

BUSINESS COMPLIANCE

Abstract of the Directive on
Commercial Advisors, Sales Promoters
and Lobbyists



Company General Use

1. FRAMEWORK AND SCOPE

Leonardo conducts its business in compliance with the principles of loyalty, fairness, transparency, efficiency, obedience to the law and the values expressed in the Code of Ethics and the Anti-Corruption Code and requires a similar behavior from everyone with whom it holds business and/or financial relationships of any nature whatsoever, particularly when they involve the choice of other parties in transactions, suppliers, business partners, consultants etc.¹.

This Directive defines the general principles and rules related to the selection, assessment and appointment of Commercial Consultants, including Commercial Advisors (CA), Sales Promoters (SP) and Lobbyists (LO) (external and in-house), as well as to the drafting and managing of the related contracts by the Subsidiaries² of Leonardo S.p.a., namely all its directly and indirectly controlled domestic and foreign companies (hereunder referred to also as “Subsidiary”, “Subsidiaries”, “Company” or “Companies”).

Leonardo’s Subsidiaries, on the basis of this Directive, implement said principles in specific procedures in order to ensure compliance with relevant national and international laws and regulations, confirming thereby the position of zero-tolerance against corruption and, in general, against any unethical conduct in violation of the rules and, as such, contrary to the values and standards of Leonardo S.p.a.³.

2. GENERAL PRINCIPLES

The process is based on compliance with applicable rules and regulations (national and international), in accordance with the principles set forth in the Organizational, Management and Control Model, as per Italian Legislative Decree 231/01 for those Subsidiaries under Italian law that have implemented such Model, or with the relevant regulations in force in other jurisdictions having similar objectives, as well as the Code of Ethics and the Anti-corruption Code of Leonardo S.p.a.

In particular, the principles that must be complied with are:

- identification and segregation of responsibilities;
- clear designation of signing authority;
- clarity and simplicity;
- impartiality and absence of conflicts of interest;
- traceability and accurate record-keeping.

Any conduct by persons other than the personnel of the Leonardo Group in breach of the Anti-Corruption Code or the Anti-corruption law, will be examined to evaluate whether it is necessary to adopt appropriate measures, such as unilateral termination of the contract, and will be provided by specific contractual clauses⁴.

¹ Leonardo Code of Ethics, pag. 14, English Version.

² The appointment, as well as the execution and management of relevant contracts, by Leonardo S.p.a is governed by the Guidelines n.2/2018 (see relevant Abstract on the website).

³ Leonardo S.p.a. is the first company among the top ten global players in the Aerospace, Defense and Security sector to obtain ISO 37001:2016 "Anti bribery management systems" certification, the first international standard for anti-corruption management systems.

⁴ Leonardo Group Anti-Corruption Code, pag. 25, English Version.



3. GENERAL RULES OF CONDUCT

The start of the process related to the identification, selection and appointment of CA, SP and LO shall always be consequent to valid, clear and substantiated commercial reasons. The assignment can be granted only and exclusively in full compliance with the rules described in this Directive.

4. SUMMARY

The use of intermediaries is known to represent one of the largest corruption risk area in conducting business worldwide. For this reason, Leonardo strives to continuously strengthen its risk management and internal oversight control systems in order to prevent, detect and respond to corruption and unethical behavior, with a zero-tolerance approach.

The commercial advisory agreements are related to the provision of services in favor of the Subsidiary in support of commercial policies, strategies or activities or in support of offset agreements related to industrial compensation.

Sales promotion agreements, instead, aim to support the awarding of a contract for the supply of products or services by the Subsidiary, however – in accordance with the principles set out in this Directive – SP do not act in the name of and on behalf of the Subsidiaries.

Lobbying agreements, obviously only where permitted by the relevant legislation, aim at advocating the Subsidiary's interests and supporting its position in the legislative and administrative bodies of the territory in a responsible manner⁵.

For proper information, the following table describes the details of the contracts in force as of December 31st 2020, for the Leonardo Group with reference to SP/CA/LO.

