

LEONARDO FOR CLIMATE ACTION

TCFD - Task Force on Climate-related
Financial Disclosure

May 2024



“

Climate action can avoid the most impacting effects of climate change and be a lever to boost the competitiveness of our sustainable business proposition and value creation.

Over the last four years Leonardo has reduced more than 40% of direct and indirect emissions coming from operations and is now pushing on actions to address Scope 3 emissions. In line with this strategy and with our decarbonization targets validated by SBTi, we will enhance the sustainability of our supply chain and the development of low-carbon products and solutions.

”

R. Cingolani

CEO & General Manager of Leonardo

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01 INTRODUCTION

NATO adopted an ambitious Climate Change and Security Action Plan to embed climate change considerations into its political and military agenda. At the 2023 NATO Summit in Vilnius, Allies welcomed the establishment of a NATO Centre of Excellence for Climate Change and Security.

Danubio Delta, Romania Water

2023 was the warmest year ever registered globally, with average global temperatures exceeding pre-industrial levels by 1.5°C¹. Human activities have contributed to the increase in temperature, with the effects of the climate crisis also impacting the Aerospace, Defense & Security (AD&S) sector.

Companies operating in this industry, due to their impact on Greenhouse Gas (GHG) emissions, are called to rethink their processes and develop solutions to mitigate climate-related risks.



520 MtCO₂e/year²
total CARBON FOOTPRINT
of the Aerospace, Security
& Defence sector



~4,000
COMPANIES
MEMBER OF ASD³

Against this backdrop, the Aerospace, Security and Defence Industries Association of Europe (ASD) has defined the following steps, including:

- reducing GHG emissions from operations (Scope 1 and 2), in line with the 1.5° Paris Agreement pathway;
- collaborating with the supply chain to minimize Scope 3 emissions;
- leveraging on technology and innovation to drive the decarbonization of platforms and products.

The AD&S sector is also fostering the development of several technologies to address climate change adaptation and mitigation.

¹ “European climate risk assessment” – European Environment Agency Report 01/2024.

² Understanding greenhouse gas emissions from defence” – Aerospace, Security and Defence Industries Association of Europe.

³ <https://www.asd-europe.org/about-asd/>

Leonardo is a global industrial group that builds technological capabilities in the *Aerospace, Security & Defence* sector that play a prominent role in major international strategic programmes. The Company is a trusted technological and industrial partner of governments, defence administrations, institutions and enterprises.

WHO WE ARE - 2023 FY FIGURES



15.3 bn€
REVENUES



53,566
EMPLOYEES,
of which 13,000 people
in R&D and engineering



17.9 bn€
NEW ORDERS



~**12,000**
SUPPLIERS



2.2 bn€
R&D



4 DOMESTIC
MARKETS and
111 OPERATION SITES



150 COUNTRIES
COMMERCIAL PRESENCE



6 BUSINESS
AREAS

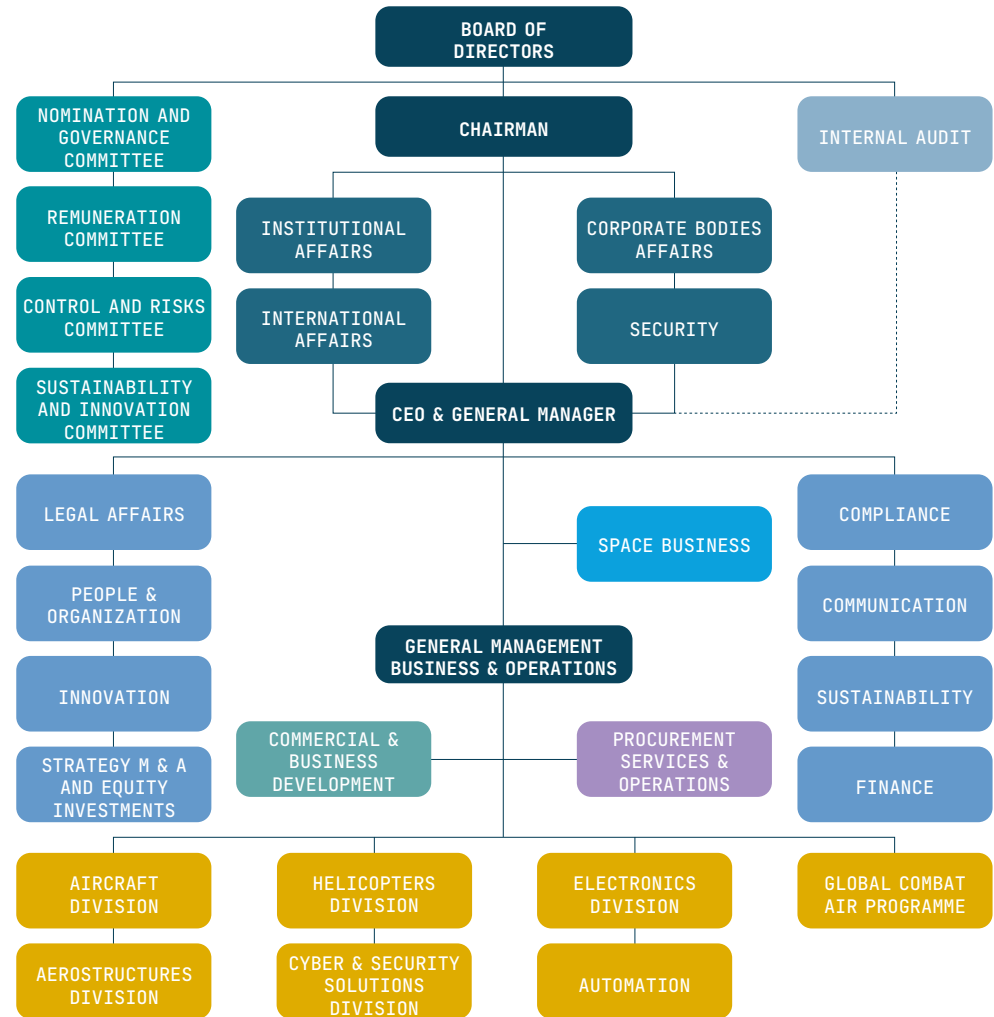
Leonardo is already **committed to protecting the environment** and is aware that its activities can affect the ecosystems in which the Group operates. For this reason, the Group's sustainability strategy emphasizes the responsible use of natural resources, attention to the circular economy, the protection of biodiversity and the mitigation of and adaptation to climate change as key elements for the Company's resilience and competitiveness.



Helicopter - AW169

CLIMATE GOVERNANCE

Proactive and robust governance is the backbone of the Group's commitment to leading **climate action** and executing its **decarbonization strategy** effectively. Leonardo's **Board of Directors** is responsible of the oversight of the sustainability strategy, including climate change, while the **Top Management** is responsible of its execution embedding sustainability along the Company's entire value chain, addressing all stakeholders' expectations.



The organization chart shows the governance of Leonardo. The main functions involved in climate governance will be described in the following pages, while the role of the Group's Divisions and Legal Entities will be detailed in Chapter 3 "Climate Strategy".

ORGANISATIONAL ROLES AND RESPONSIBILITIES DESCRIPTION

Board of Directors

The Board of Directors (BoD)⁴ supports the pursuit of sustainable value creation for Leonardo's shareholders and relevant stakeholders in the medium and long term. Several topics such as the environment, climate change, social and governance issues are on the agenda of the Board of Directors, which discusses them regularly (at least annually). The Board defines the **Group's strategic guidelines on sustainability** and oversees its achievement by monitoring the **Sustainability Plan** and its targets including those which are climate related.



12
DIRECTORS



100%
ATTENDANCE RATE



75%
INDEPENDENT DIRECTORS



42%
FEMALE DIRECTORS



8
MEETINGS



3 out of 4 LEVEL of KNOWLEDGE of ESG ISSUES⁵

⁴ Numbers and figures refer to the Board of Directors for the three-year period 2023-2025 appointed by the Shareholders' Meeting on 9 May 2023.

⁵ During 2023, the Board of Directors undertook the annual self-assessment process with the support of Egon Zehnder International SpA. According to the findings, ESG competences, including those on climate change, were assessed as medium-high (3 points on a scale from 1 to 4).

Board Committees

The Board Committees, namely the Sustainability and Innovation Committee and the Control and Risks Committee, support the Board of Directors in setting strategic guidelines on sustainability and in monitoring the fulfillment of sustainability targets.

The **Sustainability and Innovation Committee** is responsible for monitoring Leonardo's sustainability strategy, which includes its climate strategy. Notably, the Committee verifies the pursuit of the objectives and the decarbonization targets outlined in the Sustainability Plan. The Committee informs the BoD on progress regularly at each meeting, and at least once a year with a specific report on the activities carried out.

5
DIRECTORS

5
MEETINGS

80%
INDEPENDENT DIRECTORS

92%
ATTENDANCE RATE

as of 2023

The **Control and Risks Committee** supports the assessments and decisions of the BoD pertaining to the internal control and risk management system. The Committee plays a key role in overseeing ESG risks, including climate-related risks. It also informs the BoD at every meeting and at least twice a year with a specific report on the activities carried out.

5
DIRECTORS

5
MEETINGS

80%
INDEPENDENT DIRECTORS

100%
ATTENDANCE RATE

as of 2023

TOP MANAGEMENT

The **CEO & General Manager** defines the direction for the Group's climate action. The **Chief Sustainability Officer** (CSO) is responsible for leading, managing and monitoring Leonardo's environmental and climate change strategy. In cooperation with the Top Management team and in accordance with the Group's Industrial Plan 2024-2028, the CSO promotes the integration of sustainability along the entire value chain and supports all necessary measures and initiatives to meet the challenges of climate change.

REPRESENTATION OF COMPANY TRAINING ON SUSTAINABILITY ISSUES

Sustainable Trasformation of Business

An ongoing high-level international sustainability training course aims to support leadership, promote team building, networking and the customer experience and develop a strategic vision for sustainability.



AS OF 2023

80 PARTICIPANTS

Sustainability Training Courses

Interactive multimedia course on sustainability made available to employees to disseminate the measures implemented by the Company and raise awareness of environmental issues such as climate change, emissions reduction, waste reduction, water savings and energy efficiency.



AS OF 2023 COURSE COMPLETED BY

18,400 PEOPLE

REPRESENTATION OF PRIMARY CLIMATE-RELATED RESPONSIBILITIES, REPORTING LINE AND FREQUENCY OF REPORTING



CLIMATE RELATED RESPONSIBILITIES

CEO & General Manager

- Approval of climate and environmental strategy
- Monitoring of climate-related risks and opportunities

Chief Sustainability Officer

- Integration of climate-related topics into the Group's business strategy
- Monitoring of progress against climate-related corporate targets
- Identification, assessment and management of climate-related risks and opportunities
- Ensuring the involvement of every function, division and value chain stakeholder in the execution of climate and environmental strategy

Defining and managing the Group's climate and environmental strategy



REPORTING FLOW AND ITS FREQUENCY

CEO & General Manager

- Board of Directors

CEO & General Manager

- More than annually

Chief Sustainability Officer

- CEO and General Manager
- Sustainability and Innovation Committee
- Control and Risks Committee

Chief Sustainability Officer

- More frequently than quarterly
- Every month
- At least once a year

* The "Reporting Line" indicates the hierarchical relationship between the primary top management figures, involved in the Group's climate strategy, and the Board of Directors and its Committees, highlighting how the first ones report to the latter.

