



Meaningfully
Passionately
Distinctively
Leonardo

Sustainability and Innovation Report 2019

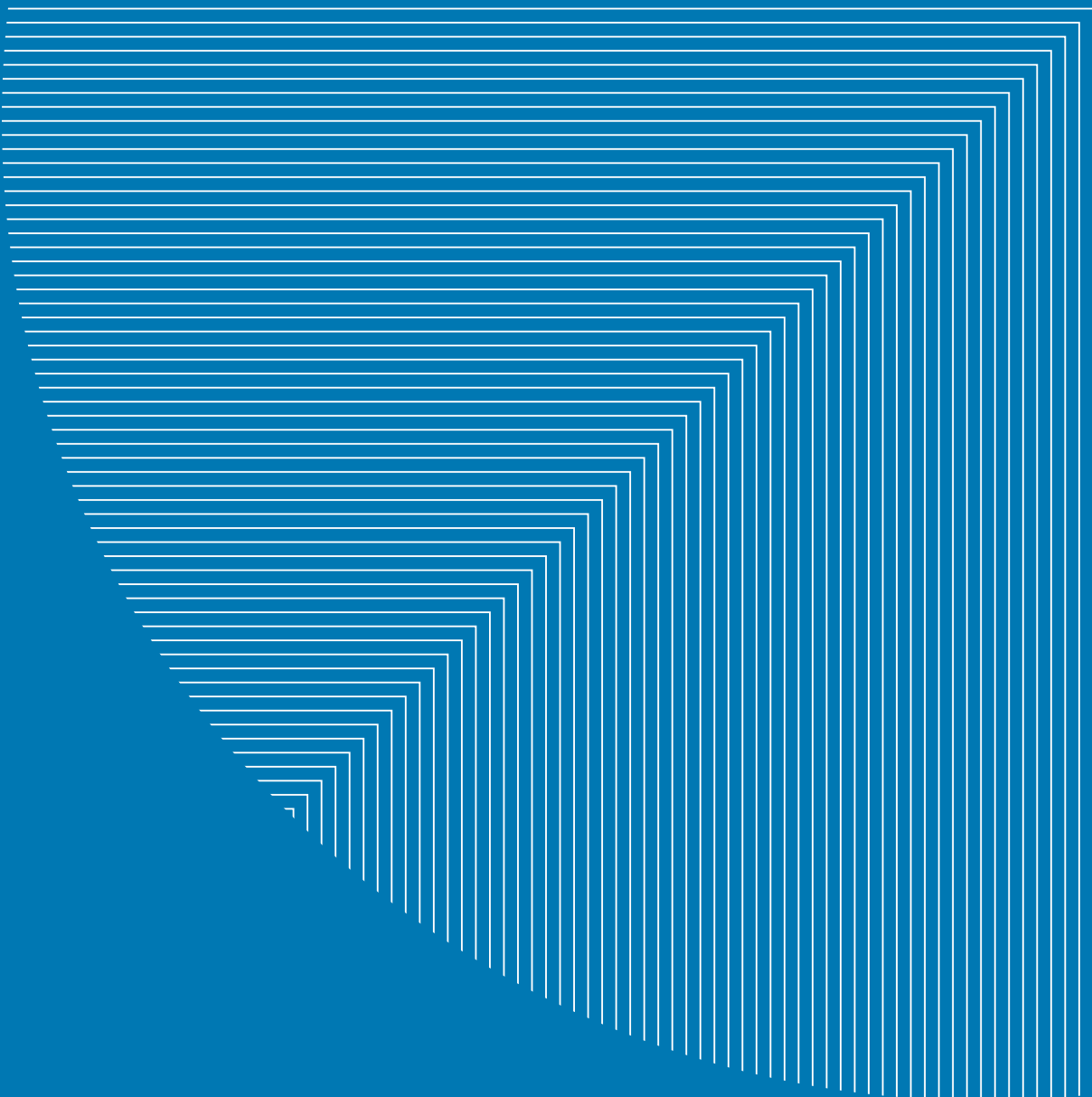
Consolidated Non-financial Statement in accordance with
Legislative Decree no. 254 of 30 December 2016



Sustainability and Innovation Report 2019

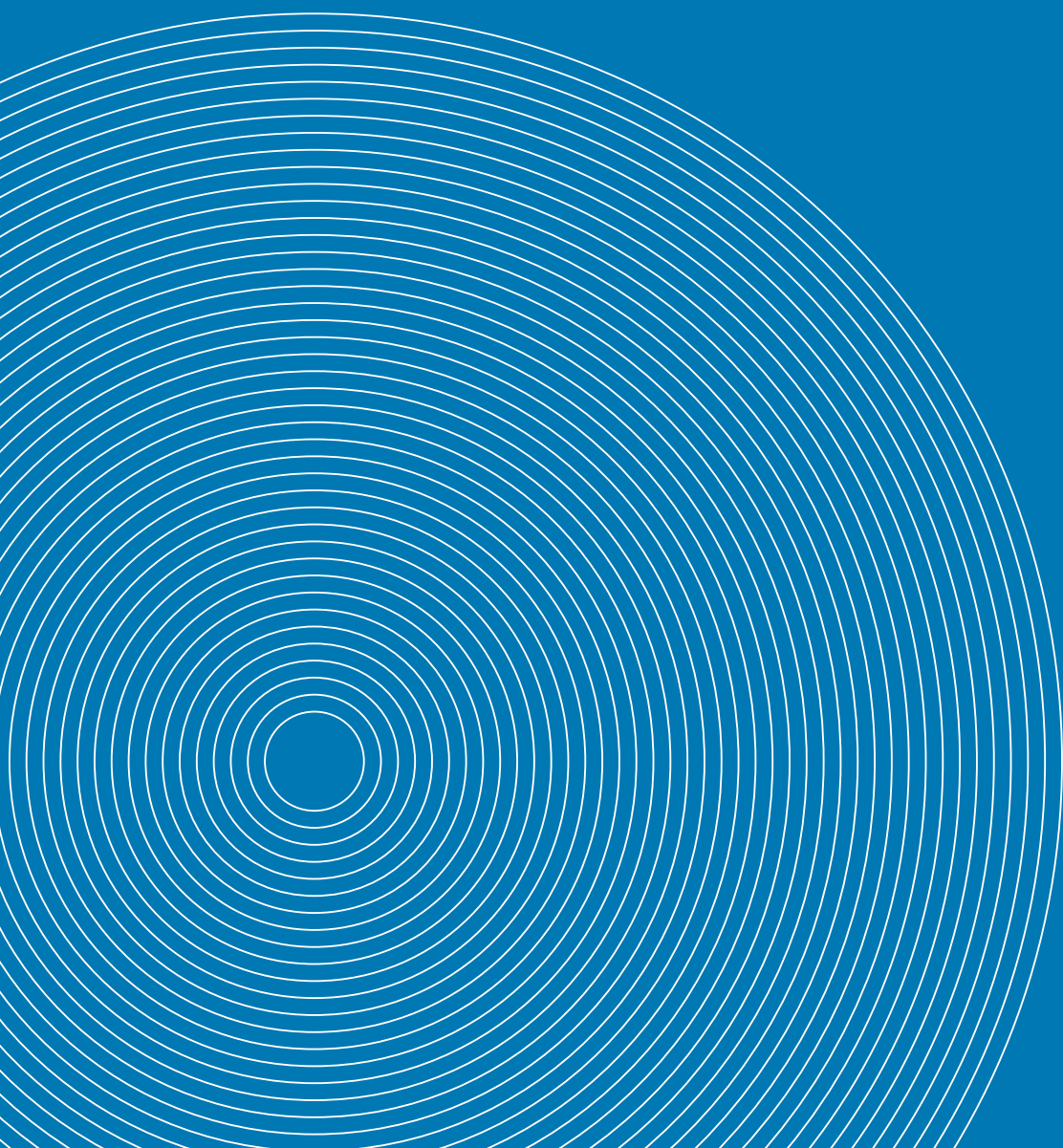
Consolidated Non-financial Statement in accordance with
Legislative Decree no. 254 of 30 December 2016

We are committed to building a sustainable future for everyone, worldwide. Our women and men turn every small step into a great leap ahead. Always inspired by our **purpose.**



Contribute to the world's
progress and safety by
delivering meaningful
and innovative
technological solutions.

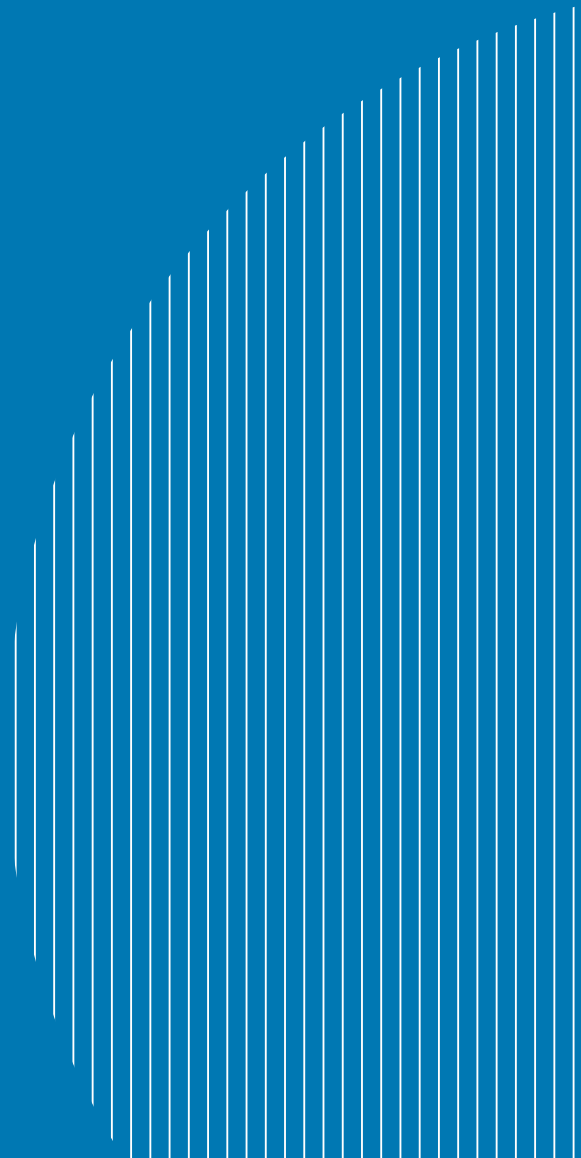
Our horizons are limitless.
We find new pathways, aspiring to
new levels for all our stakeholders.
Always guided by our **mission.**



To be the international
Aerospace, Defence and
Security company that
best enables its customers'
success, by thinking
creatively and working
with passion.

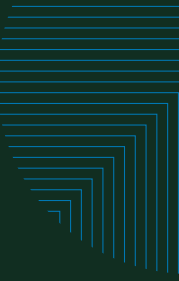
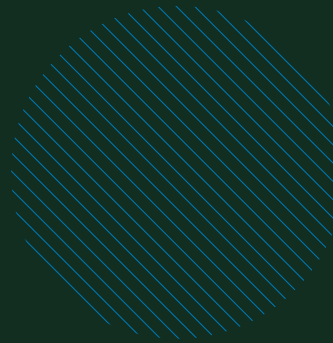
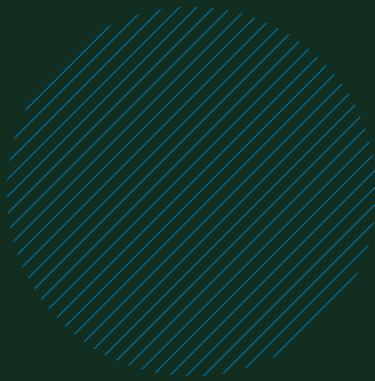
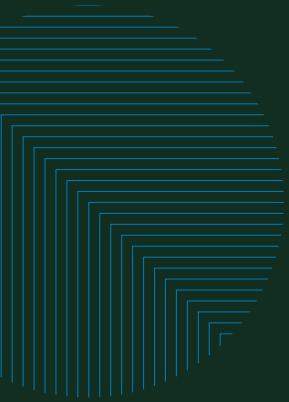
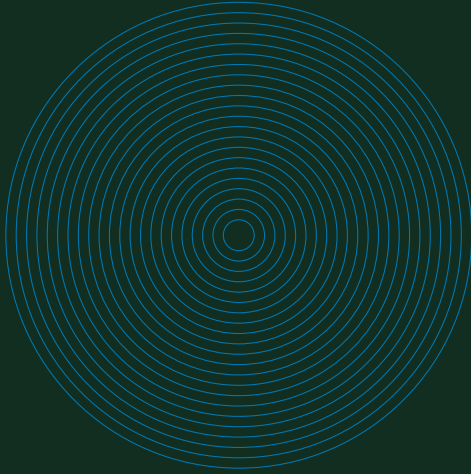
This is us.

**Meaningfully,
passionately,
distinctively
Leonardo.**





Contents



Letter to Stakeholders **2**

Profile **4**

Group structure	6
Highlights	7
Products, services and solutions	8
Global presence	10
Corporate bodies and committees	12
Organisational structure	13

Results and objectives **14**

Value creation model	16
Trends and scenarios	18
Sustainability targets	20
Leonardo 2030 vision	26
Results and performance	27
Stakeholder engagement	31

Governance and business conduct **34**

Corporate governance	36
Responsible business conduct	39
Risk governance and management	48

Transforming resources into value **52**

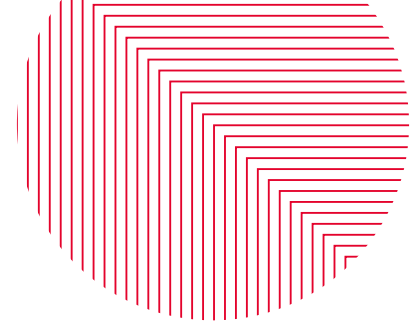
Continuous innovation	54
Product quality and safety	68
People and community	72
Customer intimacy	84
Supply chain	90
Efficient use of resources	97

Solutions for society and the environment **104**

Sustainable mobility	107
Earth observation	109
Prevention and management of emergencies	112
Security of people, territories and critical infrastructures	114
Digitalisation and cyber security	120

Appendix **122**

Methodology note	124
GRI Content Index	128
Bridging table with Legislative Decree no. 254/2016	140
Task Force on Climate-related Financial Disclosures	143
Gender pay gap report	144
GRI data and indicators	145
Independent auditors' report	156



Letter to Stakeholders

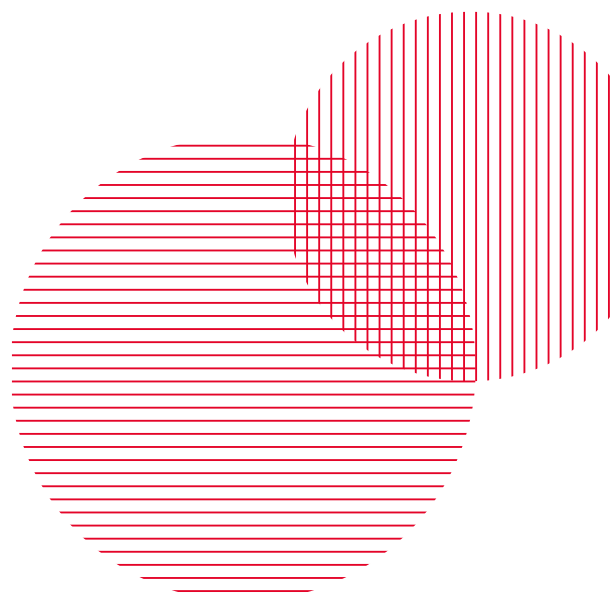


CHAIRMAN
Giovanni De Gennaro

As an international player within a strategic and high-tech sector, we feel a strong responsibility to grow together with the Countries in which we operate, with clear priorities to follow: identify technological development areas strategic for the future, invest in people and skills to oversee these areas, support our supply chain, promote eco-efficiency in products and processes, rely upon a responsible business model. This is sustainability for Leonardo, in a continuous balance between available resources and market challenges, aiming to be investment grade.

Innovation, above all, is our lifeblood and, at the same time, acts as an engine of growth for territories and communities in which we operate. With this in mind, we are establishing the Leonardo Labs, places open to researchers, innovation incubators where research and technology, industry and sustainability can be combined, encouraging a dialogue between our engineers, specialised technicians and young generations. Thanks to its applications, innovation supports the decarbonisation process and helps to protect people and the environment. This is reflected by numbers: as by the 90,000 tonnes of CO₂ saved in the last two years thanks to our virtual training platforms, the more than 1,100 Leonardo helicopters operating all over the world for search, rescue and fire-fighting operations. Not to mention the 75 NATO sites that we protect from cyber-attacks in 29 Countries or the images, more than a million, captured by the COSMO-SkyMed constellation since 2008 for Earth observation.

Sustainability is also integrity, a transversal factor enabling the Group's success, to which we pay constant attention: from the monitoring and control systems of the business activities to the effective risk management, from sharing a corporate culture based on transparency to investing in people training. With this in mind, we confirm this year, once again, Leonardo's support to the Ten Principles of the United Nations' Global Compact in which we participate, in order to guarantee responsible business conduct at all levels and within all corporate processes.



CHIEF EXECUTIVE OFFICER
Alessandro Profumo

An approach to sustainability that evolves towards a wider action plan, contributing to achieve the Sustainable Development Goals of the 2030 Agenda and to answer to the recent European Green Deal guidelines, with a logic of shared solution, co-benefits for people and the planet, prosperity for the community.

We are called to face the great challenges of this millennium, many of them tied to technology and its impacts on society. The first projects of the newly established Leonardo - Civiltà delle Macchine Foundation, for example, aim to spread our corporate culture and ethical principles that put people at the centre. The human factor has always been at the heart of innovation. And today, more than ever, it is the synthesis point between “knowing-how-to-do” and “knowing-how-to-think”, which we daily represent at Leonardo with pride and dedication.

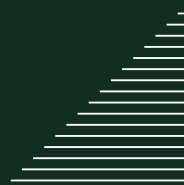
This Sustainability and Innovation Report describes the actions that we put in place and the priorities underlying the Industrial Plan. We are working on them for the technological, economic and social progress and for the benefit of all our stakeholders, led by our mission: to be an international Aerospace, Defence and Security company that best enables its customers' success, by thinking creatively and working with passion. Our passion, made by more than 49,000 Leonardo's employees.

Chairman
(Giovanni De Gennaro)

Chief Executive Officer
(Alessandro Profumo)

Profile

Group structure	6
Highlights	7
Products, services and solutions	8
Global presence	10
Corporate bodies and committees	12
Organisational structure	13

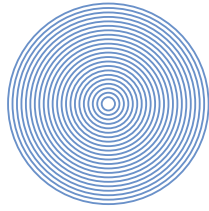




Group structure

BUSINESS SECTORS

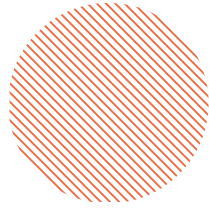
Helicopters



DIVISIONS, MAIN SUBSIDIARIES AND INVESTEES

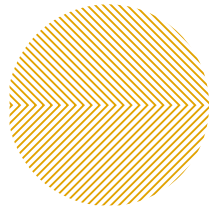
— Helicopters Division

Defence Electronics & Security



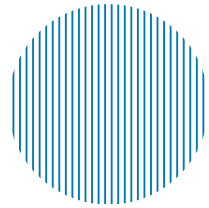
— Electronics Division
Cyber Security Division
Leonardo DRS
MBDA (*)

Aeronautics



— Aircraft Division
Aerostructures Division
ATR (*)

Space



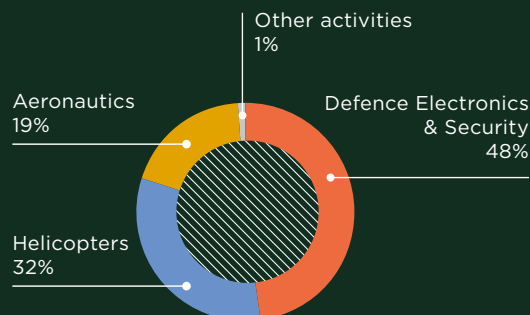
— Telespazio (*)
Thales Alenia Space (*)

(*) Joint venture.
Other main subsidiaries and investees: Leonardo Global Solutions, Vitrociset, Avio, Elettronica, NHIndustries and Orizzonte Sistemi Navali.

Highlights

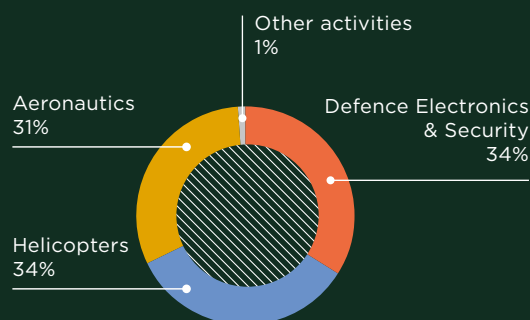
NEW ORDERS

€14,105 million



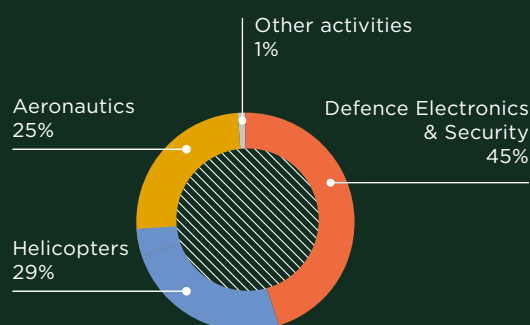
ORDER BACKLOG

€36,513 million



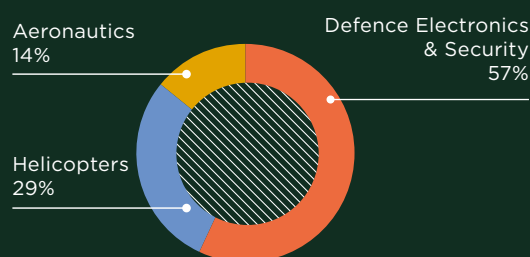
REVENUES

€13,784 million



TOTAL R&D EXPENSES

€1,525 million



Products, services and solutions



AIR

From advanced electronic components to fixed and rotary wing platforms, up to fully integrated training and simulation systems: Leonardo offers global competence in the management of the entire development cycle for electronic systems of manned and unmanned aircraft and helicopters, for a variety of missions and applications.



LAND

From land-based net-centric management systems to air traffic control: Leonardo leads the market of complex command and control solutions, air and land defence, intelligence, surveillance, identification, tracking and engagement: solutions that are integrated, interoperable and applicable in various operating scenarios.



SEA

From maritime and coastal surveillance to the supply and integration of ship systems: Leonardo offers cutting edge functionalities and all the skills necessary to ensure naval forces have high quality and up-to-date information, awareness of the situation, command and control capabilities, management of the weapon systems and integrated communications.



SPACE

From design to development of integrated satellite systems, management of satellite communication networks and development of geo-information and Earth observation applications: Leonardo provides a complete service, which includes sensors, payloads, advanced robotics systems, solutions and services.



CYBER AND SECURITY

From integrated systems for the security of major events to the protection of critical infrastructure: Leonardo provides a vast range of cyber solutions and services for network protection and data security. It exploits the synergies between IT, communications, physical and digital security to offer integrated systems to secure and control the territory.

More than **4,300** **helicopters** active in 130 Countries

4,000 systems for the automated identification of licence plates used by the police forces of more than 25 Countries

Over **70 M-346s** delivered to four Air Forces

80 simulators sold for Air Traffic Management

570 Eurofighters delivered to seven Air Forces

84 C-27Js delivered to 14 Countries

Naval systems installed on **100 vessels of 47 international Naval Forces**

Air traffic control systems at approximately **300 airports**

90 simulators sold for helicopters and aircraft

Over **1 million radar scenes** captured by the COSMO-SkyMed constellation since 2008

Over **5,000 networks and 70,000 users** provided with cyber security services in 130 Countries

60 handling systems in airports, post offices and logistical centres

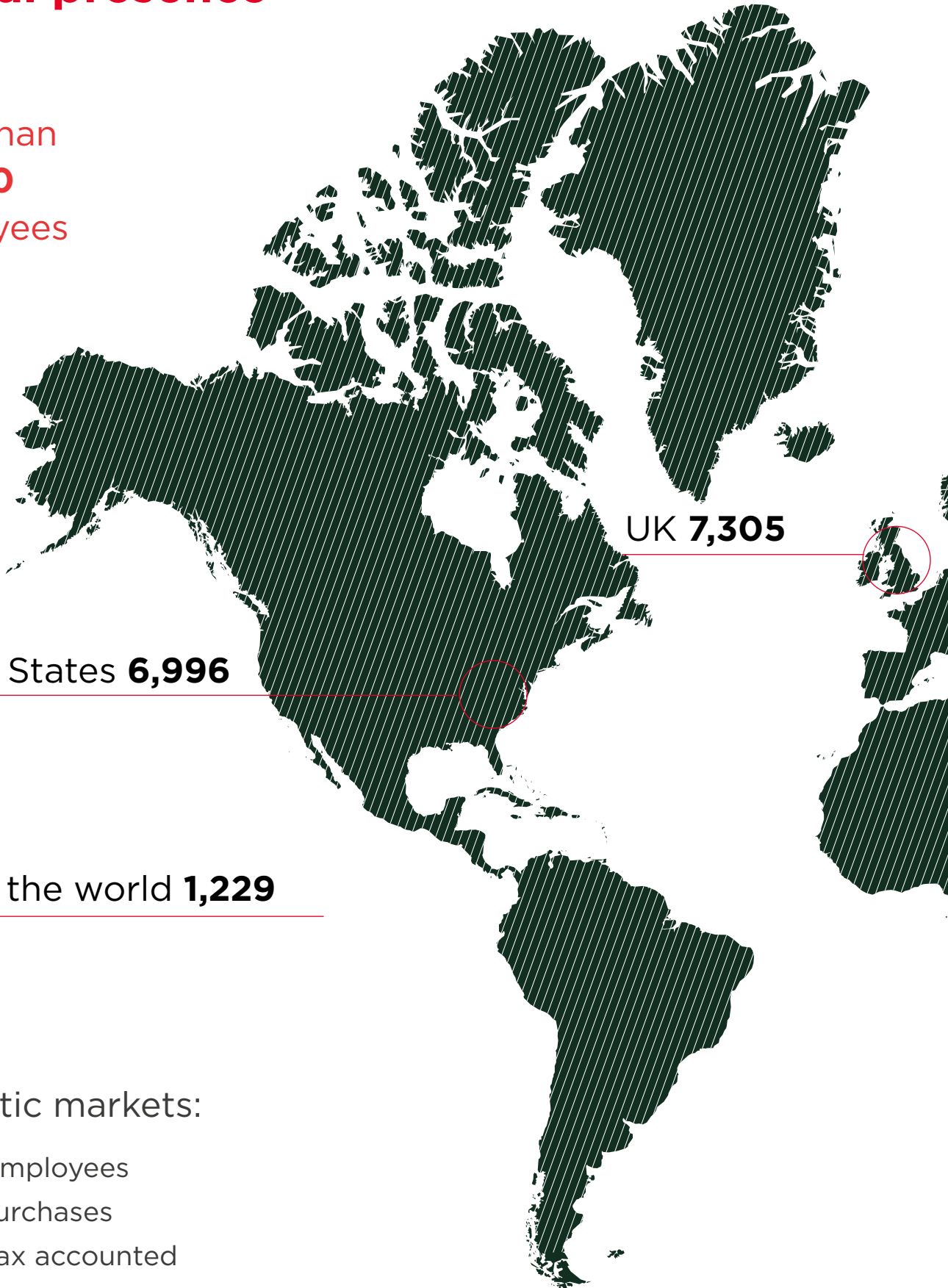
29 Countries and 75 NATO sites protected from cyber-attacks

Sea traffic control systems located at approximately **120 sites**

More than **1,700 ATRs** sold to over 100 Countries

Global presence

More than
49,000
employees



United States **6,996**

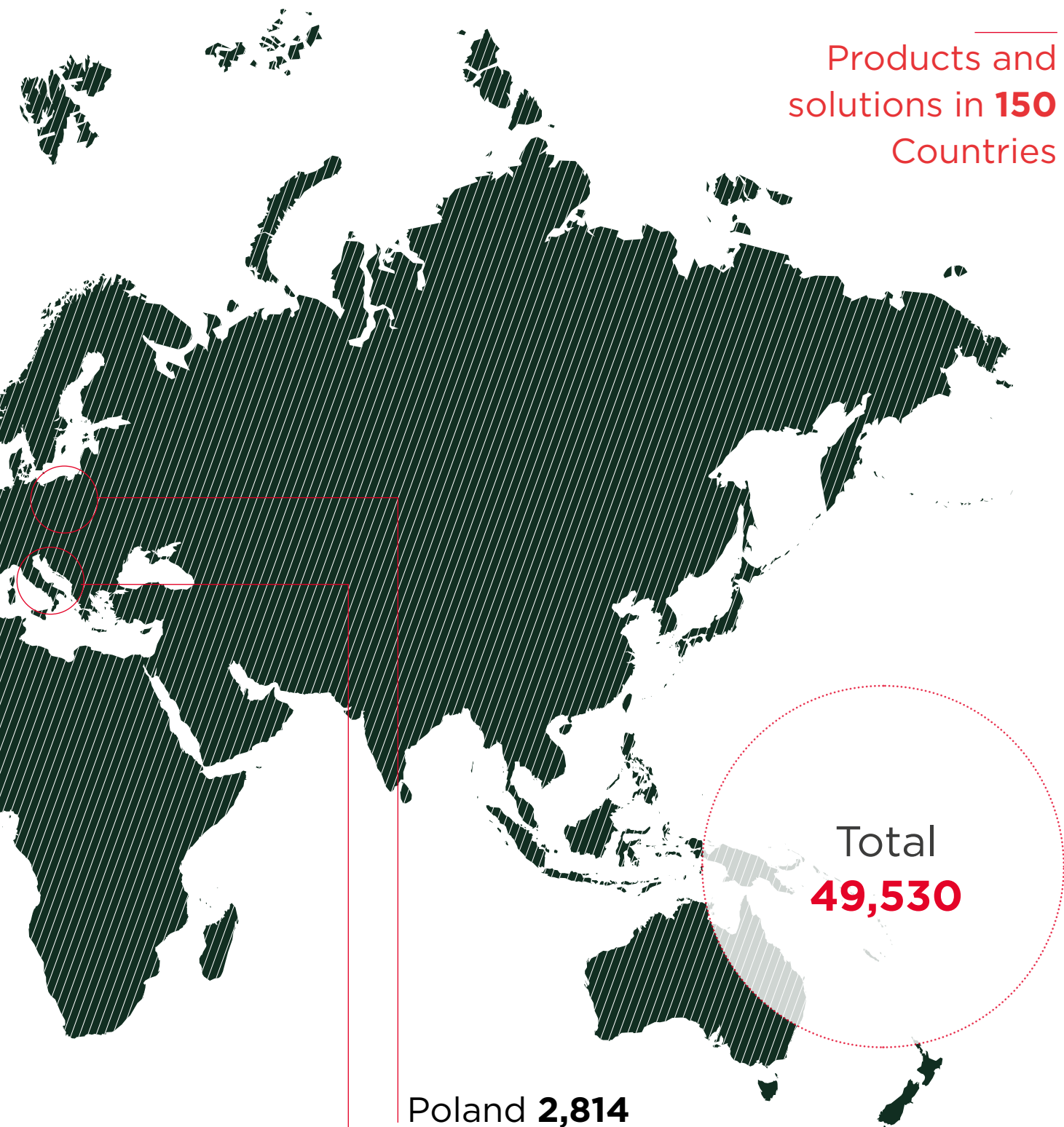
UK **7,305**

Rest of the world **1,229**

4
domestic markets:

- 98% of employees
- 81% of purchases
- 99% of tax accounted
- 99% of fixed assets

Products and
solutions in **150**
Countries



Poland **2,814**

Italy **31,186**

Total
49,530

People at 31 December 2019.

Corporate bodies and committees



Board of Directors

(for the 2017-2019 three-year period)

- **Giovanni De Gennaro**, CHAIRMAN
- **Alessandro Profumo**, CHIEF EXECUTIVE OFFICER
- **Guido Alpa**, DIRECTOR (A,C)
- **Luca Bader**, DIRECTOR (A,D)
- **Marina Elvira Calderone**, DIRECTOR (B,C)
- **Paolo Cantarella**, DIRECTOR (A,C)
- **Marta Dassù**, DIRECTOR (C,D)
- **Dario Frigerio**, DIRECTOR (B,C)
- **Fabrizio Landi**, DIRECTOR (A,D)
- **Silvia Merlo**, DIRECTOR (A,D)
- **Marina Rubini**, DIRECTOR (B,C)
- **Antonino Turicchi**, DIRECTOR (B,C)
- **Luciano Acciari**, SECRETARY TO THE BOARD OF DIRECTORS



Board of Statutory Auditors

(for the 2018-2020 three-year period)

REGULAR STATUTORY AUDITORS

- **Luca Rossi**, CHAIRMAN
- **Sara Fornasiero**
- **Francesco Perrini**
- **Leonardo Quagliata**
- **Daniela Savi**

ALTERNATE STATUTORY AUDITORS

- **Marina Monassi**
- **Giuseppe Cerati**



Independent legal auditors

(for the 2012-2020 period)

- **KPMG SpA**

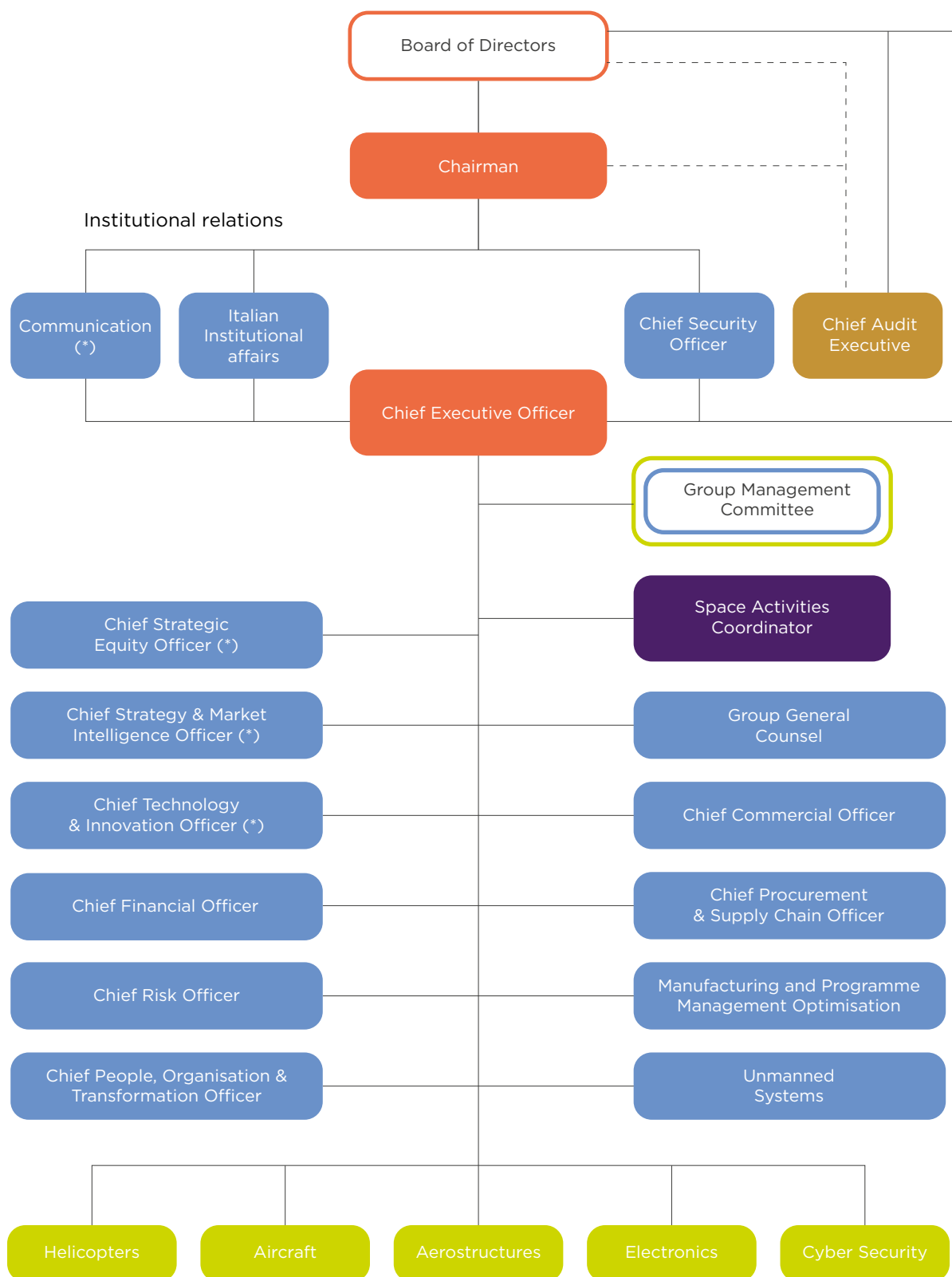
A: Control and Risks Committee.

B: Remuneration Committee.

C: Nomination, Governance and Sustainability Committee.

D: Analysis of International Scenarios Committee.

Organisational structure



(*) Unit set up in 2019.
The chart refers to Leonardo SpA's organisational structure.

Results and objectives

Value creation model	16
Trends and scenarios	18
Sustainability targets	20
Leonardo 2030 vision	26
Results and performance	27
Stakeholder engagement	31

Value creation model

For over 70 years, Leonardo has been developing, manufacturing and managing high-tech Aerospace, Defence and Security products, systems and solutions for both civil and military use. It operates in markets conditioned by geopolitical and macroeconomic developments, the effects of global trends and climate change, the application of digital technologies and new scientific discoveries.

TRENDS

Need for greater security and geopolitical stability

Digital transformation and Artificial Intelligence

CAPITALS



Financial resources



Operating assets



People and skills



Technologies and intellectual property

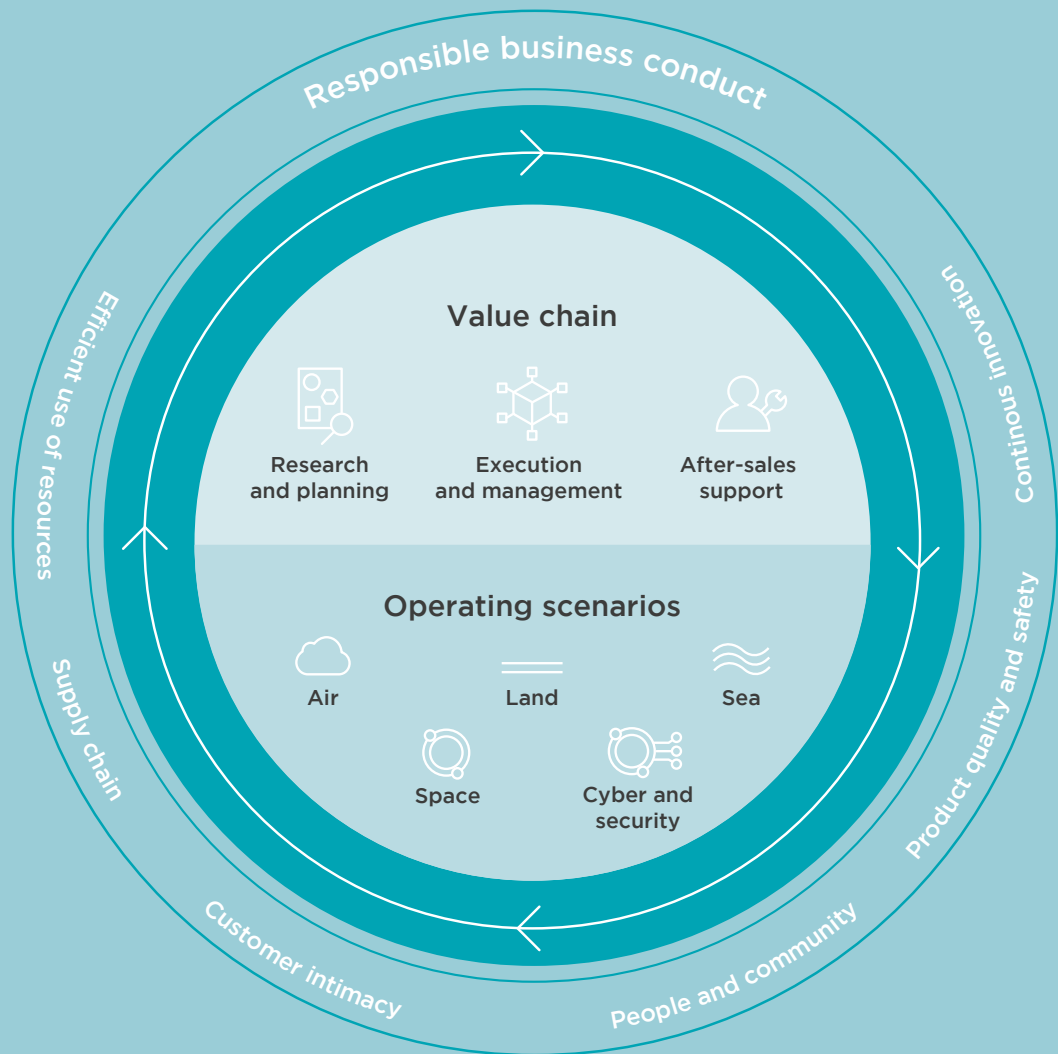


Relationships and collaborations with stakeholders



Energy and natural resources

BUSINESS MODEL



Leonardo, through its business model and the management of its key drivers, contributes to the technological, economic and social progress and to achieving the Sustainable Development Goals (SDGs) of the United Nations' 2030 Agenda.

Evolution of key skills

Fight against climate change and resource management

RESULTS

IMPACTS AND SDGs



2018-2019 new orders:
~€30 billion



Total R&D expenses:
€1.5 billion



Increase in employees
compared to 2018: +7%



86% of employees working in
sites with certified quality
management systems



~1,300 suppliers assessed
within the LEAP programme



72% of employees working
in sites with certified
environmental management
systems

○ Spreading a scientific
culture and promotion
of STEM skills



○ Qualified employment
and growth of SMEs



○ Competitiveness
and economic,
technological and
social development
of local areas

○ More innovative
sustainable and
efficient cities



○ Physical and cyber
security of territories,
cities and people

○ Climate change monitoring
and prevention and
emergency management



Trend and scenarios

Main trends



Need for greater security and geopolitical stability

\$1,822 billion global Defence spending in 2018, increased by 2.6% (compared to the previous year).¹

NATO's European members are committed to spending 2% of GDP on Defence by 2024 (1.37% in 2018).

Geopolitical developments, increased migration and the fight against terrorism have led Countries to focus more on security, earmarking resources and rolling out joint and integrated instruments, particularly in the European Union. The common objective shared by European Countries, the set-up of the Permanent Structured Cooperation (PESCO) and other modes of structural cooperation in the Defence sector form part of the larger objective of stability and security, at the core of policies and investments for sustainable development. At the same time, geopolitical conflicts may affect the export of defence solutions, which may be subject to specific authorisations.