Number of contracts in force as of December 31st 2020

TYPE	Leonardo S.p.a.	Leonardo Subsidiaries
SP	92	39
CA	15	12
LO	0	6
MULTIPLE TYPE	0	3
TOTAL	107	60

The process related to the identification of the CA/SP/LO is based on criteria of transparency, competence, cost-efficiency and fairness and the proposed remuneration must be consistent with respect to the activities to be performed by the CA/LO or, in case of an SP, to the customary practice for similar products/services in the territory and normal market values or amounts usually foreseen in the commercial praxis. The preliminary identification of the SP/CA/LO falls under the responsibility of the sales team and is performed

⁵ For more details, please refer to "Focus on responsible Lobbying".



prior to the Business Compliance verification process. Such identification is carried out with the support of an IT "tool" which, through the use of objective evaluation parameters, determines the eligibility or not of the candidate to the subsequent Business Compliance assessment phase. Only those candidates who obtain at least the minimum score, in fact, will undergo the subsequent Due Diligence checks.

The Leonardo Subsidiaries, through the relevant Business Compliance organization, shall carry out an accurate analysis and evaluation of the risks associated to each commercial advisory, sales promotion or lobbying appointment (Enhanced Due Diligence) prior to the signature of the Contract, as well as afterwards during its performance. The due diligence activities are also carried out in case of any substantial modification, extension or renewal of the Contract.

The Enhanced Due Diligence consists in the following activities:

1. in-depth analysis on the legal aspects conducted by a dedicated internal Working group, based on legal opinions released by local law firms (the WG works in conjunction with the Group companies);
2. verifications on aspects of ethical and reputational nature with the support of external investigative service providers issuing specific reports;
3. analysis and evaluation of the risks, so-called "Red Flags";
4. verifications on the requirements of the CA/SP/LO with respect to the reference legislation.

During the Due Diligence activities, all candidates are required to provide a statement in which they declare to have received all relevant Leonardo documentation, including the Code of Ethics, the Anti-corruption Code and the Charter of Values. All third parties are mandatorily required to be aligned with and act in accordance with the Leonardo Code of Ethics, the Anti-Corruption Code and any relevant procedural standards and policies as well as with all applicable national and international anti-corruption and anti-bribery legislation, in order to finalize the relevant contract. These requirements are also always reflected in the contractual clauses framework.

All candidates must declare to perform ethics training to their employees.

All the above documentation and declarations as well as the successful performance of the tailored training course, as described below, are mandatorily required in order to have the possibility to collaborate with the Subsidiaries. No exceptions are allowed.

An interview of the candidate is also usually performed in order to reinforce, with a face-to-face meeting the Leonardo standards and accepted rules of conduct (i.e. zero tolerance for corruption), eventually analyzing any possible issues and doubts.

The Due Diligence activities require also the implementation of the Risk Analysis methodology by means of a Risk Score tool that measures the risk level associated to the appointment, resulting in a risk score based on the evaluation of specific Red Flags.

In particular, the Risk Score provides for six Red Flags, defined "gates", whose presence implies a "Not Acceptable" risk level, with the subsequent impossibility to proceed with the appointment.

As mere examples, the "gates" include, among others:

- impossibility to identify the final beneficial owner, that is verified – as a mandatory part of the due diligence activities – through external and independent service providers;



- convictions and/or pending criminal proceedings related to the crime of corruption or to offences that could have an impact on the intermediary's professional morality or that could in any case potentially damage the Leonardo Group's reputation;
- requests by the CA/SP/LO of indirect or anomalous or non-transparent payment methods or invoicing.

The Risk Score provides also additional ten Red Flags, defined "drivers", that identify the specific risk level of the appointment, requiring the definition and implementation of the related treatment actions.

The "drivers" include, among others:

- the "Transparency International Corruption Perception Index" related to the Territory where the services under the scope of agreement are to be performed by the CA/SP/LO;
- investigations related to corruption or to offences that could have an impact on the intermediary's professional morality or that could in any case potentially damage the Leonardo Group's reputation;
- family or professional or personal links of the CA/SP/LO (and/or its shareholders) with members of the Public Administration, Institutional Clients, State controlled companies, private entities or suppliers of the Subsidiary which may cause conflicts of interest or improper influence.

The risk level evaluation may be "low", "medium" or "high". In case of a "high" risk level, the assessment regarding the appointment requires the direct involvement of the Subsidiary's General Counsel/Head of the Legal structure, if existent, or of the different internal structure identified by the Company.

