

**PROPOSAL BY THE BOARD OF STATUTORY AUDITORS TO THE
SHAREHOLDER'S MEETING FOR THE ASSIGNMENT OF THE AUDIT TASK
(pursuant to art. 13, paragraph 1, of Legislative Decree No. 39 of 27 January 2010**

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Dear Shareholders,

with the Shareholders' Meeting for the approval of the Financial Statements as at 31 December 2020, the audit assignment granted by Leonardo S.p.a. (hereinafter referred to as "Leonardo" or the "Parent Company" or the "Company") to the independent auditors KPMG S.p.A. (hereinafter referred to as KPMG) on 16 May 2012 for the years 2012 to 2020 will expire.

The audit regulations applicable to Leonardo, contained in (EU) Regulation No. 537 of 16 April 2014 (hereinafter referred to as "EU Regulation") and in Decree No. 39/2010 (amended by Legislative Decree No. 135 of 17 July 2016), provide, inter alia, that the incoming auditor is prohibited from providing certain types of services even during the year immediately before the beginning of the period covered by the audit (the so-called "cooling-in period"). These are in particular the activities provided for by Art. 5, item 1, paragraph 2, subparagraph e) of the EU Regulation, or the services of "design and implementation of internal control and risk management procedures relating to the preparation and/or control of financial reporting, or design and implementation of technological systems for financial reporting". Mainly with the aim of ensuring compliance with the above-mentioned prohibition, the Board of Statutory Auditors (hereinafter also referred to as the "Board"), in its capacity as "Audit Committee" pursuant to paragraph 1, subpar. f), of Art. 19 of Legislative Decree 39/2010, shared with the competent corporate departments the opportunity to bring forward one year ahead of the date of approval of the 2020 Financial Statements by the Shareholders' Meeting, the implementation of the selection procedure for the assignment of the audit task of for the years 2021 to 2029.

Given the complexity of the quotation evaluation procedure, and in compliance with the disposals of Leonardo procedure No. 20 of 2016 ("Procedure on the assignment of tasks to the Leonardo's auditing firm"), on 13 February 2019 the Company established an *ad hoc* internal committee - "Task Evaluation Committee", (hereinafter also referred to as the "Committee") appointed to manage the evaluation tender procedure for the award of the new assignment to the auditing firm. The Committee

was made up of the following members: Chief Executive Officer (Chairman), Chief Audit Executive, Chief Financial Officer, Group General Counsel, Head of the Group Corporate Affairs Operational Unit, Head of the Administration and Tax Operational Unit, Head of the Consolidated Financial Statements, Group Principles and Extraordinary Transactions Operational Unit (Secretary); the Chairman of the Board of Statutory Auditors attended all the Committee meetings as an invited guest.

In order to identify the auditing companies to be invited to the tender procedure, in accordance with the disposals of Art. 16 of the EU Regulation for "Bodies of Public Interest", the Committee has launched a special selection procedure, by means of a call for tenders aimed at identifying the auditing company that will cover the above-mentioned position both for Leonardo and for other group companies. To this end, the below requirements have been identified for the selection of the companies to be invited, approved by the Committee and shared with the Board of Statutory Auditors:

- geographical presence of the companies and their network;
- statistical parameters relating to the sizing of companies;
- *expertise* of the networks in the audit of listed companies (companies included in the FTSE-MIB index, companies working in the "industrial" field among those included in the FTSE-MIB index and companies included in the FTSE-Mid Cap index) and of companies working in Leonardo's business sector (A&D), limited to companies working in Europe (including the UK) and USA.

The following auditing firms were found to meet the above requirements: Deloitte & Touche S.p.A., EY S.p.A., PricewaterhouseCoopers S.p.A. (hereinafter also jointly referred to as "Tenderer Companies"), to which the invitation letter was therefore sent on 7 June 2019 to make an offer to carry out, as principal auditor of the Leonardo Group, the statutory audit services pursuant to Regulation (EU) no. 537/2014 and Legislative Decree no. 39/2010, as amended and supplemented, and those closely related to it for the nine-year period 2021 - 2029, relating to Leonardo and the companies of the Group indicated in the attached list.

As part of the preliminary phase, the Tenderer Companies were asked to send a letter containing their expression of interest to participate in the procedure, with unconditional acceptance with respect to the clauses contained in the invitation letter. Subject to the receipt of these acceptances, Leonardo provided for all the quantitative and organizational information necessary for the preparation of the offers, as well as the draft framework agreement to be signed at the outcome of

the selection procedure. Each of the Tenderer Companies sent the entire required documentation within the time specified by the invitation letter.

Each of the Tenderer Companies then had the opportunity to send requests for clarifications in writing through a special portal. In order to provide tenderers with the same level of information, the answers to the questions received were published on the same portal in public form for all the auditing firms invited.

Finally, all the Tenderer Companies have issued a declaration certifying their commitment - in the event of assignment of the task - to interrupt the performance of any ongoing service in favour of the Leonardo Group that should present incompatibility profiles in relation to the task subject to assignment, starting from 1 January 2021 or from 1 January 2020, for the activities falling within the above-mentioned "cooling-in period".