EXECUTIVE COMPENSATION & INCENTIVES

Leonardo's remuneration incentives are designed to support the Group in creating sustainable long-term value. Therefore, the short and long-term incentives for the CEO and General Manager, the Co-General Manager, the Group's executives (MBO and LTI) and managers with strategic responsibility, are linked to ESG metrics, including climate-related ones. During 2023, the number of beneficiaries was 1,070 for the MBO and 200 for the LTI.

Variable remuneration component	% of variable remuneration linked to ESG objectives
Short-Term Variable Component (MBO)	5% linked to Leonardo's inclusion in the Dow Jones Sustainability Indices
	5% linked to the reduction of the average accident frequency rate index
Long-Term Variable Component	5% linked to CO ₂ emission intensity reduction (Scope 1 and 2 market based on revenues)
	5% linked to the percentage of female new hires with STEM (Science, Technology, Engineering and Mathematics) degrees

For further details, please refer to the [Report on Remuneration Policy and Fees Paid 2024](#)



Helicopter - AW09

CLIMATE LOBBYING AND PARTNERSHIP

To actively contribute to climate action, Leonardo values the collaborations with legislative and administrative bodies, universities and research centres. From this perspective, engagement activities are aligned with the corporate strategic outlook, which places at the centre the commitment to tackle climate change in line with the objectives of the Paris Agreement.

International Aerospace and Environment Group (IAEG)

Non-profit organization of global aerospace companies created to collaborate on and share innovative environmental solutions for the industry

Member of and part of BoD

AeroSpace and Defence Industries Association of Europe (ASD)

Climate and Defence (C&D) Task Force and subgroup on Ecodesign and Sustainable Supply Chain

Leonardo also participates in Economic, Legal and Trade Commission (ELT) and CSR subgroups

Founding Member of

United Nations Global Compact

Since 2018

Member of

European Round Table (ERT)

Energy Transition and Climate Change Group

Member of

Main partnerships of Leonardo in international and national bodies operating on climate lobbying



COP 28

In December 2023, Leonardo participated in the United Nations Climate Change Conference (COP) for the first time. The occasion allowed the Company to organise the “Technology Driven Climate Action” activity, which focused on how the technologies, solutions and products developed by the Group can contribute to the mitigation of climate change. Participants included the Italian Ministry of Environment and Energy Security (MASE), non-profit organisations, such as the CDP (formerly Carbon Disclosure Project), the UN Global Compact Network Italy, and associations such as ESA (European Space Agency).



G7 - WORKING GROUP ENVIRONMENT

Leonardo took part in the “Global Environment Monitoring Technologies”, workshop organized by the MASE, focused on the significance of global environmental monitoring technologies in promoting sustainable natural resource management and combating climate change. The workshop highlighted the above topic as a priority and in this context Leonardo emphasized the importance of leveraging the company’s capabilities as high performance computing, artificial intelligence and digitalization to enhance data acquisition in orbit and enable innovation in processing and creating new services.

Leonardo’s High Performance Computer DAVINCI-1

03 CLIMATE STRATEGY



International Flight Training School (IFTS) - full mission simulator - Decimomannu (Cagliari)

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Sustainability is among the enabling factors of our new Industrial Plan. Through efficient data collection, digitalization and enhanced computing ability, we develop innovative solutions, technologies and know-how to pursue our commitment to climate action.

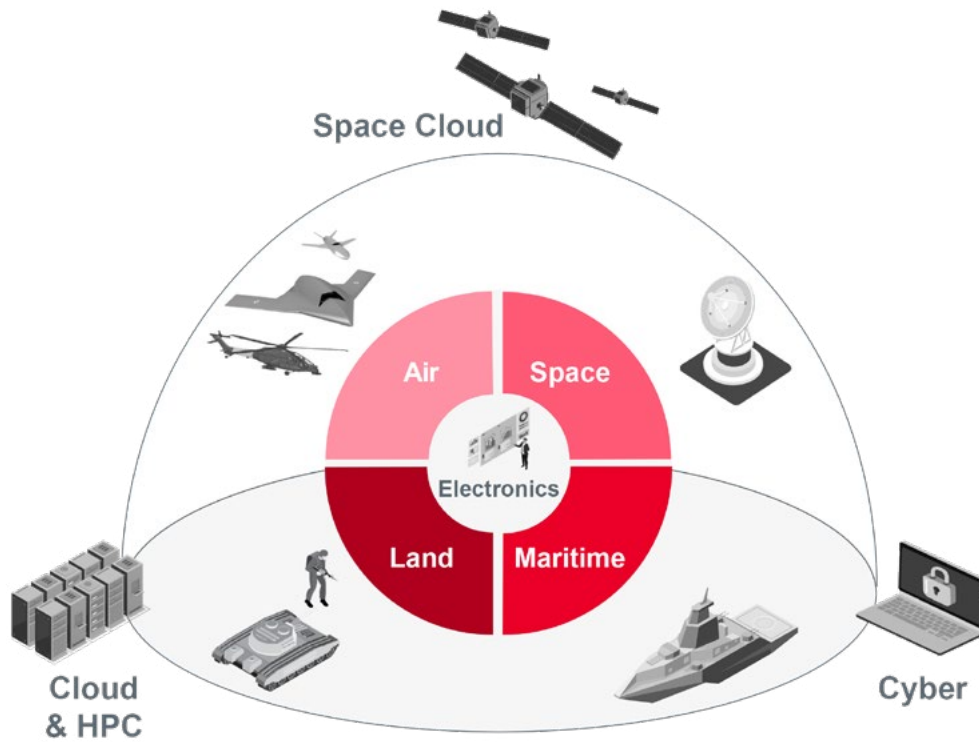
”

R. Luglini
CSO of Leonardo

OUR CLIMATE PURPOSE

Contributing to the world's progress and security by delivering meaningful and innovative technological solutions. In line with this objective, the Group will strengthen leadership on security and technology that can drive sustainability and climate action forward.

In the past, Leonardo operated within a framework based on multiple divisions and domains. According to the new **Industrial Plan 2024-2028**, this model will evolve into a new cross-divisional and multi-domain environment powered by a digital infrastructure. In this transformation sustainability will be one of the main enabling factors underpinning the Plan.



In line with the new Industrial Plan, Leonardo's climate change strategy is aligned with Paris Agreement and addresses climate-related risks by seizing opportunities to transition to a low carbon economy. It leverages on digitalization, technological advancements and data management as primary catalysts to decrease the Group's GHG Emissions, encompassing direct and indirect emissions, while fostering the development of innovative and sustainable products and services.



LEONARDO CLIMATE COMMITMENT

Leonardo is committed to reducing its GHG emissions across the value chain. Direct and indirect emissions (Scope 1 & 2) are reduced through increased operational efficiencies and other decarbonization activities. The Group also addresses other emissions (Scope 3) by playing an active role in supporting suppliers' decarbonisation roadmap and developing products with a reduced impact on the climate and ecosystems. The climate strategy, in line with the SBTi (Science Based Targets initiative) validated targets, is underpinned by investment decisions and financial planning that take into account environmental and climate-related parameters.

More details on SBTi in Chapt. 5 "Metrics and Targets".

Sentinel-3-Copernicus-credits ESA-ATG MEDIA LAB

CLIMATE SCENARIO ANALYSIS

The resilience of Leonardo's business strategy related to climate change is assessed by regularly conducting scenario and sensitivity analysis to identify and evaluate the impact of both physical and transition risks and opportunities in the short, medium and long term⁶. The analysis identifies how strategic objectives may be affected by various uncertain and interconnected climate change factors, contributing to informed decision-making and strategy refinements.

Physical risks

Physical risks are evaluated through scenario analysis to assess the potential impacts of different levels on Leonardo's sites, considering two **Representative Concentration Pathways (RCP)**: the "business as usual" scenario (RCP 8.5) and a scenario limiting temperature increase to 2°C/1.5°C (RCP 2.6). A slower global decarbonization pace, as projected in RCP 8.5, could heighten physical risks due to extreme weather events, potentially exceeding the resistance strengths of existing site protection measures. This may necessitate a re-evaluation of the geographical distribution of manufacturing sites and supply chains, requiring mitigating measures for business continuity, albeit with increased costs. Leonardo collaborates with La Sapienza University on a climate-related impact management model.

Transition risks

Leonardo is exposed to risks related to the transition to a low-carbon economy. In assessing these risks and opportunities, Leonardo uses the **IEA NZE 2050** scenario, which represents the most ambitious decarbonization scenario. In the Aerospace Security & Defence sector, the most significant implications are associated with products, characterized by various levels:

- **Market & Technology** – Low carbon products demand is constantly growing (e.g. more efficient, fossil fuel-free, lighter innovative, circular materials, longer life cycle) pushed also the military sector. The ability to decarbonize and develop innovative technologies must be met in order to gain a strategic competitive advantage.
- **Policy & Legal** – Companies are required to accelerate the establishment of new regulations and policies, such as carbon emission targets and technology standards.
- **Reputation** – Failure to meet decarbonization targets and stakeholders' expectations could result in reputational damage.

Aware of these consequences, Leonardo continuously intensifies its decarbonization actions, investing financial resources to develop and implement low-carbon solutions and processes which reduce the Group carbon exposure and mitigate the impact on natural capital, benefiting our stakeholders and shareholders. Climate-related risks and opportunities have also influenced Leonardo's financial planning, for example, in terms of revenues, indirect costs, capex, capital allocation, acquisitions and assets management. To address the outcomes of the scenario analysis, the Company implements mitigating measures to ensure the resilience of its strategy.

⁶ Short term: from 0 to 3 years; medium term: from 3 to 6 years; long term: more than 6 years.

⁷ Please refer to the "Risk and Opportunity Management" chapter.

OVERVIEW ON OUR CLIMATE APPROACH

DECARBONIZATION AND CLIMATE ACTION

KEY OBJECTIVES OF OUR CLIMATE APPROACH

Decarbonization operations

Supply chain engagement

Sustainable products

Climate Change mitigation and adaptation

SUSTAINABILITY PLAN 2024-2028 - SPECIFIC CLUSTERS

KEY ACTIONS

The Leonardo 2024-2028 Sustainability Plan is integrated into the Group Industrial Plan. It is composed of 8 clusters covering the entire value chain. In particular 4 of these have a specific impact on climate action, with a strong contribution also from the projects included in the Research and Innovation cluster as detailed in next pages.



Environmental protection

- SF₆ replacement
- Electricity self-generation
- Full potential lighting programme
- Thermal energy consumption efficiency
- Electric and hybrid cars
- Digital energy monitoring
- Decarbonisation of heating in operations



Sustainable supply chain

- Suppliers' EcoVadis evaluation
- Engagement strategy for more than 500 suppliers to reduce their own emissions
- Training activities for more than 500 suppliers on sustainability reporting, decarbonization topics and the Science Based Targets initiative
- 100 key suppliers engaged to *Induction on sustainability* project, with a deep focus on climate impacts



Sustainable solutions, cyber security and digital

- **Virtualization**
- **Nemesi**
- Hybrid and Electric propulsion
- **Sustainable aviation fuel (SAF)**
- **Clean Sky (R&I)**
- Advanced Air Mobility
- **C-27J Firefighting**
- AW139
- **Tiltrotor-AW609 (NGCTR program)**
- Composite materials
- T-DROMES



Space, climate and emergency solutions

- Secure Digital Platforms
- **Emergency mapping services-Copernicus**
- **Global monitoring / Command and control**
- Multi-mission and surveillance fixed-wing and rotary-wing platforms (AW Family, ATR 72 Maritime Patrol)
- In Orbit Servicing
- Air Traffic Management

Some of the flagship projects are highlighted in bold and are explained in more detail on the following pages.