Digital transformation and Artificial Intelligence

Internet of Things: 26 billion connections in 2019, which will increase to 75 billion in 2025.²

Among the five main global risks, cyber-attacks on infrastructures are ranked fifth.³

Digital technologies and increasingly sophisticated algorithms are leading to the transformation of business models, allowing for the development of new products and services, replacing humans in the most repetitive tasks, with processes guided by data and increasingly heightened automation. At the same time, the increased connectivity between things, networks and systems poses new problems, including ethical ones, and requires greater caution regarding personal privacy. In order to take full advantage of the potential of new technologies, it is crucial to understand their social, economic and cultural impact, while enhancing cyber security and resilience in the event of cyber-attacks. In particular, the spread of the Artificial Intelligence has made it necessary at various institutional levels to define tailored strategies explaining ethical orientations and investment policies.

Leonardo's actions

- Solutions for the security of people, territories and critical infrastructures.
- Participation in European programmes (including OCEAN2020 for maritime surveillance, Team Tempest for the development of European defence aircraft, European MALE RPAS for the development of the MALE European drone).
- Dialogue and collaboration with business partners and institutions.
- Responsible business practices to comply with export regulations.
- 2030 Masterplan for innovation, focused also on digital transformation.
- Creation of Leonardo Labs for research into the future's technologies.
- Secure by design approach for the development of products and services.
- Promotion of a culture of cyber risk prevention.
- Responsible development of Artificial Intelligence in the main technological domains, particularly in the unmanned systems sector.
- Participation in working groups in order to define a national Artificial Intelligence strategy.

¹Stockholm International Peace Research Institute (SIPRI).

²www.statista.com.

³World Economic Forum 2020, *Global Risks Perception Survey 2019-2020*, survey of over 1,000 experts.

Main trends



Evolution of key skills

65% of children at primary school today will end up working in completely new job types that do not yet exist.⁴

49% of work activities in the global economy have the potential to be automated by 2055.⁵

Globally, 54% of companies report talent shortages; out of 44 Countries, 33 are experiencing more difficulty attracting these qualified talents compared to 2018, in particular, the United States, Mexico and Italy.⁶ Within a context characterised by rapid change and the pervasiveness of new technologies, learning and developing new skills is fundamental, especially those in the STEM area (Science, Technology, Engineering and Mathematics). In OECD member Countries, six out of ten adults do not have basic IT skills or computer skills. In many European Countries, the skill mismatch between employment demand and the job market requirements is on the rise. If this is not dealt with appropriately, the risk of a skill shortage could increase, potentially affecting companies' competitive edge (in the past 20 years, the share of high-skilled jobs has grown by 25%).⁷



Fight against climate change and resource management

16 of the 17 warmest years have occurred since 2000.⁸

On a global scale, by 2030, energy, water and food will need to increase by 50%, 40% and 35%, respectively.⁹

In order to accomplish the commitment made by Governments at the COP21 and next conferences to limit the global temperature increase to 1.5 °C compared to pre-industrial levels, by reducing greenhouse gas emissions, it is necessary to develop capabilities to mitigate risks and adapt to new climate contexts. This commitment is strengthened in Europe by the Green Deal, which aims to make Europe the first climate-neutral continent by 2050. Furthermore, it is estimated as, by 2050, total demand for materials will reach levels requiring twice as many resources as the world can provide. Such increases make it necessary the transition to a production and consumption system characterised by a more rational and sustainable management of resources. In this regard, the European Commission has already adopted measures for the circular economy.

Leonardo's actions

- Collaboration with institutions, universities and technical schools in order to bring together the academic world and the labour market.
 - Programmes for talent management and development of key skills in-house.
 - Action plans aimed at attracting, retaining and motivating people.
 - Culture of innovation and ongoing specialist training.
 - New forms of open and collaborative innovation with university students and start-ups.
 - Technical and managerial training initiatives for the growth and development of the sector value chain.
 - Scientific citizenship initiatives to introduce STEM subjects to young people.
-
- 2030 Masterplan on sustainability, integrating SDGs and the recent guidelines of the European Green Deal.
 - Investments in R&D activities and participation in national and European programmes for the development of products and services with a reduced environmental impact and technologies for the management of air, maritime and urban traffic.
 - Research and use of innovative materials to promote recycling and reuse.
 - Satellite services to monitor the Earth and geo-information and cutting edge technologies for the prevention and management of emergencies.
 - Methodologies, technologies and innovative processes for the efficient use of resources.
 - New technologies for training, logistics and the maintenance.
 - Reduction of hazardous substances in materials and products, in line with the European REACH regulation, which promotes the recycling and reuse of certain materials.

⁴ World Economic Forum, *The future of Jobs Report*, 2018.

⁵ McKinsey, *A future that works: automation, employment, and productivity*, 2017.

⁶ Manpower Group, *Closing the Skills Gap: What Workers Want*, 2020.

⁷ OECD, *Employment Outlook 2019: The Future of Work*.

⁸ National Oceanic and Atmospheric Administration (NOAA).

⁹ National Intelligence Council, *Global Trends 2030: Alternative Worlds*, 2013.




Sustainability targets

Leonardo's sustainability strategy, fully integrated into the Industrial Plan, is based on cross-business development guidelines, set out in specific operating commitments and targets. Their pursuit and consistency with the Industrial Plan are monitored at Board level by the Nomination, Governance and Sustainability Committee, in collaboration with the Control and Risks Committee. The Group Management Committee, composed of first level management, is responsible for defining both the sustainability targets and the related actions to be implemented. The Sustainability Ambassadors of the Divisions and functions contribute to the implementation and monitoring of specific initiatives.

The commitment of the entire management team is also ensured by linking part of their short-term variable remuneration to the achievement of ESG (Environment, Social and Governance) targets and, specifically, to the Company's inclusion in the Dow Jones Sustainability Indices (10% of Management by Objective - MBO).

Aware of the need to adopt integrated approaches and multi-stakeholder collaborations to tackle economic, social, environmental and institutional challenges, Leonardo contributes to achieving the Sustainable Development Goals (SDGs) of the United Nations' 2030 Agenda through its strategy and actions. Specifically, Leonardo makes positive impacts in the Countries where it operates by the creation of quality employment, its commitment to spread the scientific citizenship, the strengthening of small and medium enterprises, its technological partnerships, the innovation processes and the continuous improvement of products and solutions for society and the environment.

Goal	Target
 <p>4 QUALITY EDUCATION</p>	<p>Target 4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent work and entrepreneurship.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Target 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation. [...]</p> <p>Target 8.3 Promote productive activities, decent work creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises. [...]</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Target 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all Countries, [...] encouraging innovation and substantially increasing the number of research and development workers per one million people and the related spending.</p>
 <p>13 CLIMATE ACTION</p>	<p>Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all Countries.</p> <p>Target 13.3 Improve education, awareness-raising, human, and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>

GUIDELINES	COMMITMENTS	TARGETS ¹⁰	
	Accelerate collaborative innovation	Develop an innovation culture and harmonise internal practices	Share knowledge and best practices and promote company-wide initiatives across the Group
		Promote open and collaborative innovation	Strengthen collaborations with external partners and efficient management of open innovation and technology scouting
	Deliver customer-centric solutions	Strengthen customer intimacy	Increase and strengthen Customer Support, Service & Training
	Attract and nurture talent	Invest in training and development programmes	Over 100 hours of training for each employee in the 2018-2022 period
		Identify and encourage the skills for today and tomorrow	Map and assess Group skills Initiatives to encourage new generations to study STEM subjects
		Encourage generational turnover, guaranteeing excellence in terms of skills and professionalism	Under 30 new hires equal to at least 40% of total new hires by 2022
		Create an inclusive work environment	Women new hires equal to at least 32% of total new hires in 2022

¹⁰ Set in 2018.

2019 RESULTS

- Launched 2030 Masterplan for innovation and Leonardo Labs for research on future's technologies.
- Participation in consortia for scouting of innovative start-ups (for example, Elis OPEN Italy and CDI Labs - Collège des Ingénieurs).
- Collaborative innovation initiatives (for example, AIRtificial Intelligence with the Italian Air Force).

IMPACTS



Target 9.5

- **About €4.5** billion of total R&D expense for the 2017-2019 period.
- Research projects and partnerships with more than **90** universities and research centres.
- Responsible for **18%** of all high-tech Italian manufacturing exports.¹¹

- 4 M-346 aircraft operating at the International Flight Training School of Galatina (Lecce).
- Participation in exhibitions increased by 6% compared to 2018.
- Acquisition of Vitrociset to reinforce logistics, simulation and training services.

- Products and solutions offered in around **150 Countries**.
- **200** highly qualified **civil staff** will be activated by the Galatina School in related activities.

- 39 average hours of training per employee in the 2018-2019 period.
- Approximately 14,500 assessments performed to map the professional skills of white collars and junior managers.
- Over 27,000 people's performance appraised.
- Under 30 new hires equal to 43% of total new hires in 2019.
- Women new hires equal to 20% of total new hires in 2019.
- Organisation of hackathons and contests aimed at undergraduates and graduates in STEM subjects (for example, Innovathon).



Target 4.4

- **About 2,500** internships, apprenticeships and training initiatives in the 2017-2019 period.
- **Over 5,000** under 30 new hires in the 2017-2019 period.
- **About 50,000** students reached at the career days in 2019.

¹¹ Based on Istat and Eurostat data for 2017 and 2018.

GUIDELINES	COMMITMENTS	TARGETS ¹⁰	
	Build a solid and reliable supply chain	<p>Strengthen relations with suppliers to develop long-term partnerships</p> <p>Implement partnership programmes with the supply chain to improve business sustainability by 2020</p> <hr/> <p>Raise employee awareness of the ESG issues within the supply chain</p> <p>Training on ESG topics to all employees directly involved in procurement and the supply chain by 2020</p> <hr/> <p>Promote responsible management of the supply chain</p> <p>Define Group governance model and assess conflict minerals in the supply chain by 2021</p>	
		Promote operational eco-efficiency	<p>Strengthen the commitment to combating climate change</p> <p>Define the approach to the circular economy</p> <hr/> <p>Extend the certified environmental management systems</p> <p>80% of employees in ISO 14001-certified sites by 2020</p> <hr/> <p>Manage natural resources more efficiently</p> <p>Reduce water withdrawals by 6% by 2020</p> <p>Reduce waste produced by 7% by 2020</p>
			Promote a responsible business model

¹⁰ Set in 2018.

2019 RESULTS

- As part of the LEAP programme, the ELITE Leonardo Lounge was created to train high-potential suppliers. Financial and commercial agreements have been signed to support the growth of suppliers and to develop long-term partnerships with certain key suppliers.
- Under development the training programme, leveraging Leonardo's experience in the United Kingdom in relation to the Modern Slavery Act.
- Analysed the sector's best practices for governance on conflict minerals and planned activities for the preparation of the Group policy.

IMPACTS



Target 8.2

Target 8.3

- **€24 billion** the cumulated value of purchases during the 2017-2019 period.
- Direct, indirect and induced impacts on the economy: in Italy, 110,000 jobs and **€8.5 billion** of added value created; in the United Kingdom approximately 23,000 jobs and **£1.5 billion** of added value created.¹²

- 72% of employees work in ISO 14001-certified sites.
- Water withdrawal intensity reduced (-10% versus 2018).
- Waste produced intensity slightly increased (+1% versus 2018).
- Between 10% and 30% increase in the productivity of six sites involved in the Leonardo Production System.



Target 13.1

Target 13.3

- **About 50,000 tonnes of waste recovered** in the 2017-2019 period.
- **About 90,000 tonnes of CO₂ avoided** thanks to the use of virtual training in the 2018-2019 period.
- **About 1.7 million cubic metres of water saved** since 2017 thanks to efficiency measures.

- Joined the Action Platform SDG 16 of the United Nations' Global Compact.
- Performed the annual ISO 37001 verification audit by the Certification Body.
- Launched the online anti-corruption and business compliance training for consultants and sales promoters.
- 22% increase in reports received through the whistleblowing system compared to 2018.
- Recognised as Industry leader in the Aerospace & Defence sector of the Dow Jones Sustainability Indices.
- Confirmed CDP (Carbon Disclosure Project) ranking at level A-.

¹² Elaboration on 2018 figures.

Leonardo 2030 vision

To face the challenges of the third millennium, Leonardo has developed the strategic “Leonardo 2030” plan, the path to be followed for the next ten years in order to be a company:



focused on the customer, with an offering ever more based on services;



global leader in helicopters and in simulation & training solutions, European leader in electronics and key player of the collaboration programmes in aeronautics;



driver of development for people, inclusive and attractive company on an international level, and partner of suppliers in an innovative, integrated and resilient eco-system;



driver of innovation – focused on the development of transversal technologies – and digitalised within all company processes.

Sustainability is the cornerstone and the enabler for long-term growth and, as the main factor for the competitiveness of Leonardo, innovation is the key instrument for building a sustainable future.

The Masterplan for innovation defined by Leonardo has twofold objective: the incremental improvement of know-how, products and existing services and the development of the future’s technologies through a disruptive change, in order to support the “Leonardo 2030” vision.

Masterplan for innovation: main actions

- Strengthen research and development activities, also by optimisation of the external collaborations’ network.
- Set up the Leonardo Innovation Committee, which promotes the long-term vision, development and sharing of ideas.
- Improve the efficiency of the intellectual property management and valorise the patent portfolio.
- Create the Leonardo Labs to explore and develop innovative technologies and ideas.
- Accelerate the digitalisation of the product design and development phases.
- Launch a wider sustainability plan integrating the United Nations’ Sustainable Development Goals and the recent guidelines of the European Green Deal.

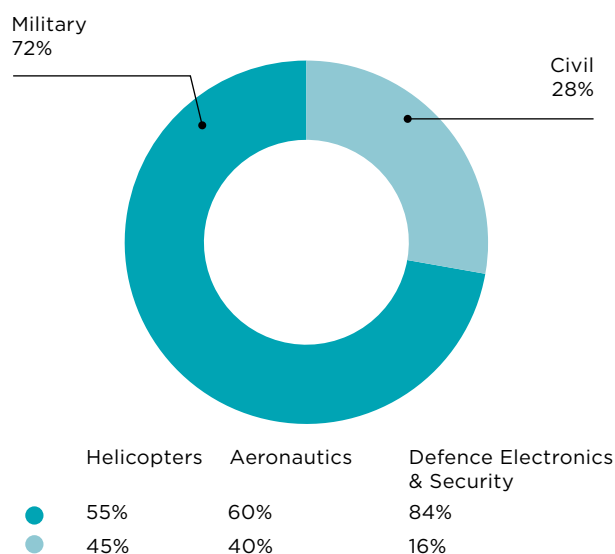
Results and performance

Economic and financial results

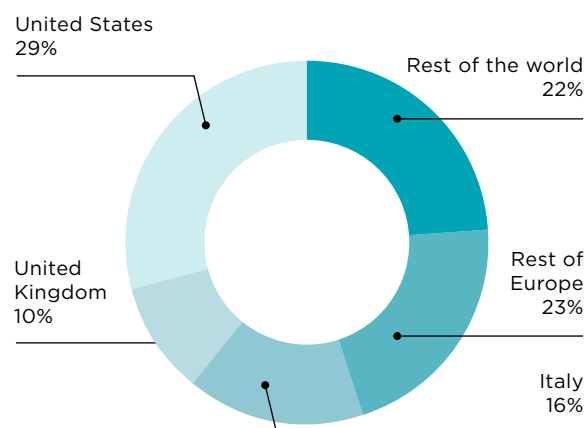
€ million	2017	2018	2019	2019 vs 2018
New orders	11,595	15,124	14,105	-6.7%
Order backlog	33,507	36,118	36,513	+1.1%
Revenues	11,734	12,240	13,784	+12.6%
EBITA (*)	1,077	1,120	1,251	+11.7%
Net result	279	510	822	+61.2%
Net debt	2,579	2,351	2,847	+21.1%
FOCF	537	336	241	-28.3%

(*) EBITA is obtained by eliminating from EBIT the following items: any impairment in goodwill; amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations; restructuring costs that are a part of defined and significant plans; other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

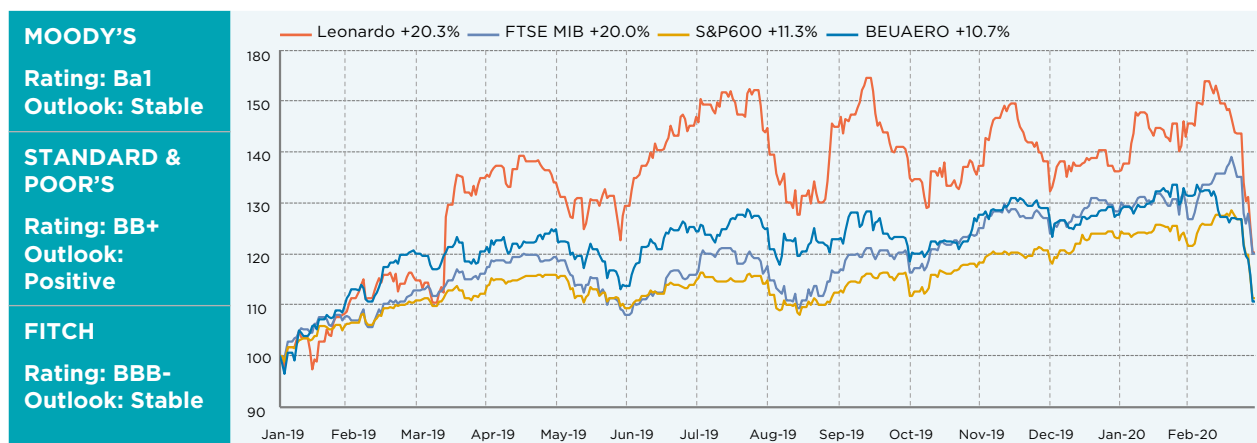
Revenues by market



Revenues by geographical area



Credit rating Performance of Leonardo stock



Non-financial results

	2017	2018	2019	2019 vs 2018
Workforce (no.)	45,134	46,462	49,530	+7%
New employees under 30 on total hiring (%)	38	38	43	+5 p.p.
Women in managerial positions on total managers and junior managers (%)	15	16	17	+1 p.p.
Average hours of training per employee (no.)	20	20	19	-5%
Total R&D expenses (€ billion)	1,539	1,440	1,525	+6%
of which self-funded	513	524	553	+5.5%
Employees at ISO 14001-certified sites on total employees (%)	66	69	72	+3 p.p.
Employees at OHSAS 18001-certified sites on total employees (%)	56	63	74	+11 p.p.
Energy consumption intensity (MJ/€) on revenues	0.49	0.45	0.42	-6%
Scope I and II CO ₂ emission intensity on revenues (g/€) ¹³	27.81	28.74	29.28	+2%
Water withdrawal intensity on revenues (l/€)	0.51	0.48	0.43	-10%
Waste produced intensity on revenues (g/€)	2.77	2.77	2.79	+1%

Breakdown of added value

€ million	2017	2018	2019
Total gross added value¹⁴	12,306	13,126	14,889
Costs for the purchase of goods and services	7,454	8,024	9,093
Employee remuneration	3,111	3,376	3,448
Loan capital remuneration	529	368	443
Public administration remuneration	106	63	147
Sponsorships and community investments	6	4	5
Company remuneration	1,100	1,290	1,754
Total distributed value	12,306	13,126	14,889

¹³ The increase of CO₂ emissions, both in absolute value and reported on revenues (intensity), is mainly due to greater production compared to last year and use of gaseous substances in the helicopters sector. For more details, reference should be made to paragraph "Main environmental data and information in 2019".

¹⁴ Total gross added value includes revenues, other revenues, other operating costs and net accessory.

A year of sustainability in the media

Leonardo's focus on sustainability has resulted in increased media visibility (+155% more articles compared to 2018), particularly thanks to activities to support the Drone Contest, Innovation Award and AIrtificial Intelligence events, in addition to the launch of the Leonardo - Civiltà delle Macchine Foundation and the launch of Leonardo Lounge in partnership with ELITE (Italian Stock Exchange - Borsa Italiana).



Social media followers

In 2019, Leonardo streamlined its presence on social media, assigning specific communication objectives to each platform. Specifically, Twitter was used to share information (news, events and demonstrations) and LinkedIn was used to promote the world of Leonardo, its approach to business and work life at the Company.

 +31%

 +69%

 +46%

Change in 2019 compared to 2018

AWARD FOR TRANSPARENT COMMUNICATION WITH STAKEHOLDERS

A marked improvement in online communication in terms of transparency and dialogue with stakeholders: this is the assessment of Webranking Italy, the ranking of over 100 listed companies by Lundquist, an international strategic communications consultancy specialised in online corporate communication. Leonardo's website is ranked in the Italian top ten. Furthermore, Leonardo ranked 13th among 500 European companies and was named best performer in navigation and user experience by the research entitled ".trust: communicating what matters", which assessed the proactive user-stakeholder involvement, including through stories and social media.

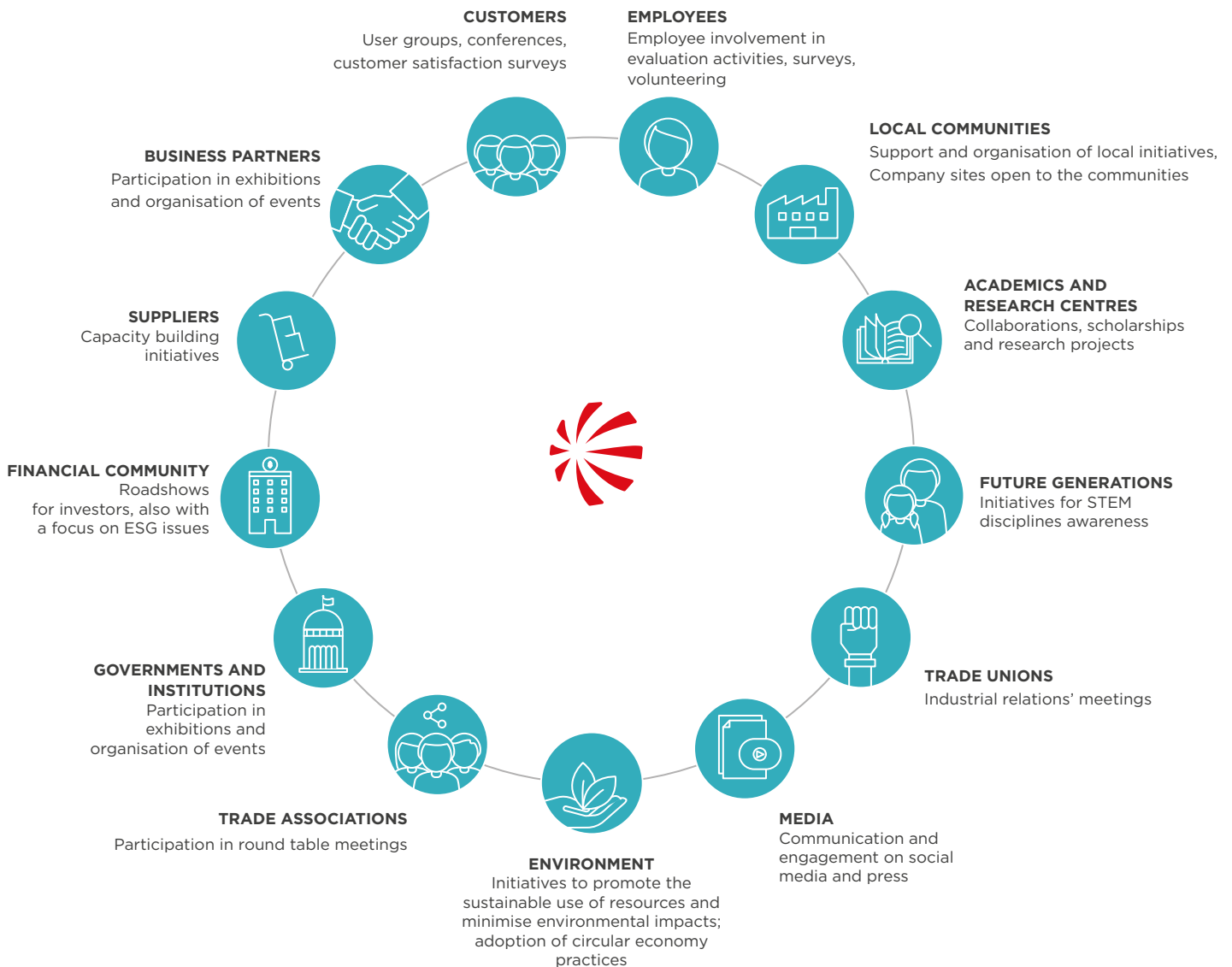
Awards and recognitions

<p>Sustainability indices</p>	<p>Dow Jones Sustainability Indices (DJSI) - Industry leader in the Aerospace & Defence sector in 2019.</p> <p>Carbon Disclosure Project (CDP) - Level A- confirmed for the quantity and quality of the information related to environmental management and atmospheric emissions.</p>
<p>Transparency and communication</p>	<p>Webranking Italy - Leonardo's site in the Italian top ten of Lundquist's Webranking for transparent communication with its stakeholders.</p>
<p>Innovation</p>	<p>SMAU Innovation Award - SMAU Taranto award for the development of an easily recyclable thermoplastic material for large aerostructures, manufactured via a production process with a low environmental impact, and SMAU Milan award for the Innovathon project.</p> <p>COTEC National Award for Innovation - For the innovative process for protection against oxidation of aluminium aerostructures, which completely eliminates the use of chromium.</p> <p>CPO Master Award - Received from Business International during the Chief Procurement Officer summit, as part of the category Digitalisation for its innovation in supply chain management processes.</p>
<p>People</p>	<p>Best Employer of Choice 2019 - Ranked in the top 20 most attractive employers for young Italians, based on a sample of 2,500 recent graduates.</p> <p>Investor in People and Young People - Achieved Gold level accreditation until 2021 for the most important standard for people management in the United Kingdom, for its commitment to supporting the development of employees and young people.</p> <p>2019 Military Friendly employer - Included among the American companies recognised for their commitment to the military and veterans' community, in terms of work and career opportunities, customer service and investments in communities.</p> <p>TOP CEE Entrepreneurs - Included in Adecco Poland's list of the most dynamic companies in terms of innovativeness, competitive edge, talent attraction and people management in Central and Eastern Europe, the Middle East and North Africa.</p>
<p>Customers and suppliers</p>	<p>The Most Trustworthy Foreign Investor - Recognised by the Polish magazine "ISBnews" as the most trustworthy foreign partner for investments in the Defence industry.</p> <p>ProPilot - First place for the second consecutive year in the 2020 survey of international helicopter companies, with a score of 8.28/10 for the quality and efficiency of the after-sales support.</p>
<p>Responsible business conduct</p>	<p>Best Corporate Governance 2019 - Award from the "Ethical Boardroom" magazine for its leadership in corporate governance in the European Aerospace & Defence sector.</p>

Stakeholder engagement

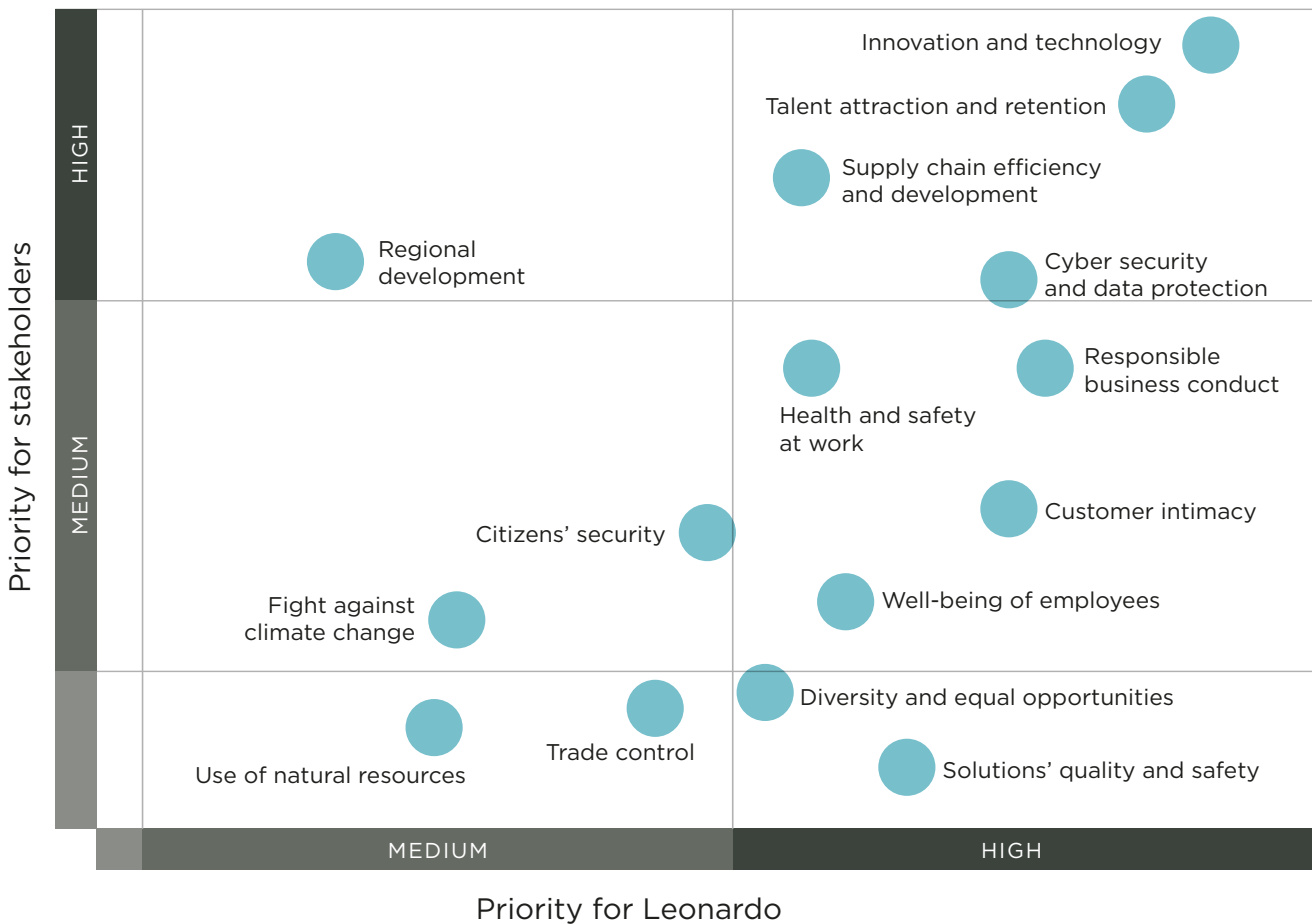
Leonardo is part of a system that includes companies, political and economic institutions, the scientific world and local communities. In order to maintain effective dialogue with all stakeholders, starting with its employees, Leonardo regularly involves them through its organisational units and the most effective methods, in order to understand their interests and points of view. All opportunities for stakeholder engagement – from shareholders' meetings to trade association meetings, exhibitions and events around the world and partnerships for technological R&D programmes – contribute to strengthening its bond with the industrial, economic and social context and to improving its business management practices.

Leonardo's stakeholders



Leonardo involved its stakeholders in the process for the materiality analysis, aimed at identifying their most material topics, through participation in two dedicated workshops. The materiality matrix summarises the results of this process, which also involved Leonardo’s Group Management Committee, representing the Company’s point of view.

Materiality matrix



A SHARED JOURNEY TO DEFINE LEONARDO’S PURPOSE AND MISSION

The Unified Brand Vision project was launched in 2019 with the aim of defining Leonardo’s purpose and mission, starting with its value system and building on the Industrial Plan and Leadership Framework. The final result was achieved thanks to a large co-creation and sharing effort, which involved all the levels of the organisation, from senior management, with the Group Management Committee, to the over 800 employees who took part in the survey, the online discussions and the dedicated workshops. The shared journey allowed for the expression of the purpose – why the Company exists – and its mission – what it wants to achieve: expressions of a corporate vision that provide a point of reference for the people who work at Leonardo and all of its stakeholders.

The milestones of the Unified Brand Vision project



Approximately

800

employees involved in the project

170

employees took part in the survey

250

influential managers took part in the online discussion on the Next-Leonardo platform

400

people involved in

17

interactive workshops

1,720

responses

200,000

words used

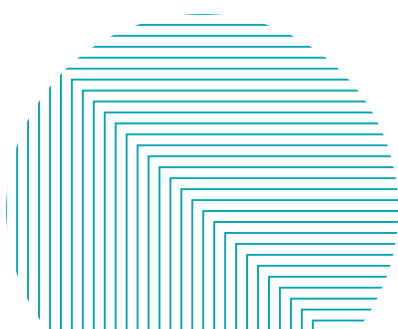
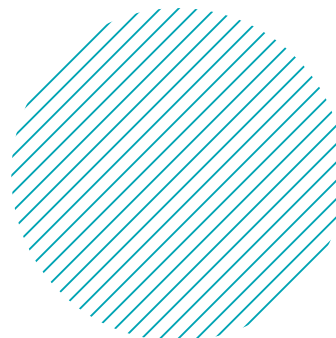
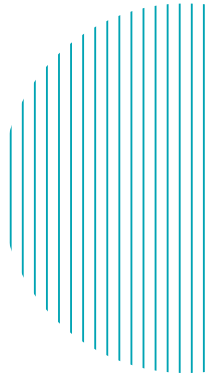
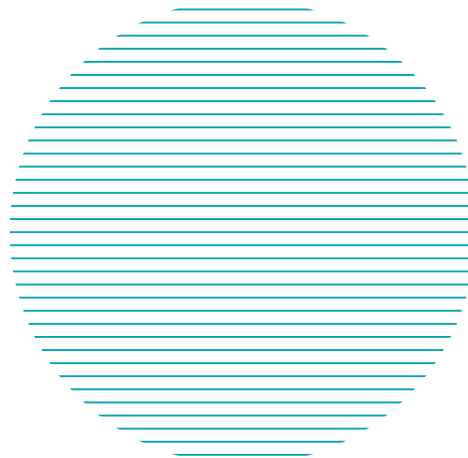
Presentation to over

1,100

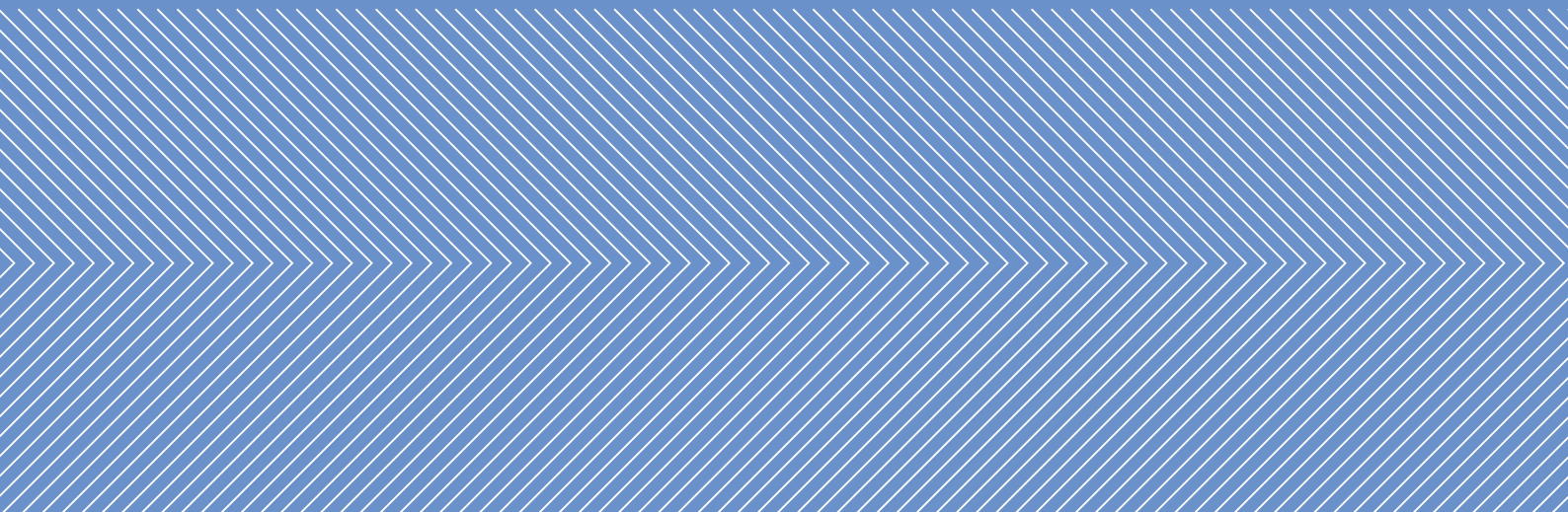
managers at the managers' convention



More effective communication with stakeholders






Governance and business conduct



Corporate governance	36
Responsible business conduct	39
Risk governance and management	48

Corporate governance

Capitals	Material topics
 Financial resources	<ul style="list-style-type: none"> • Responsible business conduct • Cyber security and data protection • Trade control
 People and skills	
 Relationships and collaborations with stakeholders	

Leonardo’s corporate governance is aimed at protecting and maximising the long-term value of the Company, via the optimal management of resources with respect to strategic objectives, effective company risk control, utmost market transparency and integrity of decision-making processes, in the interest of all stakeholders.

Articles of association updated in 2019: at least a third¹⁵ of the BoD members must belong to the less represented gender.

The corporate governance model complies with the Corporate Governance Code for Listed Companies (approved by the Corporate Governance Committee and promoted by – *inter alia* – Italian Stock Exchange) and with the international best practices for diversity of the Board of Directors (BoD).

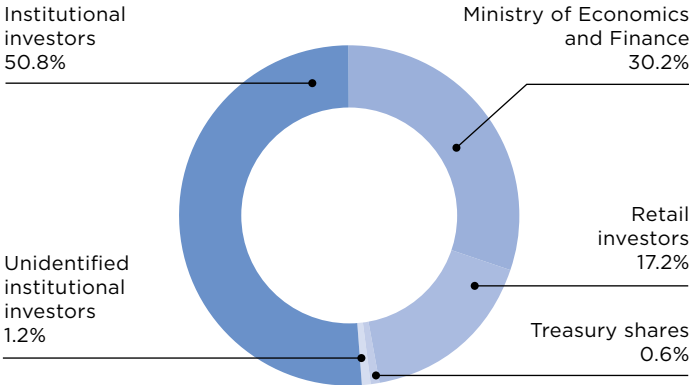
As part of this model, the BoD is the main body entrusted with the power to define business strategy and organisational structures in coherence with the Company’s management and control activities. The BoD is also responsible for assessing the pursuit of the sustainability targets in line with the Industrial Plan.

During its term, the BoD is supported by four committees, which make proposals and provide advice, and by the Coordination and consultation body for the prevention of corruption, which coordinates the bodies in charge of checking the Group’s rules of conduct.

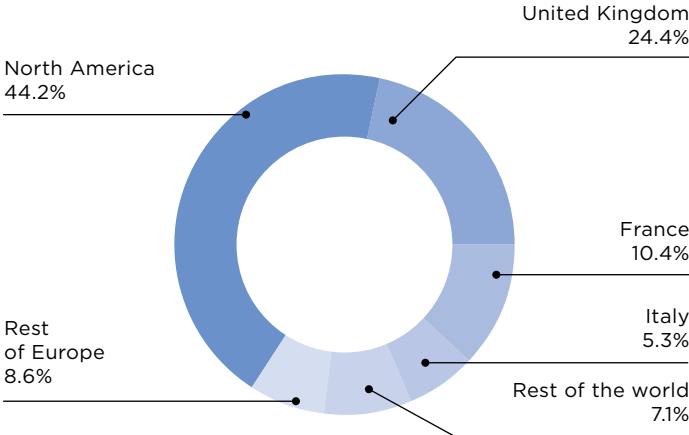
The current BoD, in place until the approval of the 2019 financial statements, respects the criteria for gender, age, skills and experience balance set in the policies on diversity included in the 2020 Corporate Governance Report.

¹⁵ Or any higher quota established by legislation, if any, on gender balance.

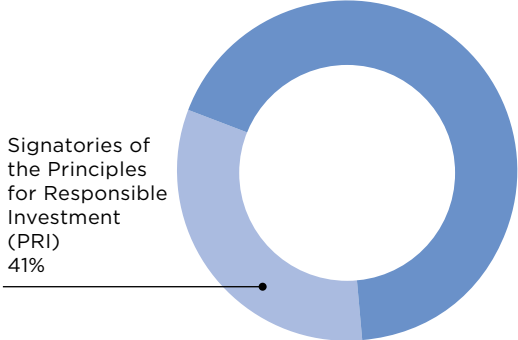
SHAREHOLDER COMPOSITION



GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL FREE FLOAT

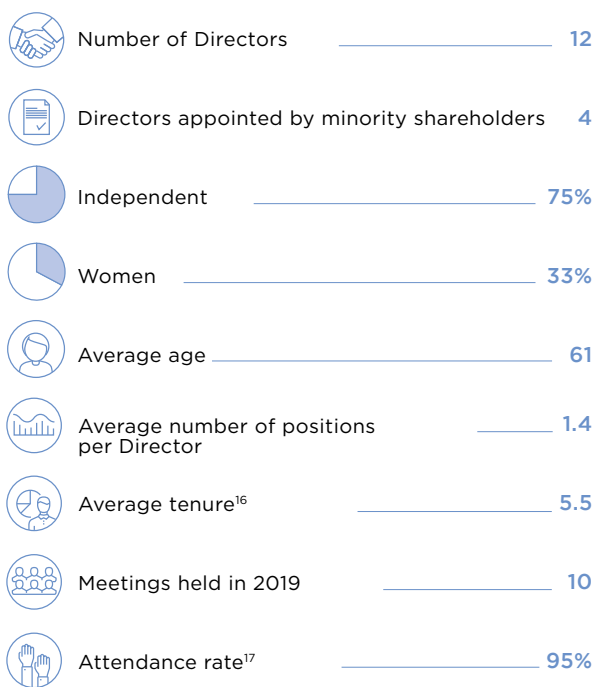


RESPONSIBLE INVESTORS



The corporate governance model

SHAREHOLDERS' MEETING



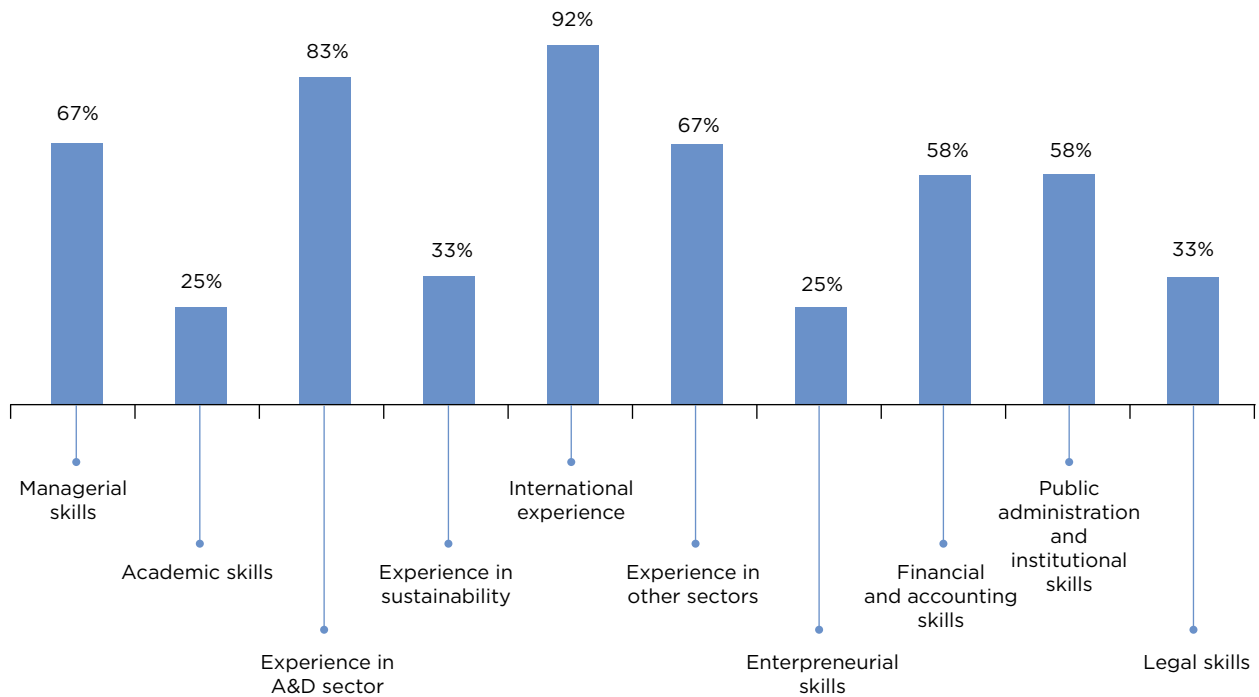
BOARD COMMITTEES

Control and Risks	Remuneration	Nomination, Governance and Sustainability	Analysis of International Scenarios
Directors: 5 % independent: 100% Meetings held in 2019: 9 Attendance rate: 89%	Directors: 4 % independent: 75% Meetings held in 2019: 7 Attendance rate: 86%	Directors: 7 % independent: 86% Meetings held in 2019: 4 Attendance rate: 89%	Directors: 4 % independent: 100% Meetings held in 2019: 4 Attendance rate: 94%

¹⁶ At the date of approval of this report.