The tender procedure took place on the basis of qualitative and quantitative parameters (referring to the perimeter of the "Leonardo Group" identified in the scope, as defined below) established by the Committee and shared by the Board of Statutory Auditors, communicated to the Tenderers with the abovementioned letter of invitation to submit their quotations.

Specifically, the qualitative parameters against which a score of up to a maximum of 60 points out of 100 were as follows:

- 1) organization of review and audit strategy activities - maximum 20 points;
- 2) effort of auditing activities (in terms of total hours with reference to all companies in the scope, as defined below) - maximum 15 points. In accordance with what has been approved by the Committee and shared by the Board, only the items relating to the GIE ATR and AMSH B.V. Joint Ventures have been separated in relation to the effort parameter, in relation to which Leonardo does not have the possibility to independently appoint the auditing firm and whose listing was requested exclusively for the purpose of submitting it to the other Venturers;
- 3) professional quality of the proposal submitted - maximum 25 points.

The quantitative parameters being assessed, referring to the overall quotation for all the companies of the Group in the scope (with the only exceptions specified below) and against which it was expected to assign a score up to a maximum of 40 points out of 100, were the following:

- 1) total fees in the nine years for auditing services - maximum 35 points. In accordance with what previously specified in relation to the audit activity effort, the items relating to the GIE ATR and AMSH B.V Joint Ventures have been separated;
- 2) listing of additional tasks in the nine-year period - maximum 5 points. The additional tasks subject to listing were: Agreed Upon Procedures on financial covenants; Comfort letter on the

annual renewals of the EMTN program; Comfort letter on bond issues; Review of the Non-Financial Statement; translation of the Corporate Governance Report and the Compensation Report.

On 28 November 2019, the Committee concluded its activity and determined, on the basis of the score attributed to the qualitative and quantitative components, the final ranking of the procedure for assigning the audit task. On 4 December 2019, the Committee presented to the Board of Statutory Auditors the final Report on the evaluations carried out by the Committee, with the results of the activities carried out, explaining in detail the assessment process followed and the related results. In the final report on the assessments carried out by the Task the final ranking is reported in which the overall score attributed to EY S.p.A. was the highest, followed by that of PriceWaterhouseCoopers S.p.A.

During the meeting of 17 December 2019, the Board of Statutory Auditors, after concluding its analyses, resolved to:

- propose the Leonardo Shareholders' Meeting, pursuant to Art. 16 of (EU) Regulation No. 537/2014, the assignment of the audit task for the years 2021 to 2029 to EY S.p.A. or to PricewaterhouseCoopers S.p.A., according to their quotations;
- express to the same Shareholders' Meeting its motivated preference for the quotation submitted by EY S.p.A., as it has achieved higher scores both in terms of quality and quantity.

In view of the submission of this proposal to the General Shareholders' Meeting, the Board of Statutory Auditors acquired from EY S.p.A. and PricewaterhouseCoopers S.p.A. the certificates required by Decree No. 39/2010 regarding the absence of situations that could compromise the independence of the auditor in relation to any assignment of the task by the General Shareholders' Meeting.

On 18 December 2019, the Board of Statutory Auditors reported to the Board of Directors on the progress and results of the selection procedure for the assignment of the audit task with reference to the period 2021-2029.

As envisaged by the tender procedure previously shown, the quotations received refer to auditing services for the Parent Company Leonardo S.p.a., to almost all the consolidated companies and to some unconsolidated subsidiaries ("scope" of the tender).

The qualitative aspects of the proposals were assessed on the basis of the above-listed methods. The value of the overall quotations for the nine years evaluated for the purpose of assigning the scores for the quantitative aspects referring to the entire corporate perimeter (excluding the GIE ATR and AMSH B.V. Joint Ventures) is shown below:

LEONARDO GROUP				
Services	EY S.p.A.		PricewaterhouseCoopers S.p.A.	
	Effort (hours)	Fees (€)	Effort (hours)	Fees (€)
	2021-2029	2021-2029	2021-2029	2021-2029
a) audit of the Separate Financial Statements of Leonardo S.p.a. and of the Group companies	270,864	19,807,254	296,894	21,900,425
b) audit of the Consolidated Financial Statements of the Leonardo Group	245,547	21,927,060	208,092	19,101,697
c) limited audit of the Consolidated brief half-year financial report	63,657	5,132,151	84,506	6,652,948
d) periodic assessment of the regular keeping of the corporate accounts	25,182	1,636,830	18,270	1,010,359
e) audit of non-consolidated companies and accounting checks	64,170	4,686,705	61,659	4,884,571
Subtotal	669,420	53,190,000	669,420	53,550,000
Further tasks	42,228	2,744,820	61,843	3,420,000
Total for the Leonardo Group	711,648	55,934,820	731,263	56,970,000

OF WHICH LEONARDO S.p.a.				
Services	EY S.p.A.		PricewaterhouseCoopers S.p.A.	
	Effort (hours)	Fees (€)	Effort (hours)	Fees (€)
	2021-2029	2021-2029	2021-2029	2021-2029
a) audit of the Separate Financial Statements of Leonardo S.p.a.	125,955	8,187,075	145,800	8,062,963