AW139 AC7 SAF CR5

Investing in research and innovation is a key driver to foster the effort towards climate action. **Leonardo Divisions** constantly invest in R&I to implement products, services and solutions that can also **contribute to climate change mitigation and adaptation**.

Climate Change Mitigation

Leonardo contributes to climate change mitigation by developing *Low-Carbon products*. To this end, environmental criteria are taken into consideration in all the design and production phases. Some examples are:

- the application of ecodesign and life cycle assessment methodology in the product management and development with a circular approach;
- the implementation of a decarbonization roadmap for operational, production and manufacturing phases (e.g. NEMESI, Cure Cycle of CFRP-carbon fiber reinforced polymer, Factory of the Future);
- the development of more SAF compatible products and increasing the use of virtualization and digitalization technologies to reduce emissions during product use;
- in relation to distribution, storage and transportation: increase the use of SAF in product delivery and improve manufacturing processes based on Liquid Resin Infusion (LRI), developed as part of the Clean Sky program(2008-2024), that allows emissions reduction;
- the selection of primary materials with a lower environmental footprint (e.g.thermoplastic materials, Product Lifecycle Management System, and the use of innovative composite materials in order to reduce fuel consumption and any associated environmental impact).

Moreover, Leonardo is increasing the level of digitalization and virtualization across the Company, through the use of innovative and smart maintenance solutions.

Climate Change Adaptation

For climate change adaptation and resilience, Leonardo offers customized helicopters and aircraft for Search and Rescue (SAR) and Emergency Medical Services (EMS), as well as satellite services for monitoring extreme weather events, such as floods, fires and tornadoes.

In order to provide comprehensive support to decision-makers and operators, **the Group provides global monitoring technologies that integrate satellite information and Earth observation services** with data from radar and sensor systems, secure communication systems, command and control operations rooms, helicopters, aircraft, and remote-controlled drones.

HELICOPTERS

SAF (SUSTAINABLE AVIATION FUEL)

At present, Leonardo has 12 helicopter models that can operate on fuels blended with up to 50% of SAF. In 2023, Leonardo conducted the first flight of an AW139 helicopter using 100% SAF fuel at the Cascina Costa plant. In terms of performance, the 70-minutes flight showed no significant differences compared to a flight undertaken with conventional fuel. In 2024, Leonardo will complete the verification process to confirm that in-service owner aircraft can operate with drop-in fuels using up to 50% of SAF. Leonardo is also active in various national and international councils, to monitor and analyse technological advances towards the definition of both 100% SAF drop-in fuels for in-service aircraft and newly formulated 100% SAF fuels for future aircraft.

Main decarbonization levers

Replacement of SF6 with a lower GWP gas and reducing GHG emissions by approximately 180,000 tCo₂e compared to 2020. Continuous reduction of direct emissions through: renewable electricity purchase and self-generation thanks to a specific programme (participating sites include Yeovil, Brindisi and Cascina Costa), energy efficiency projects, and the use of jet fuel blended with SAF for test flights. The development of virtual products such as simulators, avoiding the GHG emissions generated by real flights.

Development of new low carbon products and the promotion of SAF adoption via technological and business collaboration with fuel producers.



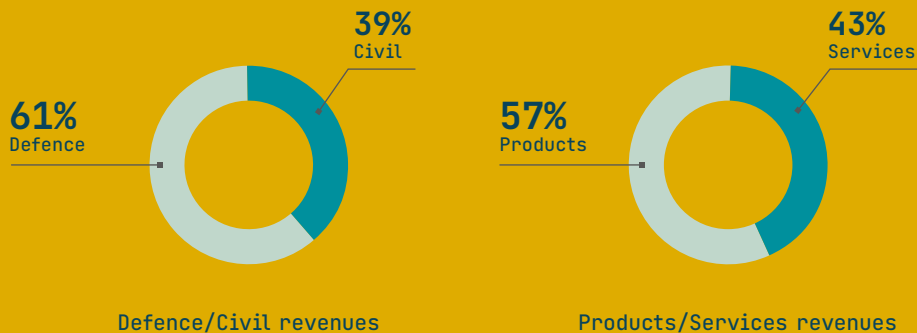
NEXT GENERATION CIVIL TILTROTOR (NGCTR)

Within the Clean Sky 2 EU programme, Leonardo has developed a technology flight demonstrator of a new eco-efficient commercial tiltrotor with the objective of reducing CO₂ emissions by up to 50% and noise emissions by 30% during take-off and up to 75% in flyover condition compared to existing aircraft. The program also includes ecodesign approaches for the development of specific NGCTR subsystems, supported by Life Cycle Assessment (LCA) models to quantify the environmental benefits.

DIGITAL TWIN

A digital copy of a product, system or industrial process that models its behaviour, thus enabling an increase in safety, efficiency, and sustainability (through lower use of materials and energy consumption), and a reduction in development costs. Leonardo is increasingly using this technology for other products in its business segment.

Helicopter - AW609 NGCTR

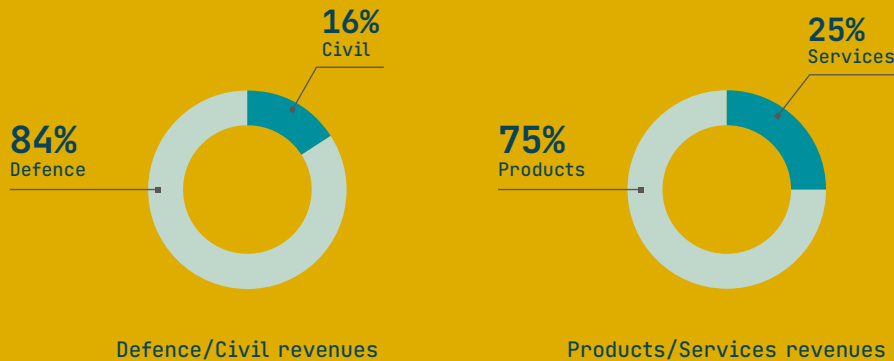


ELECTRONICS

Main decarbonization levers

A continuous reduction of direct and value chain emissions is being achieved through: the digitalization of operations and products, the purchase of renewable electricity and the self-generation of energy through a specific program (involving the Cisterna di Latina and Campi Bisenzio sites), energy efficiency measures are also being rolled out through the replacement of lighting systems with LED technology and electrification measures.

In the UK, Leonardo has introduced a Carbon Reduction Plan which includes significant measures such as: achieving 25% of self-produced energy under power purchase agreements, expanding EV charging stations, providing incentives for employees to transition to hybrid or electric vehicles, implementing a system to monitor and reduce electricity and gas consumption at all sites.



MANUFACTURING EXECUTION SYSTEM TOWARDS FACTORY OF THE FUTURE

This initiative aims to implement digital solutions to facilitate the real-time monitoring of current production status, facilitating the forward and backward traceability of components within products in a digital shop floor. This efficiency increases awareness of the production status thanks to easier data collection and a reliable feed of live information, while freeing up time for colleagues to pursue higher value-added activities.

MORPHEUS XR

Morpheus XR is an innovative tool offers training using an extended reality environment, where users can interact with a virtual mock-up of the unit of a complex system. It allows the user to familiarise themselves with the system's composition and perform operative and maintenance procedures in a virtual scenario.

Replacing the real system with a virtual equivalent for the training activity has the benefit of reducing the consumption of resources (primary materials and energy for the production) with a positive impact on CO₂ emissions and freshwater consumption.

RAT 31 DL/M

GLOBAL MONITORING PLATFORMS

The platforms are characterised by communication, cyber and intelligence capabilities to monitor the territory. They are capable of processing and analysing huge amounts of data from heterogeneous sources in real time. The solutions provide an integrated overview of the operational context via command and control rooms and are used, for example, for monitoring environmental and anthropogenic events, risk prevention, the enhancement and protection of Italy's cultural, artistic and architectural heritage, and for city administration and urban security.

FOCUS ON SIM (integrated monitoring system): another platform application is SIM. It is a solution that works alongside existing systems with which it collaborates by providing: data, metadata, processing services, workflows, widgets and applications. The environmental areas of application, include: control of hydrogeological instability, monitoring of marine and coastal pollution, support to emergencies (natural disasters), precision agriculture and identification of environmental offences.

4 ASSI DI FORZA-GENOVA

Leonardo's technologies can be a key tool for transforming urban areas into smart cities, starting with mobility services. The "4 Assi di forza" project aims to improve urban mobility with electric buses and trams, reserved lanes and interchange car parks in four areas of Genova. Thanks to our technologies, it will be possible to offer Genova a higher quality of public transportation in terms of comfort, safety and reduced CO₂ emissions.



Leonardo "Security Operation Center"

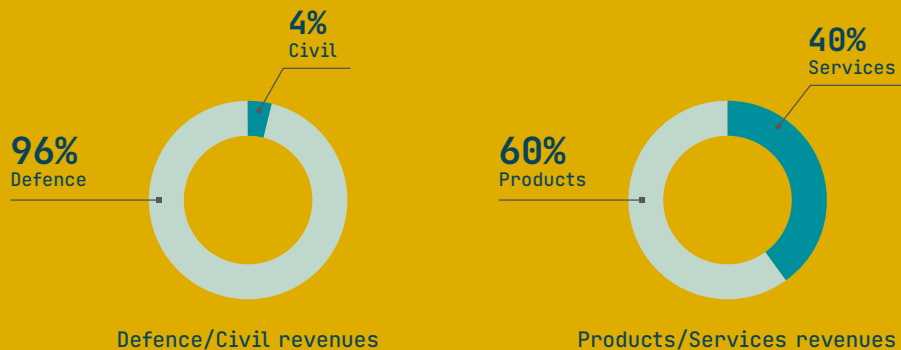
AIRCRAFT

Main decarbonization levers

A continuous reduction of direct emissions is achieved through the purchase of renewable electricity and the self-production of energy due to a specific programme (involving Cameri, Caselle and Venegono sites). Energy efficiency is increased through the replacement of lighting systems with LED technology and electrification measures. Assessments are ongoing to replace the jet fuel used for tests and training with SAF.

New low carbon products are being developed, with a strong focus on virtual products, such as simulators, which generate significantly less GHG emissions in comparison to real flights.

Clean Aviation, the European Commission’s research program, focuses on innovative aircraft configurations and technologies for the regional and medium/short-haul segment that will reduce aviation emissions by at least 30% compared to 2020. In the **Clean Sky 2 program** -the predecessor of Clean Aviation- Leonardo is leading the regional segment and leading the research on low CO₂ and noise emitting aircraft in the Green Regional Aircraft program.