¹⁷ Calculated as the number of attendees/number of meetings.

Skills and experiences of Directors



Responsible business conduct

Leonardo acts with integrity and transparency in compliance with regulations and with zero tolerance for any type of corruption. Essential aspects for a relationship of trust and collaboration with employees, customers, suppliers and all other counterparties, asked to accept and apply the principles and values stated in the Charter of Values, Code of Ethics and other codes of conduct.¹⁸ Leonardo confirms its commitment to respecting and promoting the Ten Principles related to human rights, labour, the environment and anti-corruption of the United Nations' Global Compact, the largest global initiative for business sustainability, which the Company joined in 2018.

In order to guarantee compliant and responsible behaviour, Leonardo defined a system of clear rules and suitable information flows between the corporate governance and control bodies and the internal structures, adopting the Common Industry Standards of the AeroSpace and Defence Industries Association of Europe (ASD) and the Global Principles of Business Ethics for the Aerospace and Defence Industry of the International Forum on Business Ethical Conduct (IFBEC), in addition to the national and international best practices.

The effectiveness of the responsible business conduct model is strengthened by the continuous awareness-raising and training for employees and third parties, due diligence and control instruments and the identification and

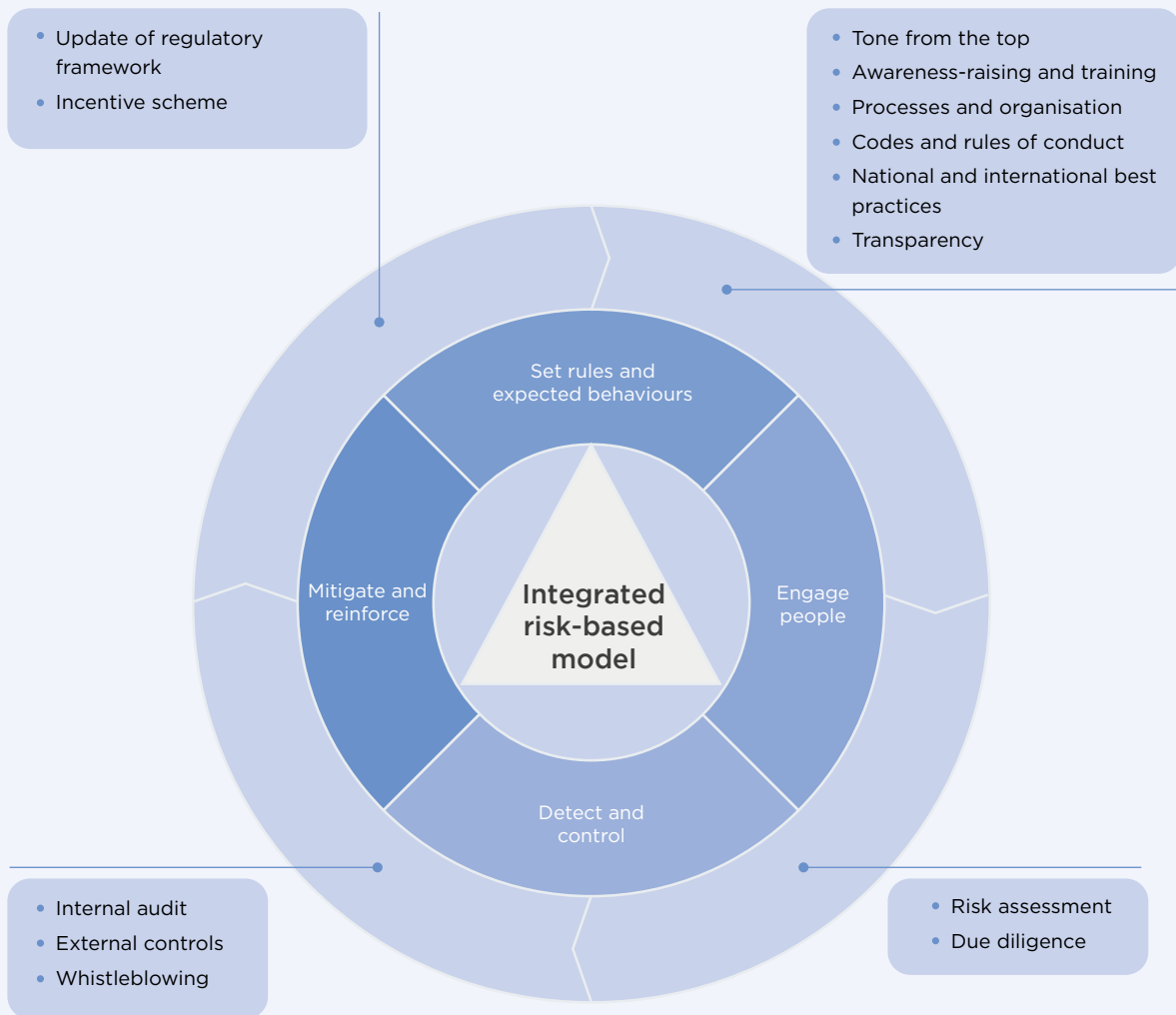
Leonardo joined the Action Platform SDG 16 of the United Nations' Global Compact.

¹⁸Including the Anti-Corruption Code, the Whistleblowing Management Guidelines, Organisational, Management and Control models and compliance programmes developed in accordance with the applicable regulations of each Country in which the Company operates (Leonardo SpA adopted an Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001).

mitigation of risks, in addition to the adoption of an increasingly transparent approach to information and company processes.

As confirmation of Leonardo’s journey towards responsible business conduct, Leonardo SpA obtained the ISO 37001 anti-bribery management systems certification. It is the first company of its sector in the world to obtain such certification.

The integrated risk-based model



The integrated model in action: activities and results in 2019

Set rules and expected behaviours



Policy, guidelines and directives - main updates

- Revision of the Anti-Corruption Code and Code of Ethics in line with international best practices, specifically, increasing whistleblowers' protection from any retaliation, discrimination or penalisation.
- Introduction in 2020 of an anonymous annual survey to assess employees' perception of Leonardo's commitment to anti-corruption.
- Update of the Organisational, Management and Control Model under Legislative Decree no. 231/2001 of Leonardo SpA, specifically concerning "Trafficking in illegal influences".
- Introduction of new procedures related to the classification and processing of company information and the reporting and management of information security incidents.
- Issue of the Business Continuity Policy.
- Integration of the Guidelines and Directive on commercial consultants and sales promoters.

Mitigate and reinforce



Certifications

- Performed the annual verification audit on ISO 37001 by the Certification Body.
- Maintaining the Quality Assurance and Improvement Programme certification for internal audit activities.
- Renewal of the ISO 27001 certification business security and compliance activities.
- Launched the third party assessments for the ISO 22301 certification for the Business Continuity Management System.

International collaborations on ethics and integrity

- TRACE International.
- Institute of Business Ethics.

Engage people



Internal Audit

- Two conventions for training and sharing best practices.
- Customised training for all Internal Audit resources.
- Auditees' satisfaction survey.

Compliance

- Compliance Council - Over 5,700 hours of training provided to 1,110 participants over seven sessions.
- Three training and discussion sessions for a total of almost 1,700 hours of training and 269 participants.

Business Compliance

- Over 5,200 hours of training for Divisions and subsidiaries for a total of 2,985 participants.

Trade Compliance

- Over 33,700 hours of training for Divisions and subsidiaries for a total of 7,986 participants.

Anti-corruption

- 601 participants at the Compliance Council's anti-corruption session, for a total of approximately 1,000 hours of training.

Project and Enterprise Risk Management

- 270 people involved, including project managers, process owners, risk owners and risk managers, for approximately 1,100 hours spread between interactive classroom sessions and update webinars.
- 20 people trained about trends and best practices of Enterprise Risk Management in collaboration with the Politecnico di Milano University.
- 18 people trained for the Project Management Institute - Risk Management Professional (PMI-RMP®) certification.

Security of company information

- Second edition in Italy of the social engineering training, with 119 sessions and 3,000 participants; first edition in the United States, with 800 participants.



Detect and control

Risk assessment

- Approximately 1,700 people involved in risk analysis activities related to the main company processes, investment projects and projects under offer or underway.
- Independent Risk Reviews on 12 medium-high risk projects, during which the project team was supported by risk managers who were not directly involved in the operating activities.
- 117 interviews held and 190 people involved, including those from the Anti-corruption unit, process owners, risk owners and risk managers, in the corruption risk analysis activities.

Internal Audit

- 110 audits and follow-ups performed.
- 1,890 extra checks of financial processes.

Whistleblowing

- 82 reports received: 35 signed (11 more than in 2018); for 52% evidences, sometimes partial, were found.

Business Compliance

- 158 due diligences performed on commercial consultants, sales promoters and lobbyists, of which 98 with red flags.

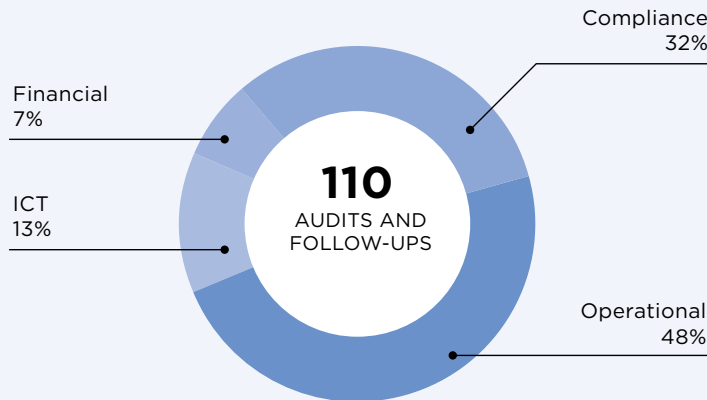
Trade Compliance

- 164 transactions monitored in Sensitive Countries.
- Over 119,000 customs transactions managed.

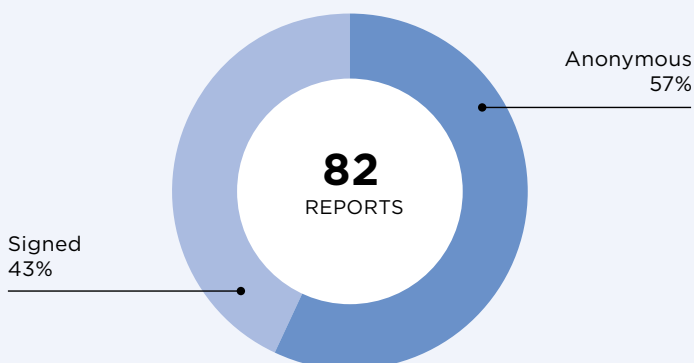
Reputational analysis of third parties

- 648 assessments of reputational, ethical and corruption risks (of which 558 on suppliers), also based on information sourced from external providers.
- Due diligences on the partners of 31 current indirect offset projects.

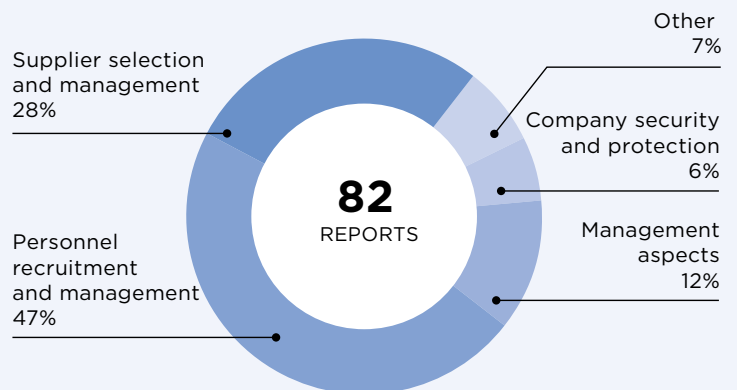
SCOPE OF AUDITS AND FOLLOW-UPS



REPORTS RECEIVED BY TYPE



SCOPE OF REPORTS RECEIVED



QUALITY OF THE INTERNAL AUDIT CERTIFIED FROM 2017

Leonardo's Internal Audit unit provides independent and objective assurance and consultancy services, aimed at improving the effectiveness and efficiency of the organisation and at assessing the suitability and effective functioning of the internal control and risk management system. In 2019, Leonardo prepared and developed internal assessments of its activities, like in 2018, with reference to the five-year quality certification obtained in 2017 following an external assessment. The assessments were carried out in accordance with a specific Quality Assurance and Improvement Programme, based on three areas: ongoing monitoring and inspection of quality; periodic assessment and supporting activities, including training Internal Audit personnel; sharing of best practices and methodologies. The final result was "General compliance".¹⁹

AN EFFECTIVE SYSTEM TO GUARANTEE BUSINESS CONTINUITY

Leonardo ensures its business continuity and resilience through effective responses and reactions, in order to safeguard business sustainability, its reputation and the integrity of the organisation, in addition to the interests of the stakeholders. The overall Business Continuity Management System was completely reviewed in compliance with the guidelines of the Business Continuity Institute (BCI), the global reference body on the issue. Furthermore, in 2019, the third party assessment activities were launched in order to obtain the ISO 22301 certification. The new office for the analysis of emerging trends will also allow Leonardo to constantly monitor threats and anticipate key events in order to continually adapt to change and, in turn, safeguard employees, assets, its reputation and its suppliers.

¹⁹ The highest level of assessment based on the International Standards for Professional Practice issued by the Institute of Internal Auditors (IIA).

Business Compliance and counterparty risk management

In accordance with the Guidelines and the Directive that regulate the management of commercial consulting, sales promotion and lobbying, and in full compliance with the ruling legislation, Leonardo has implemented a process for the vetting of counterparties (commercial consultants, sales promoters and lobbyists) that includes ethical-reputational analyses (enhanced due diligence) and an in-depth assessment of the risks related to each specific engagement.

Counterparty selection and management

Identification	<ul style="list-style-type: none"> • Selection based on transparency, skills, cost effectiveness and correctness.
Analysis and due diligence	<ul style="list-style-type: none"> • Check out the legal aspects, based on the opinions provided by local law firms, and ethical-reputational aspects, with the support of external service providers. • Analysis and assessment of risks via six red flags “gates”, which identify unacceptable risks, and ten red flags “drivers”, for which risk mitigation actions are defined and implemented.
Training	<ul style="list-style-type: none"> • Training on ethical, anti-corruption and compliance topics for third parties.
Remuneration	<ul style="list-style-type: none"> • Application of the “Fee Policy” which sets the maximum percentage thresholds to be paid to the counterparties (inversely proportional to the value of the sales and/or supply contract) with a cap to the amounts payable as remuneration.
Performance of the contract and monitoring	<ul style="list-style-type: none"> • Contractual obligation for the counterparty to guarantee full respect of national and international anti-corruption and anti-bribery regulations.
Payment	<ul style="list-style-type: none"> • Denial of payments in cash or via untraceable methods, nor to accounts in Countries other than those in which the counterparty has its office or residence.

2019 figures

163

counterparties

with contracts in place, of which **4** for offset support

158

due diligences

performed, of which **98** with red flag reports²⁰

7

significant events

of which:
4 did not require action
2 are currently being assessed
1 terminated contract

²⁰The red flag indicates a risk factor. The methodology indicated in Leonardo’s Guidelines and Directive on commercial consultants and sales promoters sets out the allocation of a score following the assessment of the red flags, which determines the level of risk associated with the appointment.

INTEGRITY: A PILLAR OF SUSTAINABLE BUSINESS

The annual Compliance Council has reached its fourth edition. The event is an opportunity for reflection, awareness-raising and training about the values, principles and rules necessary for responsible business conduct and its concrete application. The 2019 edition focused on integrity and transparency, distinctive traits of Leonardo's Leadership Framework to be applied in all practices for being considered a trustworthy partner and for strengthening its own international leadership. Approximately 1,100 Group employees took part in the Council's activities, with 15 Countries connected via streaming, belonging to the departments most exposed to risks of non-compliance and corruption, in addition to some joint ventures. Following a call for ideas, on the last day, the managers presented Integrity Action proposals, prepared by the respective teams, then voted on by over 5,000 employees, with the objective of sharing and spreading the commitment to business integrity within the Group and externally.

Respect for human rights

In the performance of its activities and within each operating context, Leonardo is committed to upholding the human rights recognised in the Code of Ethics and in the Group's Charter of Values, based on the principles expressed in the United Nations' Universal Declaration of Human Rights, the International Labour Organisation (ILO) Conventions, the OECD guidelines, the Charter of Fundamental Rights of the European Union and other relevant regulations.

Leonardo's commitment to the protection of human rights includes three areas: people management, relationships with suppliers and aspects related to sale and distribution of products, considering the features of the business. These three areas, which are presented in the Group's Policy on Human Rights, were identified by means of a specific analysis performed between 2017 and 2018 based on the ISO 26000 guidelines: it identified the areas potentially exposed to the risk of violations of human rights and the existing measures to manage and mitigate this risk.

In order to identify and promptly manage violations, potential risks and negative impacts on human rights, Leonardo has mechanisms in place for the management of reports, either signed or anonymous, and has set up a dedicated channel.²¹

²¹ humanrights@leonardocompany.com.

People management	Relationships with suppliers	Sale and distribution of products
<ul style="list-style-type: none"> • Prohibition of all discrimination against race, skin colour, gender, language, religion, political opinions, sexual orientation, nationality, social background, trade union membership, age or disability or any other type of discrimination or intolerance towards diversity. • Prohibition of all exploitation of child, forced or illegal labour. • Guarantee for political and trade unions' rights. • Protection of sensitive data of natural persons, whether they be employees, collaborators, visitors, customers or suppliers. • Protection of health and safety of workers, in compliance with the ruling provisions and the highest standards in terms of safety and hygiene. • Better treatment than that set out by law and the national labour agreements (for example, supplementary healthcare). 	<ul style="list-style-type: none"> • Prohibition of any type of forced labour and human trafficking and implementation of controls to prevent the risk of modern slavery. • Check that suppliers possess the requirements related to the protection of employment, people and health and safety. • Reputational check of third parties with which Leonardo intends to enter into contractual relationships. • Social clauses to protect workers in the case of contract handovers. • Requirement for suppliers' commitment to check for and identify the presence of minerals (tin, tantalum, gold and tungsten) coming from conflict areas in products, components, parts or materials provided. 	<ul style="list-style-type: none"> • Non-involvement in the production, development, stocking, trade and/or sale of non-conventional weapons (e.g., cluster bombs, mines, chemical weapons, etc.). • Prevention of the risk of illicit practices through the Trade Compliance Programme. • Application of due diligence processes for potential customers and end-users, using screening activities to check whether they are on blacklists and other checks in the case of transactions with Sensitive Countries.
<ul style="list-style-type: none"> • 99% of employees located in OECD Countries. • 82% of employees covered by collective bargaining agreements. • 31% of employees members of trade unions. • 74% of employees work at OHSAS 18001-certified sites. 	<ul style="list-style-type: none"> • 98% of purchases from OECD Countries. • 100% of suppliers accept the Supplier Code of Conduct. • Over 5,100 suppliers screened, including on social and ethical-legal issues. 	<ul style="list-style-type: none"> • Over 33,700 hours of training on trade compliance provided to 8,000 people. • 31 Sensitive Countries monitored. • 164 transactions monitored in Sensitive Countries.

The increasing investments by Leonardo in research and development of digital technologies, in particular on Artificial Intelligence, and their application to its products and solutions, require a defined ethical and legal reference context and an analysis of potential economic and social risks and impacts. Aware of this new context, Leonardo is committed to aligning development and progress opportunities with ethical considerations. The Leonardo - Civiltà delle Macchine Foundation is particularly active in this area and has organised various conferences and initiatives to explore, specifically, ethical and legal issues related to the use of Artificial Intelligence.

Leonardo also participates in the ASD (AeroSpace and Defence Industries) working group for the development of a position paper aimed at exploring the role of human control over Artificial Intelligence technologies in the Defence sector.

Leonardo promotes the development and ethical use of Artificial Intelligence

- Commitment to respecting the fundamental principles of the International Humanitarian Law (IHL), including: the distinction between civilians and combatants and the limiting, as far as possible, of collateral damage; the principle of proportionality with regard to the need for defence and security.
- Adherence to the Human-On-The-Loop (HOTL) and Human-In-The-Loop (HITL) standards to ensure that the use of autonomous weapons in situations critical to the security of people is subject to human supervision and control.

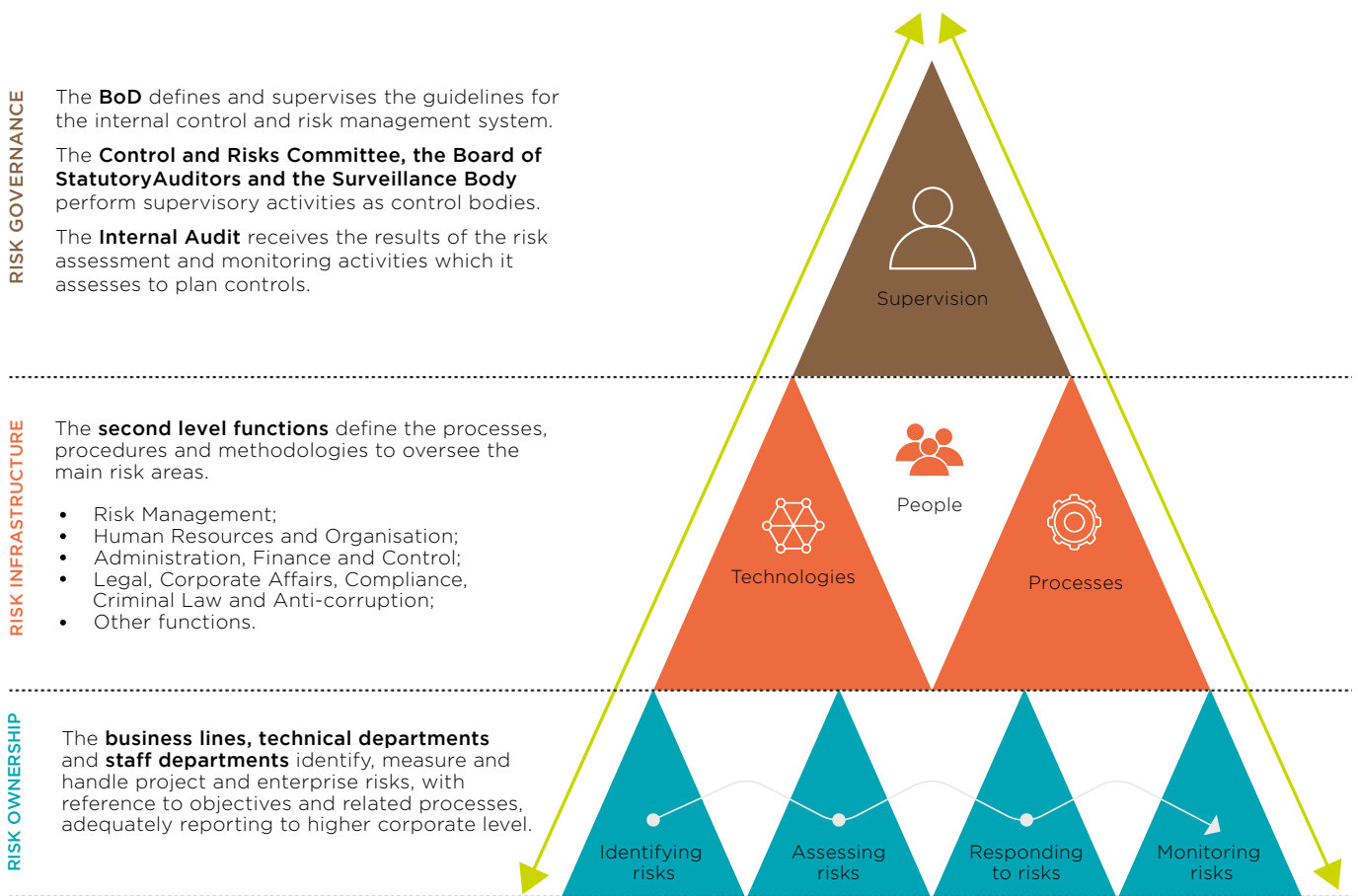
AWARENESS OF THE ETHICAL AND LEGAL IMPACTS OF ARTIFICIAL INTELLIGENCE

Leonardo promotes the development of a new digital humanism, which preserves the centrality of human beings and human rights with regard to new technologies, promoting discussion about the necessity and benefits of a legal context on Artificial Intelligence (AI). The international conference organised by the Leonardo - Civiltà delle Macchine Foundation for the presentation of the first charter on Ethics and Law of AI explored the technological issues and ethical and legal implications related to the use of autonomous systems. The conference was structured through four round tables that focused on the sectors of security, finance, healthcare and justice. Each round table saw the participation of Italian academics, international experts, representatives of institutions and companies in the hi-tech sector, representing cultural, national and gender diversity. Following the event, the Foundation signed an agreement with the University of Trento in order to share research on the ethical and legal issues of Artificial Intelligence through the publication of articles and contributions to the academic journal "BioLaw Journal" regarding the impact of new technologies in the medical and health fields. Moreover, the Foundation was involved in the 2025 Strategy of the Ministry of Technological Innovation and Digitalisation with the objective of supporting the fine-tuning of an assessment and certification method to guarantee the ethical and legal sustainability of new technologies.

Risk governance and management

The risk governance model is in line with national and international standards and best practices²² and it is compliant with the Corporate Governance Code for Listed Companies, the Organisational, Management and Control Model and the Group's Anti-Corruption Code. It has three levels, provides for clear-cut roles and responsibilities for the various departments and ensures a suitable exchange of information flows, to guarantee effectiveness.

Risk governance model



²² Main references: ISO 31000:2018 - Risk Management - Principles and guidelines; PMI - Practice Standard for Project Risk Management; Enterprise Risk Management Integrated Framework - CoSO ERM; ISO 37001:2016 - Anti-corruption management system; ISO/IEC 27005:2018 Information Security Risk Management.

The operating risk management, which involves the entire organisation, is based on the identification, assessment and monitoring of the enterprise and project risks and the related mitigation plans. It is supported by specific methodologies, instruments and metrics for the related analysis and management. The processes underlying Project Risk Management and Enterprise Risk Management are regularly improved, with the aim of innovating and spreading an effective risk-based organisational culture.

For further details on the main risks and mitigation actions related to Leonardo's business activities, reference should be made to the section "Leonardo and risk management" in the Annual Financial Report.

Cyber risk prevention

Leonardo guarantees the security of data and sensitive information about people, customers and intellectual property, managing the whole cycle, from the detection of the threats to the definition of the countermeasures in response to attacks. The cyber defence system incorporates specific organisational controls, continuous personnel training and, mainly in Italy and the United Kingdom, constantly updated operating instruments. Furthermore, Leonardo promotes a culture of internal and external cyber risk prevention, through participation in national and international working groups.

International collaborations

- **European Cyber Security Organisation (ECSSO)** - Organisation set up by the European Union to promote the development of a European cyber security ecosystem.
- **European Centre for Cyber Security in Aviation (ECCSA)** - The European Union Aviation Safety Agency (EASA) initiative, of which Leonardo is one of the founders, involves sector companies, airlines, airport infrastructures and European air traffic control bodies, with the aim of improving awareness about cyber risks and supporting the management of related incidents.
- **European Organisation for Security (EOS)** - Platform to exchange ideas and best practices.
- **Transported Asset Protection Association (TAPA)** - Network of experts that contribute to the drafting of new security standards, to cooperate for prevention and exchange information about incidents and cyber threats.
- **Italian Institute for International Political Studies (ISPI)** - Institution of the Cyber security observatory with the Italian centre of studies specialised in global geopolitical and political/ economic analyses.

Awareness and training

- **Security portal** - 130 articles published and 1,400 visits by users from Leonardo's employees. Analyses about international threats are published weekly (Weekly International Threat Focus).
- **Cyber Shield** - Exercise organised in Italy by Leonardo's CERT (Computer Emergency Readiness Team) to simulate the management of a cyber-attack in an operating scenario upon request from the Inter-force command for cybernetic operations.
- **Locked shield** - Participation in the NATO exercise as part of the national "Blue Team", comprised of cyber security experts from the military world, in order to defend the technological infrastructures of an imaginary Country.
- **Social Engineering** - Training courses for employees on the most recent techniques used by scammers to launch attacks against information security systems. 119 sessions for a total of over 3,000 participants.
- **Workshops on the cyber resilience of products and services** - Two events to discuss the resilience requirements that customers and regulatory agencies have identified and which will have an impact on the products, services and supply chain of Leonardo.
- **Training for business partners** - Courses for customers and suppliers aimed at mitigating the risk of and exposure to threats of attacks on the supply chain are currently being launched.

Conferences and publications

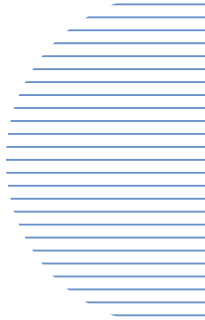
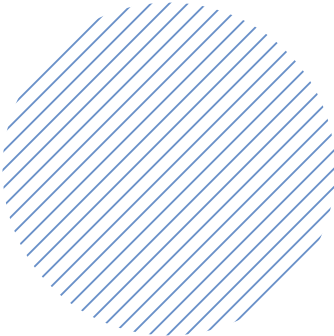
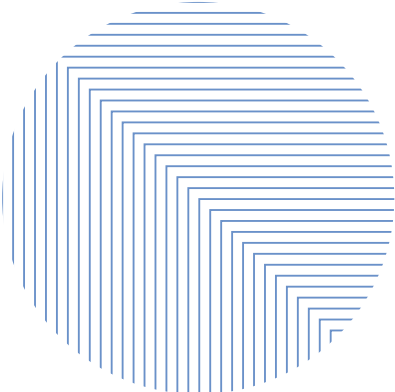
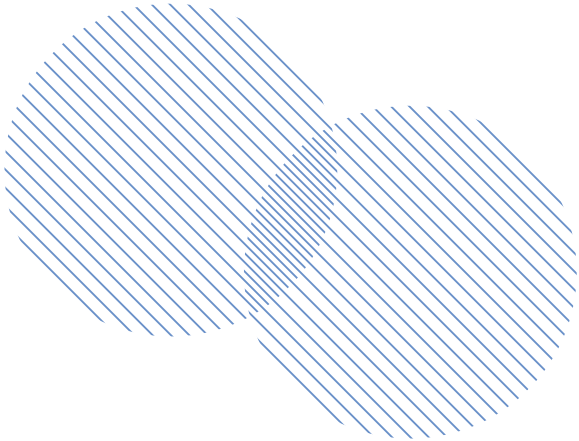
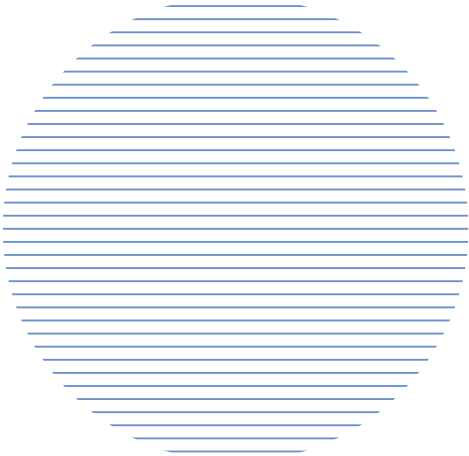
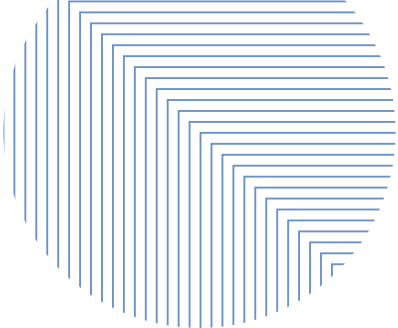
- **ITASEC19** - Participation in the cyber security conference organised by the national cyber security laboratory of CINI (National Interuniversity Consortium for Informatics).
- **5G Italy 2019** - Presentation of the approach used to improve cyber & information security capabilities through integration with all stakeholders across the supply chain, collaboration and cooperation between public and private sector companies and within the private sector.
- **Next Generation CERTs** - Leonardo's contribution about the governance and management of cyber security incidents for NATO's scientific publication on cyber security as part of the Science for Peace and Security series.

Certifications

- ISO 27001-certified information security management system for the Company headquarter and Divisions.
- FIRST (Forum for Incident Response and Security) certification assigned to Leonardo's CERT by one of the most important international bodies, which brings together the most important national and private CERTs.
- Trusted Introducer certification, the network of global CERTs founded in Europe in 2000, assigned to Leonardo's CERT.

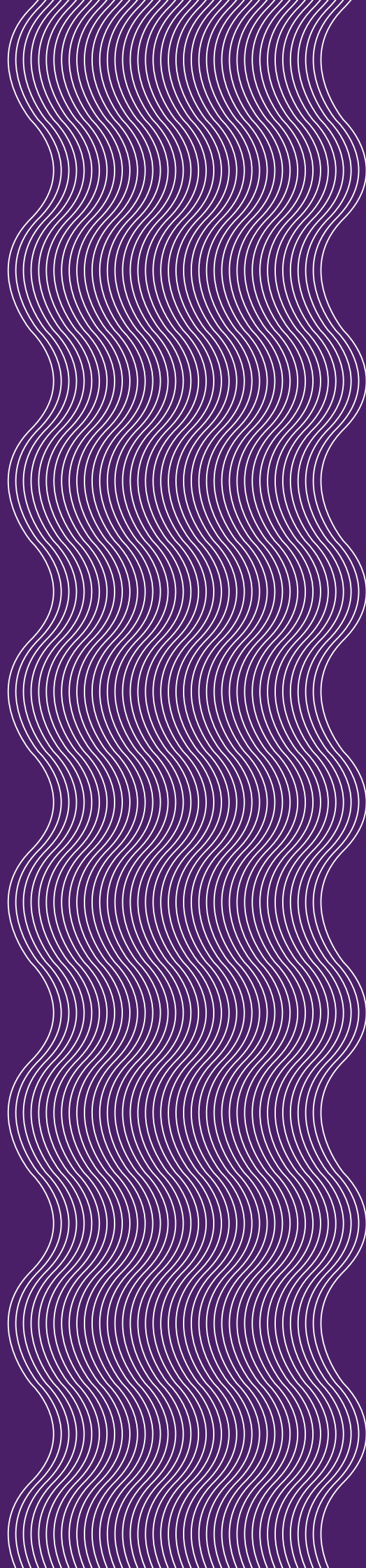
Cyber detection & response at Leonardo (2019 compared to 2018)

- Early warnings issued: -22%, thanks to reduced exposure to vulnerability.
- Remedial action response time: -76%.
- Action closure average time: -36%.
- 80% of total actions requested and completed were generated by activities to prevent threats rather to respond to them.









Transforming resources into value

Continous innovation	54
Product quality and safety	68
People and community	72
Customer intimacy	84
Supply chain	90
Efficient use of resources	97



Continuous innovation

Capitals	Material topics	SDGs
 Financial resources  People and skills  Technologies and intellectual property  Relationships and collaborations with stakeholders	<ul style="list-style-type: none"> • Innovation and technology • Solutions' quality and safety • Cyber security and data protection • Fight against climate change 	 

Innovation and technological research are the foundations of the sustainability and development of Leonardo, which operates in a very competitive sector of great technological significance. In the 2030 Masterplan, the new roadmap for innovation and research presented in 2019, Leonardo sets itself the strategic target of becoming a driver of innovation, moving from the need to respond to external demand to the possibility of driving it.

For Leonardo, innovation means developing new capabilities in order to improve, on the one side, the design, development and implementation activities related to processes and, on the other, the functioning and performance of components, systems, platforms and services. Balancing research activities, new products' development and the continuous improvement of existing products, innovation creates therefore benefits in terms of greater efficiency, reliability, competitiveness, safety and environmental sustainability.

Innovation in numbers



11% of revenues spent in R&D



4th company in the world in the A&D sector for its investments in R&D²³



More than 9,000 employees engaged in R&D activities, of which **13% women**



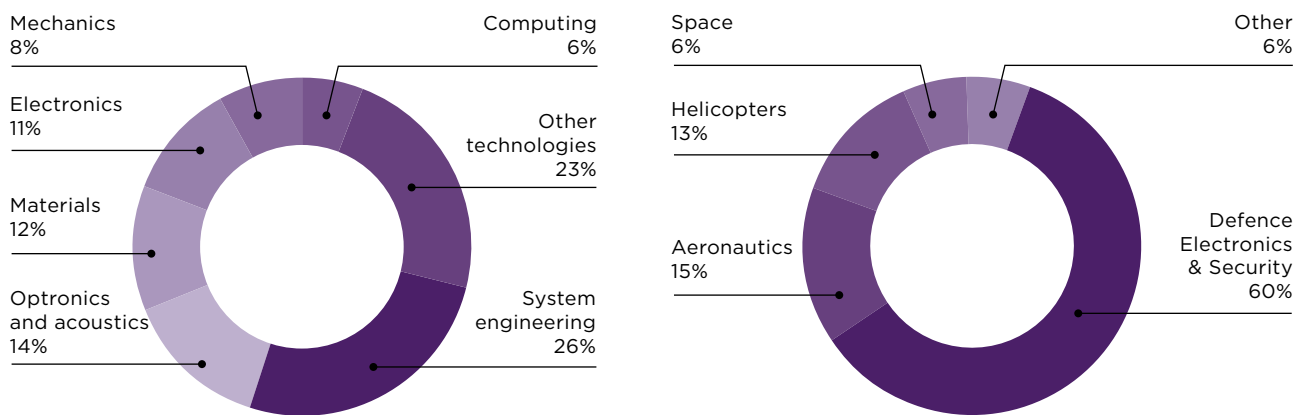
Research projects and partnerships with more than **90 universities** and research centres around the world, including **50 in Italy**

Innovation starts with the ideas of Leonardo's people, inspired by an approach and an environment that prioritise creativity and sharing, as well as with the ideas developed through the connections and the influences of the external environment, including universities, research centres, business partners, start-ups, small and medium enterprises and customers.

²³ The 2019 EU Industrial R&D Investment Scoreboard.

Leonardo's ability to innovate contributes to the achievement of the United Nations' Sustainable Development Goals for the 2030 Agenda, while responding to the need to safeguard people, territories, infrastructures and information networks, which it achieves thanks to the development of solutions applicable to both civil and military sectors (dual use). Leonardo is, in fact, able to respond to a wide spectrum of needs, which range from the public sector to the private sector and from communities to individuals, using its own ability to innovate for stimulating technological and industrial progress, with significant impacts on the social, economic and cultural fabric of the Countries in which it operates.

Breakdown of patents by key technology and business sector



2030 Masterplan for innovation

The 2030 Masterplan, presented in 2019, sets out a new roadmap for innovation at Group level, with the aim of ensuring long-term growth in order to take on the challenges of the third millennium. This will primarily be achieved by enhancing technological research, also via an open innovation approach, the acceleration of digitalisation processes and the development of enabling technologies, in order to be competitive on international markets and reinforce Leonardo position in this environment of perpetual change.

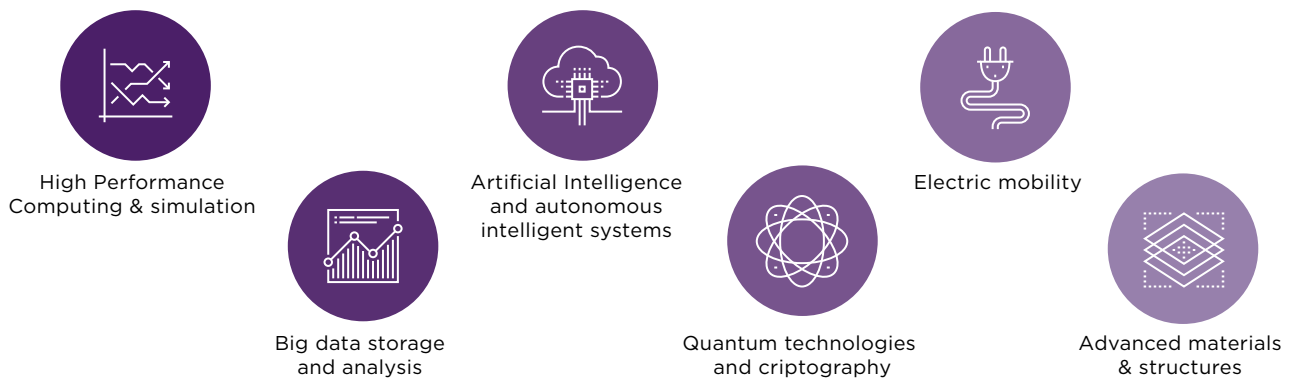
The Leonardo Lab in Genoa will house a supercomputer, capable of performing millions of billions of operations per second (tens of petaflop).

The linchpin of the Masterplan lies in the Leonardo Labs, tech incubators that are transversal to all the Group's business segments. They will study, research and test cutting edge programmes in specific research segments: big data, high performance computing and simulation, Artificial Intelligence and autonomous systems, quantum technologies and cryptography, electric mobility, materials and structures. The Labs, which will be set up close to Leonardo's Italian industrial sites, will carry out high-risk research and development activities on innovative solutions with a low level of technological maturity. They will also facilitate the transfer of high potential technologies and will support the development of territories, consolidating collaboration with local institutions. At these new structures, young researchers from around the world will create an interdisciplinary community in collaboration with Leonardo's experts.

