

TRADE COMPLIANCE

Abstract – Risk Analysis process in
Monitoring Politically Sensitive
Transactions



1. SCOPE

The present abstract aims at providing an overview of the risk analysis process related to the monitoring of 'Politically Sensitive Transactions' (PST). The Risk Analysis process is an integral part of the 'Trade Compliance Programme' (TCP).

2. GENERAL PRINCIPLES

Leonardo complies with any applicable sanctions regimes including but not limited to the United Nations, the European Union and the US Department of Treasury OFAC. Therefore, the Trade Compliance Programme is designed to ensure that all business activities are performed in compliance with the relevant obligations related to embargoes, sanctions and/or any other trade restriction. The 'Sensitive Countries List' (SCL) does include any country subject to such restrictions. Any transaction directly or indirectly related to a country which is listed in the SCL must pass through a validation process by Leonardo Trade Compliance Organization. One phase of such process aims at assessing the risks involved in the PST via a Risk Analysis template including a Risk Score Grid and a Mitigation Risk Register.

3. PROCESS FRAMEWORK

The risk analysis process starts at reception of the PST Notification via the PSTN form by the relevant Trade Compliance person who is responsible for the specific business area. Further to the analysis of the data contained in the PSTN and having screened the identified customer and/or end-user via relevant database screening tools, Trade Compliance shall process a new Risk Analysis template.

4. SUMMARY

The Risk Score Grid includes sixteen Trade Compliance 'red flags' belonging to four main categories: Know Your Customer, Export Controls, Sanctions and Territory.

- **Export Controls:** this risk category aims at assessing the red flags related to any applicable export control laws and regulation concerning the potential PST in relation to, among other, the Export Control Classification, the involved jurisdiction(s), the required license approval(s) and reporting activities.
- **Know Your Customer:** this risk category aims at assessing the red flags related to the concerned party either customer and/or the end-user, including their parent companies and/or any linked entity subject to restrictions or sanctions, or having been identified as a denied party by UN, EU, UK or US either applicable to the potential PST or not.
- **Sanctions:** this risk category aims at assessing the red flags related to any embargoes, sanctions or any other trade restrictions applying to SCL country where the potential activities related to the PST shall take place or where the concerned party either customer and/or end-user is registered and/or located.
- **Territory:** this risk category aims at assessing the red flags related to the risk of corruption.

The sixteen red flags are further divided in so-called 'Gates' and 'Drivers'. There are four Gates and twelve Drivers.

- The **Gates** are immediate risks that the company deem to be 'not acceptable' in line with its full compliance policy.
- The **Drivers** are risks that can affect the business activities and therefore may require specific mitigation measures.



If processing the PST Risk Analysis the trade compliance person triggers a Gate within the Risk Score Grid then the PST risk is ‘not acceptable’ and therefore not allowed and no activity can be carried out.

Example A - Gate: *The concerned party - customer and/or end-user - is a sanctioned entity and/or if, among other, its parent company is a ‘Specific Designated National’ (SDN).*

If the PST does not involve any Gate but one or more Drivers are triggered then the Risk Score Grid shall provide the level of risk corresponding to the given transaction. Such level can potentially be “low” or “medium” or “high”. The different risk levels may require additional checks, documentation and validation as part of the process.

Example B - Driver (i): *if the potential business activities shall be carried out in a Sensitive Country subject to trade restrictions not applying to the relevant category of product and/or export control classification and/or type of activity. This event is not preventing the activity to occur. Nevertheless, specific mitigation measures may be required.*

Example C - Driver (ii): *if the Transparency International Corruption Perception Index (CPI) score corresponding to the Sensitive Country is in the range between 0 and 49 then the transaction is considered to occur in a high level of corruption Territory. In such case, the transaction may require the definition of specific mitigation actions with the increase of the level of controls already in place.*

Example D - required additional checks, documentation and validation: *unless the risk score is “low”, the responsible Trade Compliance person shall complete a ‘Mitigation Risk Register’ (Register) identifying the “cause”, “event” and “effect” as well as the potential impact and the relevant mitigation measure and the “action owner”.*

5. ADDITIONAL FOCUS ON TRANSACTIONS.

The PST notification process applies to **any contract proposal, offer, order, agreement and/or contract**, directly or indirectly related to a Sensitive Country, including those signed by **customers, end-users, commercial advisor and/or sales promoters** that may involve any activity of **import, export and/or transfer of items and/or technical data including software.**

6. LIST OF SENSITIVE COUNTRIES*

1. Afghanistan	19. People's Republic of China, excluding Hong Kong and Macau
2. Belarus	20. Russia
3. Burma	21. Sierra Leone
4. Central African Republic	22. Somalia
5. Cyprus	23. Sri Lanka
6. Cuba	24. South Sudan
7. Democratic Republic of Congo	25. Sudan
8. Eritrea	26. Syria
9. Fiji	27. Ukraine
10. Haiti	28. Venezuela
11. Iran	29. Vietnam
12. Iraq	30. Yemen
13. Ivory Coast	31. Zimbabwe
14. Lebanon	
15. Liberia	
16. Libya	
17. Moldova	
18. North Korea	

* The list of Sensitive Countries is periodically updated by the Trade Compliance Officer.

