

DECARBONIZATION PATH

TCFD (Task Force on Climate-related
Financial Disclosures) Report 2022

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DECARBONIZATION PATH - INTRODUCTION

The growing, necessary, attention to the climate issue is increasingly shaping regulations and market needs, directly influencing the value proposition of Leonardo which, as an industrial and technological leader, intends to consolidate a business model that combines competitiveness, innovation and sustainability to contribute to the world's progress and safety. In 2020 Leonardo launched the “Be Tomorrow – Leonardo 2030” Plan, a renewed strategic vision projected over the next years, even to adapt periodically and with the necessary flexibility to the changing relevant context, leveraging its technology skills, as well as its human and intellectual capital. Within this framework, the pursuit of the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and the integration of environmental, social and governance (ESG) dimensions into business are principles that guide the actions Leonardo has outlined to pursue sustainable success, such as:

- > investments in key technologies and capabilities,
- > attraction/ upskilling of specialized resources,
- > strategic collaborations and partnerships,
- > open innovation framework.

Notably, Leonardo defined sustainability goals, including those related to climate change aspects, which underpin long-term growth and are translated by a specific Sustainability Plan into concrete projects and initiatives measurable in the short, medium and long-term, through a structured model guided by a data-driven approach. The sustainability strategy is therefore made up of:

- > a Sustainability Plan, which covers the entire value chain, in line with the strategic vision of «Be Tomorrow - Leonardo 2030», identifying measurable actions and initiatives;
- > Sustainability targets, published in the Integrated Annual Report;
- > ESG KPIs, measurable and verified, to measure company sustainability as well as the impacts on the society and the environment.

The integration of Sustainability in the Group's business model, both in terms of process and product development, is also enabled by the full coordination of the strategic targets and the initiatives envisaged in the Sustainability Plan and by the direct involvement of each business or Division to support the achievement of such targets. Leonardo is committed to reducing climate-altering emissions, mitigating climate change risks, and fostering the transition to a low-carbon economy, especially through research and implementation of innovative solutions, including with the involvement of the supplier ecosystem. In 2022, Leonardo gave further impetus to its climate-related strategy, committing itself, as part of the Science Based Target initiative, to define an ambitious target to reduce direct and indirect CO₂ emissions, in line with the objectives set in the Paris agreement. On this basis, Leonardo has received several awards in major sustainability ratings, among which the confirmation as a leader for climate change commitment in CDP assessment (former Carbon Disclosure Project).

The information that follows on Governance, Strategy, Risk and Opportunity Management, Metrics and Targets related to climate change is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which Leonardo supports since their publications in 2017.

The new commitment to the Science Based Targets initiative

In 2022 Leonardo presented its commitment to the Science Based Targets initiative (SBTi). SBTi supports companies in their decarbonisation ambition by providing guidance, tools and criteria to set targets that are in line with the goal of limiting temperature increase to 1.5°C, as defined by the 2015 Paris Agreements. Setting targets according to the SBTi methodology will ensure that Leonardo bases its decarbonisation ambition on a scientific basis and expands its commitment to carbon footprint reduction to include indirect Scope 3 emissions. Leonardo formalised its commitment in November 2022, and the targets will be submitted for final validation to be achieved by 2024.

GOVERNANCE

A sound and transparent governance is fundamental to effectively implement the Group climate strategy and achieve the decarbonisation objectives, involving all organizational levels and including incentive mechanisms linked to climate-related performance.

At Leonardo's highest governance level, the Chief Executive Officer approves the Sustainability Plan, and the Board of Directors, by means of the Sustainability and Innovation Committee and in collaboration with the Control and Risks Committee, verifies the pursuit of the related targets, which include the ones aimed at tackling climate change and protecting the environment.

At management level, the Chief Technology Officer of Leonardo is responsible for sustainability strategy and identification of related objectives by means of the Sustainability unit, which provides updates to the Sustainability and Innovation Committee on average every two months. Climate-related aspects are dealt with across the organization, involving different Company functions:

- > the Chief Risk Officer, who ensures the definition, update and dissemination of methodologies, metrics and tools for proper identification, analysis and management of risks that could affect Leonardo, including climate-related risks, providing periodic updates during the year to the Board of Directors on the main results of the enterprise risk management activities¹;
- > the Chief Financial Officer, who is in charge of reporting on and integration of ESG metrics, including climate-related ones, in the Group financial planning and communication;
- > the Group Energy Manager, who is in charge of the operational management of energy and emission-related topics at Leonardo's plants and for supporting the implementation of the climate strategy, in collaboration with Facility Managers, HSE Managers, Risk Managers and the Sustainability Coordinators;
- > the Sustainability Coordinators and/or specific Organizational Unit dedicated to sustainability, appointed within the various divisions, corporate functions and subsidiaries, are the internal connection points involved in the process of setting out, implementing and monitoring the Sustainability Plan, ensuring consistency between targets, sustainability programmes, including climate-related initiatives and the related non-financial indicators.

In order to strengthen the management commitment towards the Group decarbonisation, the Remuneration Committee proposed the inclusion of objective of GHG emission reduction intensity (scope 1 e 2² on revenues) in the Long-Term Incentive (LTI) Plan, with a 10% weight and involving about 215 Group executives, including the Chief Executive Officer, the General Manager, Directors with Strategic Responsibilities and Top Managers. The LTI Plan is proposed for approval to the General Assembly.

¹ For more information, please see the paragraph Risk and opportunity management.

² Scope 2 emissions as for the Long-Term Incentive Plan are calculated using location-based method.

DECARBONIZATION AND CLIMATE CHANGE ADAPTATION STRATEGY

Context

Climate change is a central issue which is steering economic and industrial policy in view of the potential impacts generated by profound environmental changes, including:

- > the "Global commons"³ influenced by anthropogenic intervention that will cause an exponential growth in resource demand and, at the same time, an ever-greater scarcity,
- > potential new forms of conflict that might lead to new global competition for the exploitation of natural resources,
- > rising global temperatures, extreme weather events, rising sea levels, fires, floods and droughts that will increasingly put human livelihoods at risk with serious consequences for the security of individuals and the global development.

Contributing to tackle and adapt to climate change are fundamental tasks also for Aerospace Defence & Security (AD&S) industry globally, as in particular commercial aviation is more and more under scrutiny due to its significant contribution to global carbon emissions. This has prompted a worldwide race to the use of more sustainable flight technologies. As the industry is slowly recovering from COVID-19 disruptions, it becomes clearer that success on a medium to long term horizon will be defined by the capability to answer growing concerns arising from the climate crisis. With this regard, the aviation industry's net-zero carbon emissions at 2050⁴ is focused on delivering maximum reduction in emissions at source. Indeed, new technologies and solutions are emerging to increase efficiency and reduce greenhouse gas emissions and new regulations are introducing specific requirements, leading players to invest along the whole value chain in projects such as: renewable energy powered plants for production, alternative powered propulsion (SAFs, hydrogen, electric / hybrid), lighter aircraft structures for reduced carbon footprint and digital twins to reduce emissions for testing & training. For example, among the main players of the competitive scenario:

- > Airbus conducted the first ever helicopter flight with 100% SAF (H225, equipped with two Makila 2 engines from Safran Helicopter Engines),
- > Pratt & Whitney developed the GTF engines achieving a 16% increase in efficiency and fuel savings and reducing noise by almost 50%,
- > a joint venture between Safran and Boeing to develop batteries for urban air mobility and electric aircraft projects,
- > the Leonardo and Solvay Joint Lab for the development of new easily recyclable composite materials, also reducing aircraft weight and environmental impact of manufacturing processes.

The Defence side of the industry, traditionally considered largely socially unsustainable by the finance sector, has been advocating along with many institutional actors that there can be no sustainable development without security and no security without a strong AD&S industrial sector – position that has been further reinforced by the Russia-Ukraine conflict. Accordingly, the sector is showing growing attention to green issues and needs, launching several initiatives:

- > Safran, Rolls-Royce and MBDA agreement for joint work on new propulsion solution for new subsonic Franco-British Future Cruise/ Anti-Ship Weapon program,
- > Northrop Grumman and Leonardo announced their intention to jointly pursue opportunities in the Vertical Take-Off and Landing (VTOL) Uncrewed Aerial Systems (UAS) domain.