AEROTECH CAMPUS: THE NEW HUB FOR THE AERONAUTIC SECTOR IN SOUTHERN ITALY

Leonardo and the Federico II University of Naples set up an agreement for the Aerotech Campus, the new hub in Pomigliano d'Arco (Naples) designed to encourage technological innovation and the development of the aeronautic sector in southern Italy. In Campania, Leonardo is the main player of the regional Aerospace District. Following the open innovation strategy, the campus will host researchers, developers and start-ups, committed to studying new materials and new production processes for aerostructures, but which also have potential applications in other industrial sectors, promoting innovative technological solutions in line with market trends. Among these, the development of new materials with low environmental impact, research on composite materials with low specific weight in the face of greater elasticity and mechanical strength - leading solutions on the sustainability front - as well as digitalisation applied to production processes, a key element for the development of a next-generation manufacturing. The initiative provides also for the re-engineering of the production processes at the Pomigliano d'Arco site.

Leonardo Labs' technological areas



The strategic programmes in which Leonardo invests to upgrade its technological skillset and increase its competitiveness are those which allow it to anticipate global trends, react to the guidance of local and international institutions, satisfy the needs of customers and increase industrial efficiency. Specifically, Leonardo aims to develop digital technologies, to enhance innovative hardware solutions and to equip its products and solutions with greater “intelligence” to make them as cognitive as possible. The programmes for which innovation activities have been launched are identified using an assessment, regularly performed in order to monitor and assess the level of maturity of the Company’s technological portfolio and to identify the most promising and strategic technologies.

Three communities launched in 2019: Additive Manufacturing, Artificial Intelligence and Graphene.

In 2019, three communities transversal to all business segments were created: the first, in relation to materials, centred on Additive Manufacturing with the aim of assessing its potential, in particular in the aeronautic field; the second for digital transformation, focused on Artificial Intelligence; lastly, the third regards work on graphene. The objective of the communities is to share and enhance know-how and best practices in addition to defining how to develop and implement technologies.

THE FIRST 3D PRINTER COMPONENT FOR THE BRITECLOUD SYSTEM

In 2019, the Luton site (United Kingdom) successfully tested the Additive Manufacturing technique, applying it for the first time to the manufacturing of a part of the Britecloud 218 anti-missile system, licensed for flight and currently in use. Again with regard to Britecloud, the use of this technique for the manufacturing of a new instrument which allows for the monitoring and testing of system vibrations has proven to be a success, reducing manufacturing times by over 50% compared to traditional methods. Given the very positive results achieved, a new structure entirely dedicated to Additive Manufacturing is due to open at the Luton site in 2020.

TEMPEST PROGRAMME: LEONARDO DEVELOPS INTEGRATED SENSORS

Leonardo is one of the partners that collaborate with the British Ministry of Defence to provide technologies, knowledge and skills for the development of the new Tempest fighter aircraft, expected to be rolled out in 2035. Specifically, Leonardo is responsible for developing the sensors and integrating them into the aircraft's mission system. In 2019, during a laboratory demonstration for the British Ministry of Defence and other partners of the Team Tempest at the Luton site, the new sensor proved to be four times more accurate than traditional radar warnings/receivers. The sensor's reduced weight, size and smaller energy consumption means it can be integrated into a multi-functional system.

The innovation ecosystem

Leonardo's innovation is based on continuous collaboration and internal and external sharing, within the context of an ecosystem capable of developing cutting edge technologies, activating training and qualified employment opportunities and supporting the social and economic development of local communities.

Leonardo enhances the creativity and skills of its people, also by sharing know-how and spreading a culture of innovation, and its intellectual capital, by safeguarding innovative potential. To this end, Leonardo has strengthened the strategy and the organisation of patent management at Group level.

At the same time, Leonardo promotes collaboration and cross-fertilisation with the external stakeholders, also within the Technological Districts, which are public-private partnerships between local bodies, companies, research centres and universities operating in the local area.

Furthermore, Leonardo collaborates on a national and international level with the main sector associations, joining funded initiatives and programmes, which guarantee the availability of the necessary resources for research and implementation activities, allowing for a reduction in the risks related to technological developments.

The Leonardo Technology Transfer, a portal dedicated to technology sharing, was launched in 2019.

GEOHUB IS BORN, AN OPEN INNOVATION NETWORK TO SUPPORT ENVIRONMENTAL PROTECTION

In 2019, Telespazio, in collaboration with e-GEOS and GAF AG,²⁴ along with Milan Polytechnic University, Rome Sapienza University, SDA Bocconi University's SEE Lab and other companies and start-ups, signed the manifesto for GEOHub: a network aimed at developing geo-information solutions to support environmental protection and sustainable development. GEOHub intends to seize the opportunities offered by the technological encounter between the worlds of the geo-information satellite services and big data, as well as Artificial Intelligence applications, cloud services, blockchains and machine learning. GEOHub aims to provide innovative services that turn big space data into targeted, timely, and user-friendly applications, for sectors like emergency management, environmental and infrastructure monitoring, precision farming and business intelligence.

Public-private partnerships

Clusters - Leonardo participates in the National Cluster for Aerospace Technology (which it chairs), which brings together regional technological districts, research centres, the Italian Space Agency, AIAD (the Italian Industry Federation for Aerospace, Defence and Security) and leading companies. It also takes part in the National Technology Cluster Intelligent Factory.

Competence Centres - Set up following the Ministry of Economic Development's call for tenders, these centres promote applied research, technological sharing and training about advanced technologies. In 2019, Leonardo joined the Competence Industry Manufacturing 4.0 (Turin), the Competence Centre Start 4.0 (Genoa) and the Cyber 4.0 centre (Rome).

Technology sharing

Leonardo Technology Transfer - Platform dedicated to research and industry launched in 2019 to accelerate innovation processes, reduce time-to-market and guarantee commercial opportunities. A selection of solutions by Leonardo is available for technology transfer initiatives in business sectors related to Aerospace, Defence and Security.

MESAP agreement - Since 2018, Leonardo has made a selection of its patents available to the SMEs member of MESAP, the Piedmont Innovation cluster.

Leonardo Innovation Award

15th edition - 926 proposals from employees (+27% on 2018), of which 45% from international offices. Over 100 ideas presented for Artificial Intelligence category.

Impact - 19% of the Leonardo patents come from proposals submitted for the Innovation Awards, 91% of which were applied to systems, products and services.

Innovation of processes - New category "Production processes for ongoing improvement", focused on environmental and social sustainability.

Initiatives with start-ups

Scouting for start-ups - Collaboration with CDI Labs - Collège des Ingenieurs and ELIS' OPEN Italy, innovation consortia, to promote dialogue between large companies and innovative start-ups.

Tech Up - Call for action for start-ups and researchers, promoted by the Fondazione Ricerca & Imprenditorialità, together with Leonardo, universities, large companies, banks and institutions. In 2019, 111 proposals from 18 regions.

Proof of concepts - Feasibility studies were carried out in collaboration with certain Italian and European start-ups on the application of blockchain technology within the UTM (Unmanned Aerial Vehicles Traffic Management) system, the recycling of composite materials and the reuse of carbon fibre, also to be used in medical prosthetics.

Collaborations - Set up with a selection of Italian and European start-ups regarding Additive Manufacturing, Artificial Intelligence and quantum technologies.

Venture capital and incubators - Telespazio joined the English fund Seraphim, which invests in the development, industrialisation and marketing of start-ups in the British space sector. Furthermore, in Germany, it is a partner and founder of the incubator Centrum für Satellitennavigation Hessen, as part of the ESA Business Incubations Initiative.

Culture of innovation

Innovation Day Crescendo. Naturalia/Artificialia - One day dedicated to the new frontiers of technology and Artificial Intelligence, the blending of humanities, sciences and creativity.

Polaris Innovation Journal and paperback - 40 publications in nine years and six monographs on sustainability, intangible capital, software, unmanned solutions and emerging technologies.

Lunchtime seminars - In 2019, 18 seminars on technologies and solutions were held with over 10,000 participants, also connected by video conference.

Hackathons and contests

Innovathon Innovation award - 22 Italian and five international universities participated in the Innovation Award, sending 243 university students, the first two-day hackathon event looking at the development of solutions to support emergency operations for the 11 teams selected, comprised of 55 finalists.

Innovathon - Two-day business game organised with PoliHUB, which involved over 40 STEM discipline graduates and undergraduates in a hackathon to design and build a functioning unmanned system prototype.

Hack the Cleos - Organised by e-GEOS, this is a hackathon dedicated to the world of geo-information and the new applications of Artificial Intelligence: the aim is to come up with a new project to support public administration or private sector businesses in their journey towards environmental sustainability and the management of natural resources through the analysis of satellite information.

Drone Contest - Challenge in which six Italian universities compete to design prototypes of a drone using Artificial Intelligence logics. Leonardo will sponsor the research of one PhD student per university to take part in this research project for three years.

AIrtificial Intelligence - Leonardo and the Italian Air Force launched a challenge to bring together those working in the field of Artificial Intelligence (start-ups, developers, researchers and universities) and the aeronautic sector, with an open innovation approach.

T-TeC - Telespazio's contest open to 26 universities for the development of a project choosing from ten technological areas. 22 ideas were received for three categories: Insight, Voyager and Opportunity.

Unmanned systems: the future of flight

New technologies, specifically Artificial Intelligence and unmanned systems, are increasingly changing interaction between humans and machines, significantly affecting the security of people and other areas of daily life.

Leonardo is one of the few European companies to provide complete unmanned systems, from platforms to sensors and remote control systems.

The unmanned vehicle sector is one of the pillars of Leonardo's growth strategy, developed using internal programmes, targeted investments in innovative start-ups, partnerships with the academic world, collaborations with the industrial world in complex and strategic market segments and through the development of enabling technological capabilities (autonomy of systems, electric propulsion, etc.).

With the objective of providing a uniform strategic vision and guaranteeing a unified approach to customers, Leonardo has created an organisational structure transversal to business sectors focused on unmanned systems.



INTERNAL RESEARCH AND DEVELOPMENT

Artificial Intelligence and autonomous Intelligent Systems - Launched the Leonardo Lab to develop technological platforms and skills in strategic areas in which Artificial Intelligence is an enabling feature; among these, the unmanned systems sector.



DEVELOPMENT OF PROPRIETARY SOLUTIONS

Falco Explorer - The only unmanned aircraft that will be certified in accordance with NATO STANG 4671. Capable of flying for over 24 hours, effective for ISR (Intelligence, Surveillance and Reconnaissance) missions.

AWHERO - A light helicopter, with low energy consumption. It operates day and night, including in extreme weather conditions. The sensor is used for search and rescue (SAR) and maritime patrol missions.



INVESTMENTS AND TECHNOLOGICAL PARTNERSHIPS WITH INNOVATIVE START-UPS

Skydweller Aero - Partnership for the development of the first solar-powered drone, characterised by innovative aerostructures, ultra-light materials and eco-friendly technologies, for purposes ranging from land and maritime surveillance to monitoring the environment and infrastructures.

Leonardo manufactures and integrates diverse enabling technologies connected to unmanned systems – platforms, sensors, communications, on-board avionics and mission systems, in addition to airspace control systems – and thanks to the secure by design approach guarantees high levels of security.

Leonardo's unmanned systems can be used in different environments, from land to underwater, even for air and Space. They can be used both for civil and military applications, from land and maritime surveillance to monitoring the environment and infrastructures, from geo-information to telecommunications and precision navigation.

In 2019, the new site in Pisa for the manufacturing of the AWHEREO was inaugurated.



OPEN INNOVATION AND THE ACADEMIC WORLD

Drone Contest - Launched in 2019. For three years, PhD students from six Italian universities will be working alongside Leonardo's engineers, competing to design prototypes of a drone capable of flying autonomously, without a navigation system, using Artificial Intelligence logics and developing key skills such as fusion sensors, big data, computing skills and machine learning.



INDUSTRIAL PARTNERSHIPS FOR AIRSPACE SECURITY

Unmanned Aerial Vehicles Traffic Management (UTM) - Partner of ENAV for the development of a platform to manage civilian air traffic involving drones – which are registered, authenticated and identified – and for their surveillance. In 2019, the registration of drones and operators started along with the mapping service, with the limitations of the airspace.

Research project for the Royal Air Force - A three-year programme to develop a complete counter-drone ability starting by strengthening systems already used following drone sightings at Gatwick and Heathrow airports.



EUROPEAN RESEARCH AND INITIATIVES

European MALE RPAS (Medium Altitude Long Endurance, Remotely Piloted Aircraft System) - Cooperation programme launched by Leonardo, Airbus D&S and Dassault Aviation, as an initiative between Governments and industries in order to respond to Europe's future needs.

nEUROn - European Active Unmanned Combat Air Vehicles (UCAV) demonstrator programme.





European research and innovation programmes

Leonardo actively engages with European political and industrial actors, contributing to the definition and implementation of a shared strategy to strengthen competitiveness, support inclusive and sustainable economic growth and to lower environmental impacts through scientific excellence and the technological development of state of the art technologies.

In this regard, Leonardo plays a leading role in the various initiatives and projects of Horizon 2020, the largest EU Framework Programme conceived to promote research and innovation, in which Leonardo steers the development of technologies to build a new generation of more efficient and environmentally-friendly regional aircraft and tiltrotors – aircraft that take off like helicopters – which will increase the operating performance and capacity. Leonardo is also a partner of excellence in platforms for the strengthening of common management infrastructures, the optimisation of air traffic in the European airspace and cyber security, for the protection of critical infrastructures, for the development of innovative materials and the implementation of Industry 4.0.

Furthermore, Leonardo takes part in the main European programmes for maritime surveillance and the development of space technologies which are deployed to provide services for air, maritime and land transport, as well as being used to monitor the health of the planet or to prevent and manage emergencies in case of natural disasters. These programmes include the Galileo project, aimed at developing a precise global satellite navigation system, and Copernicus, the programme coordinated and managed by the European Commission to provide Europe with its Earth observation platform.

Horizon 2020 in the aeronautic field

PROGRAMME	DEVELOPMENT	TARGETS			
		CO ₂	NO _x	Noise pollution	
Clean Sky 1 2008-2016 + Clean Sky 2 2014-2024	Next Generation Civil Tiltrotor (NGCTR)	up to -50%	up to -15%	up to -30% during take-off	up to -75% during flyovers compared to average rotary-wing aircraft
	Materials and technologies for aeronautic structures, advanced aerodynamics and electrification of some turboprop aircraft systems	aircraft with 90 seats between -35% and -40%	-50%	between -60% and -70% compared to aircraft that used the technology existing in 2000	aircraft with 130 seats between -46% and -52%
SESAR 2020 Single European Sky ATM Research 2016-2022	Technologies for the new European air traffic control system	TREND  3x increase in current air traffic control capacity		ACCESSIBILITY  -50% costs	
		SAFETY  10x increase in flight safety		ENVIRONMENTAL IMPACTS  -10% for every flight by reducing fuel consumption, noise and emissions	

NEW SOLUTIONS FOR GREEN AEROSTRUCTURES

Leonardo is a partner of the European NHYTE programme, which develops concepts and methodologies enabling the realisation of innovative and green aerostructures. The aim is to produce aerostructures with a recyclable hybrid thermoplastic composite material with multifunctional capabilities, to make aircraft lighter and reduce energy consumption and emissions during both the operating and the manufacturing phases, thanks to the use of technologies which exclude the use of the autoclave, while promoting the recycling of components that reach the end of their life.

LEONARDO IN THE EUROPEAN PROJECT FOR AIRCRAFT POWERED BY ELECTRIC PROPULSION

Leonardo is a partner of the European four-year research project, IMOTHEP (Investigation and MaturatiOn of Technologies for Hybrid Electric Propulsion), which aims to investigate

integrated propulsion and transmission systems for a hybrid electric aircraft for commercial aviation. In particular, an innovative design for the configuration of the aircraft and the architecture of its hybrid propulsion system is being developed, enhancing the synergies between propulsion and cells. As part of Horizon 2020, IMOTHEP will be developed by a consortium comprised of 33 key stakeholders of the industry and European aeronautic research. Furthermore, it is supported by EASA (European Aviation Safety Agency).

Horizon 2020 in the fields of cyber security, the protection of critical infrastructures, Industry 4.0

PROJECT	DEVELOPMENT	LEONARDO'S ROLE
SPARTA	European competence centres for cyber security - Processing and trialling governance models for cyber security research and development.	Partner of the project. Contributing to the Automated Risk Assessment of Services and Applications and Vulnerability Tolerant Systems challenges.
RESISTO	Protection of the telecommunications system - Developing and testing an integrated physical and cyber platform to identify threats to telecommunications systems and to assess countermeasures.	Coordinator of the project and Italian use case on the infrastructure of one of the main national communications operators.
SECUREGAS	Protection of critical infrastructures - Development of a solution for the management of physical, cyber and physical-logical risks to the extraction, transport and stocking infrastructure of gas.	Technical coordinator and manager of the Italian use case.
CPS4EU	Industry 4.0 - Development of solutions with a high level of technological maturity in terms of ICT architecture and products and components from various industry sectors.	Partner of the project, coordinator of the Italian cluster of companies and head of development of innovative applications.

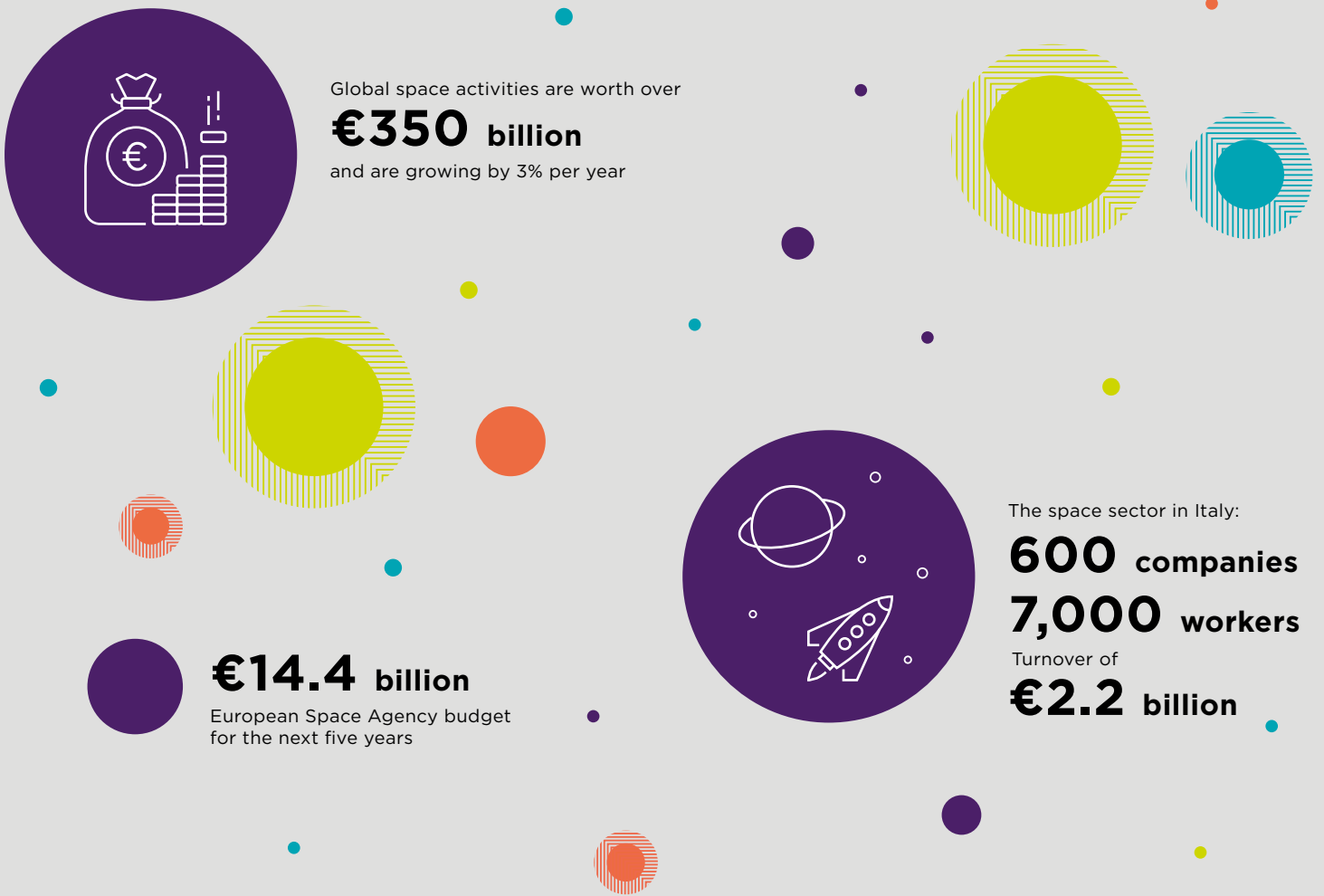
NEW CONTROL ROOM AT THE FUCINO SPACE CENTRE

Inauguration of the new LEOP (Launch and Early Orbit Phase) control room at Telespazio's Fucino Space Centre, for satellite orbital insertion and testing activities, some of the most sensitive phases of satellite missions. There are approximately 50,000 parameters to monitor in order to guarantee safe and effective space missions, with a required performance during this type of operation very close to "zero error tolerance". Since 1996, Telespazio has successfully carried out over 50 operations to put into orbit some of the most important international satellites, the most recent of which being the COSMO-SkyMed second-generation Italian constellation. The new control room will be a strategic asset for the electric propulsion LEOP that will become increasingly important over the coming years.

New frontiers for space exploration

2019 marked the 50-year anniversary of the Moon landing, a key event for the space sector. Today, the space economy is one of the drivers of development for the global economy, also with regard to sustainability, currently worth €350 billion, which is estimated to increase to over €450 billion in ten years' time.²⁵ Space exploration not only seeks to extend our knowledge about the solar system and its origins, but also to make use of the mineral resources of the Moon and other bodies of the solar system and to develop space tourism, research and development.

Leonardo is the largest operator in the Italian space industry and, thanks to the Space Alliance partnership,²⁶ it is a reference point in Europe for space missions. Its activities cover the entire value chain, with unsurpassed technological expertise in the generation of energy using solar panels and in the construction of the next generation drills and spectrometers, which will soon be on every planet of the solar system. Leonardo is part of the biggest international scientific and planet exploration missions and develops products, services and solutions for Earth observation, environmental monitoring, communications and satellite navigation.



²⁵ Il Foglio website.

²⁶ A strategic partnership between Leonardo and Thales was established in 2005. Telespazio and Thales Alenia Space are also involved.

2019 news from Space: Leonardo's contribution

Looking for water under the surface of the Moon - PROSPECT

is the instrument which will be developed by Leonardo for the Luna-27 mission of 2022, which seeks to understand the history of the lunar soil and the origin of the water on it. The ProSeed drill will pierce the Moon's soil to depths of up to one metre, working at temperatures of around -150 °C. The samples collected will be analysed by the on-board miniature laboratory ProSpa, developed by Leonardo with the British Open University, to look for traces of water and other raw materials.

Leonardo is part of the strategic Space Economy plan -

Ital-GovSatCom is an innovative satellite system, which will be developed by the Space Alliance as part of the collaboration between MISE (Ministry for Economic Development) and the Italian Space Agency. The objective is to develop a satellite telecommunications system capable of guaranteeing security, resilience, continuity and availability and to support institutional users and critical missions for maritime surveillance, civil protection and defence.

Revealing interstellar origins -

VIRTIS, installed on-board the European space mission, Rosetta, is the spectrometer developed by Leonardo used to analyse the composition of comet 67P/Churyumov-Gerasimenko's surface, finding traces of aliphatic organic compounds and chains of carbon and hydrogen atoms. The material has characteristics similar to meteorites and asteroids, suggesting an evolutionary link: celestial bodies have remained unchanged, and their impact when they land on other planets, including Earth, may have provided the organic materials at the basis of the so-called building blocks of life.

Searching for exoplanets -

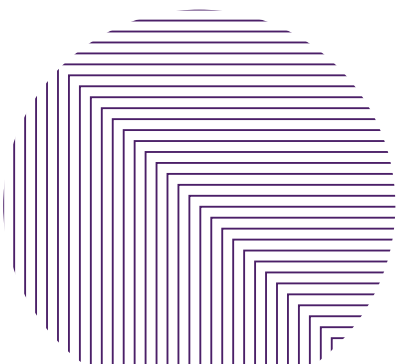
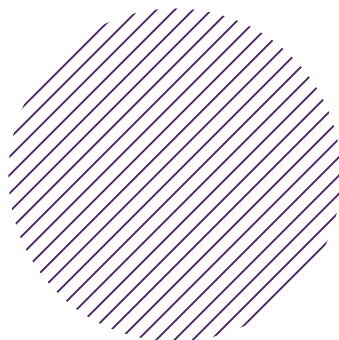
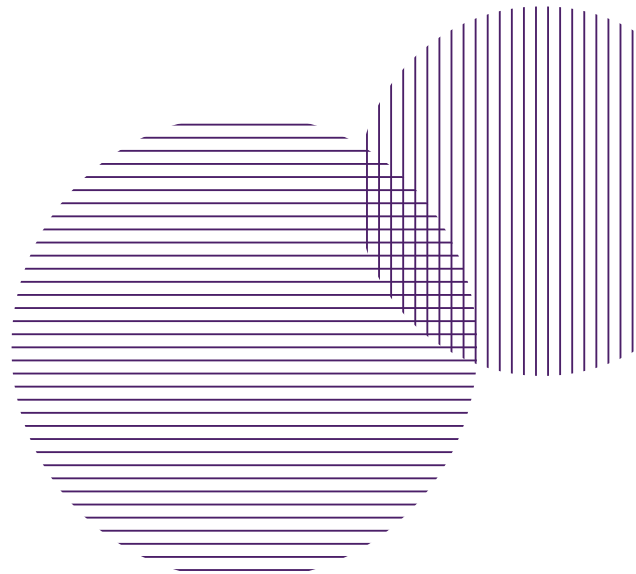
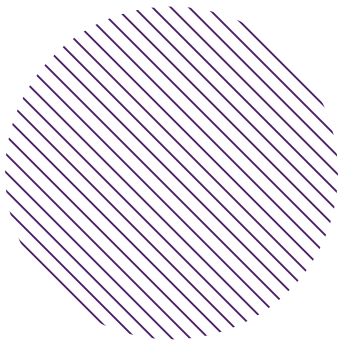
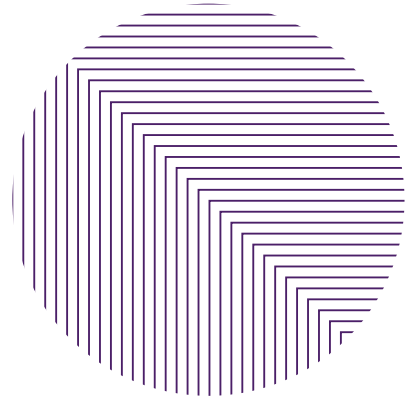
The CHEOPS (CHaracterising ExOPlanet Satellite) satellite of the European Space Agency will be able to search for planets similar to Earth thanks to the telescope developed by Leonardo. The telescope will allow for a closer study, to last approximately three and a half years, of the planets and other solar systems, in the search for their scientific characteristics. CHEOPS was aboard the Soyuz rocket, with which the first COSMO-SkyMed second-generation satellite was also launched.

Uncovering the minerals of








Ceres - A detailed analysis of the minerals of the dwarf planet Ceres was made possible thanks to the images gathered by Vir, Leonardo's spectrometer with the best spatial resolution available on a global scale. It identified the type of rocks present on the surface, highlighting the presence of water ice. The study of the composition of planets' surfaces is one of the fundamental steps towards understanding the origin and evolution of the solar system.

Volcano eruption captured -

The Juno probe immortalised the moment of the volcano eruption on Io, the Jupiter moon, during an eclipse. The mission was made possible thanks to the use of the next generation observation instruments, including the JIRAM spectrometer developed by Leonardo. Precious observations to study the nature of celestial bodies and to prepare future exploration missions in the search for environments that could potentially be capable of supporting life.



Product quality and safety

Capitals	Material topics	SDGs
 Financial resources  People and skills  Technologies and intellectual property  Relationships and collaborations with stakeholders  Energy and natural resources	<ul style="list-style-type: none"> • Innovation and technology • Solutions' quality and safety • Cyber security and data protection • Use of natural resources • Fight against climate change 	 

From the design phase to the development of products, services and solutions and after-sales support, Leonardo searches and applies high levels of quality, security and sustainability, in line with the standards and regulations of a highly regulated sector.

86% of employees work in sites with AS/EN 9100-certified quality management systems.

Internal engineering and manufacturing processes are based on recognised procedures and standards, the continuous training of people and the integration of risk management and product life cycle management methodologies, with the goal of achieving customer deliveries within the expected timeline and without defects using materials and resources in the most efficient way. Every Division or specific programme is supported by research and development activities to guarantee product safety and equipped with a plan for continuous improvement, control procedures and quality certifications, including the EN 9100 standard. Compliance with high quality standards is also required from suppliers, to guarantee materials and goods without planning, manufacturing of installation defects.

Training for pilots and operators aims to provide them with all the knowledge and skills necessary for the correct and safe use of the product throughout its entire life cycle and to improve their awareness. The use of Artificial Intelligence systems applied to predictive maintenance will also contribute to the prevention and identification of defects and inefficiencies, guaranteeing, in turn, greater safety in the production and use phases.

Furthermore, Leonardo plays an active role in the evolution of sector standards and regulations through its participation in the main international organisations, including IAQG (International Aerospace Quality Group), EAQG (European Aerospace Quality Group), CBMC (Certification Body Management Committee) and AIAD (Italian Industry Federation for Aerospace, Defence and Security). Since 2018, it has guided the IAQG's Strategy Working Group, which defines quality standards and the related certification scheme format, measuring effectiveness and developing the global database of best practices.

ELECTRONICS: CERTIFICATE FOR THE ONGOING IMPROVEMENT OF PROCESSES

Leonardo, in the Electronics Division, achieved level 3 of the Capability Maturity Model Integration (CMMI), both in terms of services and development, from the CMMI Institute, as recognition of the quality and maturity of its processes. The CMMI is the main reference model to improve capabilities of organisations, and it provides essential elements to implement effective processes and improve performances. Specifically, the level achieved confirms the maturity of Leonardo's system, based on described and understood processes, which undergo continuous improvement and are deployed using standardised methods and instruments: from the central role of the integrated project teams, to the planning, monitoring and control tools, up to the efficient management of the product's life cycle. An important achievement, which makes Leonardo one of the first European companies in the Aerospace, Defence and Security sector to achieve such recognition for its services.

Quality and safety at Leonardo



Product development

Product life cycle management applied to all development activities for products following the main international standards for quality.



Secure by design

Secure by design approach regarding the security requirements for the development of products and services.



Culture/Mindset

Spreading and consolidation of quality and safety practices for products through periodic meetings with customers, service and systems providers and sub-suppliers.



Services

Development and training services for pilots and operators to guarantee the highest performance and safety standards.



Main requirements and certifications

- AS/EN 9100 - Aerospace quality standards.
- European Aviation Safety Agency (EASA) and Federal Aviation Administration (FAA) - Regulatory and control bodies in the aeronautic sector.
- International Civil Aviation Organization (ICAO) - UN agency that sets out the principles and standards of international air navigation.
- Aeronautic and Airworthiness Armament Department (Direzione Armamenti Aeronautici e Aeronavigabilità - DAAA) - Certification for the airworthiness of military aircraft.
- NADCAP - Global auditing standards and criteria for the accreditation of processes in the aerospace sector.
- AQAP-2110 NATO - Quality assurance requirements for design, development and production.

CYBER RESILIENCE: COMPARISON AND SHARING OF BEST PRACTICES

In 2019, two workshops on the cyber resilience of the Group's products and services were held, involving over 70 people from Leonardo's and the Saab Group's engineering, research and development areas. The two workshops were used to discuss the goals and challenges to overcome in order to satisfy the resilience requirements that customers and enforcement agencies have identified and which will have an impact on the products, services and supply chain of suppliers. The cyber capabilities of the future on which Leonardo is focused cover a number of contexts, including software development models, certifications, the management of calls for tenders and commercial offers. The workshops were an opportunity to share the Group's knowledge and to compare international regulations and best practices for supply chain management, also looking at the experiences of the United States and Sweden.

Safe flying

Leonardo designs fixed and rotary wing platforms, systems and stations for interaction with aircraft based on the airworthiness requirements established by the relevant authorities and respecting the international regulations, which define the levels of safety for each type of aircraft. All possible risk elements related to the phases of flight, ground stationing, maintenance and servicing are analysed during the design, development, certification and the deployment phases of each type of product to guarantee maximum safety.

In addition to the product's characteristics, safety also depends on the behaviour of the pilots and operators. Most incidents involving helicopters are due to operating issues, human error and pilot distraction. In order to increase situational awareness and safety, Leonardo has launched specific initiatives:

- installation and integration of on-board sensors with increased warning signals for better management of potential emergencies and greater effectiveness of autopilot systems;
- training for pilots, ground operators and maintenance technicians to learn to prevent and manage at-risk circumstances;
- on-board assistance and integration of navigation systems using PBN (Performance Based Navigation) technology, also through collaboration with local and international authorities and customers.

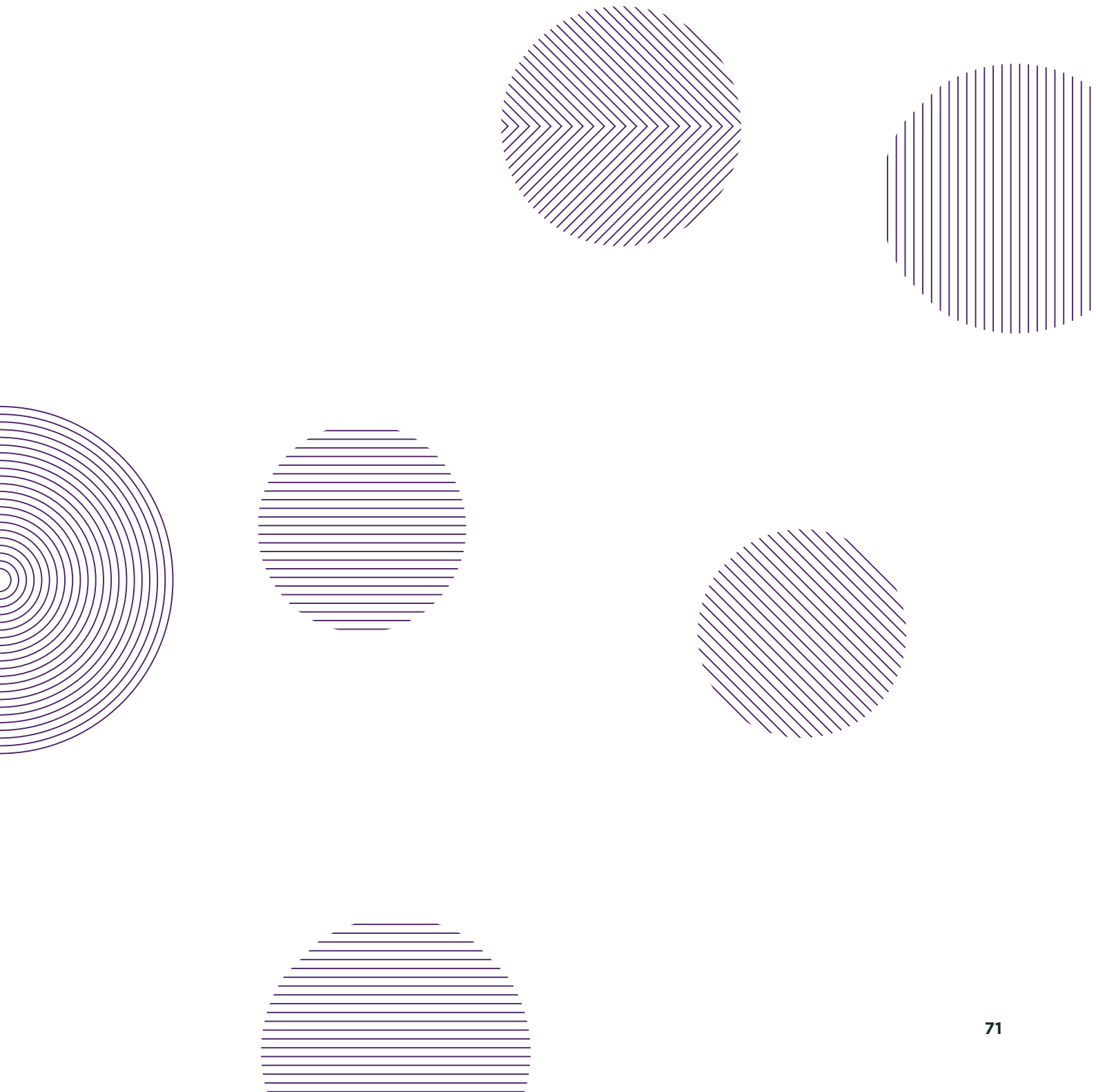
All AW Family helicopters are Performance Based Navigation-certified.

PBN is a navigation model based on the performance of the aircraft rather than the on-board presence of specific equipment. The new approach does away with the conventional navigation principle, in which aircraft and flight procedures are guided and depend on ground signals. It




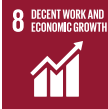
allows for the development of airport transport networks, including in the absence of navigation infrastructures, leveraging on satellite signals.

THE SUCCESS OF THE NEW TH-119 TRAINING HELICOPTER

Leonardo achieved certification from the FAA (Federal Aviation Administration) for the TH-119, currently the only single-engine IFR (Instrument Flight Rules)-certified helicopter in the world, or rather, usable in the case of reduced visibility or challenging weather conditions, thanks to advanced avionics and the redundancy of the main systems. Based on the AW119 and built in Philadelphia, the TH-119 was chosen by the US Navy to upgrade its fleet of training helicopters. The IFR certification was one of the fundamental requirements to take part in the call for tenders. The aircraft is, furthermore, the only one of its kind, which is capable of satisfying the future requirements in the training field, in addition to the specific requirements for training personnel who will have to perform complex manoeuvres, perform search and rescue missions and fly with the use of night goggles.



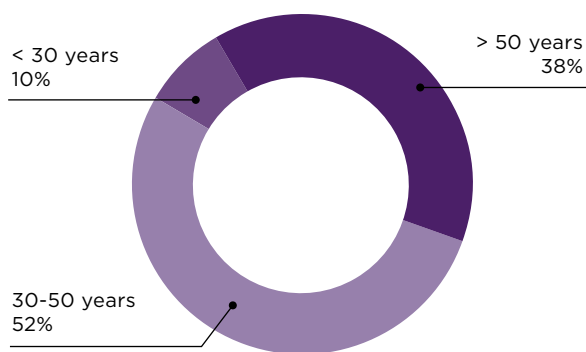
People and community

Capitals	Material topics	SDGs
 People and skills  Relationships and collaborations with stakeholders	<ul style="list-style-type: none"> Talent attraction and retention Diversity and equal opportunities Health and safety at work Well-being of employees 	 4 QUALITY EDUCATION  8 DECENT WORK AND ECONOMIC GROWTH

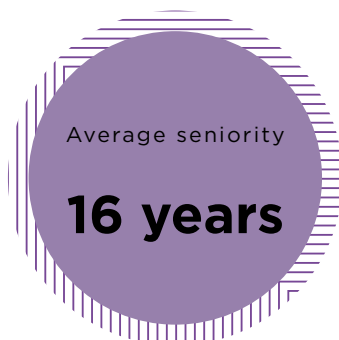
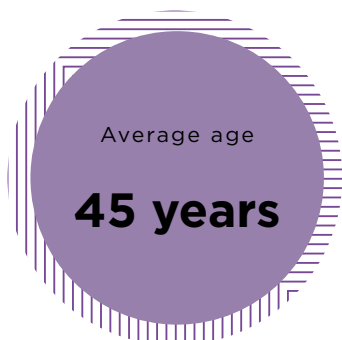
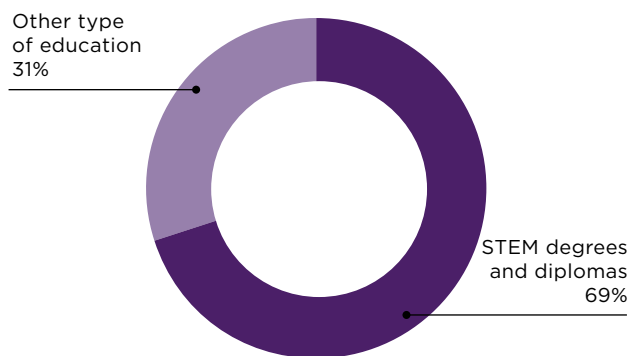
Over 49,000 people work at Leonardo, of which 98% in the domestic markets, increased by 7% compared to 2018. Leonardo’s human capital is composed of 69% of people with STEM backgrounds and it is characterised by generational diversity, which promotes the exchange of experiences and skills. The presence of women in manager and junior manager positions is equal to 17%, with an increase compared to 2018.

The corporate culture that guides the management of human resources is based on listening and dialogue, meritocracy and sustainability, in order to give everyone the chance to grow and to promote an inclusive work environment. In this regard, Leonardo believes it is crucial to invest in training, development and well-being of employees, in order to support the company long-term growth, to successfully compete on global markets and to create value for the territories in which it operates.

EMPLOYEES BY AGE GROUP



EMPLOYEES BY EDUCATION



Employees’ skillsets and know-how are assets to be fostered, enhanced and transferred to new generations. For this reason, Leonardo promotes new methods for the exchange and cross-fertilisation of ideas both within and outside the Group, in order to create a link between institutions, universities, schools and the job market, to attract talent and encourage young people to study STEM subjects.

The focus on people takes the form of welfare support projects for employees as well as social and cultural initiatives that strengthen the presence of Leonardo and its interaction with the local communities, promoting its industrial vocation and background.

Breakdown of employees by professional category, gender and age group

	% women	% men	< 30 years	30-50 years	> 50 years
Total employees	18%	82%	10%	52%	38%
Managers	12%	88%	-	35%	65%
Junior managers	18%	82%	0.4%	41.8%	57.8%
White collars	23%	77%	10%	54%	36%
Blue collars	10%	90%	15%	54%	31%

Diversity and inclusion



Projects and initiatives

Survey - Survey on the inclusion of employees in the United Kingdom in terms of company culture, behaviour, experience and leadership.

Network group - Groups of employees in the United Kingdom to promote inclusion: “Pride (LGBTQ+)” to consult on and promote education and awareness on the issues faced by the LGBTQ community in the workplace; “Equalise” to offer support to employees striving for gender equality; “Carers” to offer support to employees with caring responsibilities for elderly parents, unwell partners or children with specific needs.

LGBT (Lesbian, Gay, Bisexual and Transgender) - Meetings, seminars, TED Talks and internal communication campaigns at the sites in the United Kingdom to promote diversity and inclusion in the work place and to share information and experiences, also through employee networks.

Tutoring and mentorships - Specific meetings on gender diversity and generational gap.



Collaborations

Valore D - Membership in the Italian association to promote diversity and enhance the contribution of women managers.

Inclusive Employers - Membership in the United Kingdom organisation which helps companies to build inclusive work environments through the sharing of ideas and best practices from different sectors.

Conferences and career fairs - Sponsorship and participation in events dedicated to the role of women in the Defence sector, including those organised by associations such as Women in Defence, AFCEA (Armed Forces Communications & Electronics Association) and Society of Women Engineers (SWE). Over 16,000 female engineers took part in the SWE’s annual conference and career fair.