VIRTUALIZATION

Virtual training systems (Embedded Training System) enable networked training with real and/or virtual actors in a tactical scenario shared between the aircraft, ground simulators and monitoring and control stations, with real-time data exchange via data link (aircraft-ground) and communication networks (ground-ground). These technologies significantly reduce the need for flights on real platforms, resulting in lower fuel consumption and a reduction in terms of climate-altering emissions (1/10 of the GHG emissions of real flights). In 2023 the International Flight Training School (IFTS) was officially inaugurated. The upcoming LVC (Live, Virtual and Constructive) Full Capability integrations and “Dome in the Air” hybrid training will further reduce the actual flight hours, with lower impacts in terms of fuel consumption and GHG emissions.

C-27J FIREFIGHTING

In 2023, the development of the Firefighting (FF) version began with the aim of increasing the “multi-mission” capabilities of the C-27J, integrating technology that enables fire operations. The solution is palletized and is compatible with the existing cargo system, making it possible to reconfigure the aircraft from a transport configuration to a FF version in less than two hours. In the short to medium term, the FF represents an optimal solution to maximize the operational availability of fire-fighting structures, situational awareness and territorial coverage, and provides an adequate backup solution for operations in adverse environmental conditions. The system can be used to not only fight fires, but also to prevent and support activities for land reclamation. Leonardo made its C-27J Spartan aircraft available as a European Flying Test Bed, due to its outstanding flight performance and multi-mission capabilities. The C-27J made its debut test flight in Turin, to test innovative morphing surfaces with adaptive technologies and digital flight control algorithms for Clean Sky 2.

M-345 SIMULATOR

AEROSTRUCTURES

Main decarbonization levers

A continuous reduction of direct emissions is achieved through the purchase of renewable electricity and the self-generation of energy due to a specific programme (involving the Nola site, a photovoltaic plant with an installed capacity of about 8 MWp under construction), promoting circularity for the reduction of carbon fibre reinforced polymer (CFRP).

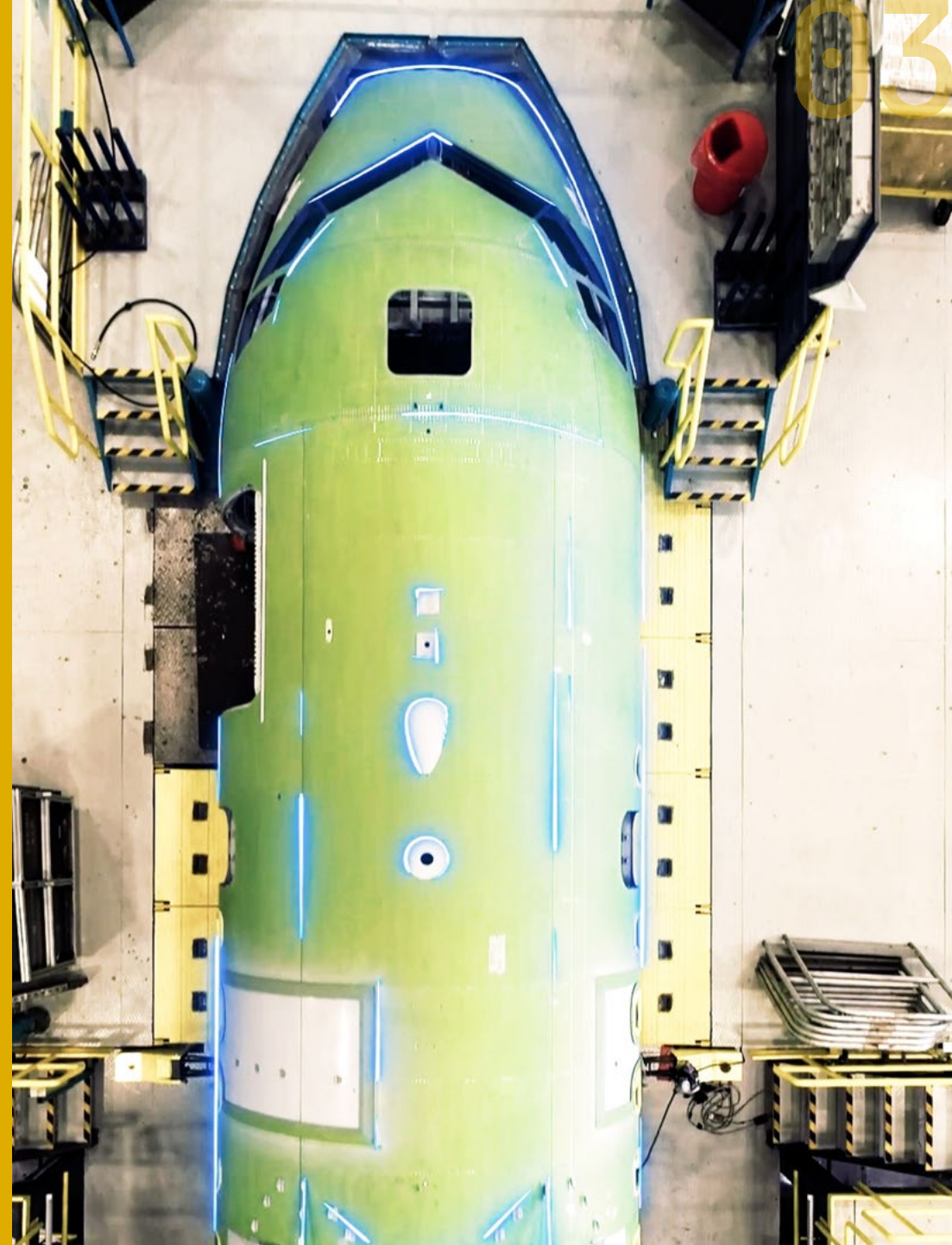
The launch of a NEMESI project is based on a new era of digitalization, human-machine interface and production automation, which will reduce technical inefficiencies and environmental impacts.

NEMESI

The project will turn the Pomigliano d'Arco and Nola sites into smart factories, by transforming the ATR fuselage production line through digitalization, automation and the application of technologies inspired by the Industry 4.0 model. The NEMESI project can guarantee a high level of process optimization, that ensures sustainability benefits within the supply chain for an enhanced aerostructure capability.

CURE CYCLE OPTIMIZATION

The objective of this initiative is to control and balance the autoclave KPP (temperature and pressure) in order to save energy during the cure cycle. Activities include increasing the 'end of the cure cycle' temperature and the optimization and study of cure cycle parameters. This last stage of the process is managed by the automatic Cure Cycle Analyser system to monitor the cure cycle parameters using Machine Learning algorithms to save power during the cycle.



NEMESI Project

SPACE

Space solutions for climate change effects mitigation and adaptation

Space technologies are key assets to enable services and products that contribute to climate change mitigation and adaptation, as well as the sustainable management of natural resources. These solutions are based on satellite data processing and address a wide range of applications including everything from emergencies management and the observation and modelling of natural phenomena, to the monitoring of infrastructure and urban sites. Thanks to satellite instruments, data acquisition systems and data processing platforms, it is possible to provide many geoinformation products that can monitor phenomena related to climate change. Monitoring the occurrence of disruptive environmental disasters, as well as the improper use of natural resources, supports the development of mitigation and intervention strategies and to study the effects of anthropization on the planet.

The constellations of EO (Earth Observation) satellites, with their different orbits, sensors and observation features, facilitate the in-depth monitoring of many geographical areas, impacted by different environmental and anthropogenic conditions. Indeed, the technological products based on EO data enable the detection and monitoring of changes on assets that may cause failure, deformation or damage, in particular in the case of critical infrastructure and historical buildings. Moreover, other specific local issues such as illegal landfills contributing to weeds can be monitored, to keep each territory healthy and safe.

INFRASTRUCTURES MONITORING SERVICES

Satellite interferometry and multitemporal analysis enable the monitoring of infrastructures (railways, highways, bridges, industrial plants, pipelines, powerlines, etc) and buildings to detect anomalous trends in the structure stability or potentially dangerous activities nearby.



COPERNICUS EMERGENCY MAPPING SERVICE (CEMS)

The service provides, at request by the EC entrusted entities, near real time reference maps over areas impacted by abrupt natural or man-made critical events (such as floods, earthquakes, droughts, humanitarian crisis) allowing the assessment of their impact with respect to pre-event situation, as well as monitoring the event evolution in time, supporting in field intervention. The service is based on the integration of available (from archives and tasking) satellite data, both optical and radar, with other geospatial layers, providing maps customized according to the specific critical event and the User's needs.

LAND MONITORING SERVICES

The Land Monitoring services provide maps of land cover/land use and their changes at different levels of spatial and classification detail, for comprehensive and in-depth analysis of a territory, allowing the identification of potentially hazardous situations for land and populations. The Displacement services provide information on slow deformations in buildings and natural sites, helping to identify situations that could compromise territory resilience and population safety (e.g., landslides and infrastructure collapses). As an example of Displacement services, the Copernicus European Ground Motion Services provide ground motion information at European scale from SAR observation, twice a year.

PRECISION FARMING

Technological solutions combine satellite data with ground sensors to provide modular services to monitor the growth and health of crops, soil status, agricultural practices planning, water and fertilisers management. These solutions also monitor the targeted use and sustainable management of pesticides, supporting farmers in the optimal management of their fields and institutions to support subsidies claims.

Meteosat_Third_Generation -credit-ESA, CC BY-SA 3.0 IGO

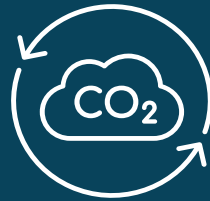
LEONARDO UK: JOURNEY TO NET ZERO

The United Kingdom is one of Leonardo's domestic markets, with an important industrial presence consisting of eight manufacturing sites and over 8,106 employees. In the United Kingdom, Leonardo is committed to achieving Net Zero, for Scope 1&2 GHG emissions by 2030 and Scope 3 by 2050.