Leonardo's overall strategy

Leonardo defined its decarbonization strategy to mitigate the risks and to exploit the opportunities related to climate change by leveraging on technological development and digitalization as the main drivers for both reducing its carbon footprint and developing new and more sustainable products and services. Leonardo's commitment to fight climate change is backed up by the engagement and collaboration activities that the company carries out with all the actors of its supply chain. Moreover, the decarbonization strategy is supported by investment decisions and financial planning that consider sustainability parameters. At the end of 2022,

³ Global commons refer to international, supranational, and global resource domains in which common-pool resources are found. Global commons include the Earth's shared natural resources, such as the high oceans, the atmosphere and outer space and the Antarctic, in particular. Cyberspace may also meet the definition of a global common.

⁴ "Destination 2050", as promoted by the International Air Transport Association (IATA) as its major Long-Term Aspirational Goal.

55% of the total sources of financing available to the Group are linked to ESG parameters. This result was achieved thanks to the issue of three ESG-linked credit lines⁵, all linked to specific KPIs, including the reduction of CO₂ emissions.

In 2022 Leonardo's decarbonization strategy was strengthened by committing to Science Based Target initiative. The commitment will bring Leonardo to define a reduction target scientifically aligned with the objectives of the Paris Agreement. Therefore, the current Scope 1 and Scope 2 target will be reviewed and submitted to seek the validation from SBTi. The fundamental change will be the definition of a Scope 3 target covering 67% of Leonardo's indirect emissions. SBTi commitment is certainly an accelerator for Leonardo's decarbonization journey.

As a large industrial and manufacturing player, Leonardo is conscious of the importance of efficiently managing the energy consumption of its activities and operations. Therefore, the Company defined, years ago, the energy policy in order to decarbonize and curb the energy consumption of its operations (Scope 1 and 2 emissions), by investing in several initiatives that aim to maximise the purchase of energy from renewable sources and to increase self-production of energy from renewable sources, with a consequent reduction of GHG emissions. Those initiatives include the energy self-production programme, which will enable the Group to reduce its energy dependence and avoid the emission of over 16,000 tons of CO_{2e} by 2025, and the full potential LED lighting programme, which will save over 10,000 tons of CO_{2e} annually by the same year⁶. The energy consumption and expenditure of the Group's sites are managed with a centralized governance model geared towards efficiency and sustainability, contributing to its decarbonization objectives. The multi-year investment programme for energy efficiency, in line with the Group's energy policy and efficiency improvement targets, ensures the allocation of resources to projects with the best technical, financial and sustainability returns.

The reduction of energy consumption is pursued also through the Leonardo Production System (LPS), an agile production system inspired by the World Class Manufacturing (WCM) method which Leonardo is extending within the Group⁷.

With regards to the efficiency and digitisation of production processes, Leonardo aims to minimise its carbon footprint through various initiatives, including the replacement of SF₆ gas, which avoided the emission of about 160,000 tons of CO_{2e} in 2022 compared to 2020, and the development of innovative solutions. Thanks to the Digital Twin, for example, Leonardo is redesigning its processes and reviewing the design and production stages of products and services.

Finally, Leonardo uses an internal carbon price, which is the result of internal analysis and forecast, to help identifying investments able to reduce emissions, and consequently to optimise the Emission Trading Scheme (ETS) allowance management.

-15% CO_{2e} emissions Scope 1 and 2 (Market-Based) compared to 2021

79% of electricity acquired from **renewable sources** in 2022

About 160,000 tons of CO_{2e} avoided thanks to the partial replacement of gas SF₆ from 2020

At the same time, the commitment to support its suppliers to reduce their emissions and the implementation of new products and services is accelerating Leonardo's decarbonization journey along the entire value chain (Scope 3 emission from both upstream and downstream activities). In this regard, Leonardo has commenced specific training, awareness and sustainability planning and reporting support activities for suppliers. On the other hand, important contributions are provided by research work performed within Leonardo Labs on Digital Twin, materials, logistics electrification, participation in European-level research programmes - such as Clean Aviation and SESAR 3, as well as advocacy activities and collaboration with suppliers, partners and institutions. Leonardo's approach is also in line with the goals of Destination 2050, the leading European-level

⁵ Notably: the execution of the first ESG-linked Revolving Credit Facility, amounting to €bil. 2.4, the first ESG Term Loan, amounting to €mil. 600 and the first ESG-linked loan granted by the European Investment Bank, amounting to €mil. 260.

⁶ Compared to 2019.

⁷ Leonardo was the first company of the A&D sector to become a member of the WCM Association in 2022. For more details on the LPS, refer to Leonardo's Integrated Annual Report 2022, paragraph "Change management models in the business".

industry initiative that designs the roadmap for zero-emission aviation by 2050, involving airlines, airports, and aerospace companies. Commitment to combating climate change is increasing in all countries on an ongoing basis; most notably in the United Kingdom, where Leonardo has made public a specific decarbonisation plan.

Major projects to reduce CO₂ emissions in its operations (Scopes 1 and 2)

	<p>SF₆ replacement – Leonardo is proceeding with the work to upgrade its manufacturing processes in order to significantly reduce the quantities used for the inert gas SF₆ by replacing it with a gas with lower Global Warming Potential (GWP), according to the methods envisaged in the relevant project of the Sustainability Plan. The objective is, in fact, to replace SF₆ gas (GWP: 24,300) with R134a (GWP: 1,530) as the inert gas used during the casting of magnesium alloys. In 2022, a direct emission reduction of about 160,000 tons of CO_{2e} was achieved through the partial replacement of SF₆ with R134a, compared with 2020.</p>
	<p>Energy self-production programme – Operations commenced on 3 pilot PV plants, for which the authorisation stages are underway. Furthermore, potential implementations are being analysed on 30 additional sites, with the aim of maximising electricity production from on-site plants, reducing dependence on fossil fuels and diversifying the risk associated with volatile energy markets. Compared with previous assessments, the estimate of self-consumed energy at full capacity has consequently been increased, which may reach a value of more than 50GWh/year by 2025, equivalent to about 16,000 tons of CO_{2e} per year avoided. Ongoing analyses will confirm these values and the timing of construction of the plants, with the aim of giving maximum acceleration to the project. The systems hosted at Leonardo's plants will be owned by a third-party partner who will make a portion of the energy produced available to the sites, thus helping to reduce the withdrawal of electricity from the external grid and associated costs.</p>
	<p>Full Potential lighting programme – Work is continuing on the massive programme to replace lighting systems with LED technology, envisaged in the Sustainability Plan. In the period from 2021 to 2022, investments of about €mil. 5.6 were completed, which will allow, when fully operational, to save about 8.2 GWh/year, equal to more than 2,500 tons of CO_{2e} avoided per year, which must be added to the 6,000 tons of CO_{2e} avoided per year thanks to the first installations completed in the period from 2014 to 2020. Leonardo has also decided to give maximum acceleration to the programme, which envisages about €mil. 23 in additional investment and an estimated reduction in consumption of about 33GWh/year when fully operational, equivalent to about 10,000 tons of CO_{2e} avoided per year. The Programme will also make it possible to improve working environments, regarding all impacted areas: industrial, office and outdoor areas.</p>
	<p>Thermal Energy Consumption Efficiency – A new thermal plant is being designed at the Vergiate factory, regarding which the current steam generators will be replaced with more energy-efficient machines. The new plant will be able to reduce gas consumption by about 900,000 m³ per year, equal to about 1,800 tons of CO_{2e} avoided, through an investment of more than €mil. 6. The project will be implemented in the period from 2023-25, according to the production needs of the plant.</p>
	<p>Digital energy monitoring – The platform connects about 1,100 smart meters through which about 70% of the energy consumption is monitored at the Italian plants, enabling a structured and digitised management of energy consumption and facilitating the identification of new projects to improve consumption efficiency. The data collected by the platform in 2022 will also be used to prepare the 2023 energy diagnoses on Leonardo's main sites, in order to update the energy performance of the plants and take new actions on plant engineering efficiency improvement.</p>
	<p>Electric and hybrid cars – Leonardo's corporate fleet (long-term rental) in Italy consists of 43% hybrid/electric drive vehicles (+6 p.p. compared to 2021), with the goal of achieving 80% by 2023. Regarding the carpool, the current share of green vehicles is 55%. In support of this objective, additional charging stations will also be installed at all Leonardo sites, in addition to the 200 that are currently in use (including more than 130 in 2022). A pilot car sharing project has also been launched at some sites, using only electric or hybrid cars, with the aim of gradually extending it to the entire Group.</p>

