BUSINESS COMPLIANCE

Focus on responsible Lobbying
Leonardo conducts its business in compliance with the principles of loyalty, fairness, transparency, efficiency, obedience to the law\(^1\) 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.\(^2\)

Leonardo recognizes that lobbying activity gives rise to certain potential risks involving, for example, gifts and hospitality to government officials, attempting to obtain undue influence, and actual or perceived conflicts of interest. It is Leonardo policy - which applies to all employees, board members and third parties lobbying on behalf of Leonardo Spa or the Leonardo Subsidiaries throughout the world - to require strict compliance by all lobbyists (internal, external and association) performing services on behalf of the Company with the anti-corruption principles and standards of conduct set forth in Leonardo’s Code of Ethics and its Anti-Corruption Code, which expressly apply to all such lobbyists.

Lobbying appointments aim at advocating the Company's interests and supporting the Company's position in the legislative and administrative bodies of the territory in a responsible manner. The Company does not tolerate any conduct in violation of the rules and, therefore, contrary to the values of Leonardo Spa, providing for specific rules applicable to the third parties as well as contractual clauses safeguarding the Company against any improper behavior.

The conduct of all internal lobbyists - employees of Leonardo and Leonardo Subsidiaries – is monitored for strict anti-corruption compliance by their hierarchical supervisors, according to internal rules. The conduct of any association lobbyists is subject to the ongoing oversight, supervision and monitoring for strict anti-corruption compliance by the respective Leonardo S.p.a, or Leonardo Subsidiaries’ organizational structures in charge of Government Affairs/Government Relations. For the other external lobbyists the oversight control system of their conducts is, in first instance, ensured by the competent company Marketing and Sales structures and followed by a more enhanced analysis by the relevant Compliance functions, as described in this document as well as in the Abstracts of Guidelines 2/2018 and Directive 2/2019.

\(^1\) Leonardo Spa 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.

\(^2\) Leonardo Code of Ethics, pag. 14, English Version
The appointment of external lobbyists is regulated by the Guidelines 02/2018 and Directive 02/2019 of Leonardo Spa which set the principles and rules for the selection, assessment and approval of agreements related to all external commercial consultants, including those performing lobbying in territories where the local legislation permits this kind of consultancy. The Guidelines are applicable to Leonardo Spa and the Directive to all the subsidiaries worldwide. The mentioned Guidelines and Directive also establish the standards related to oversight mechanisms of control in order to counter, among others, bribery, corruption and unethical behaviour.

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 clauses.3

The process related to the selection, assessment and appointment of the Lobbyist (LO) is the same as for Commercial Advisors (CA) and Sales Promoters (SP). It requires an accurate analysis and evaluation of the risks associated to each lobbying appointment (Enhanced Due Diligence) as indicated in the abstracts of the Guidelines 2/2018 and Directive 2/2019 and the proposed remuneration must be consistent with the activities to be performed by the Lobbyist defined clearly in the specific contract.

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.

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. 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.

3 Leonardo Anticorruption Code, pag. 25, English Version
provided in favor of Leonardo. 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.

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 Leonardo training course are mandatorily required in order to have the possibility to collaborate with Leonardo. No exceptions are allowed.

With reference to Leonardo in-house lobbyists, employees who perform activities involving both formal and informal contacts with politicians and senior public officials in accordance with their role in the Company, they are subject to the general internal Codes and rules as well as to specific provisions in accordance with the relevant legislation and regulation in force.

All the Leonardo Group employees must abide (with formal commitment) with the standards and rules defined by the Code of Ethics and by the applicable Anti-Corruption Code.

Furthermore, in compliance with the Italian anti-corruption legislation, Leonardo Spa employees must submit a specific declaration certifying the Public Authorities they met, the date, place and topics discussed. All such declarations are timely submitted to the Surveillance Body for appropriate information and analysis. Likewise, Leonardo Group employees worldwide are subject to analogous monitoring and oversight mechanisms of control, structured in accordance with the criteria set by the relevant internal Company rules and applicable laws and regulations.