Leonardo UK's goals:

Net Zero

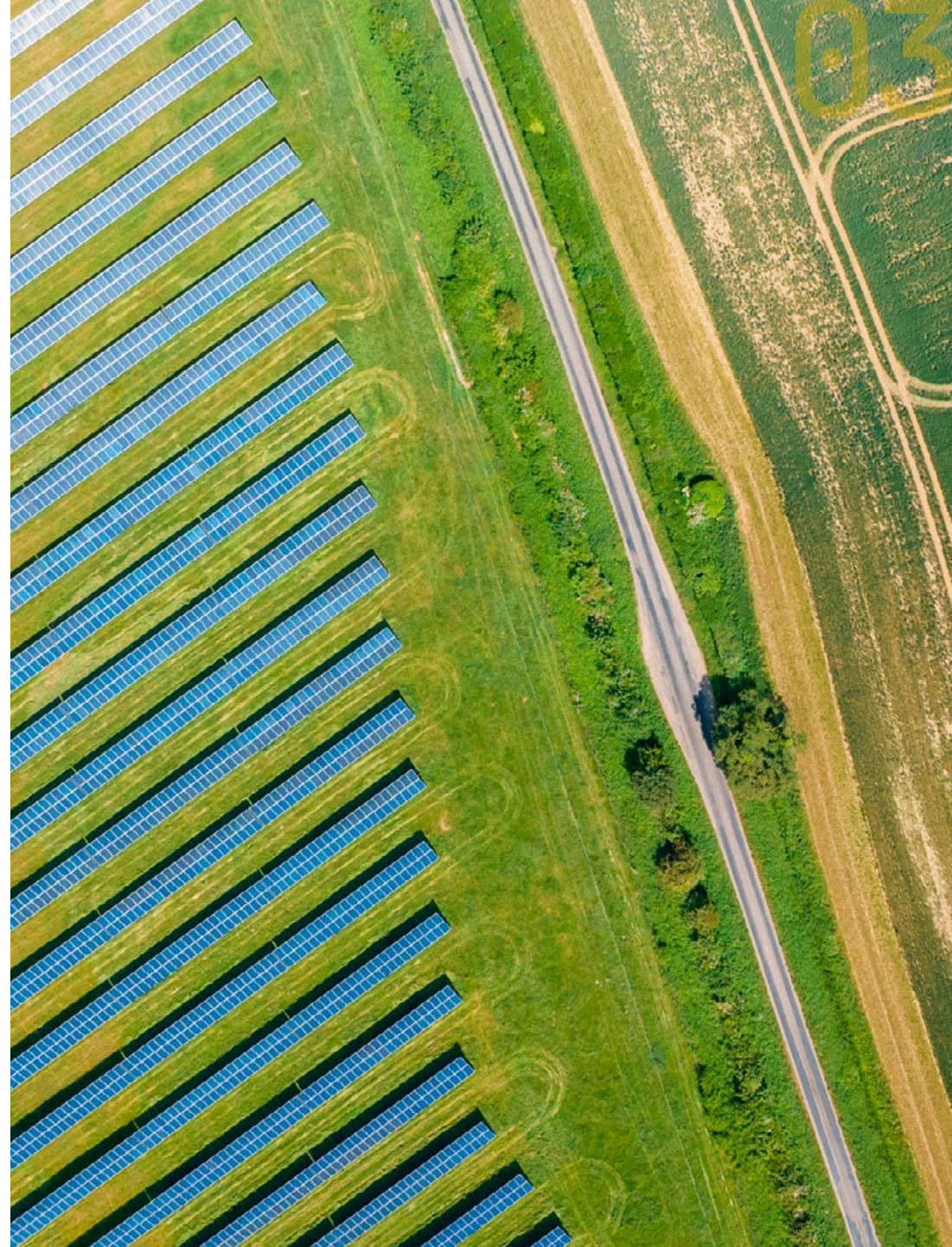
for Scope 1 & 2 GHG emissions by 2030
and Scope 3 by 2050



In September 2023, Leonardo UK published its latest [Carbon Reduction Plan](#) which includes information on Scopes 1 and 2 and five categories of Scope 3. The Carbon Reduction Plan is updated annually and contains a description of the key actions being taken to reduce the environmental impact of operations in the United Kingdom.

Among these measures are: the use of renewable electricity and the development of self-generation, the use of electric vehicles with an expansion of charging stations, the improvement of energy efficiency in facilities, the replacement of gas heating systems with alternative solutions to reduce GHG emissions, and an employee training and awareness campaign on climate change issues.

In partnership with Conrad Energy, Leonardo UK confirmed plans for a 15.23 MW solar farm close to the Yeovil site in 2024. Once operational, the plant will generate enough energy to power the equivalent of up to 6,500 homes.



Solar Farm, Yeovil, Somerset, Leonardo UK



RISK AND OPPORTUNITY MANAGEMENT

Verrazzano Bridge, New York, USA

The identification, assessment and monitoring of main risks and 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 fosters the identification and management of the cause-effect link between ESG factors, including climate change, and the potential impact on the Company identifying the main risks, opportunities and related treatment actions, supporting the preparation of the Industrial Plan, which also includes the strategic vision and the sustainability initiatives.

The risk management process involves business lines, technical departments and support staff departments, 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

RISK MANAGERS

-supporting the owners' functions;
-in charge of risk reporting

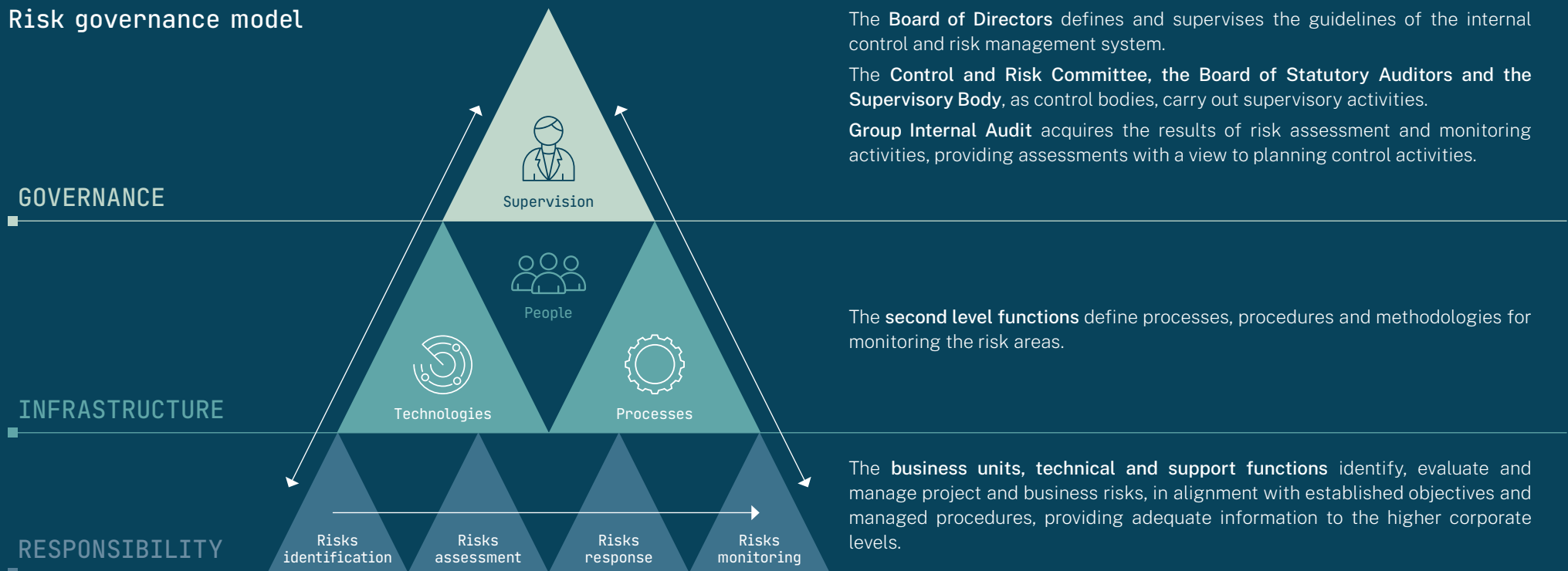
The identification and assessment of risks, including those which are climate-related, is conducted at least quarterly. Risks are evaluated based on their likelihood and their potential strategic, operational, financial, compliance and reputational impacts on the Company. ERM reporting, intended also to inform both governance and control bodies, facilitates risk monitoring and awareness and enables the decision-making process related to the definition of mitigation actions aligned to the Company Risk Appetite.

ESG-related risk analysis is also supported through dedicated checklists related to 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 AS&D sector. The subset of risk factors is then defined and updated considering the Company's mission and the competitive positioning targets in the market, as well as the outcomes of the **materiality analysis**, current and emerging regulations, trends at global level and ESG rating requirements. With reference to climate change, Leonardo risk factors embrace all stages of the value chain, as they relate to production activities and processes-primarily operations and the supply chain-and to the customers' products and services demand.

Climate-related risks are classified according to TCFD recommendations. Notably, each risk has been assessed in terms of its probability and impact in order to define the ‘current’ risk level. Based on the Company’s risk appetite, proper mitigation actions and subsequent ‘post-action’ risk levels are to be monitored until the completion of the action plans have been defined. Risk impacts are evaluated on the short-term horizon and are further analyzed in the strategic plan time horizon in both the 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 and the business program execution, considering also the Company’s supply chain.

Risk governance model



PHYSICAL RISKS

Risk	Description	Time Horizon	Actions
<p>ACUTE AND/OR CHRONIC WEATHER EVENTS</p>	<ul style="list-style-type: none"> Intensification of natural events related to extreme acute atmospheric phenomena (e.g., storms, hurricanes, flooding, fires) and to chronic effects consolidated over the years (e.g., increase in temperatures, sea level rise, drought and water shortages) might damage both Leonardo and its suppliers' infrastructures and production operational assets located in specific geographical areas. Especially when areas have certain weather/morphological features, assets might be more exposed to operational disruptions resulting in an increase of the cost for insurance coverage and/or for restoring a smooth production activity. 	<p>Medium / long term</p>	<ul style="list-style-type: none"> Definition of action plans by identifying Leonardo's sites in regions prone to water stress, hurricanes, storms, flooding, changing climate patterns and other climate-related physical risks. Tailored initiatives, considering site location, technical aspects, and local regulations, are implemented to mitigate risks. These include structural reinforcements for hurricane protection, installation of pumps for flood prevention, and optimization of drainage systems. Projects targeting water stress reduction are underway, focusing on areas with high water depletion rates. These efforts are detailed in the 2023 Integrated Annual Report, illustrating proactive measures to address climate-related challenges across Leonardo's operations.
	<ul style="list-style-type: none"> In the long term, chronic effects regarding climate change might involve a relocation of some of Leonardo's production sites, as well as a different geographic focus of its supply chain: resources and timing for the implementation of the related operational plans would be a key success factor, as well as backup solutions to be adopted in the transitional period to guarantee the proper service level for customers. 	<p>Long term</p>	<ul style="list-style-type: none"> Confirmed in 2023 an absolute water withdrawal reduction target to pursue 25% reduction by 2030 thus decreasing risk exposure to scarcity. The Water Site Risk Analysis (WSRA) deployment aids Leonardo's water risk response strategy for its industrial sites. This method assesses standard risk factors like site location, operational processes, and water management measures. Based on this evaluation, tailored response and monitoring strategies are developed. In 2023, WSRA covered 31 sites, accounting for nearly 90% of the Group's annual water withdrawal. This analysis informs additional actions required for water risk mitigation.
	<ul style="list-style-type: none"> Temperature rise might lead to an increase of operating costs, mainly due to higher energy demand for cooling. 	<p>Medium / long term</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.

TRANSITION RISKS

Risk	Description	Time Horizon	Actions
<p>POLICY & LEGAL</p>	<ul style="list-style-type: none"> Some of Leonardo's facilities may face stricter climate regulations than current ones, varying by country. In Italy, for instance, 9 plants are under the Emission Trading Scheme (ETS). When surpassing allocated limits, these plants must offset CO₂ emissions by purchasing allowances⁹. Pressures to mitigate industrial environmental impacts could reduce free allowances and increase their prices. Similarly, Leonardo's non-EU plants, like those in the US, may encounter emerging regulations with comparable effects. Additionally, governments' focus on energy transition, particularly in advanced economies, could lead to more stringent rules covering broader aspects beyond CO₂, such as water, waste, and biodiversity. This could elevate Leonardo's operational costs. 	<p>Medium / long term</p>	<ul style="list-style-type: none"> 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 € 2.2 billion in 2023 and the around 13,000 people dedicated to these activities.
	<ul style="list-style-type: none"> 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>	<ul style="list-style-type: none"> 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. Energy governance centralized model and multi-year investment program aimed at increasing energy efficiency. CO₂e emission reduction targets approved by Science Based Target initiative (SBTi), classifying Leonardo's Scope 1 and 2 target as being adequate to keep global warming within the 1.5°C threshold. Integration of parameters in the investment procedure related to a lower environmental impact, including GHG emission reduction.
	<ul style="list-style-type: none"> European regulations on ESG topics and financial instruments might penalize the AS&D 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>	<ul style="list-style-type: none"> Projects and partnerships for the development of both circular economy of materials and eco-design approaches – lower weight, modularity, material selection. As an example, circularity of carbon fibre as structural materials that can provide relevant energy saving when adopted in place of virgin carbon fibres.

