LEONARDO

They call it Leonardo. We call it Us.

2018 SUSTAINABILITY AND INNOVATION REPORT

Consolidated Non-financial Statement for 2018
in accordance with Legislative Decree no. 254 of 30 December 2016

We are more than 46,000. With the very same DNA.

We may speak different languages and come from different cultures.

We may be women or men; people who are at the beginning of their professional path or who are close to the finish line, but we all share a common identity. Our inner nature is to be technological, talent oriented, solid, forward-looking, dynamic, committed to integrity and international.

Seven characteristics that form our DNA, giving us and our Group a unique identity.

This is Leonardo. This is Us.

“ I am Technological

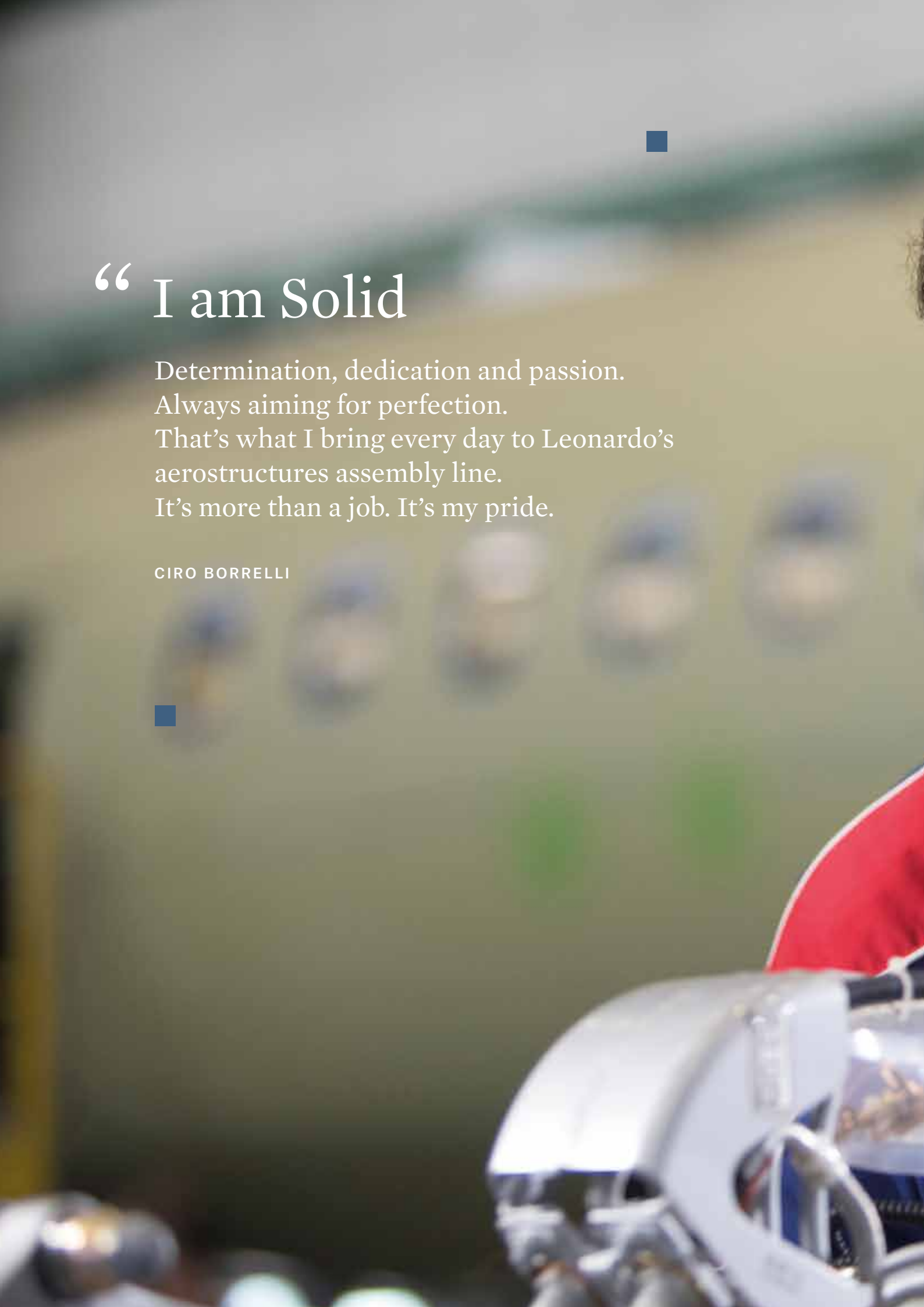
As an engineer at Leonardo, I use my know-how and experience each day to work alongside my team helping create the technologies of the future. Working together, working as one.