Recruiting - Activities aimed at Historically Black Colleges & Universities (HBCUs) in the United States, with an increase in adverts for positions reserved for minorities and veterans with geographically targeted activities.

SpeakYourMind: listening to people

Open to all employees, the 2019 SpeakYourMind survey was launched to listen to and involve people in the building of a distinctive, multicultural identity, supporting integration and Group change processes. The questions focused on the eight values and skills of Leonardo's Leadership Framework, as well as on the company climate and culture.

The analysis revealed strong engagement, the pride of working for Leonardo, whose brand is perceived as solid and credible. The importance of a customer-oriented culture and the commitment to guaranteeing business integrity. The results also revealed the need to better promote the new leadership model and professional growth opportunities offered by the Group, as well as the need to optimise certain management processes.

Based on the results, specific action plans were launched for all the Group's Divisions, subsidiaries and professional areas, focusing in particular on people involvement and valorisation, information sharing, process efficiency and innovation, as well as on diversity and inclusion, support for local communities, sustainability and brand awareness. A second edition of the survey is planned for 2020.

SpeakYourMind

Numbers

78%

agreed with the statement
"I am proud to work for
my company"

63 questions

about 8 key skills of the Leonardo
Leadership Framework

64%

response rate at Group
level with **over 31,000**
employees involved

Questionnaire issued in

10 languages

almost
35,000

comments received

164 improvement
actions

introduced

Enhancing skills and talent

Leonardo's industrial strategy puts the individual at the centre, with their experience and skills. The processes and activities to manage and enhance skills support people throughout their career progression in the Company, by encouraging lifelong learning and constant reskilling, sharing of experiences and job mobility, within a work environment that allows them to best express their skills. A strategy that aims to attract and manage the profiles and skills necessary to face the new market challenges, first of all the continuous innovation.

Management and development

Performance assessment - 27,000 people assessed, equal to 55% of the Group employees. Specifically, the Performance & Development Management assessment involved roughly 22,000 people, including managers, junior managers, and at certain foreign sites, blue collars, with a participation rate of 97%. In 2019, the programme was updated and a self-assessment phase was introduced.

People review - Over 1,200 employees assessed, including managers, junior managers and white collars, to define development paths and to identify high-potential resources (Future Leaders), amounting to 41% of people involved. Compared to 2018, there were more participants, also with regard to the number of women, with new assessment criteria and action plans for Divisions and functions.

Accelerate - The international training programme aimed at Future Leaders; two editions in 2019 with 120 employees from Italy, the United Kingdom, Poland and the United States. The participants make up a community of Leonardo Ambassadors, involved in training and change management initiatives.

Business coaching - Individual and Group coaching programmes for certain professional and management categories to reach improvement objectives, also including discussion and negotiation techniques.

Skills Mapping - 14,500 assessments carried out to encourage internal mobility, to define training and development paths and to identify specific initiatives for the different professional areas.

Succession plans - Approximately 260 positions were identified and analysed to ensure business continuity throughout the Divisions and subsidiaries. In 2019, 49 positions were covered by resources indicated in the previous year's succession plan.

Continuous learning

Leonardo Learning Academy - Internal lab to maximise the professional value of people and manage the obsolescence of certain positions, with courses aimed at continuous learning and strengthening of skills. 200 resources involved in six training courses: Project Management, Procurement, Cyber Security & Resilience, Data Management, Bid & Tender, and Marketing & Sales. Furthermore, employees in senior positions act as lecturers and tutors, to promote generational exchange.

Leonardo Production System (LPS) - Courses on the World Class Manufacturing methodology and interdisciplinary training to improve workers' familiarity with production processes and increase their efficiency and effectiveness. 80 technical managers and 150 resources from departments to which the ten technical pillars of the LPS model apply were involved.

Managerial training catalogue - 31 modular courses for over 2,700 employees in Italy, due to be progressively extended to other Countries, to promote and spread the Leonardo Leadership Framework and continuous learning.

Coursera - Three-year agreement with one of the main online training platforms. Starting from March 2020 all employees have access to courses on the main technical and technological areas, in order to constantly update and certify their skills.

Digital communication - Two days at the Talent Garden in Rome and Milan, for approximately 70 employees, as part of the internal digital transformation path. In 2020, further blending and networking activities are planned, with the Campus Talent Garden of which Leonardo is a partner.

Leonardo Production System: engaging people to improve the quality and efficiency of production processes

The adoption of a lean production model based on World Class Manufacturing practices is the new initiative launched by Leonardo to optimise efficiency and productivity through an approach aimed at the ongoing improvement of management of processes and programmes and capable of guaranteeing greater quality and safety. Approximately 900 people were involved in the first phase, encouraged to draw on their personal experience to identify good practices already in place and, above all, improvement actions to be implemented in work areas. The engine of the programme is the ongoing upskilling of the Pillar Leaders, aimed at strengthening their skills to be passed on to the various teams.

The six pilot sites set up in 2019 for the three Divisions – Aerostructures, Helicopters and Aircraft – identified approximately 1,000 actions to be implemented in a short space of time. Significant improvements have already been seen through the productivity and safety indicators, also benefiting the circular economy, for example, in terms of the optimisation of the use of resources. Starting from the seven new launches planned for the first months of 2020, the Leonardo Production System (LPS) will be extended to all production sites in Italy, the United Kingdom, the United States and Poland, defining a single management model, with the technical knowledge and experience of the Group’s human capital at the centre.



LEONARDO PRODUCTION SYSTEM

- | | |
|--|---|
|  1 Safety & Health Management |  6 Quality Control |
|  2 Cost Deployment |  7 Customer Service & Logistic |
|  3 Focused Improvement |  8 Early Equipment Management |
|  4.1 Autonomous Maintenance |  9 People Development |
|  4.2 Workplace Organisation |  10.1 Environment |
|  5 Professional Maintenance |  10.2 Energy |



6
production sites in 2019



~900
people



**BETWEEN +10%
AND +30%**
increase in productivity



ZERO
injuries in the areas involved

Education and scientific citizenship

Leonardo seeks to target and attract the best talents with a multichannel recruitment strategy, using employer branding activities and scientific citizenship initiatives. Thanks to the active affiliations with the main universities and participation in career orientation events and job meetings, in 2019, Leonardo set up over 900 internships, apprenticeships and training courses.

Furthermore, Leonardo is a member of advisory committees for a number of Italian universities, contributing to the training offered by some of the leading engineering faculties, where it also leads lectures and laboratory activities.

In Italy, Leonardo collaborates with ITS (Istituti Tecnici Superiori) secondary technical schools on post-high school graduation specialisation courses, which integrate education, in-field training and work. As part of this, it has organised work experience projects for secondary school students, within the framework of the Italian internship initiative “Alternanza Scuola-Lavoro”, to introduce them to the most sought-after professions, including industrial experts, electronics experts, electro-technicians, mechanics, assemblers, maintenance technicians, industrial production technicians and designers. As partners in the “I fuoriclasse della scuola” (school champions), Leonardo also supports the first project which rewards the talents of secondary schools that won the national Olympics hosted by the Italian Ministry of Education, University and Research.

Leonardo also contributes to supporting the evolution of teaching at Italian schools, taking part in the Sistema Scuola Impresa (school and business) project, which offers teachers and students tools to become agents of change and to be informed about the jobs of the future.

Approximately 50,000 students of universities and schools reached during 69 Career Days in Italy and the United Kingdom. Over 400 STEM events promoted.

Leonardo educational partner of universities and schools, providing advice about the jobs of the future, with projects aimed at students and professors.

TURIN'S NEW AEROSPACE CITY

The collaboration between Leonardo, the Politecnico and the University of Turin will culminate in a cutting-edge aerospace technologies research and development cluster poised to become a national and international point of reference for the sector, thanks to the presence of a university hub, SMEs and innovative start-ups, as well as the Space Centre, with education and museum areas open to the public. With over 230,000 square metres to be renovated in compliance with the principles of green building and energy self-sufficiency, the project represents an important opportunity for Turin to attract new students, foster an expert local job market and contribute to the creation of a virtuous supply chain, focused on innovation and competitiveness, with a positive flow-on effect on employment throughout the Country.

SIENA SUMMER SCHOOL ON SUSTAINABLE DEVELOPMENT

Leonardo invests in education and sustainability: in 2019, for the second consecutive year, it supported the Siena Summer School on Sustainable Development, sponsored by the Italian Alliance for Sustainable Development (ASviS). It is the first Italian school which offers high profile training about sustainability, based on the UN's 2030 Agenda and the 17 SDGs. Two weeks of lessons, seminars, teamwork with 42

participants – including two employees who won the Leonardo4SDGs call for ideas – and over 40 lecturers from the academic world, institutions and companies, including Group managers. Leonardo, in collaboration with the Enel Foundation, made ten scholarships available.

**Investors in People and
Investors in Young People:
“gold accreditation” achieved
in the United Kingdom.**

In the United Kingdom, Leonardo’s employees are involved in educational programmes, also through participation in sector initiatives, including the Defence Growth Partnership and The 5% Club, which lead to the assignment of apprenticeships and pre-apprenticeships for secondary school students. The apprenticeship programmes include

both an academic part and an on-the-job learning part; they have been certified as excellent by OFSTED (Office for Standards in Education, Children’s Services and Skills), the non-ministerial department of the United Kingdom Government.

In the United States, Leonardo participates in initiatives with local schools to introduce STEM subjects to young people through visits to sites and endorsements, demonstrations and debates in schools. Furthermore, it promotes apprenticeship programmes and scholarships for students who have already started studying STEM subjects, for example, through the Youth Apprenticeship Program.

In Poland, Leonardo collaborates with many universities to develop technological skills and solutions. In 2019, it started a project with the Polish Air Force Academy to launch a study and internship programme aimed at future space and avionics engineering graduates in order to align academic programmes with the needs of the job market, offering paid on-the-job training and preparing students for future technical careers in the aerospace sector.

A EUROPEAN STRATEGY TO DEVELOP SKILLS IN THE DEFENCE SECTOR

Leonardo participated in the European Skills Defence Partnership, within the COSME programme, contributing to the drawing up of the “Vision on Defence related skills for Europe today and tomorrow” project. The document identifies the needs and skills gaps of the Defence industry, in addition to the national, regional and sector policies of the EU, with the aim of outlining a European support and development strategy. As part of the partnership, the ASSETS+ (Alliance for Strategic Skills addressing Emerging Technologies in Defence) project, in which Leonardo collaborates with other sector companies and universities involved, aims to attract highly qualified workers through personalised education and training programmes in the priority areas of robotics and cyber security, creating a reservoir of skills for the sector.

STEM activities

The promotion of STEM activities is a key investment for Leonardo, it is part of the objective to meet the growing demand for skills and qualified resources for Aerospace, Defence and Security and it has a positive impact on all high intensity technology sectors. In addition to STEM subjects, Leonardo fosters an interdisciplinary approach, which integrates the A for Art (STEAM), in which innovation, soft skills, creativity and imagination are thoroughly combined through a merging process to jointly build the skills of the future.

My School on the Moon - The Youth Scientific Congress, organised by the Aerospace Technology District (Distretto Tecnologico Spaziale - DTA), involved over 1,000 students from 43 classes from 25 Apulian middle schools. The finalists presented their projects for a school on the Moon at the closing event, hosted by the United Nations' Humanitarian Response Depot in Brindisi, supported by a team of experts and researchers. Leonardo provided teaching materials, took part in the panel and offered a visit to the site in Grottaglie (Taranto) as one of the prizes.

National Geographic Festival of Sciences - For the second year running, Leonardo participated as educational partner in the festival, which in 2019 was dedicated to important anniversaries, including 500 years since Leonardo da Vinci's death and 50 years since the first Moon landing. Over 65,000 people attended, including 29,000 students, taking part in over 40 meetings and 300 activities, also supported by Leonardo's ambassadors. The INside/INvention exhibition presented the evolution of Leonardo's products, from helicopters to tiltrotor.

Florence for Children - Leonardo was one of the technical sponsors of the event, which it took part in with the installation entitled "Ing. Leonardo 500 - the imagination of flight" and with three animated laboratories led by Company's STEAM ambassadors, with activities related to optics, coding and the building of Leonardo's machines. 500 children and youths participated in laboratories and approximately 1,000 people visited the installation.

Mathematics i.lab at the Museum of Science and Technology of Milan - This permanent space, created thanks to the partnership with the Museum, is a point of reference for schools and the local community. Over 10,000 students and professors took part in activities or training courses in 2019 and approximately 500 visitors attended during the weekends.

Genoa Science Festival - Leonardo took part in the 18th edition of the festival, with educational laboratories on optical physics, coding and a brief summary of the historical and technological background dedicated to flight research, hosted at the Magazzini del Cotone. Approximately 4,800 youths took part.

Visibility - the Polytechnic of Youth - Project for secondary school in Liguria, in collaboration with the Ansaldo Foundation. Students discovered the industrial reality of the local area on board of Genoa's historic buses. They were involved in educational activities and laboratories in the specifically equipped Demo Rooms at the sites of the partner companies.

Routes into STEM - 50 students were invited to Leonardo's Luton and Southampton sites in the United Kingdom, for a day of career orientation activities, challenges and guided tours, to introduce students to the routes into STEM-related careers.

Big Bang Fair - One of the largest STEM fairs in the United Kingdom organised and promoted by Engineering UK, together with the Royal Academy of Engineering, where Leonardo presented the collaborative model for the Tempest.

Engineering Development Trust (EDT) - 170 students from 39 schools in the United Kingdom were involved in the EDT campaign to inform young people about STEM-related job opportunities. Leonardo has been collaborating with EDT since 2005.

Flying Start Challenge - Roadshow in the United Kingdom to introduce students to engineering and aviation.

Rampaging Chariots - Leonardo hosted the Robotic Games across its sites in the United Kingdom. Students tested their lightweight robots in a series of challenges: from sumo to football, and even fight simulations.

Aviator's Day - 6,500 people attended Leonardo's site in Poland to take part in a one-day event dedicated to virtual reality and new technologies, with interactive exhibitions, flight simulators, games and workshops to develop creativity.

Girls in aviation Day - Women in Aviation International's global event to introduce the world of aviation to girls aged between eight and 17. Leonardo took part in the event at the City Airport in Pennsylvania, with a static display of the TH-119 helicopter and a selection of female employees to talk about their experience.

What's So Cool About Manufacturing - Video contest between high schools in Pennsylvania, with the aim of changing students' perception of manufacturing activities. The Philadelphia site supported youths from the local MaST Community Charter school in making videos about the Company.

European Researchers' Night - Interactive laboratories, including a multimedia station to simulate air traffic control, were presented in L'Aquila (Italy) at the SHARPER (SHARing Researchers' Passions for Evidences and Resilience) event, promoted by the European Commission.

Health, safety and well-being

Leonardo respects and endorses the safety requirements set by the specific regulations of the Countries in which it operates. The active prevention of the risk of accidents and the protection of health are objectives set out in Leonardo's Environmental, Health and Safety Integrated Policy, which provides for the adoption of management systems in compliance with international standards and ongoing awareness-raising and training activities for employees, including those seconded abroad, contractors and service providers, operating at the Group's sites.

This focus on people is reflected in Leonardo's research into solutions to improve the well-being of its employees and to promote a work-life balance.

Health and safety

Investments - €17.7 million (+40% compared to 2018).

Training - Over 227,000 hours of specialist health and safety training (+33% compared to 2018).

Management systems - 50 sites (42 in 2018), equipped with OHSAS 18001-certified occupational health and safety management system, covering 74% of the total workforce.

Awareness-raising - Campaigns for production departments, providing video-instructions for critical processes.

Employees' injuries - The injury frequency rate is equal to 0.9 (slightly down from 1.2 in 2018). No fatal injuries at work.

Supplier personnel's injuries - Services provided by third parties were monitored at 23 sites, for a total of 214 suppliers and 39 injuries recorded.

Travel security

Training - Workshops on travel security and on emergencies and crises' management, in collaboration with 33 Italian companies.

Awareness-raising - Security portal and periodic memos.

Tools - Internally-developed methodology to assess Country risk; health help desk available 24/7.

Employee well-being

Smart working - Pilot project in Italy for 200 employees, extended to a further 960 employees at the Genoa site.

Supplementary healthcare - For the employee and their entire family unit.

Prevention - Vaccination campaigns and campaigns for breast cancer prevention, diabetes and hypertension programmes, awareness-raising about stress management, nutrition and mental health.

Psychological support - 24/7 assistance in the United States and workshops dedicated to employees' mental health in the United Kingdom.

Health and well-being - Nutritionists available for all employees, workshops and awareness-raising campaigns, fitness and health initiatives, weight-loss programmes, running clubs, and gym incentives.

Nursery - At one of the sites in Rome.

Paternity leave - Increased from one to two weeks in the United States.

Industrial relations

Collective bargaining agreements - 82% of employees (100% in Italy).

Trade union membership - 31% of employees are members of trade unions.

Dialogue with trade unions - One meeting with the Strategy Observatory, 24 meetings at a central level (partly related to the negotiations for the renewal of the Company's supplementary agreement) and 19 meetings at divisional level.

Early retirement - Assisted access to early retirement for 324 people, in accordance with the early retirement agreements signed by over 1,000 employees with trade unions in 2018 (the "Fornero Law").

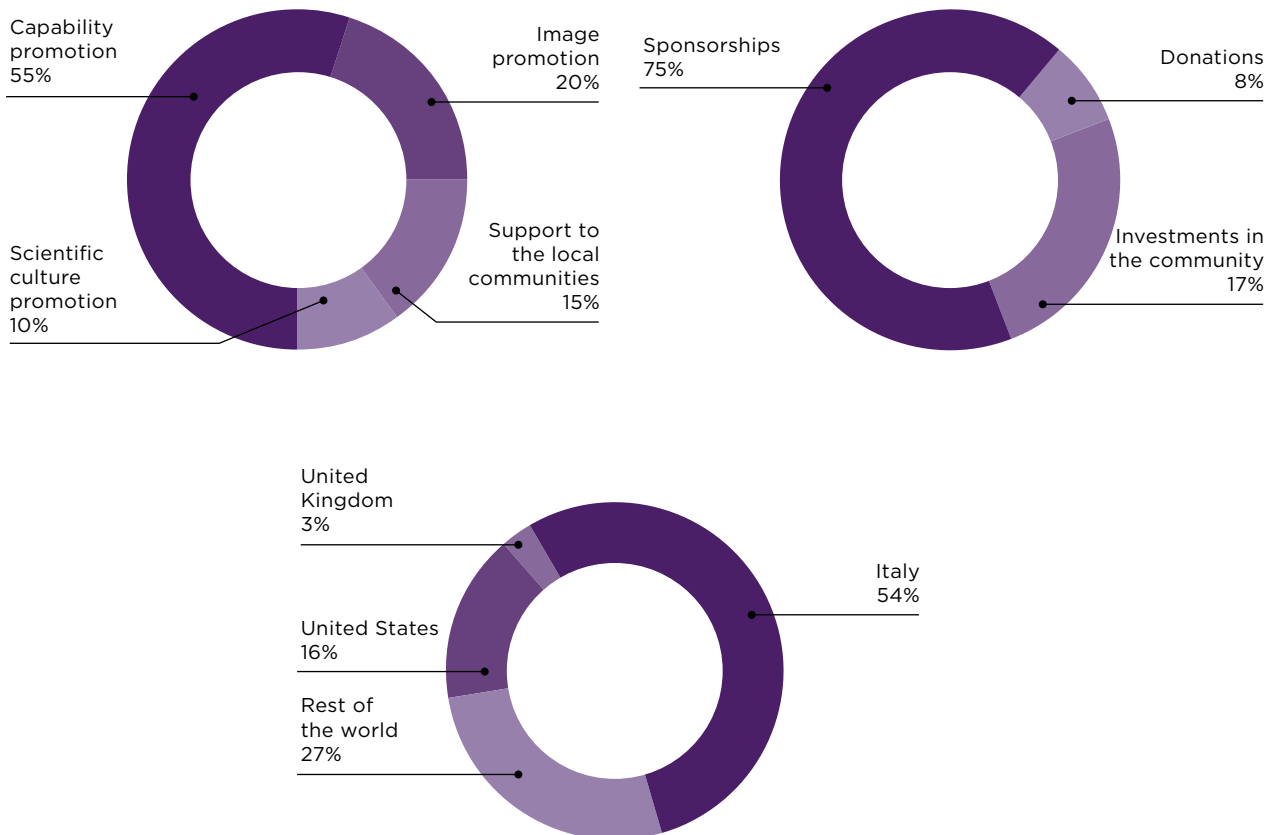
Commitment to the community

Leonardo makes the legacy and industrial culture of the Group available to the community in which it operates, together with the voluntary contribution of its employees and former employees. In 2019, the investments in the communities amounted to roughly €4.6 million (8% of which were donations related to the Responsible Canteens Programme).

Leonardo - Civiltà delle Macchine Foundation committed to promote a new industrial humanism.

Leonardo - Civiltà delle Macchine Foundation was set up in 2018 to promote dialogue with civil society, communities and territories. The objective of the Foundation is to give value to Leonardo's industrial past by managing the Company's archives and museum and to promote the spreading of knowledge about digital technologies through specific training plans. The Foundation's commitment to a new technological humanism can be seen in its promotion of research into the ethical and legal implications of Artificial Intelligence, through partnerships with institutions and universities. The Leonardo - Civiltà delle Macchine Foundation's activities are complementary to those of the Ansaldo Foundation and four company museums - Agusta Museum, Breda Meccanica Bresciana Museum, the Officine Galileo museum and the Radar Museum - which safeguard and give value to the heritage, experience and industrial traditions of the companies which contributed to the legacy of Leonardo.

Investments in the community by scope, type of contributions and geographical distribution



SCIENCE, TECHNOLOGY AND HUMANISM: THE COMMITMENT OF LEONARDO - CIVILTÀ DELLE MACCHINE

The Leonardo - Civiltà delle Macchine Foundation, a meeting place for sciences and humanities, after 66 years has revived the historic “Civiltà delle Macchine” magazine, with three publications issued in 2019 which explored various themes: from the relationship between science, technology and human being to precision agriculture and the Company’s role in society. In 2019, in collaboration with the Ministry of Education, University and Research, the Foundation also promoted the “We are all Leonardo” contest for schools of all types and levels on a regional level, inviting participants to present original ideas related to the application of Artificial Intelligence and robotics, therefore offering communities and territories the opportunity to grow and actively take part.

THE IMAGINATION OF FLIGHT: A TRAVELLING MULTIMEDIA INSTALLATION TO CELEBRATE LEONARDO

Inspired by Leonardo da Vinci, 500 years after his death, the installation was created by Leonardo, in collaboration with the multimedia art group Studio Azzurro and the Istituto dell’Enciclopedia Italiana Treccani (Institute of the Treccani Italian Encyclopaedia). It is an imposing wooden structure, inspired by da Vinci’s machines, titled “Ing. Leonardo 500”, which provides an immersive experience, aimed at conveying the inventive force of da Vinci’s genius, to discover a common thread that ties the observation of nature to the most advanced technologies, starting with drawings taken from the Codex Atlanticus and the Codex on the flight of birds all the way to the Group’s products, flying in the sky and in the Space: helicopters, aircraft, drones and satellites. The joining of art and technology in the imagination of flight, encapsulated in this experience, is an expression of Leonardo’s notion of scientific citizenship, as Leonardo seeks to use an interdisciplinary approach to STEAM subjects to promote a merge of innovation, knowledge, creativity and imagination, to develop the skills of the future. The main stops included: Turin Innovation day, Matera (as part of the European Capital of Culture celebrations), Florence for Children, Washington DC, Brussels (for a NATO event) and Genoa (for the orientation exhibition).

Main social initiatives in 2019

Culture and the environment

Weekend at the museum with FAI - Open doors to the Breda Meccanica Bresciana bunker museum and air-raid shelter built during the Second World War as part of the Italian Environmental Fund (FAI) days in autumn.

Academies, theatres and foundations - Support of Museo del Novecento in Milan, San Carlo Theatre in Naples, Regio Theatre in Turin and Santa Cecilia National Academy in Rome.

Modern and Encyclopedic Leonardo - Main sponsor of the exhibition promoted by Treccani and organised by Studio Azzurro at Palazzo Reale in Milan for the 500th anniversary of the death of Leonardo da Vinci.

Talent Garden - Partner of the new Rome Ostiense campus: an environment which promotes a collaborative approach to innovation, to support the local area, with training and change management programmes (Innovation School).

50th anniversary of the Moon landing through music - The Apollo Soundtrack, a multimedia performance, has been promoted by Leonardo and the Matera Basilicata Foundation to celebrate the Moon landing, during which satellite images of the Earth provided by e-GEOS were projected.

Mediterranea - Visions of an ancient and complex sea - An exhibition in Matera, promoted by ASI and Telespazio in collaboration with the Basilicata Museum Centre and the Matera 2019 Foundation, which uses satellite images to tell the story and show the beauty of the Mediterranean Sea, including its hazards and conflicts.

Leonardo's Museums - The four museums, coordinated by the Leonardo - Civiltà delle Macchine Foundation, represent a unique model in Italy to promote the industrial corporate culture, with over 200 retired employees to support the activities. In 2019, over 6,000 people visited the museums.

Scientific culture and sustainability

Busalla Space Festival - Third edition aimed at astrophiles, scientists and people passionate about and inspired by Space. Leonardo's experts presented the PRISMA mission, both experientially and theoretically, to students and sector operators.

New galleries at the Museum of Science and Technology of Milan - Sponsor of the biggest permanent exhibition in the world dedicated to Leonardo.

Youth in Action for SDGs - Partner in the competition which awards a company internship to the young people with the most creative project proposals for sustainable development.

For families and local communities

Together at Leonardo - Over 53,000 employees, families and friends in 41 sites opened at the same time across Italy. The initiative involved over 10,000 children, who left a memento of their visit and 400 retired employees who shared their experience at the company with the youngest people there.

Shared Christmas - As part of the Christmas festivities, the Italian sites opened their doors to non-profit organisations for three days, hosting stalls, corners and charitable initiatives.

Take Our Daughters and Sons to Work Day - The children of Leonardo's employees in the United States took part in a number of on-site activities: looking at STEM kits, discovering the role of satellite for TV and the internet, doing experiments and role-playing and creating a product team.

Rebuilding Together Philadelphia (RTP) - A team of 10 employees at the Philadelphia site took part in a day of work at the Philip Randolph Technical High School, contributing to the non-profit RTP association programme, which seeks to repair and renovate schools in the poor neighbourhoods for free.

Welfare and solidarity

Responsible canteens programme - In partnership with the Fondazione Banco Alimentare non-profit organisation and with canteen service providers, to collect the excess food produced by 20 canteens at the main Italian sites in favour of non-profit organisations. In 2019, approximately 180,000 portions of food, in addition to bakery products, fruits and vegetables, were distributed, worth approximately €360,000 (over €2.3 million since the beginning of the programme in 2013).

myCOMMUNITY - A platform to support fundraising and corporate volunteering of employees in the United Kingdom and the United States to support non-profit organisations and the community.








Combat Stress - Supporting the Veterans' Mental Health organisation, committed to helping veterans suffering from PTSD, anxiety and depression.

Research

We run as One - Over 270 employees took part as Leonardo's team at the tenth edition of the Race for the Cure, the important demonstration for the fight against breast cancer in Italy and around the world.

Telethon - Support to the "Make Yourself at Home" ("Come a casa") project, as part of the Christmas festivities, to help children from around the world undergoing gene therapy at the San Raffaele Institute in Milan, along with their families.

Customer intimacy

Capitals	Material topics	SDGs
 Financial resources  People and skills  Technologies and intellectual property  Operating assets  Relationships and collaborations with stakeholders	<ul style="list-style-type: none"> • Customer intimacy • Cyber security and data protection • Responsible business conduct • Solutions' quality and safety 	 

The challenges and competition of global markets require technological excellence, international vocation and the ability to provide the customer with support at all product phases and throughout the entire duration of the relationship.

In response to these needs, Leonardo's has a customer-centric approach, with solutions which are personalised and oriented towards increasingly innovative and added-value after-sales support services: beyond the continuous hardware and software upgrades aimed at ensuring extended performances, Leonardo provides training courses, necessary to maintain direct contact with the customer and to nurture a strategic long-term relationship.

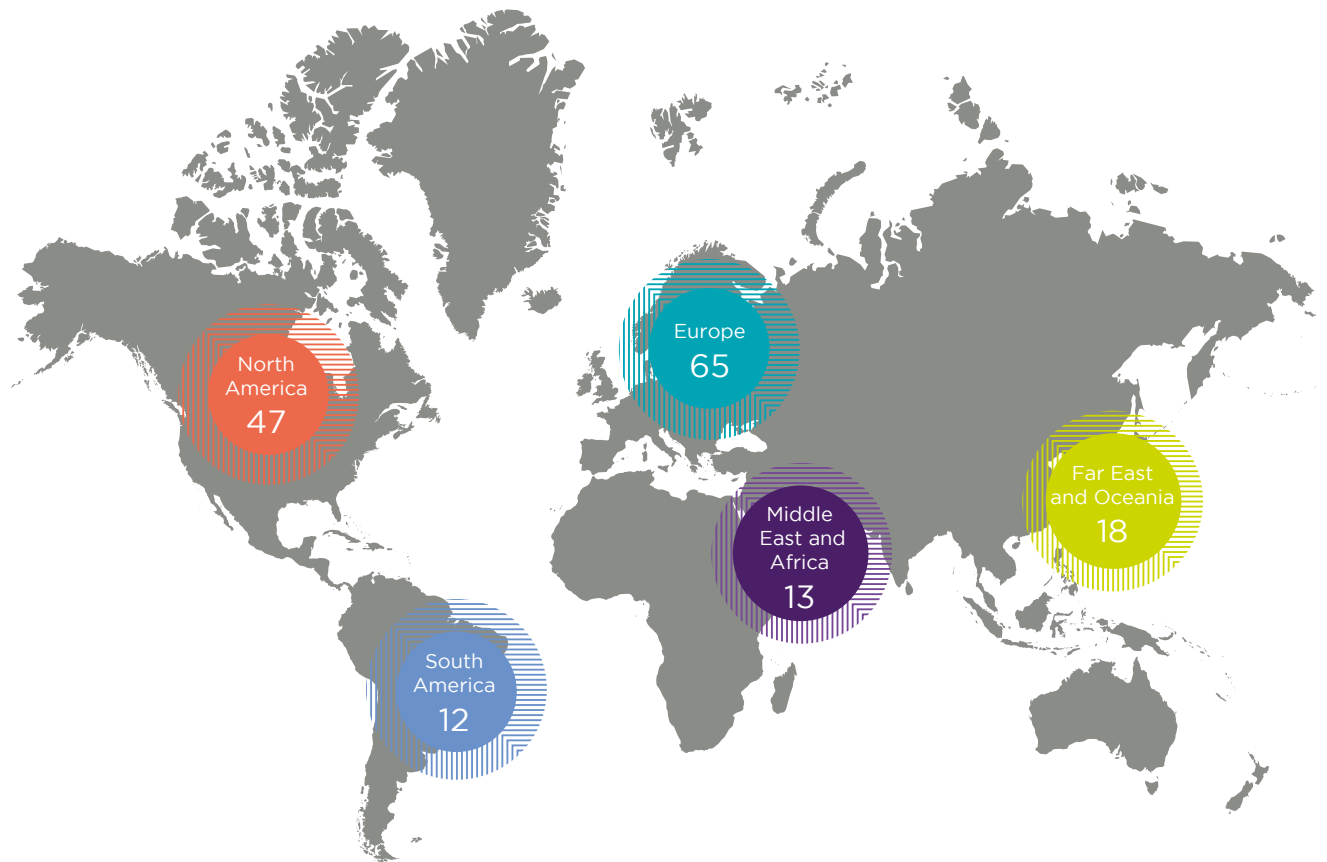
In this regard and with the aim of consolidating its strategic position, Leonardo is working to improve and expand its portfolio of services in order to respond to the specific requests of its customers and meet the market's future needs, using technologies and platforms that make its offer more intelligent and digital and involving customers, partners, start-ups and universities with an open innovation approach.

Leonardo is active in the international markets and regularly participates in exhibitions, creating opportunities to meet potential customers. In its foreign missions, Leonardo is supported by international institutions and by the diplomatic network and, with regard to important official visits in strategic Countries by representatives of the Government, Leonardo collaborates closely with all the main institutions.

The synergy between Governments and Leonardo consists in a further element to represent and protect the corporate interests on an international level and promote the commercial effort. These interests can be turned into larger collaboration programmes to promote investments in research and development and technology sharing, with repercussions for the local supply chains as well.

Leonardo also collaborates with its international customers through industrial offset agreements, with the aim of generating economic, financial and industrial benefits for the Country in which the products and solutions were purchased, in both civil and defence sectors. The management of these projects is based on the principles set out in Leonardo's internal codes and compliance with the applicable national and international regulations.

Participation in international exhibitions

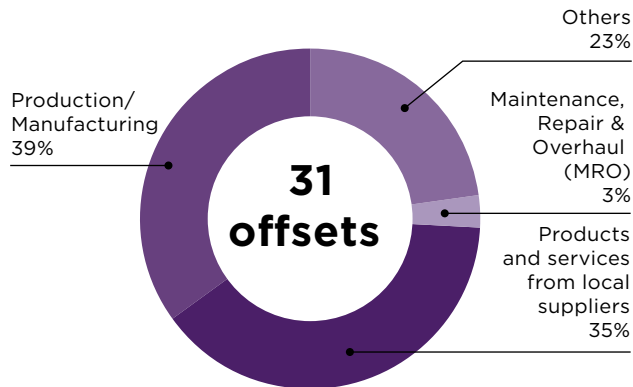


155 participations in international exhibitions in 2019 (+6% compared to 2018).

MARGOTTINI MISSION IN THE EAST, TO PROMOTE A “COUNTRY SYSTEM”

The European Multi-Mission Frigate (FREMM) “Carlo Margottini” mission in the Indian Ocean, the Middle East and the Arabian Sea in the first few months of 2019, for the protection of maritime lines of national interest, represented an important opportunity to promote the “Country system” in an integrated way. Through the close collaboration of important representatives from the national Defence sector and institutions, including the Italian Navy, it was possible to demonstrate Italy’s technological potential in various geographic segments of strategic interest or with important growth prospects. Leonardo is responsible for supplying and integrating the Margottini Frigate’s entire combat system, management system, radar sensors, communication systems, electronic systems and infrared tracking systems. Furthermore, the frigate also has two NH90 helicopters on board.

Current indirect offsets



LEONARDO'S INNOVATIVE AND SUSTAINABLE SOLUTIONS FOR EXPO 2020

Leonardo is a sponsor of EXPO 2020 in Dubai, the Universal Exhibition, which will be held in the United Arab Emirates from 20 October 2020 to 10 April 2021, the first time in an Arab Country. The Italian pavilion will be located in the area dedicated to “Opportunity” and “Sustainability” and some of Leonardo’s technological innovations, which contribute to progress and global development, will be presented. They include a life-size model of the AW609 tiltrotor, the atomic clock, which tells the time using the resonance of an atom, and the ExoMars 2022 drill. Furthermore, for the event, Leonardo, together with the UAE company Falcon Aviation Services, will create a new, highly innovative, eco-friendly and modular terminal for helicopters and tiltrotor using recyclable materials, and offering the possibility of being transported to other locations.

Excellence in execution

Collaboration with customers starts from the initial development phases of programmes, defining the specifications and requirements, through to the final validation , with the aim of optimising times and development costs.

800 people involved in the third edition of the E2-PM programme, including project managers and project team members.

During the project execution phase, the contribution of the project managers, risk managers and all members of the project team is of the utmost importance. In order to update and develop their skills, in line with the needs of the business, Leonardo invests in the Project Management E2-PM training programme, which certifies skills and capabilities acquired in accordance with the international PMI (Project Management Institute) and IPMA (International Project Management Association) standards.

In the context of some programmes, Leonardo organises periodic meetings with customers and partners (user groups and conferences) in order to discuss operating issues and identify any areas of improvement. Furthermore, in 2019, a pilot project to measure customer satisfaction was performed using the Net Promoter System method.

User groups, conferences and training for customers

Spartan user group	11 customers, 7 suppliers	- 90 participants
M-346 joint user group	4 customers, 3 partners	- 80 participants
Helicopter Customer Advisory Board	60 customers	- 190 participants
Joint Customer Training	Training for defence customers, including the Air Force and the Italian tax police, on the integrated management of programmes	- 500 members of the Integrated Project Team in the 2018-2019 editions

LEONARDO DELIVERS ITS THOUSANDTH AW139 HELICOPTER, LEADER OF THE GLOBAL MARKET

In 2019, Leonardo delivered its thousandth AW139. It is the most important helicopter programme in the last 15 years at an international level. The AW139's first flight dates back to the beginning of 2001, now the helicopter boasts orders of over 1,100 units from more than 280 customers in over 70 Countries on all continents. The aircraft has shown extraordinary levels of reliability and operational capabilities with almost 2.5 million flight hours recorded. Data of use testify the extreme versatility of the AW139, which satisfies any market need: more than 30% for public utility tasks such as search and rescue and air ambulance, law enforcement, civil protection and firefighting; over 30% for offshore transport; around 20% for military tasks; the rest account for VIP, institutional and corporate transport missions. The success of the AW139 is thanks to the commitment of Leonardo's human resources, which believed in it and worked to develop it; even now, they are still pursuing the operating journey, in constant discussion with the market and customers.

Training and customer support

Quality, technological content and the operating capacity of products and solutions are offered together with added-value integrated services, necessary to keep in direct contact with customers and nurture long-term strategic relationships.

In the aeronautic and helicopter sectors, Leonardo, in its role as Training Service Provider, continues to invest in development and training services, to guarantee the highest performance and safety standards and in logistics, updates, repairs, and revamps to maintain the availability, versatility and extension of the useful life of products. In 2019, approximately 12,000 people were trained, including pilots and operators.

Training is based on aircraft simulators and their operational use. The use of simulators cuts back on real flight hours, cutting costs, environmental and noise pollution. Virtual reality and augmented reality technologies, distinguished by their high quality, are also used for maintenance activities. One of the virtual reality and augmented reality technologies offered by Leonardo is LARA (Leonardo Augmented Reality Assistant), an example solution for simpler after-sales management for air traffic control operators. For customers in the Defence segment, Leonardo has developed on demand services, which can be customised depending on the users' needs, such as scenario generation, mission management, "serious games" and even distributed simulation.

Leonardo confirmed as the number one helicopter company in ProPilot's 2020 survey for the quality and efficiency of its after-sales support.

UNAVOX: SERIOUS GAMES FOR CYBER TRAINING

Leonardo is working with the Italian Ministry of Defence's Inter-force command for cybernetic operations (Comando Interforze Operazioni Cibernetiche - CIOC) to develop the first national cyber range: UNAVOX. The platform can simulate scenes, scenarios and attack situations, in addition to defence against cyber-attacks, for the purposes of training and to assess the defence systems, which would not be possible through production systems nor through simple test and assessment environments. In 2019, a cyber-war game was hosted at the Italian armed forces telecommunication school in Chiavari (Genoa). Two teams of students from the universities of Genoa and Rome Sapienza took part to assess the capabilities of the UNAVOX virtual firing range.



Solutions for simulation & training

The International Flight Training School (IFTS) fully operative in Galatina - The IFTS in Galatina (Lecce), a new structure to train military pilots, was set up in 2019 thanks to a collaboration with the Italian Air Force. The IFTS, which can host up to 80 pilots per year from Italian and foreign Air Forces, now boasts four fully operational M-346s, in addition to the 18 already belonging to the Italian Air Force at the 61st wing. Between 2020 and 2021, phase IV advanced training courses will be offered, considerably increasing the current training capacity of the Italian Air Force. The use of M-346s, the most advanced aircraft available on the market in terms of avionic performance and aerodynamics, and the related GBTS (Ground Based Training System), a state of the art system which integrates the simulation of flight and missions, will lead to a steady reduction in actual flight hours during the phase IV training, reducing emissions by approximately 30% and the hourly cost of training by around 20%. Later on, in 2022, the course will move to the Decimomannu (Cagliari) Air Base and at the same time a new M-345 training service will be rolled out in Galatina, which will be used for phase II and phase III training.

Two new simulators at the Philadelphia Training Academy - Developed in partnership with CAE, they will be operative from 2020. One will be the first "Full Motion" simulator in the world of the AW609 tiltrotor and the second will be the first American simulator of the AW169 helicopter. The agreement is part of the partnership between Leonardo and CAE to provide complete and integrated training solutions in the helicopter field to the United States Government.

The Leonardo Academy in Lincoln tripled in size - The training centre for Leonardo's cyber and electronic activities in Lincoln (United Kingdom) inaugurated in 2018, tripled in size in 2019, to allow up to 150 students to train at any one time. In addition to the British Armed Forces, the centre also hosts visiting delegates from allied international forces, including Brazil and South Korea.

The first simulators of the Eurofighters for the Kuwait Air Forces are ready - Entirely designed and built by Leonardo, the simulators will be used for the advanced training of Eurofighter Typhoon pilots three years after the signing of the supply contract. The simulators are part of the training suite, which Leonardo will provide to the Kuwait Air Force from 2020 together with a dedicated Service Support Team, in order to make the most of the operating capacities of the systems.

A new cyber training academy in Malaysia - The agreement between Leonardo and Sapura Secured Technologies aims to strengthen Malaysia's ability to protect itself from cyber threats through the development of skills and technologies. Leonardo's training offer will focus on cyber defence of infrastructures and on essential services for cyberspace protection, with solutions for public and private sectors.

TRAINING SYSTEMS FOR NATO: ELECTRONIC PROTECTION

Leonardo has signed a contract with the Ministry of Defence of the United Kingdom to supply training systems to the Joint Electronic Warfare Core Staff (JEWCS), the NATO agency responsible for electronic protection. The equipment and services will be delivered over the next four years from Leonardo’s electronic warfare centre of excellence in Luton (United Kingdom). JEWCS’ remit is to improve armed forces training by simulating the effects of an enemy’s latest electronic warfare equipment during exercises, creating a ‘hostile environment’ in which to train. To deliver these services, JEWCS deploys high-tech systems at training sites around Europe, allowing armed forces to practice their skills in areas such as electronic surveillance and electronic countermeasures. The contract for JEWCS is part of a long-term partnership with NATO in the security technologies sector.

Leonardo and the Italian Air Force together for the innovation in customer support

As part of the Logistics 4.0 project developed by the Italian Air Force and Leonardo, in 2019, the AIRtificial Intelligence 48-hour hackathon took place in Florence, aimed at developing Artificial Intelligence-based innovative customer assistance solutions and training activities.

Nine competing teams of start-ups, university researchers and developers – assisted by Air Force and Leonardo tutors - took part in the challenge of creating virtual assistance solutions to optimise maintenance and training activities for aeronautic systems. There were three use cases for which prototypes could be presented: Virtual Assistance, to support maintenance operator, interacting using natural language; Virtual Ear, to perform non-destructive testing of the integrity of composite materials using tapping tests; Virtual Eye, to allow technicians to speed up the identification and classification of damage and anomalies on aircraft surfaces, by analysing images in real time.

A mixed panel, comprising representatives from the Air Force, Leonardo and the Italian Institute of Technology, named the “Tornado” team as the winner, for its innovative Tapping Test solution.

