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The Leonardo Group

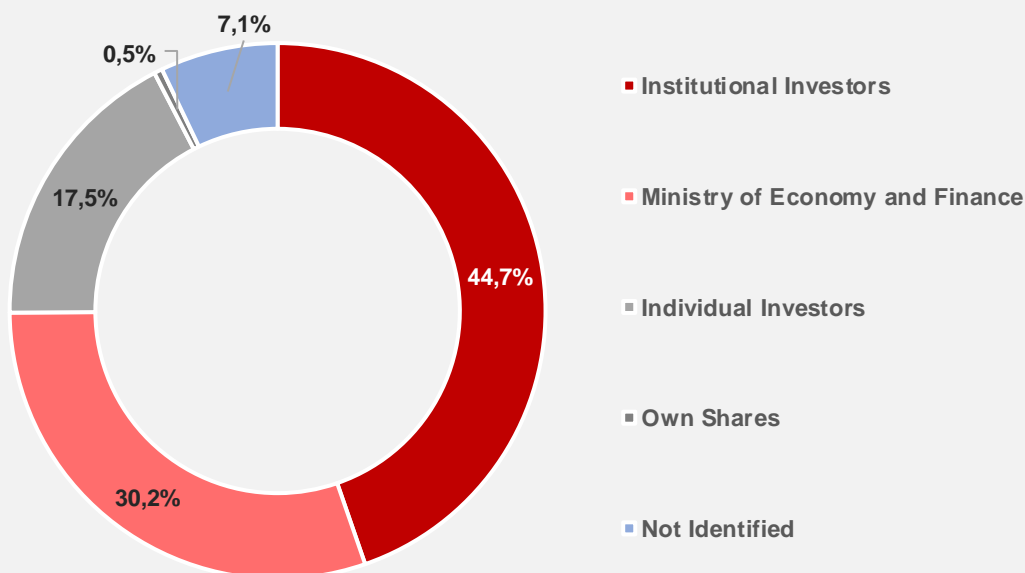
Leonardo SpA is a global high-tech company in the Aerospace, Defence and Security sectors. The Company is based in Italy and employs nearly 50,000 people; it has a significant industrial presence in four markets (Italy, the United Kingdom, the USA, Poland and Israel) and strategic partnerships in the major international markets with high potential.

L Leonardo SpA has an organisational structure divided into five Divisions and also operates through subsidiaries and joint ventures (including Telespazio and Thales Alenia Space, joint ventures with Thales, ATR, joint ventures with Airbus and MBDA).

Highlights (31/12/2022)



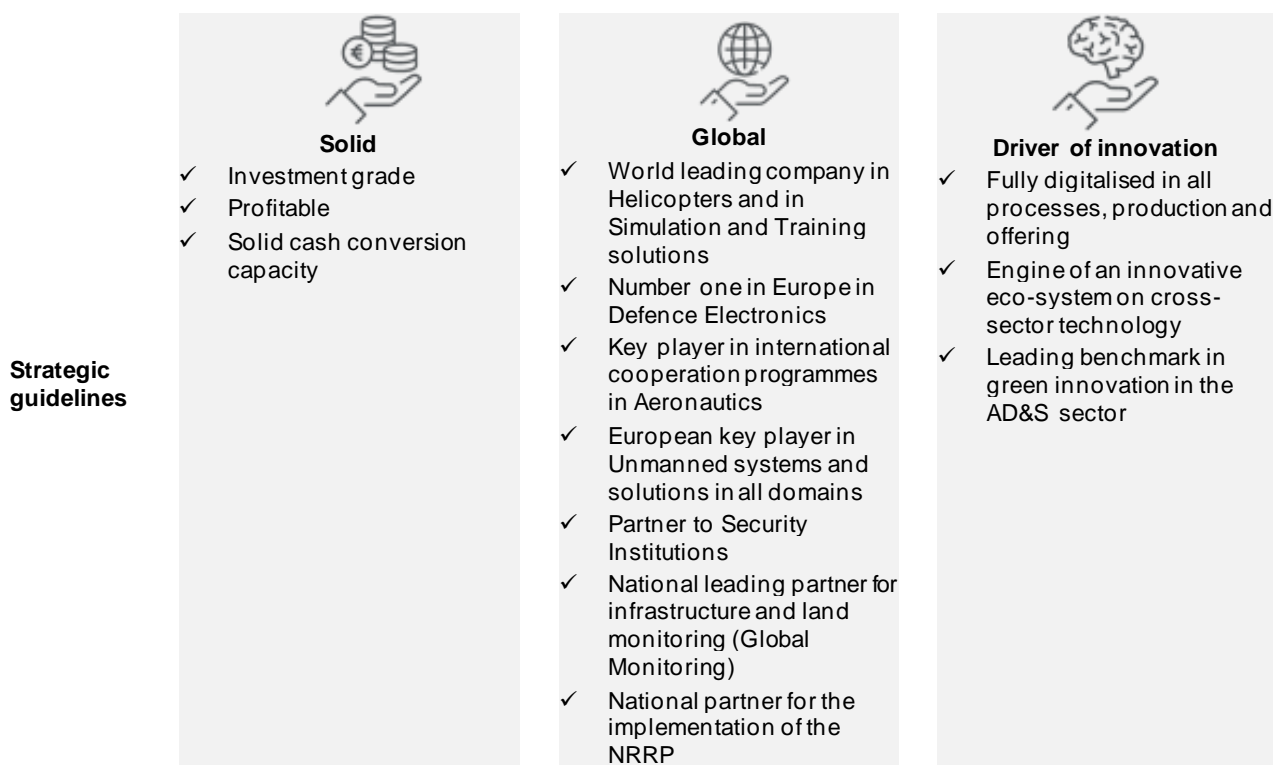
Shareholding structure (February 2022)



Leonardo Strategic Plan: “Be Tomorrow – Leonardo 2030”

In 2020 Leonardo launched the “Be Tomorrow – Leonardo 2030” Plan, a renewed strategic vision projected over the next years, even to adapt periodically and with the necessary flexibility to the changing relevant context, leveraging its technology skills, as well as its human and intellectual capital.

