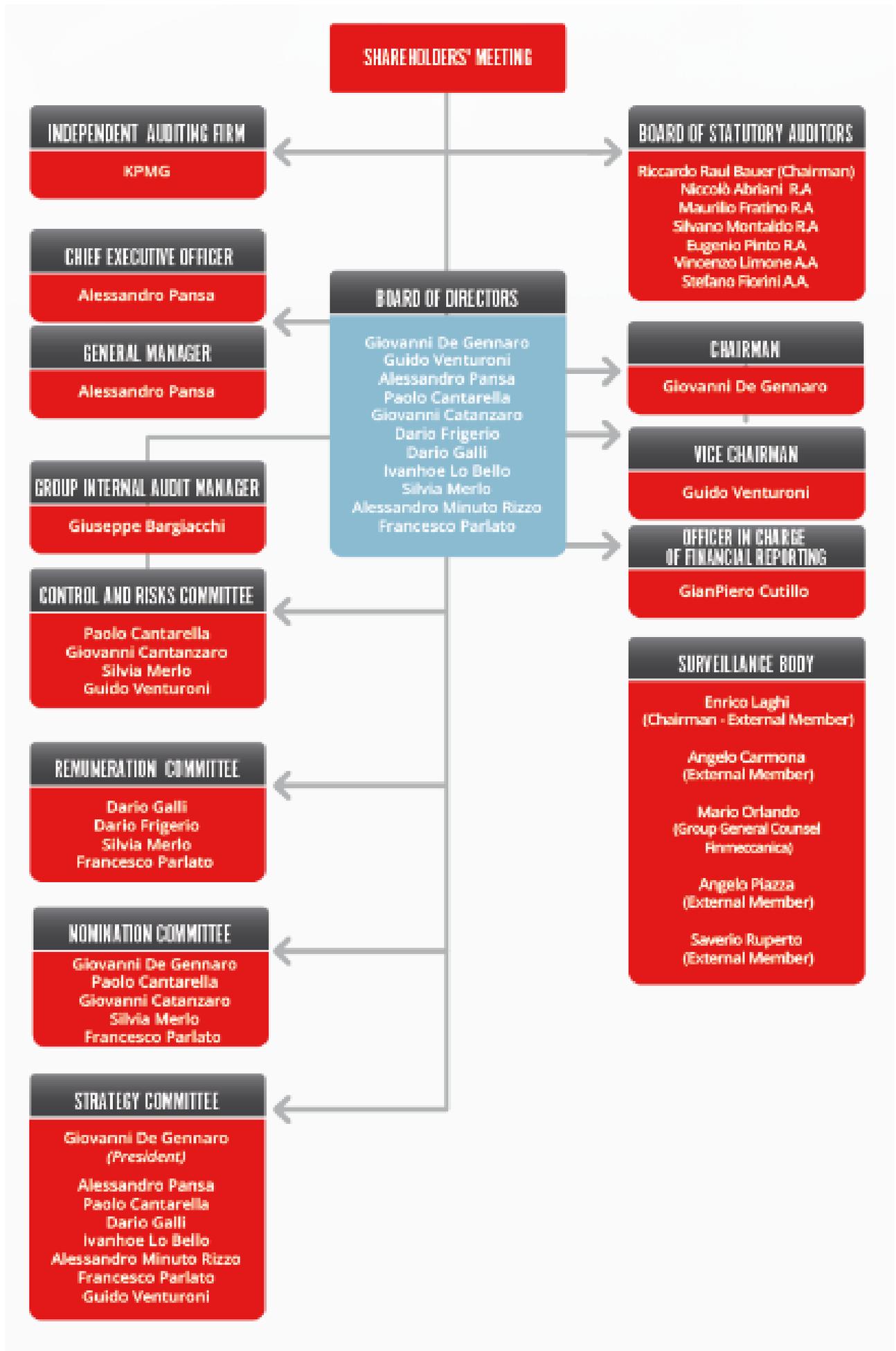
- **SHAREHOLDERS' MEETING.** The Shareholders' Meeting has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the by-laws.
- **BOARD OF DIRECTORS.** The Board of Directors is vested with the fullest powers for the administration of the Company, 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 4 May 2011 for the three-year period 2011-2013 and was

subsequently integrated on 1 December 2011, 16 May 2012 and 4 July 2013, as illustrated in detail in point 4.2 below.

- **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 perform duties as Committee for Transactions with Related Parties), the Remuneration Committee and the Nomination Committee (as provided for in the Corporate Governance Code), as well as the Strategy 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 Corporate Governance 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 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 16 May 2012 for the 2012-2014 term.
- **INDEPENDENT AUDITORS.** The Independent Auditors are the persons appointed to carry out the statutory audit of accounts. They are 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 14 June 2012, 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 appointed Gian Piero Cutillo (the Company's Chief Financial Officer) 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 intends to consolidate and strengthen at a global level its role as leader in the high technology sector, with rooted experience in the core sectors of Aerospace and Defence and the aptitude for growth in the Security and Civil sectors through a different application of available technologies and the development of dual use platforms and solutions.

Counting on its own human capital of about 64,000 people at a global level, the Group operates with the mission to be a driving force of innovation, with state of the art technology, products, solutions and competitive services which are able to satisfy our clients demand, generating in this manner value for its Shareholders.

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE

A) STRUCTURE OF THE SHARE CAPITAL (Art. 123-bis, para. 1, lett. a), Consolidated Law on Financial Intermediation)

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 32,450 treasury shares, equal to about 0.0056% of the share capital.

B) RESTRICTIONS ON SHARE TRANSFER (Art. 123-bis, para. 1, lett. b), Consolidated Law on Financial Intermediation)

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 TUF. 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 TUF, 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 new 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 o. 56 of 11 May 2012 and to the Decree no. 253 issued by the President of the Council of Ministers on 30 November 2012, as amended and supplemented, 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 competent State Administration (currently the Ministry for the Economy and Finance and subsequently, following the coming into force of the regulation as stated in art. 1, paragraph. 8, of Legislative Decree no. 21 of 15 March 2012, 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. The above shall apply in order to allow the competent State Administration to exercise the special powers 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), Consolidated Law on Financial Intermediation)

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), Consolidated Law on Financial Intermediation)

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, introduced new regulations on the special powers of the Government on the corporate structures in the sectors of the national defence and security, as well as for the activities of strategic importance in the sectors of energy, transportation and communication.

Subsequently, Decree no. 253 issued by the President of the Council of Ministers on 30 November 2012 identified 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.

With respect to the previous structure, which specifically referred to the exercise by the Government of its special powers over the national companies being privatized and operating in the sectors of public services, the special powers defined by the abovementioned Law tend, more in general, to ensure control over the body of Shareholders and on some strategic assets, regardless whether they belong to companies with State-owned or fully private shareholdings.

In particular, the new 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. For this purpose, the stake held by third parties with which the buyer has entered into a shareholders' agreement is considered to be included.

Since the entry into force of the abovementioned Decree no. 253 issued by the President of the Council of Ministers on 30 November 2012, the by-law clauses that are inconsistent with the new regime of special powers have ceased to be effective. Therefore, The Board of Directors of Finmeccanica on 14 May 2013 formally brought the Company's by-laws into line with the new regulations of the Government's special powers. In short it has ceased to adhere to the Government powers previously in force and the relative operating functions, replacing the same with the new powers referred to in art. 1 of the aforementioned Legislative Decree no. 21 of 15 March 2012 converted into Law no. 56 of 11 May 2012.

The new special powers provide, among other things, that a Director can no longer be appointed by the Government with no voting rights and, therefore, the Director without voting rights of Finmeccanica, Mr. Carlo Baldocci (appointed by ministerial decree of 27 April 2011 with effect from the date of the appointment of the Directors by the Shareholders' Meeting of 4 May 2011) has not been replaced following the termination of his appointment after he resigned on 11 September 2013. As a result, the Board of Directors on 6 March 2014 provided for the elimination from the Company's by-laws of every provision regarding the appointment of a Director without voting rights.

E) EMPLOYEE SHAREHOLDING: VOTING MECHANISM (Art. 123-bis, para. 1, lett. e), Consolidated Law on Financial Intermediation)

No provision is made for any employee shareholding scheme.

F) VOTING RESTRICTIONS (Art. 123-bis, para 1, lett. f), Consolidated Law on Financial Intermediation)

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), Consolidated Law on Financial Intermediation)

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), of the Consolidated Law on Financial Intermediation) AND BY-LAW PROVISIONS CONCERNING TAKEOVER BIDS (Arts. 104, para. 1-ter and 104-bis, para. 1, of the Consolidated Law on Financial Intermediation)

Material agreements entered into by Finmeccanica or its subsidiaries at 31 December 2013 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, SOCIETE GENERALE, THE BANK OF TOKYO-MITSUBISHI, HSBC BANK PLC, SUMITOMO, ROYAL BANK OF SCOTLAND PLC, BANK OF AMERICA-MERRIL LYNCH, BANCO SANTANDER | AGREEMENT FOR THE GRANTING OF A REVOLVING CREDIT LINE | 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 | BAE SYSTEMS ED 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 INNOVATIVE AIRCRAFT COMPONENTS" PROJECT OF ALENIA AERMACCHI SPA | EIB MAY CANCEL THE LOAN AND REQUEST EARLY REIMBURSEMENT IF A PARTY OR GROUP OF PARTIES 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. |

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| 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 (FORMERLY TELESPAZIO HOLDING SRL - 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, 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 |

| PARTIES | | AGREEMENT | EFFECTS OF THE CHANGE OF CONTROL CLAUSE |
|--|---|---|--|
| SUBSIDIARIES | | | |
| AGUSTAWESTLAND SPA 100% FINMECCANICA | GENERAL ELECTRIC COMPANY (PER IL TRAMITE DI 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 100% FINMECCANICA | 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 100% FINMECCANICA | 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 100% FINMECCANICA | 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 TILT-ROTOR COMPANY INC. (FORMERLY AGUSTAWESTLAND TILT-ROTOR) 100 % FINMECCANICA, THROUGH AGUSTAWESTLAND SPA (100 % FINMECCANICA) | BELL HELICOPTER TEXTRON INC. | LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609 | THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CHANGE OF CONTROL IN AGUSTAWESTLAND TILT-ROTOR COMPANY INC (FORMERLY AGUSTAWESTLAND TILT-ROTOR) OR OF GROUP COMPANIES, IS INEFFECTIVE, EXCEPT WITH THE WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC. |

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| AGUSTAWESTLAND PHILADELPHIA CORPORATION 100 % FINMECCANICA, THROUGH AGUSTAWESTLAND SPA (100 % FINMECCANICA) | CAE FLIGHT SOLUTION USA INC. | ROTORSIM USA LLC AGREEMENT | IN CASE OF A CHANGE OF CONTROL OF ONE OF THE PARTIES TO THE AGREEMENT IN FAVOUR OF A COMPATITOR OF THE OTHER PARTY, THE LATTER IS ASSIGNED THE PRE-EMPTION RIGHT CONSISTING IN THE SALE ITS STAKE IN ROTORSIM USA LLC |
| AGUSTAWESTLAND SPA 100% FINMECCANICA | 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 (RERESULTING FROM THE DISPOSAL OF A SHAREHOLDING HIGHER THAN 25% OF THE SHARE CAPITAL OF THE SAME) |
| ALENIA AERMACCHI SPA 100% FINMECCANICA | BOEING COMPANY | GENERAL TERMS AGREEMENT CONCERNING ALENIA AERMACCHI'S STAKE IN THE BOEING 787 PROGRAMME | AUTHORISATION OF BOEING REQUIRED IN THE CASE OF CHANGE OF CONTROL OF ALENIA AERMACCHI SPA AND BOEING HAS THE RIGHT TO TERMINATE THE CONTRACT IN THE EVENT THIS CLAUSE IS VIOLATED. |
| ALENIA AERMACCHI SPA 100% FINMECCANICA | ABU DHABI AUTONOMOUS SYSTEM INVESTMENTS CO LLC (FORMERLY ABU DHABI UAV INVESTMENT 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 INITIATION OF A SPECIAL 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% |

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| <p>ALENIA AERMACCHI SPA 100% FINMECCANICA</p> | <p>LOCKEED MARTIN AERO</p> | <p>STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIPS BETWEEN THE PARTIES UNDER JOINT STRIKE FIRE (“JSF”) PROGRAMME TO BUILD A 5TH GENERATION MULTIROLE FIGHTER PLANE</p> | <p>TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKEED MARTIN IN CASE OF A CHANGE OF OWNERSHIP OR CONTROL OF ALENIA AERMACCHI OR SALE OF ASSETS THAT WOULD RESULT IN A SIGNIFICANT LOSS OR DECREASE IN EXPERTISE OR FACILITIES ESSENTIAL TO THE PERFORMANCE OF ALENIA AERMACCHI</p> |
| <p>WORLD’S WING SA 94.94% FINMECCANICA THROUGH ALENIA AERMACCHI SPA (100% FINMECCANICA)</p> | <p>OAO SUKHOI COMPANY, OAO SUKHOI DESIGN BUREAU (MERGED INTO OAO SUKHOI COMPANY), SUKHOI CIVIL AIRCRAFT COMPANY</p> | <p>JOINT VENTURE AGREEMENT CONCERNING SUKHOI CIVIL AIRCRAFT COMPANY</p> | <p>IN CASE OF A CHANGE OF CONTROL OF ALENIA AERMACCHI, SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUKHOI CIVIL AIRCRAFT COMPANY, HELD BY ALENIA AERMACCHI SPA THROUGH ITS SUBSIDIARY WORLD’S WING SA, AT A MARKET PRICE, EQUAL TO THE LOWER OF FAIR MARKET VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERMACCHI SPA, UNDER THE FUNDING PLAN, LESS 10%</p> |
| <p>ALENIA AERMACCHI SPA 100% FINMECCANICA</p> | <p>ISRAEL MINISTRY OF DEFENCE</p> | <p>“STRATEGIC PURCHASE CONTRACT” FOR THE SUPPLY OF 30 ADVANCED TRAINING M346 AIRCRAFT AND RELATED SYSTEMS, SERVICES AND TECHNICAL SUPPORT</p> | <p>IN CASE OF A CHANGE OF CONTROL OF ALENIA AERMACCHI THE ISRAEL MINISTRY OF 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</p> |

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| | | | ISRAELI LEGISLATION ON “ISRAELI’S TRADING WITH THE ENEMY” |
| ALENIA AERMACCHI SPA 100% FINMECCANICA | ELBIT SYSTEMS LIMITED | “CONTRACTOR LOGISTIC SUPPORT CONTRACT” FOR LOGISTIC SUPPORT (SUPPLY, REPAIR AND SERVICE OF SPARE PARTS) TO THE ISRAELI M-346 FLEET | IN CASE OF A CHANGE OF CONTROL OF A PARTY, AS A RESULT OF WHICH THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A PARTY LINKED TO A STATE THAT DOES NOT HAVE DIPLOMATIC RELATIONS WITH ISRAEL (IN THE EVENT THAT THE TRANSACTION RELATES TO ALENIA AERMACCHI) AND WITH ITALY (IN THE EVENT THAT THE TRANSACTION RELATES TO ELBIT SYSTEMS LIMITED), A PRIOR WRITTEN CONSENT IS REQUIRED FROM THE PARTY THAT IS NOT INVOLVED IN THE CHANGE OF CONTROL. |
| WING NED BV 100% FINMECCANICA THROUGH ALENIA AERMACCHI SPA (100% FINMECCANICA) | OA0 SUKHOI COMPANY, SUPERJET INTERNATIONAL SPA | JOINT VENTURE AGREEMENT CONCERNING SUPERJET INTERNATIONAL SPA, AN ITALIAN COMPANY THAT MARKETS REGIONAL JETS, INCLUDING THE SUKHOI SUPERJET 100 | IN CASE OF A CHANGE OF CONTROL OF ALENIA AERMACCHI SPA, SUKHOI COMPANY HAS THE RIGHT TO EXERCISE A PURCHASE OPTION ON THE SHARES OF SUPERJET INTERNATIONAL, HELD BY ALENIA AERMACCHI SPA THROUGH WING NED BV, AT A MARKET PRICE, EQUAL TO THE LOWER OF FAIR MARKET VALUE AND FLOOR VALUE (WHICH CORRESPONDS TO THE TOTAL PURCHASE PRICE OF THE SHAREHOLDINGS IN SUPERJET INTERNATIONAL AND IN SUKHOI CIVIL AIRCRAFT COMPANY) PLUS THE TOTAL CONTRIBUTIONS PAID BY ALENIA AERMACCHI SPA, UNDER THE FUNDING PLAN, LESS 10%. |
| ANSALDOBREDA SPA 100% FINMECCANICA AS A MEMBER OF THE TREVI CONSORTIUM ALONG WITH: - ALSTOM FERROVIARIA SPA - FIREMA TRASPORTI SPA IN | CONSORZIO TREVI (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 |