The partnership between Leonardo and the Air Force seeks to understand new needs and use enabling technologies such as AI, augmented reality, mixed reality, certified blockchain and big data analyses to develop cutting edge technologies in the customer support and services sector.



9
teams



3
competition use cases

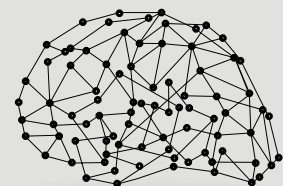


40
start-ups, developers
and researchers took part




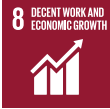


70
mentors, tutors and
support staff

AIR Artificial Intelligence



Supply chain

Capitals	Material topics	SDGs
 Financial resources  Operating assets  Technologies and intellectual property	<ul style="list-style-type: none"> Regional development Supply chain efficiency and development 	

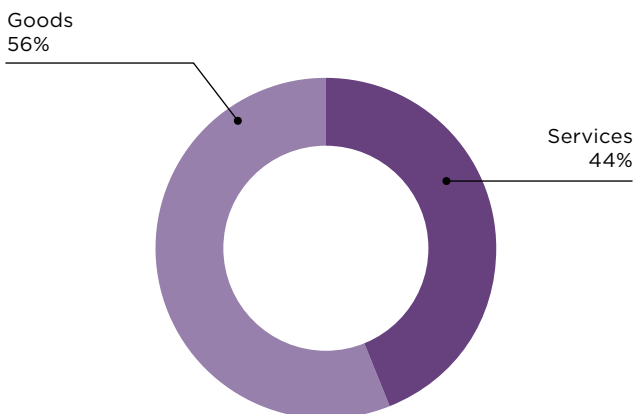
Leonardo’s supply chain is made up of thousands of suppliers, approximately 4,000 of which in Italy alone, which contribute on a daily basis to the competitiveness of the business, guaranteeing the respect of quality and safety requirements in the supplies and actively collaborating in the management of contracts and open innovation processes, with the sharing of knowledge, skills and technologies. It is a high-intensity supply chain in terms of knowledge and innovation, which reflects the strong productivity of the work, which is 20% higher than the national average in Italy.

Growth of local suppliers, of which many small and medium enterprises (SMEs), has aided the social and economic development of territories in the four domestic markets (Italy, the United Kingdom, the United States and Poland) where most of the Group’s purchases are concentrated.

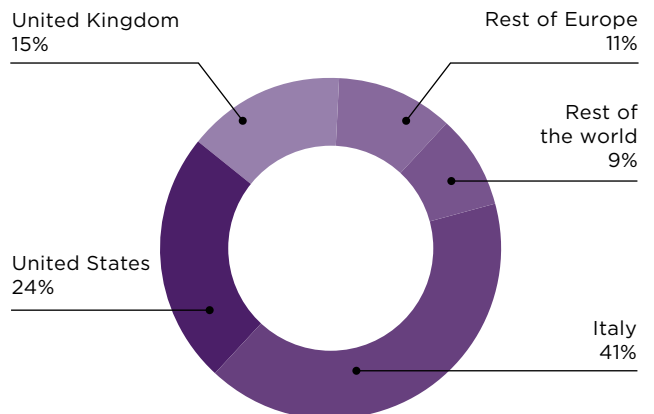
Supply chain in 2019



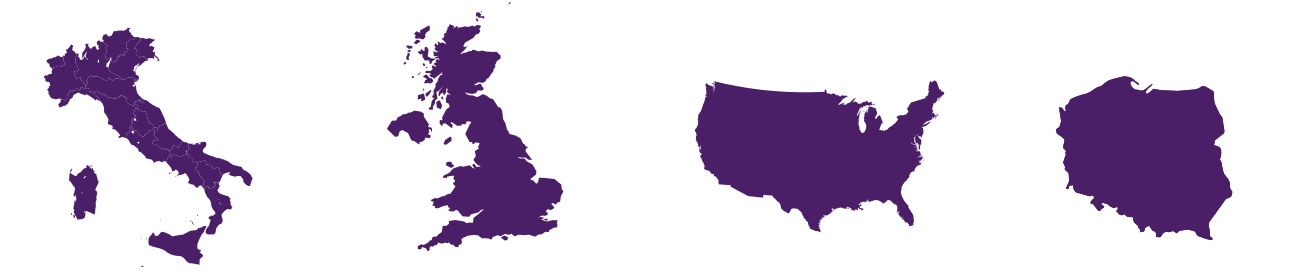
PURCHASES BY TYPE



PURCHASES BY COUNTRY



Local supply chains



<p>87% of suppliers made up of Italian SMEs</p>	<p>74% of suppliers made up of UK SMEs</p>	<p>64% of suppliers made up of US SMEs</p>	<p>99% of suppliers made up of Polish SMEs</p>
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Incidence of national small and medium enterprises (SMEs) on suppliers based on each Country.

Through partnerships with strategic suppliers and the introduction of programmes to develop skills and abilities, Leonardo is committed to strengthening its supply chains, with the objective of boosting competitiveness and resilience on international markets.

In selecting its suppliers, Leonardo applies strict and structured classification processes, which assess all ethical aspects and compliance with the social and environmental regulations in place in different Countries. By means of specific clauses included in contracts, suppliers must guarantee that their subcontractors meet the same qualification criteria.

Suppliers are involved in the management of specific strategic and operating risks related to the supply chain, from risks of obsolescence and the provision of critical materials, up to the increasing risk of cyber-attacks.

Leonardo's impact in Italy



<p>4,000 companies in the Leonardo supply chain</p>	<p>€21 billion direct, indirect and induced production value</p>	<p>+20% productivity than the Italian national average</p>	<p>€3 billion tax revenues from the supply chain</p>
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Growing with suppliers

LEAP programme: around 1,300 suppliers assessed, 200 eligible for partnerships, over 70 involved in projects already activated.

Strengthening the supplier base with a focus on high-impact categories to create a stronger, more sustainable and integrated supply chain, through partnerships and growth tools aimed at top suppliers: these are the objectives that Leonardo pursues through the Leonardo Empowering Advanced Partnerships 2020 (LEAP) programme, now in its second year.

Through LEAP, Leonardo started a new supplier management model aimed at creating the conditions to valorise capabilities and technological excellence of its suppliers. The process starts from the analysis of the strengths and weaknesses of key suppliers, overcoming the traditional dimensions of price and performance, in order to identify the suppliers eligible for collaboration initiatives and long-term partnerships. Through specific instruments, activated also in partnerships with external stakeholders, and a continuous improvement approach, Leonardo aims to guarantee greater punctuality and quality of supplies as well as a qualitative and quantitative growth of the partners, with a focus on the development of the suppliers' expertise, the ability to innovate and a greater financial stability. These are the factors necessary to increase the business resilience and become more competitive in international markets.

Up to now, around 1,300 suppliers based in Italy have been analysed for a total value of approximately €2 billion. Of these, around 200 suppliers were preliminary identified for a partnership path. Specifically, around 70 suppliers have been already involved in specific improvement and development projects, including targeted managerial and technical training programmes, long-term commercial partnership agreements, initiatives for financial support, technology transfer and digital transformation.

<p>Italy</p>	<p>ELITE Leonardo Lounge for managerial training - A two-year development programme for entrepreneurs and the senior managers of suppliers, in order to speed up their growth, facilitating access to funds, to the network and to key skills. In 2019, 43 companies from 12 regions of Italy, with a total turnover of over €1 billion and 5,700 employees, took part.</p> <p>Collaboration with CDP, UniCredit, BNL and Intesa Sanpaolo for financial support - Agreement to facilitate access to financial and non-financial instruments, to improve financial stability and underpin the consolidation and growth in terms of scale. In 2019, approximately 30 key suppliers were involved in Italy.</p> <p>Leonardo Technical Training in specialist skills - Technical training for managers, white collars and blue collars, also to meet the demand for a new specialised workforce expected over the coming years. In 2019, 20 suppliers were involved.</p> <p>With Confindustria's Digital Innovation Hubs for digital transformation - Awareness-raising and training about 4.0 technologies, digital maturity assessments and networking assistance for suppliers to ease their transition to Industry 4.0 innovation, from smart factories to competence centres. Approximately 40 suppliers were involved in the initial phase.</p> <p>With the Fondazione R&I (Research and Entrepreneurship Foundation) for the technological development project - Initiative aimed at improving suppliers' ability to innovate, through assessments, coaching and tutorship and the creation of an open innovation network.</p> <p>Long-term partnerships - Long-term commercial agreements signed with 30 suppliers, focusing on continuous improvement.</p> <p>Supplier Survey on sustainability and innovation - Questionnaire for 600 Italian suppliers, focused on innovation and sustainability, specifically, environmental sustainability and the circular economy, the development of human capital and transparency towards the outside world. The questionnaire found that suppliers are committed to energy efficiency and waste management, employee training and collaboration with external partners. Furthermore, in 2019, the LEAP Assessment and Development for Sustainability (LEADS) model was launched and it will be implemented in 2020.</p>
<p>United Kingdom</p>	<p>SC21 Programme - 190 of Leonardo MW's suppliers took part in the sector initiative, which promotes the competitiveness and sustainability of the aerospace supply chain in the United Kingdom. Of these, 32 were sponsored by the Company (21 in the Electronics sector and 11 in the Helicopter sector).</p> <p>Aerospace Growth Partnership - Leonardo MW took part in the National Aerospace Technology Exploitation Programme (NATEP), which helps SMEs to develop their own innovative technologies and to become more competitive: in 2019, a new four-year programme was launched with funding of £10 million.</p> <p>JOSCAR (Joint Supply Accreditation Register) - Approximately 500 suppliers brought on board by Leonardo as part of the sector's initiative for the accreditation of common suppliers.</p> <p>Supplier Development Programme - Launched at the Farnborough exhibition in 2018. The first phase involved 47 suppliers (of which 24 strategic), afterwards increasing to 84 (of which 58 strategic). 57 of these suppliers are also JOSCAR registered.</p>
<p>United States</p>	<p>CSRHub - Over 300 suppliers assessed from an environmental, social and governance standpoint, also based on the ESG rating provided by specialised agencies.</p> <p>Supplier profile - Questionnaire sent to over 30 key suppliers and the allocation of a score. The results are used to initiate discussions with suppliers about technologies that could affect manufacturing processes, skills and delivery times. Some of the areas to be developed include Additive Manufacturing and cyber risk management.</p>

Poland

Regional Industrial Park Świdnik - Technological park founded by PZL in 2005 with the aim of making available spaces, infrastructures and skills to support the SMEs' growth.

Lublin Cluster for Aviation Advanced Technologies - Cluster, founded also by PZL, which develops advanced technologies for the aeronautic sector, with the involvement of 41 members from local companies, institutions and universities.

OPEN INNOVATION FOR KEY SUPPLIERS

As part of the technological development of the supply chain, in collaboration with Fondazione R&I, of which Leonardo is a founding member, 20 suppliers were involved in the first Open Innovation Workshop at Leonardo's site in Pomigliano d'Arco (Naples). The event hosted the first discussion about joint initiatives for the development of innovative products and services in the territory, and laid the foundations for a subsequent analysis phase and training activities aimed at improving the suppliers' ability to innovate, through access to early stage technologies and the development of an open innovation network. The suppliers involved are from Apulia and Campania, with a total turnover of approximately €500 million and over 2,700 employees. A second workshop will be organised in the first months of 2020.

Responsible supply chain

In 2019, the new questionnaire about environmental requirements was introduced.

Leonardo's potential suppliers must pass the first pre-qualification phase to check the compliance with financial, ethical/legal, social and environmental requirements. This check is repeated at least every two years. If there are risk factors, including in relation to the supplier's ownership

structure and the final beneficiaries, a reputational analysis is performed, with the support of specialist databases. Furthermore, in 2019, a new alert platform was set up to report "crime" events and "adverse media" regarding the registered suppliers.

Next, a qualification stage is launched, which analyses the suppliers' technical and operating capabilities for specific supplies. Successful qualification is necessary in order to take part in calls for bids and to become an official supplier.

Maintenance of the requirements is monitored via periodic checks throughout the entire duration of contractual relationships. Serious or repeated non-compliance with requirements can result in temporary or definitive exclusion from the database. Leonardo manages its relationship with suppliers exclusively through the procurement portal, in order to ensure the transparency and traceability of information.

Supplier selection and management

	Commitments and requirements					2019 indicators
Registration on the Portal	Code of Ethics	Anti-Corruption Code	Supplier Code of Conduct	Organisational, Management and Control Model		
Pre-qualification	Financial requirements	Pension and social contributions	No criminal sanctions	Non-inclusion in international black lists (*)	Compliance with Modern Slavery regulations (**)	~5,100 suppliers pre-qualified ~200 pre-qualifications refused to new suppliers
	Check of environmental crimes	No use of child, forced or illegal labour	Compliance with anti-corruption regulations	Trade compliance	Compliance with anti-money laundering regulations	
Qualification	Technical and professional requirements	Environmental informations (***)	Health and safety certifications (OHSAS 18001)	Quality certifications	Cyber security	~5,000 qualifications completed
Allocation of supplies						
Selection/ Call for bids	Checks of specific tender requirements	Supply term and conditions	Compliance with conflict minerals regulations	Check of existence and maintenance of reputational requirements		~560 reputational checks performed
Management and monitoring of suppliers						
Management	Monitoring activities (documents, inspections, on-site audits)	Improvement plans	Pre-qualification revocation	Black list		~700 environmental inspections of services providers ~1,300 audits performed by the Divisions
						~50 pre-qualifications revoked in the renewal phase 6 black-listed suppliers

(*) Check only carried out for suppliers in at-risk countries.

(**) 2015 Modern Slavery Act in the United Kingdom and Code Title 22, chapter 78 in the United States.

(***) Of which in possession of environmental authorisations and certified management systems; compliance with REACH, RoHS and RAEE and waste regulations.

Management of risks in the supply chain

Conflict minerals

- Suppliers are required to guarantee and show that their supplies and anything supplied indirectly through subcontractors does not contain minerals from conflict areas (including, but not limited to, the Democratic Republic of the Congo).
- In 2019, 179,587 parts for the electronics business were checked.
- In the US, as part of the Responsible Business Alliance (RBA), Leonardo DRS is a member of the Responsible Minerals Initiative (RMI).

Cyber security in the supply chain

- **ISO 28000** - In 2019, the introduction of a security management system for the supply chain in accordance with the standard continued, setting out certain internal processes, the analysis method and the reference framework.
- **ISO 27001** - Supply chain activities were included in the scope of the information security certification.
- **Industry 4.0 and cyber security** - Initiative launched with Confindustria's Digital Innovation Hub dedicated to key suppliers, which will be assessed in terms of their digital maturity and cyber security in order to take part in digital transformation courses.







Modern slavery

- Leonardo is integrating controls to prevent the risk of modern slavery in all at-risk areas into its procurement processes.
- In the United Kingdom, Leonardo participates in the Business Ethics Network (BEN) and in the ADS Human Rights Working Group.
- As part of the responsible Business Alliance (RBA), Leonardo DRS's main electronic components suppliers are members of initiatives that protect workers' labour rights, including the Responsible Labor Initiative (RLI) for fair labour practices and Supplemental Validated Audit Process (SVAP) on forced labour.

Traceability of materials and components

- An internal working group has been set up to define the new process to be applied by Leonardo, in compliance with European and national regulations.
- Member of the Aerospace and Defence for Chromate Reauthorisation Consortium, which brings together key stakeholders in the European sector to support the reauthorisation of the use of chromate by the European Commission.
- One of the instruments, the Component Management System, is used to map dangerous materials in compliance with REACH regulations. In 2019:
 - > 60 substances were traced;
 - > 130 substitution plans were defined related to industrial processes;
 - > over 500,000 parts were monitored and analysed.

Efficient use of resources

Capitals	Material topics	SDGs
<ul style="list-style-type: none">  People and skills  Technologies and intellectual property  Operating assets  Relationships and collaborations with stakeholders  Energy and natural resources 	<ul style="list-style-type: none"> • Fight against climate change • Use of natural resources 	

Leonardo applies principles and standards of efficiency, quality, safety and containment of environmental impacts to the manufacturing and development of its products.

In accordance with Leonardo’s integrated environmental, health and safety policy and energy policy, environmental responsibility and the eco-efficiency of its operations are reflected in the ongoing assessment of risks related to its activities and in the application of the related mitigation actions, the sustainable use of energy and natural resources, reduced waste production, encouraging recycling and reuse, and the monitoring and improvement of management standards.

In developing its products, Leonardo uses materials, methodologies and technological solutions that help to reduce greenhouse gas emissions, minimise the amount of materials used, also limiting the use of hazardous substances, and extend product life.

The culture of environmental responsibility is spread across the Company through the use of engagement initiatives and internal and external communication instruments, which promote behaviour geared towards sustainability and the health and safety of employees, partners and suppliers.

Since June 2017, Leonardo has been a member of the Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board. In line with the related recommendations, it voluntarily discloses the impact that the risks and opportunities related to climate change may have on the Group’s activities, strategy and financial planning.

Environmental management in 2019

<u>72%</u>	<u>6 sites</u>	<u>Over 23,000</u>	<u>131 audits</u>
of employees in 53 sites with ISO 14001-certified environmental management systems	with ISO 50001-certified energy management systems	hours of environmental training (+18% compared to 2018)	to obtain/maintain the certifications for management systems and to check and assess environmental risks

Investments for the 2019-2021 three-year period

<u>€6.5 million of investments</u> , of which:	<u>30 efficiency projects</u>
<ul style="list-style-type: none"> • 43% for energy efficiency • 24% for water efficiency • 33% to reduce waste production 	planned for the three-years period, four of which have been completed and 13 are underway

Sustainable use of energy and natural resources

Investments aimed at the sustainability and efficiency of production processes, the voluntary adoption of certified management systems, training and awareness-raising to encourage virtuous behaviour are Leonardo's main methods for the efficient use of energy and natural resources and to reduce emissions.

In this way, Leonardo is committed to achieving its goals of improving the eco-efficiency of processes, while identifying and managing risks, setting out emergency-response procedures to minimise impacts in order to protect people and guarantee business continuity.

Leonardo pursues efficiency and energy sustainability through the implementation of programmes and actions to minimise the on-site consumption as well as the procurement of electrical energy from renewable sources and the adoption of good practices for the mobility of people and the logistics of goods.

Energy management on sites

- **Investments** - 86% of the completed, launched and planned works aimed at cutting energy consumption.
- **Smart Facilities project** - 15 energy-intensive sites, which are responsible for 70% of the Italian sites' total consumption, are monitored using a new centralised software platform, which has a network of approximately 1,000 meters. Approximately 100 energy efficiency initiatives have been implemented in the productions plants and offices.
- **LED industrial lighting programme** - Over 12,000 bulbs replaced since 2014, for a yearly saving of 16,800 MWh upon completion of the programme.
- **Dark mode** - Introduced for internal portals, with the aim of saving energy, reducing heat emissions and users' eye stress.

Waste sorting at sites and offices

- **Paper** - 696 tonnes recycled (+48% compared to 2018).
- **Plastic** - 327 tonnes recycled (+98% compared to 2018).

Green mobility and smart work

- **Company fleet** - 54% of vehicles on long-term lease in 2019 were hybrid/electric; 53 charging stations were installed at 21 Group sites.
- **Company shuttles** - 100% electric vehicles for the car fleet used at sites.
- **Cycling to work** - Installation of bike hooks and stalls and areas with electric charging stations for bikes and scooters at pilot sites, to encourage employees to cycle to and from work.
- **Smart working** - At the Genoa site, the initiative has involved 960 people, avoiding around 85 tonnes of CO₂ per year.

NATURALLY LEONARDO: A NEW APPROACH FOR THE ENVIRONMENT AND THE WELL-BEING OF PEOPLE

Promoting a new approach to the day-to-day life, to make employees more aware of the impact that their choices have on their personal well-being and on the eco-system. The Naturally Leonardo initiatives aim, in particular, to reduce the use of plastic, to improve eating habits and lifestyle, to raise awareness and to encourage a more sustainable mobility. In 2019, eco-friendly water bottles were distributed to employees, water dispensers were installed and reusable or compostable cups were provided at 80% of sites. With the Move 4 Health programme, healthier menus were chosen for 25 company canteens and on-site nutritionist appointments were organised. As part of the World Environment Day established by the UN General assembly, Leonardo issued its handbook on respecting the environment, including at work, aimed at all employees, also launching the listening campaign to collect ideas and suggestions: over 230 employees responded. Lastly, with regard to a more sustainable development, Leonardo conducted a survey of Italian employees to optimise the home-work commuting.

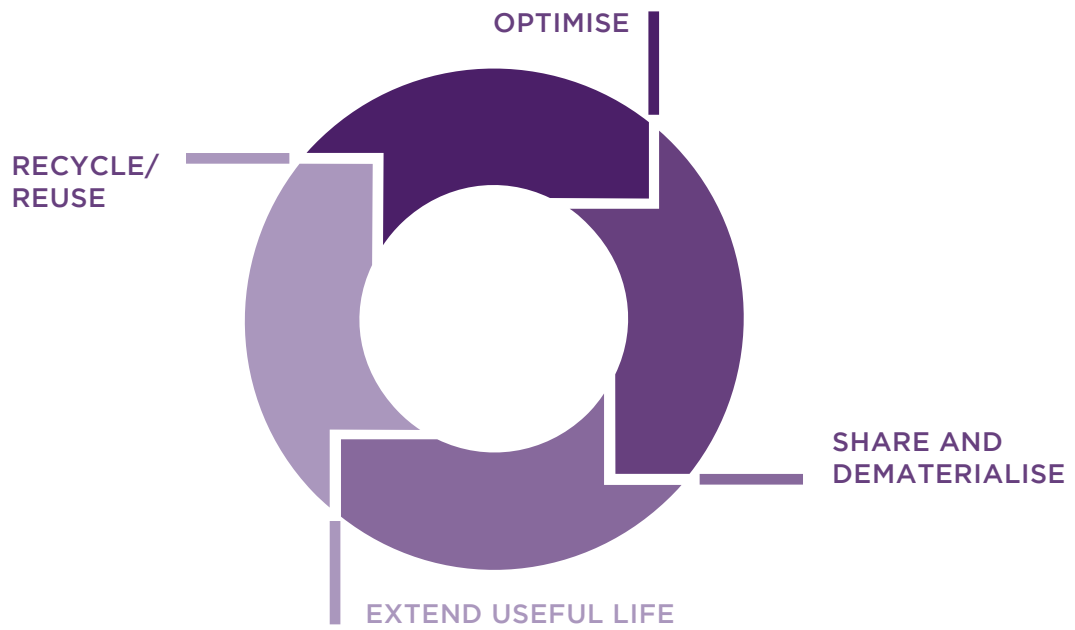
Circular economy at Leonardo

The principles of a circular economy are at the centre of the development policies introduced by national and international institutions, in order to speed up the transition to more sustainable value chains, capable of strengthening the resilience of the global economic system. Specifically, the European Commission's action plan sets out 54 measures which range from new production and consumption models to waste management and the market of secondary raw materials.

Leonardo's keen interest in "circularity" led it to perform a study of the aeronautic and helicopter sectors, which showed that its internal activities are already aligned with the principles of a circular economy

M-345: EFFICIENT USE OF MATERIALS AND ADDITIVE MANUFACTURING

The M-345 is made by components in carbon fibre with thermosetting resin and in thermoplastic, which allow for a reduction in weight and, as a result, lower fuel consumption and emissions compared to solutions made with traditional metals. Thermoplastic was invented recently and can easily be recycled and reused. The innovative Additive Manufacturing process, applied to construction of the most complex parts, 40 made out of metal and 23 made out of polymeric material of the series aircraft, saves energy for the construction of the finished component, resulting in a negligible amount of waste. It allows for the development of more complex objects with integrated functions and fewer parts, leading to a reduction in the number of production phases, minimising the environmental impact.



<ul style="list-style-type: none"> • Reduction of materials thanks to advanced design systems • Application of Product Life Cycle Management and eco-design approach • Use of composites to reduce weight, consumption and impacts 	<ul style="list-style-type: none"> • Sale of flight hours in place of the product • Product test virtualisation • Training systems by virtual simulators 	<ul style="list-style-type: none"> • Optimisation of the maintenance cycle • Replacement of just the components that reach the end of life • Update of software to lengthen hardware components' life 	<ul style="list-style-type: none"> • Use of recyclable metallic materials • Regeneration of used components • Recycling of auxiliary materials, packaging, assembly tools and metallic equipment • Buy-back of used helicopters
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- The **eco-design** approach used to develop the Next Generation Civil Tiltrotor and the next generation regional aircraft in Clean Sky 2.
- Approximately 60% less waste thanks to **Additive Manufacturing** for the construction of key parts of the Tiltrotor using composites.

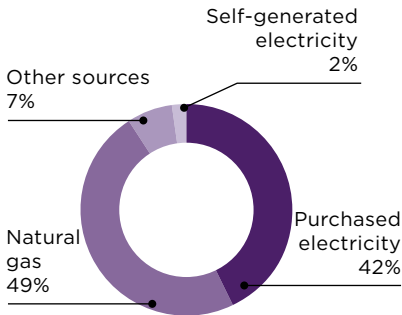
- Over 43,000 hours of **virtual training** for aircraft and helicopters pilots, avoiding over 47,000 tonnes of CO₂.

- **Updates** of software solutions on platforms.
- **Replacement of components** at the end of life.
- Aircraft structures have a **useful life of over 20 years**.

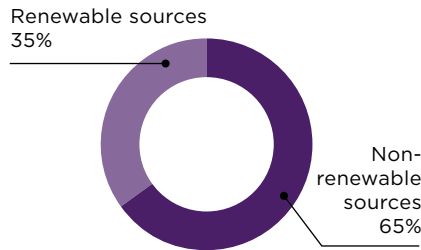
- Over 70% of the aircraft and helicopters in circulation is made of **recyclable metal parts**.
- 51% of waste produced is **sent for recovery**.
- Partnerships for the **reuse and recycling** of production waste, electric/electronic parts, batteries and accumulators, packaging, metal equipment and auxiliary materials.

Main environmental data and information in 2019

ENERGY CONSUMPTION BY SOURCE 5,836 TJ

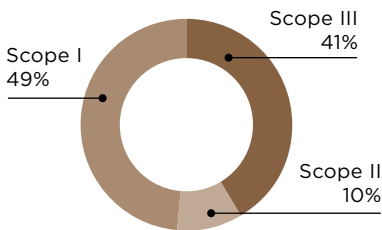


ENERGY FROM RENEWABLE SOURCES (% on total energy consumption)

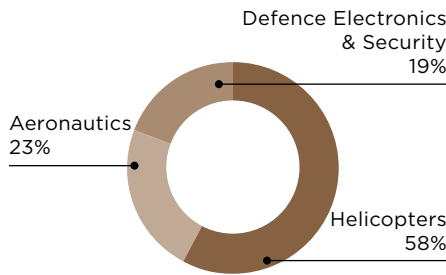


- Energy consumption equal to 5,836 TJ in 2019, up by 6% on 2018.
- Natural gas is the main source of energy, making up 49% of the total.
- 83% of electrical energy was procured from renewable sources²⁷ (99.6% for Italian sites).

CO₂e EMISSIONS Scope I, II*, III 685,337 t



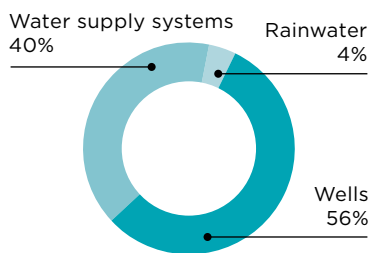
CO₂e EMISSIONS BY SECTORS Scope I e II* 403,636 t



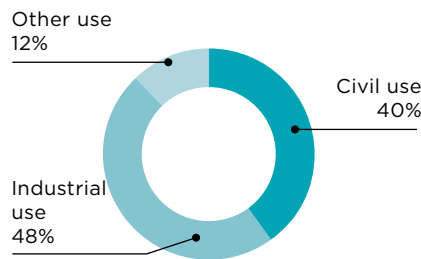
- Total CO₂e emissions, equal to 685,337 t in 2019, increased by 3% on 2018.
- In particular, Scope I emissions amount to 332,780 t of CO₂e (+16% on 2018), Scope II emissions, calculated using the market-based²⁸ method, amount to 70,856 t of CO₂e (+9% on 2018) and Scope III emissions amount to 281,701 t of CO₂e (-9% on 2018).²⁹

*Market-based.

WATER WITHDRAWALS BY SOURCE 5,887 thousands of m³

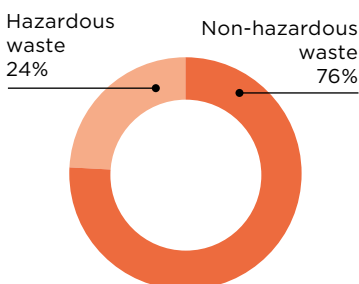


WATER USE 5,531 thousands of m³

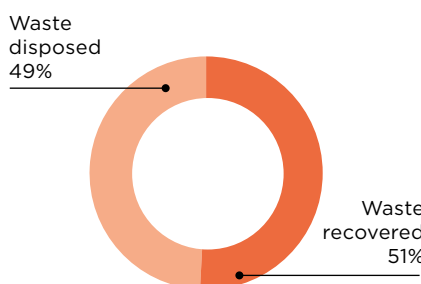


- Water withdrawals, equal to approximately 5.9 million m³ in 2019, increased by 1% compared to 2018.
- Almost all wastewater goes to public sewers (93%), 6% is discharged in surface waterways, in compliance with the regulatory provisions, and the remaining 1% is disposed of in other ways.

WASTE PRODUCED 38,499 t



WASTE BY DISPOSAL METHOD 38,499 t



- Waste produced, equal to 38,499 t in 2019, increased by 13% on 2018 for extraordinary activities.
- 24% is classified as hazardous and 76% as non-hazardous.
- 51% of waste produced is sent for recovery (of which 35.4% is recovered, 13.5% is recycled and 0.8% is composted).

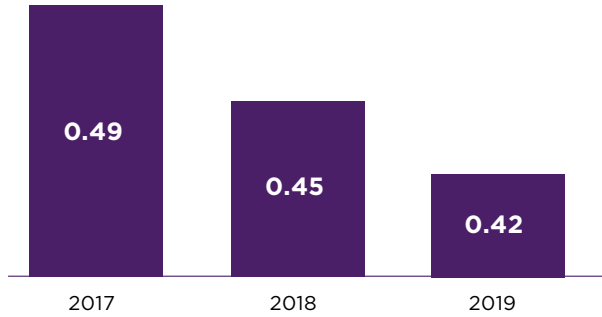
²⁷ Covered by Guarantees of Origin.

²⁸ The market-based method attributes a conversion factor equal to zero to energy consumption from renewable sources.

²⁹ Scope III emissions include the following categories: purchase of goods and services; activities related to the production of fuel and energy not included in Scope I and II; upstream transport and distribution; waste generated by operations; transfers; leased goods.

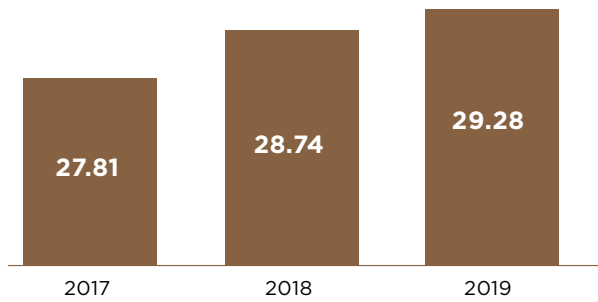
Performance 2017-2019

ENERGY CONSUMPTION INTENSITY (MJ/€)



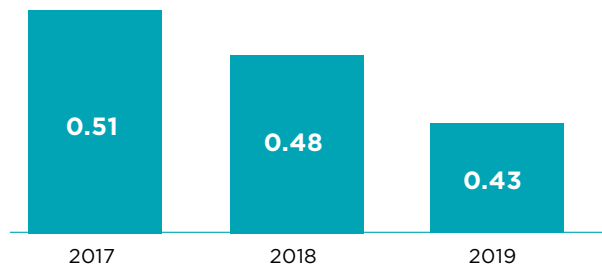
Energy consumption intensity - as a percentage of revenues - in 2019 was 0.42, decreasing by 6% on 2018.

SCOPE I AND II | CO₂e EMISSION INTENSITY (g CO₂e/€)



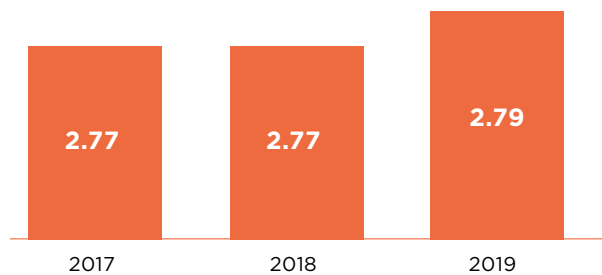
CO₂e emission intensity - as the ratio of the sum of Scope I and II (market-based) emissions to revenue - in 2019 was 29.28, slowly increasing by 2% on 2018. The increase of CO₂e emissions, both in absolute value and reported on revenues (intensity), is mainly due to greater production compared to last year and use of gaseous substances in the helicopters sector.

WATER WITHDRAWAL INTENSITY (l/€)



Water withdrawal intensity - as a percentage of revenues - in 2019 was 0.43, decreasing by 10% on 2018.

WASTE PRODUCED INTENSITY (g/€)



Waste intensity - as a percentage of revenues - in 2019, was 2.79, with a little increase by 1% on 2018.

Solutions for society and the environment

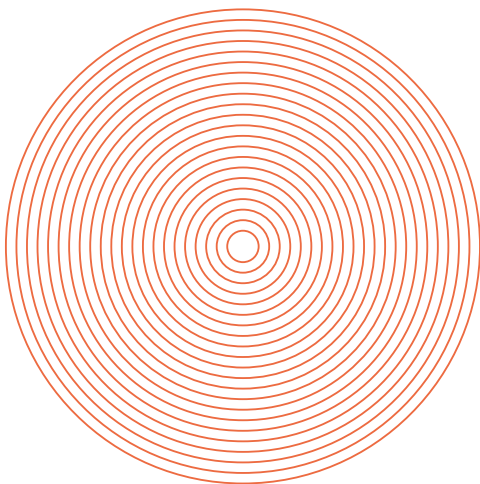
Sustainable mobility	107
Earth observation	109
Prevention and management of emergencies	112
Security of people, territories and critical infrastructures	114
Digitalisation and cyber security	120



Leonardo's solutions and services have a direct and indirect impact on different industrial sectors, spheres of society and daily activities. The technologies, thanks to the dual civil and military applications, anticipate and satisfy the needs of customers, citizens and territories.

Solutions for society and the environment

- **Sustainable mobility** - To mitigate the environmental impacts of air, sea and urban transport without compromising connectivity and safety.
- **Earth observation** - To monitor the health of the planet, climate change and related phenomena through the use of satellite images.
- **Prevention and management of emergencies** - To forecast and promptly intervene in the case of natural disasters or accidents.
- **Security of people, territories and critical infrastructures** - To guarantee efficient and secure services for citizens.
- **Digitalisation and cyber security** - To accelerate the digital transformation of institutions and companies and protect data and information.



Sustainable mobility

In June 2019, a new world record of over 225,000 flights per day³⁰ was recorded, including cargo aircraft, commercial flights, helicopters, private jets and tourist airplanes. Mobility, not just in terms of air travel, but also maritime and urban transport, is increasingly complex, congested and demanding as it requires the development and use of platforms with a lower environmental impact, together with a more efficient management. In this respect, Leonardo's R&D activities aim to develop new materials and technologies to manufacture next generation aircraft and helicopters, including unmanned models, effective and efficient air traffic management systems, low-emissions marine propulsion solutions and virtual simulators to train pilots, flight operators and technicians. Innovative solutions which make mobility more sustainable, reducing its environmental impact, while generating social and economic benefits.

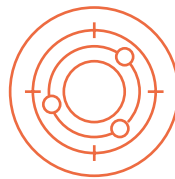
SESAR 4DTM will allow for a more efficient management of the European airspace, one of the busiest in the world.



ATR aircraft consume **40%** less fuel and emit **40%** less CO₂ compared to a jet from the same category.



The use of carbon fibre in aerostructures cuts fuel consumption by **10-15%** and emissions by **20%**, while also increasing the operating efficiency and useful life of the aircraft.



75,000 tonnes of fuel equal to **236,000 tonnes of CO₂** saved by airlines since 2016, thanks to ENAV's introduction of Leonardo's Free Route.



Over **47,000 tonnes of CO₂** avoided in 2019, thanks to Leonardo's virtual systems for the training of helicopter and aircraft pilots.

ATR 72-600 FOR LOW-ENVIRONMENTAL IMPACT AIR TRANSPORT

Optimising all stages of flight management to achieve the "perfect flight" and minimise carbon dioxide emissions: this is the challenge faced by ATR and other sector companies when planning a flight carrying 72 passengers from Halmstad (Sweden) to Stockholm. The ATR was selected for its characteristics, which allow for an approximate 40% reduction in carbon dioxide emissions (equal to approximately 4,000 tonnes of CO₂ per aircraft per year) compared to a jet from the same category, and was powered by fuel from renewable raw materials. This technology can reduce emissions by 80% throughout the life cycle of the aircraft compared to traditional fuel. As confirmation of their low environmental impact, the ATR aircraft are the first in the world to have been purchased by an airline using "green-financing", certified by Vigeo Eiris, an independent rating agency, in accordance with the Green Loan Principles.

³⁰ Corriere della Sera website.

SUSTAINABLE MARITIME MOBILITY: LEONARDO'S SOLUTIONS AT THE MARINE WORLD EXPO

As part of the Electric & Hybrid Marine World Expo 2019 held in Amsterdam, dedicated to hybrid and electric marine propulsion components and technologies, Leonardo presented its TOPS (Total Onboard Power Solutions) which offer OEMs (Original Equipment Manufacturers) a wide selection of power generation, power conditioning as well as power management and controls. Specifically, the advanced configurations of Leonardo's high-power hybrid propulsion system include hybrid-electric drive, which in addition to providing a pleasant travel experience, also reduces its environmental impact. The main diesel engines can in fact be used for high-speed travel with regeneration functions, while the low-speed cruise setting with electric propulsion allows for a quieter and more efficient operation, in terms of fuel consumption, minimising the emissions, which are offset in the port thanks to the use of an energy accumulation system.

LEADINSKY: INNOVATION AND SECURITY FOR THE AIR MOBILITY OF THE FUTURE

At the World ATM Congress in Madrid, the annual air traffic control event, Leonardo presented its technological solutions for the future of air traffic control. One of these is LeadInSky, an advanced air traffic control system, which, thanks to its scalable software architecture, can integrate data from Iridium Next satellites, improving the efficiency and safety of the routes. LeadInSky is also one of the first next generation control systems to offer virtualised air traffic control services, making it possible to deliver air traffic management remotely. This management will cut costs, environmental impacts and maintenance times. Furthermore, the use of technologies based on AI and blockchain makes the system resilient in terms of cyber security.

Earth observation

Images from satellites orbiting the Earth provide a wide array of data useful for environmental observation and protection, including information about the surface temperature of soil and the sea, the acidification and quality of water, soil humidity, the health of plants and air atmospheric pollution. These data can be used in a number of areas: scientific research, analyses of critical areas, such as glaciers or forests, the forecasting of extreme phenomena related to climate change, the monitoring of pollution in urban areas and precision agriculture. The services offered by Leonardo, also through e-GEOS, include systems to monitor the environment, oil spills at sea and the localisation of ships (SEonSE), interferometry to check for landslides, thematic mapping for agriculture, forestry and precision farming (AgriGeo), services for urban areas (UrbanGEO) and the monitoring of the Amazon rainforest and the Arctic.

At the end of 2019, the first of the two second-generation COSMO-SkyMed satellites was launched. The satellite, equipped with X-band radar sensors, has greater operating capacity and new and more efficient services and applications for a large range of institutional and commercial users, thanks to the improved system's performance in terms of technology and operating life. The first second-generation COSMO-SkyMed will be joined in about a year by the second satellite, which will be launched with the Italian-led European carrier, Vega C.

Leonardo for Earth observation



OZONE HOLE

GOME-2 (Global Ozone Monitoring Experiment-2), on board the MetOP series of satellites, is a spectrometer used to get a detailed picture of the total atmospheric content of ozone and other gases in the atmosphere, which protect the Earth from the harmful effects of ultraviolet rays.



WINDS

Thanks to the use of the ALADIN (Atmospheric LAsER Doppler INstrument) ultraviolet laser, Aeolus is the first satellite to probe the wind globally, also in areas where there are no weather measurements, such over the oceans, allowing for reliable weather forecasts up to seven days in advance and promoting the construction of more accurate climate models.



LAND AND OCEANS

The SLSTR (Sea and Land Surface Temperature Radiometer), on board the Sentinel-3 satellite (part of the European Copernicus programme), is used to measure the temperature of oceans and of the Earth using optical and thermal sensors, greatly supporting meteorologists and climatologists.



VEGETATION

Floris is high-resolution spectrometer used to map the health of vegetation, showing chlorophyll fluorescence from approximately 800 kilometers away. It will be used for the FLuorescence EXplorer (FLEX) satellite programme planned for 2023 and will be able to communicate with Sentinel-3.

THE ARCSAR NETWORK FOR SUSTAINABLE DEVELOPMENT AND SECURITY OF THE ARCTIC

ARCSAR (Arctic and North Atlantic Security Emergency Preparedness Network) is the European project part of Horizon 2020, to raise awareness about the security, emergency response, technological development and economic, geopolitical and environmental prospects of the Arctic. In addition to providing satellite systems already active in the region, Leonardo, the sole industrial partner of the project, working alongside research bodies and institutions from 13 Countries, will also provide a number of technologies: systems for maritime patrol and for navigation and integrated technologies to protect the territory from the climate change underway.

FROM SPACE TO EARTH: A TECHNOLOGICAL LEAP FOR ITALIAN AGRICULTURE

Leonardo works with IBF Servizi, the first technological hub for Italian agriculture, a public-private partnership between ISMEA (the Institute of Services for the Agricultural Food Market) and Bonifiche Ferraresi, to provide Italian agricultural companies with useful tools to tackle the challenges the agricultural system will face in the coming years. For this purpose, Leonardo, through e-GEOS, provides satellite technologies and big data analysis. Satellite technologies allow for the monitoring of the growth cycle of crops throughout all phases, to improve the quality of products, assess the physiological state of the plants and the outbreak of diseases in order to only act when necessary, saving time, energy, water resources and fertilisers and reducing emissions and pollution. This information, collected on a large scale, will support the transition towards a precision agriculture model, which will help to reduce the use of fertilisers by up to around 15%, while increasing crop yields by up to 10%,³¹ and streamlining the use of water resources, reducing the total water supply needed for an agricultural company by between 18% and 30%.³²

³¹ MDPI, Sustainability, *Precision Agriculture Technologies Positively Contributing to GHG Emissions Mitigation, Farm Productivity and Economics*, 2017.

³² Hypatia consortium.

PRISMA: a new satellite for Earth observation

Launched by the Italian Space Agency on 22 March 2019 and developed by a group of Italian companies, PRISMA (PREcursore IperSpettrale della Missione Applicativa, Hyperspectral Precursor of the Application Mission) is one of the most advanced Earth observation satellites ever developed in Europe.