“Be Tomorrow – Leonardo 2030” identifies the Group’s strategic guidelines, with the aim of making the company even more solid, global and a driver of innovation.



This ambitious objective is based on three main lines of sustainable growth:

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

- increasing the critical mass in strategic areas, in particular Helicopters, Electronics, Cyber security and Unmanned vehicles, to strengthen its organisation and gain leadership positions at international level;
- strengthening its footprint in global markets;
- evolving its business approach from being a supplier of products to becoming a global partner.

Transform to Grow – Transform processes to make the organisation more modern and flexible and seize new opportunities:

- diversifying the business portfolio, enhancing cross-sector and distinctive competencies - Digitisation, Command and Control, Connectivity, Cyber Security;
- meeting the needs of our customers more and more efficiently, with innovative service-based offer models (X-as-a-Service), measuring customer satisfaction on an ongoing basis and excellence in Simulation & Training solutions and systems;
- investing in people and skills to be able to support business ambitions.

Master the New – Create new technologies and new high-tech markets to lead innovation:






- through Leonardo Labs, technology incubators for the development of innovative competencies across all the Group's business;
- increasing the share of investments in research activities;
- focusing on Intelligent Autonomous Systems to achieve leadership in all domains.

On this basis, Leonardo, as a leading industrial and technological company, intends to act as a driver for development to give its contribution to **global safety and progress**:

- by contributing to digital independence and autonomy in a pan-European view;
- by supporting technological sovereignty as a vital condition for the growth of the Company and of the countries in which it operates;
- by promoting a new approach to sustainability, integrated across the business, which is outlined in the Sustainability Plan, in terms of technological and process innovation, inspired by the SDGs of the United Nations 2030 Agenda and the guidelines of the European Green Deal;
- by developing new capabilities, both in civil and military sectors, in order to respond to the challenges posed by the complexity of the digital era: interdependence, interrelationship and speed of evolution.

Key strategic projects 2020-2022

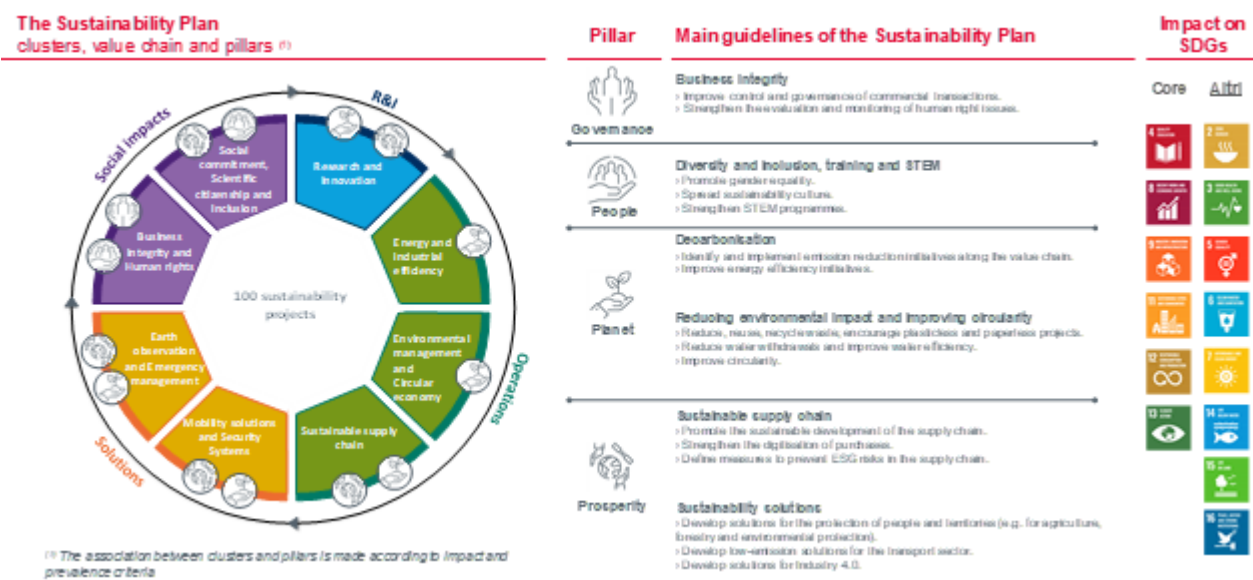
		
Strengthen Our Core	Transform to Grow	Master the New
<ul style="list-style-type: none"> ✓ Partner of the Global Combat Air Programme (GCAP) ✓ Acquisition of 30% of GEM ✓ Acquisition and merger of Kopter ✓ Acquisition of 70% of Alea ✓ Acquisition of 25% of Hensoldt ✓ Completion of the merger of RADA into Leonardo DRS and of its automatic listing 	<ul style="list-style-type: none"> ✓ Transform to Grow ✓ Launch of the LEAP programme for supply chain development ✓ Creation of Integrated Flight Training School (IFTS) ✓ Relaunch plan for Aerostructures ✓ Industrial reorganisation of Electronics Division ✓ Launch of the X-2030 platform ✓ Creation of the National Competence Hub for Digitalisation ✓ Proposal for a new offer for Global Monitoring 	<ul style="list-style-type: none"> ✓ Creation of Leonardo Labs ✓ Leadership in ESG ratings and indexes ✓ Sustainability operational model adopted by the Group ✓ Commitment to the Science-Based Target project ✓ Participation in the Skydweller programme ✓ Operation of davinci-1 supercomputer ✓ Launch of the Cyber & Security Academy ✓ Launch of the Business Innovation Factory ✓ Setting out a holistic strategy in the Unmanned systems segment





Leonardo Sustainability Plan

In line with the Be Tomorrow – Leonardo 2030 and the priorities emerged from the materiality analysis, Leonardo has drawn up a Sustainability Plan to cover the entire value chain: from research and development to operations, from customer support solutions to social impacts. The Sustainability Plan identifies eight thematic areas (clusters) on which to act to address global sustainability challenges and accelerate a sustainable and inclusive transition in the direction of the Sustainable Development Goals (SDGs). Each cluster includes specific projects, measured by KPIs acting on the ESG pillars.