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| <p>A.S. - BOMBARDIER TRANSPORTATION ITALIA SPA</p> | | | <p>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.</p> |
| <p>ANSALDOBREDA SPA 100% FINMECCANICA</p> | <p>BOMBARDIER TRANSPORTATION GMBH</p> | <p>COOPERATION AGREEMENT CONCERNING THE JOINT DEVELOPMENT, MANUFACTURE AND SALE OF THE NEW HIGH-SPEED TRAIN</p> | <p>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 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.</p> |
| <p>ANSALDO STS SPA 40.066% FINMECCANICA</p> | <p>NAPLES CITY COUNCIL</p> | <p>CONCESSION AGREEMENT FOR THE CONSTRUCTION OF LINE 6 OF THE METRO</p> | <p>TERMINATION OF THE CONTRACT IN CASE OF THE INCORPORATION OR MERGER WITH OTHER NON-GROUP COMPANIES.</p> |
| <p>SELEX ES LTD 100% FINMECCANICA THROUGH SELEX ES SPA (100% FINMECCANICA)</p> | <p>NORTHROP GRUMMAN</p> | <p>“MISSILE COUNTER MEASURE (INFRARED)” CONTRACT</p> | <p>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.</p> |
| <p>SELEX SYSTEMS INTEGRATION LTD 100% FINMECCANICA THROUGH SELEX ES SPA (100% FINMECCANICA)</p> | <p>LOCKHEED MARTIN IS&GS (CIVIL) UK</p> | <p>TEAMING AGREEMENT FOR PRESENTING A BID FOR THE JOINT MILITARY AIR TRAFFIC SERVICES PROJECT</p> | <p>TERMINATION OF THE CONTRACT AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CHANGE IN CONTROL.</p> |

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| <p>TELESPAZIO SPA 67% FINMECCANICA</p> | <p>DLR GfR</p> | <p>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</p> | <p>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.</p> |
| <p>TELESPAZIO SPA 67% FINMECCANICA</p> | <p>ITALIAN SPACE AGENCY (ASI)</p> | <p>SHAREHOLDERS' AGREEMENT RELATING TO E-GEOS SPA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD</p> | <p>IN CASE OF MATERIAL CHANGES IN THE SHAREHOLDER STRUCTURE OF TELESPAZIO, ASI IS ENTITLED, AT ITS OPTION:</p> <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. <p>THE CHANGE IN THE SHAREHOLDER STRUCTURE OF FINMECCANICA SPA OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.</p> |
| <p>DRS DEFENSE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC. (100% FINMECCANICA)</p> | <p>THALES USA INC.</p> | <p>JOINT VENTURE AGREEMENT CONCERNING ADVANCED ACOUSTIC CONCEPTS, LLC (FORMERLY DRS SONAR SYSTEMS LLC), A COMPANY OPERATING IN THE SONAR SECTOR</p> | <p>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</p> |

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| | | | THE PARTY NOT SUBJECT TO A CHANGE OF CONTROL. |
| DRS RADAR SYSTEMS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC. (100% FINMECCANICA) | THALES NEDERLAND BV, THALES USA DEFENCE & SECURITY INC. | TECHNOLOGY TRANSFER E LICENCE AGREEMENT | RIGHT TO TERMINATE THE CONTRACT. |
| DRS DEFENCE SOLUTIONS LLC 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC. (100% FINMECCANICA) | 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 RSTA, INC. 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC. (100% FINMECCANICA) | 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 THE OTHER PARTY. |
| DRS TECHNOLOGIES INC. AND ITS SUBSIDIARIES 100% FINMECCANICA THROUGH MECCANICA HOLDINGS USA INC. (100% FINMECCANICA) | 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. |
| FINMECCANICA GLOBAL SERVICES SPA (FORMERLY FINMECCANICA GROUP REAL ESTATE SPA) 100% FINMECCANICA | FINMECCANICA | 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 OF THE BUSINESS TO THIRD PARTIES OR OF A SIGNIFICANT BRANCH OF BUSINESS OF FINMECCANICA GLOBAL SERVICES ITSELF |

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.

I) 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, Consolidated Law on Financial Intermediation)

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

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, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation, they shall be approved by the Shareholders' Meeting pursuant to law.

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, Consolidated Law on Financial Intermediation)

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.

As mentioned above, the Company held 32,450 treasury shares, equal to about 0.0056% of the share capital, at the date of the approval of this Report. It is to be noted moreover that at present there are no Shareholders' Meeting authorisations for the purchase of any additional treasury shares.

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

The Board of Directors of Finmeccanica has long since resolved (at the meeting of 17 October 2006) to bring the Company's Corporate Governance model into line with the application criteria and principles of the Corporate Governance Code of Listed Companies, 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 finally updated by the same Board on 19 December 2012 and on 19 December 2013 in order to formally bring it into line with the latest edition of the Code issued in December 2011, as well as with the changes made in the organisational structure of the Company.

The text of the Code can be accessed by the public on the website of Borsa Italiana (www.borsaitaliana.it)

The text of the Rules of Procedure may be consulted in the specific Governance section of the Company's website (www.finmeccanica.com).

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

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (Art. 123-bis, para. 1, lett. I), Consolidated Law on Financial Intermediation)

The Company is governed by a Board of Directors that is made up between 8 and 12 members who are appointed by the Shareholders. 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. 18775 of 29 January 2014, 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 Corporate Governance 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 in line 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.

Section 18.4 of the Company's by-laws also 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, in the first meeting after the termination.

With particular regard to the new 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 will 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 shall represent the under-represented gender.

Finally, it should be pointed out that, following the request submitted by the shareholder Ministry for the Economy and Finance, pursuant to and for the purposes of article 2367 of the Italian Civil Code, the Shareholders' Meeting that shall be called to approve the 2013 Financial Statements and the consequent renewal of the governing body shall also be convened, in an extraordinary session, to discuss and resolve on the insertion of a clause in the Company's By-laws to regulate honesty requirements and related grounds for ineligibility and forfeiture involving the members of the Board of Directors. As to the contents of the abovementioned clause and the related proposed amendment to the By-laws, reference should be made to the Report that illustrates the specific item on the agenda of the Extraordinary Shareholders' Meeting, which will be made available to public within the time limits and in the manners prescribed by law, in the section named "2014 Shareholders' Meeting" on the Company's website (www.finmeccanica.com).

Succession plan

The Board of Directors of the Company has considered not to adopt a plan for the replacement of the executive Directors of Finmeccanica Spa, thus submitting these assessments to the Shareholders.

4.2. COMPOSITION (Art. 123-bis, para. 2, lett. d), Consolidated Law on Financial Intermediation)

The Shareholders' Meeting of 4 May 2011 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 2013 financial year.

The 11 Directors appointed by the Shareholders' Meeting were joined by Carlo Baldocci, a Director without voting rights, who was appointed in the exercise of the "special powers" vested with the

Ministry for the Economy and Finance, in agreement with the Ministry for Economic Development. Carlo Baldocci resigned with effect from 11 September 2013 and, in light of the current regulatory framework, which no longer provides for this power of appointment as commented on in paragraph 2, point D.1), above, he has not been replaced.

Following the measures taken by the judicial authority against the then Chairman and Chief Executive Officer Giuseppe Orsi, the Board of Directors' meeting held on 13 February 2013 took steps, in order to ensure continuity of the Company's operations, to grant the Director- General Manager Alessandro Pansa proxies and powers that had been previously granted to Giuseppe Orsi, for the joint management of the Company and of the Group. On the same date, the Board of Directors' meeting appointed Guido Venturoni, Senior Director and Lead Independent Director, as Vice Chairman. Subsequently, on 15 February 2013, Giuseppe Orsi resigned from the office of Director and, accordingly, from the office of Chairman of the Board of Directors.

The Shareholders' Meeting held on 15 April 2013 appointed Ivanhoe Lo Bello, who had already been co-opted pursuant to article 2386 of the Italian Civil Code by the Board of Directors' meeting of 16 May 2012, to replace the Director Marco Iansiti, who resigned during the 2012 financial year. Subsequently, the Shareholder's Meeting held on 4 July 2013 appointed additional members of the Board of Directors, in the persons of Directors Giovanni De Gennaro (on a proposal of the majority shareholder) to replace the resigning member Giuseppe Orsi, the Ambassador Alessandro Minuto Rizzo (on a proposal of the majority shareholder) to replace Franco Bonferroni who resigned on 21 September 2012 and, finally, Dario Frigerio (on a proposal of minority shareholders) to replace Christian Streiff who resigned on 4 July 2013.

The Board of Directors which currently holds office is made up as follows:

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| GIOVANNI DE GENNARO ⁽¹⁾ | CHAIRMAN |
| GUIDO VENTURONI ⁽¹⁾ | VICE CHAIRMAN |
| ALESSANDRO PANSA ⁽¹⁾ | CEO AND GENERAL MANAGER |
| PAOLO CANTARELLA ⁽²⁾ | |
| GIOVANNI CATANZARO ⁽¹⁾ | |
| DARIO FRIGERIO ⁽²⁾ | |
| DARIO GALLI ⁽¹⁾ | |
| IVANHOE LO BELLO ⁽²⁾ | |
| SILVIA MERLO ⁽²⁾ | |
| ALESSANDRO MINUTO RIZZO ⁽¹⁾ | |
| FRANCESCO PARLATO ⁽¹⁾ | |

- (1) Director appointed from the list submitted by the majority shareholder (Ministry of Economy and Finance), or from the proposal submitted by the majority shareholder, or in place of the Director appointed by the majority shareholder.
- (2) Director appointed from a list submitted by the minority shareholder (a group of asset management companies and institutional investors), or from a proposal submitted by the minority shareholder or in place of the Director appointed by the minority shareholder.

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, and the Directors who ceased to hold office during the 2013 financial year as well as the respective details in terms of independence (in accordance with the Consolidated Law on Financial Intermediation and the Corporate Governance Code) and membership in committees.

A brief professional *curriculum* of each member of the present Board of Directors follows, specifying the respective length of service.

GIOVANNI DE GENNARO – CHAIRMAN

He was born in Reggio Calabria on 14 August 1948. He has been the Chairman of the Board of Directors 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, in 1973 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 was appointed Chief of the Police – Director General of Public Security. In July 2007 he became Head of the Ministerial Staff of the Internal Affairs. During his mandate, because of the exceptionally serious waste crisis in Campania, the Italian Government assigned Mr De Gennaro the temporary management of the emergency for 120 days and appointed him Extraordinary Commissioner. In June 2008 he was nominated 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 May 2012 he was appointed Under Secretary to the Italian Prime Minister’s Office with powers over the intelligence and security services. 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. He is the Chairman of the Center for American Studies. Mr De Gennaro was bestowed the Knight of Grand Cross (“*Cavaliere di Gran Croce*”) of the Order of Merit of the Italian Republic in the year 2000.

GUIDO VENTURONI – VICE-CHAIRMAN

Admiral Venturoni was born in Teramo on 10 April 1934. He was appointed Director of Finmeccanica on 12 July 2005 and was re-appointed by the Shareholders' Meeting on 6 June 2008 and on 4 May 2011; he was appointed Vice Chairman of the Board of Directors on 13 February 2013. He attended the Livorno Naval Academy, where he became an officer in 1956. At the end of the Academy he was bestowed the "Honorary Sabre" ("*Sciabola d'Onore*"), a high military award from the Italian Navy. In 1959, he obtained a pilot's licence from the Naval Aviation Branch in the United States, which authorised him to operate from aircraft carriers. Between 1960 and 1980 he held a number of operating appointments within the Italian Navy. He was made a Rear Admiral in 1982 and has held positions of increasing responsibility ever since, including Head of Operations at the Navy and later at the Ministry for the Defence, Commander of the 1st Naval Division, Deputy Chief of Staff for the Navy and Commander in Chief of the Naval Squadron and of the Central Mediterranean. In 1992, he was appointed Navy Chief of Staff and in 1994 became Defence Chief of Staff. He was made Chairman of the Military Committee of NATO in 1999. Admiral Venturoni completed his term in Brussels in 2002 and retired from active service after 50 years in the armed forces. During his long career, Admiral Venturoni led a number of military operations nationally and internationally. More specifically, he was in charge of the multinational strategic and operational campaign led by Italy in Albania in 1997. From 2002 until November 2005, he served as Chairman of Selenia Communications SpA. He has been awarded many Italian and foreign medals.

ALESSANDRO PANSA – CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

Mr. Pansa was born in Mortara (Pavia) on 22 June 1962. Chief Executive Officer and General Manager since 13 February 2013. At Finmeccanica he also held the positions of Director-Chief Operating Officer from 1 December 2011, Chief Financial Officer from 2001 to 2011 and Joint Chief Operating Officer from 2004 to 2011. He holds a degree in Political Economy from the Bocconi University of Milan, where he specialised in Financial and Monetary Economics. He attended the Business Administration Graduate School at New York University. He worked at Credito Italiano SpA (1987-1989, Economic Research and Planning Service) and then at Euromobiliare SpA (1989-1992, Investment Banking and M&A Division). He was a Senior Partner at Vitale Borghesi & C. from 1993 and Managing Director of Lazard from 1999. He has overseen numerous extraordinary finance transactions on the stock market on behalf of private companies and public bodies (Ministry of the Treasury, ENEL, Finmeccanica, Ferrovie dello Stato, Wind, AEM in Turin, Mondadori). He is a Member of the Board of Directors of the Feltrinelli Group, a Member of the Council for Relations between Italy and the USA and a member of the Aspen Institute. In 2006, he became Professor of Finance at the LUISS University of Rome. In 2007, he published the book "La Difesa Europea" (European Defence) published by Il Melangolo. Furthermore, he has published

articles and essays in specialist publications and written books on the subjects of economics, finance and history.

PAOLO CANTARELLA – DIRECTOR

Mr Cantarella was born in Varallo Sesia (Vercelli) on 4 December 1944. He has been a Director of Finmeccanica since 4 May 2011. He has a degree in Mechanical Engineering from the Politecnico University in Turin. He started his career in Turin companies operating in the automobile components industry and in 1977 he joined Fiat in the Automobile Components division. From 1980 to 1983 he was assistant to the Chief Executive Officer of Fiat SpA as well as head of the Interdivision Industrial Coordination of the Group. From 1983 to 1989 he was 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 and in the same year he was appointed, first, General Manager of Fiat Auto, and then, Chief Executive Officer 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. and Chairman of Fiat Auto S.p.A. From 2000 to 2001, he was Chairman of ACEA (European Automobile Manufacturers' Association). He was a member of the Managing Committee of Confindustria and a Member of the Board of Directors of Mediobanca, HdP (holding company of Partecipazioni Industriali SpA), Alcatel, CNH, Polaroid, Terna and TOROC (Turin Olympics 2006). He was also Co-Chairman of the European Union - Russia Industrialists' Round Table. He is Knight of Labour (*Cavaliere del Lavoro*). He is a member of the Advisory Board of Mandarin Capital Partners, a member of the Board of Directors of Recchi SpA and of the Teatro Regio of Turin, as well as Chairman of the Historic Motor Sport Commission of FIA (*Fédération Internationale de l'Automobile*).

GIOVANNI CATANZARO – DIRECTOR

Mr Catanzaro was born in Mazzarino (Caltanissetta) on 23 October 1944. He has been a Director of Finmeccanica since 4 May 2011. From 1968 to 1979 he was a Director of large commercial companies and from 1979 to 1992 a Director of S.A.I. Assicurazioni S.p.A. in Turin. From 1980 to 1992 he held various positions in the Pozzi Ginori/Richard-Ginori Group in Milan, eventually holding the office of Chief Executive Officer. He was Chairman of Tecnoceram s.r.l. (from 1988 to 1998) and then Director (from 2004) and Chairman (from 2006 to 2008) of Lombardia Call S.p.A., Member of the Board of Directors of Lombardia-Servizi S.p.A. (from 2004 to 2007), Chairman of the Supervisory Body of Sicilia e Sanità S.p.A. (2005-2007) and member of the Advisory Board of Lombardia Integrata (from 2002 2011), where held the office of Sole Director from 2010 to 2011. From 1999 to 2013 he was the Managing Director of Lombardia Informatica SpA, a company where he currently holds the position of Central Coordination and Control Director. From 2007 to 2010 he

was Chairman of Gelsia Energia S.p.A.. Since 2005 he has been part of Consip SpA, where he has held the positions of Director and Deputy Chairman and then (from 2008 to 2011) of Chairman. From 1995 to the present day, he has been Chairman of A.Y.C. Immobiliare SpA, where he initially held the role of Managing Director from 1980. Finally, he is Chairman of the Auto Yachting Club in Catania.

DARIO FRIGERIO – DIRECTOR

He was born in Monza on 24 June 1962. He has been a Director of Finmeccanica since 4 July 2013. He has a degree in Political Economy from the Bocconi University in Milan. He started his professional career in 1991 at Credito Italiano 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. 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 entire 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 Fineco, Xelion and Dat). He was member of the Supervisory Board of HVB in Germany and Bank in Austria. He was nominated Senior Advisor of Citigroup in the asset management segment for Europe, Middle East and Africa. In November 2011 he became Chief Executive Officer of Prelios SGR. He is an Independent Director of Sogefi S.p.A. and Objectway S.p.A.; he also assists as senior advisor to various asset management and private banking companies.

