

BUSINESS COMPLIANCE

Abstract of the Group Directive on Commercial Advisors, Sales Promoters, Lobbyists and Commercial Distributors/Resellers



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 Ethics¹, as well as in the Charter of Values, the Anti-Corruption Code and Policy on the Respect of Human Rights, applicable to the entire Leonardo Group, and requires a similar behavior from its employees, suppliers, business and financial partners, consultants etc.

The Business Compliance Group Directive LDO-DI-015-A issued in March 2023 defines the reference principles and general rules related to the identification, analysis and appointment of Commercial Advisors (CA), Sales Promoters (SP), Lobbyists (LO)² and Commercial Distributors (DC)/Resellers (RC), as well as to the drafting and managing of the related contracts by Leonardo S.p.a. and its Subsidiaries.

With the issue of this Directive, for the first time the general rules and principles on Business Compliance were codified in a single consolidated document which includes a specific section dedicated to Leonardo Spa (Divisions and Corporate) and one to the Group Subsidiary Companies.

Leonardo, on the basis of said Directive, defines the principles to be complied with in order to ensure respect of the relevant national and international regulations, thus confirming its position of zero-tolerance against any unethical conduct in violation of the rules and, as such, contrary to the values, principles and standards of Leonardo S.p.a.³ Said principles are adopted by the Group Subsidiary Companies by means of specific company implementing procedures.

2. REFERENCE 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 the Italian Legislative Decree 231/01 - of Leonardo S.p.a. and of the Italian Subsidiaries which adopted such Model, as well as in the Compliance Programs adopted by the Subsidiaries pursuant to the relevant local legislation, in the Company Code of Ethics, as well as in the Charter of Values, in the Anti-Corruption Code and in the Policy on the Respect of Human Rights of the Leonardo Group.

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

¹ The ethical principles set forth by the Leonardo S.p.a. Code of Ethics are shared by all directly or indirectly controlled Subsidiaries and are binding on all the recipients.

² The possibility of signing Lobbying contracts is expressly excluded for the Companies of the Group incorporated under Italian law.

³ 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.



necessary to adopt appropriate measures to protect the Company, such as unilateral termination of the contract, as provided by specific contractual clauses⁴.

3. GENERAL RULES OF CONDUCT

The start of the process related to the identification and appointment of CA, SP, LO, DC and RC shall always be consequent to valid, clear and well-defined commercial reasons. The appointment can be assigned only and exclusively in full compliance with the rules described in the Directive.

4. SUMMARY OF THE DIRECTIVE

The use of commercial intermediaries is known to represent one of the largest corruption risk areas 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 Company 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 sales contract for the supply of products or services by the Company, however – in accordance with the principles set out in the Directive – SP do not act in the name of and on behalf of Leonardo.

Lobbying contracts, allowed exclusively for Companies incorporated under non-Italian law and only where permitted by the relevant local legislation, are aimed at advocating and supporting in a responsible manner the Company's interests and position in the legislative and administrative bodies of the Territory⁵.

Commercial Distribution Agreements grant the DC the right to sell specific products and services in specific assigned Countries/territories.

Similarly, Reselling agreements provide for the same granting to the RC but on an occasional basis.

The process related to the identification of the CA/SP/LO/DC/RC 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/DC/RC, to the customary practice for similar products/services in the territory and normal market values usually foreseen in the commercial praxis. The preliminary identification of the CA/SP/LO/DC/RC falls under the responsibility of the sales team and is performed 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 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.

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

⁵ For further information and details, please refer to the *Focus on Lobbying Activities*.



The Business Compliance structures carry out an accurate analysis and evaluation of the risks associated to each commercial intermediation 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 independent reports;
3. analysis and evaluation of the risks, so-called Red Flags;
4. verifications on the requirements of the CA/SP/LO/DC/RC with respect to the reference legislation (registrations, etc.).

During the Due Diligence activities, all candidates receive all relevant documentation, including the Code of Ethics, the Anti-Corruption Code and the Charter of Values. Additionally, the candidate is required to sign a specific declaration certifying the delivery of the aforementioned documentation. All third parties are required to be aligned with and act in accordance with the above mentioned Codes and any relevant procedural standards and policies, as well as with national and international anti-corruption and anti-bribery legislation, in order to finalize the relevant contract. These requirements are reflected in the contractual clauses framework.

All the above documentation and declarations as well as the successful performance of the Leonardo online training course, as described below, are mandatorily required in order to have the possibility to collaborate with Leonardo. 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 also require 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 ten Red Flags, defined "Gates", whose presence could represent the risk of committing a crime and, as such, 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 part of the due diligence activities – through external and independent service providers;
- investigations, convictions and/or pending criminal proceedings against the CA/SP/LO/DC/RC 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 Leonardo Group's reputation;
- requests by the candidate of indirect or anomalous or non-transparent payment methods or invoicing.



