BUSINESS COMPLIANCE

Abstract of the Procedure on Commercial Advisors, Sales Promoters, Commercial Distributors and 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 Ethics, 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 Procedure no. 55/2021 defines the general principles and rules related to the selection, assessment and appointment of Commercial Advisors (CA), Sales Promoters (SP), Commercial Distributors (DC) and Resellers (RC), as well as to the drafting and managing of the related contracts by Leonardo S.p.a.

Leonardo S.p.a., on the basis of said Procedure, confirms its 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, principles and standards of Leonardo S.p.a.

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 the Italian Legislative Decree 231/01, in the Leonardo 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 necessary to adopt appropriate measures, such as unilateral termination of the contract, as provided by specific contractual clauses.

3. GENERAL RULES OF CONDUCT

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

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1. The possibility of signing Lobbying contracts is expressly excluded for the Companies of the Group incorporated under Italian law.
2. The appointment, as well as the execution and management of relevant contracts by a Leonardo Group Company are governed by the Directive n.2/2021 (see relevant Abstract on the website).
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.
4. Leonardo Group Anti-Corruption Code, pag. 25, English Version
4. SUMMARY OF THE PROCEDURE

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 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 contract for the supply of products or services by the Company, however – in accordance with the principles set out in the Procedure – SP do not act in the name of and on behalf of Leonardo S.p.a.

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 of December 31st 2021 for Leonardo S.p.a. with reference to CA/SP/DC/RC5.

<table>
<thead>
<tr>
<th>TYPE OF CONTRACTS</th>
<th>NUMBER OF CONTRACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts with CA</td>
<td>8</td>
</tr>
<tr>
<td>Contracts with SP</td>
<td>92</td>
</tr>
<tr>
<td>Contracts with DC</td>
<td>0</td>
</tr>
<tr>
<td>Contracts with RC</td>
<td>0</td>
</tr>
<tr>
<td>‘Mixed’ Contracts</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTALE</strong></td>
<td><strong>102</strong></td>
</tr>
</tbody>
</table>

The process related to the identification of the CA/SP/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 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 CA/SP/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.

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5 The data refer to the contracts governed by Procedure no. 55/2021 and, as to commercial consultancy and promotion contracts, from the previous Guideline n. 2/2018. Instead, Distribution/Reselling contracts for which the identification and selection process was started before the entry into force of Procedure no. 55/2021, are not included (9 Distribution Contracts governed by different and previous internal regulations).
The Business Compliance structures of Leonardo carry out an accurate and continuous analysis and evaluation of the risks associated to each commercial advisory, sales promotion, distribution or reselling 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;
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/DC/RC with respect to the reference legislation.

During the Due Diligence activities, all candidates receive all relevant Leonardo 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 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 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 (pag.5), 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 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 Leonardo’s reputation;
- requests by the CA/SP/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" related to the Territory where the services under the scope of agreement are to be performed by the CA/SP/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/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 Senior Compliance Officer as well as of the Head of the Anticorruption organizational unit.

In the event of multiple Due Diligence 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’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 “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 Division 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/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/DC/RC has its registered office/residence.

The Commercial Advisory and Sales Promotion 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 which include, *inter alia*, the content of Leonardo’s Business Compliance Procedure 55/2021 and Directive 02/2021 (applicable to Leonardo Subsidiaries – reference should be made to Abstract on Directive 2/2019).

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

In accordance with Leonardo oversight mechanisms of control, all the CA/SP/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, substantiating all the elements necessary to identify the efforts provided in favor of Leonardo. 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, Leonardo reserves the right, through its duly authorized representatives, to access, inspect and examine documents, papers and records of the CA/SP/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 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.

In the following table the sanctions applied to CA/SP are summarized:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INCIDENTS</th>
<th>SUSPENSIONS</th>
<th>TERMINATIONS</th>
<th>NO FURTHER ACTIONS</th>
<th>WORK IN PROGRESS</th>
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<tbody>
<tr>
<td>2017</td>
<td>5</td>
<td>1</td>
<td>4</td>
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<td>2018</td>
<td>3</td>
<td>1</td>
<td>2</td>
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<td>1</td>
<td>3</td>
<td>1</td>
<td></td>
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</tbody>
</table>

6. APPENDICES AND ANNEXES TO THE PROCEDURE

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

Annex 1 – List of Annexes
Annex 2 – Procedure Activation Request (“PAR” – “RAP” in the Italian version)
Annex 3 – Documentation for due diligence purposes
Annex 4 – Application Form
Annex 5 – Summary Sheet
Annex 6 – Disclaimer Letter
Annex 7a – Representations and warranties (Natural Persons)
Annex 7b – Representations and warranties (Legal Persons)
Annex 8 – Privacy Notice
Annex 9 – Non-Disclosure Agreement
Annex 10 – Invoice Authorization Form (“IAF” – “MAF” in the Italian version)

Document updated on 15 March 2022