The remuneration for the CA/LO's activities consists in a fixed amount, payable in periodic milestones. The reimbursement of expenses is allowed provided that such expenses are documented, justified, reasonable and previously authorized by the competent Company units.

The remuneration for the activities carried out by the SP consists of commission (so-called success fee) that is due in case of successful award of a sales or supply contract. Remuneration is calculated as a percentage of the value of the sale or supply contract and is payable – on a pro-quota basis – following receipt of payment from the client (milestones). Even for the SP the reimbursement of expenses is allowed at the same conditions indicated for the CA/LO.

A "Fee Policy" has been defined setting limits to the percentages payable to the third party (inversely proportional to the value of the sales and/or supply contract) with a maximum amount not to be exceeded (cap).

As previously mentioned, prior to any payment in favor of the CA/SP/LO a refreshed Due Diligence is carried out in order to verify the validity of the information obtained prior to the execution of the agreement, as well as the absence of Red Flags, and in the case of an SP, the adequacy of the documentation providing evidence of the causal link between the activities performed by the SP and the awarding of the sales contract by the customer to the Subsidiary.

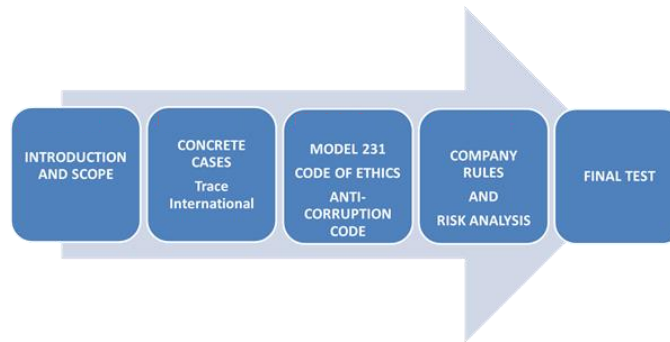
In no case payments can be made in cash or by means of not traceable methods or otherwise different from a bank transfer, nor on accounts in territories other than the one in which the SP/CA/LO has its registered office/residence.

The appointments have a validity of maximum two years.



Tailored training on ethics, anti-corruption and compliance topics is required to be performed by the third parties. The course is structured on four modules which include the content of Leonardo's Business Compliance Guidelines and Directive with a final test.

Training of third parties – Structure of the course



5. MONITORING AND REPORTING

In accordance with Leonardo oversight mechanisms of control, all the CA/SP/LO, by executing specific contractual clauses and possible additional declarations, are required to guarantee the full compliance with the Leonardo internal Codes and rules as well as with all applicable national and international anti-corruption and anti-bribery legislation of reference. Third parties are contractually obliged to submit periodic “Activity Reports” with evidence of all activities performed in relation to the appointment, substantiating all the elements necessary to identify the efforts provided in favor of the Subsidiary. All reports are scrutinized and approved by the competent Company Units, including Business Compliance structures, in order to ensure continuous oversight and monitoring and, if necessary, activate additional verifications.

In particular, the SP/CA/LO agreements provide the possibility for Leonardo Subsidiaries or any of its duly authorized representatives to access, inspect and examine documents, papers and records of the SP/CA/LO involving transactions related to the agreement, during its period of validity and in any case prior to the payment of the final instalment. Should any violation of the aforementioned contractual obligations or the non-truthfulness of the information and/or declarations be verified, either directly by the Leonardo Subsidiary or as a result of investigations conducted by an inquiring authority, the Company has the right to suspend and possibly terminate the related contract, without prejudice to the right to compensation for any damage incurred. The above provisions highlight that all CA/SP/LO are constantly monitored.

6. ANNEXES OF THE DIRECTIVE

- Annex 1 – Declaration on the State of Implementation
- Annex 2 – Procedure Activation Request (“RAP”)
- Annex 3 – Due diligence documentation
- Annex 4A – Application Form (Individuals)
- Annex 4B – Application Form (Legal Persons)
- Annex 5 – Summary Sheet
- Annex 6 – Disclaimer Letter
- Annex 7A – Representations and warranties (Individuals)
- Annex 7B – Representations and warranties (Legal Persons)



Annex 8 – Privacy Information
Annex 9 – Non-Disclosure Agreement
Annex 10 – Invoice Authorization Form (“MAF”)

Updated at 28 February 2021