The contribution of the Remuneration Policy to the company strategy

Leonardo's Remuneration Policy is designed to meet the challenges posed by the Strategic and Sustainability Plan, forming an integral part of the Industrial Plan. The link between variable incentive plans and the Industrial Plan is described below:

STRATEGIC SUSTAINABILITY PLAN		AMBITION FOR A COMPANY...			
		SOLID	GLOBAL	INNOVATIVE	SUSTAINABLE
MBO PLAN	EBITA	✓			
	FREE OPERATING CASH FLOW	✓			
	BOOK TO BILL	✓	✓		
	STRATEGIC PLAN	✓	✓	✓	✓
	DOW JONES SUSTAINABILITY INDICES		✓	✓	✓
LTI PLAN	ACCIDENT FREQUENCY REDUCTION	✓			✓
	TOTAL SHAREHOLDER RETURN	✓	✓	✓	✓
	NET DEBT	✓			✓
	RETURN ON INVESTED CAPITAL	✓	✓	✓	✓
	CLIMATE CHANGE		✓	✓	✓
	GENDER DIVERSITY (STEM AREA)		✓	✓	✓



Evolution of Leonardo's remuneration policy during the term of office

Starting from 2020 Leonardo has laid the foundations for a remuneration policy aimed at increasing competitiveness in the long term and ensuring the achievement of sustainable success.

During its term of office, the Board of Directors has in fact supported the development of Leonardo's remuneration strategy, based on evidence deriving from specific market benchmarking analyses and through the continuous involvement and listening to all stakeholders; at the same time it has carried out, year after year, a careful review of the Report, in order to align the remuneration system with the Group's objectives and strategy, with a view to pursuing sustainable success and creating value in the long term.

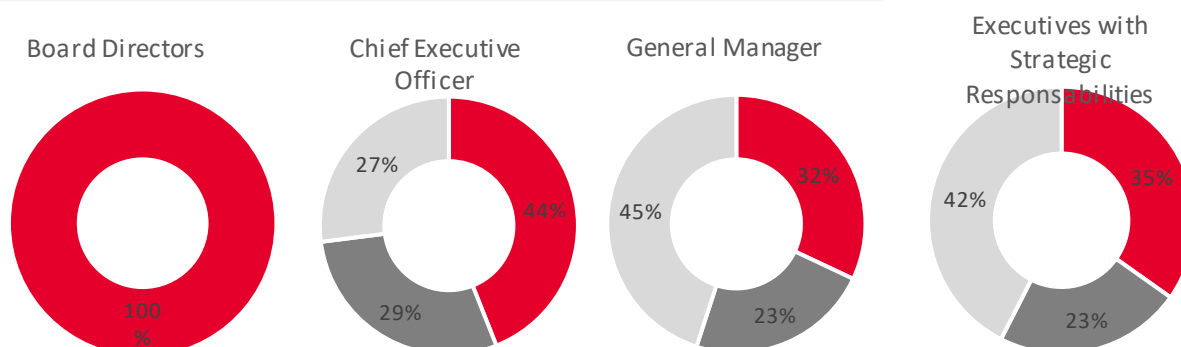
Specifically, the actions taken by Leonardo during the three-year period from 2021 to 2023 were aimed at:

- Strengthening the link between remuneration and sustainability strategy through the increase in the weight of the ESG component in the scorecard of the short-term plan and the focus on ESG indicators pertaining to the environmental sphere and of Diversity, Equity & Inclusion, as far as the long-term plan is concerned;
- Strengthening the variable incentive systems in order to make them even more aligned with market best practices, linking them to a structured set of objectives capable of assessing performance as a whole;
- Improving disclosure on the process and areas in which exceptions may be made to the remuneration policy, in the exceptional cases provided for by the Consolidated Law on Financial Intermediation (TUF);
- Aligning the remuneration policy with market best practices and the instructions from proxy advisors, in the area of severance and non-competition agreements,

L The 2023 Remuneration Report, which is in substantial continuity with the previous Report, represents a stage in the process of reviewing Leonardo's remuneration policy, aimed at ensuring ever greater alignment between the interests of all stakeholders..

Pay mix

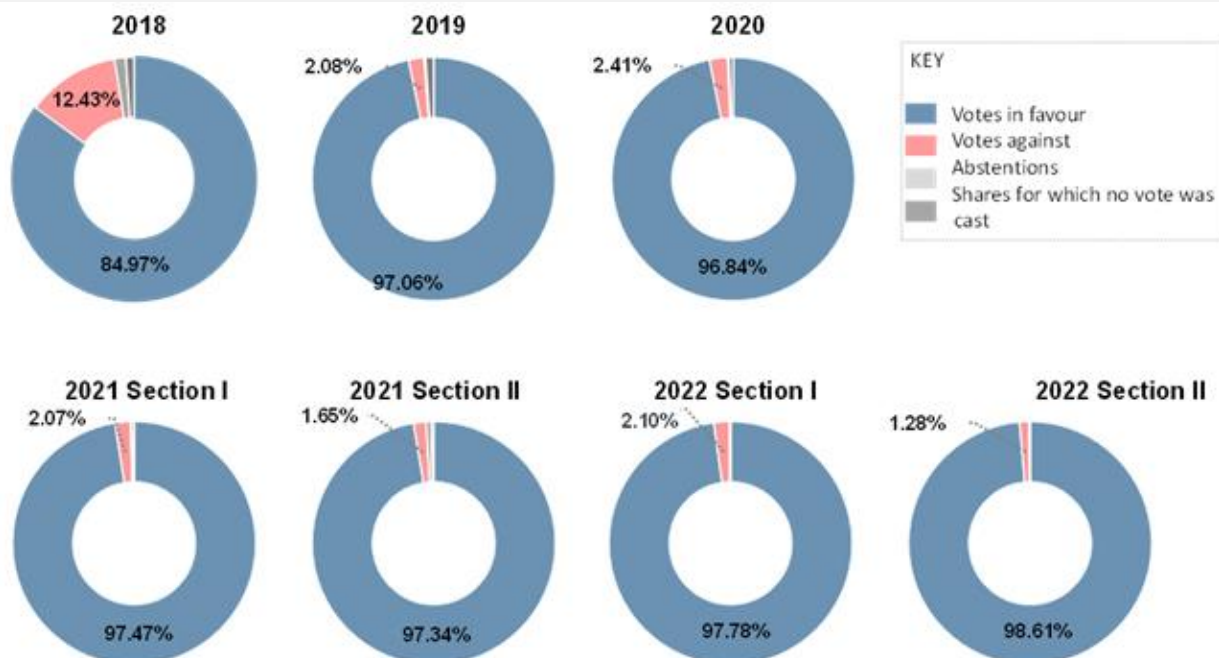
The chart shows the overall Pay Mix on the basis of the target incentives (which for the CEO is equivalent to the maximum incentive) set out within the scope of the short-term incentive plan - MBO and of the share Plan ILT 2023-2025.