DARIO GALLI – DIRECTOR

Mr Galli was born in Tradate (Varese) on 25 June 1957. He has been a Director of Finmeccanica since 6 June 2008 and his mandate was renewed by the Shareholders' Meeting of 4 May 2011. He has a degree in Mechanical Plant Engineering at Politecnico of Milan. From April 2008 to April 2013 he was Provincial President of Varese and since April 2013 he has become Extraordinary Commissioner of the Province of Varese. Since August 2013 he has been the Delegate of the President of the Lombardy Region to the development of special macro-regional projects. He has been Member of Parliament in the Chamber of Deputies (1997-2006) and Senator (2006-2008); between 1993 and 2002 he was Mayor of Tradate. Between December 2009 and December 2012 he held the position of Vice President of the Union of Italian Provinces and, since September of 2009,

has been a director of Financière Fideuram S.A. He was assistant to General Administrative Office of the company FAST in Tradate, Manufacturing Management Systems Manager at Aermacchi in Varese and Head of production and logistics at Replastic in Milan. He is currently a contractor in the mechanical and plastics industry. Furthermore, he has been professor at postgraduate course of the Chamber of Commerce of Varese.

IVANHOE LO BELLO – DIRECTOR

He was born in Catania on 21 January 1963. He has been a Director of Finmeccanica since 16 May 2012. He has been a member of the Board of Director of CRIAS (Cassa Regionale per il credito alle imprese artigiane) since 1996. He was a member of the Board of Directors of Banco di Sicilia from 1998 to 2001. He was the President of the Association of Manufacturers of the Province of Siracusa from 1999 to 2005. He has been a member of the Council of Confindustria since May 2005. He was a Director of the Siracusa Branch of the Bank of Italy from April 2004 to January 2008. He has been a member of the Board of Directors and of the Chairmanship Committee of CIVITA, a leading non-profit organisation in the management and enhancement of cultural heritage, since 1999. He has been the Chairman of the Chamber of Commerce of Siracusa since July 2005. He was a member of the Board of Directors of ASAC, the sole shareholder of SAC SpA (the company that manages the Catania airport) from January 2006 to January 2007. He has been a member of the Chairmanship Committee and Vice-Chairman of Unioncamere since September 2006. He was the Chairman of Confindustria Sicilia from October 2006 to March 2012. He was the Vice-Chairman of Banco di Sicilia SpA (Unicredit Group) from January to April 2008. He was the Chairman of Banco di Sicilia SpA (Unicredit Group) from April 2008 to November 2010. He has been a member of the Steering Committee of Confindustria since June 2008. He was the Lead Independent Director of Luxottica Group SpA from April 2009 to April 2012. He has been a member of the Board of Directors of Fondazione Rosselli since July 2009. He has been a member of the Scientific Committee of the Centro per la Cultura di Impresa since December 2009. He has been a member of the Board of Directors of Fondazione CENSIS since September 2010. He has been the Chairman of Unicredit Leasing SpA since December 2010; he has been a member of the Advisory Committee of Infocamere since 2011. He has been the Chairman of the Sicily Region's Local council of Unicredit SpA since March 2011. He has been the designated Vice-Chairman of Confindustria with delegated powers for education since April 2012. He is the Chairman of the Scientific Committee of ANVUR (Italian Agency for the Assessment of the University and Research System).

SILVIA MERLO – DIRECTOR

Ms Merlo was born in Cuneo on 28 July 1968. He has been a Director of Finmeccanica since 4 May 2011, she holds a degree in Business Economics from the Carlo Cattaneo (LIUC) University in

Castellanza (Varese). She is Chief Executive Officer of Merlo SpA Industria Metalmeccanica and Tecnoindustrie Merlo SpA. She holds positions in the Boards of Directors of the companies belonging to the Merlo group. Since 2012 she has been a member of the Board of Directors of Banca Nazionale del Lavoro SpA. She has been a member of the Board of Directors and of the Nomination and Remuneration Committee of Gruppo Editoriale L'Espresso SpA since 2013.

ALESSANDRO MINUTO RIZZO – DIRECTOR

He was born in Rome on 10 September 1940. He has been a Director of Finmeccanica since 4 July 2013. He held important positions in the diplomatic service and within international organisations which include, among other things, the career as Diplomatic Counsellor of various Defence Ministers, of the Budget Minister and the Minister of European Policies.

For many years he was the NATO Deputy Secretary General in Brussels (2001-2007). He held various positions including as: Strategy Director of Enel S.p.A. for the strategic assessment and geopolitical analysis of target counties (2008-2012), Personal Representative of the Prime Minister in the negotiation and supervision of the Trans-European Networks for transport and energy (1994-1997), Head of the delegation for financing transport projects in the European Union (1996-2000), Chairman of the Administrative and Financial Committee of the European Space Agency (1994-1996), Member of the Commission in charge of supervising the Fiat investment in Melfi (1993-1995), Delegate of the Intergovernmental Committee for Economic Planning (CIPE) to assess the financial and industrial feasibility of an Italian space launcher, Chairman of the Committee for the commercialisation of space telecommunications for the European Space Agency (1988-1992), Chairman of the EUTELSAT Assembly of Parties (1989). He was Professor of "Security and Defence Policies in the European Union " for the LUISS University in Rome (2008-2012). He is the author of "*La strada per Kabul, la comunità internazionale e le crisi in Asia Centrale*" and "*Un viaggio politico senza mappe, fra diversità e futuro nel Grande Medio Oriente*" and of a number of other publications.

FRANCESCO PARLATO – DIRECTOR

Mr Parlato was born in Rome on 17 April 1961. He has been a Director of Finmeccanica since 12 September 2007, and was re-appointed on 6 June 2008 and on 4 May 2011. He holds an Economics and Business degree from LUISS University in Rome, and since 2007 has been the Director of the General Finance and Privatisation Section of the Treasury Department, where he has led the office responsible for the privatisation of groups and companies owned by the Ministry for the Economy and Finance since January 2003. For many years prior to that, he held management positions in the IRI Finance Department. He has also been a director of Gestore dei Servizi Elettrici - GSE SpA, Fincantieri SpA, Tirrenia di Navigazione SpA and Mediocredito del Friuli Venezia Giulia SpA. He

is currently a member of the Boards of Directors of Cassa Depositi e Prestiti S.p.A. and Coni Servizi S.p.A..

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 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, established on 19 December 2013.

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

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

- **ALESSANDRO PANSÀ**
Director of EFFE 2005 Gruppo Feltrinelli S.p.A.
Director of Librerie Feltrinelli S.r.l.
- **DARIO FRIGERIO**
Director of SOGEFI S.P.A.
- **SILVIA MERLO**
Director of Gruppo Editoriale L'Espresso S.p.A.

Director of the BNL S.p.A.

Chief Executive Officer of Merlo S.p.A. Industria Metalmeccanica

- **FRANCESCO PARLATO**

Director of CDP S.p.A.

Director of Coni Servizi S.p.A.

4.3. ROLE OF THE BOARD OF DIRECTORS (Art. 123-bis, para 2, lett. d) Consolidated Law on Financial Intermediation)

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. capital increases, incorporation, transformation, listing, mergers, demergers, winding up or the execution of shareholders' agreements with regard to direct subsidiaries;
4. designation of new Directors with powers, or of Directors, statutory auditors or independent auditors in direct subsidiaries;
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. 25 per transaction;
7. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
8. the engagement, appointment and dismissal of executives responsible for head office functions as defined in the organisational chart; appointing consultants on a continuous basis for a duration of more than a year involving expenditure in excess of €th. 250;

9. the acquisition of equity investments, also by exercising option rights;
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).

The Board has also reserved, for its exclusive competence, the execution of acts and agreements for amounts in excess of €mil. 150 per transaction, as well as the settlement of any dispute for amounts exceeding €mil. 25.

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 participation of executives of the Issuer in the Board meetings, as provided for by the Code, it is to be noted that in 2013 Mr. Mario Orlando (Group General Counsel of the Company) and Mr. Gian Piero Cutillo (Chief Financial Officer and Officer in charge of financial reporting) generally took part in the Board of Directors' meetings, upon invitation of the Chairman.

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 2013 financial year, the Board met 17 times for an average of 3 hours per meeting. In the course of the 2014 year, no. 3 board's meetings have already been held.

The following are the Directors' attendance records for the meetings that took place during 2013:

| | |
|------------------------------------|-----------------------|
| GIOVANNI DE GENNARO (°) | 6 out of 6 meetings |
| GUIDO VENTURONI | 17 out of 17 meetings |
| ALESSANDRO PANSA | 17 out of 17 meetings |
| PAOLO CANTARELLA | 15 out of 17 meetings |
| GIOVANNI CATANZARO | 17 out of 17 meetings |
| DARIO FRIGERIO (°) | 6 out of 6 meetings |
| DARIO GALLI | 17 out of 17 meetings |
| IVANHOE LO BELLO | 17 out of 17 meetings |
| SILVIA MERLO | 17 out of 17 meetings |
| ALESSANDRO MINUTO RIZZO (°) | 6 out of 6 meetings |
| FRANCESCO PARLATO | 17 out of 17 meetings |

(°) In office from 4 July 2013

DIRECTORS WHO HAVE CEASED TO HOLD OFFICE

| | |
|-------------------------------------|------------------------------|
| <i>GIUSEPPE ORSI</i> (1) | <i>1 out of 2 meetings</i> |
| <i>CHRISTIAN STREIFF</i> (2) | <i>5 out of 10 meetings</i> |
| <i>CARLO BALDOCCI</i> (3) | <i>12 out of 12 meetings</i> |

(1) Outgoing director from 15 February 2013

(2) Outgoing director from 4 July 2013

(3) Outgoing director from 11 September 2013

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, through the Remuneration Committee that has been appointed for this purposes, 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 and Shareholder Structure, on the procedures for the performance of its duties.

Subject to the opinion of the Control and Risks Committee, the Board of Directors has laid down guidelines for the internal control and risk management system, so that the main risks involving the Company and its subsidiaries are correctly identified and satisfactorily 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 this regard, when preparing the 2014 Budget of the 2015-2018 Plan, the Board defined the nature and level of risk compatible with the Company's strategic objectives.

As illustrated more in detail in paragraph 10 below, to which reference is made for the specific activities and assessments carried out by the Board, the Board of Directors, on the basis of the opinion given by the Control and Risks Committee, has 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 it directly controls and 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.

Assessment of the functioning of the Board of Directors

As called for in the Corporate Governance Code and its own Rules of Procedure, the Board of Directors of Finmeccanica conducts annual assessments of the functioning of the Board itself and of its Committees, as well as of the related size and composition, also taking account of the professional

characteristics, managerial and international experience and gender characteristics of its members, as well as of their length of service.

In the early part of 2014, this (self-)evaluation was repeated for the ninth consecutive time and for the third time for the Board currently sitting and was done, with reference to the 2013 financial year, with the support of the independent expert SpencerStuart who was tasked by the Board itself.

For the selection of this consultant, the Board adopts the principle of continuity within each three-year mandate and, in the period between two 3-year terms, the principle of turnover between consultants of primary standing with expertise in the specific sector. SpencerStuart also provides additional services to Finmeccanica and to the Group companies, in areas that are not attributable to the Board's activity, and mainly in the selection of personnel and key resources (executive search).

As in previous years, in addition to assessing the degree to which the Board follows the principles and conducts defined in the Rules of Procedure and in the Corporate Governance Code, the latest (self-)evaluation of the Company used benchmarking to compare the Group's practices with the best practices seen in the Italian and foreign marketplace, paying particular attention to the identification of the most appropriate actions to improve its functioning, as well as to the assessment of the effectiveness of the recommended actions at the end of the previous assessment and implemented in the course of the 2013 financial year.

The procedure followed for the (self-)evaluation, according to a well-established practice, was fundamentally based on obtaining the different individual opinions by means of interviews and through open discussions with each of the Board Members, the Chairman of the Board of Statutory Auditors and the Secretary of the Board, which were then processed by the consultant.

The interviews also focused on giving those interviewed ample room for reflection and stimulating discussion regarding aspects of the structure and functioning of the Board and of the Committees. The appointed consultant also perused the minutes of the meetings of the Board and of the Committees in order to gather further analysis information.

The Directors have also been requested to express their observations regarding the adequacy of the new top management structure as well as the initiatives adopted by the same to resolve criticalities which emerged during the financial year.

The process conducted with reference to the 2013 financial year highlighted the efficacy of the work carried out, in a particularly complex period, by the Board of Directors, partially renewed during the financial year with the replacement of 3 members and the appointment of a new Chairman, who was engaged in a restructuring and reorganisation plan, as well as in the review of the rules of operation of the Company and of the Group. Below is a summary of what emerged at the end of this process.

The Board's view is that Finmeccanica has begun the required consolidation of its operations, though with a view to achieving further innovations and fine-tuning complex mechanisms. The functioning

of the Board of Directors has improved thanks to the new structure of the delegated powers and the good working climate that has been enhanced by the appointment of a Chairman in July 2013, after six months from the resignation of the former Chairman, who also held the position of Chief Executive Officer.

The following also emerged in the context of the process:

- a favourable opinion was expressed as to the efficacy of the activities envisaged in the working programme prepared after the previous evaluation, which were aimed at improving those areas that had been specified as mostly sensitive, as well as additional indications on possible actions to be implemented for improving some specific areas;
- a positive assessment was expressed as to the organisation of the work of the Board of Directors that was considered effective and efficient;
- a largely shared opinion was that in 2013 the Directors reached a high level of cohesion also during the Board meetings enabling them to adequately perform their duties.

Finally, it was highlighted that the Board is on the right path to exercise its steering role in a more effective manner, also thanks to the greater knowledge of the business the Directors have acquired during their mandate, as well as the targeted measures undertaken to this end by the Chairman, the Chief Executive Officer and the Lead Independent Director. In this respect, to enable the Board to be fully a part of the strategic planning process, most of the Directors have pointed out the need to plan specific sessions to analyse and assess the reference markets in order to be aware of and share the options and guidelines concerning the Group's positioning vis-à-vis its competitors in the various businesses.

With regard to the Committees, the Board was fully satisfied with their structure and the efficacy of the work performed by them.

The main issues that emerged in the course of the (self-)evaluation described above during the current mandate, as well as those previously carried out, may be used as consideration by the Board of Directors that will be appointed for the following three years.

The Rules of Procedure also provide for the Board to be entitled to possibly express to the Shareholders, before the appointment of the new governing body and at the end of this assessment and on the basis of any recommendations or opinions that might be expressed by the Nomination Committee, guidance regarding the professional qualifications sought in the Board of Directors. With regard to this (as reported in paragraph 6 below), the Board of Directors of Finmeccanica, based on the indications expressed by the Nomination Committee, provided the Shareholders with its guidance notes regarding the composition of the new Board of Directors that the Shareholders' Meeting will be requested to appoint. This document accompanies the Board of Directors' Reports to the Shareholders' Meeting as to the relative items on the agenda.

Board induction

As required by the Rules of Procedure of the Board, the Chairman encourages participation of Directors and Statutory Auditors in actions aimed at promoting knowledge of the organisation of the Company and of the business area in which it operates, of the corporate dynamics and their evolution, as well as of the relevant regulatory framework.

In this regard, the abovementioned actions continued during the financial year, also through meetings with the management of the subsidiary companies.

Therefore, induction initiatives were taken which were intended for the new Directors appointed during the 2013 financial year, through meetings on issues aimed at improving knowledge of the Group's activities (in particular: business strategies, development of human resources, the industrial structure, management control and the financial structure). In-depth analyses were also carried out on the sectors of Space, Helicopters, Defence and Security Electronics. Furthermore, the members of the Board of Directors and of the Board of Statutory Auditors are regularly invited to participate in the main events organised by the Company or to which the Company takes part.

Finally, in order to promote better knowledge of the relevant business and regulatory framework and its development, a specific set of corporate documents and legal references 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 does not perform any activity in competition with Finmeccanica, undertaking to inform the Board promptly of any changes to the contents of the statement that he made at the time of his appointment.

4.4. DELEGATED BODIES**Chief Executive Officer and General Manager**

On 13 February 2013 the Board of Directors conferred to the Chief Executive Officer and General Manager, 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, until such date attributed to Mr. Giuseppe Orsi, to jointly manage the Company, its branches of business and its subsidiary, associate

and investee companies, consistently with the strategic guidelines identified by him and approved by the Board of Directors.

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. 150 as the maximum value of contracts that can be signed on behalf of the Company, €mil. 50 limit on the issue of guarantees, €mil. 25 limit on medium and long-term credit and debt financial transactions, and €mil. 25 limit on settlement of agreements relating to each individual transaction.

Chairman of the Board of Directors

On 4 July 2013, the Board appointed Giovanni De Gennaro as Chairman of the Company, as well as legal representative with signatory powers pursuant to law and to the By-laws. Furthermore, he was granted some powers concerning Institutional Relationships, External Relations and Communication, Group Safety and Group Internal Audit, to be exercised in coordination with the Chief Executive Officer and making use of the competent Organisational Units of the Company, without prejudice to any delegated management powers granted exclusively to Alessandro Pansa, Chief Executive Officer and General Manager.

Information to the Board of Directors

The Chairman of the Board of Directors, or, in case of absence or impediment, the Vice Chairman, 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.

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

The supporting documentation is made available in such a way as to ensure (also by accessing the relevant specific 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 may access the aforesaid information documentation at the registered office in the days immediately prior to that of the meeting.

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 deadline 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 which the information was in any case provided in due time and in compliance with the provisions of the Board of Directors Rules. 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 of the General Manager Alessandro Pansa.