MARCO TAMBORINI

“ I am Talent oriented

Working in HR, I always look for the potential in people. At Leonardo, we nurture our resources to deliver excellence. And it’s our job to help our talent develop and grow.

ERIKA ZOCCHI



“ I am Solid

Determination, dedication and passion.
Always aiming for perfection.
That’s what I bring every day to Leonardo’s aerostructures assembly line.
It’s more than a job. It’s my pride.

CIRO BORRELLI


POWERLAND PLANT

“ I am Forward-Looking

As an engineer, I think each day of how we can give more to our customers. At Leonardo, we not only create today’s solutions, we imagine those of tomorrow.

GAETANA DI BIASE

“ I am Dynamic

As a specialist in Research and Innovation at Leonardo, I never stop learning. Every decision I make and each task I carry out is a building block for my professional growth.
Today, I am ready for tomorrow’s challenges.

GIORGIO VICENZOTTI

“ I am committed to Integrity

As a manager in the unmanned field, my work philosophy is simple: always do my best in the best way. Integrity, transparency and trust guide us every day at Leonardo and make us a reliable, long-term partner for all our stakeholders.

CURTIS STUART

“ I am International

I am part of an international Group that bridges worlds. As a global commercial manager, there are always new synergies to create, new opportunities to explore, and new ideas to turn into reality. That’s what makes working at Leonardo so exciting.

AFSANEH FARROKHI

Contents

70 years of history

In 2018, Leonardo celebrated its first 70 years, during which it has been a key player in Italian industrial history with roots dating far back before its official launch in 1948. Building on its past but with an eye to the future, in early 2018, Leonardo presented its new 2018-2022 Industrial Plan, with the aim of completing its ongoing development towards long-term sustainable growth.

The origins

In 1948, Società Finanziaria Meccanica (Finmeccanica) was set up to incorporate IRI's Italian mechanical engineering and shipbuilding companies. Following the Second World War, the Company became the reference point of the engineering industry and backbone of Italy's industrial scene.

Focus on technology

In the early 1960s, given its need to grow to a more competitive size and the intention to create an improved organised structure of state-owned companies, the Group decided to focus on high technological content sectors such as the automotive, thermal-electric-mechanical and aerospace sectors.

The move abroad

The negative economic conditions and global energy crises affect the Group's markets. It was thus decided to significantly revise its industrial policy, taking the first steps towards the internationalisation that pre-empts the subsequent development into overseas markets.

The crisis and the reorganisation

In the 1990s, following cuts to defence budgets after the end of the Cold War, the air transport crisis and the drop in space contracts, Finmeccanica elected to streamline its production while retaining its technological edge in its strategic sectors. In the mid-1990s, the Group acquired defence companies, becoming the Italy's point of reference in Aerospace, Defence and Security, and rolled out a process to realign its industrial strategies to the new competitive scenario.

Privatisation and international expansion

After being listed on the Milan stock exchange in 1992 and the following privatisation, a new phase of growth began in 2002 through agreements and acquisitions which allowed the Group to build up its position in those sectors that had become its core business: Aerospace, Defence and Security.

Era of One Company

Finmeccanica embarked on a large reorganisation of the Group in the first half of 2014. In 2016 it became "One Company" and was renamed Leonardo. The holding company assimilated the subsidiaries to become the operating company that it is today, organised into Divisions for each business segment as well as joint ventures.

Leonardo today

LEONARDO
1948 • 2018

Global leader in the high-tech industry, one of the world's top 10 companies in the Aerospace, Defence and Security sector and the main industrial company in Italy.

Letter to stakeholders

THE CHAIRMAN
Giovanni De Gennaro

THE CHIEF EXECUTIVE OFFICER
Alessandro Profumo

In 2018, Leonardo turned 70 and celebrated an anniversary that brought together two meaningful concepts: the legacy of the past and the driving force of the future.

Our story illustrates the step-by-step creation of an extraordinary heritage of expertise, capabilities and technologies, with roots originating well before 1948, in some cases dating back as far as the 19th century. Above all, this is a story built on people, based on their technological, industrial and professional know-how that has enabled us to face years of challenges, changes and evolution, always at the frontier of innovation, in a highly competitive sector.

It is this ability to evolve and project ourselves towards the future – aimed at creating value in the long term, for all our stakeholders and where we are present – that guides us every day in executing our 2018-2022 Industrial Plan and in consolidating our potential along a sustainable growth path, combining business development with cash generation levels in line with expectations.

This is where our idea of sustainability resides: a constant search for balance between available resources and market challenges to i) identify technological development areas strategic for the future; ii) invest in people and skills to preside over these areas; and iii) be investment grade for the main credit rating agencies.

We have shared this ambitious – but realistic – challenge with our stakeholders, developing further opportunities for dialogue and for listening, which have strengthened our credibility as a trusted partner for innovation, for the development of the territories in which we operate and the creation of highly qualified jobs.