■ Fixed Remuneration ■ Short-term Variable Remuneration ■ Long-term Variable Remuneration

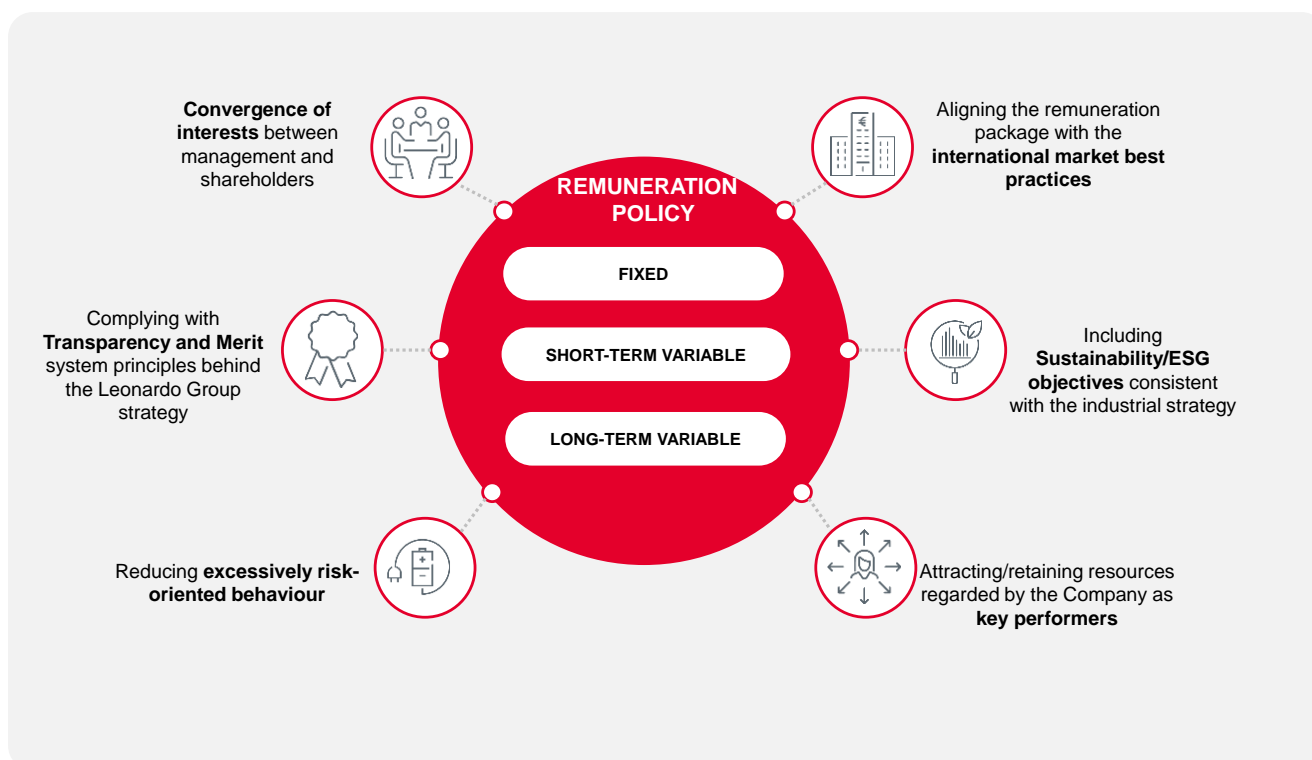
Trend of voting results (2018 - 2022)

The following graph shows the trend of voting at Shareholders' Meetings relating to the contents of Section I on the remuneration policy in the last five years (2018-2022). It shows a substantially positive trend of votes in favour in these years. The results in general and especially the reasons given for votes against cast at the 2022 Shareholders' Meeting, even through stakeholder engagement and the monitoring of recommendations from proxy advisors, have been taken into account in considering and evaluating the updates and improvements made to the Remuneration Policy and this document.



