

Focus on Joint Ventures



Company General Use

1. FRAMEWORK AND SCOPE

Leonardo S.p.a. has codified operational standards and controls with regard to the assessment, approval and implementation for entering into strategic alliances, including Joint Ventures. The Company has adopted appropriate internal regulations for the definition of roles, responsibilities, operative standards for the parties involved, checks and due diligence activities related to the process.

The relevant framework currently in force is the Procedure on M&A Transactions. Its scope includes but is not limited to governance of the steps leading up to Leonardo's becoming partner in a Joint Venture, as it addresses the wide variety of the many M&A transaction types and aims at detecting, assessing and mitigating a number of risks, including inter alia corruption and bribery. The following document is focused on Joint Venture transactions and associated aspects regarding anti-corruption/anti-bribery and ethics.

2. GENERAL PRINCIPLES

The management of Joint Venture transactions is guided by the applicable national and international regulation and it is compliant with the principles indicated in the Organizational, Management and Control Model pursuant to Legislative Decree no. 231/2001, in the Code of Ethics and in the Anti-corruption Code of Leonardo Group.

The following general principles must be complied with:

- separation of responsibilities;
- clear delegations of signatory authority;
- clarity and simplicity;
- impartiality and absence of conflicts of interest;
- traceability and filing.

3. GENERAL RULES OF CONDUCT

In accordance with the company regulations, any Joint Venture transaction must be based on the principles of correctness, transparency and professionalism:

- making a preliminary assessment of the feasibility, relevance and strategic and economic coherence of the operations with respect to the strategic guidelines defined by the Company;
- maintaining the utmost confidentiality on information acquired during the course of operations;
- ensuring the homogeneity of the evaluation criteria adopted;
- creating and formalizing a due diligence on the potential counterpart in relation to any operation;
- guaranteeing the absence of any conflict of interest, even potentially, with reference to personal, professional or family relationships between the potential counterpart and the Company.

4. IMPLEMENTATION AND INTEGRITY CONTROLS

According to its internal procedures, Leonardo applies a high risk-based approach on all the potential partners conducting a comprehensive due diligence review, in order to verify, among others, the reputational profile of the object of the M&A operation, the counterpart, but also the company, if already existing. The due diligence is renewed in case of any significant changes in the business relationship.

In particular, before becoming partner in a Joint Venture, Leonardo investigates the following areas:

- the Partner profile, including the non-inclusion in lists maintained by relevant international organisations;
- if the company which is targeted for becoming the Joint Venture exists already, then also:



- the identity and the reputational, honourability and integrity requirements of the associates (ownership) and directors;
- the possible corruption risk areas and other risk areas related to the offences pursuant to Legislative Decree No.231/2001;
- the existence of relevant policies pursuant to Legislative Decree No. 231/2001 and/or to comparable legislation in other systems;
- the existence of any proceedings, penalties or convictions, for infringements of Legislative Decree No. 231/2001 and/or of the regulations in force in other systems with similar purposes, borne by the company covered by the M&A operation and, in the case of Joint Venture, of its partner, associates and directors;
- if the company has an anti-corruption policy.

In addition, Leonardo conducts a further risk analysis focused on trade compliance in case of Sensitive Countries, as defined in the relevant guidelines on Trade Compliance.

The Company clearly identified the organizational units responsible for the evaluation, approval and execution of Joint Venture transactions. These units are supported by:

- The M&A Committee, an internal body, at management level, in charge of approving every M&A transaction and of monitoring the progress before and after their final approval and completion. The relevant Board of Directors of the Group companies, cannot ultimately approve M&A transactions without the prior approval of the M&A Committee. The M&A Committee requires for all the Related Parties Transactions and all the transactions of relevant size a fairness opinion issued by external and independent auditing firm or reputable investment bank.
- The person in charge of the operation, appointed by the M&A Committee, with the task of coordinating the activities related to the operation.

If the Joint Venture meets the legal parameters for being considered a Subsidiary, Leonardo, as the Parent company, will ensure that the Joint Venture complies with the provisions of the Anti-corruption Code.

Following the M&A transaction, the target company must comply with the provisions of the Anti-corruption Code as well as all the principles set by Leonardo's internal guidelines, policies and procedures (e.g. Commercial Advisors, Sales Promoters and Lobbyists – Business Compliance).

In associated companies and companies in which Leonardo is a minority shareholder, in consortia, associations and foundations in which Leonardo has a direct or indirect interest, as well as in partnership structures (e.g. Joint Ventures), Leonardo, as per Directives n.10 and n.11, through its representatives on the Administrative Body or at the shareholders' meeting, plays an active role in the adoption of the Compliance Program by the entity.

In particular as regards Joint Ventures, including those in which Leonardo is a minority shareholder, Leonardo and the Group Companies work through their representatives to ensure acceptance by the Joint Venture of the provisions of the Anti-Corruption Code, in order to prevent any conduct that might imply breach of the anti-corruption law, while Leonardo and the Group Companies shall have the authority to carry out anti-corruption checks, as part of the activities relevant to the Joint Venture.

Various Leonardo S.p.a organizational units, each in their specific area of responsibility (i.e. Compliance, Audit, Risk Management), periodically perform assessment activities, staff meetings and workshops in order to verify the development and the effectiveness of the entities' control systems, taking on an active role in the prevention and mitigation of all relevant risks, including bribery and corruption.

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