Main projects to reduce CO₂ emissions in the value chain (Scope 3)

Supply chain emissions reduction

Decarbonisation is an industrial transformation that involves the entire supply chain of Leonardo. For this purpose, the Company has prepared the Manifesto for Supply Chain Sustainability⁸, which focuses on industrial efficiency, action for Planet, green energy, and finally eco-design and circular economy. Leonardo has also recognised the issue of managerial culture and skills as key to accompanying suppliers on the path to decarbonisation. The Group has designed specific training, awareness and sustainability planning and reporting support programmes for suppliers, which are developed along three lines of action:

- > dedicated workshops, featuring experts and market industry leaders for green solutions;
- > managerial training programme for suppliers, delivered free of charge through the use of interprofessional funds and/or public funding;

⁸ For more information on Leonardo's commitment to its suppliers, please see the Integrated Annual Report 2022, chapter "Prosperity", paragraph "Supply chain value".

- > video courses and toolkits to implement the development of a Sustainability Plan and preliminary non-financial reporting within the supply chain at the level of individual companies.

Products and services development emissions reduction

In developing products and solutions, Leonardo uses cutting-edge materials, processes and technologies that reduce energy consumption and, consequently, greenhouse gas emissions, thus contributing to combating climate change. Leonardo produces in fact aircraft that consume less fossil fuels through the use of lighter materials and have lower energy requirements, virtual training systems that drastically reduce real flight hours and systems to optimise air, urban and maritime traffic, which make the aeronautics and transport sectors more environmentally sustainable. Leonardo also participates in research and development activities for advanced solutions with low environmental impact promoted by major national and European projects, benefiting from both risk sharing and reduced research costs and time to market, including Clean Aviation and Sesar 3⁹.

Major projects to reduce CO₂ emissions in the aeronautics and helicopter business (Scope 3)

	<p>Virtualisation – Embedded Training Systems allow online training with real and/or virtual actors in a tactical scenario shared between aircraft, ground simulators and monitoring and control stations, with real-time data exchange through data link (aircraft-to-ground) and communication networks (ground-to-ground). These technologies make it possible to significantly reduce the need for flights on real platforms, with consequent reduction in the use of fuels and production of climate altering emissions. The virtualisation of product testing (Certification-by-Simulation) will also drastically reduce the flight activities required to obtain certifications for platforms and/or their subsystems. The current real tests (on the ground or in flight) may in fact take place in digital form by using advanced simulation systems and accurate models.</p>	<p>1/10 CO_{2e} emissions produced with one hour of simulator compared to one hour of real flight</p>
	<p>Electric and hybrid platforms - The development of electric or hybrid platforms will allow the reduction of CO_{2e} emissions thanks to new propulsion systems that operate much more efficiently than current ones and without the use of fossil fuels.</p>	
	<p>Sustainable Aviation Fuels (SAFs) - Environmentally sustainable fuel is one of the solutions to contribute to reducing aviation’s carbon footprint at global level. At present, Leonardo has 12 helicopter models that can operate on fuels with up to 50% of SAFs¹⁰.</p>	<p>Up to -80% of CO_{2e} emissions over the entire life cycle thanks to the use of SAFs with respect to traditional fuels¹¹</p>
	<p>Emission Trading Scheme - In Italy, 9 sites fall within the scope of the ETS (Emission Trading Scheme) regulations, compared to 12 sites in 2013, and must therefore offset their CO_{2e} emissions by purchasing allowances partly free of charge and partly for valuable consideration. No site of Leonardo falls within the scope of application of the Aviation ETS regulations.</p>	
	<p>Air Traffic Management – Air Traffic Management (ATM) systems help optimise traffic and reduce aircraft GHG emissions. Leonardo develops and produces ATM systems within the European SESAR (Single European Sky ATM Research) programme, based on paradigms of sustainability, digitisation and green transformation to create a single European air traffic control system, which at present is still fragmented. In this context, LEANS (Leonardo Evolution Air Navigation System) has been set up, which is aimed at evolving the current Leonardo ATM system to adapt it to the needs of its customers, creating together a shared vision and a roadmap towards automation, digitisation, scalability, optimisation and green transformation (reducing for example gate-to-gate times and fuel consumption).</p>	<p>About 150,000 tons of CO_{2e} avoided in one year with Leonardo’s Free Route ATM system in the sky in Italy</p>

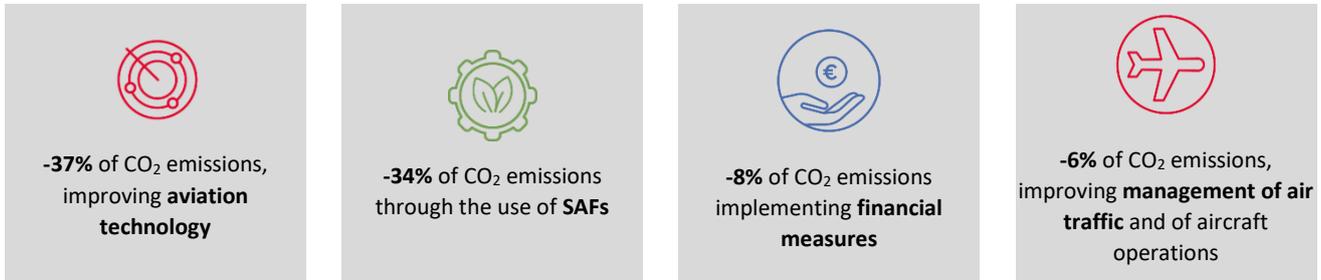
⁹ For more information, please see the Integrated Annual Report 2022, chapter “Prosperity”, section on the European research programmes and chapter “Results and outlook by sector”, paragraphs on the Research, development and product engineering of sectors.

¹⁰ Leonardo helicopters that can operate with fuels having up to 50% of SAFs without operational limitations or performance degradation are the following: AW139, AW169, AW189, AW149, A109S, AW109SP, AW119MkII, A109A/All, A109C, A109K2, A109E, A119.

¹¹ Depending on the mixture of SAFs used. More information can be found on the [website](#).

Leonardo's approach in the aeronautics sector supports the objectives of Destination2050¹², the major sustainability project in the aviation sector in Europe, which sets out a roadmap for net zero-emission air transport by 2050, acting on all flights relating to Europe, the United Kingdom and the European Free Trade Association, through the collaboration of airlines, airports, Aerospace companies and navigation service providers.

Destination 2050 Objectives



Other projects to reduce indirect CO₂ emissions (Scope 3)



Sustainable employee mobility - Home to work travel plans have been prepared for 40 company sites in Italy, 10 of which on a voluntary basis. Over 29,000 staff members of Leonardo work at such sites, equal to about 93% of the Company's population in Italy. The Plans include more than 200 projects to be implemented, aimed at encouraging more sustainable home-to-work mobility. In 2022 Leonardo incurred expenses of about €mil. 2.5 for sustainable mobility projects in favour of its people, including, for example, maintaining the shuttle service at numerous company sites, installing covered parking spaces for bicycles and kick scooters, and providing grants for the purchase of public transport season tickets. In addition, a survey of the entire Leonardo staff in Italy was conducted in 2022 to learn about home-to-work travel habits and propensity toward more sustainable forms of transport. More than 11,000 employees participated in the survey (35% response rate). The data collected shows that the average home-to-work commute of Leonardo people is 29 km each way, takes 36 minutes, and involves a monthly expense of € 140. 78% of respondents predominantly use a car. About 70% are very or fairly satisfied with their current commute mode, while about 30% are not satisfied at all.