Principles, Aims and Governance of Remuneration Policy

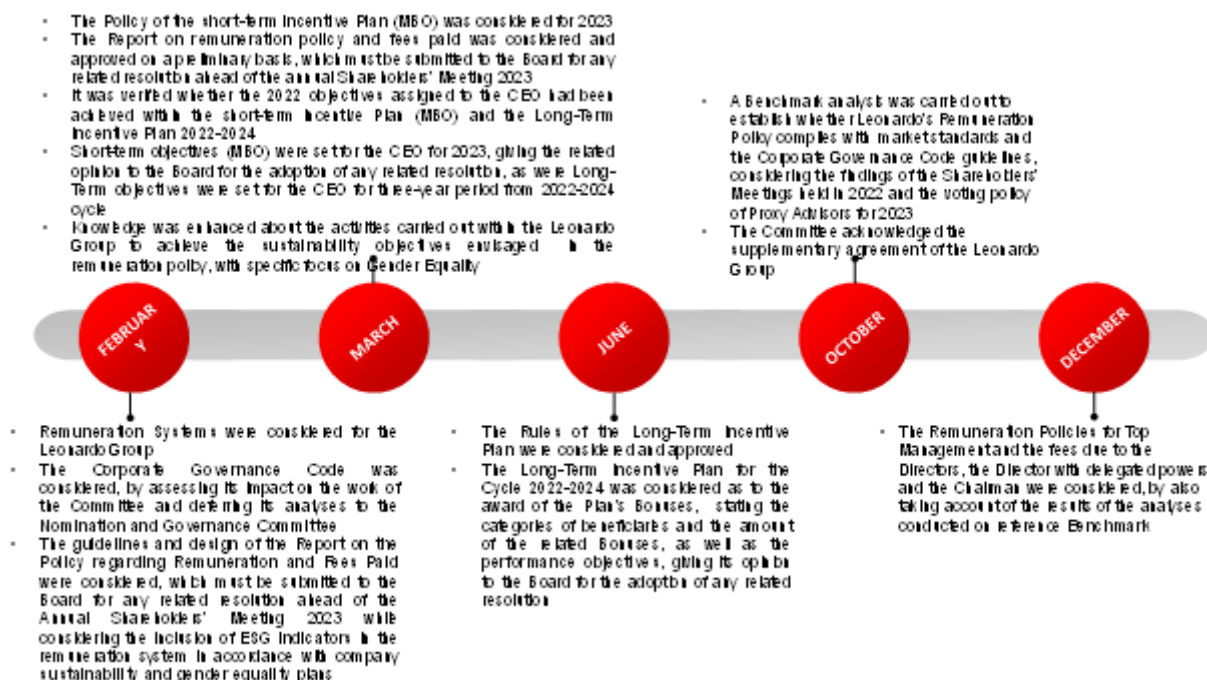
The remuneration policy sets out the principles and the guidelines to determine the remuneration of the members of the Board of Directors, as well as the specific criteria through which the remuneration of the Group's management is established, in accordance with the Governance model adopted by the Company and the recommendations laid down in the Corporate Governance Code.



Governance

The Leonardo Group has arranged a process of **Governance of remuneration systems, which involves both corporate bodies** (Shareholders' Meeting, Board of Directors, Remuneration Committee and Board of Statutory Auditors) **and some Corporate Organisational Units** (Chief People, Organization Officer Unit, as well as other Organisational Units with specific expertise in the matters dealt with)

Attività svolte dal Comitato per la Remunerazione nel 2022



Remuneration Policy 2023

The following section provides a summary of the 2023 policy elements, without prejudice to the powers of the Shareholders' Meeting and of the newly-appointed Board of Directors to set out fees pursuant to Article 2389, paragraph 1, and Article 2389, paragraph 3, of the Italian Civil Code, respectively.

> Board of Directors

For the corporate bodies, except for some directors who are vested with specific duties (CEO), the **remuneration consists exclusively of a fixed element:**

Position	Fees under art. 2389, paragraph 3	Fees under art. 2389, paragraph 1
President of BoD	€ 400.000	€ 90.000
CEO	€ 920.000	€ 80.000
BoD Member	-	€ 80.000

Below are the Fees payable for the participation in the **Board Committees and in the Board of Statutory Auditors:**

Position	Fees
Chairman of the Board Committee	€ 7.500
Member of the Board Committee	€ 2.500
Attendance fee (for each Committee meeting)	€ 2.000
Chairman of the Board of Statutory Auditors	€ 80.000
Member of the Board of Statutory Auditors	€ 70.000



> Chief Executive Officer

Variable Remuneration

Variable remuneration is divided into a **short-term component** (MBO Scheme) and a **long-term component**.

Short-term Variable component

The aim of the short-term variable component is **to encourage the achievement of the annual objectives laid down in the Company's budget and in line with the business plan** for the relevant year. The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved and provides for the following payment of the Bonus (for the CEO is equivalent to the maximum bonus):

	Target Bonus	Target Bonus (% Fixed Remuneration)
CEO	€ 660.000	66%

Performance Gate and Objective Table - MBO:

	Type of objective	Objective	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Group Economic and Financial	Group EBITA	30%	On / Off	€ 1.260 Mln € 1.310 Mln	In one or both the following thresholds are not achieved: • Group EBITA: 85% of Budget • Group FOCF: 100% of Budget The bonus relating to both KPIs is set to zero
		Group Free Operating Cash Flow (FOCF)	30%	Range Payout: 100%-150%	Ca. € 600 mln	
	Strategic	Book to Bill	15%	On / Off	≥ 1	
		Launch of 3 new lines of research for Leonardo Labs	15%	On / Off	Strategic Plan	
	Sustainability	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%	On / Off	Inclusion of Leonardo	
		Reduction in average accident frequency rate	5%	On / Off	$I_f \leq 3,3$	

If the target is over-performed for the FOCF indicator (the only one for which over-performance is envisaged), this does not entail the over-performance of the overall short-term variable incentive. In fact the maximum amount set for this remuneration component is equal to the target. Therefore, a payout >100% for FOCF is awarded only if other objectives are not achieved to target.

Long-term Variable Component

The Shareholders' Meeting held on 19 May 2021 approved the Long-Term Incentive Plan of Leonardo.

While maintaining the main architectural elements unchanged, the Incentive Plan has introduced, at a structural level, sustainability performance objectives consistent with the Strategic Plan, as well as the strengthening of the pay-for-performance link by designing payout curves for all objectives.

The long-term incentive plan is divided into 3 three-year cycles, each starting from the year 2021, 2022 and 2023.

The incentive is **fully expressed in ordinary Leonardo S.p.A. shares**.