⁹ Italian plants under the scope of the ETS are: Cascina Costa, Vergiate, Foggia, Grottaglie, Nola, Pomigliano, Cameri, Venegono Superiore and Caselle Nord.

TRANSITION RISKS

Risk	Description	Time Horizon	Actions
<p>MARKET AND TECHNOLOGY RISKS</p>	<ul style="list-style-type: none"> ■ The different priorities assigned by Countries worldwide for the management of topics related to the ecological transition, products and related technologies, giving rise to competitive asymmetries in the different market geographies, also driving an unexpected development of new competitors, with potential impacts on Leonardo's market shares. 	<p>Long term</p>	<ul style="list-style-type: none"> ■ Carbon price used to assess the convenience of investments aimed to minimize energy consumption and/or avoid purchase of allowances in the market. In 2023 Leonardo used a shadow price of €67.27 per ton of CO₂e. ■ Constant monitoring of the allowances market to capture opportunities for reducing operating costs. ■ KPIs linked to the achievement of ESG targets, included those related to climate change, in the Incentive Plan of management. ■ 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. ■ 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 relation to sustainability and development risks, increasing their preparedness on new emerging ESG requirements. As from 2021, over 800 key suppliers were assessed in terms of the ESG/Sustainability dimension, identifying strengths and areas for improvement.
	<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 they have 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. 	<p>Medium / long term</p>	
	<ul style="list-style-type: none"> ■ Leonardo's customers might have a growing interest in low-carbon products, also looking at the environmental transition driving the post-pandemic recovery in Europe (among including for example potential extension of ETS applicability and higher taxation on fossil fuels). Should Leonardo's offer be not timely aligned to such demand, the Group might lose its competitive advantage and, consequently, market shares. 	<p>Medium / long term</p>	
	<ul style="list-style-type: none"> ■ Leonardo's customers may integrate new or more demanding ESG criteria into tenders and bids, such as emerging SBTi-aligned target setting. Notably, the UK Ministry of Defence, a significant client, allocates a minimum of 10% of the total score based on Social Value in its competitive bidding, assessing each organisation's impact on community well-being and sustainability. This trend could accelerate, particularly in advanced economies, affecting Leonardo's extensive supply chain of over 6,800 small and medium-sized enterprises. Rapid adaptation to evolving ESG standards might pose challenges for these suppliers, potentially impacting Leonardo's competitiveness, cost structure, and profitability. 	<p>Medium / long term</p>	
	<ul style="list-style-type: none"> ■ 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>	

TRANSITION RISKS

Risk	Description	Time Horizon	Actions
REPUTATION RISKS	<ul style="list-style-type: none"> High volume of information on ESG topics publicly disclosed by companies, including those related to climate change, needed to address growing pressure from stakeholders, enables more frequent and detailed comparison of companies' ESG performance. In this context, should Leonardo targets and actions not meet stakeholders' expectations, a reputational damage might follow. 	Long term	<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).
	<ul style="list-style-type: none"> Growing competition in the market sectors where Leonardo operates, as well as the need to maximize the useful life of products and solutions of the company, might lead to an increase in the institutional client portfolio of the incidence of Countries with lower environmental regulation, resulting in reputational impacts and, in the future, causing potential structural impacts on the cost of debt and possibly on the share price. 	Medium / long term	

OPPORTUNITIES

Opportunities	Description	Time Horizon	Actions
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 support the reduction of resource consumption (e.g., energy, water and waste production) and to increase the purchase of energy from renewable sources and self-production. Such efficiency actions within 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 are in different implementation stages: completed, under construction, already funded or 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 the launch of circularity and industrial symbiosis projects applied to manufacturing processes (e.g., energy consumption reduction and related CO₂e 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 2023 Leonardo used a shadow price of €67.27 per ton of CO₂e.

OPPORTUNITIES

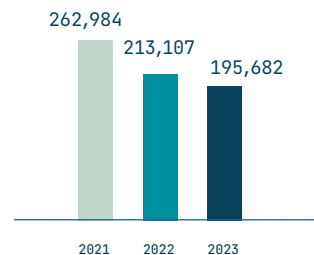
Opportunities	Description	Time Horizon	Actions
<p>PRODUCTS AND SERVICES</p>	<ul style="list-style-type: none"> Climate change mitigation – Customer preferences and regulatory drivers are increasing the demand for energy-efficient and reduced-emission products also in the AS&D sector. Leonardo’s products 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. 	<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 Chapt. Strategy 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 reduction and related CO₂e emission reduction, material eco-design elements - lower weight, greater recyclability or possibility of upcycling). Leonardo offers rotary-wing platforms tailored for diverse missions including search and rescue, emergency medical services, and inter-hospital transport. Models such as AW09, AW119Kx, AW109 Trekker, AW109 GrandNew, AW169, AW139, AW189, and AW609 Tiltrotor address primary, secondary, and rescue needs. Fixed-wing options like the C-27J Spartan Next Generation, equipped with a Fire Fighter configuration, enhance emergency response in remote areas, while the ATR72 MP provides Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) capabilities for sea lane monitoring, migration tracking, and SAR operations, doubling as a personnel and material transport solution. 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.
	<ul style="list-style-type: none"> Climate change adaptation – In the next future Earth observation and monitoring services to verify climate 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>Medium / long term</p>	
<p>MARKETS</p>	<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 (e.g. through margin adjustments mechanism on the ESG-linked financial instruments), increasing its attractiveness as investee company and improving its reputation in the financial markets. 	<p>Short term</p>	

METRICS AND TARGETS

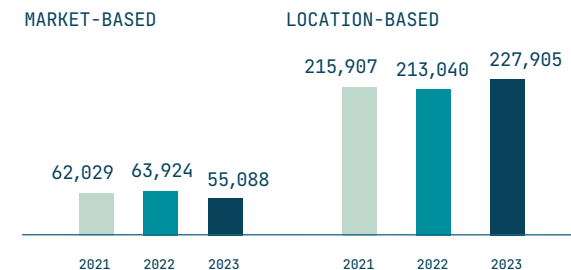
EMISSIONS CALCULATION CRITERIA

Leonardo reports impacts and performances related to climate change in accordance with the **GRI Sustainability Reporting Standards** 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 Security & 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). The 2023 environmental reporting scope covered **111** sites around the world.

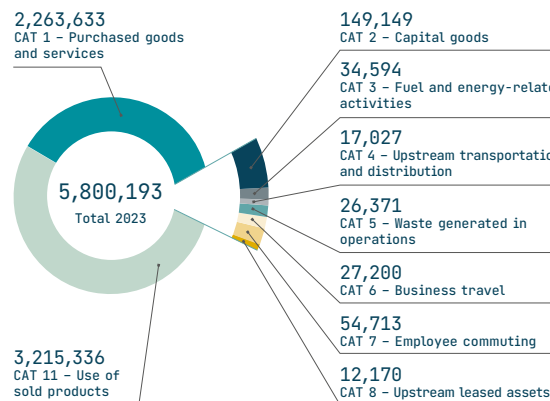
DIRECT EMISSIONS (Scope 1)
tCO₂e



INDIRECT EMISSIONS (Scope 2)
tCO₂e



OTHER INDIRECT EMISSIONS (Scope 3)
tCO₂e - 2023



CAT 9 - Downstream transportation and distribution
Not Applicable: Leonardo manages and pays the delivery of products and services directly to the customer. Therefore, according to GHG protocol, emissions related to transportation and distribution of sold products are tracked and reported under the upstream transportation and distribution category because Leonardo purchases the service. Thus, downstream transportation and distribution emissions are not applicable.

CAT 10 - Processing of sold products
Negligible: around 0.05% of total Scope 3 emissions.

CAT 12 - End-of-life treatment of sold products
Negligible: around 0.01% of total Scope 3 emissions.

CAT 13 - Downstream leased assets
Leonardo's business is based on selling products, not on leasing them. Therefore, this category is not applicable.

CAT 14 - Franchises
Leonardo does not have any franchises. This category is not applicable for Leonardo's business structure or activities.

Cat 15 - Investments
Negligible: around 0.5% of total Scope 3 emissions.

SCOPE 1 & 2

Energy consumption data from the Group's web-based system comes from **direct measurements, calculations, and estimates**. Emissions at sites with monitoring systems are based on annual laboratory analyses. For sites without these analyses, the Group's system calculates NO_x and SO₂ emissions using annual fuel consumption data and established emission coefficients. Since 2023, district heating emissions have been incorporated into Scope 2 reporting.

S1 emission factor source:

- UNFCCC - National Inventory Submissions 2021;
- Table of national standard parameters 2022 (MASE);
- AIMS Energy Article 2018;
- IPCC AR6 - Sixth assessment report;
- Australian National Greenhouse accounts factors (February 2023).

S2 emission factor source:

- Location based US, source: EPA - United States Environmental Protection Agency -eGRID2021;
- Location based Europe and World, source: Terna - ENERDATA 2020;
- Market based Rest of the world, source: Terna -ENERDATA 2020; Ministero Brasile, Australian National Greenhouse accounts factors (February 2023);
- Market based United States and Canada, source: 2023 Green-e Energy Residual Mix Emissions Rates;
- Market base Europe, source: AIB - Association of Issuing Bodies - European Residual Mixes 2022;
- Market Based District Heating, source: site's providers;
- Location Based District Heating, source: UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023).

SCOPE 3

Several enhancements have been reached in 2023. **Full visibility into Scope 3 Category 11 emissions**, previously unaccounted for, has been attained. **All products and services purchased by Leonardo are now included in the calculation of Scope 3** Category 1 (related to purchased goods) emissions.

The emission factors now align with the International Aerospace Environmental Group (IAEG), improving the comprehensive inventory across all Scope 3 categories. Consequently, Leonardo's 2023 CO₂ emissions differ significantly from previous reports.

Due to Leonardo's cyclical business, a forecast anticipates +/- 15% year-on-year variability in Category 1 and 11 emissions between 2020 and 2030. This is expected to narrow to approximately +/-6% from 2027-2030, as high-impact programs conclude and emissions stabilize with increased platform volumes.

S3 emission factor source:

- GHG Protocol Global;
- UNFCCC-National Inventory Submissions 2023;
- Boustead Model;
- UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023,2021);
- Australian National Greenhouse accounts factors (February 2023);
- GHG Aviation Tool;
- SBT Aviation Guideline;
- Terna Enerdata 2019;
- IRENA 2019;
- IPCC 2006 Guidelines for National Greenhouse Gas Inventories;
- IAEG Emission Factors.