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 annually in the course of preparing this Report, 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

During 2013, the Board of Directors assessed the independence of its own members on the basis of the information gathered from the Directors themselves, in the meetings held on 23 April 2013 (annual assessment) and on 31 July 2013 (following the appointment of the new Directors De Gennaro, Frigerio and Minuto Rizzo on the part of the Shareholders' Meeting of 4 July 2013), as well as subsequently, during the current financial year, in the meeting of 19 March 2014.

As a result of said assessments, the Board established that all non-executive Directors holding office (Guido Venturoni, Paolo Cantarella, Giovanni Catanzaro, Dario Frigerio, Dario Galli, Ivanhoe Lo Bello, Silvia Merlo and Alessandro Minuto Rizzo, excluding the Chief Executive Officer and General Manager Alessandro Pansa) met the independence requirements, except for Director Francesco Parlato, by virtue of his employment relationship with the Ministry for the Economy and Finance (which holds a stake equal to about 30.20% of the share capital). As regards the Chairman De Gennaro, the Board of Directors considered that, pursuant to the Corporate Governance Code, he could not be considered to be independent because of his prominent position with the Company, i.e. his office as Chairman of the Board of Directors.

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, i.e. on the occasion of the acceptance of their respective candidatures, the abovementioned Independent Directors, including (with reference to the appointments made in the 2013 financial year) Frigerio and Minuto Rizzo, also declared that they met the independence requirements set out by law (Art. 148, paragraph 3, of the Consolidated Law on Financial Intermediation).

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. Therefore, as usual, the Board has submitted the independence assessment of its members to the Board of Statutory Auditors, which has positively verified the correct application of the assessment criteria and procedures adopted by the Board, without making objections.

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

The Board of Directors has specified additional factors, set out below, in the assessment of independence, in the framework of the appraisal criteria specified in the Code and adopted in the Board's Rules of Procedure.

Persons in a position to "significantly influence" Finmeccanica are Shareholders holding 10%, even indirectly, of its equity.

As regards professional collaboration or consultancy, the Board has stated that it will set quantitative reference parameters for assessment in these cases, while it will use its discretion in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Director's independence. The Board, however, set a limit to Directors' emoluments (currently equal to €60,000), the maximum amount allowed for any professional assignments, which, in any event, must first be authorised by the Board.

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 are convened at the request of the independent Directors or by the Lead Independent Director.

In 2013, the independent Directors met 2 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 or the non-executive and non-independent Directors.

Specifically, in 2013 the independent Directors, in particular through the Control and Risks Committee (in its capacity as Committee for Transactions with Related Parties), with the help of an independent financial advisor, analysed the transaction involving the transfer of the stake held by Finmeccanica in Ansaldo Energia S.p.A. since the beginning of the related process of disposal, as described in detail in paragraph 9 below.

The independent Directors also put in place, at the instigation of the Lead Independent Director, specific initiatives aimed at improving their knowledge of the Company and of the Group (as reported in paragraph 4.3, "Board induction"). Specifically, they took part in meetings with the management of the subsidiary Selex ES S.p.A., which reported the state of progress of the reorganisation plan of the activities in the Defence and Security Electronics, also visiting the plant located in Rome.

In addition, the Board's various 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

On 26 May 2011, the Board of Directors confirmed Admiral Guido Venturoni – the current Vice Chairman of the Company - 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; in any case the Board shall make this appointment in the event of the Chairman being granted delegated operational powers.

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.

The Lead Independent Director will serve throughout the term of office of the Board of Directors, that is, until the following Shareholders' Meeting when the 2013 Financial Statements are approved. During the financial year 2013 the Lead Independent Director met with the Chairman several times to explain the requirements of the non-executive Directors, particularly the need to enhance their knowledge of the strategic context of the specific sector in which the Group operates, in order for them to be in a better position to evaluate the main transactions that have been submitted for the Board's attention.

4.8. HANDLING OF CORPORATE INFORMATION

Inside 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 inside information.

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

During 2007, these procedures were updated in more organic terms, by means of a specific directive regarding relations with the media and handling of inside and confidential information about Finmeccanica and the Group companies, which was then updated – during 2010 – in the light of subsequent regulatory changes, as well as of subsequent changes in the organisational structure of the Company and of the Group.

On conclusion of a further updating process carried out between the end of 2012 and the beginning of the 2013 financial year, also as a result of further changes occurred in the organisational structure of Finmeccanica, on 26 March 2013 the Board of Directors approved, on the proposal of the Chief Executive Officer, the new **PROCEDURE ON INSIDE AND CONFIDENTIAL INFORMATION**, whose text can be found in the Governance section of the website of the Company (www.finmeccanica.com).

As a result of this approval, the Company then issued (on 27 March 2013) a specific Directive aimed at regulating the issue within the Group.¹

The abovementioned procedure defines principles, obligations of conduct, roles and responsibilities as to inside 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 (Socially Responsible Investors), in agreement with the Chief Financial Officer (CFO)/Officer in charge of financial reporting, as well as the Legal and Corporate Affairs (LCA) Organisational Unit. Specifically, the external disclosure of inside and confidential information concerning Finmeccanica and its subsidiaries (in particular through press releases and presentations to the market), which must be approved by the Chief Executive Officer and General Manager in advance, shall be carried out exclusively through the abovementioned EIR&C or IR Organisational Units, for the aspects under their responsibility, in agreement with the CFO/Officer in charge of financial reporting and with the LCA Organisational Unit.

The Procedure also includes specific provisions as to the confidentiality obligations placed on the members of the Corporate Bodies, the Company's employees and external consultants.

¹ The "Procedure" contains the internal rules adopted by Finmeccanica to regulate its activities; "Group Directive" means the rules issued by Finmeccanica to its subsidiaries, so that they can approve them through the adoption of their own internal implementing Procedures.

Internal Dealing Code

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 on 28 March 2006 to adopt an **INTERNAL DEALING CODE** (in order to replace the Code of Conduct), in the implementation of regulatory provisions on Internal Dealing, 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” in the Company or by persons “closely connected” to them, was subject to a specific update with a resolution passed by the Board of Directors on 14 November 2011.

On this occasion, the provisions concerning periods during which transactions cannot be carried out (blackout periods) by Key Persons (or by persons closely connected to them), 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.

Compared to the “period of prohibition”, which was initially set out for all the “Key Persons” (Directors, Statutory Auditors, General Manager as well as persons who may hold the office of Co-General Manager), for the fifteen days preceding the date of approval of the mandatory periodical reports by the Board of Directors, a distinct blackout period was introduced for executive Directors and for the Chief Operating Officer (as well as for persons closely connected to them), starting from the fourteenth day before the close of each accounting period and ending 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 and persons closely connected to them) the blackout period was extended to start from the closing date of the relevant accounting period and end 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 – that only 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 Consob, Borsa Italiana SpA and the press agencies 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 operating procedures to ensure that “Key Persons” are made aware of their obligations and are provided with the help necessary to fulfil them.

The Company promptly publishes the information transmitted on its website, in the specific Governance section (www.finmeccanica.com), where the abovementioned Internal Dealing Code is also made available.

Register of persons who have access to inside information

Finally, 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 inside 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 OF THE REGISTER OF PERSONS WHO HAVE ACCESS TO INSIDE INFORMATION AT FINMECCANICA**”) concerning the management of the Register, which can be found in the Governance section of the website (www.finmeccanica.com), as well as a Directive aimed at regulating the issues within the Group².

4.9. DIRECTORS’ INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions with related parties, provisions shall apply which are laid down under the specific “**PROCEDURE FOR RELATED PARTIES TRANSACTIONS**” (hereinafter referred to as “the Procedure”), as approved by the Board of Directors at the meeting of 26 November 2010 pursuant to Art. 4 of the Consob Regulation no. 17221 of 12 March 2010 (as amended by Resolution no. 17389 of 23 June 2010).

The Procedure was unanimously approved by the Board of Directors, after having reviewed the favourable opinion supported 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.

As a result, the previous “Guidelines and criteria for identifying significant transactions with related parties” were repealed, which the Company had adopted pursuant to Art. 2391-bis of the Italian Civil Code, as well as on the basis of the previous recommendations made in the Corporate Governance Code.

² The “Procedure” contains the internal rules adopted by Finmeccanica to regulate its activities; “Group Directive” means the rules issued by Finmeccanica to its subsidiaries, so that they can approve them through the adoption of their own internal implementing Procedures.

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).

Therefore, the Board of Directors' Meeting of 7 November 2013 resolved to proceed with said review, appointing the Control and Risks Committee (in its capacity as Committee for Transactions with Related Parties) to give its preliminary opinion concerning any changes under consideration. In the meeting of 19 December 2013, the Board approved (subject to the unanimous favourable opinion of the Control and Risks Committee) the updated Procedure, the full text of which is available in the Governance section of the Company's website (www.finmeccanica.com).

The Procedure aims to define, based on the principles outlined 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 Annex 1 of 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 transactions with related parties, 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 also sets out the types of transactions exempt from the procedural rules as provided for under 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 review of the Procedure carried out in 2013, in addition to a series of formal adaptations connected with further 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 during the first phase of implementation of the rules, including in particular:

- the extension of the concept of "Related Parties", including the members of the Supervisory 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 Supervisory 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 Transactions with Related Parties (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.

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), Consolidated Law on Financial Intermediation)

The Board of Directors has formed Committees from among its members, composed of Directors in accordance with the Corporate Governance Code and as laid down in its own Rules of Procedure. Among these Committees are the Control and Risks Committee, the Remuneration Committee, and the Nomination Committee of whose functions, work and composition are described in detail below. The Board also formed the Strategy Committee, which met 3 times in 2013.

The Committee is currently made up of the following members:

STRATEGY COMMITTEE**GIOVANNI DE GENNARO – Chairman (1)****ALESSANDRO PANSÀ(2)****PAOLO CANTARELLA****DARIO GALLI****IVANHOE LO BELLO****ALESSANDRO MINUTO RIZZO (3)****FRANCESCO PARLATO****GUIDO VENTURONI (4)****ATTENDANCE**

2 out of 2 meetings

3 out of 3 meetings

2 out of 2 meetings

3 out of 3 meetings

3 out of 3 meetings

(1) Member from 31 July 2013, he has presided over the Committee's activity – as Chairman of the Company – with effect from 4 July 2013

(2) Member from 31 July 2013, he has participated in the work of the Committee – as Chief Executive Officer of the Company – with effect from 13 February 2013

(3) Member from 31 July 2013

(4) He presided over the Committee's activity – as Vice Chairman of the Company – from 14 May 2013 until the appointment of Mr. De Gennaro, Chairman of the Company

GIUSEPPE ORSI (1)

= = =

CARLO BALDOCCI (2)*1 out of 1 meeting*

(1) Holding office up to 15 February 2013

(2) Holding office up to 11 September 2013

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

During the abovementioned meetings, the Committee specifically examined the strategic guidelines of the Finmeccanica Group, as well as the development of the disposal programme set out in the plan for the operational and financial strengthening of the Company.

6. NOMINATION COMMITTEE

The Company's Board of Directors, as anticipated in the Corporate Governance Report relative to the 2012 financial year and by making use of the specific transitional regime envisaged in the Code, took steps on 19 December 2013 to formally set up the Nomination Committee, in order to ensure

the operation of the new Committee by the date of expiry of the current term of office of the Board of Directors, as contemplated by the Code itself.

The Nomination Committee, in line with the instructions of the Corporate Governance Code, is made up of 5 Directors, most of which are “independent” members.

NOMINATION COMMITTEE

GIOVANNI DE GENNARO - Chairman

PAOLO CANTARELLA (Independent Member)

GIOVANNI CATANZARO (Independent Member)

SILVIA MERLO (Independent Member)

FRANCESCO PARLATO

The activities of the Committee are regulated by specific **RULES**, which have been approved by the Board of Directors (and which are available in the Governance section of the Company’s website, www.finmeccanica.com) 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, 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 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, which reports to the Board of Directors on the activities carried out at least every six months, 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.

In the first part of the current 2014 financial year, the Committee has already met in order to analyse the results of the self-assessment process and of the qualitative and quantitative analysis on the composition of the Board, which has been carried out with the support of a specialist consultant (as reported more in detail in paragraph 4.3 above) and which has been aimed at identifying the best composition of the Board of Directors of Finmeccanica, with reference to both size and composition (executive and non-executive directors, independent and non-independent directors, skills and experience, diversity, etc.), taking account of the opinions expressed within the self-assessment process, the business objectives and the composition of the Boards of Directors of the main competitors.

The Committee has then expressed its own indications to the Board of Directors; accordingly, the Board of Directors provided the Shareholders with guidance notes regarding the composition of the new Board of Directors. These guidance notes accompany the Board of Directors' Reports to the Shareholders' Meeting, which is requested to resolve upon the renewal of the Board, as to the related items on the agenda.

7. REMUNERATION COMMITTEE

The Board of Directors has established an internal Remuneration Committee, which met 6 times in the course of 2013, as well as once in the current 2014. The average duration of the meetings was about one hour and thirty minutes.

| <u>REMUNERATION COMMITTEE</u> | <u>ATTENDANCE</u> |
|--|---------------------|
| DARIO GALLI- Chairman (Independent) | 6 out of 6 meetings |
| DARIO FRIGERIO (1) (Independent) | 1 out of 1 meetings |
| SILVIA MERLO (2) (Independent) | 3 out of 3 meetings |
| FRANCESCO PARLATO | 6 out of 6 meetings |

(1) Member of the Committee from 31 July 2013

(2) Member of the Committee from 14 May 2013

| | |
|------------------------------|---------------------|
| CHRISTIAN STREIFF (3) | 2 out of 4 meetings |
|------------------------------|---------------------|

(3) Held office until 4 July 2013

In line with the provisions of the Code, the members of the Board are all non-executive Directors, most of which are “independent” Directors, including the Chairman. Furthermore, 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.

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;
- determining, under powers delegated by the Board 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**, which were finally updated during the Board of Directors’ meeting of 19 December 2012 in order to approve the principles and application criteria recommended in the new edition of the Code.

The Rules (available in the specific Governance section of the Company’s website, www.finmeccanica.com) provide, *inter alia*, that the Directors provided with delegated powers are

not invited to participate in the meetings in which proposals are submitted in relation to their own remuneration.

Since it was firstly formed in December 2000, 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.

In 2013, the Committee:

- approved the Human Resources Operational Plan 2013, updated on a regular basis in accordance with the operational guidelines established in the previous financial year, with focus on the restructuring, reorganisation, and optimization of the Human Capital and the repositioning, relaunch and governance of the Group;
- determined the economic and regulatory treatment of the Directors provided with delegated powers granted by the Company for what concerns the rotation in the management of the Company carried out during the financial year;
- examined the position of the Chairman and Vice-Chairman of the Company, consequently formulating proposals to the Board of Directors as amply illustrated in the Remuneration Report, to which reference is made;
- assessed, in the light of the results of the 2012 financial year, the final amount of fees due to the Directors with delegated powers within the framework of the management of short-term (MBO) and medium/long-term incentive plans (Long Term Incentive Plans and Performance Cash Plan) With regards to these incentive plans the Committee has established incentives due to the Chief Executive Officer and the General Manager following the achievement of the objectives set for the 2013 financial year;
- preliminarily examined the Remuneration Report (prepared pursuant to article 123-ter of the Consolidated Law on Financial Intermediation and pursuant to article 84-quater of the Issuers' Regulation of Consob), which was approved by the Board of Directors' meeting of 23 April 2013 and which was submitted for approval of the Shareholders' Meeting on 30 May 2013;
- continued to perform its institutional function of supporting top management in priority areas related to the strategic management of the Group's Human Resources, as well as to its

compensation and retention policies. It also pursued actions undertaken in previous financial years;

- examined the report prepared by the Human Resources Organisational Unit on steps taken to satisfy the specific recruitment requirements of highly qualified human resources among young university and high-school graduates for the Finmeccanica Group's operating companies in Italy ("*Progetto 1000 Giovani*").

Specifically, in the first months of the current financial year, the Committee preliminarily examined the Remuneration Report to be submitted for approval of the Board of Directors in relation to the 2014 Shareholders' Meeting.

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 Organisational Unit, as well as of the help of external professionals. 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 Organisational Unit is regularly invited to participate in the Committee meetings; on the invitation of the Committee through the Chairman and in relation to the issues being discussed, the meetings may be attended by other persons, including the non-executive members of the Board of Directors and the employees of the Company or of Group Companies, 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.

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 took steps, in the meeting of 19 March 2014, following the valuations made and the proposals put forward by the Remuneration Committee, to approve, with reference to the 2014 and subsequent financial years, 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, 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 2013 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 2013 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 is made available according to the procedures set out by law, also through the publication in the Governance section of the Company's website (www.finmeccanica.com), in the specific Remuneration area, 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

At the date of this Report, the Company had no incentive plans based on financial instruments.

Remuneration of executive Directors

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.

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 for executive Directors is mainly conditional on the achievement of predetermined performance objectives of an economic and operational nature, in line with the strategic guidelines determined by the Board of Directors, whose results can be objectively measured and verified.