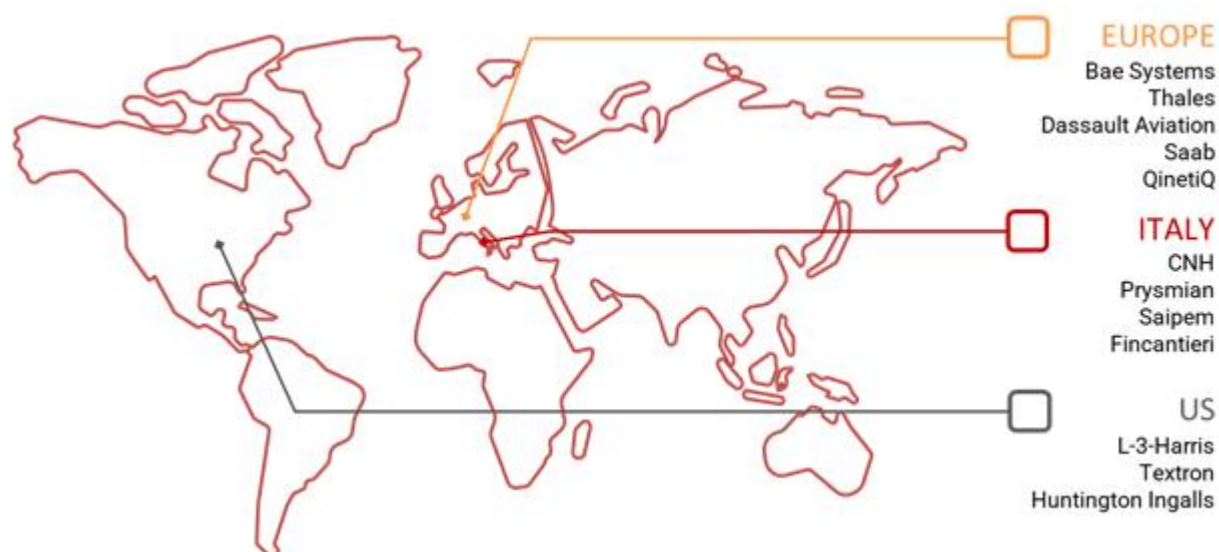
	Target Bonus	Target Bonus (%Fixed Remuneration)
CEO	€ 620.000	62%

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

KPIs	Weight	Reference Financial Periods	Performance Range (target / guidance)	Payout Range
Relative Total Shareholder Return	35%	2025 (Δ vs 2023)	1 2 3 4 5 6 7 8 9 10 11 12 13	100% 100% 100% 100% 50% 50% 25% 0% 0% 0% 0% 0% 0%
Group Net Debt	25%	2025	Target (< ~€ 1.600 Mln)	100%
			Minimum	50%
Returned on Invested Capital	20%	2025	Target (~13%)	100%
			Minimum	50%
Climate Change (Reduction in Emissions of scopes 1 and 2)	10%	2025	32,0	100%
			Minimum	50%
Gender diversity (% of women of total new hires with STEM degree)	10%	2023-2025	26%	100%
			Minimum	50%



Below it is detailed the **Peer Group** selected for the **Relative TSR**:



Pay in the event of termination of office or of employment

In accordance with the recommendations in the Corporate Governance Code, the severance pay is set by providing for a maximum limit that is not higher than two years' remuneration. In any case of revocation of the appointment as Chief Executive Officer and/or of early expiry of the term of office and/or of termination of employment on the part of Mr. Profumo due to just cause, an amount will be paid on account of indemnity and compensation payment, equal to 24 monthly fees; the reference taken for the fixed component will consist of the amount envisaged for his annual fixed remuneration (in accordance with art. 2389, paragraphs 1 and 3, of the Italian Civil Code), while as regards the short-term variable component it will consist of the average of the amount received or accrued in the three years before the expiry of the term of office. The amount calculated in this manner shall be paid together with any other sum due in relation to the termination of employment.

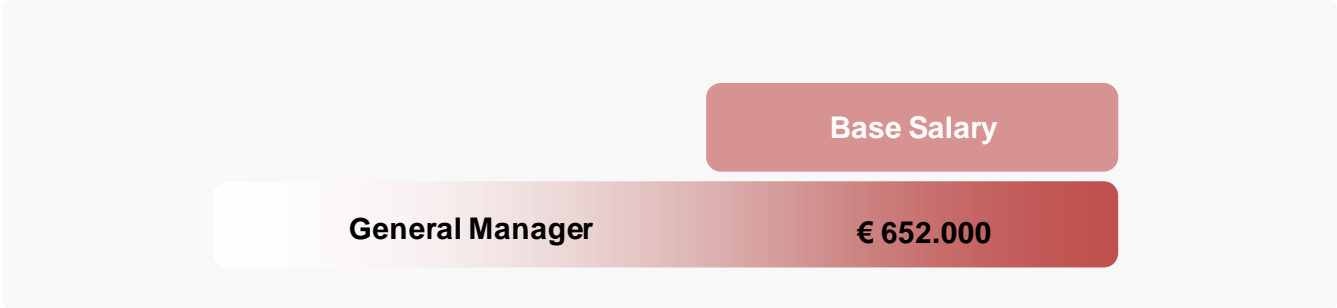
Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver, the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of Good Leaver, the rights granted under the Plan will be lost.

It should be noted that the position of Chief Executive Officer is held exclusively within an employment relationship that will end when the term of office of the Board of Directors expires with the Shareholders' Meeting called to approve the 2022 financial statements, expected in May 2023, and, therefore, there is no provision for a notice period.