OF WHICH LEONARDO S.p.a.				
Services	EY S.p.A.		PricewaterhouseCoopers S.p.A.	
	Effort (hours)	Fees (€)	Effort (hours)	Fees (€)
	2021-2029	2021-2029	2021-2029	2021-2029
b) audit of the Consolidated Financial Statements of the Leonardo Group	103,563	6,731,595	59,400	3,284,911
c) limited audit of the Consolidated brief half-year financial report	33,588	2,183,220	35,100	1,941,084
d) periodic assessment of the regular keeping of the corporate accounts	16,794	1,091,610	13,500	746,571
Subtotal	279,900	18,193,500	253,800	14,035,527
Further tasks	42,228	2,744,820	61,843	3,420,000
Total for Leonardo S.p.a.	322,128	20,938,320	315,643	17,455,527

These fees include all the activities necessary to implement the task, including assessing the consistency of the Report of Operations with the Consolidated and Separate Financial Statements and their compliance with the law, thus verifying the version of Leonardo Spa's Consolidated and Separate Financial Statements translated into English (with issue of the related audit report) and the fulfilment of the tax obligations mandatorily charged to the auditing company on the basis of the regulations applicable in each country.

Fees also include flat-rate costs. Additional expenses may be requested only if represented by documented out-of-pocket expenses incurred for travel, in the event that the appointed auditor does not have offices in the various places of the Group Companies and, in any case, within the limit of 3% of the fees related to the activities for which the trip was necessary.

The fees may be subject to review, previously agreed between the Parties, only when exceptional and unforeseeable circumstances arise at the time of submission of the proposal, such as to determine the need for a greater number of hours and/or a different commitment of the professional categories envisaged.

The agreed fees will be revalued annually starting from 1 January 2023, to the extent of 75% of the change in the consumer price index (i.e. ISTAT index for companies under Italian law, CPI index for companies under English law, etc. ...).

As explained above, following the procedure outcome carried out, EY S.p.A. was the company with the highest overall score, followed by PricewaterhouseCoopers S.p.A.

The approval of this proposal will involve the assignment of the audit task to the same auditing company also with reference for the other companies of the Leonardo Group, subject to the approval of the bodies responsible for the companies.

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Given the above, following the selection procedure carried out, the Board of Statutory Auditors, in relation to the assignment for the financial years from 2021 to 2029 of the auditing tasks of Leonardo's accounts, with particular reference to the following activities:

- audit of the Separate Financial Statements of Leonardo S.p.a.;
- audit of the Consolidated Financial Statements of the Leonardo Group;
- limited audit of the Consolidated half-year financial report of the Leonardo Group;
- periodic assessment of the regular keeping of the corporate accounts.

CONSIDERED

- that Art. 16, paragraph 2, subparagraph 2 of (EU) Regulation No. 537/2014 provides that the motivated proposal of the Board of Statutory Auditors to the Shareholders' Meeting contains at least two possible proposals, which are alternatives to each other;
- that the same Art. 16, paragraph 2, subparagraph 2 of (EU) Regulation No. 537/2014 requires the Board of Statutory Auditors to express a duly justified preference for one of the two proposals;
- the outcome of the assessment procedure carried out by the Company;

SUBMITS

the General Shareholders' Meeting of Leonardo S.p.a. - pursuant to Art. 16, paragraph 5 of (EU) Regulation No. 537/2014, as well as Art. 13, paragraph 1, and Art. 17, paragraph 1, of Decree No. 39/2010 - alternatively, the proposals, relating to the years 2021 to 2029, prepared by EY S.p.A. and PricewaterhouseCoopers S.p.A., whose economic items (fees) and total effort (hours) for the above activities have been highlighted in detail previously.

EXPRESSES

its preference in favour of EY S.p.A., as the relevant quotation achieved an overall higher score on the basis of the above.

DECLARES

that the above proposal has not been influenced by third parties and that none of the clauses of the type indicated in Art. 16, paragraph 6, of (EU) Regulation No. 537/2014 applies¹.

With reference to the procedures for carrying out the Shareholders' Meeting works, the Shareholders are informed that the overall proposal of the Board of Statutory Auditors detailed above involves that the proposal to entrust the independent audit task to EY S.p.A. will be subjected to the vote first and, only in the event that this proposal does not reach the votes required for its approval, the proposal to entrust the same assignment to PricewaterhouseCoopers S.p.A. will be subjected to the vote.

Milan/Rome

27 March 2020

The Board of Statutory Auditors

¹ Art. 16, paragraph 6, of (EU) Regulation No. 537/2014 establishes that "any clause of a contract entered into between a public interest entity and a third party aimed at limiting the choice of the Shareholders' Meeting or of the members of the entity referred to in Article 37 of Directive 2006/43/EC to certain categories or lists of independent auditors or audit firms as regards the assignment of the task to a particular auditor or audit firm, the execution of the independent audit of the accounts of the above-mentioned entity is null and void".