The medium/long-term variable remuneration is structured into two 3-year monetary incentive plans (Performance Cash Plan and Long Term Incentive Plan) and is subject to the achievement of predetermined performance objectives of an economic and operational nature only.

The performance indicators, which can be objectively measured and verified, are identified among those that mostly represent the Company's ability to create value on multi-year plans and are aligned with the strategic guidelines determined by the Board of Directors.

For more details, reference is made to the specific information provided in the Remuneration Report.

Remuneration of Managers with Strategic Responsibilities

The remuneration of Managers with Strategic Responsibilities is made up, in line with the practices applied at Group level for management staff, of a fixed component and a variable component, in relation to the strategic objectives set out by the Board of Directors and is commensurate, as a whole, with the specific responsibilities assigned. Consistently with the guidelines of the Remuneration Policy adopted by the Company, in accordance with the criteria laid down in the Code, the variable part of the remuneration is linked to the achievement of predetermined and measurable performance targets.

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 information reported in detail in the Remuneration Report.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (pursuant to Art. 123-bis, paragraph 1, letter i), Consolidated Law on Financial Intermediation)

There are no agreements previously entered into between the Company and Directors which provide for indemnities for Directors 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 .

9. CONTROL AND RISKS COMMITTEE

The Board of Directors has set up a Control and Risks Committee (previously named Internal Audit Committee) which, in the course of the financial year, met 7 times; from January 2014 until today, the Committee met twice. The Internal Audit Committee was set up by a resolution passed by the Board on 6 December 2000 and the relative name was changed to the current one following the resolution passed by the Board of Directors on 19 December 2012 within the updating process of its own Governance model to the latest edition of the Corporate Governance Code (December 2011). The average duration of the meetings was about two hours.

The Committee is made up as follows:

| <u>CONTROL AND RISKS COMMITTEE</u> | | <u>ATTENDANCE</u> |
|------------------------------------|---------------|---------------------|
| PAOLO CANTARELLA - Chairman | (Independent) | 7 out of 7 meetings |
| GIOVANNI CATANZARO | (Independent) | 7 out of 7 meetings |
| SILVIA MERLO | (Independent) | 7 out of 7 meetings |
| GUIDO VENTURONI | (Independent) | 7 out of 7 meetings |

The composition of the Committee – all “independent” Directors – is in line with the provisions of the Corporate Governance Code; furthermore, this composition is 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. The activities of the Control and Risks Committee are regulated by **RULES** approved by the Board of Directors, which has been updated in light of the amendments introduced by the new edition of the Code.

The text of the Rules of the Committee is available in the specific Governance section of the Company’s website (www.finmeccanica.com).

The Board of Statutory Auditors and the Head of the Group Internal Audit are constantly involved in the Committee’s work; the Chairman and Chief Executive Officer 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 2013 financial year, on the invitation of the Committee in relation to the issues being discussed, some meetings were attended by the Chairman and some employees, both of Finmeccanica and of Group companies.

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. 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 Auditors 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 Transactions with Related Parties, referred to in the Procedure for Related Parties Transactions which was approved by the Board of Directors of Finmeccanica (pursuant to Art. 4 of CONSOB Regulation 17221 of 12 March 2010, as amended and supplemented) on 26 November 2010, as subsequently updated on 13 December 2011, as well as on 19 December 2013.

As reported more in detail in paragraph 4.9 above with reference to the last update of the Procedure, which was approved as a result of the periodic activity aimed at the assessment and review which are the responsibility of the Board, on 19 December 2013 the Committee (which was formally tasked with this duty by the Company's Board of Directors meeting held on 7 November 2013) gave its preliminary and unanimous favourable opinion as to the changes applied.

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.

In carrying out its work 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 avail itself of the services of outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

In 2013 and from January 2014 to the date of publication of this Report, the Control and Risks Committee has discussed the main following issues.

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.

Specifically, in the course of the above-mentioned period the Committee:

- continued the process to check the operations of the internal control and risks management system of Finmeccanica and of the main subsidiaries as well as the degree of adoption, on the part of the same, of the Directives of Finmeccanica Spa;
- examined the Report of the Group Internal Audit Organisational Unit on the work carried out in the course of 2013 and all 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;
- monitored the different phases of the implementation of the process of centralization of the Group's Internal Audit activities in the Holding company which was approved by the Company's Board of Directors in the meeting held on 21 February 2013, as described in detail in paragraph 10 below;
- performed any additional duties described in paragraph 10 below.

The Committee also reviewed the preparation of the half-year report and the Annual Financial Statements, meeting with the auditing firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, on the basis of reports from the Head of the Group Internal Audit and from the Auditing Firm, the Committee assessed the adequacy of the accounting principles used and their uniformity for the purposes of preparing annual and Half-Year Financial Statements.

As regards the activities carried out in the capacity as Committee for Transactions with Related Parties, note - in particular – the specific involvement of the Committee in the framework of the proposed transaction of greater importance, as resolved by the Company's Board of Directors in the meeting held on 4 October 2013, concerning the transfer of the stake held by Finmeccanica in Ansaldo Energia S.p.A. in favour of Fondo Strategico Italiano S.p.A.. In this regard, the Committee has regularly followed the progress of the negotiations and has received a complete and timely flow of information on the part of the Company. As a result of the verification carried out and of the constant involvement of the Committee in both the negotiations and the preliminary investigation of the abovementioned transaction, on 3 October 2013 the Committee itself gave its favourable opinion on the Company's interest in the implementation of the operation, as well as on the suitability and substantial correctness of the related terms and conditions. The Committee gave its opinion in accordance with the specific provisions under the Consob Regulation, as well as under the Procedure concerning Transactions with Related Parties, while also taking account of the assessments made by the independent advisor Equita SIM S.p.A., as well as of any further information gathered from the Company's units. It also issued a reasoned and unanimous favourable opinion on the approval of the transaction on the part of the Company's Board of Directors. On 11 October 2013 the Opinion of the Committee, in accordance with the current regulations, was published as an annex to the information Document relating to transactions of greater importance with related parties (as prepared pursuant to article 5 of Consob Regulation no. 17221/2010, as amended and supplemented) and made available in the specific Governance Section, in the area dedicated to Transactions with related Parties, of the Company's website (www.finmeccanica.com).

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As already pointed out, in the course of the 2012 financial year, the Rules of Procedure of the Board of Directors and of the Control and Risks Committee were updated in order to approve the provisions laid down in the new edition of 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 Group Internal Audit Manager, 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.

In this regard, the Board of Directors, with reference to the activities referred to in the aforesaid points a), b) and c) and subject to the favourable opinion of the Control and risks Committee issued on 5 March 2014, took steps - in its meeting of 19 March 2014 – to update the guidelines of the internal control and risk management system, to assess the adequacy of the same with respect to the characteristics of the enterprise and to the risk profile, as well as to approve the Audit Plan, after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system. Specifically, in relation to the planning of audit activities, the Board of Directors of Finmeccanica approved the Company's Audit Plan and acknowledged the Sector Plans reported in the Aggregated Audit Plan.

In addition to the Board of Directors and to the Control and risks Committee, for the purposes of the assessment of the effectiveness of Finmeccanica Spa's internal control and risk management systems, the following persons intervene:

- Director in charge of the internal control and risk management systems;
- Group Internal Audit Manager;
- Officer in charge of financial reporting pursuant to Law 262/05;
- Surveillance Body formed pursuant to Legislative Decree 231 /2001;
- Board of Statutory Auditors.

The Report on Corporate Governance and Shareholder Structure relating to the 2012 financial year provided a brief picture of the investigations involving Finmeccanica Spa in the course of the financial year, or which came to its attention because they involved Group companies. In 2013 investigations were continued and started which involved Finmeccanica Spa itself, some subsidiaries and some managers

of the Group; in this regard, full cooperation has been provided to the investigating authorities. With reference to the events that occurred in the 2013 financial year and in the first months of the current 2014 financial year, 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 2013 Annual Financial Report, which can be found in the Investors section of the Company’s website (www.finmeccanica.com).

In the course of 2013, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to widespread news reports about the investigation of Group companies being conducted by judicial authorities.

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. Specifically, the Control and Risks Committee and the Surveillance Body, together with the Board of Statutory Auditors and with the help of the competent Organisational Units of Finmeccanica, performed their own investigation into some of these matters, also through meetings with representatives of the Independent Auditors. The Board of Statutory Auditors also carried out an independent audit through meetings with the Boards of Statutory Auditors of the Group companies and also asked to take specific audit actions.

As already pointed out, with regard to the activities carried out and reported by the Chairman of the Control and Risks Committee, 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.

Specifically, as regards the events involving the supply of helicopters in India, the Report on Corporate Governance and Shareholder Structure relating to the 2012 financial year reported that, in March 2013, a third independent party, RINA Services SpA, had been appointed to assess the fairness of the prices applied by IDS Infotech (India) and IDS Tunisia and the amount of services that had been actually rendered by the aforesaid companies. RINA Services ended its work on the contracts awarded by AgustaWestland SpA to IDS Infotech (India) and to IDS Tunisia from 2007 to 2012; its report showed that the abovementioned suppliers actually did work in favour of AgustaWestland SpA, that the supply activities under examination, in practice, covered the period of the execution of the works and that, during these years, AgustaWestland SpA used, or prepared to use, the technical papers (paper and digital) that had been the object of the activity of the aforesaid suppliers. Contrary to what had been assumed at first (and reported in the Report referred to above), RINA Services thought it advisable not to carry out the further inquiries requested by AgustaWestland SpA, in view of the Public Prosecutor’s request to summon the RINA Services

executives who had actually prepared the report as witnesses in the criminal proceedings pending before the Court of Busto Arsizio. In view of the above, the counsels for the defence of AgustaWestland SpA have engaged the company Accuracy, which is completing any necessary examination and inquiries. The results of such examination and inquiries will be solely used within the context of the defensive strategies that will be adopted by the company.

The same report also mentioned that in March 2013 AgustaWestland SpA started an audit on the “Purchase of services” in order to assess the suitability and reliability of the internal control system that governs said process.

At the end of the analysis, the Internal Audit unit of AgustaWestland SpA issued a report that pointed out some issues related both to organisational aspects and control tools; therefore, a number of recommendations were made to the management involved; as a result, to sum up, the need was seen to update the company’s set of procedures for the procurement of services (with particular regard to the Suppliers Register, the Management of tender procedures and the Service Acceptance Process) and to implement a training plan for the staff in the units involved.

In the meeting held on 23 July 2013, the abovementioned report was then examined by the Board of Directors of AgustaWestland SpA and the company’s Managing Director was instructed to work out a remediation plan and implement it before the end of the year; this plan was to list all the corrective actions that the company intended to take to remedy the matters submitted by the company’s Internal Audit unit, or to provide satisfactory reasons for not intending to take any action with respect to certain matters.

With regard to the issues related to both organisational aspects and control tools, the management of AgustaWestland SpA made arrangements for remediation measures aiming at overcoming the gaps that had been detected; currently, the redesign of the key control tools and the implementation of the abovementioned plans of action have been fully completed.

The Report on Corporate Governance and Shareholder Structure relating to the 2012 financial year also reported information on the identification of certain areas of improvement and implementation of the internal control system of the Group, with respect to which Finmeccanica already put in place specific initiatives during 2012 and has more planned for 2013.

In this regard, it should be pointed out that the activities planned for 2013 were actually carried out. In particular, note the main Group Directives³ and Company Procedures⁴ issued by Finmeccanica in the course of 2013, as well as in the first months of the current 2014 financial year, in order to regulate sensitive activities in terms of control systems:

³ “Group Directive” means the rules issued by Finmeccanica to its subsidiaries, so that they can approve them through the adoption of their own internal implementing procedures.

- **Directive no. 1** on the composition and appointment of the Surveillance Bodies pursuant to Legislative Decree no. 231/2001 (15 March 2013), which provides, among other things, that the Surveillance Bodies of the Group's subsidiary companies incorporated under Italian law must have more than one member, three to be precise, except in particular cases for which satisfactory reasons must be given, in which the maximum number may be raised to five; specifically, the Surveillance Bodies must be usually made up of the *pro tempore* Manager responsible for the Legal and Corporate Affairs Organisational Unit of the company involved and two external members, one of which will act as Chairman of the Body, to be identified from among university teachers and professionals with proven expertise and experience in legal, financial and internal audit issues, as well as, in particular, with adequate and proven experience in the application of Legislative Decree no. 231/2001. Furthermore, the external members shall meet specific requirements in terms of autonomy and independence, as well as specific cases will be envisaged for the suspension and removal from the office.
- **Directive no. 3** on Environmental Protection (28 March 2013), which defines – also from the point of view of Legislative Decree no. 231/2001 – principles and obligations aimed at environmental protection, pollution prevention and the improvement of environmental performance at the Group companies, in accordance with the provisions under the Group's Environmental Policy.
- **Directive no. 4** on the legal aid in support of commercial contracts (28 March 2013), which, in addition to providing the company with effective support in the phase in which the texts of these documents are prepared, with particular regard to the clauses to which most risk is attached, this Directive defines the guidelines relating to the conclusion by the group Companies of commercial cooperation contracts and agreements of strategic importance or of significance in economic, equity or financial terms for Finmeccanica and the companies, with specific reference to any contracts concerning supplies intended for countries that are considered to be “sensitive”.
- **Directive** on the formation and functioning of the companies' Boards of Directors (which was issued on 3 July 2013 and was subsequently amended on 29 January 2014), which sets, among other things, new rules for the composition of Group companies' Corporate Bodies and for appointments to these bodies, among which in particular: i) a limit on the number of members of Boards of Directors, which comes into effect starting from the first time Corporate Bodies are renewed after the Directive has been issued; in detail, the governing bodies of direct subsidiaries and key subsidiaries are composed of three or five Directors (with only one director from outside the Group in the first case and not more than two directors from outside the Group in the second), while the governing bodies of the other subsidiaries are composed of at most three Directors,

⁴ The “Company Procedure” contains the internal rules adopted by Finmeccanica to regulate its activities, or the internal rules adopted by a subsidiary either autonomously or applying a Group Directive.

normally all from inside the Group; ii) all members of Corporate Bodies must satisfy specific requirements of professionalism, good repute and independence and must be suspended or removed from their position in any of a number of specified circumstances (some related to measures taken by the Judicial Authority).

- **Directive no. 8** on advisors and sales promoters (3 July 2013), which repeals and supersedes the previous protocols under Directive 17 and the related Guidelines issued in 2011 and 2012, respectively, and integrates them into a single text. The main object of the new Directive is, on one hand, to develop the compliance tools already envisaged in support of sales activities carried out by the Group companies through the use of intermediaries and, on the other, to bring its provisions into line with some important regulatory developments, such as the introduction of the crime of corruption between private persons in the Italian legal system and its inclusion under predicate crimes for the purposes of liability pursuant to Legislative Decree 231/2001. In this perspective, the new protocol defines, among other things: i) the criteria and tools for risk assessment and for carrying out due diligence activities on advisors and sales promoters, in the light of the development of the international best practices governing relationships between the company and third parties; ii) the general principles concerning countries considered as tax havens, identifying a valid list of countries for the entire Group and the related limitations on conducting sales activities in them; iii) the methods for ascertaining the regulations applicable to consultancy and sales promotion contracts in the countries in which the Group companies operate; iv) guidelines for executing and managing contracts, prepared on the basis of standard clauses determined at Group level; v) the roles of the competent corporate Organisational Units and the information that they exchange in compliance with the principles of the segregation of responsibilities, transparency, the impartiality of decisions and the traceability of processes.
- **Directive no. 9** on the classification of corporate information (13 December 2013), which supplements the provisions of the Directive issued on 27 March 2013 regarding inside and confidential information (which has already been referred to in paragraph 4.8 above, in relation to the specific relevant Procedure adopted by the Board of Directors) and lays down general principles for safeguarding and protecting corporate information, particularly with regard to its handling and disclosure, inside the corporate structure of Finmeccanica Spa, in its subsidiaries and outside. In detail the Directive: i) imposes minimum security requirements for handling information in the preparation, classification, transmission, utilisation, storage, reclassification and deletion phases; ii) lays down the procedures to follow in classifying information; iii) states that access to the information is only allowed to the persons that need to know it in order to carry out their work, owing to the responsibilities vested in them and in relation to their organisational role/position in the Company.

- **Directive** on Offsets, issued on 10 February 2014, which defines the scope of application, the general principles and the rules relating to the management of the offset obligations undertaken by the Group companies to third-party countries, both directly and through sub-supply contracts and/or the participation in consortia. The Offsets constitute an increasingly important factor in the international competitive sector of aerospace and defence and are often considered by the purchasing countries as the criterion for awarding contracts, together with price, performance and commercial offers. In this perspective, the Group companies must monitor the management of the Offset activities in order to ensure its efficacy from a commercial point of view, while pursuing risk reduction and economic efficiency.
- **Procedure no. 3** on the granting and revoking powers of representation (11 June 2013), which states the duties and responsibilities involved in the process of Finmeccanica Spa's granting and revoking powers of attorney, in accordance with the Organisational, Management and Control Model as per Legislative Decree 231/2001, as well as with the Company's Code of Ethics, with reference to both powers granted on a continuous basis ("permanent powers") and powers granted to carry out a specific activity ("powers granted for single acts"). The Procedure also i) provides for certain obligations on persons holding powers of attorney in senior level corporate positions to provide the Top Management with periodic information regarding the most important transactions carried out, including those carried out by other persons holding powers of attorney in their respective Organisational Units in exercising their functions as such; ii) requires the competent corporate offices to check, on an annual basis, that the powers of attorney granted are consistent with the organisational structure and to report their findings to the Surveillance Body, which must also be informed of substantial changes to the distribution of the corporate powers whenever they are made.