> General Manager

Fixed Remuneration

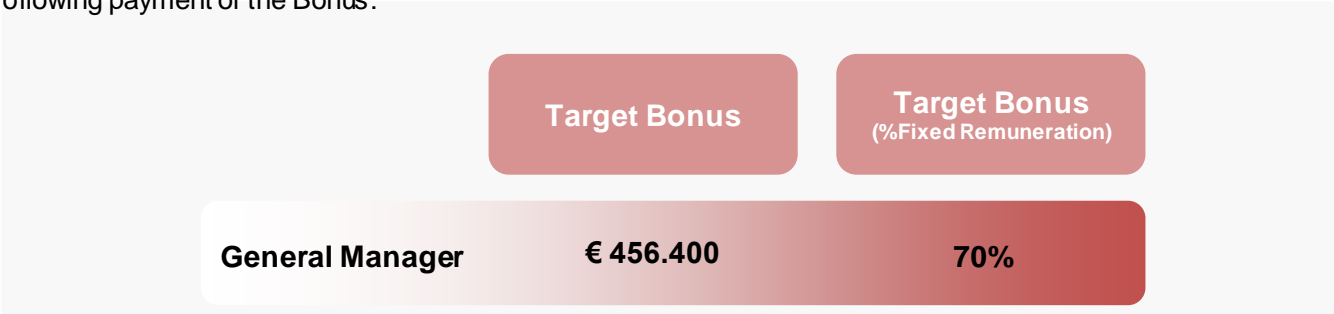


Variable Remuneration

Variable remuneration is divided into a **short-term component** (MBO Scheme) and a **long-term component**.

Short-term Variable component

The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved and provides for the following payment of the Bonus:



In the event of over performance, this value can be increased up to a maximum of approximately 82%.



Performance Gate and Objective Table - MBO:

	Type of objective	Objective	Weight	Functioning mechanism	Target / Guidance	
Performance Gate	Group Economic and Financial	EBITA di Gruppo	25%	On / Off	€ 1.260 Mln € 1.310 Mln	In one or both the following thresholds are not achieved: • Group EBITA : 85% of Budget • Group FOCF: 100% of Budget The bonus relating to both KPIs is set to zero
		Free Operating Cash Flow (FOCF) di Gruppo	25%	Range Payout: 100%-150%	Ca. € 600 mln	
	Strategic / Role	Launch of 3 new lines of research for Leonardo Labs	15%	On / Off	Strategic Plan	
		Achievement of Milestones envisaged for the Corporate Value Creation project for 2023	25%	Range Payout: 100%-120%	Strategic Plan	
	Sustainability	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%	On / Off	Inclusion of Leonardo	
		Reduction in average accident frequency rate	5%	On / Off	$I_1 \leq 3,3$	

Long-term Variable Component

The General Manager is a beneficiary of the Long-Term Incentive Plan of Leonardo.

The functioning methods and mechanisms of the Plan are the same as those described above for the Chief Executive Officer.

he maximum bonus relating to the 2023-2025 three-year cycle is as follows:

Target Bonus (% Fixed Remuneration)	
General Manager	140%

Pay in the event of termination of office or of employment

With regard to the severance indemnity payable to the General Manager, who works for the Company under a permanent management employment contract, no agreement is envisaged in order to regulate in advance the pay conditions relating to the early termination of employment, except for the severance indemnity fees established by the relevant national collective bargaining agreement (CCNL for Executives of companies that provide goods and services). This agreement provides, in addition to specific rules on notice periods, for an indemnity that is set according to the length of service, up to a maximum of 24 months' total remuneration (Gross Annual Fees and variable remuneration).

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay envisaged in the relevant National Collective Bargaining Agreement.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver, the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of Good Leaver, the rights granted under the Plan will be lost.

> Executives with Strategic Responsibilities

Fixed Remuneration

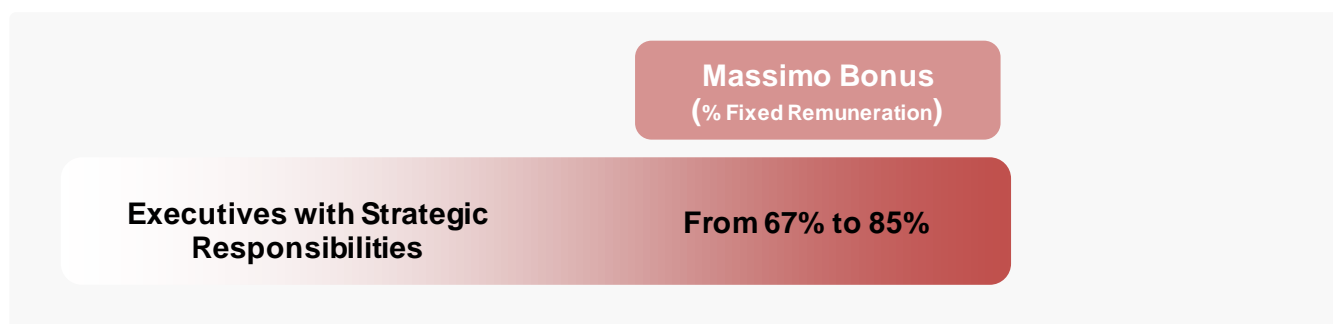
It is such that it **adequately remunerates the services** in relation to the assigned duties and responsibilities. The fixed remuneration of Executives with Strategic Responsibilities, Top Management and other managerial resources is **proportionate to the responsibilities assigned to them** and to the target market positioning..

Variable Remuneration

Variable remuneration is divided into a **short-term component** (MBO scheme) and a **long-term component**.

Short-term Variable Component

The MBO Scheme is structured in a manner which creates a transparent link between monetary remuneration and the degree to which the annual objectives have been achieved and provides for the following payment of the Bonus:



II The MBO Scheme for Executives with Strategic Responsibilities and other Top Management members is subject to the following structure of performance targets:



	Type of objective	Objective	Weight	Target / Guidance	
Performance Gate	Group Economic and Financial	Group EBITA	from 20% to 25%	€ 1.260 Mln - € 1.310 Mln	In caso di mancato raggiungimento di una delle seguenti soglie o di entrambe: • EBITA di Gruppo: 85% del Budget • FOCF di Gruppo: 100% del Budget Si prevede l'azzeramento del premio relativo ad entrambi i KPIs
		Group Free Operating Cash Flow (FOCF)	from 20% to 25%	Ca. 600 € Mln	
	Business / Function Objectives	Business objectives set according to the responsibilities assigned to each role (e.g. Division EBITA, Division FOCF)	from 40% to 50%		
	Business / Function Objectives	Inclusion of Leonardo in Dow Jones Sustainability Indices	5%		
		Average accident frequency rate	5%		

Long-term variable remuneration

Executives with Strategic Responsibilities, the Top Management and other Managerial resources are beneficiaries of the Long-term Incentive Plan of Leonardo.