LEONARDO'S SCIENCE BASED TARGETS



In 2022, Leonardo's Board of Directors supported a commitment to the Science Based Target (SBTi) initiative ⁽¹⁰⁾ to set ambitious goals in line with the latest science based targets. During 2024, the SBTi validated Leonardo's decarbonization targets covering Scope 1, 2 and 3 emissions.

SCOPE 1 & 2 TARGET

Scope 1 and 2 (market-based) emissions amounted to 250,770 tCO₂e in 2023, resulting in a **41% reduction compared to the base year 2020**.

The decrease reflects the Company's commitment to achieving the previous decarbonization target of -50% of Scope 1 and 2 (market-based) emissions by 2030.

The new target reinforces Leonardo's ambition, which aims to implement actions and initiatives to **make its operations more efficient and reduce energy consumption** (e.g. substituting thermal plants in production sites, increasing energy self-production, etc.).

SCOPE 3-UPSTREAM-TARGET

The engagement and involvement of the Group's suppliers will be the main lever to achieve this target. Indeed, Leonardo aims to engage **more than 500 suppliers** to create a community committed to set science-based decarbonisation targets. As a consequence, Leonardo launched specific awareness and sustainability reporting training programs to support its suppliers.

SCOPE 3-DOWNSTREAM-TARGET

The use of sold products is the greatest single emissions contributor in the whole Group carbon footprint (~50% of the total). This is why Leonardo chose to set an intensity target that addresses this relevant emission source: the Company plans to reach this target through the **development** and timely entrance to market of **low carbon products** (e.g. AW09), a **strong push on the virtualization of the product offering**, especially through simulators and virtualization, and setting up a decarbonization path for other indirect emissions, such as business travel and employee commuting.¹¹

¹⁰ For more details about Science Based Target initiative see sciencebasedtargets.org.

¹¹ For more details about initiatives already implemented please, see "FOCUS ON SUSTAINABLE MOBILITY" section on this chapter.

53% reduction of absolute Scope 1 and 2 GHG emissions by 2030 from a 2020 base year. SBTi has classified Leonardo's Scope 1 and 2 target ambition as in line with a 1.5°C trajectory.

58% of Leonardo's suppliers by emissions covering Scope 3, categories 1 and 2 (purchased goods and services and capital goods) will set science-based targets by 2028.

52% reduction of Scope 3 GHG emissions from fuels and energy-related activities, upstream transportation and distribution, waste generated in operations, businesses travel, employee commuting, upstream leased assets, and the use of sold products per flight hour equivalent by 2030 from a 2020 base year.

FOCUS ON SUPPLIERS

In order to make its supply chain more resilient and in line with its commitment to SBTi, Leonardo is playing an active role to in improving its suppliers' sustainability performance through a Supplier Development Program called the 'Leonardo Empowering Advanced Partnership' (LEAP), setting specific targets related to its supply chain in its Sustainability Plan 2024-2028.



TARGETS



TARGETS ACHIEVED IN 2023

- + Training of sustainable supply chain topics to at least 500 key suppliers;
 - + Inclusion of ESG criteria/requirements in more than 70% of major new tenders awarded.
-
- + Implementing supply chain development programmes and medium/long-term partnerships, focused on SMEs, to improve business sustainability;
 - + Raising awareness of/delivering training on SDGs and supporting tools for reporting to more than 80% of key suppliers (over 500 suppliers);
 - + 100% of LEAP partners with set targets and plans on green energy, CO₂ emission reduction, waste recycling, water consumption.

CODE OF CONDUCT

During 2023, Leonardo published, a new [Code of Conduct](#) for suppliers, on its website. The new code reinforces the principle according to which suppliers are an integral part of Leonardo's business ecosystem and are a key determinant in the implementation of its sustainability strategy. Suppliers are expected to comply with all environmental compliance regulatory obligations and to commit themselves to protecting the environment and biodiversity, actively adopting and pursuing a decarbonization strategy.

FOCUS ON SUSTAINABLE MOBILITY

During 2023 Leonardo supported employees to evaluate more sustainable mobility choices through several initiatives put in place by LGS (Leonardo Global Solutions). In particular, the Company invests about 3 million on this direction with specific “sustainable mobility plans”. This plan involves 41 company sites in Italy, for a total amount of almost 30,000 employees (equal to about 95% of the Italian perimeter in terms of people). The main elements of this sustainable mobility strategy are:



■ **Mobility information:** pushing the information related to the available opportunity to reach the company industrial site, suggesting the main sustainable solutions reporting the availability of related services (e.g. bike parking, bike lanes), conventions and useful Apps.



■ **Jojob App:** new app launched in April 2024, that will facilitate car-pooling among colleagues and incentivize those who commute by bike, foot and company shuttles, thanks to a cashback system.



■ **Conventions:** possibility to access goods and services on favourable terms useful for home-work travel (buying e-bikes, renting green vehicles, etc.).



■ **Bike parking:** creation or improvement of bike parking at some Group sites such as Genoa, Palermo, Rome Laurentina and Cameri.



■ **Electric and hybrid cars:** Leonardo’s corporate fleet (long-term rental) in Italy consists of 62% hybrid/electric drive vehicles (+19 p.p. compared to 2022), with the goal of achieving 80% by 2024¹³. 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 more than 330 that are already in use (including 134 installed in 2023).



■ **Travel Policy:** the 2024-2028 Industrial Plan foresees a new travel policy that aims to make business travel more efficient, thus reducing travel expenses and, consequently, associated GHG emissions.

¹³ This target, which has been proposed again in 2024, was not met in 2023 due to major delays in the delivery times of new cars on the part of the suppliers, caused by global geopolitical contingencies that also affected the automotive market.



Helicopter - AW189

FOCUS ON ENERGY

ENERGY SELF-PRODUCTION PROGRAM



Leonardo's Self-Production Program foresees the installation of renewable energy generation plants across production sites. In 2023 power capacity of 35.3 MWp was reached and, with the addition of other contracts currently in analysis, the total estimate of self-consumed photovoltaic energy from the plants can reach a value of about 50 GWh/y.

16 kton
the total avoided CO₂e per year due to Self-Production at full speed

18 ACTIVE AGREEMENTS
for Self-Production: 16 in Italy, 1 in UK and 1 in Poland

LED FULL POTENTIAL LIGHTING PROGRAM



The LED Full Potential Lighting Program Installation of LED lamps in Leonardo sites, maximising energy efficiency. In the period 2021-2023 investments over €20.1 million have been completed, which will make it possible to save about 23 GWh/y.

€31 million
the total investment

10 kton
the reduction of CO₂e emissions

LEONARDO PRODUCTION SYSTEM (LPS)



The LPS Program aims to optimize the processes in terms of saving in energy and associated emissions. The initiatives will impact on 4 Divisions (Aircraft, Electronics, Aerostructures, Helicopters), with the involvement of 18 Group sites.

6,000 employees
in 18 plants involved in LPS improvement projects

14,000
LPS improvement projects¹²

GREEN CERTIFICATES



Leonardo purchases green energy certificates (GOs) for the geographies of Italy, UK and Poland¹³. The certificates guarantee the compensation of the emissions due to the Group electrical supplies (Scope 2 MB). 85% of the whole Group's electricity comes from renewable sources.

¹² Baseline 2019

¹³ Poland since 2024



172 ktons
of CO₂e scope 1 + 2 MB emissions saved

-41%
vs Group's value in 2020



41 GWh
of electric energy from external grid saved

-6%
vs Group's value in 2019

ENERGY CONSUMPTION

5,311 TJ

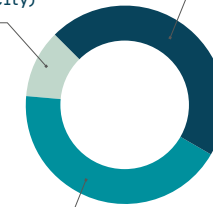


ENERGY CONSUMPTION BY SOURCE

11%
Other sources (including self-generated electricity)

46%
Natural gas

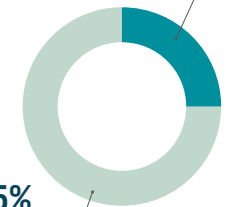
43%
Purchased electricity



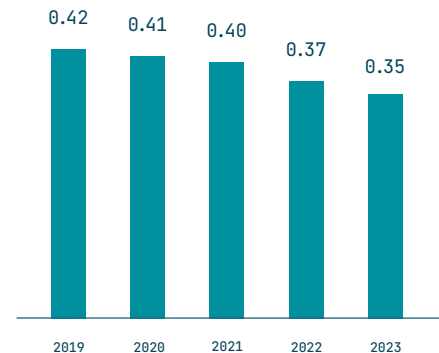
ELECTRICITY CONSUMPTION BY SOURCE

15%
Non-renewable sources

85%
Renewable sources



CONSUMPTION AND ENERGY INTENSITY (MJ/€)



Terajoule (TJ) Megajoule (MJ), Megawatt peak (MWp), Gigawatt (GW)

LEONARDO GLOBAL SOLUTIONS IS IN CHARGE OF ALL THE MAIN ACTIVITIES RELATED TO ENERGY EFFICIENCY

Intensity of energy consumption on revenues: 0.35 (-6% compared to 2022).

Energy consumption: 5,311 TJ (-2% compared to 2022), which 37% from renewable sources, of which:

- consumption of **electricity** acquired: 2,313 TJ, equal to 643 GWh (-2% compared to 2022), of which 85% from renewable sources;
- **natural gas** consumption: 2,434 TJ, equal to 68.6 million m³ (-6% compared to 2022), mainly used for heating;
- other sources (including self-generated electricity): 564 TJ, -6% compared to 2022.

OTHER ENVIRONMENTAL DATA RELATED TO CLIMATE-CHANGE



5,400 tons
of waste produced saved

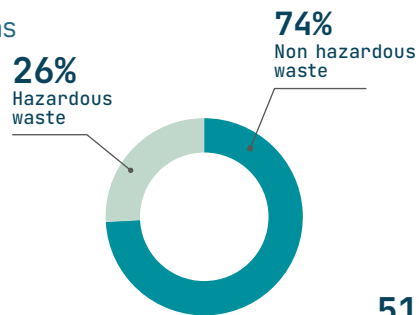
-14%
vs Group's value in 2019

WASTE PRODUCED

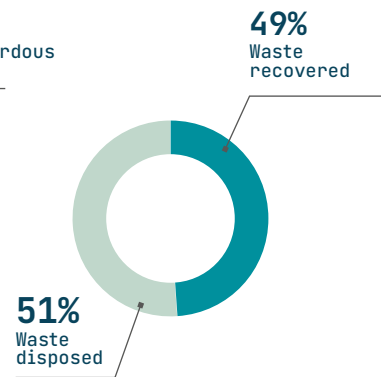
33,065 tons

Leonardo promotes a circular approach to reduce the amount of waste produced through a series of projects included in the sustainability plan

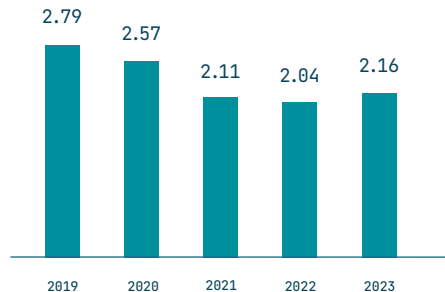
WASTE PRODUCED BY TYPE



WASTE BY DISPOSAL METHOD



INTENSITY OF WASTE PRODUCED (g/€)



Intensity of waste produced on revenues: 2.16 (+6% compared to 2022).