Thanks to its Earth observation capabilities, the satellite can monitor the delicate ecosystem of the Earth, including the water and soil conditions, but also the air quality and the present chemical substances, all of which are important information, including in the case of natural disasters. From over 600 kilometres away, in just a matter of seconds, PRISMA performs chemical/physical analyses of the areas under observation, through the identification of the spectral bands of each physical element, providing extremely precise information.

Each material has its own “spectral signature”, just as a finger-print, with an absolutely unique combination of colours, which the technology can analyse, identifying the object and its chemical composition or tracing back to the characteristics of the area.

Leonardo developed and built the PRISMA innovative electro-optical instrumentation, the most powerful operative hyperspectral instrument in the world. In addition to the panchromatic camera, there are also Star Tracker attitude sensors, which allow it to orientate in Space and there is other on-board equipment and solar panels. Telespazio set up the mission control centre in Fucino, while data acquisition and processing take place at the Matera Space Centre.

The first thrilling images of Italy, Peru and Iraq captured by the powerful system on board PRISMA offer a sample of what the scientific community can expect when the system is fully operational: a contribution to monitoring pollution, studying environmental changes and managing natural resources and emergencies.

Areas of application



**Monitoring
cultural heritage**



**Precision
farming**



**Emergency
management**



**Controlling
atmospheric
emissions**



**Watercourses
health**

The first images from Space

Italy

In less than two seconds, measured the turbidity of the water, identifying the algae colonies of Lake Trasimeno, and analysed the vegetation status of Castel Fusano nature reserve (Rome), with an evaluation of chlorophyll and of the presence of water, thus identifying drier areas at higher risk of fires.

Peru

Revealed the water content of crops, distinguishing between well-irrigated fields and those affected by drought and monitoring water scarcity in crops, to support precision agriculture.

Iraq

Measured the extent of the fires related to gas flaring from oil production in Basra and measured the atmospheric pollution generated by the combustion of hydrocarbons.

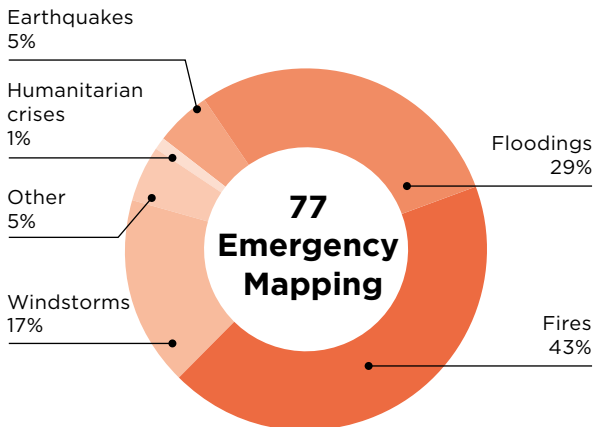
Prevention and management of emergencies

Due to the increasingly frequent extreme weather conditions, prevention and response to emergencies have become fundamental to save lives and minimise structural damage. Over the years, Leonardo has developed tools and technologies to monitor and analyse conditions and to plan and implement relief measures. The COSMO-SkyMed radar satellites play a key role, observing areas hit by all weather conditions day and night, providing data

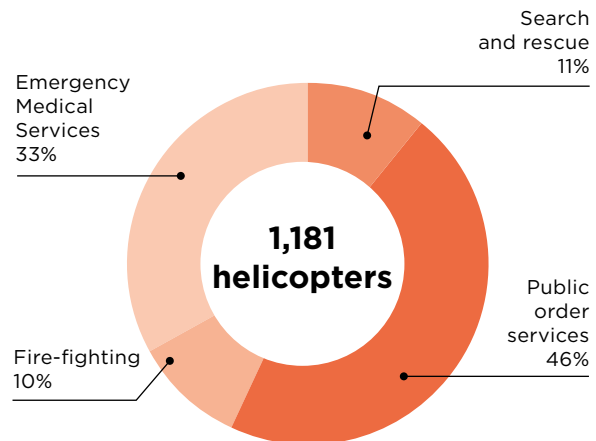
Galileo can be used to locate people at sea, in the mountains or in the desert in less than ten minutes within a two-km radius.

to the Emergency Mapping service to support disaster areas. Depending on the circumstances, Leonardo deploys unmanned aircraft to survey the territory, IT and telecommunication systems to coordinate rescue missions and C-27J aircraft and helicopter to arrange the transport of tools, supplies and personnel. One of Leonardo's most significant developments is the programme to transform a helicopter into a full operative "flying hospital", which Leonardo is currently fine-tuning, thanks to the key partnerships with sector operators.

Emergency Mapping by type of event



Helicopters used in rescue missions, by type of mission



Leonardo helicopters in rescue missions

7,300

people saved by the 15th wing of the Italian Air Force to date using 15 AW139s.

115

missions since 2018 performed by the AW169 of the UK Children's Air Ambulance, an international charity for the transport of critically ill children from hospitals to specialist centres.

Over 816,000

rescue and fire-fighting missions every year in Europe, including in Italy.

SATELLITE MAPS FOR THE EMERGENCY AND SECURITY MANAGEMENT IN EUROPE

As part of the Copernicus Emergency Management Services, e-GEOS guides a consortium of European companies and universities to provide satellite maps of areas hit by natural disasters, human actions or humanitarian crises around the world, within just a few hours of being activated. Since 2012, in response to 342 events in 85 Countries, Copernicus has produced over 4,000 maps, thanks to the acquisition and processing of satellite data, or data from other remote sensing platforms.

A NEW FIREFIGHTING SYSTEM FOR THE C-27J

A new firefighting system for Leonardo's C-27J has been developed. Each container has a capacity of 10,000 litres and can be installed and removed by operators without making any significant structural changes. The solution, designed by Simplex Aerospace, allows for the deployment of aircraft used by 15 international governmental operators in a variety of missions, guaranteeing lower costs compared to purchasing dedicated firefighting aircraft. In collaboration with the European consortium SCODEV, Leonardo is also fine-tuning a solution which will allow to refill the container from the sea or from another source, without having to return to base. The new system can be used on C-27Js which are already in service and new models, characterised by a new avionic configuration.

PARTNERSHIP WITH OLMEDO TO DEVELOP THE MEDICAL AID SERVICES OF THE FUTURE

Leonardo and Olmedo, leader in the transformation of health vehicles, have joined forces, creating a partnership aimed at the development of technologies and equipment which can improve the response times and effectiveness of emergency medical interventions carried out through the use of helicopters and ambulances. The new physical and virtual interfaces will be used in both helicopters and ambulances, enabling real-time monitoring of the patient's vital signs during the entire rescue mission. The project combines Leonardo's extensive expertise in the field of air ambulances and helicopters for search and rescue missions with the experience of the medical division of the Olmedo Group, leader in the sector thanks to its wide range and exclusive production. In 2019, the partners presented a mock-up of the AW169 helicopter with special equipment for air medical services, as the first example of integrated capability.

Security of people, territories and critical infrastructures

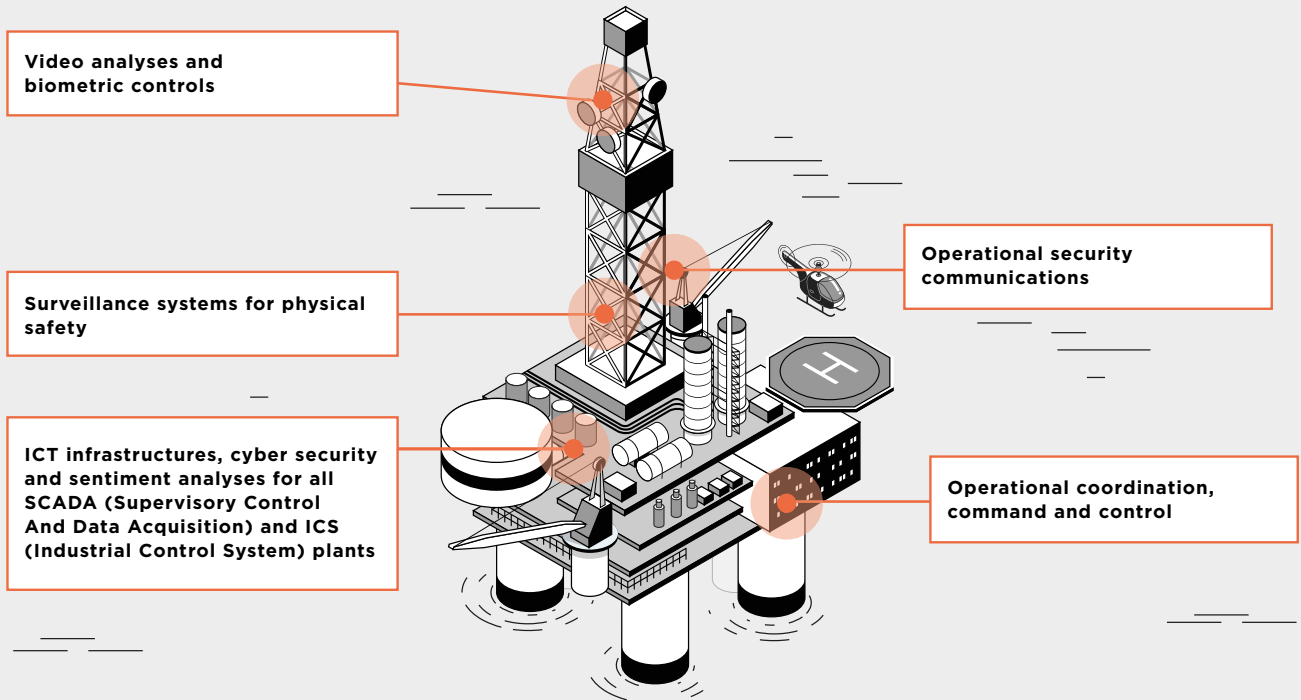
The security of people and territories is one of the leading factors for stability, well-being and social progress, in addition to being a condition necessary to encourage investments in all economic activities. Through synergies between

Secure infrastructures and communication networks for police forces, the fire department, first aid and critical infrastructures.

IT, communications and physical and digital security, Leonardo designs and develops integrated platforms for the security and control of the territory, the protection of energy infrastructures, transport and networks which make economic and financial exchanges, and security at large events possible. These are used in all operating contexts: from law enforcement agencies' operations

to civil protection and even air traffic control. Leonardo offers a wide range of solutions for the protection of territories and infrastructures, also in the aircraft and UAS (Unmanned Aerial System) sector, including helicopters and drones for surveillance and to gather data, and solutions for ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) missions.

Integrated solutions for Oil & Gas

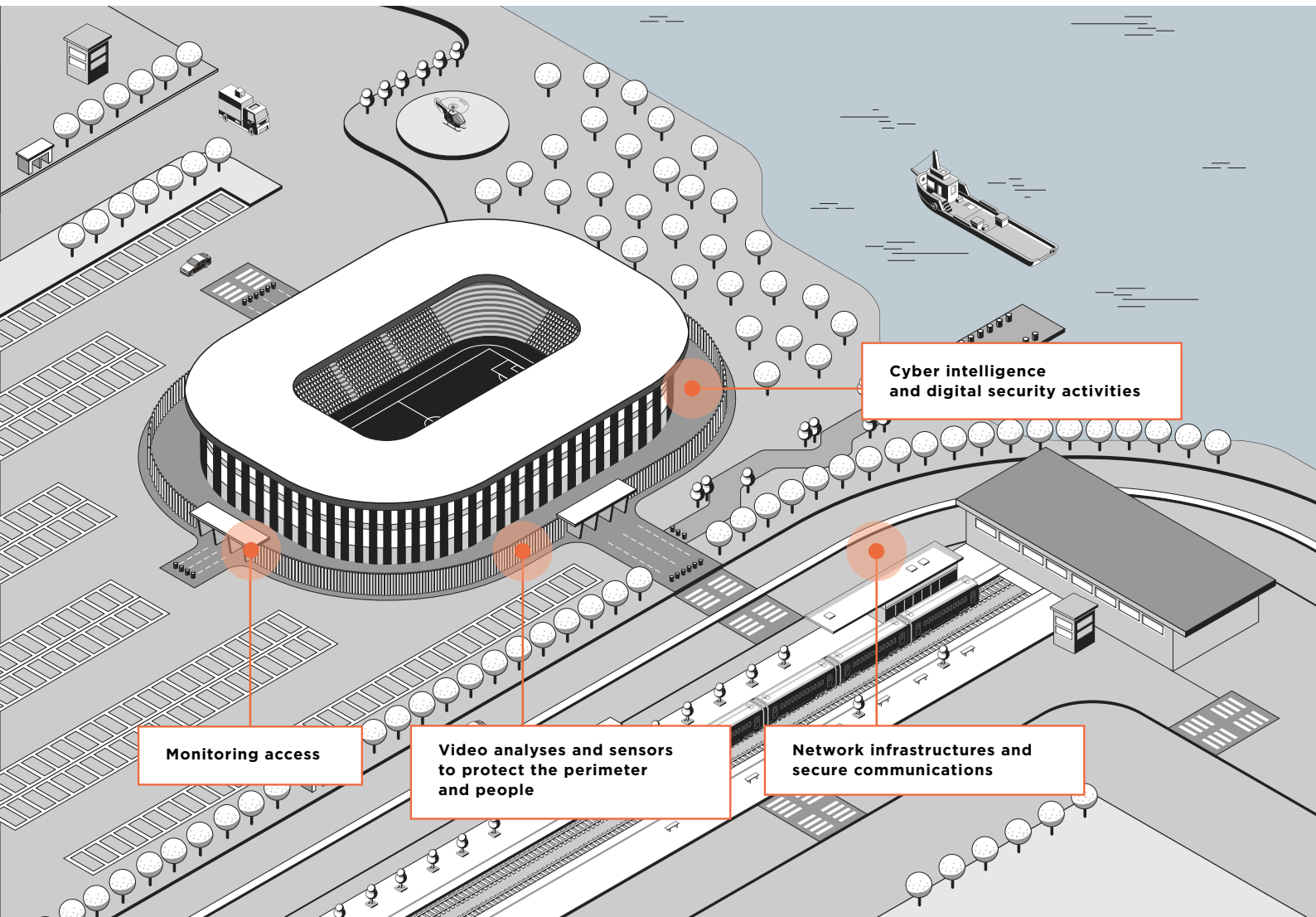


FIRST OCEAN2020 EXERCISE FOR EUROPEAN MARITIME SECURITY

OCEAN2020, funded by the European Union and implemented by the European Defence Agency (EDA), is the most important research project for European maritime security: Leonardo leads a team of 42 partners from 15 European Countries, which involves industries, research bodies, and Ministries of Defence in Italy, Spain, Greece, Portugal and Lithuania. The first at-sea demonstration took place in November in the Gulf of Taranto, in order to assess the deployment and integration of unmanned aircraft in maritime surveillance operations and the interoperability of communication systems at European level. During the exercise, the Italian Navy coordinated five ships, nine unmanned aircraft, five satellites, two ground communication networks, four national coordination centres and a prototype of a command centre to block a hostile vessel and intercept an enemy mine-laying ship during an amphibious operation. Leonardo took part in the exercise, providing a wide array of technological capabilities: surveillance, defence and communication systems on board the two frigates; maritime domain awareness solutions on board the naval vessels and at the command centre; remotely-controlled SW-4 SOLO and AWHEREO helicopters in addition to the SH-90A on board a frigate; advanced E-scan radar sensors on board the unmanned aircraft; Athena Fidus telecommunications services developed by Telespazio and Earth observation services from the e-GEOS SEonSE platform which use COSMO-SkyMed capabilities. The next demonstration will be performed in the Baltic Sea in 2020.

OCEAN2020: Leonardo leads a team of 42 partners from 15 European Countries.

Security of stadiums and large events

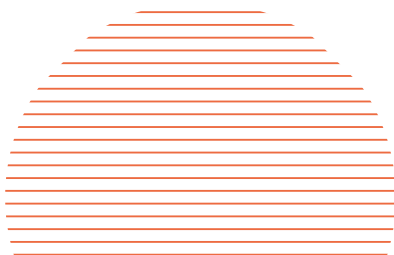
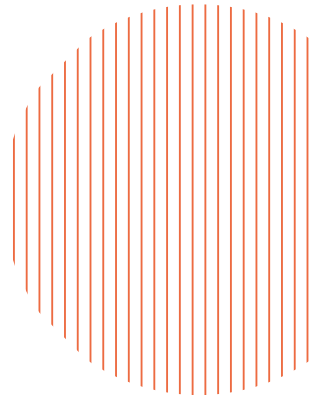
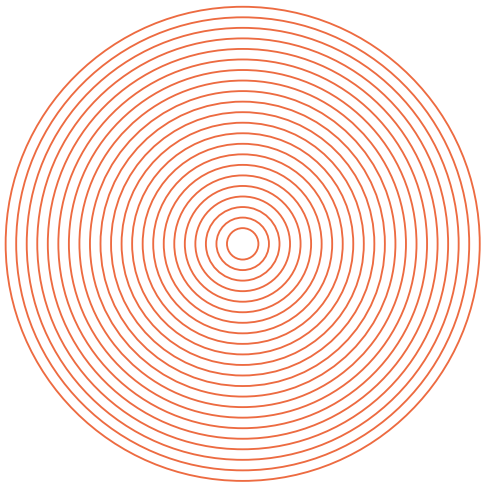


IN BRAZIL URBAN SECURITY PROJECTS AND PROTECTION OF OIL INFRASTRUCTURES

Leonardo operates in Brazil, with helicopters of different kinds, urban security services, satellite observation systems to monitor the deforestation of the Amazon and emergency prevention. In 2019, Leonardo partnered up with the municipality of Maricá for the pilot project on the security and resilience of ports, airports and other infrastructures. The agreement also provides for the creation of a helicopter maintenance hub at the airport, which will have a positive impact on the territory's high-tech industry. For Petrobras, an important oil company, Leonardo monitors the activities of over 50 platforms in the Campos Basin, north of Rio de Janeiro. Every month, COSMO-SkyMed provides over 150 images of the area, in order to promptly identify accidental spills, regardless of weather conditions, therefore limiting the possible environmental consequences.

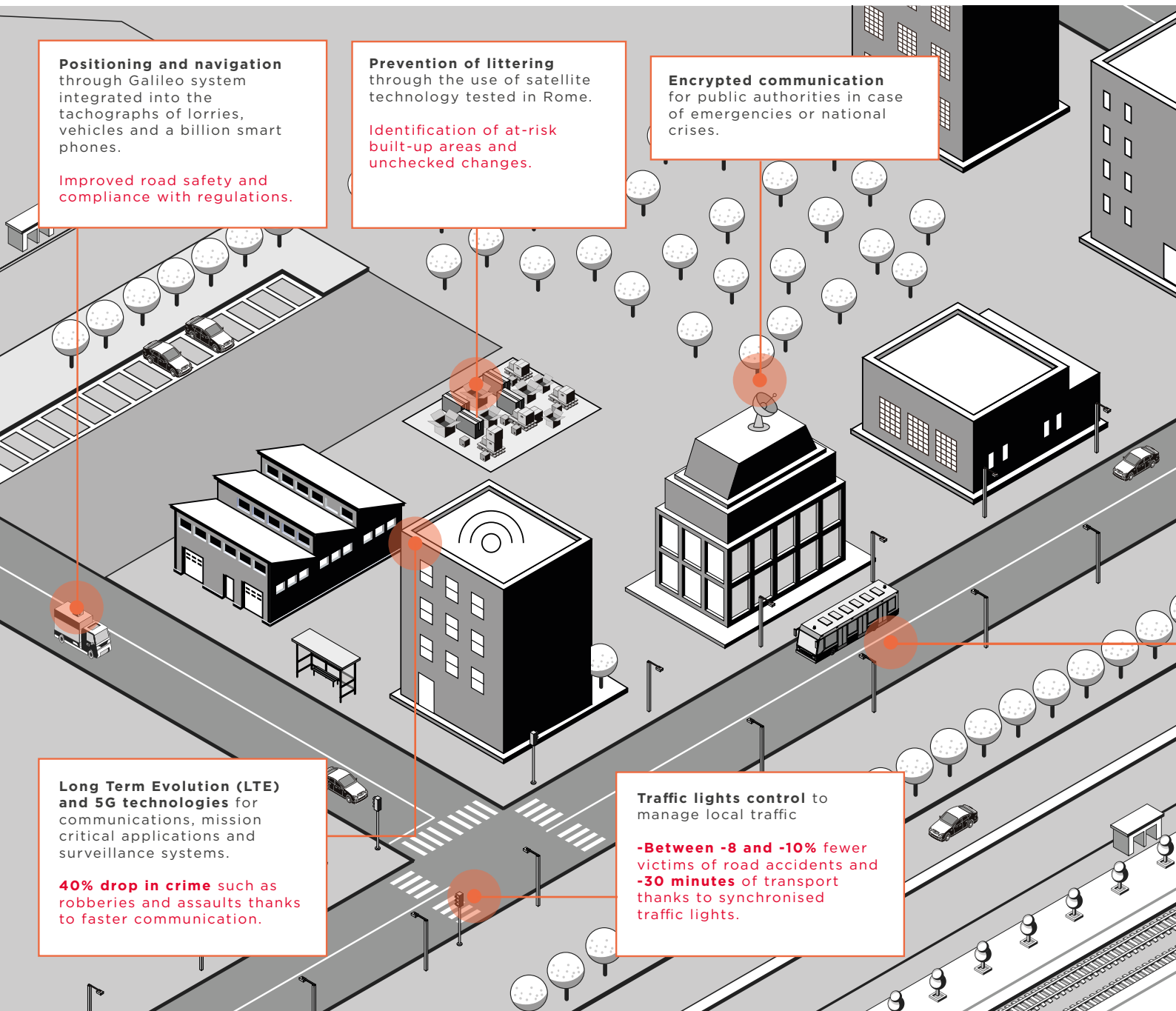
SECURE GENOA PROJECT TO SAFEGUARD THE TERRITORY

The Secure Genoa research project coordinated by Leonardo aims to create a prototype Security Centre, a platform for the security and safeguarding of people in the city environment, and to support the environmental monitoring and management of natural emergencies. The platform integrates various technologies and systems and will be able to monitor suspicious behaviour of individuals and crowds, to intercept unusual vehicle movements and control access to certain critical areas, thanks to video and audio surveillance systems and portable gates. Similarly, through meteorological and hydro-geological sensors and systems capable of monitoring rainfall, it will be possible to check situations at high environmental risk in real time and to respond to early warning signs. As part of the project, communication systems for law enforcement agencies and for the population will also be studied in order to ensure prompt response times and security in all critical situations. The project will therefore lead to more resilient territories, capable of managing emergencies quickly and precisely, companies that are better prepared to deal with the effects of heavy rainfall, and people who are more knowledgeable and informed about environmental risks.



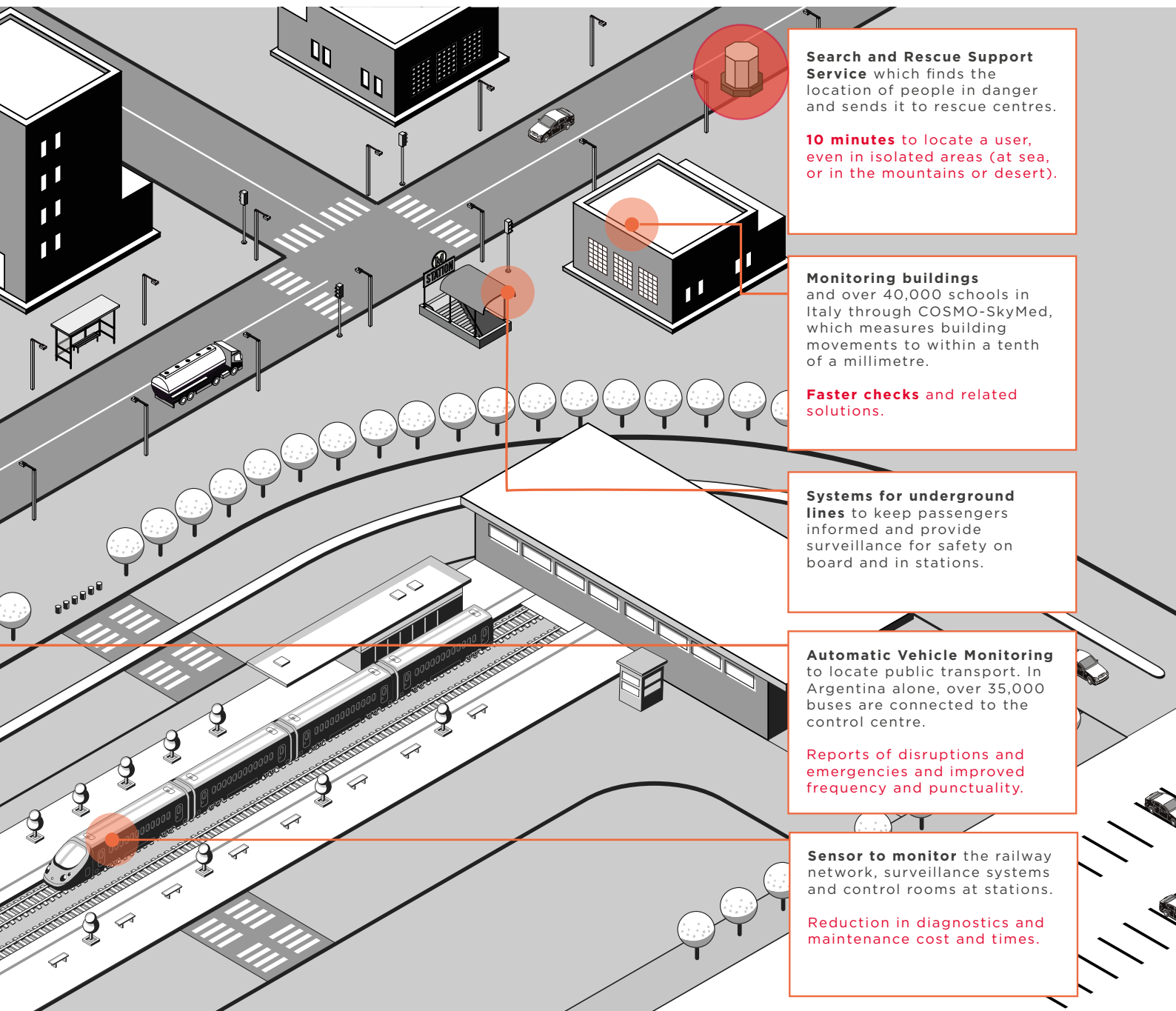
Intelligent and secure cities

Promoting sustainable urban development is one of the goals of the United Nations' 2030 Agenda: today, nine out of ten people breathe polluted air and only half of the 3.5 billion people living in cities has easy access to public transport. Leonardo's technologies and solutions for urban mobility and territory monitoring seek to achieve this goal, making cities smarter, safer and liveable and contributing to improving the lives of citizens.



SMART CITY: 5G TRIALS IN GENOA

In 2019, the Genoa 5G project was launched by the municipality in collaboration with other industrial partners. It will allow for the trial of the next generation of mobile communication in different areas, such as security, tourism and the enhancement of artistic and cultural heritage. With regard to security, Leonardo will provide technologies and support to enable people counting, to check the number of people passing through virtual checkpoints, and people density, to provide data about the density of crowds and people passing through and stopping at Genoa's Porto Antico, in order to monitor events underway in the area. Specifically, thanks to an advanced surveillance system, information are transmitted to a control centre which assesses the crowding and spots any anomalies through the use of the Ganimede platform's algorithms, therefore improving reaction times. The platform was also used as part of the 5G trial in Matera.



Search and Rescue Support Service which finds the location of people in danger and sends it to rescue centres.

10 minutes to locate a user, even in isolated areas (at sea, or in the mountains or desert).

Monitoring buildings and over 40,000 schools in Italy through COSMO-SkyMed, which measures building movements to within a tenth of a millimetre.

Faster checks and related solutions.

Systems for underground lines to keep passengers informed and provide surveillance for safety on board and in stations.

Automatic Vehicle Monitoring to locate public transport. In Argentina alone, over 35,000 buses are connected to the control centre.

Reports of disruptions and emergencies and improved frequency and punctuality.

Sensor to monitor the railway network, surveillance systems and control rooms at stations.

Reduction in diagnostics and maintenance cost and times.

Digitalisation and cyber security

In the last two years, serious cyber-attacks have increased tenfold compared to the previous two-year period, with 1,552 attacks in 2018 alone.³³ There was also a simultaneous 57% increase in cyber espionage episodes, with geopolitical or industrial targets, including intellectual property theft. Leonardo draws on its know-how regarding the protection of Countries and critical infrastructures to provide solutions and services that guarantee the utmost protection and resilience, increasing the ability to anticipate threats, check risks and effectively manage cyber-attacks.

Leonardo has been NATO's supranational Cyber Defence Mission Partner since 2012: 75 sites in 29 Countries protected from cyber-attacks.

Leonardo has been chosen as a partner by Countries, government and defence agencies, companies and financial institutions to manage infrastructures with high security requirements. In fact, it is a partner of the Italian Government for the digital transformation of its public administration. It also collaborates with manufacturing companies providing them with solutions that ensure the efficiency and productivity of their plants. In this regard, Leonardo's Secure Connected Factory platform guarantees the complete and integrated control of all processes and plant assets. Remote monitoring instruments are used to supervise and optimise production. By predictive maintenance enabled by machine learning and AI, operators can communicate with machines using natural language.

DIGITAL TRANSFORMATION OF THE ITALIAN PUBLIC ADMINISTRATION

Leonardo actively contributes to the implementation of the Italian Digital Agenda's guidelines, to enable transformation and guarantee cyber security of the Country over the coming years. Through different agreements and collaborations, Leonardo offers the public administration a wide range of services: systems for territorial monitoring and to support investigations (SICOTE - Sistema di Controllo del Territorio, territorial monitoring system) for law enforcement purposes, digital IDs and application security, information and management systems, logistics and physical security systems and research initiatives to mitigate and combat cyber risk, in addition to the virtual training platform UNAVOX.

LEONARDO TOGETHER WITH ANSALDO ENERGIA FOR "INTELLIGENT FACTORIES"

Leonardo will provide digital security services for Ansaldo Energia's Lighthouse Plant, the first of the four "Intelligent Factories" provided for in the Ministry of Economic Development's plan for the development and integration of 4.0 technologies in existing production processes and in new production sites. The holistic industrial cyber risk assessment model developed for the new plant (Power Plant Cyber Security) will support energy providers to respond to the increasingly strict cyber security requirements set out by new regulations, while also guaranteeing the resilience of critical infrastructures. Leonardo will contribute by integrating systems and supplying technologies to secure plant, in addition to the advanced monitoring services provided by the Security Operation Centre in Chieti.

³³ Clusit Report 2019.

THE GREEN DATA CENTER FOR THE ITALIAN GOVERNMENT PRINTING OFFICE

The Green Data Center set up by Vitrociset, the Group's company that provides support, training and logistic solutions to Defence, Space and Transport sectors, and dedicated to the security and operating continuity of the Government Printing Office in Foggia, will occupy an area of over 2,000 square metres. The new data centre will house equipment able to respond to the Printing Office's IT needs related to the increase in data managed and the storage devices, which result in higher energy consumption. The centre will have the characteristics necessary to obtain the highest certification of Uptime Institute (Tier IV), which ensures the complete availability of the service also in the case of maintenance operations, serious technical failures or incidents, in addition to energy efficiency thanks to the application of green solutions, such as the air-air cooling systems for the data hall and uninterruptible power supplies.

The Security Operation Centre, the heart of Leonardo's cyber security

Established in 2014, the Chieti Security Operation Centre (SOC) is one of Leonardo's centres of excellence and a reference point for the protection of essential Italian and international infrastructures. Located in a restricted area, protected from potential intrusions and external agents, the SOC is managed by the CSIRT (Computer Security Incident Response Team), comprising security experts and certified ethical hackers who can manage the entire "security cycle" from an attack to the restoration of the functionalities of the affected system on a 24/7 basis.

The Cyber Trainer project, for which Leonardo heads a team of research centres, including the L'Aquila University, and some local SMEs, is underway at the site to build a demonstrator to simulate networks, systems and applications in a realistic manner. The main objective is to train cyber security managers and operators. The initiative will create new highly qualified jobs in an area characterised by the lack of people specialised in cyber security.

Numbers



Appendix

Methodology note	124
GRI Content Index	128
Bridging table with Legislative Decree no. 254/2016	140
Task Force on Climate-related Financial Disclosures	143
Gender pay gap report	144
GRI data and indicators	145
Independent auditors' report	156

Methodology note

The 2019 Sustainability and Innovation Report was drawn up in accordance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) using the “core” reporting option, also considering the SASB (Sustainability Accounting Standards Board) and the International Integrated Reporting Council (IIRC) framework.

The 2019 Sustainability and Innovation Report represents also the Communication on Progress for Global Compact. It describes the progress, actions, results achieved and future objectives in the context of the four domains required by Global Compact’s Ten Principles: human rights, labour, environment and anti-corruption.

The Sustainability and Innovation Report is prepared annually. This document covers the 2019 fiscal year (1 January 2019 - 31 December 2019) and was approved by Leonardo SpA’s Board of Directors on 12 March 2020.

The document is published on the company website www.leonardocompany.com.

Materiality analysis

The material aspects reported in this document were identified in accordance with the principle of materiality and considering the principles that set the content and the quality of sustainability reporting (stakeholder inclusiveness, completeness of information, sustainability context, balance, comparability, clarity, timeliness, reliability and accuracy). The materiality analysis was performed in 2018 through the multifaceted analysis of the external context, the participation of 32 external stakeholders at two workshops in Italy and the United Kingdom and the involvement of the Group Management Committee, to present the Group’s view. The matrix was presented to the relevant Board committees, the Nomination, Governance and Sustainability Committee and the Control and Risks Committee.

Reporting scope

The reporting scope of the 2019 Sustainability and Innovation Report matches that of the 2019 Annual Financial Report. Any limitations are indicated in this document.

The 2019 environmental reporting scope³⁴ covered 95 sites around the world (equal to 98% of total employees in the 2019 Annual Financial Report). The scope is based on the number of employees and the materiality of Leonardo SpA’s and its subsidiaries’ operating sites (plants/offices).

In order to ensure consistency with the consolidation criteria of the Annual Financial Report, the Group’s environmental data do not include those of the MBDA and Telespazio joint ventures, reported in a separate table.

³⁴ The environmental figures, reported through the Group’s web-based system (specifically those on energy consumption), were derived from direct measurements (e.g., meters and consumption measurement systems); calculations (e.g., bills, purchase orders/invoices); and estimates based on the number of employees and/or activities performed. Specifically, when the sites have atmospheric emission monitoring systems (e.g., industrial sites), these are calculated using the laboratory analyses performed during the year. When the analyses are not available (e.g., sites housing offices and/or when the production processes do not give rise to atmospheric emissions), the Group’s reporting system automatically calculates the NO_x and SO₂ emissions considering the annual consumption of natural gas and diesel oil to generate energy/heat and emission ratios available from public reports.

Key events of 2019

In May 2019, as part of the periodic checks of aquifers used for industrial purposes, in the three wells located at the Benevento site, the soil contamination threshold for total chromium and chromium VI set out by Legislative Decree no. 152/2006 was exceeded.

In accordance with the ruling regulations, the Company notified the relevant authorities of the non-compliance, launched immediate site inspections and undertook a series of actions including: suspending the withdrawal of water from the wells for industrial or firefighting purposes, and increasing the water withdrawals from the municipal water system; immediately suspending production processes involving the use of chromium, performing analyses of the plant; constantly monitoring pollutants in wells; creating a hydraulic barrier to prevent the movement of contaminants from the site perimeter (“emergency safety measures”), from which the water was initially treated as waste (pump & stock) and subsequently, after the necessary authorisations, processed at the site (pump & treat) and discharged to the sewers; defining, authorising and performing the characterisation plan of the site (pursuant to article 242 of Legislative Decree no. 152/2006). These extraordinary activities led to an increase in water withdrawals in 2019, amounting to approximately 26,000 cubic metres of water, of which approximately 15,000 tonnes were disposed of as waste. The GRI indicators reported in the specific tables do not include these amounts.

The Company expects to have completed the characterisation activities in 2020, including those outside the site. Any prescribed remediation of the soil and subsoil may affect the volume of water withdrawn from aquifers and used for the purposes of the barrier and the amount of waste produced. In order to mitigate these effects, important investments are planned, which are currently being authorised by the environmental authorities. Specifically, they include the building of a new chemical-physical purification plant capable of treating water extracted from wells and piezometers for the purposes of the aquifer barrier, in addition to industrial wastewater; the new plant for the collection and treatment of the first flush rainwater and extraordinary maintenance activities, already underway for the site’s galvanic wastewater treatment plant and sewers.

Significant post balance sheet events

During January 2020, after the closure of the reporting year, the new epidemic situation known as COVID-19 is rapidly involving many Countries and it has been classified as “pandemic” by the World Health Organisation. For further details, reference should be made to the 2019 Annual Financial Report, note 7 “Significant post balance sheet events”.

Sites covered by the environmental reporting scope

	2017	2018	2019
Sites covered by the environmental reporting scope	90	90	95
MBDA and Telespazio sites	6	6	6

	2017	2018	2019
Italy	48	48	52
United Kingdom	8	8	8
United States	26	26	27
Rest of the world	8	8	8
Sites covered by the environmental reporting scope	90	90	95
Italy (MBDA and Telespazio)	6	6	6

Division	2019 scope*
Helicopters	Italy: Cascina Costa di Samarate, Vergiate, Frosinone, Brindisi, Anagni, Sesto Calende, Venice, Benevento United Kingdom: Yeovil United States: Philadelphia
Aircraft	Italy: Venegono Superiore, Campo Volo, Caselle Nord and Caselle Sud, Turin, Venice, Cameri
Aerostructures	Italy: Pomigliano d'Arco, Foggia, Nola, Grottaglie
Electronics	Italy: Abbazia San Salvatore, Brescia, Catania, Campi Bisenzio, Carsoli, Cisterna di Latina, Fusaro Bacoli, Giugliano, L'Aquila, La Spezia, Livorno, Montevarchi, Nerviano, Palermo, Pisa, Pomezia - Via dell'Industria, Pozzuoli, Rome - Via Tiburtina, Ronchi dei Legionari, San Maurizio Canavese, Taranto United Kingdom: Basildon Sigma House, Bristol Brandon House, Bristol Building 430, Edinburgh, Farnham, Luton, Southampton
Cyber Security	Italy: Genoa - Via Puccini, Rome - Via Laurentina, Chieti
Subsidiary	2019 scope*
Leonardo Corporate Center	Italy: Rome - Piazza Monte Grappa, Rome - Via Faustianiana, Rome - Via Flaminia
Leonardo Global Solutions	Italy: Rome - Via Pastrengo
Leonardo DRS	United States: Fort Walton Beach - Anchor St., St. Louis, Melbourne Babcock St., Dallas Expressway, Dallas Sherman, Johnstown Airport, Huntsville, Milwaukee, West Plains, Danbury, Cypress, Hauppauge, High Ridge, Dayton, Largo, Fitchburg, Chesapeake, Arlington, Lemont Furnace, Germantown, San Diego - Via Esprillo, Dulles, Sidman, Burnsville, Tampa Canada: Bedford, Ottawa
Agusta Aerospace Services	Belgium: Grâce Hologne
PZL-Świdnik	Poland: Świdnik
Vitrociset	Italy: Naples, Rome - Via Tiburtina, Villaputzu
Larimart	Italy: Rome
Sistemi Dinamici	Italy: Pisa
Selex ES Inc.	United States: Overland Park
Leonardo Romania Aerospace Defence & Security	Romania: Ploiesti
Leonardo Turkey Aerospace, Defence & Security System	Turkey: Ankara
Leonardo Germany GmbH	Germany: Neuss
Leonardo Hispania	Spain: Loriguilla
TOTAL	95

* Sites that left the environmental reporting scope in 2019 are: Basildon Lambda House, Elizabeth City, San Diego - 15378 Avenue of Science. Sites included in the scope in 2019 are: Rome - Via Tiburtina, Villaputzu, Naples, Rome - Via Flaminia, Bristol Brandon House, San Diego - 16465 Via Esprillo, Burnsville, Tampa.

Environmental reporting on MBDA and Telespazio - Scope and environmental highlights

Company	Certifications	2017/2018/2019 scope
MBDA	ISO 14001; OHSAS 18001	Italy: Rome, Bacoli, La Spezia
Telespazio	ISO 14001; OHSAS 18001	Italy: Rome, Fucino, Lario

Company	2017	2018	2019
Energy consumption (TJ) - Electrical energy and natural gas			
MBDA	70.3	73.3	72.77
Telespazio	129.2	122.1	123.2
Water withdrawals (m³)			
MBDA	45,664 (of which 33,275 from water supply systems and 12,389 from wells)	41,412 (of which 27,989 from water supply systems and 13,423 from wells)	42,228 (of which 28,899 from water supply systems and 13,329 from wells)
Telespazio	46,301 (of which 42,929 from water supply systems and 3,372 from wells)	38,694 (of which 36,857 from water supply systems and 1,837 from wells)	43,236 (of which 38,446 from water supply systems and 4,790 from wells)
Special waste produced (t)			
MBDA	270.8 (of which 90.6 hazardous and 180.2 non-hazardous)	242.0 (of which 101.2 hazardous and 140.8 non-hazardous)	226.0 (of which 51.5 hazardous and 174.6 non-hazardous)
Telespazio	95.7 (of which 3.1 hazardous and 92.6 non-hazardous)	135.3 (of which 5.1 hazardous and 130.2 non-hazardous)	159.6 (of which 25.6 hazardous and 134.0 non-hazardous)
CO₂e (t)³⁵			
MBDA	3,262*	7,137* (LB) 5,449* (MB)	6,965* (LB) 5,332* (MB)
Telespazio	3,158	14,047 (LB) 3,189 (MB)	13,696 (LB) 2,570 (MB)

* CO₂e for electrical energy and natural gas.

³⁵ Scope II emissions are calculated using the location-based (LB) and market-based (MB) methodologies.

GRI Content Index

The GRI table is in line with the “core” reporting option, as set out by the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). It refers to the 2019 Sustainability and Innovation Report, the 2019 Annual Financial Report, the 2020 Corporate Governance Report (on 2019), the Code of Ethics and the Anti-Corruption Code. KPMG SpA carried out a limited assurance engagement on the Leonardo Group’s 2019 Sustainability and Innovation Report as at and for the year ended 31 December 2019, as a whole and in accordance with the criteria established by ISAE 3000 (revised). For additional information about the scope of the work and the procedures performed by the independent auditors, reference should be made to the “Independent auditors’ report” on the Sustainability and Innovation Report. The information summarised in the GRI Content Index is included in the scope of the limited assurance engagement.