The methods and mechanisms of operation of the Plan are the same as those described previously for the Chief Executive Officer.

The maximum bonus relating to the 2023-2025 three-year cycle for ESG and the Top Management is as follows:

	Target Bonus (% Fixed Remuneration)
Executives with Strategic Responsibilities	140%

Pay in the event of termination of office or employment

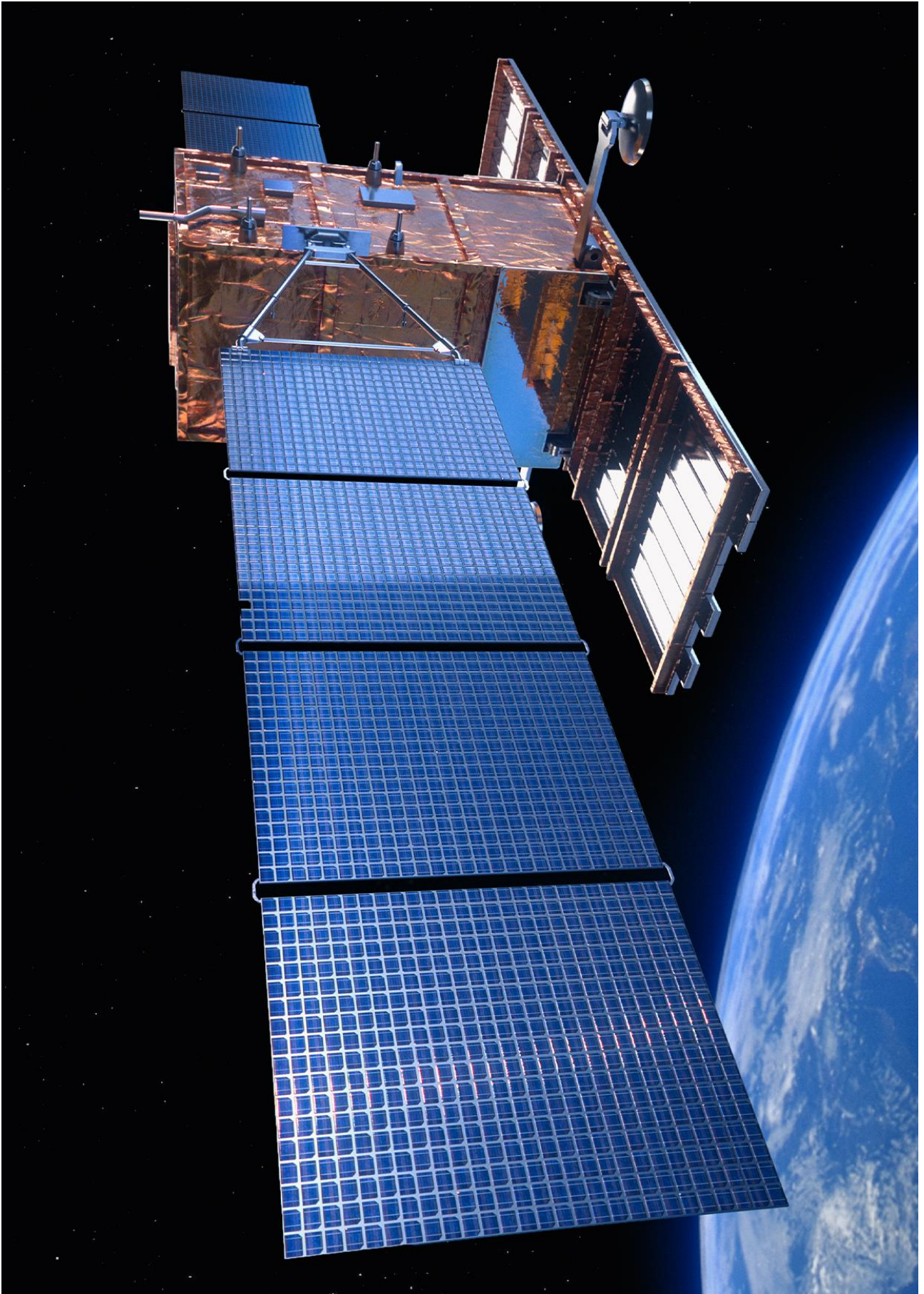
As regards termination indemnities of Executives with Strategic Responsibilities, working for the Company under a permanent employment contract for their category, the Company has been adopting for some time a policy for which, as a rule, it does not sign agreements covering in advance the pay conditions of early termination of the employment relationship, except for the termination benefits set in the National Collective Bargaining Agreement for the relevant sector (CCNL for Executives of companies providing goods and services). This agreement provides, in addition to specific rules on notice periods, for an indemnity that is set according to the length of service, up to a maximum of 24 months' total remuneration (Gross Annual Fees and variable remuneration).

There are still in place individual agreements entered into in the past that govern in advance the effects of the early termination of employment, in lieu of the pay schemes provided for by the relevant National Collective Bargaining Agreement, set within the maximum limits of the safeguards set out in the same Agreement.

Non-competition agreements, where entered into, are included within the limits of the treatment envisaged in the event of termination of office and, therefore, included in the maximum limit of severance pay envisaged in the relevant National Collective Bargaining Agreement.

With regard to the rights granted under Long-Term Incentive Plans, if termination falls within the cases of Good Leaver, it is envisaged that the rights will be maintained on a pro-rata temporis basis, subject to establishing whether the performance objectives have been achieved according to the times and methods prescribed by the Plan. If termination does not fall within the cases of Good Leaver, the rights granted under the Plan will be lost.







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