Waste produced: 33,065 tons (+10% compared to 2022), of which 8,437 hazardous with a reduction of 11.5% compared to 2022.

- Non hazardous waste: 74% of total amount.
- Recovered and/or recycled waste: 49% of total (of which 22% recycled).



958 megaliters
of water withdrawals saved

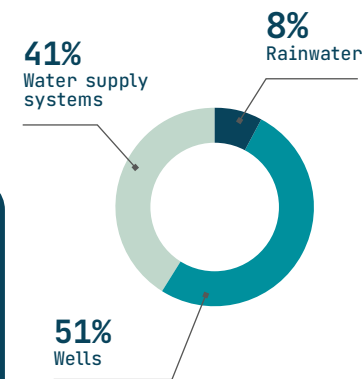
-16%
vs Group's value in 2019

WATER WITHDRAWALS

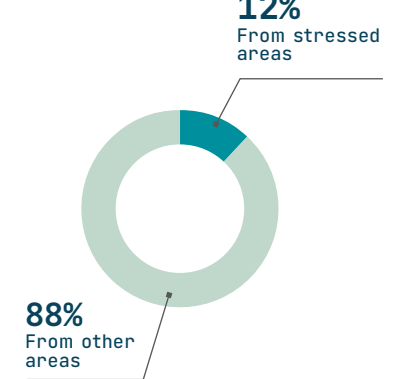
4,929 Megaliters

The Smart Water project, carried out by LGS, allowed for the saving of 482 megaliters

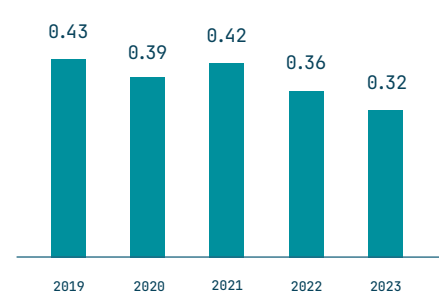
WATER WITHDRAWALS BY SOURCE



WATER WITHDRAWALS BY AREA



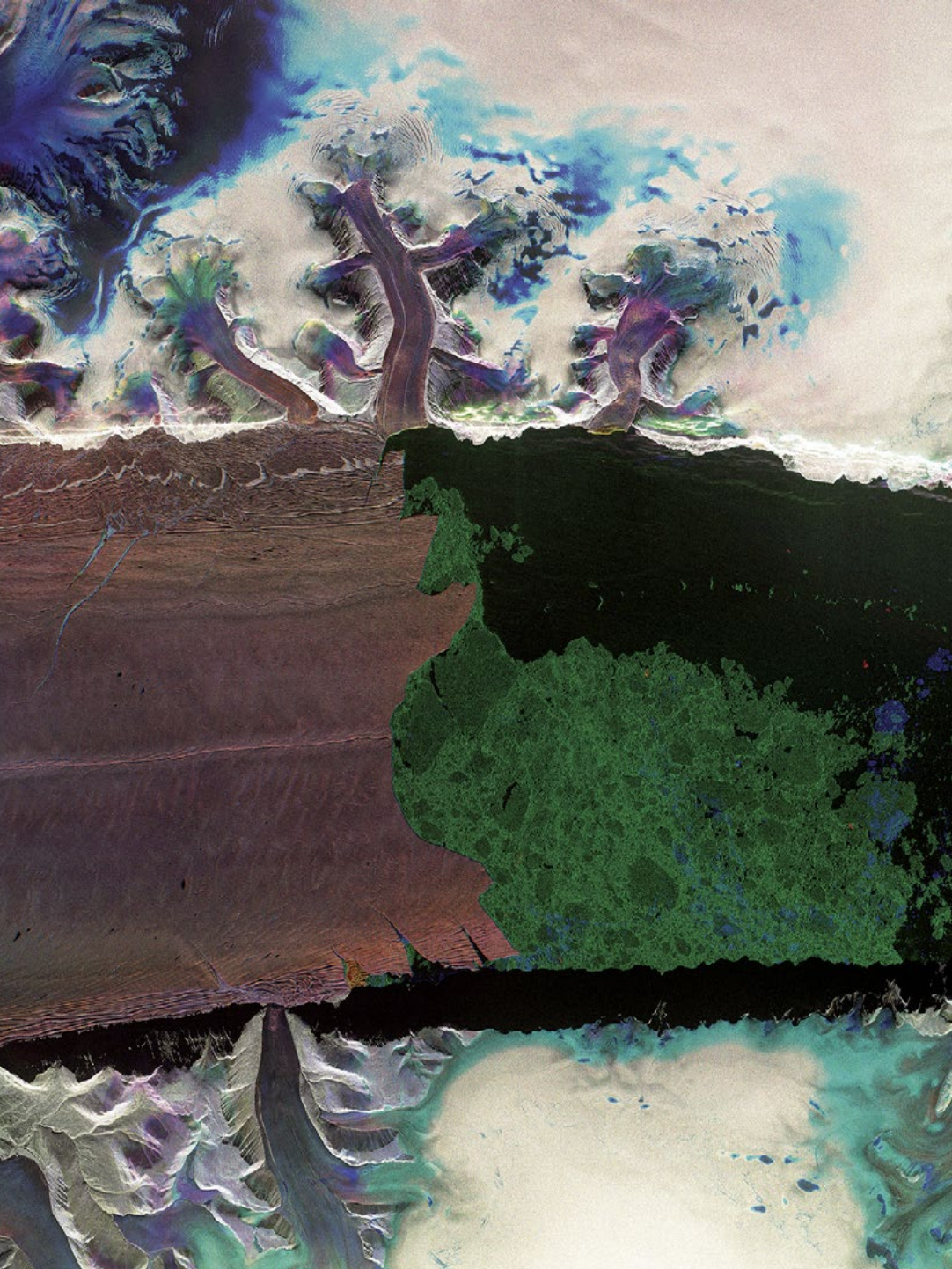
INTENSITY OF WATER WITHDRAWALS (L/€)



Intensity of water withdrawals on revenues: 0.32 (-11% compared to 2022).

Water withdrawals: 4,929 megalitres (-7% compared to 2022):

- The **reduction in withdrawals** is mainly due to leak repair work on distribution lines and the implementation of recovery and reuse systems;
- **Reused and recycled water** is equal to 390 megalitres (about 8% of total water withdrawals);
- Withdrawals from **water stressed areas** are equal to 594 megaliters (+7% compared to 2022).











Petermann Glacier, Greenland, climate change

OTHER CLIMATE-RELATED TARGETS

KPI	Unit	Baseline (2019)	2021	2022	2023	Target
Electricity consumption withdrawn from the external grid intensity on revenues	kWh/€	0.050	0.045	0.043	0.042	-10% by 2025
Water withdrawals	Ml	5,887	5,888	5,329	4,929	-25% by 2030
Waste production	ton	38,499	29,884	30,001	33,065	-15% by 2030

ESG RATINGS, SCORES AND ACHIEVEMENTS

	Rating	Scale (Low/High)	Ranking in Sector	Sector Average
	A-	D- A	Leadership Band	C
	80	0 100	1/97	37
	BBB	CCC AAA	-	A
	25,0 Medium Risk	40+ 0 Severe-Negligible	7/101	35
	C	D- A+	Decile 1	D+
	63	0 100	3/19	41
	87	0 100	2/103	43
	82	0 100	99° percentile	55

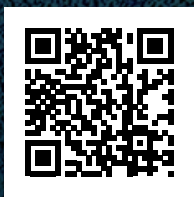
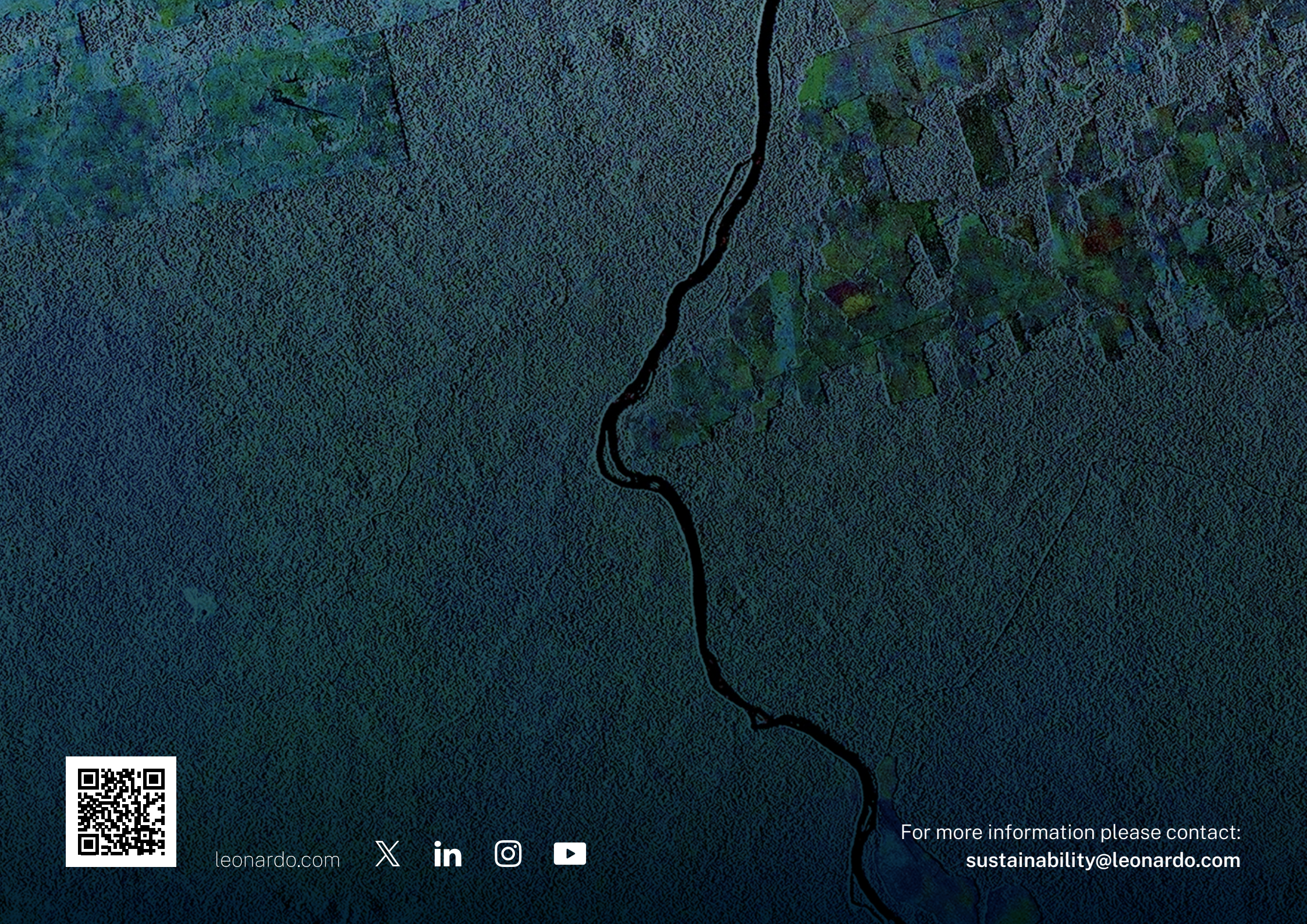
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