As far as lobbying activities in Italy are concerned, despite no laws or regulations are in force, the Presidential Office of the Chamber of Deputies of the Italian Parliament has issued a resolution dated 8 February 2017 that disciplines the activity of representing interests in the Chamber of Deputies\(^4\). Leonardo has duly and timely registered its in-house lobbyist professionals (Company employees) who carry out activities of representation of interests towards Members of the Chamber in the relevant Register\(^5\).

The main activities related to Leonardo are the following:

- monitoring of the legislative provisions of interest;
- presentation of Leonardo’s position with respect to specific topics in order to provide the legislator with useful elements for the adoption of measures;

\(^4\) [http://www.camera.it/leg18/1306](http://www.camera.it/leg18/1306)

\(^5\) [http://www.camera.it/rappresentantidiinteressi/registro_rappresentanti.html](http://www.camera.it/rappresentantidiinteressi/registro_rappresentanti.html)
• support in development of information procedures requested by the competent parliamentary bodies (parliamentary hearings);
• contacts with members, counselors and officials of the relevant committees of interest, through written (mail) and oral (meetings) communications, aimed at:
  ➢ defining Leonardo's participation in parliamentary hearings;
  ➢ providing information on Leonardo's industrial programs at international, national and local level;
  ➢ receiving parliamentary documentation related to issues of Company interest.

Furthermore, in accordance with the relevant European Union regulation, Leonardo Spa is also registered in the European Transparency Register\(^6\) with identification number 02550382403-01\(^7\), under Section II In-house lobbyists and trade / business / professional associations / Companies & Groups.

The fields of interest related to the registration are:

• Borders and Security
• Budget
• Business and Industry
• Competition
• Digital economy and society
• Employment and Social Affairs
• Enlargement
• Environment
• External Relations
• Foreign affairs and security policy
• Institutional affairs
• International co-operation and development
• Justice and Fundamental Rights
• Regional Policy
• Research and innovation
• Single market
• Trade
• Trans-European Networks
• Transport.


\(^7\) http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=02550382403-01
All registered parties (Leonardo Spa employees) must abide by the Code of Conduct, as defined in Annex 3 of the 2014 European Union Interinstitutional Agreement on said Transparency Register\(^8\).

**REPORTING 2018**

The lobbying contracts stipulated with third parties by Leonardo Spa in accordance to Guidelines 02/2018 provide for a total expenditure of slightly less than USD 200K and are referred to the territory of Canada for activities related to the development of business opportunities of the Aircrafts and Electronics Divisions (see Attachment 1). Expenditure for In-House lobbyists (Leonardo Spa) amounts to approximately 380K USD with respect to EU and NATO activities related to Aerospace Security and Defence (Registration on EU Transparency Register).

The 2018 total expenditure for Lobbying activities (in-house and external lobbyists) by the Leonardo Subsidiaries is referred to the area of North America and amounts to approximately USD 1.3 million (USA: 92% of the total amount and Canada: 8% of the total amount). The charts in the next page highlight the breakdown of the expenditure that includes both external and in-house Lobbying.

Leonardo Subsidiaries avail themselves of lobbyists in support of their positions and products, in relation to the sectors in which they operate, namely aerospace, defence and security. In particular, the activities are associated to issues and funding relevant to, among others, the public procurement of aircraft, helicopters, protective systems and vehicles and related research & development. For further details, reference should be made to the Attachment 2.