Key:

SIR = 2019 Sustainability and Innovation Report

AFR = 2019 Annual Financial Report

CGR = 2020 Corporate Governance Report (2019)

Disclosures	Reference	Page /note
Organisational profile		
102-1	Name of the organisation	Leonardo SpA
102-2	Activities, brands, products and services	SIR p. 6
102-3	Location of headquarters	Leonardo SpA’s registered office is in Piazza Monte Grappa, 4 - Rome (Italy)
102-4	Location of operations	SIR p. 10
102-5	Ownership and legal form	SIR p. 37
102-6	Markets served	SIR p. 8 p. 27
102-7	Scale of the organisation	SIR p. 27
102-8	Information on employees and other workers	SIR p. 72 p. 147 In 2019, the Group’s supervised workers were equal to 2,102 (2,885 in 2018).
102-9	Supply chain	SIR p. 90 p. 28
102-10	Significant changes to the organisation and its supply chain	SIR p. 13
102-11	Precautionary principle or approach	SIR p. 39 p. 48

102-12	External initiatives	<ul style="list-style-type: none"> • Global Principles of Business Ethics for the Aerospace and Defence Industry - International Forum on Business Ethical Conduct (IFBEC) • Common Industry Standards - Aerospace Defence Security and Space (ASD) • Task Force for Climate-related Financial Disclosures (TCFD) • Confindustria's social responsibility technical group • UN Global Compact
102-13	Membership of associations	<p>World</p> <ul style="list-style-type: none"> • HAI (Helicopter Association International) • HeliOffshore • TCCA (Tetra and Critical Communications Association) <p>Europe</p> <ul style="list-style-type: none"> • ASD (AeroSpace and Defence Industries Association of Europe) • ECSO (European Cyber Security Organization) • EHA (European Helicopter Association) • EOS (European Organization for Security) • ETSI (European Telecommunication Standards Institute) • EUROCAE (European Organisation for Civil Aviation Equipment) <p>Italy</p> <ul style="list-style-type: none"> • AIAD (Italian Industry Federation for Aerospace, Defence and Security - associated with Confindustria) • ANITEC-ASSINFORM (Association of Information & Communication Technology companies) - associated with Confindustria • ASSONAVE (Italian Industry Association of Shipbuilding Industry) - associated with Confindustria • UNAVIA (Association for standardisation, training and qualification in the Aerospace, Defence & Security sectors) <p>United Kingdom</p> <ul style="list-style-type: none"> • ADS (Aerospace Defence Security & Space) • techUK (Information Technology Telecommunications and Electronics Association) • makeUK (formerly the Engineering Employers' Federation) <p>United States</p> <ul style="list-style-type: none"> • NDIA (National Defense Industry Association) • SIA (Satellite Industry Association) • AIA (Aerospace Industry Association) <p>Poland</p> <ul style="list-style-type: none"> • Association of Polish Aviation Industry • Aviation Valley - Association of Aerospace Industry Entrepreneurs Group

Strategy			
102-14	Statement from senior decision-makers	SIR	p. 2
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	SIR	p. 39
		Charter of Values	Charter of Values on Leonardo website
102-17	Mechanisms for advice and concerns about ethics		For more information on the reporting processes and mechanisms, reference should be made to the Whistleblowing Management Guidelines. Since they were issued, the Whistleblowing Management Guidelines have been circulated within and outside the Group to ensure maximum publicity. Furthermore, Leonardo DRS implements an Ethics Helpline available 24/7 managed by a third-party company (https://drs.alertline.com/gcs/welcome). In 2019, the number of reports received by Leonardo DRS amounted to 35, of which 27 anonymous.
		SIR	p. 41
Governance			
102-18	Governance structure	SIR	p. 36 p. 145
102-20	Executive-level responsibility for economic, environmental, and social topics		Chief Innovation & Technology Officer p. 20
102-22	Composition of the highest governance body and its committees	SIR	p. 36
		CGR	p. 34
102-23	Chair of the highest governance body	SIR	p. 12
102-24	Nominating and selecting the highest governance body	SIR	p. 36
		CGR	p. 121
102-32	Highest governance body's role in sustainability reporting	SIR	p. 20 p. 36
102-34	Nature and total number of critical concerns	SIR	p. 41
102-37	Stakeholders' involvement in remuneration		In accordance with applicable regulations, Leonardo's shareholders expressed an advisory vote on the Remuneration Report.
Stakeholder engagement			
102-40	List of stakeholder groups	SIR	p. 31
102-41	Collective bargaining agreements	SIR	p. 80
102-42	Identifying and selecting stakeholders	SIR	p. 31
102-43	Approach to stakeholder engagement	SIR	p. 31 p. 32
102-44	Key topics and concerns raised	SIR	p. 32

Reporting practice			
102-45	Entities included in the consolidated financial statements	SIR	p. 124
		AFR	p. 222
102-46	Defining report content and topic boundaries	SIR	p. 124 p. 32
102-47	List of material topics	SIR	p. 32
102-48	Restatements of information		Any restatements or adjustments of information are indicated in the document from time to time.
102-49	Changes in reporting	SIR	p. 124
102-50	Reporting period	SIR	p. 124
102-51	Date of most recent report		2018 Sustainability and Innovation Report
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		sustainability@leonardocompany.com
102-54	Claims of reporting in accordance with the GRI Standards	SIR	p. 124
102-55	GRI content index	SIR	p. 124
102-56	External assurance	SIR	p. 124 p. 156
GRI 201 Economic performance			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach		<p>Leonardo fully complies with the tax regulations in force in the Countries where it is active. Correct fulfilment of tax obligations is ensured by the Company's internal procedures that identify roles and responsibilities, operational and control activities and the necessary information flows. To further confirm its commitment, Leonardo has an open and transparent dialogue with the tax authorities through:</p> <ul style="list-style-type: none"> • compliance with the rules and standards for financial reporting to provide information and communications; • definition of decision-making procedures for investments in tax havens, based on compliance with the principle that these investments must have valid economic reasons and not be made for tax evasion and/or planning purposes; • adoption of transfer pricing policies that comply with the ruling regulations; • compliance with regulations about tax returns and payments, both of which are checked by the independent auditors.

201-1	Direct economic value generated and distributed	SIR	<p>p. 28</p> <p>The following list includes the Parent Company and the main subsidiaries in the 4 domestic markets (fully consolidated) and the main Countries of operations at 31 December 2019 (these companies are incorporated in the main Country of operation). These subsidiaries are selected based on materiality in terms of revenues, number of employees, fixed assets and tax contribution.</p> <ul style="list-style-type: none"> • Leonardo SpA - Italy • Leonardo MW Ltd - United Kingdom • Leonardo DRS Inc. - United States • PZL-Świdnik SA - Poland • Leonardo Global Solutions SpA - Italy <p>These subsidiaries account for:</p> <ul style="list-style-type: none"> • 95% of revenues • 90% of fixed assets • 93% of employees • 99% of taxes paid
201-3	Defined benefit plan obligations and other retirement plans	AFR	The pension plans offered to employees are of a defined benefit nature. For additional information, reference should be made to the “Employee benefit obligations”.
GRI 203 Indirect economic impacts			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 90 p. 16
203-1	Infrastructure investments and services supported	SIR	p. 28 p. 81 p. 92 p. 90
GRI 204 Procurement practices			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 90
204-1	Proportion of spending on local suppliers	SIR	p. 90
GRI 205 Anti-corruption			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 39

205-2	Communication and training about anti-corruption policies and procedures		In the main Countries in which it operates, Leonardo provides anti-corruption training in compliance with the ruling regulations and governance systems, including: <ul style="list-style-type: none"> • in Italy, in accordance with the 231/2001 Organisational, Management and Control Model; • in the United States, in accordance with the US Federal Acquisition Regulation (FAR) Mandatory Disclosure Rule; • in the United Kingdom, in accordance with the UK Bribery Act.
		SIR	p. 41
		Anti-Corruption Code	pp. 3-4, paragraph "Scope"
205-3	Confirmed incidents of corruption and actions taken	AFR	p. 183
			No dismissal for cases of ascertained corruption in 2019.
GRI 206 Anti-competitive behaviour			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 39
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		No legal actions were commenced in 2019 related to anti-competitive behaviour, anti-trust and monopoly practices.
GRI 302 Energy			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 97
302-1	Energy consumption within the organisation	SIR	p. 97 p. 102 p. 146
302-3	Energy intensity	SIR	p. 102 p. 146
GRI 303 Water			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 97
303-1	Water withdrawals by source	SIR	p. 102 p. 146

GRI 304 Biodiversity			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 97
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		39 sites are located in, or adjacent to, protected areas or areas of high biodiversity (23 in Italy; 5 in the United Kingdom; 8 in the United States and 3 in the rest of the world). In addition, 13 sites located in Italy, within 2 km of the landscape restrictions, also of an archaeological nature (buffer strips, areas of public interest, etc.).
GRI 305 Emissions			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 97
305-1	Direct GHG emissions (Scope I)	SIR	p. 102 p. 146 Source: GHG Protocol Global
305-2	Energy indirect GHG emissions (Scope II)	SIR	p. 102 p. 146 Reporting method based on the principles of the GHG Protocol new Scope II reporting guidance, using the following coefficients: <ul style="list-style-type: none"> • Average Grid US, Source: EPA - United States Environmental Protection Agency - eGRDI2016; • Average Grid Europe, Source: TERNA - ENERDATA 2016 data; • Residual Mix US and Canada, Source: 2019 Green-e Energy Residual Mix Emissions Rates; • Residual Mix Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2017; • Boustead Model; • UNFCCC - National Inventory Submissions 2019.
305-3	Other indirect GHG emissions (Scope III)	SIR	p. 102 p. 146 Source: GHG Protocol Global
305-4	GHG emission intensity	SIR	p. 102 p. 146
305-5	Reduction of GHG emissions	SIR	p. 102 p. 146
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO ₂), and other significant air emissions	SIR	p. 147 Source: GHG Protocol Global
GRI 306 Effluents and waste			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact

103-2; 103-3	Evaluation of the management approach	SIR	p. 97
306-1	Water discharge by quality and destination	SIR	p. 102 p. 147
306-2	Waste by type and disposal method	SIR	p. 102 p. 147
GRI 307 Compliance risk			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 97
307-1	Non-compliance with environmental laws and regulations		During 2019, 6 violations of environmental laws were identified by the control bodies (9 in 2018 and 6 in 2017), 5 of which gave rise to fines of around €11,000 paid during the year.
GRI 308 Supplier environmental assessment			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 90
308-1	New suppliers that were screened using environmental criteria	SIR	p. 94
GRI 401 Employment			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 72
401-1	New employee hires and employee turnover	SIR	p. 72 p. 149
401-3	Parental leave	SIR	p. 151 In Italy, parental leave related aspects are ruled by Legislative Decree no. 151/2001 and other laws on the matter.
GRI 402 Labour/management relations			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 72
402-1	Minimum notice periods regarding operational changes		In Italy and abroad, Leonardo applies the mechanisms allowed by the regulations and the agreements with the trade unions. In Italy, this issue is covered by and managed as part of the national collective bargaining agreements and any supplementary company level agreements.
GRI 403 Occupational health and safety			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 80

403-2	Rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities	SIR	p. 80 p. 151 In 2019, the supervised workers' injury rate was 0.8 (1.9 in 2018), calculated using the following formula: (Total injuries/Total worked hours)*200,000. Although their reporting is not requested by the methodology of the GRI Sustainability Reporting Standards, two fatal injuries occurred in 2019 during a job trip and the commuting to and from work, both by natural causes.
GRI 404 Training and education			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 72
404-1	Average hours of training per year per employee	SIR	p. 72 p. 28 p. 153
404-2	Programmes for upgrading employee skills and transition assistance programmes	SIR	p. 75
404-3	Percentage of employees receiving regular performance and career development reviews	SIR	p. 75
GRI 405 Diversity and equal opportunity			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 72
405-1	Diversity of governance bodies and employees	SIR	p. 38 p. 72 p. 154
405-2	Ratio of basic salary and remuneration of women to men	SIR	p. 155 p. 144
GRI 407 Freedom of association and collective bargaining			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	Code of Ethics	p. 6
		SIR	p. 45
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SIR	p. 45 The hours of strikes on total worked hours in 2019 were 0.08%.
GRI 414 Supplier social assessment			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact

103-2; 103-3	Evaluation of the management approach	SIR	p. 90
414-1	New suppliers that were screened using social criteria	SIR	p. 94
GRI 415 Public Policy			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 39
415-1	Political contributions	Code of Ethics	p. 14
			<p>The Company does not contribute corporate funds to political parties, movements, committees and political or trade union organisations, including their representatives and/or candidates. The prohibition in the Code of Ethics on political contributions applies to all Leonardo entities in every Country worldwide, including the United States.</p> <p>In the United States where voluntary contributions to a Political Action Committee (“PAC”) by eligible employees are permitted by law, the operation of the PAC is supervised and monitored for legal compliance to ensure they are not used as vehicles for bribery and corruption and, in any case, PAC contributions are published with disclosure on beneficiary and amount at the following link: https://disclosurespreview.house.gov/lc/lcxmlrelease/2018/YY/700871308.xml.</p> <p>p. 10 - Code of Ethics and Business Conduct (Leonardo DRS).</p>
GRI 416 Customer health and safety			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 68
416-1	Assessment of the health and safety impacts of product and service categories	SIR	p. 68 p. 107
GRI 418 Customer privacy			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 84
418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data		At Group level, no complaints about privacy violations or data loss were reported by customers in 2019.
Innovation and technology			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 54

Cyber security and data protection			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 49
Citizen security			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 106 p. 114
Customer intimacy			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 84
Business ethics			
103-1	Explanation of the material topic and its boundary	SIR	Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 39
SASB RT0201-12	Revenue from Countries ranked in the “E” or “F” Band of Transparency International’s Government Defence AntiCorruption Index	SIR	14% of total revenues in 2019, half of which refers to EFA Kuwait contract.

Bridging table with Legislative Decree no. 254/2016

The 2019 Sustainability and Innovation Report represents the Consolidated Non-financial Statement, pursuant to Legislative Decree no. 254/2016, and is prepared separately from the Directors' Report. The following bridging table has been created to make it easier to identify the requirements of the Decree.

Key:

SIR = 2019 Sustainability and Innovation Report

AFR = 2019 Annual Financial Report

CGR = 2020 Corporate Governance Report (2019)

MA = Management Approach of material topics (disclosure 103-1, 103-2, 103-3)

Requirements of Legislative Decree no. 254/2016	Scope	Reference	GRI Standards reported
Reporting Standard and Materiality analysis	Environment, Social, Personal, Human rights, Corruption	SIR	<ul style="list-style-type: none"> Stakeholder engagement Methodology note 102-45; 102-46; 102-47; 102-54; 102-55; 102-56
Business model for the management and organisation of company activities	Environment, Social, Personal, Human rights, Corruption	SIR	<ul style="list-style-type: none"> Profile Results and performance Stakeholder engagement Corporate governance Responsible business conduct Risk governance and management Supply chain Efficient use of resources 102-2; 102-4; 102-5; 102-6; 102-7; 102-9; 102-10; 102-11; 102-12; 102-13; 102-17; 102-18; 102-40; 102-43; 102-44; MA series 200; MA series 300; MA series 400
		AFR	<ul style="list-style-type: none"> Leonardo and risk management Leonardo and sustainability Corporate governance
		CGR	<ul style="list-style-type: none"> Organisational model as per Legislative Decree no. 231/2001 Additional corporate governance practices
		Anti-Corruption Code	

Company policies , including due diligence procedures, outcomes and related fundamental non-financial performance indicators	Environment	SIR	<ul style="list-style-type: none"> • Supply chain • Efficient use of resources • Main environmental data and information in 2019 • Sustainable mobility 	302-1; 302-3; 303-1; 304-1; 305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-1; 306-2; 307-1; 308-1; MA series 300
		AFR	<ul style="list-style-type: none"> • Leonardo and sustainability/ The environment 	
	Social	SIR	<ul style="list-style-type: none"> • Profile • Stakeholder engagement • People and community • Customer intimacy • Supply chain • Respect for human rights 	102-2; 102-4; 102-9; 102-40; 102-42; 102-43; 102-44; MA 204; 204-1; MA 205; MA 404; 404-3; MA 405; 405-1; MA 414; 414-1; MA 416; 416-1; MA 418; 418-1
		AFR	<ul style="list-style-type: none"> • Leonardo and sustainability/ The environment 	
	Personnel	SIR	<ul style="list-style-type: none"> • Profile • Results and objectives • People and community • Respect for human rights 	102-4; 102-8; 102-41; MA 401; 401-1; 401-3; MA 402; 402-1; MA 403; 403-2; MA 404; 404-1; 404-2; 404-3; MA 405; 405-1; 405-2
		AFR	<ul style="list-style-type: none"> • Leonardo and sustainability/ The environment 	
	Human rights	SIR	<ul style="list-style-type: none"> • Profile • Responsible business conduct • Respect for human rights • Supply chain 	102-4; 102-9; 102-41; MA 414; 414-1; MA 407; 407-1; MA 418; 418-1
		Code of Ethics		
	Corruption	SIR	<ul style="list-style-type: none"> • Responsible business conduct 	102-16; 102-17; MA 205; 205-2; 205-3; MA 415; 415-1; MA 206; 206-1
		AFR	<ul style="list-style-type: none"> • Provisions for risks and charges and contingent liabilities 	
		CGR	<ul style="list-style-type: none"> • Additional corporate governance practices 	
		Anti-Corruption Code		

Principal risks, generated or undergone, including their management, related to the above-mentioned matters, coming from business activities, products or services, commercial relationships including, where relevant, the supply chain	Environment, Social, Personal, Human rights, Corruption	SIR	<ul style="list-style-type: none"> • Materiality matrix • Risk governance and management 	
		AFR	<ul style="list-style-type: none"> • Leonardo and risk management 	
		Anti-Corruption Code		
Diversity in management and supervisory bodies		SIR	<ul style="list-style-type: none"> • Corporate governance • People and community 	102-24; MA 405; 405-1
		CGR	<ul style="list-style-type: none"> • Diversity criteria and policies 	

Task Force on Climate-related Financial Disclosures

Governance

The Board of Directors, through the Nomination, Governance and Sustainability Committee, together with the Control and Risks Committee, evaluates the pursuit of the sustainability guidelines in line with the Group's Industrial Plan. The Group Management Committee, composed of the CEO and first level management, is responsible for defining both the sustainability targets and the related actions to be implemented, also with respect to issues related to climate change. The centralised innovation governance guides the development of technologies to fight climate change within the scope of the sector's main national and European programmes. To contain its carbon footprint, Leonardo operates in accordance with the Environment, Health and Safety Integrated Policy and the Group's Energy Management Policy, which were centrally defined and coordinated and then implemented at a divisional level, based on the proximity of the business. For further details, refer to the chapter "Efficient use of resources" and the paragraph "Leonardo and sustainability" ("The environment") in the 2019 Annual Financial Report.

Strategy

The objectives and the business strategy to address climate change, which are defined by taking into account current, medium- and long-term risks and opportunities, legislative requirements, global scenarios and customers' needs, integrate two fundamental aspects: the first is related to more environmentally-friendly products and services, also in the context of European programmes for research and innovation (including Horizon 2020); the second one related to the eco-efficient management of ongoing improvement of activities and production processes through the reduction of energy consumption and atmospheric emissions.

For additional information on the technology portfolio, refer to the chapter "Continuous innovation" and section "Solutions for society and the environment" (chapters "Sustainable mobility" and "Earth observation") and, for details on the management of production processes, the chapter "Efficient use of resources".

Management of risks and opportunities

Leonardo has adopted the Enterprise Risk Management (ERM) approach to obtain an organic and complete overview of its main current, medium- and long-term risks, including those related to the environment and climate change. The risks of transitioning towards a low-emissions economy, identified by Leonardo, may have an impact on company processes, with particular reference to production processes, and products and services. Company sites and assets may also be affected by natural events (flooding, drought, wildfires and others) caused by climate change. In order to address these risks, Leonardo rolls out specific mitigation actions; one of these is the constant monitoring of environmental risks related to production processes managed at different organisational levels, using the centrally-defined tools and technical-management solutions based on the specifics of each site and process. Leonardo also has specific insurance policies to cover the possible consequences of climate events and natural disasters. For more information, refer to the chapter "Risk governance and management" and chapters "Leonardo and risk management" and "Leonardo and sustainability", paragraph "The environment" of the 2019 Annual Financial Report.

Business risks and opportunities related to climate change are identified through an analysis of the sector and emerging trends, the study of market drivers and the identification of customer requirements. In terms of opportunities, Leonardo is mainly involved in the development of technologies for products and services with a low environmental impact (lighter aircraft and helicopters, which consume less fuel thanks to carbon aerostructures, hybrid and electric maritime propulsion systems, air traffic and vessel traffic management systems to optimise air and maritime traffic, virtual training services for pilots), the development of Earth observation solutions and data collection, to be provided to specialist operators, to monitor and limit impacts induced by climate change and the development of products and services, with special configurations that can intervene in the case of natural disasters. For further details, refer to the chapter "Continuous innovation" and section "Solutions for society and the environment" (chapters "Sustainable mobility" and "Earth observation").

Metrics and targets

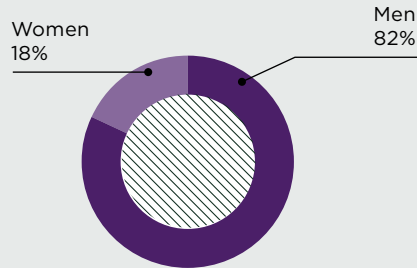
Leonardo reports the impacts and performance related to climate change in accordance with the metrics defined by the GRI Sustainability Reporting Standards and considering the Non-binding Guidance of the European Commission and the SASB (Sustainability Accounting Standards Board) standards. For additional information, refer to the chapter "Efficient use of resources" and the GRI tables on environmental indicators. In 2019, Leonardo retained its A- valuation from the CDP (Carbon Disclosure Project) on a decreasing scale from A to F.

Gender pay gap report

Breakdown by gender

Remuneration ratio³⁶

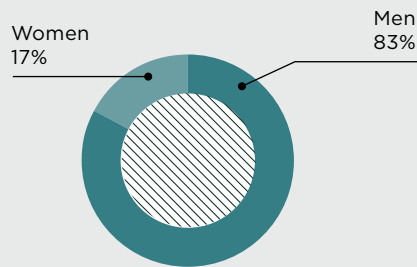
TOTAL



97%

**TOP PAY QUARTILE
0-25%**

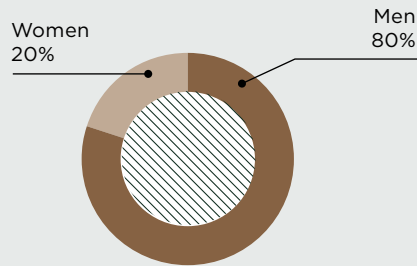
Employees with the highest remuneration



94%

**UPPER MIDDLE PAY QUARTILE
25-50%**

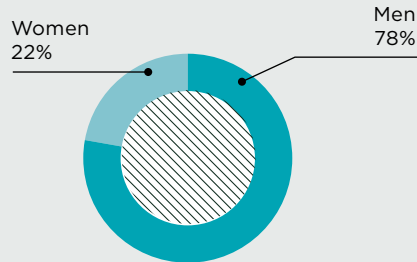
Employees with the medium-high remuneration



99%

**LOWER MIDDLE PAY QUARTILE
50-75%**

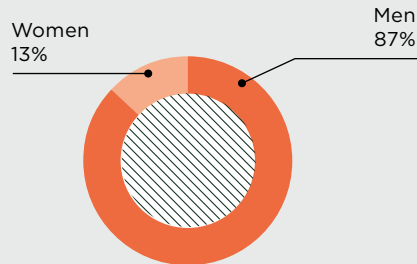
Employees with the low-medium remuneration



102%

**LOWER QUARTILE
75-100%**

Employees with the lowest remuneration



93%

³⁶ Calculated on 91% of employees using the following formula: women average remuneration/men average remuneration. The median value of the remuneration ratio is 101%. 10% of employees with the highest remuneration consists of 15% women and 85% men.

GRI data and indicators

GOVERNANCE INDICATORS

Governance bodies and committees		GRI 102-18			
Board of Directors	Unit	2017	2018	2019	
No. of members	N.	12	12	12	
of whom non-executive	N.	11	11	11	
of whom independent	N.	9	9	9	
of whom appointed from minority lists	N.	4	4	4	
Meetings held	N.	12	11	10	
Attendance rate³⁷	%	99	96	95	
Meetings held by the group of Independent Directors	N.	3	2	1	
Control and Risks Committee		Unit	2017	2018	2019
No. of members	N.	5	5	5	
Meetings held	N.	7	10	9	
Attendance rate	%	99	90	89	
Analysis of International Scenarios Committee		Unit	2017	2018	2019
No. of members	N.	4	4	4	
Meetings held	N.	4	3	4	
Attendance rate	%	93	100	94	
Remuneration Committee		Unit	2017	2018	2019
No. of members	N.	4	4	4	
Meetings held	N.	9	6	7	
Attendance rate	%	94	92	86	
Nomination, Governance and Sustainability Committee		Unit	2017	2018	2019
No. of members	N.	7	7	7	
Meetings held	N.	6	5	4	
Attendance rate	%	97	94	89	
Board of Statutory Auditors		Unit	2017	2018	2019
Number of members (standing)	N.	5	5	5	
of whom, appointed from minority lists	N.	2	2	2	
Meetings held	N.	17	18	18	
Attendance rate	%	97	91	98	

³⁷ Calculated as the number of attendees/number of meetings.

ENVIRONMENTAL INDICATORS

Energy					
Energy consumption within the Company	Unit	2017	2018	2019	GRI 302-1
Non-renewable energy consumed	TJ	3,128	2,931	3,040	
Natural gas	TJ	2,909	2,741	2,836	
Diesel oil for energy and/or heat generation	TJ	3	4	4	
Fuel oil	TJ	-	-	-	
Other (LPG, fuels used for product tests)	TJ	216	187	200	
Energy purchased for electricity and district heating	TJ	2,454	2,453	2,663	
Electrical energy from conventional sources	TJ	414	411	429	
Electrical energy from renewable sources	TJ	2,029	2,021	2,035	
District heating	TJ	11	20	200	
Self-generated energy	TJ	143	137	133	
Energy sold	TJ	-	-	-	
Total	TJ	5,725	5,521	5,836	
Energy intensity	Unit	2017	2018	2019	GRI 302-3
Energy consumption/Revenues	MJ/€	0.49	0.45	0.42	
Water					
Water withdrawals by source	Unit	2017	2018	2019	GRI 303-1
Water supply systems	thousands of m ³	2,379	2,242	2,328	
Wells	thousands of m ³	3,377	3,274	3,325	
Other sources	thousands of m ³	278	303	234	
Total	thousands of m³	6,034	5,819	5,887	
Emissions					
CO ₂ e emissions	Unit	2017	2018	2019	GRI 305-1/2/3
Direct emissions (Scope I)	t CO ₂ e	256,878	286,643	332,780	
Indirect emissions (Scope II market-based)	t CO ₂ e	69,422	65,110	70,856	
Indirect emissions (Scope II location-based)	t CO ₂ e	279,227	262,331	267,468	
Other indirect emissions (Scope III)	t CO ₂ e	261,331	311,078	281,701	
Total Scopes I, II market-based, III	t CO₂e	587,631	662,831	685,337	
Total Scopes I, II location based, III	t CO₂e	797,436	860,052	881,949	
CO ₂ e emission intensity	Unit	2017	2018	2019	GRI 305-4
Total emissions (Scope I + Scope II market-based)/Revenues	g/€	27.81	28.74	29.28	
Total emissions (Scope I + Scope II location-based)/Revenues	g/€	45.69	44.85	43.55	
Other emissions	Unit	2017	2018	2019	GRI 305-7
NO _x	t	180	162	193	
SO ₂	t	3	3	3	
VOC	t	95	109	127	

VIC	t	1	1	2	
Heavy metal	t	0.2	0.2	0.1	
Particulate	t	18	20	22	

Wastewater and waste					
Total wastewater by use	Unit	2017	2018	2019	GRI 306-1
Sewers	thousands of m ³	3,936	3,413	3,896	
Surface water	thousands of m ³	262	320	269	
Other use	thousands of m ³	23	23	30	
Total	thousands of m³	4,221	3,756	4,195	

Waste produced by use	Unit	2017	2018	2019	GRI 306-2
Non-hazardous	t	24,963	25,951	29,420	
Recovered	t %	15,757 63	15,741 61	17,316 59	
Disposed	t %	9,206 37	10,210 39	12,104 41	
Hazardous	t	7,524	8,012	9,079	
Recovered	t %	2,040 27	1,996 25	2,169 24	
Disposed	t %	5,484 73	6,016 75	6,910 76	
Total waste produced (hazardous and non-hazardous)	t	32,487	33,963	38,499	

EMPLOYEE INDICATORS

Information on employees and other workers					GRI 102-8
Employees by employment contract, employment type and gender	Unit	2017	2018	2019	
Total employees	N.	45,134	46,462	49,530	
Men	N.	37,134	38,094	40,516	
Women	N.	8,000	8,368	9,014	
Permanent employment contracts	N.	44,711	45,761	48,458	
Men	N.	36,769	37,539	39,649	
Women	N.	7,942	8,222	8,809	
Fixed-term contracts	N.	423	701	1,072	
Men	N.	365	555	867	
Women	N.	58	146	205	
Full-time contracts (permanent)	N.	43,594	44,518	47,139	
Men	N.	36,604	37,298	39,381	
Women	N.	6,990	7,220	7,758	
Part-time contracts (permanent)	N.	1,117	1,243	1,319	
Men	N.	165	241	268	
Women	N.	952	1,002	1,051	

Employees by professional category and gender	Unit	2017	2018	2019
Managers	N.	1,091	1,126	1,199
Men	N.	985	1,005	1,058
Women	N.	106	121	141
Middle managers	N.	5,467	5,725	6,004
Men	N.	4,584	4,757	4,933
Women	N.	883	968	1,071
White collars	N.	26,489	26,922	28,428
Men	N.	20,574	20,811	21,943
Women	N.	5,915	6,111	6,485
Blue collars	N.	12,047	12,648	13,857
Men	N.	10,951	11,480	12,540
Women	N.	1,096	1,168	1,317
Pilots	N.	40	41	42
Men	N.	40	41	42
Women	N.	-	-	-
Employees by Country and gender	Unit	2017	2018	2019
Italy	N.	28,892	29,244	31,186
Men	N.	24,192	24,517	26,142
Women	N.	4,700	4,727	5,044
United States	N.	5,812	6,520	6,996
Men	N.	4,380	4,871	5,186
Women	N.	1,432	1,649	1,810
United Kingdom	N.	6,784	6,986	7,305
Men	N.	5,703	5,810	6,035
Women	N.	1,081	1,176	1,270
Poland	N.	2,609	2,622	2,814
Men	N.	2,122	2,126	2,283
Women	N.	487	496	531
Other Countries	N.	1,037	1,090	1,229
Men	N.	737	770	870
Women	N.	300	320	359

Employees by employment contract and Country	Unit	2017	2018	2019	
Permanent employment contracts	N.	-	45,761	48,458	
Italy	N.	-	29,178	31,052	
United States	N.	-	6,485	6,932	
United Kingdom	N.	-	6,552	6,832	
Poland	N.	-	2,547	2,540	
Other Countries	N.	-	999	1,102	
Temporary employment contracts	N.	-	701	1,072	
Italy	N.	-	66	134	
United States	N.	-	35	64	
United Kingdom	N.	-	434	473	
Poland	N.	-	75	274	
Other Countries	N.	-	91	127	

Employment					
New employee hires and employee turnover	Unit	2017	2018	2019	GRI 401-1
Total hires and gender breakdown	N.	2,469	4,502	5,677	
Percentage of hires on total employees	%	5	10	11	
Men	N.	1,868	3,551	4,564	
	%	76	79	80	
Women	N.	601	951	1,113	
	%	24	21	20	
Number and percentage of hires by age group					
< 30 years	N.	942	1,730	2,424	
	%	38	38	43	
30-50 years	N.	1,011	1,882	2,463	
	%	41	42	43	
> 50 years	N.	516	890	790	
	%	21	20	14	

Number and percentage of hires by Country				
Italy	N.	516	1,408	2,336
	%	21	31	41
United States	N.	1,332	1,920	1,648
	%	54	43	29
United Kingdom	N.	439	795	1,102
	%	18	18	19
Poland	N.	51	169	288
	%	2	4	5
Other Countries	N.	131	210	303
	%	5	5	5
Total employees leaving and gender breakdown	N.	2,799	3,174	3,114
Percentage of employees leaving on total employees	%	6	7	6
Men	N.	2,275	2,582	2,562
	%	81	81	82
Women	N.	524	592	552
	%	19	19	18
Number and percentage of employees leaving by age group				
< 30 years	N.	406	573	653
	%	15	18	21
30-50 years	N.	947	914	957
	%	34	29	31
> 50 years	N.	1,446	1,687	1,504
	%	52	53	48
Number and percentage of employees leaving by Country				
Italy	N.	692	1,092	911
	%	25	34	29
United States	N.	1,098	1,180	1,173
	%	39	37	38
United Kingdom	N.	700	599	772
	%	25	19	25
Poland	N.	259	160	96
	%	9	5	3
Other Countries	N.	50	143	162
	%	2	5	5

Return to work and retention rates after parental leave	Unit	2017	2018	2019	GRI 401-3
Employees entitled to parental leave	N.	-	-	49,530	
Men	N.	-	-	40,516	
Women	N.	-	-	9,014	
Rate of return to work by gender	%	94	95	99	
Men	%	98	96	99	
Women	%	91	92	97	
Retention rate by gender	%	97	97	96	
Men	%	98	97	98	
Women	%	97	97	94	
Employees who took parental leave during the reporting period, by gender	N.	1,609	1,838	1,809	
Men	N.	723	1,079	1,099	
Women	N.	886	759	710	
Employees who returned to work at the end of the parental leave during the reporting period, by gender	N.	1,422	1,676	1,728	
Men	N.	679	1,051	1,077	
Women	N.	743	625	651	
Employees who returned to work at the end of the parental leave and continued to work 12 months after their return, by gender	N.	1,298	1,219	1,625	
Men	N.	594	608	1,004	
Women	N.	704	611	621	

Occupational health and safety					
Injury Rate (IR) ³⁸ by gender and Country	Unit	2017	2018	2019	GRI 403-2
Total Group rate	i	1.0	1.2	0.9	
Men	i	1.1	1.3	0.9	
Women	i	0.6	0.8	0.7	
Italy	i	1.2	1.2	1.0	
Men	i	1.2	1.2	1.1	
Women	i	0.9	0.8	0.7	
United States	i	1.1	1.4	0.8	
Men	i	1.4	1.8	0.8	
Women	i	0.2	0.1	0.9	
United Kingdom	i	0.4	1.5	0.2	
Men	i	0.4	1.3	0.2	
Women	i	0.3	2.3	0.3	
Poland	i	0.8	0.6	0.5	
Men	i	0.9	0.5	0.6	
Women	i	-	0.7	0.5	

³⁸ IR is calculated using the following formula: (Total injuries/Total worked hours)*200,000.

Occupational Disease Rate (ODR)³⁹ by gender and Country				
	Unit	2017	2018	2019
Total Group rate	i	0.06	0.03	0.05
Men	i	0.07	0.03	0.04
Women	i	-	0.06	0.10
Italy	i	0.08	0.04	0.05
Men	i	0.09	0.03	0.06
Women	i	-	0.08	-
United States	i	-	0.03	0.08
Men	i	-	0.02	0.02
Women	i	-	0.07	0.24
United Kingdom	i	-	-	-
Men	i	-	-	-
Women	i	-	-	-
Poland	i	0.13	0.09	-
Men	i	0.16	0.10	-
Women	i	-	-	-
Lost Days Rate (LDR)⁴⁰ by gender and Country				
	Unit	2017	2018	2019
Total Group rate	i	27.8	22.8	22.9
Men	i	28.5	22.5	21.8
Women	i	24.2	24.1	27.8
Italy	i	37.7	30.5	27.9
Men	i	37.8	29.1	27.4
Women	i	36.7	38.5	30.4
United States	i	14.5	5.9	6.6
Men	i	19.2	7.8	2.2
Women	i	0.1	0.2	19.8
United Kingdom	i	3.7	7.8	21.9
Men	i	4.0	8.1	20.4
Women	i	2.1	6.4	28.2
Poland	i	28.6	12.7	21.0
Men	i	21.2	12.3	18.2
Women	i	59.9	14.6	34.0

³⁹ ODR is calculated using the following formula: (Total cases of occupational diseases/Total worked hours)*200,000.

⁴⁰ LDR is calculated using the following formula: (Total days of lost work /Total worked hours)*200,000.

Absenteeism Rate (AR) ⁴¹ by gender and Country	Unit	2017	2018	2019	
Total Group rate	i	2.8	3.4	3.1	
Men	i	2.7	3.3	3.1	
Women	i	3.4	3.7	3.3	
Italy	i	3.4	3.8	3.6	
Men	i	3.2	3.6	3.5	
Women	i	4.5	4.7	4.1	
United States	i	0.1	1.5	0.4	
Men	i	0.1	1.4	0.3	
Women	i	0.1	1.8	0.4	
United Kingdom	i	2.7	3.4	3.6	
Men	i	2.6	3.5	3.4	
Women	i	3.4	2.7	4.3	
Poland	i	3.4	4.1	5.2	
Men	i	3.2	4.0	5.0	
Women	i	4.5	4.6	6.0	
Work-related fatalities	Unit	2017	2018	2019	
Total Group	N.	-	-	-	
Men	N.	-	-	-	
Women	N.	-	-	-	

Training					
Average hours of training per employee	Unit	2017	2018	2019	GRI 404-1
Training hours	hours	20	20	19	
Training hours by gender					
Men	hours	20	19	19	
Women	hours	18	23	20	
Training hours by employee category					
Managers	hours	16	18	37	
Middle managers	hours	20	22	19	
White collars	hours	18	19	18	
Blue collars	hours	23	19	18	

⁴¹ AR is calculated using the following formula: (Total days of absence/Total working days)*100.

Diversity and equal opportunities					
Diversity of governance bodies and employees	Unit	2017	2018	2019	GRI 405-1
Composition of governance bodies by gender and age group					
Men	%	67	67	67	
Women	%	33	33	33	
< 30 years	%	-	-	-	
30-50 years	%	17	17	8	
> 50 years	%	83	83	92	
Breakdown of employees by category and gender					
Men					
Managers	%	90	89	88	
Middle managers	%	84	83	82	
White collars	%	78	77	77	
Blue collars	%	91	91	90	
Pilots	%	100	100	100	
Women					
Managers	%	10	11	12	
Middle managers	%	16	17	18	
White collars	%	22	23	23	
Blue collars	%	9	9	10	
Pilots	%	-	-	-	
Breakdown of employees by category and age group					
< 30 years					
Managers	%	-	-	-	
Middle managers	%	1	-	-	
White collars	%	7	8	10	
Blue collars	%	15	13	15	
Pilots	%	-	2	-	
30-50 years					
Managers	%	32	34	35	
Middle managers	%	42	42	42	
White collars	%	56	55	54	
Blue collars	%	52	54	54	
Pilots	%	42	42	38	
> 50 years					
Managers	%	68	66	65	
Middle managers	%	57	58	58	
White collars	%	37	37	36	
Blue collars	%	33	33	31	
Pilots	%	58	56	62	
Employees belonging to minorities groups by category					
Managers	%	1	1	1	
Middle managers	%	4	4	4	
White collars	%	5	6	5	
Blue collars	%	7	7	7	

Equal remuneration for women and men⁴²						
Ratio of basic salary of women to men by employee category	Unit	2017	2018	2019	GRI 405-2	
Italy						
Managers	%	86	85	95		
Middle managers	%	96	95	98		
White collars	%	98	97	98		
Blue collars	%	97	93	102		
United States						
Managers	%	82	85	100		
Middle managers	%	83	86	86		
White collars	%	74	83	73		
Blue collars	%	85	87	88		
United Kingdom						
Managers	%	88	89	94		
Middle managers	%	88	88	92		
White collars	%	77	80	82		
Blue collars	%	79	83	77		
Poland						
Managers	%	93	116	158		
Middle managers	%	115	106	89		
White collars	%	85	87	88		
Blue collars	%	95	94	93		
Ratio of remuneration of women to men by employee category	Unit	2017	2018	2019	GRI 405-2	
Italy						
Managers	%	79	80	90		
Middle managers	%	96	91	92		
White collars	%	92	89	88		
Blue collars	%	84	80	89		
United States						
Managers	%	92	74	101		
Middle managers	%	74	90	85		
White collars	%	83	82	69		
Blue collars	%	88	83	75		
United Kingdom						
Managers	%	98	94	87		
Middle managers	%	86	90	94		
White collars	%	77	83	79		
Blue collars	%	77	87	83		
Poland						
Managers	%	92	79	138		
Middle managers	%	114	106	86		
White collars	%	77	79	81		
Blue collars	%	92	90	90		

⁴² In 2019, the methodology was changed, increasing data granularity level.



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of
Leonardo S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2019 consolidated non-financial statement of the Leonardo Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 12 March 2020 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Leonardo S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;

- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of Leonardo DRS. We also performed limited procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited Leonardo S.p.A. and Leonardo DRS and the following divisions: Aerostructures, Helicopters, Aircraft, Electronics and Cyber-Security, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 consolidated non-financial statement of the Leonardo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Rome, 13 March 2020

KPMG S.p.A.

(signed on the original)

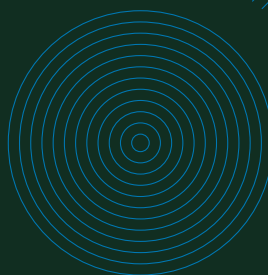
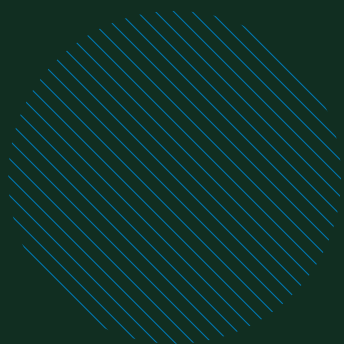
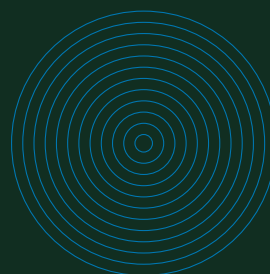
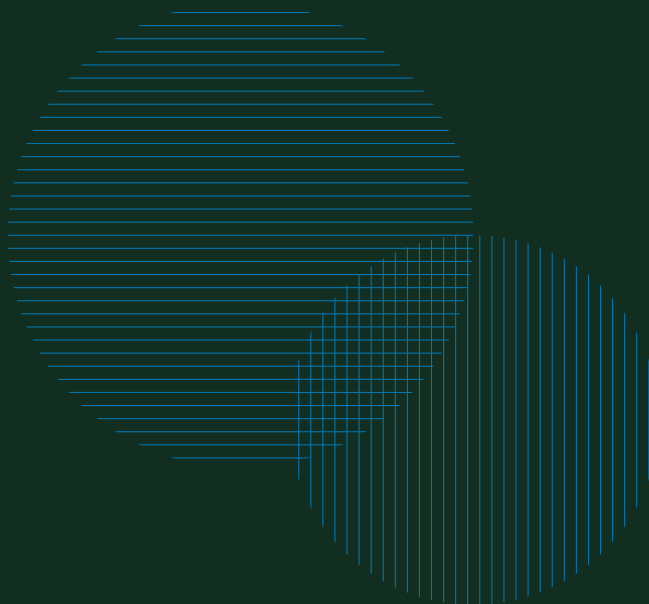
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