

# Prompt Payment Code



administered by the Chartered Institute of Credit Management on behalf of BEIS

The commitment made by Prompt Payment Code signatories is to pay 95% of invoices within 60 days. Businesses failing to meet this figure, or close to it, will be temporarily suspended from the Code and given the opportunity to submit an action plan that will enable them to achieve compliance. Where the action plan is reasonable, and will achieve compliance within no more than 12 months, the organisation will be reinstated once their Payment Practices Reporting submission demonstrates compliance has been achieved. In the absence of a satisfactory plan or failure to engage with the PPC administration team, the organisation will be permanently removed from the Code.

This template should be completed and returned to [promptpaymentcode@cicm.com](mailto:promptpaymentcode@cicm.com). Within 28 days, the company will be advised whether or not the Compliance Board deems it acceptable

<b>Organisation</b>	LEONARDO UK LTD			
<b>Company Registration Number</b>	2426132			
<b>Date of last Payment Practices Reporting Data</b>	January 2023 - Covering 1st July 2022 to 31st December 2022			
<b>% invoices paid within 60 days</b>	93%			
<b>The primary causes of non-compliance</b> <i>(please add more rows if required)</i>	<b>Actions to address each of the causes</b>	<b>Progress as at 05/02/2021</b>	<b>Progress as at 09/05/2022</b>	<b>Progress as at 25/01/2023</b>
1. Ensure appropriately set up purchase orders to support the ease of invoice matching.	Work with procurement and project teams to ensure delivery requirements, timescales and quality are clearly captured and understood by the supply chain.	Investigation to identify which procurement contacts are raising PO terms outside the standard terms of 30-45 days and educated relevant staff appropriately. Review carried out of PO's setup outside normal terms due to error and system amended appropriately	Terms greater than 30 days blocked by Electronics and Cyber division so it should not be possible to setup new PO's >30 days. In Helicopters division, work is ongoing the educate relevant procurement teams appropriately so that terms greater than 30 days are not agreed to. Some payment terms are manually amended to ensure earlier payment by finance. Additional labour resource now being recruited to assist with the issues. Additional training will be arranged for employees involved in the invoice approval process.	Prior work done by the company has shown in substantial improvements to statistical performance. Work continues in Helicopters division to educate relevant functional teams. A part time project manager and IPT was appointed. It has also been noted that some suppliers wish to have global agreements and request longer terms consistent with terms signed up to with overseas Leonardo entities.
2. Commercial disputes around quality of goods, services and general performance issues can cause delays to invoice approval.	Work with procurement, project teams and supply chain to ensure delivery requirements, timescales and quality is understood so as to minimise commercial disputes. Review process around credit notes, re invoicing and or 'invoice received' date.	Task is ongoing to identify which suppliers are invoicing ahead of delivery and ahead of contract. Further effort taking place to exclude invoices from statistical reports which were cleared by credit notes.	Task is ongoing to identify which suppliers are invoicing ahead of delivery / schedule. Further effort taking place to exclude invoices from statistical reports which were cleared by credit notes.	A small number of commercial disputes are always likely to continue. Progress has been made in clearing aged invoices and resolve disputes. Clearing of old invoices impacts our statistics negatively.
3. Quality and timeliness of supplier invoices and delivery documentations.	Through appropriate communication channels work with and support the supply chain to ensure accurate and timely documentation so as to minimise invoice queries.	Regular reports are being run to identify supplier invoices which are erroneous, and educate suppliers as to required invoice information.	Additional labour resource now being recruited to assist with the identification and resolution of issues.	Additional labour resource was obtained and made a significant difference with regards to resolution of some of the problems identifying and clearing the backlog.
4. Contractual requirements on collaborative programs, with other similar large group companies, such as extended payment terms or 'pay when paid' clauses can lead to unfavourable statistics.	Review payment terms for all suppliers and contracts with 60days+. Also with external parties such as BEIS and the PPC ensure an appropriate invoice 'received date' is being applied when measuring performance for statistics.	Standard Payment terms recently reduced to 45 days from 60 days for company funded Purchase orders. Vendor master file has been reviewed to ensure there are no suppliers where default terms differ from standard terms.	Standard Payment terms recently reduced to 30 days for all Purchase order types. Vendor master file has been reviewed to ensure there are no suppliers where default terms differ from standard terms. Within Electronics division, terms >30 days are now systematically blocked from use.	The systematic blocking of all payment terms >30 days made a significant improvement to the statistics of this division. The volume of invoices subject to pay when paid terms has been reducing so these do not substantially impact our statistics as much as they did previously.
5. Regulatory requirements, such as export licences, can add additional delays to payments.	Review approach with BEIS and PPC to ensure an appropriate invoice 'received date' is being applied when measuring performance for statistics.	Report was developed so that an accurate invoice receipt date is available for use when reporting the statistics. The approach to Intercompany payments subject to export licenses is appropriately documented with the reports as reported under the Payment reporting legislation.	This is not a significant factor impacting our payment performance. Export requirements are generally well understood by the supply chain.	As per the last update. Export requirements are generally well understood by the supply chain., and this is no longer a significant factor impacting payment performance.
6. Differing internal processes and procedures around organisation, invoice flows and levels of approval in respect of invoice clearance and payments can cause delays.	Review and amend processes as appropriate. With the aim to minimise or eliminate any inefficient activity and bottlenecks in our respective processes. In addition standardise approach were possible and recommend future system improvements.	Regular meetings being held to identify differences in approach and to standardise as much as possible. Substantial improvements have been made to payment performance in the Electronics division of the business with their payment performance within 60 days approaching 96%.	Regular meetings continue to be held to identify differences in approach and to standardise as much as possible. Substantial improvements have been made to payment performance in the Electronics & Cyber division of the business with their payment performance within 60 days approaching 96%, and 99% respectively. Additional training to be provided on accounting systems. Additional labour resource now being recruited to assist with the issues.	Additional labour resource and focus on the relevant causal factors has resulted in improvements to our invoice payment performance. We are also looking at structural changes to our payment factory, this involves in-sourcing some activity which we expect will result in further improvements. Plans are in development.
7. Increase and promote internally the requirements and expectations of the Prompt Payment Code and Payment regulations.	Recently added as a standard agenda item to the newly formed Audit and Internal Controls Committee (sub committee of the LUKL board). Regular LUKL board updates around the time of the BI annual publication of our statistics.	Board updates and meetings remain regular and ongoing. Statistics and payment policy and regularly discussed at the Audit & Internal control committee and with senior management. Presentations given to Parent company, communicating UK regulatory requirements and expectations Meetings and monitoring ongoing with Accenture, our outsourced payments factory for Helicopters division.	Board updates and meetings remain regular and ongoing. Statistics and payment policy are regularly discussed at the Audit & Internal control committee and with senior management. Presentations given to Parent company, communicating UK regulatory requirements and expectations Meetings and monitoring ongoing with Accenture, our outsourced invoice processing provider for Helicopters division.	Previous activities (per 09/05/2022) on this metric continue. The membership of the Prompt payment code is often use as a positive statement in tender documentation we are submitting.

<b>We note an update on progress is required at least quarterly and the first will be submitted by the following date</b>	25th Jan 2023
Plan prepared by:	
Signed	
Name	Matthew Wedge
Position	VP Treasury & Insurance
Plan authorised by Board Director:	
Signed	
Name	Clive Higgins
Position	Chairman & Managing Director