

Focus on Offset

As a global high-technology company, Leonardo embraces the industrial and economic benefit requirements of its international customers when buying products or capabilities. Offset policies and rules aim at contributing to the economic, industrial and technological development of the purchasing nation, irrespective of whether development is targeted in the defence or civilian sector. Generically referred to as offset but including industrial participation, offset management in Leonardo is primarily governed by the principles set forth in its internal Codes, including Leonardo's Code of Ethics and Anti-corruption Code, and based on the applicable national and international regulations.

Leonardo adopts coordinated offset practices across the Group based on an autonomous but collaborative business model with shared information, transparency and coherency on the development of good practices, professional development and cooperation. Such business model frames an environment conducive to coordination through operational and strategic working groups. Offset in Leonardo is managed through a two layered structure, according to the Offset Corporate Guideline and Directive:

- Offset functions in each Division, responsible for the fulfilment of the obligations and related activities;
- Corporate Offset Management function, for coordinating and monitoring the Divisions; to ensure compliance with the internal procedures; to address aspects impacting on International Strategic Campaigns, and to collaborate with associate functional areas. The function ensures also a centralized management of strategic Offset Authority relationships and leads on indirect solutions.

The offset obligations are monitored throughout the whole lifecycle at a Divisional level and coordinated at a cross-Divisional level.

Staff in the Offset and related functions receive anti-corruption training. There is also a programme of Offset awareness at many levels in the organisation.

Partners involved in offset solutions are subject to detailed anti-bribery and corruption due diligence before entering in a contractual relationship and successively (in case of significant changes, extension or renewal), in order to verify any risk factor associated to potential corruption, including:

- verification of the legitimate grounds of the offset agreement;
- check on ethical and reputational aspects;
- identification of the Final Beneficiary;
- identification of any conflict of interests (including family, personal or professional relationships between the counterparty and/or its associates and governmental representatives).

Additionally, the same national and international standards of ethics, anti-corruption and conduct employed by Leonardo are demanded of our Partners through specific contractual clauses in the Offset agreement.

The Internal Audit function independently reviews and reports on process compliance.

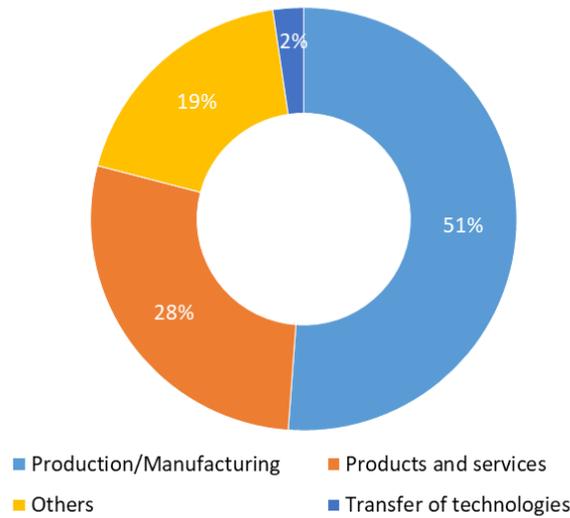


Period 2020

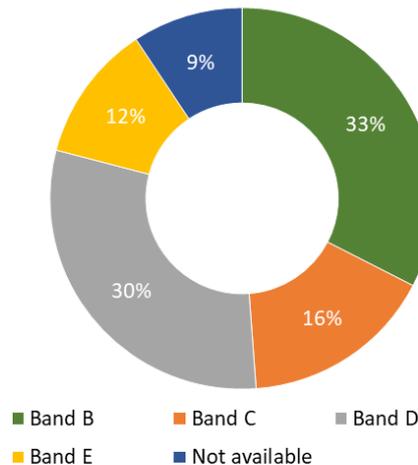
Number of agents/broker/consultancy firms¹: 9.

Number of indirect offset projects: 43 (mainly regarding production/manufacturing, transfer of technology and procurement from local suppliers).

Indirect offset projects by category



Indirect offset projects by geography²



¹ Partners that have a contract with Leonardo to support offset, so not the beneficiaries or local companies working on offset projects.

² The categorization takes into account the most recent classification of the countries issued by the Transparency International Government Defence Anti-corruption Index, which provides levels of corruption risk from A (very low) to F (critical).



Document published on 28 February 2021