Within the context of the activities undertaken for the improvement and implementation of the internal control and risk management system, as more specifically reported in paragraph 10.4 below, in 2013 the Company's Organisational, Management and Control Model as per Legislative Decree 231/2001 was brought into line in the light of the regulatory amendments concerning Legislative Decree no. 231/2001. The current Organisational Model was approved by the Board of Directors at the meeting of 15 April 2013.

The measures taken to continue the process for consolidating any procedures of control over the Group's activities and for strengthening the role of direction and coordination towards the operating companies include the implementation of the organisational structure of Finmeccanica Spa, as proposed by the Chief Executive Officer and General Manager and shared by the Board of Directors on 21 February 2013, aimed at streamlining decision-making processes, as well as at achieving the best operating efficiency. The described structure entailed a significant reduction in first-level

positions and for the definition of Corporate functions, as well as of functions for the coordination of staff presence abroad and market coordination.

During the meeting held on 21 February 2013, the Company's Board of Directors approved the project to centralise the Group's Internal Audit activities at the Holding Company, with the objective to strengthen its role of control as well as to increase efficiency of the activities themselves. This project, which was also shared and approved by the Control and Risks Committee and by the Board of Statutory Auditors, was implemented in the course of the 2013 financial year through:

- the establishment, on 16 October 2013, of the new Group Internal Audit Organisational Unit, which is responsible, among other things, for supporting the Board of Directors, the Director responsible for internal control and risk management system, the Control and Risks Committee and the Board of Directors and Boards of Statutory Auditors of the Group companies in carrying out the assessment as to the suitability and actual functioning of the internal control and risk management system of the Finmeccanica Group;
- the service of a notice to the CEOs of the Group companies – which was duly signed by the Chief Executive Officer and General Manager of Finmeccanica – on 17 October 2013, to inform them of the establishment of the abovementioned Organisational Unit and to transmit the Interfunctional Organisational Model (*Modello Organizzativo Interfunzionale*, MOI), which defines the relationships that are maintained between the Group Internal Audit of Finmeccanica Spa and the Control and Surveillance Bodies of both Finmeccanica Spa and the Group Companies; furthermore, the “MOI” outlines the operational powers granted to the Organisational Units, as well as the methods/flows of interaction between the different players involved in the entire process relating to operating activities (governance, planning, implementation and reporting);
- the approval by the Boards of Directors of the relevant companies of the process to centralize any Internal Audit activities and the consequent signature of the services agreement, which regulates, among other things: i) the terms and conditions whereby the companies entrusts Finmeccanica Spa with the management of auditing work; ii) the scope of the audits that are the object of the agreement and the methods for conducting them; iii) the policies adopted to set the fees for the performance of services.

The Board of Statutory Auditors of Finmeccanica Spa also described the above centralisation project to the Group companies' Boards of Statutory Auditors.

With regard to what has already been stated – in the previous report on Corporate Governance – about actions resulting from the resolutions adopted by the Board of Directors of Finmeccanica on 7 March and 15 April 2013, Deloitte Financial Advisory S.r.l. was appointed to proceed with a fact-finding investigation into some items of expenditure for intangible assets incurred by the operating

companies, within the process of purchasing services from third-party counterparties. Specifically, the expenditure items involved in the investigation related to the following:

- consultancy services;
- engineering;
- software;
- commercial brokerage and services of agents.

The investigation concerned the period of time from 2010 to 2012 and all the business sectors of the Finmeccanica Group, i.e.:

- aeronautics (Alenia Aermacchi Group);
- space (Telespazio Group);
- defence systems (Oto Melara and WASS Group);
- helicopters (AgustaWestland Group);
- defence and security electronics (Selex ES Group);
- transportation (AnsaldoBreda and BredaMenarinibus Group).

This investigation, extended both to the Italian companies and to the foreign companies of the Group (with specific regard to Europe), was aimed at establishing in particular:

- the correctness of the implementing procedures of transactions examined in terms of compliance with the procedures in force;
- the inherence and effectiveness of services rendered by counterparties;
- the possibility of supplying evidence and traceability of transactions;
- the counterparties' honesty and good repute;
- the fairness (where the type of service examined so permits) of any transaction values.

Two business sector modules are planned in connection with the execution of the Project. The first module, which has already started and is still in progress, regards the Aeronautics, Space and Defence Systems sectors and the investigation involves 17 Italian and foreign companies:

- 1) Alenia Aermacchi S.p.A. and 3 subsidiaries;
- 2) Telespazio S.p.A. and 8 subsidiaries;
- 3) Oto Melara S.p.A. and 1 subsidiary;
- 4) WASS S.p.A. and 1 subsidiary.

The investigation, in progress at the moment, is divided into two operational phases:

- 1) Preliminary phase (completed) – preliminary to checking, aimed at refining the quantitative and documentary information collected, as the basis for going on to select the individual transactions to investigate.

The methodological process for the selection of the transactions whose documents are subsequently to be reviewed is divided into two distinct approaches, “*structured*” and “*simplified*”, in order to take

into account the importance of the companies involved, the number of transactions to examine and the quality and completeness of the information and data to hand.

The “*structured*” approach entails the acquisition and massive processing of the digital data provided by the companies through the following operational and methodological steps:

- standardisation and homogenisation of the digital data provided and creation of an Information Database consisting of all the references for the selection of the transactions;
- setting qualitative and quantitative rules/parameters for the selection of targeted samples of the transactions whose documents are afterwards to be reviewed;
- application of the rules/parameters to the reference population and selection of potentially anomalous records; the output from the application of the parameters undergoes a qualitative review (in order to exclude any “false” results);
- creating a preliminary list of transactions obtained through targeted sampling (following the application of the rules/parameters).

A random sampling method was also used, applied together with targeted sampling to achieve the final selection of the transactions whose documents were to be reviewed. This method was applied after the work of analysis started, also taking the early indications that emerged into account.

In view of the complexity of the structured method, and the time needed to select the transactions for analysis if this method is chosen, it was decided to adopt a “*simplified*” approach for the less important companies, to which a small number of transactions for analysis was allocated.

2) Analysis phase: the object of this is the detailed examination of the documents related to the transactions selected; the examination involves: i) implementing procedures; ii) financial settlement procedures; iii) counterparties; iv) compliance with procedures; v) accounting issues.

As regards the progress made in the Project, the main activities that have been conducted are:

- kick-off meetings with the relevant sub-holding companies (Alenia Aermacchi S.p.A., Telespazio S.p.A., WASS Whitehead Sistemi Subacquei S.p.A. and OTO Melara S.p.A.) in early June 2013;
- preparing and sending the companies concerned a survey to i) obtain the data necessary for the analysis; ii) identify the IT systems to consider as the source of the data; iii) obtain the applicable policies and procedures;
- preparing and sending an Initial Data Request for the massive retrieval of the digital information that makes up the population to be analysed;
- obtaining the data provided by the companies concerned by means of on-site visits;
- handling and processing the data in order to select the transaction samples for subsequent investigation;

- selecting the samples of transactions to be examined; the companies draw up lists of the documents they are to provide for the examination of the selected transactions;
- thorough training of the operational Deloitte teams, focusing particularly on the types of investigations to conduct and the methods for the formalisation of the analyses and of the findings;
- performance of the document Analysis Phase on site (from October 2013 and then progressively with all the companies involved);
- defining a collaboration agreement with the Politecnico University in Milan for the performance of activities in support of the Deloitte teams.

Finally, as regards the activities in progress, at the same time the document Analysis Phase on site has been started for all the companies involved.

For the space and defence systems sectors, the review on site has involved 308 transactions and is being completed. As regards the aeronautics sector and in particular Alenia Aermacchi S.p.A., the review on site is being conducted and is involving about 450 transactions.

It is expected that the activity will be completed in the first half of 2014.

Furthermore, note the following measures taken by the Company in 2013; for a more complete description, reference is made to paragraph 15 below, within the framework of the specific actions taken by Finmeccanica to strengthen the Corporate Governance in the course of the financial year.

- The establishment of a Management Committee, responsible for managing and coordinating the Group's governance activities.
- The establishment of a Group Management Committee, with the task of consultation and support in assessments and operational decisions on specific programs and issues.
- The establishment of a Committee of Corporate Bodies, with the task of identifying the candidates for the appointments of the members of the Boards of Directors, Boards of Statutory Auditors and Surveillance Bodies of subsidiary or investee companies.
- An increased number of the members of the Surveillance Body of the Company, as illustrated on paragraph 10.4 below.
- The establishment of a Committee (named "Flick Committee"), with the task of establishing additional criteria and forms of behaviour which a Group of global dimensions, present worldwide and operating in the Aerospace and Defence sector, must abide by in order to conform to new, higher level best practices, particularly as regards compliance.

As regards the internal control system for financial reporting (ICFR)⁵, as more specifically described in paragraph 10.1 below, this provides, among other things, for administrative and accounting

⁵ ICFR - Internal Control Financial Reporting

procedures (narratives) which describe the activities, checks, roles and responsibilities, as well as the information and document flows to support the process of drawing up financial reports.

A specific component to manage the risks of fraud has been integrated into this system, as commented more in detail in the abovementioned paragraph 10.1.

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

The Internal Control over Financial Reporting (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 generally accepted frameworks 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.

Specifically, on the basis of the Fraud Risk Assessment carried out in the previous financial year in relation to the cases of fraud defined in the Group Fraud Library, a specific component to manage the risks of fraud has been integrated into ICFR. 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 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.

Within the antifraud monitoring plan on the 2013 Financial Statements, Finmeccanica carried out activities, with reference to the Group companies that fall within the scope of application of Law no. 262/05, of both testing of antifraud controls for the purposes of the compliance with the abovementioned law (periodical monitoring), and of verification of the processes to manage

purchasing and sales and distribution, which were aimed at detecting frauds (if any) perpetrated to the detriment of the Company and/or deficiencies in the internal control system (specific monitoring – the so-called Detection Audit). Furthermore, some investigation was carried out at company level in order to monitor the internal control area (Entity Level Control / IT General Control).

The monitoring findings were as follows.

Within the Test Programme for the 2013 defined by the Officer in Charge of Financial Reporting for the purposes of the application to Law no. 262/05, tests were conducted – on the Half-Year Financial Statements at 30 June and on the Financial Statements at 31 December – on about 2030 antifraud controls, divided among the following components of the ICFR adopted by Finmeccanica:

- about 1270 Controls at “Process” level defined in the narratives (the so-called Process Level Control);
- about 660 Controls relating to the operation and management of IT systems (the so-called IT General Control);
- about 100 Controls at “Entity” level in relation to the structure and organisation of the individual companies (the so-called Entity Level Control).

From the analysis of the findings, it results that, in consideration of ineffective controls, the related compensating controls and/or material tests carried out by the Group Internal Audit function allowed to confirm the overall efficiency of the existing procedures monitoring the risk areas being examined.

Furthermore, consistently with the Test Programme for the 2013, Detection Audit activities were also completed for all the companies in scope, which involved the purchasing cycle.

In particular, the analysis of about 185,000 suppliers revealed certain anomalies due to procedural misalignments that were pinpointed on the basis of the Key Risk Indicators and subsequent checks; although they do not impair the substance of the process analysed, these anomalies do require some actions to improve the internal control system.

In the second half of 2013, a specific monitoring activity was started within the process of “Sale of goods and services” and “Work in progress” (for Finmeccanica Spa the Finance process).

These checks provide for the following macro-phases:

- a. Mapping: identification of information flows and systems in support of the processes of Sale of goods and services and Work in progress of the Group companies, in order to identify the information set (cut-off date 30/06/2013) in relation to which the subsequent analyses must be carried out.
- b. Scoping:
 - the application of specific risk indicators (Key Risk Indicators) to the database identified during the mapping phase and made up of the transactions in the sales and

distribution cycle recorded in the IT systems in the period from 01/01/2012 to 30/06/2013; 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).

c. 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.

To date, the checks have been completed in relation to the Sales of goods and services for AgustaWestland S.p.a. and AgustaWestland Ltd. The completion of these activities on all the other Companies within the perimeter is expected to take place by September 2014.

For the Sales of goods and services, with reference to AgustaWestland S.p.A. and Ltd, the following was analysed for each of them:

- Personal data
- Sales Orders
- Output of Goods
- Invoices
- Receipts.

On the basis of the defined correlations and of fraud patterns, extrapolations were carried out in order to identify inconsistencies/potential anomalies (if any) and to eliminate any cases of false positives (justified exceptions) and/or immaterial errors. A documentary analysis was carried out in relation to about 155 customer codes in order to verify the causes that generated inconsistencies.

The analyses carried out on the Sale of Goods and Services for AgustaWestland S.p.A. and AgustaWestland Ltd revealed certain anomalies due to procedural misalignments reported by the Key Risk Indicators and by the subsequent checks; although they do not impair the substance of the process analysed, these anomalies do require some actions to improve the internal control system.

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:

- **Administrative body to which authority has been delegated**

This refers to the Chief Executive Officer.

- **Officer in charge of financial reporting to be provided to the Group Parent**

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.

As such, the FRM have the following responsibilities:

- developing 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 defined by the Group Parent and other Group companies and coordinates activities within these companies, by means of a specific plan of operations, which defines 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.

On the basis of the overall results of these tests, the Group Internal Audit Organisational Unit of Finmeccanica prepares an executive Summary that enables the Officer in charge of Financial Reporting of Finmeccanica and the Delegated Administrative Body to assess the adequacy and actual application of the administrative and accounting procedures followed in preparing the individual

Financial Statements, the condensed half-year Financial Statements, and the consolidated Financial Statements, for the purposes of the issue of the certifications envisaged in the relevant regulations.

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

- risk identification and assessment (Financial and Fraud Risk Assessment)
- assessment of the adequacy of related controls;
- testing the functioning of the system of controls and specific monitoring.

▪ **Risk identification and assessment (Financial and Fraud Risk 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 controls**

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).

In 2013 usual maintenance and development activities were carried out on the ICFR system's components.

▪ **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.

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, in March 2014 the Director in charge of the internal control and risk management system (SCIGR) of Finmeccanica Spa, prepared the document named “Guidelines for the internal control and risk management system”, which, compared with those prepared and approved during the 2013 financial year, led, through a self-assessment exercise with the various process owners, to a more precise definition of risks in the Group Library and a corresponding degree of coverage by means of the existing control mechanisms.

This document identifies, 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 Code of listed companies;
- 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 131 macro-risks broken down by category, applied to the different business segments, as follows:

- 20 compliance risks;
- 25 financial risks;
- 61 operating risks;
- 25 strategic risks.

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

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

10.3. GROUP INTERNAL AUDIT MANAGER

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

The Board of Directors ensures that the Group Internal Audit Manager 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, as specified in the Rules of Procedure of the Board itself and as listed below:

- a) checking, 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 2013, the Group Internal Audit Manager performed the following main activities:

- performed audits;
- managed and updated the Register of natural and legal persons that have access to inside information;
- coordinated the Sector Internal Audit Managers of the companies involved in implementing Law 262/05 with regard to verifying that the proper procedures have been followed;
- provided technical support for the Surveillance Body pursuant to Legislative Decree 231/2001, including updating the Company's Organisational, Management and Control Model.

In relation to the activities implemented in order to ensure the implementation of the project to centralize the Audit activities at the Parent Company, reference is made to paragraph 10 above.

As to the Group companies, the Group Internal Audit Manager reported to the Control and Risks Committee that their three-year plans for risk-based audits and monitoring of activities have been coordinated.

With regard to the framework under Legislative Decree 231/2001 and the related activities carried out by the main Group companies, it should be noted that the requirements of this law were being successfully and generally fulfilled, with the adoption by said companies of the Organisational, Management and Control Model and of the Code of Ethics and the appointment of a Surveillance Body by their respective Boards of Directors, according to the procedures and criteria laid down in Directive no. 1 of 2013, referred to in paragraph 10 above. For information on updates made to the Model by Finmeccanica Spa and its subsidiaries, please refer to Section 10.4 below.

The abovementioned Manager has financial resources included in the Group Internal Audit Organisational Unit's budget, in order to carry out his duties. This Department's activities have not been outsourced. As already reported, the Control and Risks Committee is also responsible for supervising and monitoring the independence, adequacy, effectiveness and efficiency of the Group Internal Audit; the Committee itself oversees the latter's activities should the Chairman of the Board be granted delegated operating powers.

10.4. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001

The 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, 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 and 31 July 2012.

In the light of the additional regulatory amendments to Legislative Decree no. 231/2001 – as introduced by Legislative Decree 109/12 as to the “Employment of illegally-staying third-country citizens” and by Law no. 190/12 bearing “Provisions for the prevention and repression of bribery and illegality in Public Administrations”, the Surveillance Body and the Board of Directors gave their favourable opinion, in the meetings of 4 October and of 8 November 2012, respectively, to set up a working group made up of internal resources and external consultants with an activity programme aimed at reviewing and updating the Organisational Model, also taking account of the evolution of organisational structure of Finmeccanica Spa.