The Risk Score provides also additional twelve Red Flags, defined “drivers”, that identify the specific risk level of the appointment under an ethical-reputational point of view, 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/DC/RC;
- ethical-reputational issues – not confirmed by official documents – emerging from non anonymous media sources, referred to events occurred during the past 10 years in case of ‘corruption’ and ‘bribery’ and/or during the past 5 years for all the other cases;
- family or personal or professional/commercial links of the CA/SP/LO/DC/RC (and/or its shareholders) with Public Officials or members of the Public Administration which may cause conflicts of interest.

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 Chief Compliance Officer who, in turn, may involve other relevant company Functions based on the Red Flag under consideration (e.g. head of the Anticorruption unit).

The remuneration for the CA/LO’s activities consists in a fixed amount, payable in periodic milestones (so-called retainer fee). 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 provided that they are documented, justified, reasonable and previously authorized by the competent Company units.

A “Fee Policy” has also 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) of remuneration for the SP.

The remuneration for Distribution/Reselling activities consists of reductions (so-called “Discounts”) to be applied, pursuant to the terms and modalities detailed in the Distribution/Reselling Contract, on the price of the specific product as identified in the standard catalogue used by each Division/Subsidiary and upon achievement of the objectives as provided in the Distribution/Reselling Contract. Reimbursement of expenses is allowed also for such kind of contracts, provided that they are documented, previously justified and in any case authorized by the competent company units.

As previously mentioned, prior to any payment in favor of the CA/SP/LO/DC/RC 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 contract with the customer.

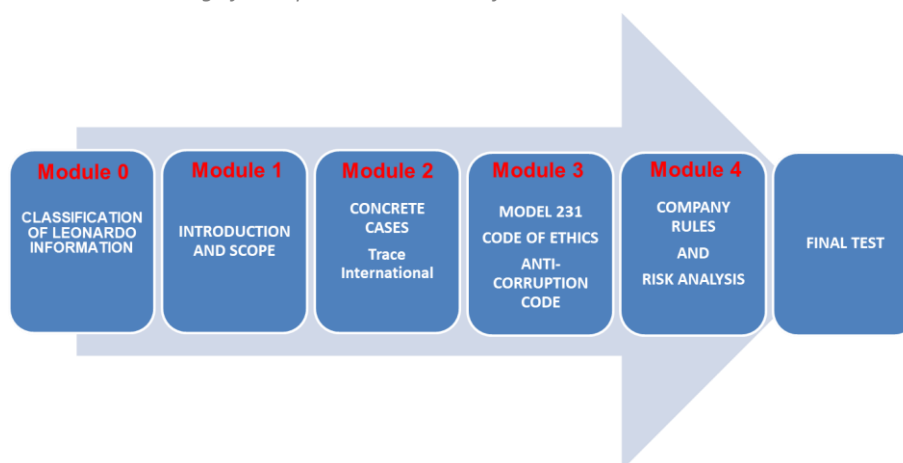


In no case payments can be made in cash or by means of not traceable methods or otherwise different from a bank transfer, nor on accounts in territories other than the one in which the CA/SP/LO/DC/RC has its registered office/residence.

The Commercial Advisory, Sales Promotion and Lobbying appointments can have a validity of maximum two years, while the maximum duration for Distribution/Reselling contracts is three years.

Mandatory condition for the finalization of commercial intermediation contracts is the performance by the candidates, prior to the contract signature, of specific training activities on the topics of information security, ethics, anti-corruption and compliance, by completing the online course, including the final test. The course is structured on five modules dealing with, *inter alia*, the content of the Group Directive.

Training of third parties – Structure of the course



Furthermore, it is required that all candidates carry out training activities for their employees on Ethics, Anti-Corruption and Compliance, issuing a specific declaration to that effect during the Due Diligence activity.

5. MONITORING AND REPORTING

All the CA/SP/LO/DC/RC, by executing specific contractual clauses and possible additional declarations, are required to guarantee the full compliance with Leonardo internal Codes and rules as well as with all applicable national and international anti-corruption and anti-bribery legislation. Third parties are contractually obliged to submit periodic “Activity Reports” with evidence of all activities performed in relation to the appointment. All reports are scrutinized and approved by the competent Company Units in order to ensure continuous and constant monitoring and, if necessary, activate additional verifications.

In particular, Leonardo and its Subsidiaries reserve the right, through its duly authorized representatives, to access, inspect and examine any documents and records of the intermediary 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 Leonardo or as a result of investigations conducted by an inquiring authority, Leonardo 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 agreements are constantly monitored.

6. ANNEXES TO THE DIRECTIVE

Declaration on the State of Implementation
Process Activation Request ("RAP")
Documentation for due diligence purposes
Application Form
Summary Sheet
Disclaimer Letter
Representations and warranties (Natural Persons)
Representations and warranties (Legal Persons)
Privacy Notice
Non-Disclosure Agreement
Invoice Authorization Form ("IAF" – "MAF" in the Italian version)
Stop work notice
DAC 6 Declaration

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