Logistics – Implementation of the Transportation Control Tower to make the Group's shipping management more efficient while reducing emissions under Scope 3, through consolidation of shipping and reduction of dedicated transport and, where possible, with a shift to more sustainable modes of transport (e.g., maritime). Under the current plan, CO₂ emissions are expected to be reduced by 3% in 2023 and 7% in 2024¹³.

“Net zero” target in the United Kingdom

The United Kingdom is one of the Leonardo's domestic markets, with an important industrial presence made up of seven manufacturing sites and over 7,500 employees. In the United Kingdom Leonardo has committed to achieving climate neutrality by 2030 for Scopes 1 and 2 emissions and across the value chain by 2050, with a target to reduce CO₂ emissions by 40% (for Scopes 1 and 2) by 2025 (compared to 2018). In September 2021, Leonardo published its Carbon Reduction Plan, including information on Scopes 1 and 2 and five categories of Scope 3, as well as a description of the most significant measures that will be adopted to reduce the environmental impact of operations in the United Kingdom. These include:

- > **Energy management standards** - Implementing ISO 14064-1 certified management systems at all UK operations by the end of 2024 with the ambition to follow the PAS 2060 standard to demonstrate the credibility of the stated carbon neutrality target.
- > **Self-produced energy** - Making investments to achieve 25% of self-produced energy under power purchase agreements by 2030.
- > **Use of electric vehicles** - Expanding charging points, providing incentives for employees to transition to hybrid or electric vehicles, 100% of electric executive cars by 2030, and corporate electric fleet by 2025.
- > **Investments in energy efficiency at sites** - Implementing a system to monitor electricity and gas consumption at all sites, launching a Lighting-as-a-Service (LaaS), significantly reducing fossil fuel consumption and promoting the use of low greenhouse gas emission refrigerants.
- > **Water efficiency and reduced waste generation** - Target of 5% waste reduction, recycling of at least 90% of non-hazardous waste by 2024, and 5% reduction in water consumption and discharge by 2024.

¹² For more details, please see the website of [Destination2050](#).

¹³ Baseline 2019.

Leonardo's commitment to carbon neutrality is consistent with the Social Value model adopted by the UK Government as part of its competitive bidding process. During the selection process for awarding new contracts, the UK government gives a weight of at least 10% to the social value produced by individual companies. The five key themes defined by the UK Government include combating climate change, as well as equal opportunities, reducing economic inequality, post-pandemic recovery and well-being.

Leonardo's advocacy activities and collaborations on energy transition issues

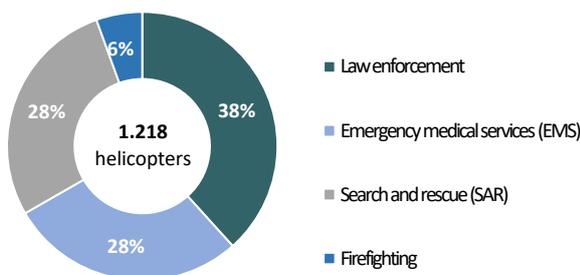
As for its lobbying activities, Leonardo aims at advocating in a responsible manner its interests and position in the legislative and administrative bodies. This is carried in compliance with the principles of loyalty, fairness, transparency, efficiency, obedience to the law and the values expressed in Leonardo's Code of Ethics and Charter of Value, applicable throughout the Group. In this perspective, engagement activities are aligned with the corporate strategic outlook, which poses at the centre the commitment to tackle climate change in line with the objectives of Paris Agreement.

In particular, as for the advocacy on issues relating to energy transition and environmental protection, Leonardo upholds clear and consistent positions, ensuring its engagement activities consider the goals of the Paris Agreement. Leonardo is a member of the International Aerospace and Environment Group (IAEG), an organisation including the industry's leading companies committed to advancing innovative environmental solutions and standards for aerospace. Among the topics dealt with there are hazardous substance management, alternative technology development, and GHG emissions reporting and management. To provide further support, Leonardo is a member of the CSR (Corporate Social Responsibility) working group of the Aerospace and Defence Industries Association of Europe (ASD) and took part in 2022 in the launch of a new task force on Green Defense within the same association. Leonardo also participates in the Energy Transition and Climate Change group of the European Round Table (ERT), and in the related thematic task forces; in 2022, the Group also actively contributed to the Task Force on the Digitally Enabled Green Transition, which is mainly focused on the impact of new technologies to accelerate digital and green transition. Finally, Leonardo participates in the Confindustria Environment Technical Group and the Corporate Social Responsibility Group in Italy.

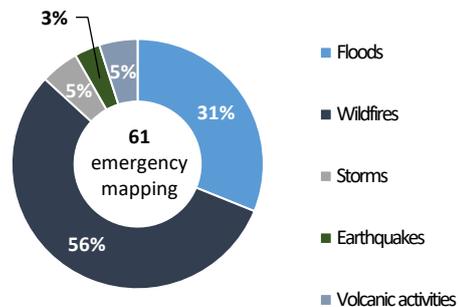
Leonardo's contribution to climate change adaptation

The demand for Earth observation and monitoring services to verify climate conditions, as well as solutions to deal with extreme events and emergency situations, is expected to increase in the near future. Among the innovative technological solutions that contribute to the progress and safety of the world, Leonardo also provides helicopters and aircraft configured for search and rescue and emergency medical missions (SAR - Search and Rescue - and EMS - Emergency Medical Services, respectively), satellite services for monitoring specific events such as floods, fires, tornadoes, and other solutions aimed at facilitating climate change adaptation. Furthermore, in order to provide maximum information support to decision-makers and operators, Leonardo's global monitoring technologies, intended as systems for monitoring and controlling the territory, integrate satellite information and associated Earth observation services with data from radar and sensor systems, secure communication systems, command and control operations rooms, helicopters, aircraft and remotely piloted drones.

Leonardo's helicopters by mission type



Satellite services by event type



Other Leonardo solutions to support adaptation to climate change

“Unmanned” solutions – Leonardo holds a stake in Skydweller Aero Inc. a start-up company dedicated to the development and implementation of solar-powered remotely piloted aircraft capable of carrying large payloads with unlimited in-flight persistence capability; in addition, Leonardo implements a business model known as "Drone as a Service, DaaS" through the cloud-based T-DROMES platform, which supports, in an integrated manner, the planning and management of environmental monitoring, firefighting, humanitarian and migration surveillance, emergency management and border control missions.

Fixed-wing and rotary-wing platforms - Multi-mission and surveillance aircraft and helicopters designed for excellent performance under the most demanding operating conditions in natural disasters, fires and humanitarian relief (AW family, C-27J Firefighting, ATR72 Maritime Patrol).

Geo-information services – Integrated solutions for data acquisition, analysis and reporting for environmental protection, rapid mapping in support of natural disaster management, maritime surveillance for crude oil spills, interferometric measurements for landslide and land subsidence monitoring, thematic mapping for agriculture and forestry.

PRISMA – It is the hyperspectral mission to monitor and map the Earth's surface for environmental risk management. Since the beginning of its operations in 2019, the hyperspectral payload, operating in more than 200 bands in the visible and shortwave infrared spectrum, is acquiring data over the entire world, revealing all its capabilities for monitoring the Earth's delicate ecosystem, in particular for monitoring water transparency, crop health, drought, risk of biodiversity loss, fire risk, air pollution, as well as natural disasters such as volcanic eruptions, landslides, floods.