Details on the proportion between external, association and in-house lobbying expenditure in the Leonardo Group (Leonardo Spa and Leonardo Subsidiaries) – Year 2018

Details on the Lobbying expenditure related to the Leonardo Subsidiaries – Year 2018 (total amount 1.3 M USD)

All figures reported have been calculated by disaggregating expenditures of Leonardo Spa and Leonardo Subsidiaries for the reporting period 2018, taking into consideration expenditures related to external, internal and association lobbying.
Attachment 1:

Details on the Lobbying activities related to the Leonardo Spa – Year 2018

- Leonardo Aircraft Division
  Lobbying activity with respect to: Canadian Commercial Corporation (CCC); Global Affairs Canada (GAC); House of Commons; Innovation, Science and Economic Development Canada (ISED); National Defence (DND); Prime Minister’s Office (PMO); Privy Council Office (PCO); Public Services and Procurement Canada (PSPC); Senate of Canada; Transport Canada (TC); Treasury Board Of Canada Secretariat (TBS).
  Specific issues: to pursue business with the Government of Canada with a focus on the Fighter Lead-In Training (FLIT) program and Snowbirds Replacement project with the Royal Canadian Air Force.

- Leonardo Electronics Division
  Lobbying activity with respect to: Global Affairs Canada (GAC); House of Commons; Innovation, Science and Economic Development Canada (ISED); National Defence (DND); National Research Council (NRC); Prime Minister’s Office (PMO); Privy Council Office (PCO); Public Services and Procurement Canada (PSPC); Treasury Board Of Canada Secretariat (TBS).
  Subject matters: Defence, Government Procurement
  Specific issues: to expand its business in the market of naval systems and ammunition with the Department of National Defence in support of the Royal Canadian Navy and the Canadian Army.
Attachment 2:

**Details on the Lobbying activities related to the Leonardo Subsidiaries – Year 2018**

- Lobbying activity with respect to US House of Representatives, U.S. Senate, Department of Defense
  
  Specific issues: educate policymakers and defense committees on the client and the importance of competition for Air Force UH-1N replacement helicopter, replacement of the Navy helicopter training, manufacturing and use of client’s helicopters in the U.S.

- Lobbying activity with respect to White House Office, U.S. House of Representatives, Vice President of the U.S.
  
  Specific issues: Military Procurement

- Lobbying activity with respect to U.S. House of Representatives, U.S. Senate
  
  Specific issues: Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019 -- issues and funding related to Air Force trainer aircraft; Littoral Combat Ship/Future Frigate gun systems, hybrid-electric power, and mine warfare capabilities; unmanned underwater vehicles; active protective systems for ground combat vehicles; and submarine research & development and procurement programs;
  
  Department of Defense (DoD) Appropriations Bills -- issues and funding related to Air Force trainer aircraft; Littoral Combat Ship/Future Frigate gun systems, hybrid-electric power, and mine warfare capabilities; active protective systems for ground combat vehicles; and submarine research & development and procurement programs;
  
  Budget Control Act (PL112-25) -- monitored issues related to sequestration;
  
  National Defense Authorization Act -- issues and funding related to Air Force trainer aircraft; Littoral Combat Ship/Future Frigate gun systems and mine warfare capabilities; unmanned underwater vehicles; active protective systems for ground combat vehicles; submarine research & development and procurement programs; acquisition authority; Buy America; and, the Committee on Foreign Investment in the United States (CFIUS).

- Lobbying activity with respect to U.S. House of Representatives, U.S. Senate
  

- Lobbying activity with respect to U.S. House of Representatives, U.S. Senate
Specific issues: DOD Procurement and RDT&E Issues; FY19 NDAA and DoD Appropriations Bill

- Lobbying activity with respect to U.S. House of Representatives, U.S. Senate
  Specific issues: House and Senate Fiscal Year 2018 Department of Defense (DoD) Authorization and appropriation Bills - issues & funding related to aircraft; helicopters; submarines; shipbuilding; ground vehicles; weapons; thermal detectors; satellite communications

- Lobbying activity with respect to Atlantic Canada Opportunities Agency (ACOA); Fisheries and Oceans Canada (DFO); House of Commons; Innovation, Science and Economic Development Canada (ISED); National Defence (DND); Public Services and Procurement Canada (PSPC); Senate of Canada
  Specific issues: Mid-life update of Cormorant Search and Rescue Helicopters and enhancement of Royal Canadian Air Force rotary wing search and rescue assets and capabilities

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