BUSINESS COMPLIANCE

Abstract of the Directive on Commercial Advisors, Sales Promoters, Lobbyists and 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 Leonardo S.p.a. Code of Ethics\(^1\), as well as in the Charter of Values, Anticorruption 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 Directive no. 02/2021 defines the general principles and rules related to the selection, assessment and appointment of Commercial Consultants, including Commercial Advisors (CA), Sales Promoters (SP), Lobbyists\(^2\) (LO) and Commercial Distributors (CD)/Resellers (CR), as well as to the drafting and managing of the related contracts by the Subsidiaries\(^3\) of Leonardo S.p.a., namely all its directly and indirectly controlled Italian and foreign companies (hereunder referred to also as “Subsidiary”, “Subsidiaries”, “Company” or “Companies”).

Leonardo’s Subsidiaries, on the basis of said 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.\(^4\).

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 Italian Legislative Decree 231/01 for those Subsidiaries under Italian law that have implemented such Model, or in the respective Compliance Programs implemented by the Subsidiaries in accordance with the local applicable legislation, as well as in the Company Code of Ethics, as well as in the Charter of Values, in the Anti-corruption Code and in the Policy on 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 necessary to

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

\(^2\) The possibility of signing lobbying contracts is expressly excluded for Leonardo Subsidiaries incorporated under Italian law.

\(^3\) The appointment, as well as the execution and management of relevant contracts, by Leonardo S.p.a is governed by the Procedure no. 55/2021 (as described in the relevant Abstract available on the Leonardo website).

\(^4\) 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.
adopt appropriate measures, such as unilateral termination of the contract, as provided by specific contractual clauses.5

3. GENERAL RULES OF CONDUCT

The start of the process related to the identification, selection and appointment of CA, SP, LO and DC/RC 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 the Directive.

4. SUMMARY OF THE DIRECTIVE

The use of 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 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 the Directive – SPs do not act in the name of and on behalf of the Subsidiaries.

Lobbying agreements, allowed only for Subsidiaries incorporated under a law other than Italian and 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 manner6.

Distribution agreements grant the DC the right to sell specific products and services in specific assigned territories. Similarly, Reselling agreements provide for the same granting to the RC but on an occasional basis.

For proper information, the following table describes the details of the contracts in force as at December 31st 20217, for the Leonardo Subsidiaries with reference to SP/CA/LO/DC/RC.

<table>
<thead>
<tr>
<th>TYPE OF CONTRACTS</th>
<th>NUMBER OF CONTRACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP</td>
<td>35</td>
</tr>
<tr>
<td>CA</td>
<td>10</td>
</tr>
<tr>
<td>LO</td>
<td>9</td>
</tr>
<tr>
<td>DC/RC</td>
<td>41</td>
</tr>
<tr>
<td>MULTIPLE TYPE</td>
<td>14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>109</td>
</tr>
</tbody>
</table>

5 Leonardo Group Anti-Corruption Code, pag. 25, English Version.
6 For more details, please refer to “Focus on Lobbying”.
7 Prior to the issue of Directive 02/2021, the Distribution/Reselling appointments were not included under the scope of application of such Business Compliance internal norm.
The process related to the identification of the CA, SP, LO, DC and 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 or amounts usually foreseen in the commercial praxis. The preliminary identification of the SP/CA/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 or not of the candidate to the subsequent assessment phase. Only those candidates who obtain a certain score, in fact, will undergo the subsequent Due Diligence checks.

The Leonardo Subsidiaries, through the relevant Business Compliance units, carry out an accurate analysis and evaluation of the risks associated to each commercial advisory, sales promotion, lobbying and distribution/reselling appointment (Enhanced Due Diligence) prior to the signature of the contract, as well as afterwards during its performance prior to payments. 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/DC/RC with respect to the reference legislation (registrations, etc.).

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 Anticorruption 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 the above documentation and declarations as well as the successful performance of the Leonardo training course, as described below, are mandatory steps 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 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 a mandatory part of the due diligence activities – through external and independent service providers;
- investigations, 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/DC/RC 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 (CPI) 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 Subsidiary’s General Counsel/Head of the Legal structure, if existent, or of the different internal structure identified by the Company.

In the event of multiple Due Diligences performed on the same Candidate, even if carried out at different times, it may occur that the outcome of the Risk Analysis, and the subsequent resulting risk level, be divergent. In such event, the analyses will be reviewed and harmonized by the Business Compliance Committee, which determines the final level of risk and establishes the related recommendations.

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 provided that they are documented, justified, reasonable and previously authorized by the competent Company units.
A Group “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) 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 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 structures.

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 SP/CA/LO/DC/RC has its registered office/residence.

The Commercial Advisory, Sales Promotion and Lobbying appointments 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 Candidate, 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 four modules which include, inter alia, the contents of Leonardo’s Business Compliance Procedure 55/2021 (applicable to Leonardo S.p.a.; please refer to the Abstract on Procedure 55/2021 for more details) and Directive 02/2021.

Furthermore, all candidates are required to declare that training activities are carried out for their employees on the topics of Ethics, Anti-corruption and Compliance.
5. MONITORING AND REPORTING

In accordance with Leonardo oversight mechanisms of control, all the CA/SP/LO/DC/RC, 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 in order to ensure continuous oversight and monitoring and, if necessary, activate additional verifications.

In particular, the Leonardo Subsidiaries, through their duly authorized representatives, reserve the right to access, inspect and examine documents, papers and records of the SP/CA/LO/DC/RC 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 agreements are constantly monitored.

6. APPENDICES AND ANNEXES OF THE DIRECTIVE

Appendix A – Definitions, abbreviations and acronyms
Appendix B – General principles and rules of conduct
Appendix C – Reference regulations

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”)