X-2030 - The platform is a "system of systems" with command and control, communication, cyber and intelligence capabilities for monitoring the territory able to process and exploit in real time huge amounts of data from heterogeneous sources. The X-2030 platform, through command and control operations rooms, provides an integrated view of the operating context and is used, for example for monitoring environmental and anthropic events, risk prevention, to enhance and protect Italy's cultural, artistic and architectural heritage, as well as for city management and urban security purposes.

RIM (Rete Ibrida Multi-vettore) - It is based on a dedicated core network that integrates narrowband and broadband networks and provides cyber-embedded protection together with appropriate redundancies and architectural robustness (an essential element for mission critical networks) to guarantee both day-to-day operations and the management of catastrophic events or emergencies that put public/commercial network-based communications in great difficulty.

PSN (Polo Strategico Nazionale) – It has been created with the aim of providing the Italian Public Administration with a secure, efficient and reliable cloud infrastructure. It deploys state-of-the-art infrastructure and technology to guide the public administration in the process of innovating digital services in an efficient, sustainable and secure way. At the heart of PSN are 4 national, dual-region Data Centres designed, built and operated to provide the energy efficiency the infrastructure needs, with reduced environmental impact.

Scenario analysis

Leonardo assesses probability and impacts of risks (with best, most-likely and worst-case estimations), also taking into account the expected results of the actions defined for their treatment.

To support the identification of both physical and transition risks and opportunities and to assess the resilience of its strategy in the medium-long term, Leonardo performs scenario/sensitivity analysis considering how strategic targets can be influenced by multiple uncertain and interconnected factors.

Physical risks

Leonardo carried out a scenario analysis in order to assess the impact on the Company's sites with different warming levels taking into account two Representative Concentration Pathways: the "business as usual" scenario (RCP - 8.5) and the scenario which considers a temperature increase limited to 2°C/1.5°C (RCP2.6). A lower pace of decarbonisation at global level, consistent with the RCP 8.5, will expose Leonardo to increasing physical risks connected to extreme weather events for which protection measures at existing sites may be insufficient, forcing Leonardo to rethink the geographical presence of its manufacturing sites, as well as its supply chain, and implement mitigating actions to preserve business continuity, with related increased costs. With this regard, in 2022 Leonardo performed a water risk study for 24 industrial sites, representing the most important production plants; the results of this assessment, considering RCP 8.5, have been taken into account for the development of a specific "Water Site Risk Analysis" tool, to be progressively adopted in all relevant Leonardo's industrial sites. The main purpose of such Risk Analysis is to support the identification and management of specific location-based risks, with the aim of defining and prioritizing dedicated mitigation plans.

Transition risks

For Leonardo, transition risks are mostly related to the potential impact of the transition to a low-carbon economy as drafted in most ambitious decarbonization scenario as the IEA NZE 2050. This scenario is aligned to the Destination 2050 roadmap. In the Aerospace & Defence sector the most significant implications are related to products, with different levers:

- > Market – demand for low carbon products (e.g. more efficient, no fossil fuel, lighter innovative, circular materials, longer life cycle, etc) could be significantly pushed also for military sector as currently emerging. Ability to decarbonize could be a strategic competitive game with peers.
- > Policy & Legal – acceleration for standards limiting carbon emissions as national headline carbon emission targets, technology standards, etc.
- > Technological – ability to put on the market innovative technologies for helicopters, aircrafts and electronics
- > Reputation – inability to reach decarbonization targets

Aware of such consequences, Leonardo is further accelerating its decarbonisation journey, funnelling more financial resources towards development of low carbon solutions; at the same time benefitting Leonardo's shareholders in terms of carbon exposure (as investee company) and the global community (reducing its impact on natural capital).

Considering the wide range of outcomes of these scenario analyses, Leonardo puts in place mitigating measures which aim to ensure the resilience of its strategy as described in the "Risk and opportunity management" paragraph.

RISK AND OPPORTUNITY MANAGEMENT

Identification, assessment and monitoring of main risks and of related treatment actions in Leonardo are supported by specific methodologies, tools and metrics aimed at their analysis and management.

The Enterprise Risk Management (ERM) methodology and process, constantly updated to innovate and spread an effective organizational culture based on risk prevention and management, integrate the analysis of ESG factors and topics, including those related to climate change, in order to:

- > identify the main potential risks related to climate change;
- > assess the current exposure and the potential strategic, operational, financial, compliance and reputational impacts for the company;
- > address further actions needed for risk treatment;
- > support preparation of the Strategic, Industrial and Sustainability Plans.

Leonardo risk management process envisages the involvement of several company functions, both business and support ones, notably:

- > Process Owners – in charge of risk identification, assessment and management;
- > Risk Owners – experts of the specific risks in each relevant area;
- > Action Owners – in charge of risk treatment (e.g. risk mitigation).

ERM reporting, intended also to inform both governance and control bodies, facilitates enterprise risks monitoring and awareness and enables the decision-making process related to the identification of mitigation actions suiting the company risk appetite.

Leonardo Risk Management function supports the owner functions in the ESG-related risk analysis, also through checklists of the main risk factors relevant to the company. Such checklists include a sub-set of factors specifically referred to Leonardo selected from an initial pre-defined list of ESG related risk factors, which are generally applicable to the AD&S sector.

The subset of risk factors is then defined and updated taking into account the company's mission and the competitive positioning targets in the market, as well as the materiality analysis, potential and actual law requirements and emerging trends at global level. As far as climate change is concerned, Leonardo risk factors are related both to production activities and processes (firstly operations and supply chain) and to customers' products and services demand, so embracing all the value chain stages.

Furthermore, specific risk analysis tools are progressively developed and constantly maintained, addressing climate-related topics, with the aim to support the identification and assessment of specific risks, the definition of the related treatment actions and the prioritization of mitigation plans.

Climate-related risks identified and assessed by the owner functions are also classified according to the categorization of the TCFD recommendations: transition risks (policy & legal, technology, market and reputation risks) and physical risks (acute and chronic risks); main risks are reported below. Notably, each risk has been assessed in terms of probability and impact with the aim of defining the "current" risk level. Based on the company risk appetite, proper mitigation actions and subsequent "post-action" risk level, to be monitored until completion of the action plans, have been defined¹⁴. Risk impacts are evaluated on the short-term horizon and further analysed in the strategic plan time horizon of medium and long term.

At the same time, risk analysis, constant monitoring of both market drivers and customer needs as well as collaboration with research centers and other business partners support the identification and prioritization of the opportunities related to climate change along the value chain: from the decision of developing a new product, to the presentation of the commercial offer, to the business program execution, with regard also to the company supply chain.

¹⁴ For more details, see the "Strategy" paragraph.