Furthermore, with a view to expressing the Finmeccanica Group’s values, as formalised in the Charter of Values, the review in question makes the Code of Ethics of Finmeccanica Spa independent from the Organisational Model, as an independent control tool of ethical governance.

The review and updating process was completed with the approval of the current version of the Organisational Model on the part of the Company’s Board of Directors on 15 April 2013.

The same procedure was completed by the Finmeccanica Group companies.

It should be noted that the Organisational Model is based on the guidelines issued by Confindustria (latest update in 2008).

The current Organisational Model is composed of:

- a “General Section” essentially dealing 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;
- “Special Section A” which covers offences against Public Authorities;
- “Special Section B” which covers corporate crimes;
- “Special Section B1” which covers crimes of bribery between individuals;
- “Special Section C” which covers violations of occupational health and safety laws;

- “Special Section D” which covers crimes of receiving, laundering or using illegal monies or goods;
- “Special Section E” which covers computer crimes and illicit data processing;
- “Special Section F”, which covers criminal enterprise;
- “Special Section G”, which covers environmental crimes

The documents supporting the Organisational Management and Control Model as per Legislative Decree 231/2001 of Finmeccanica Spa are:

- o the Code of Ethics;
- o the Finmeccanica Spa’s organisational structure;
- o the system of power delegation;
- o the report file, a document to be drawn up by first-tier managers, as well as by collaborators (if any), to report regularly to the Surveillance Body for meetings with members and/or representatives of government bodies, including any information on restrictions contained in the Organisational Model as per Legislative Decree 231/2001, which can be referred to the other Special Sections of the document referred to by the report file itself;
- o the list of “Key Persons” in accordance with the Code of Conduct for Internal Dealing;
- o the legislative framework of Finmeccanica Spa;
- o the clause that the Company includes in commercial, financial and consulting contracts.

This Model can be found in the Governance section of the Company’s website (www.finmeccanica.com), in the specific Ethics and Compliance area. In addition, it should be noted that all the Italian subsidiaries have adopted similar Organisational, Management and Control Models as per Legislative Decree 231/2001, which can also be consulted on their respective websites, and that the companies have appointed related Surveillance Bodies.

In this regard, on 21 February 2013 the Board of Directors’ meeting, while resolving on the appointment of the new members of the Surveillance Body of Finmeccanica Spa following the resignation of the external members Giuseppe Grechi (Chairman) and Manuela Romei Pasetti, took steps to amend the By-laws of the Surveillance Body by extending the number of the related members up to a maximum number of five members. Therefore, following the resolutions passed by the Board on 21 February and 7 November 2013, the Surveillance Body of Finmeccanica Spa is currently made up of four external professionals, Enrico Laghi (who holds the position of Chairman), Angelo Carmona, Angelo Piazza and Saverio Ruperto (who was appointed on 7 November 2013), as well as of the Company’s Group General Counsel, Mario Orlando (the sole internal member pursuant to the By-laws of the Surveillance Body and to Directive 1/2013 on the composition and appointment of Surveillance Bodies pursuant to Legislative Decree no. 231/2001).

Multi-person compositions of the Surveillance Bodies have been resolved by the Board of Directors of some first-level subsidiaries, with the participation, as members, of the managers responsible for the organisational units of Legal and Corporate Affairs and Compliance and, in some cases, of Internal Audit.

Furthermore, with regard to the composition and appointment of the Surveillance Bodies of subsidiaries incorporated under Italian law, reference is made to what has been already reported above as to the Directive no. 1/2013.

The duties and functioning of this Body are governed by specific by-laws approved by the Finmeccanica Board of Directors on 15 December 2005 and updated on 25 June 2009, 16 December 2010, 21 September 2011, on 21 February 2013 and on 15 April 2013. 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, which have been communicated to the Board of Directors. Similar rules have been adopted by the respective Boards of Directors of the subsidiaries.

10.5. INDEPENDENT AUDITORS

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 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 Report of Finmeccanica Spa;
- period 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, on 14 June 2012, the Company's Board of Directors appointed Gian Piero Cutillo, Chief Financial Officer of the Company, as the Officer in charge of financial reporting until the expiry of the term of office of the Board of Directors.

In fact, under Art. 25 of the by-laws, 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 Executive in question must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with his appointment by the Board of Directors Gian Piero Cutillo has been formally vested, in addition to the powers already conferred on him as Chief Financial Officer, 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 system include, in particular:

- the Compliance Organisational Unit, which is led to the Senior Compliance Officer (SCO), and which is responsible, *inter alia*, for monitoring the regulations applicable to the Company's

activities, through the dissemination of the legal risk management tools in the main sectors in which the Group operates;

- the Commercial Audit Organisational Unit, a part of the Group Internal Audit organisational unit, responsible for ensuring that commercial aspects are checked with reference to domestic and international law, coordinating with the Compliance organisational unit and any other competent corporate units;
- the Fraud Audit Organisational Unit, established within the Group Internal Audit organisational unit, responsible for ensuring that anti-fraud checks are carried out, acting jointly with the other competent corporate offices in order to prevent actions likely to jeopardise the attainment of the Group's business objectives;
- the ICT Audit Organisational Unit, established within the Group Internal Audit organisational unit, responsible for ensuring that checks are carried out in the ICT area in order to prevent actions likely to jeopardise the value and functioning of the Group's technological assets and infrastructures, in agreement with the Corporate Safety and Group ICT organisational unit;
- the Management Audit Organisational Unit, established within the Group Internal Audit Organisational Unit, responsible for ensuring the implementation of the audits requested by the Top Management and/or the Control and Surveillance Bodies, which are not envisaged in the Audit Plan of Finmeccanica Spa or of the Group companies;
- the Operational and Regulation Audit Organisational Unit, established within the Group Internal Audit organisational unit, responsible for ensuring that an Integrated Audit Plan is prepared and monitored by combining the contributions of the other organisational units (Commercial Audit, Fraud Audit and ITC Audit) and for directly ensuring that action is taken in the areas concerned; this organisational unit also ensures the coordination of the activities involved in checking the internal control and risk management system, with specific reference to the profiles under Legislative Decrees 231/2001 and Law 262/05;
- the Project Management Office Organisational Unit, established within the Group Internal Audit organisational unit, responsible for planning and balancing the allocation of resources to the various project sectors and types in order to ensure that the Integrated Audit Plan is carried out efficiently and efficaciously and that the Group model is always in line with the appropriate professional standards and the applicable domestic and international laws.

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

In order to maximise efficiency of the internal control and risk management system and to reduce any duplication of activity, specific procedures have been set out for the coordination between the various persons involved.

In particular, it should be noted the following:

- as previously specified, the Board of Statutory Auditors and the Group Internal Audit Manager regularly participate in the Control and Risks Committee's meetings; joint meetings of these bodies were also held during the financial year;
- 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 Chairman of the Board of Statutory Auditors or any other Statutory Auditor designated by the same regularly participates in the Surveillance Body's meetings;
- the Board of Statutory Auditors holds periodic meetings, in particular with the Officer in charge of Financial Reporting, the Group Internal Audit Manager and any other corporate functions with specific duties concerning the internal control and risk management system.

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. 18775 of 29 January 2014) 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 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 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) shall 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.

Furthermore, the provisions described above shall apply starting from the first renewal of the Board of Statutory Auditors after 12 August 2012 and for three consecutive terms of office (art. 34.1 of the Company's by-laws).

12. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (Art. 123-bis, para. 2, lett. d), the Consolidated Law on Financial Intermediation)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 16 May 2012 for the 2012-2014 term. The Board will, therefore, stand down at the next Shareholders' Meeting, to be held to approve the Financial Statements for the period ending 31 December 2014.

The **Board of Statutory Auditors** serving at 31 December 2013 was composed as follows:

| | |
|--------------------------------|--------------------------|
| RICCARDO RAUL BAUER (2) | CHAIRMAN |
| NICCOLO' ABRIANI (2) | REGULAR AUDITOR |
| MAURILIO FRATINO (1) | REGULAR AUDITOR |
| SILVANO MONTALDO (1) | REGULAR AUDITOR |
| EUGENIO PINTO (1) | REGULAR AUDITOR |
| VINCENZO LIMONE (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).
 (2) Auditor appointed from the minority list submitted by the minority shareholder (a group of asset management companies and institutional investors).

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, as well as their respective positions of regular Auditor held in other issuers (in observance of the restrictions pursuant to Art. 144-terdecies, paragraph 1, of the Issuers' Regulation⁶).

No changes in the composition of the Board of Statutory Auditors have taken place since the end of the 2013 financial year.

Brief *curricula* of the careers of the members of the Board of Statutory Auditors are given below, specifying their respective length of service.

⁶ The full list of the offices of administration and control held (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 same Regulation.

RICCARDO RAUL BAUER - CHAIRMAN

Mr. Bauer was born in Milan in 1951. He has been the Chairman of the Board of Statutory Auditors of Finmeccanica since 16 May 2012. 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 SpA (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, the Chairman of the Supervisory Body of Fiege Holding Italia S.p.A. and a member of the Board of Statutory Auditors of the Museum of Jewish Heritage and Shoah. 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.

NICCOLO' ABRIANI - REGULAR STATUTORY AUDITOR

Mr. Abriani was born in Turin in 1966. He has been a regular Statutory Auditor of Finmeccanica since 16 May 2012. He is a lawyer and a Professor of Commercial Law at the University of Florence; Lecturer for the Post-graduate course for Business Lawyers at the “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 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.

MAURILIO FRATINO – REGULAR STATUTORY AUDITOR

Mr. Fratino was born in Alba (Cuneo) in 1952. He has been a regular Statutory Auditor of Finmeccanica since 2009; his term of office was renewed by the Shareholders’ Meeting on 16 May 2012. He is a lawyer and practices in the areas of civil and commercial law. He is a certified public accountant. An instructor of food and wine law at the University of Turin. He has held numerous positions, including: member of the Committee of Experts for the Creation of the Single Market for the Prime Minister; Statutory Auditor and Director of Autostrade; Deputy Executive Chairman of Autostrada Torino Savona; Managing Director of Riccadonna International BV. Current positions include: Vice-Chairman of Banca Regionale Europea (UBI group), Chairman of the Board of Auditors of Federvini, Chairman of the Board of Statutory Auditors of Federalimentare, Regular Statutory Auditor of Il Sole 24Ore, Chairman of Campari International, Vice Chairman of the Cassa Rischio Vita of the Food Industry and member of the Tax and Corporate Governance Committee of Confindustria.

SILVANO MONTALDO - REGULAR STATUTORY AUDITOR

Mr. Montaldo was born in Laigueglia (Savona) in 1957. He has been a regular Statutory Auditor of Finmeccanica since 2006, having been reappointed on 16 May 2012. He is a Certified Public and Professional Accountant, enrolled with the Register of Certified Statutory Auditors and Certified Statutory Auditor of local authorities. He has served and currently does serve as statutory auditor to numerous corporations, as well as an auditor of public entities, is a member of various supervisory bodies and is an extraordinary commissioner of firms in the process of bankruptcy. Currently, he is a member of the Board of Statutory Auditors of various companies, including: Carige Assicurazioni SpA, Carige Vita Nuova SpA, Autostrade dei Fiori SpA, GSE SpA. He is a member of the Supervisory Board of Autostrada dei Fiori SpA. He acts as extraordinary commissioner of the groups Antonio Merloni SpA, IAR Siltal SpA. and Olcese S.p.A.

EUGENIO PINTO - REGULAR STATUTORY AUDITOR

Mr. Pinto was born in Taranto in 1959. He has been a Regular Statutory Auditor of Finmeccanica since 16 May 2012. He graduated *cum laude* in Economics and Business. He is a Certified Public Accountant. Currently, he is, *inter alia*, a Permanent Professor of the Business Economics department at the “Luiss Guido Carli” University in Rome. He has provided consultancy and support services to leading Italian companies. He has held numerous positions as director and statutory auditor in many Italian industrial and financial groups. He holds numerous positions, is currently: Chairman of the Board of Statutory Auditors of Stogit SpA and Snam Rete Gas SpA (Snam Group); independent director and Chairman of the Control and Risks Committee and of the Related Parties Committee and member of the Remuneration and Nomination Committee of Astaldi SpA, he is also Chairman of the Board of Auditors of Assonimine (the Italian association of joint-stock companies) and member of the Supervisory Body of Bonifiche Ferraresi SpA (Banca d’Italia Group).

STEFANO FIORINI – ALTERNATE STATUTORY AUDITOR

Mr. Fiorini was born in Genoa in 1969. He graduated in Economics and Business. 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 SpA and Arthur Andersen SpA. 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 transactions and in civil and criminal proceedings concerning disputes relating to economics, business and financial issues. He is a member of the Board of Directors of PM & Partner SGR SpA, Chairman of the Board of Statutory Auditors of Meta-fin SpA, a regular statutory auditor of Elemaster SpA, Iacobucci HF Electronics SpA, Albany International Italia Srl and alternate auditor of S.M.R.E. SpA.

VINCENZO LIMONE - ALTERNATE STATUTORY AUDITOR

Mr. Limone was born in Taranto in 1950. He graduated in Economics and Business. He is a Certified Public Accountant. He is a contract Professor of Securities Market Economics at the University of L'Aquila and Contract Professor of Economics applied to Engineering at the "Tor Vergata" University in Rome. He is currently a General Manager at the General Accounting Office (*Ragioneria Generale dello Stato*).

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 14 June 2012), 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 21 February 2014) the continuity of the requirements of independence of all the Regular Statutory Auditors. 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 TUF) 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 Independent Auditors' autonomy, 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 Auditors 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 auditors 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.

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.

In performing its work, the Board of Statutory Auditors liaises with the Group's Internal Control Organisational Unit, 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 receives the necessary operational assistance for the performance of its own auditing work from the Group's Internal Control Manager, 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.

The Board of Statutory Auditors also takes part in the meetings of the Control and Risks Committee and, in the person of its Chairman or any other Auditor designated by the same, in the meetings of the Surveillance Body under Legislative Decree no. 231/2001.

The Board (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days. 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.

Furthermore (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.

During the 2013 financial year, the Board of Statutory Auditors held no. 23 meetings, of an average duration of about 3.5 hours. During the 2014 financial year, as at the date of approval of this Report, no. 5 meetings have 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 2013 financial year:

| | <u>Board of Statutory Auditors</u> | <u>Board of Directors</u> |
|----------------------------|--|-------------------------------|
| RICCARDO RAUL BAUER | 23/23 | 16/17 meetings |
| NICCOLO' ABRIANI | 20/23 | 14/17 meetings |
| MAURILIO FRATINO | 21/23 | 17/17 meetings |
| SILVANO MONTALDO | 23/23 | 17/17 meetings |
| EUGENIO PINTO | 18/23 | 16/17 meetings |

All absences were excused.

13. SHAREHOLDERS' RELATIONS

In view of the importance, emphasised by the Code, of establishing an on-going professional relationship with the general body of Shareholders and institutional investors (including potential investors), the Company has long since set up a special Investor Relations Organisational Unit, which is fully dedicated to this activity. In January 2014, following the enlargement of the related sphere of responsibilities, the Organisational Unit was renamed Investor Relations and SRI (Sustainable Responsible Investors) Organisational Unit.

The Investor Relations and SRI Organisational Unit monitors the financial markets' perception of Finmeccanica and supports them in making a proper stock market valuation consistent with the intrinsic value of the Group, also through the communication of Guidance notes and obtaining consensus from the market on a periodical basis, providing the qualitative and quantitative elements about the expected financial and economic performance and the business performance of the Group.

During the financial year, the Investor Relations and SRI Organisational Unit organises numerous events aimed at improving the financial community's knowledge of Finmeccanica and at analysing specific issues of common interest. In this context, particular importance is attached to the conference calls on the occasion of the publication of the quarterly results and on the occasion of the announcement of important transactions, the institutional Roadshows with the Group's Top Management, the Deal Roadshows on the occasion of extraordinary transactions and the Investor Day that is usually organised once a year. On the occasion of the Investor Day, a large number of financial analysts and institutional investors are given the opportunity to find out more about the Group's operations and to gain an understanding of its performance and its commercial, industrial, income and financial prospects, as well as to directly access to the company Top Management of Finmeccanica and to the CEOs.

Finally, during the annual International Airshow (which alternates between Farnborough in England and Le Bourget in France) the Investor Relations and SRI Organisational Unit organises meetings between groups of investors and the Top Management of Finmeccanica and of the main Group companies, proposing, if required, specific presentations of the main products and systems present at the airshow (product tour).

On the occasion of the annual Shareholders' Meeting, the Investor Relations and SRI Organisational Unit promotes initiatives aimed at encouraging active participation from institutional investors (Shareholder Engagement and) and - in collaboration with the Legal and Corporate Affairs Organisational Unit – prepares a large dedicated area on the institutional website, with all the necessary documentation for the participation in the Shareholders' Meeting itself.

Information regarding the composition of the Company's management bodies, *curricula* of their members' careers, internal dealing information and the Corporate by-laws, as well as the Company's

Annual Report on Corporate Governance and Shareholder Structure, may be found on the website in the specific Governance section managed and updated by the Corporate Affairs Organisational Unit. The Board of Directors' reports, minutes of Shareholders' Meetings and other important corporate documents are also published in the same section, as well as a review of the press releases issued by the Company.