Transition risks			
Risk	Description	Time Horizon	Actions
Policy & Legal	<p>> Some Leonardo's sites might be subject to even more stringent climate regulations than the ones currently in force according to the rules set in each Country. For example, in Italy, 9 plants fall under the scope of the ETS (Emission Trading Scheme); such plants, when exceeding the free of charge allocation, shall compensate their own CO₂ emissions by purchasing allowances¹⁵. Regulatory, economic and social pressures to reduce environmental impacts at industrial level might lead to a reduction of free of charge allocated allowances and to the increase of their price. Likewise, Leonardo's plants located outside of the European Union, such as those in the US, might have to comply with laws and have similar impacts in the future. Moreover, the growing attention to the energy transition paid by national governments, notably in the most advanced economies, might lead to the issuance of even more stringent rules, with scopes of application wider than the only CO₂ emissions, including, for example, topics related to water, waste and biodiversity. For Leonardo this might lead to an increase of operating costs.</p>	Medium / long term	<p>> Research and development of new solutions (notably aircraft and helicopters with reduced energy needs) and processes with a lower environmental impact through divisions, Leonardo Labs, national and European initiatives and other open innovation programs. For Leonardo, research and development is a strategic priority, as witnessed by the expense of €2.0 billion in 2022 and the around 12,200 people dedicated to these activities.</p> <p>> Efficiency interventions and energy self-production in the sites of the Group which might enable more plants to be excluded from the scope of the ETS Directive.</p> <p>> Energy governance centralized model and multi-year investment program aimed at increasing energy efficiency.</p> <p>> Commitment to the Science Based Target initiative (SBTi).</p> <p>> Integration of parameters in the investment procedure related to a lower environmental impact, including GHG emission reduction.</p> <p>> Launch of projects and partnerships for the development of both circular economy of materials and eco-design approaches – lower weight, modularity, material selection.</p>
	<p>> The banking system might acknowledge growing relevance to the ESG dimension also in the loans to the small-medium enterprises, firstly with regards to environmental topics. Leonardo's supply chain might be affected in the medium period by the increase of the cost of financing of their working capital and their investments. Leonardo might have to put in place extraordinary interventions to support "critical" suppliers.</p>	Medium term	<p>> Carbon price used to assess the convenience of investments aimed to minimize energy consumption and/or avoid purchase of allowances in the market. In 2022 Leonardo used a shadow price of €67.86 per ton of CO_{2e}.</p> <p>> Constant monitoring of the allowances market to capture opportunities for reducing operating costs.</p>
	<p>> European regulations on ESG topics and financial instruments might penalize the AD&S sector, e.g., with regard to the European Social and Environmental Taxonomy and to the Ecolabel for retail financial products. This might create an unlevel playing field within the sector, with non-European competitors gaining a competitive advantage. Moreover, structural consequences might affect in the medium-term Leonardo and the whole European sector's availability and cost of debt as well as the share price of listed companies.</p>	Medium term	<p>> Introduction of KPIs linked to the achievement of ESG targets, included those related to climate change, in the Incentive Plan of management</p> <p>> Further implementation of LEAP (Leonardo Empowering Advanced Partnerships) programme, the supply chain management and improvement model aimed at supporting strategic suppliers in the transition towards sustainability. Improvement and development projects are already under way with more than 130 suppliers, including managerial training, commercial partnership agreements, financing, and support for technology transfer, digital transformation, cyber security and green transition</p>
Market and technology risks	<p>> The different priorities assigned by Countries worldwide for the management of topics related to the ecological transition might cause impacts on processes, products and related technologies, giving rise to competitive asymmetries in the different market geographies, also</p>	Long term	<p>> Further implementation of LEADS, Leonardo Assessment and Development for Sustainability, the supplier evaluation model developed and adopted by Leonardo to improve key suppliers' performance in</p>

¹⁵ Italian plants under the scope of the ETS are: Cascina Costa, Vergiate, Foggia, Grottaglie, Nola, Pomigliano, Cameri, Venegono Superiore and Caselle Nord.

	<p>driving an unexpected development of new competitors, with potential impacts on Leonardo's market shares.</p> <ul style="list-style-type: none"> > Countries whose economy is based on fossil fuel extraction might have to accelerate their own path of transition towards what envisaged in their diversification plans, with both impacts on their balance sheets and a related reduction of their spending capacity. In the medium-long term Leonardo might be affected by the possible reduction of the budget availability of such Countries. > Leonardo's customers might have a growing interest for low-carbon products, also looking at the environmental transition driving the post-pandemic recovery in Europe (among which for example potential extension of ETS to the flights extra EU and higher taxation on fossil fuels). Should Leonardo's offer be not timely aligned to such demand, the Group might lose competitive advantage and, consequently, market shares. > Leonardo's customers might introduce in tenders and bids new or more challenging ESG requirements (e.g. emerging requirements on SBTi-aligned target setting) to be met by proposing companies and their supply chain (eligibility parameters for tenders); the UK Ministry of Defence, one of the main Leonardo's customers, for instance, as part of its competitive bidding process, awards at least 10% of the overall score based on Social Value, measuring the impact of organisations on the well-being, resilience and sustainability of communities. In the medium-long term, some customers, especially in Countries with advanced economies, may accelerate this trend. Leonardo's supply chain is largely composed of small and medium-sized enterprises (over 6,300 in the domestic markets) that may not be able to quickly adapt their business models and industrial processes to ensure compliance with these emerging ESG requirements, with consequence on Leonardo competitiveness, cost profile and profitability. > Current production processes of Leonardo's supply chain might be affected by new ESG requirements and regulations, so proper process adjustments might have to be put in place to ensure compliance. Suppliers' performance and business continuity might be affected, with negative impacts for Leonardo and its final customers. Moreover, suppliers might become the weak link of Leonardo's decarbonization strategy, affecting its successful implementation. 	<p>Medium / long term</p> <p>Medium / long term</p> <p>Medium / long term</p> <p>Medium / long term</p>	<p>relation to sustainability and development risks, increasing their preparedness on new emerging ESG requirements. In 2022, over 600 key suppliers were assessed in terms of ESG/sustainability dimension, identifying strengths and areas for improvement.</p> <ul style="list-style-type: none"> > Intelligence activity on potential changes and future evolution regarding customers' requirements for monitoring and forecast activities to anticipate trends and to be aligned to new market needs. > Product Business Plan Risk Analysis (BPP-RA) methodology deployment supporting the evaluation and monitoring of the Company's products/services investments, taking into account, among the others, climate-related risk factors, such as compliance with the requirements of life cycle cost optimization, decommissioning costs / circular economy, environmental sustainability, use of hazardous substances (e.g., REACH/RoHS/CLP regulations, Waste Framework Directive). > The sustainability operating model, ensuring the allocation of responsibilities and the pervasiveness within the organization, also with the aim to be more aligned with stakeholder' requests and managing their expectations. <p>Through such operating model, which is an enabler of the provisions of the Strategic and Sustainability Plans, Leonardo will better address the company towards the achievement of environmental targets. Leonardo's public targets for reduction of carbon footprint, which are supported by specific initiatives and backed by allocated budget, are indeed the cornerstone of the action of the Group for climate-related risk mitigation.</p>
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			<p>of the industrial site being analyzed (using also indicators available from accredited third-party sources), to the characteristics of the operational and industrial processes present in the site (e.g. water resource dependency and distinctiveness of the site's processes for the reference business), as well as to the managerial, technical and organizational measures put in place for the management of water resource; based on the evaluation of these risk factors, the water risk response and monitoring strategy is addressed for the sites. In 2022, the WSRA was applied covering around 63% of the total annual water withdrawals of Leonardo, supporting the definition of further actions needed for water risk treatment.</p> <ul style="list-style-type: none"> > Monitoring of environmental risks related to production sites managed at different organizational levels, through tools centrally defined and technical and management solutions tailored for each site and process. > Insurance coverage for mitigation of the potential consequences resulting from catastrophic natural events. > Inclusion in the suppliers' vendor-listing criteria of the assessment of their continuity plans, also with regard to the impacts related to climate change risk.
Opportunities			
Resource efficiency and energy source	<ul style="list-style-type: none"> > Leonardo's investments and initiatives to ease the transition towards a low carbon economy allow to reduce resource consumption (e.g., energy, water and waste production) and to increase the purchase of energy from renewable sources and the self-production. Such efficiency actions in its production processes might lead to larger cost savings for energy supplies, a lower dependence on third party sources and an increase of the energy resilience, as well as a better ability to comply with future, stricter energy efficiency-related law requirements. 	Medium term	<ul style="list-style-type: none"> > Efficiency and energy self-production interventions in the Group's production sites, some of which already funded and others under evaluation, mainly in Italy and in the UK. > Energy governance centralized model and multi-year investment program aimed at energy efficiency increase. > Integration of parameters in the investment procedure related to a lower environmental impact and launch of circularity and industrial symbiosis projects applied to manufacturing processes (e.g., energy consumption reduction and related CO_{2e} emission reduction, material eco-design elements - lower weight, greater recyclability or possibility of upcycling). > Carbon price used to assess the convenience of investments aimed to minimize energy consumption and/ or avoid purchase of allowances in the market. In 2022 Leonardo used a shadow price of €67.86 per ton of CO_{2e}.
Products and services	<ul style="list-style-type: none"> > Climate change mitigation - Customer preferences and regulatory drivers are increasing the demand for energy-efficient and reduced-emission products also in the AD&S sector. Leonardo's products with higher fuel economy and lower use-phase emissions may be well positioned to capture expanding market share and adapt to changing customer preferences and regulations around fuel economy and emissions. > Climate change adaptation - In the next future Earth observation and monitoring services to verify climate 	<p>Medium/ long term</p> <p>Medium/ long term</p>	<ul style="list-style-type: none"> > Collaboration with stakeholders (customers, suppliers, institutions, research centers, universities, European and national research programmes, business partners) to develop low carbon solutions. For details see table "Main solutions and projects for climate change mitigation" of this document. > Integration of parameters in the investment procedure related to a lower environmental impact and launch of circularity and industrial symbiosis projects applied to products and services (e.g., energy consumption