In the same Governance section, a specific chart is also available which summarises the Corporate Governance system and allows a complete view of the different bodies responsible for the management of the Company. This instrument allows the identification of the related composition and place of each body within the corporate governance structure.

Finmeccanica's website also includes a section named Investors, reporting the Group's Consolidated Financial Statements, presentations to the financial market with the relevant web-casting, video and audio broadcasts, as well as some information of interest, such as the stock performance (through an interactive chart), data related to the shareholding structures, credit rating, the debt structure, the financial calendar. Furthermore, a large area of the Investors section is dedicated to the SRI (Sustainable Responsible Investors) and ESG (Environmental, Social and Governance) issues, as illustrated below.

The Investor Relations and SRI Organisational Unit is also committed to an increasing use of the most recent social and collaboration tools, which have been recently used – for example – on the occasion of the publication of the periodic interim reports, by sharing the presentations submitted by the Top Management on the SlideShare platform.

An additional implementation of the specific Investors and Governance sections, as well as of the entire website, is expected in the course of the 2014 financial year.

Economic, social and environmental sustainability (SRI - ESG)

With regard to the relationship with "Sustainable Responsible Investors" (SRI), which show constant growth both in terms of number and managed assets, in 2012 the Investor Relations and SRI Organisational Unit started a series of communication initiatives aimed at an increasingly structured and complete participation. The same year saw the organisation of a focused roadshow in London with the participation of the current CEO – Chief Executive Officer and General Manager, Alessandro Pansa, as well as some meetings via telepresence on the specific issue of the functioning of the Board of Directors with the participation of the current Vice-Chairman of Finmeccanica, Admiral Guido Venturoni, in his capacity as Lead Independent Director.

In order to mostly raise awareness by Finmeccanica and the Group companies about the ESG (Environmental, Social and Governance) issues, January 2014 saw the organisation of the first Finmeccanica ESG Workshop, a workshop organised jointly by the Organisational Units of Investor Relations and RSI and External and Institutional Relations and Communication, with the

collaboration of a leading European ESG rating agency. The workshop was a useful occasion for considering the Sustainability also from the point of view of the financial market, carrying out an in-depth analysis of the recognized valuation method and analysing the rating assigned to the Finmeccanica Group.

Finally, the Investor Relations and SRI Organisational Unit directly follows the inclusion of the Group in the Dow Jones Sustainability Index, which confirmed Finmeccanica's presence in the prestigious World and Europe indices, established in 1999, in 2013 and for the fourth consecutive year.

The Dow Jones Sustainability Indexes are the first and most important stock exchange indexes to assess, on an annual basis, the performance of companies and the maintenance of commitments undertaken in the field of economic, social and environmental sustainability. They are looked after by the rating company RobecoSAM, in cooperation with Dow Jones Indexes in New York.

The Head of the Investor Relations and SRI Organisational Unit is Raffaella Luglini, who reports directly to the CEO – Chief Executive Officer and General Manager Alessandro Pansa.

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14. SHAREHOLDERS' MEETINGS (Art. 123-bis, para. 2, lett. c), the Consolidated Law on Financial Intermediation)

Notice of call and disclosures to Shareholders

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, subject to the relative regulations regarding price sensitive information and the disclosure of "regulated information".

Therefore, as already reported in paragraph 13 above, all the relevant documents regarding the items on the agenda and any information 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. In particular, the Company takes steps to promptly publish in the Governance section of their website - in an appropriate area that can also be accessed directly from the website's home page – the explanatory Reports of the Meeting's agenda and any other documents to be submitted to the Shareholders' Meeting (as well as proxy forms and information on the amount and composition of the share capital), as well as any documents following the same Meeting.

As already reported, during the current financial year further implementing actions in the structure and contents of the institutional site are planned, also for what concerns the procedures to access the different areas, with a view to optimising the visibility and use of the relative information by the Shareholders and the public.

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

The Board of Directors participate in the Shareholders' Meetings and report 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.

Right of attendance 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.

The Art. 14.1 of the by-laws provides for the entitled persons to be represented by written proxy, which may be notified to the Company by electronic means (via certified electronic mail or uploading in a special section of the Company's website) 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.

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.

Operations and Competences

Shareholders 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 Company adopted **SHAREHOLDERS' MEETING REGULATIONS** some time ago, with the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion. These Regulations lay down rules for 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 Shareholders are assured of the right to speak on the items on the agenda.

In order to ensure that all Shareholders are able to exercise this right correctly, 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.

These Regulations are always distributed to all Shareholders whenever a meeting is held and may be viewed in the specific Governance section of the Company's website (www.finmeccanica.com).

Specifically, 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.

During 2013, due to the general crisis of the economic conditions and of the financial markets at a national and international level, as well as the particular events that concerned the Company during the first three months of the year, significant changes were recorded in the Company's market capitalisation. In the second half of 2013 the market capitalisation of the Company was again close to the levels reached in the previous year.

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 2013 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 (ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), OF CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

During the 2013 financial year, the Board of Directors made a number of important decisions (which have already been partly reported - with reference to the first months of the financial year – on the occasion of the previous Report on Corporate Governance) in order to specifically boost the reorganisation of the Company, to ensure the appropriate coordination of operations, as well as to strengthen control activities. Within this context, a set of measures proved to be particularly functional to the consolidation of the system of control over the Group's activities and strengthening the direction and coordination functions towards operating companies.

In particular, the main actions implemented by the Company to strengthen the Corporate Governance included the establishment of the following Committees – in addition to those recommended by the Corporate Governance Code – as well as the adoption of the organisational measures that are reported below, which have already been reported in short (in paragraph 10 above) within the framework of the measures for the implementation of the internal control and risk management system.

- **Management Committee**, chaired by the Chief Executive Officer and General Manager and made up of the Managers responsible for the Organisational Units of Group Internal Audit, External and Institutional Relations and Communication, Human Resources, Strategies, Business Development and Innovation, by the CFO and by the Group General Counsel, as well as by the Chief Operating Officer with effect from 1 January 2014. This Committee is responsible for the direction and coordination of the Group's governance activities. Furthermore, in relation to the issues dealt with, the Managers responsible for other Organisational Units of Finmeccanica may be specifically involved. In 2013, the Committee met 24 times.
- **Group Management Committee**, with the task of consultation and support in assessments and operational decisions for the sharing of business critical issues, as well as of important programs and initiatives. The Committee is made up of the Chief Executive Officers of the main subsidiaries, and for Finmeccanica Spa, by the CFO and by the Managers responsible for the Organisational Units of Human Resource and Strategies, Business Development and Innovation, as well as by the Chief Operating Officer with effect from 1 January 2014. The related establishment, which is part of the new organisational structure of Finmeccanica Spa, responds to the need to involve the managers of the Companies in the Group's issues, as well as in the analysis and definition of those projects that are more directly relevant to the achievement of the Group's results. In 2013, the Group Management Committee met 12 times.
- **Committee of Corporate Bodies**, which is coordinated by the Group General Counsel and is made up of the Managers responsible for the Organisational Units of External and Institutional Relations and Communication, Human Resources, Strategies, Business Development and Innovation, by the Chief Operating Officer (with effect from 1 January 2014), as well as by the CFO in relation to the appointments of members of the Boards of Statutory Auditors only. The Committee has the task of proposing the appointments to the offices of Director, Statutory Auditor or member of the Surveillance Body in first-level or "strategic" subsidiary or investee companies, as well as of selecting – for any other subsidiaries – the proposed appointments submitted by the CEOs of the lead Companies of each sector. In 2013, the Committee met 15 times.
- **General Department "Operations"** (which was established on 11 December 2013, with effect from 1 January 2014) that directly reports to the Chief Executive Officer and General Manager, Alessandro Pansa, under the responsibility of the Chief Operating Officer, Sergio De Luca, and that is responsible for monitoring and integrating the activities of the operating companies – with a view to strengthening controls carried out by the Holding company – in order to increase their competitiveness, together with the overall competitiveness of the Group.

- “**Flick Committee**”, the establishment of which was resolved by the Board of Directors’ Meeting of 15 April 2013 and which will be responsible for identifying further criteria and behaviours with which a Group of global size and presence, operating in the Sector of Aerospace and Defence, must comply with, in order to conform to new and more important best practices, particularly with regard to compliance. The Board of Directors has tasked the Committee with preparing and issuing a Report to the Company, aimed at identifying measures and actions capable of further increasing the principles and standards of conduct which must be complied with in the business operations, as well as at identifying additional actions aimed at ensuring the actual implementation of these new principles and standards, with the utmost possible efficacy. The Committee reports directly to the Board of Directors and is made up of external professionals of recognised independence, authority and competence (in addition to the Chairman, Giovanni Maria Flick, other members are Alberto Alessandri, Vittorio Mincato, Giorgio Sacerdoti and Angelo Tantazzi). Since the date of its establishment, the Committee has met 14 times, has examined corporate documents and has held hearings to hear the top management, the Chairmen of the Boards of Statutory Auditors and of the Surveillance Body pursuant to Legislative Decree 231/01, as well as any managers holding key positions with Finmeccanica Spa and some of the direct and strategic subsidiaries.

After having completed the activities under its responsibility, the Committee issued a final Report containing the Recommendations that the Committee deemed appropriate to put forward in relation to the issues dealt with, with the aim of increasing any organizational and regulatory measures against any conduct that might be contrary to honesty in business dealings.

Once examined by the Board of Directors of the Company, the contents of the Report issued by the Flick Committee will be found in the Governance section of the Company’s website (www.finmeccanica.com), in the specific area of Ethics & Compliance.

- Finally, within the framework of the general reorganisation of the Company and of the most recent initiatives to enhance and strengthen the Group governance, it should be noted that on 6 March 2014 the Board of Directors of Finmeccanica approved the draft of a new **Organisational and Operating Model of the Group** for the Aerospace, Defence&Security (“A,D&S”) sector. As widely reported after the issue of the Board resolution, the new organisational model is in line with similar initiatives undertaken by the major competitors in order to tackle any challenges posed by the changing international scenarios in an effective manner. The key objectives of this reorganisation are:
 - the reorganisation, relaunch and development of the A,D&S sector through significant industrial consolidation and restructuring measures;
 - focusing on A,D&S;

- the strengthening of Governance through actions aimed at shortening the chain of control, making the organisation more effective and improving management efficiency.

In order to implement the new organisational model, which will involve both Finmeccanica and the operating companies, the following actions are planned:

- Finmeccanica will be given a new role for the strategic direction and control of the Companies concerned;
- the Parent Company and its operating subsidiaries will jointly manage any activities connected with products and markets, as well as with the execution of contracts and services in the areas of Helicopters, Aeronautics, Defence and Security Electronics and Defence Systems;
- a vertical integration of the Support Functions to ensure standardisation of procedures, as well as the strengthening of the Group's Governance and identity.

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

| SHAREHOLDERS | <i>% of ownership on the ordinary capital and voting capital</i> |
|---|--|
| Ministry of Economy and Finance | 30.204 |
| Deutsche Bank Trust Company Americas (1) | 3.600 |
| Fmr LLC (2) | 2.133 |
| Grantham, Mayo, Van Otterloo & Co. LLC (3) | 2.045 |
| Libyan Investment Authority (Arab Bkg Corp / Libyan Inves, Man) (4) | 2.010 |

(1) Intermediary's notice for the payment of dividends for the 2010 financial year (beginning 26 May 2011).

(2) Model 120 A of 9 August 2013 (transaction of 8 August 2013) relative to an equity investment held by way of "Discretionary Asset Management".

(3) Model 120 A of 25 January 2012 (transaction of 20 January 2012) relative to an equity investment held by way of "Discretionary Asset Management".

(4) Notice of 8 April 2013 from the Arab Banking Corporation (depository of the equity investment), which confirmed that the Libyan Investment Authority holds the equity investment already specified by Euroclear Bank (as an intermediary participating in the Monte Titoli system) in the name of "Arab Bkg Corp / Libyan Inves, Man" on the occasion of the payment of dividends for the 2010 financial year.

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

| Board of Directors for the three year period 2011-2013 appointed by the Shareholders' Meeting on 4 May 2011(as integrated on 1 December 2011, 16 May 2012 and 4 July 2013) | | | | | | | | Control and Risk Committee | | Appointments Committee ^(°°) | | Remuneration Committee | | Strategy Committee | |
|---|--------------------------------------|-----------|---------------|-----------------------------|--|---------------------------|--------------------|----------------------------|--------------|--|-----------------------|------------------------|--------------|--------------------|--|
| Position | Members | Executive | Non-Executive | Independent Corp. Gov. Code | Independent Cons. Law on Fin. Intermed | Attendance BoD meetings * | Other positions ** | Members | Attendance * | Members | Attendance * | Members | Attendance * | | |
| Chairman | Giovanni DE GENNARO ^A | | X | | | 6/6 | = | | | X | | X | 2/2 | | |
| Vice Chairman | Guido VENTURONI ^B | | X | X | X | 17/17 | = | X | 7/7 | | | X | 3/3 | | |
| Chief Executive Officer and General Manager | Alessandro PANSA ^C | X | | | | 17/17 | 2 | | | | | X | 3/3 | | |
| Director | Paolo CANTARELLA ^(°) | | X | X | X | 15/17 | = | X | 7/7 | X | | X | 3/3 | | |
| Director | Giovanni CATANZARO | | X | X | X | 17/17 | = | X | 7/7 | X | | | | | |
| Director | Dario FRIGERIO ^{(°)A} | | X | X | X | 6/6 | 1 | | | | X | 1/1 | | | |
| Director | Dario GALLI | | X | X | X | 17/17 | = | | | | X | 6/6 | X 3/3 | | |
| Director | Ivanhoe LO BELLO ^(°) | | X | X | X | 17/17 | = | | | | | X | 3/3 | | |
| Director | Silvia MERLO ^(°) | | X | X | X | 17/17 | 3 | X | 7/7 | X | X | 3/3 ^D | | | |
| Director | Alessandro MINUTO RIZZO ^A | | X | X | X | 6/6 | = | | | | | X | 2/2 | | |
| Director | Francesco PARLATO | | X | | | 17/17 | 2 | | | X | X | 6/6 | X 3/3 | | |
| Number of meetings held during 2013: | | | BoD: 17 | | Control and Risk Committee: 7 | | | Remuneration Committee: 6 | | | Strategy 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 | | | | | | | | | | | | | | | |

NOTE

* 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.

(°) Director appointed from a list or proposal submitted by the minority or in place of the Director chosen by the minority.

A Director from 4 July 2013 (Giovanni De Gennaro Chairman from the same date).

B Vice Chairman from 13 February 2013.

C Chief Executive Officer and General Manager from 13 February 2013 (already a Director – Chief Operating Officer since 1 December 2011).

D Member of the Remuneration Committee from 14 May 2013.

(°°) Appointments Committee formed on 19 December 2013.

TABLE 3: OUTGOING DIRECTORS IN 2013

| Outgoing Directors | | | | | | | Control and Risk Committee | | Remuneration Committee | | Strategy Committee | |
|--------------------------------------|------------------------------------|-----------|---------------|-----------------------------|--|----------------------------|----------------------------|---------------|------------------------|---------------|--------------------|---------------|
| Position | Members | Executive | Non-Executive | Independent Corp. Gov. Code | Independent Cons. Law on Fin. Intermed | Attendances BoD meetings * | Members | Attendances * | Members | Attendances * | Members | Attendances * |
| Chairman and Chief Executive Officer | Giuseppe ORSI ^A | X | | | | 1/2 | | | | | X | = |
| Director | Christian STREIFF ^{(°) B} | | X | X | X | 5/10 | | | X | | | |
| Director | Carlo BALDOCCI ^C | | c | c | c | 12/12 | | | | | X | 1/1 |

NOTE

- * All absences from BoD or Committees meetings are excused.
^(°) Director appointed from a minority list.
^A Outgoing Director from 15 February 2013.
^B Outgoing Director from 4 July 2013.
^C Director without voting right, outgoing from 11 September 2013.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

| Board of Statutory Auditors (three-year period 2012-2014) | | | | |
|--|-----------------------|-----------------------------|--|------------------------------------|
| appointed by the Shareholders' Meeting of 16 May 2012 | | | | |
| Position | Members | Independent Corp. Gov. Code | Percentage of attendance at BoSA meetings ** | Number of other positions held *** |
| Chairman | Riccardo Raul BAUER * | X | 23/23 | = |
| Regular auditor | Niccolò ABRIANI * | X | 20/23 | = |
| Regular auditor | Maurilio FRATINO | X | 21/23 | 1 |
| Regular auditor | Silvano MONTALDO | X | 23/23 | = |
| Regular auditor | Eugenio PINTO | X | 18/23 | 2 |
| Alternate auditor | Stefano FIORINI * | -- | -- | = |
| Alternate auditor | Vincenzo LIMONE | -- | -- | -- |
| Number of meetings held during 2013: 23 | | | | |
| 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 | | | | |

NOTE

* The asterisk indicates an Auditor appointed from a minority list.

** All absences from Board of Statutory Auditors' meetings are excused.

*** This column indicates the 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* Issuers' Regulations.