	<p>change related conditions, as well as solutions to cope with extreme events, are expected to grow. Thus, Leonardo may increase the sales of its advanced instruments, systems and services for monitoring climate change issues from satellites, as well as helicopters and aircraft for search and rescue (SAR) and emergency medical services (EMS) missions.</p>		<p>reduction and related CO_{2e} emission reduction, material eco-design elements - lower weight, greater recyclability or possibility of upcycling).</p> <ul style="list-style-type: none"> > Commercial offering of rotary-wing platforms designed to perform all types of missions, from search and rescue (SAR) to emergency medical services (EMS), guaranteeing a rapid response to emergencies, even for long-distance inter-hospital transport or for high-altitude emergency rescues. Designed around patient needs, Leonardo's helicopters such as the AW09, AW119Kx, AW109 Trekker, AW109 GrandNew, AW169, AW139, AW189 and the AW609 TiltRotor are suited to the demands of primary and secondary missions, as well as rescue operations. At the same time among the fixed-wing platforms the C-27J Spartan Next Generation with the new Fire Fighter configuration can reach remote inland areas that are cut off from the sea or other water basins, optimising emergency response times, while reducing environmental impact. Moreover, the ATR72 MP features Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) capabilities which enable the monitoring of sea lane traffic, the monitoring of migration flows, as well as Search and Rescue (SAR) operations and can also be used to transport personnel and materials. > Commercial offering of satellite solutions and geo-information applications as well as manufacturing essential components of space systems. Leonardo keeps on continuously developing cutting-edge technologies, advanced instruments and solutions to study and monitor the Earth's health by processing and analysing data provided by satellites, with the aim to be a leader in the space market.
Markets	<ul style="list-style-type: none"> > Definition of ESG targets, including those related to climate, allows Leonardo to access new and diversified opportunities in the field of sustainable finance, reducing the cost of funding (for example through margin adjustments mechanism on the ESG-linked financial instruments), increasing its attractiveness as investee company and improving its reputation in the financial markets. 	Short term	<ul style="list-style-type: none"> > Engagement with main financial players in order to identify new opportunities related to sustainable finance. At the end of 2022, 55% of the total sources of financing available to the Group are linked to ESG parameters. This result was achieved thanks to: <ul style="list-style-type: none"> ○ the execution of the first ESG-linked Revolving Credit Facility, amounting to €bil. 2.4, ○ the first ESG Term Loan, amounting to €mil. 600, ○ the first ESG-linked loan granted by the European Investment Bank, amounting to €mil. 260. > Continuous monitoring and efforts to achieve Leonardo's ESG targets, including those related to climate, to unlock the related financial benefits.

METRICS AND TARGETS FOR GHG EMISSION REDUCTION

Leonardo reports impacts and performances related to climate change in accordance with the GRI Sustainability Reporting Standards¹⁸ and by taking into account the non-binding Guidelines on reporting climate-related information issued by the European Commission, the SASB standards for the Aerospace & Defence sector and the “core” metrics set out in the White Paper “Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation” of the World Economic Forum (WEF).

Within its Sustainability Plan, Leonardo set quantitative targets consistent with its decarbonization strategy:

- > Reduction of electricity consumption withdrawn from the external grid by 10%¹⁹ by 2025;
- > Reduction of GHG Scope 1 and 2 (market-based) emissions by 50%²⁰ by 2030.

For all the targets, 2022 performance improved compared to 2021, as pointed out in the table below.

KPI	2019 (Baseline)	2020	2021	2022	2022 vs 2019	Target
Electricity consumption withdrawn from the external grid intensity on revenues (kWh/€)	0.050	0.049	0.045	0.043	-14%	-10% by 2025

KPI	2020 (Baseline)	2021	2022	2022 vs 2020	Target
GHG Scope 1 + Scope 2 (market-based) emissions (ton)	422,714	325,013	277,031	-34%	-50% by 2030

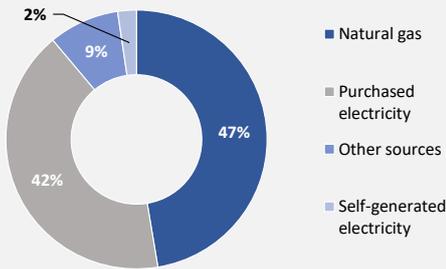
¹⁸ In the tables of GRI disclosures related to climate change, see KPIs referred to GRI 302-1/3 and to GRI 305-1/2/3/4.

¹⁹ Reduction of electricity consumption withdrawn from the external grid is calculated in relation to revenues. 2019 year baseline.

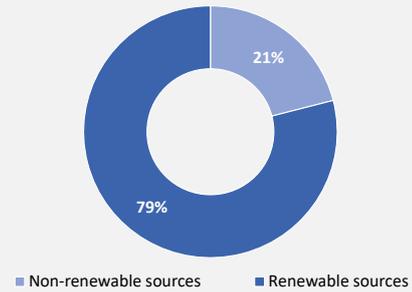
²⁰ Reduction of GHG Scope 1 and 2 (market-based) emissions is calculated in absolute value. 2020 year baseline.

KPI performance related to climate change

Energy consumption by source

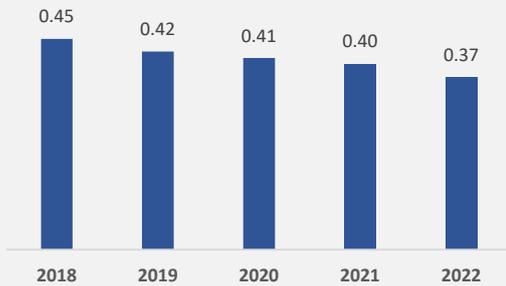


Electricity consumption by source



Energy consumption
5,435 TJ

Intensity of energy consumption (MJ/€)

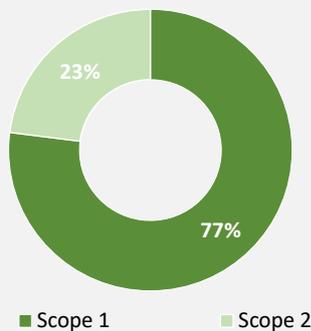


Intensity of energy consumption on revenues: 0.37 (-7% compared to 2021 and -24% compared to 2017).

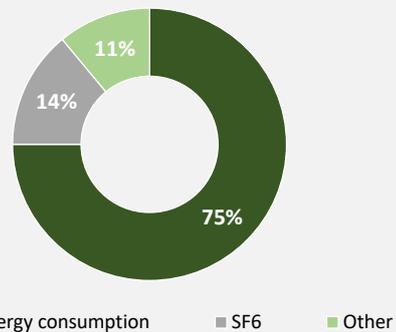
Energy consumption: 5,435 TJ (-3% compared to 2021 and -5% compared to 2017), down compared to pre-pandemic levels, of which 33% from renewable sources, of which:

- > consumption of electricity acquired: 2,259 TJ, equal to 627 GWh (-0.3% compared to 2021, -8% compared to 2017), of which 79% from renewable sources;
- > natural gas consumption: 2,575 TJ, equal to 72.8 million m³ (-5% compared to 2021, -11% compared to 2017), mainly used for heating;
- > other sources (including self-generated electricity): 601 TJ, -8% compared to 2021.

Scope 1 and 2 market based CO₂e emissions

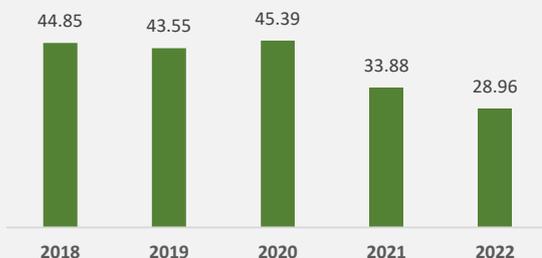


Scope 1 and Scope 2 CO₂e emissions by source



CO₂e Scope 1 + 2 emissions (MB)
277,031 t

Intensity of CO₂e Scope 1 e 2 emissions (LB, g/€)



Intensity of CO₂e emissions Scope 1 and 2 (Location-Based) on revenues: 28.96 (-15% compared to 2021 and -37% compared to 2017).

CO₂e emissions Scope 1 and 2 (Market-Based): 277,031 t (-14.8% compared to 2021, -15.1% compared to 2017), of which:

- > Scope 1 emissions: 213,107 t of CO₂e (-19% compared to 2021 and -17% compared to 2017), of which 38,443 t connected with the use of gas SF6 (-52% compared to 2021);
- > Scope 2 market-based emissions: 63,924 t of CO₂e (+3% compared to 2021, -8% compared to 2017).

GRI DISCLOSURES RELATED TO CLIMATE CHANGE

Energy		GRI 302-1/3		
Energy consumption within the organisation (GRI 302-1)	Unit	2020	2021	2022
Non-renewable energy consumed	TJ	2,815	2,982	2,836
Natural gas	TJ	2,621	2,699	2,575
Diesel oil for energy and/or heat generation	TJ	3	2	5
Fuel oil	TJ	-	-	-
Other (LPG, fuels used for product tests)	TJ	191	281	257
Energy purchased for electricity and district heating	TJ	2,545	2,493	2,473
Electrical energy from conventional sources	TJ	436	460	469
Electrical energy from renewable sources	TJ	1,916	1,804	1,790
District heating	TJ	193	228	214
Self-generated energy	TJ	134	138	126
Energy sold	TJ	-	-	-
Total	TJ	5,493	5,614	5,435
Energy intensity (GRI 302-3)	Unit	2020	2021	2022
Energy consumption/Revenues	MJ/€	0.41	0.40	0.37
Emissions		GRI 305-1/2/3/4/7		
CO _{2e} emissions (GRI 305-1/2/3)	Unit	2020	2021	2022
Direct emissions (Scope 1)	t CO _{2e}	359,711	262,984	213,107
Indirect emissions (Scope 2 market-based)	t CO _{2e}	63,003	62,029	63,924
Indirect emissions (Scope 2 location-based)	t CO _{2e}	248,958	215,907	213,040
Other indirect emissions (Scope 3) ²¹	t CO _{2e}	207,425	220,472	243,425
> Purchased goods and services	t CO _{2e}	103,304	90,847	109,803
> Fuel and energy-related activities (not included in Scopes 1 or 2)	t CO _{2e}	29,213	36,545	42,435
> Upstream transportation and distribution	t CO _{2e}	25,343	48,639	24,038
> Waste generated in operations	t CO _{2e}	24,854	21,984	24,276
> Business travel	t CO _{2e}	13,717	13,345	32,549
> Upstream leased assets	t CO _{2e}	10,994	9,112	10,324
Total emissions (Scope 1 + Scope 2 market-based)	t CO_{2e}	422,714	325,013	277,031
Total emissions (Scope 1 + Scope 2 location-based)	t CO_{2e}	608,669	478,891	426,147
CO _{2e} emission intensity (GRI 305-4)	Unit	2020	2021	2022
Total emissions (Scope 1 + Scope 2 market-based)/Revenues	g/euro	31.52	22.99	18.83
Total emissions (Scope 1 + Scope 2 location-based)/Revenues	g/euro	45.39	33.88	28.96

²¹ Scope 3 emissions data reported are subject to limited assurance by external auditors. A project is currently underway to improve analysis and quantification of Leonardo's Scope 3 emissions, notably for the categories "Use of sold products", "Purchased goods and services" and "Capital goods".

METHODOLOGY NOTE

The 2022 environmental reporting scope²² covered 105 sites around the world. The scope has been based on the materiality of the environmental impact from operating sites, the number of employees of Leonardo SpA's and its subsidiaries consolidated on a line-by-line basis²³.

External assurance

Information reported in this document, also included in the Non-Financial consolidated Statement of Leonardo, have been subjected to a limited assurance by the audit firm in charge of the assurance of Leonardo Consolidated Financial Statements, in accordance with the Italian law. Moreover, on a voluntary basis and for the second year running, Leonardo required to the same audit firm to perform a full assurance ("Reasonable assurance engagement") on a set of non-financial performance indicators (ESG), among which those related to climate change, that are considered important and strategic for the Group²⁴. Below the subset of indicators related to climate change on which a reasonable assurance engagement has been performed:

- > GRI 302-1: Energy consumption within the organization;
- > GRI 302-3: Energy intensity – (measured on consolidated revenues);
- > GRI 305-1: Direct (Scope 1) GHG emissions;
- > GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- > GRI 305-4: GHG emissions intensity – (measured on consolidated revenues).

Calculation criteria

GHG Scope 1 Emissions - Source of the emission factor:

- > GHG Protocol Global;
- > UNFCCC - National Inventory Submissions 2021;
- > Table of national standard parameters (MITE);
- > AIMS Energy Article 2018;
- > IPCC AR6 - Sixth assessment report.

GHG Scope 2 Emissions - Reporting method based on the principles of the GHG Protocol new Scope 2 reporting guidance, using the following coefficients:

- > Average Grid US, Source: EPA - United States Environmental Protection Agency - eGRID2020;
- > Average Grid Europe, Source: TERNA - ENERDATA data 2020;
- > Residual Mix United States and Canada, Source: 2022 Green-e Energy Residual Mix Emissions Rates;
- > Residual Mix Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2021.

Scope 3 emissions - Source of the emission factor:

- > GHG Protocol Global;
- > UNFCCC-National Inventory Submissions 2021;
- > Boustead Model;
- > UK Government GHG Conversion Factors for Company Reporting (DEFRA 2022)

²² Environmental data, as reported through the Group's web-based system and notably those relating to energy consumption were obtained through: direct measurements (e.g., meters and consumption measurement systems); calculations (e.g., bills; purchase orders/ invoices); estimates based on the number of employees and/or activities carried out.

²³ For more details on selected sites, see the Methodology Note of the NFS - Reporting scope of Leonardo's Integrated Annual Report 2022.

²⁴ Reasonable assurance was carried out in accordance with the International Standard on Assurance Engagements ISAE 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 (IAASB). For more details, see Leonardo's Integrated Annual Report 2022, Methodology Note of the NFS.

Guide to the document in line with TCFD

TCFD Recommendations		Paragraph
Pillar	TCFD Recommended Disclosures	
GOVERNANCE	a) Describe the board's oversight of climate related risks and opportunities.	Governance
	b) Describe management's role in assessing and managing climate related risks and opportunities.	
STRATEGY	a) Describe the climate related risks and opportunities the company has identified over the short, medium, and long term.	Risk and opportunity management Decarbonisation and climate change adaptation strategy
	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
RISK MANAGEMENT	a) Describe the company's processes for identifying and assessing climate related risks.	Risk and opportunity management
	b) Describe the company's processes for managing climate related risks.	
	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the company's overall risk management.	
METRICS AND TARGETS	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets for GHG emission reduction GRI disclosures related to climate change
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	

SAFE HARBOR STATEMENT: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements. The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts). These are only some of the numerous factors that may affect the forward-looking statements contained in this document. The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