Our vision of sustainability is undoubtedly also a cultural challenge, and we are convinced that the impetus to change must come from our people. For this reason, we have defined a set of values, skills and behaviours, which are at the core of Leonardo, in essence a professional toolkit for our resources. The Leonardo Leadership Framework inspires our daily actions and provides the tools to support and consolidate our path of change and growth.

As a global player in the Aerospace, Defence and Security sector, we are conscious of our role in the Countries in which we operate and of our responsibilities, including towards future generations. For this reason and with our activities, we are contributing to the achievement of the United Nations' 2030 Agenda for Sustainable Development, in particular for the promotion of a scientific community, the development of SMEs, the enhancement of technological collaborations and the continuous improvement of products and solutions for society and the environment. To this end, we support the Ten Principles of the United Nations' Global Compact, the largest global initiative for sustainable business.

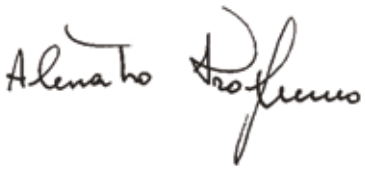
The Sustainability and Innovation Report describes what has been done in 2018, the challenges we set and the commitments we have made: integrity in business conduct, being at the forefront of European R&D programmes, our ability to transform resources into shared value and the solutions we make available for the common good.

To strengthen our relationship with the regions, in 2018 we launched the "Fondazione Leonardo - Civiltà delle Macchine", whose very name evokes the Company's historical in-house magazine that from the early 1950s bridged technical and scientific culture with art and literature. Thus, creating a dialogue based on a multi-disciplinary approach and spreading of knowledge, which is now known as STEAM (Science, Technology, Engineering, Arts, Mathematics) and is essential for communicating with younger generations.

The path we have embarked upon has yet to be completed. But thanks to our heritage of skills and capabilities, we are in a solid position to continue with our Industrial Plan. We are confident that we will achieve the goals we have set because we have full confidence in our people, who with passion and dedication have always been able to build on the past, interpret the present and innovate the future.

The Chairman
(Giovanni De Gennaro)

The Chief Executive Officer
(Alessandro Profumo)




LEONARDO
LEONARDO

Profile

Group structure

BUSINESS SECTORS

DIVISIONS, MAIN SUBSIDIARIES AND INVESTEES

Helicopters

→ Helicopters Division

Electronics, Defence & Security Systems

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

Aeronautics

→ Aircraft Division
→ Aerostructures Division
→ ATR (*)

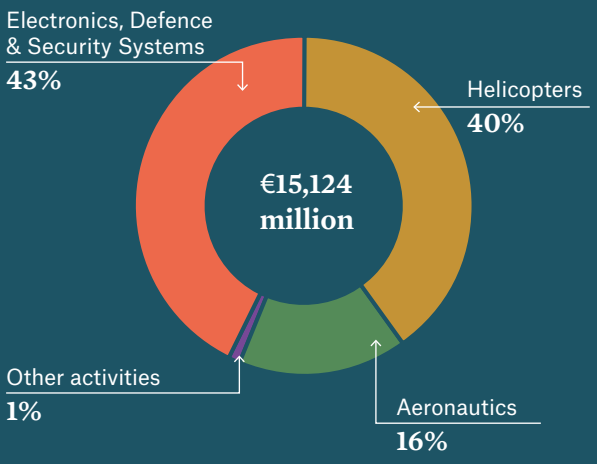
Space

→ Telespazio (*)
→ Thales Alenia Space (*)

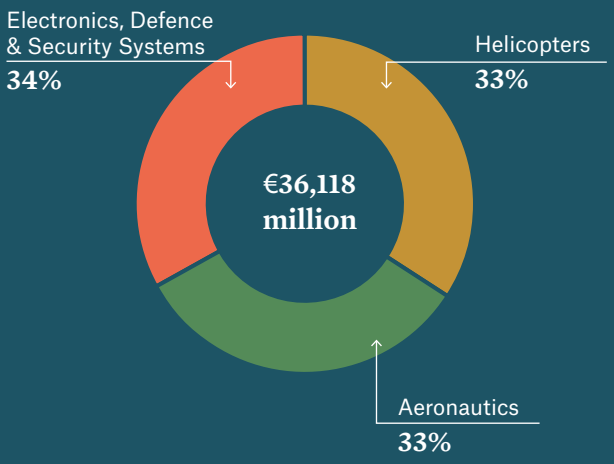
(*) Joint venture.
Other main subsidiaries and investees: Leonardo Global Solutions, Avio, Elettronica, NHIndustries, Orizzonte Sistemi Navali.

Highlights by business sector

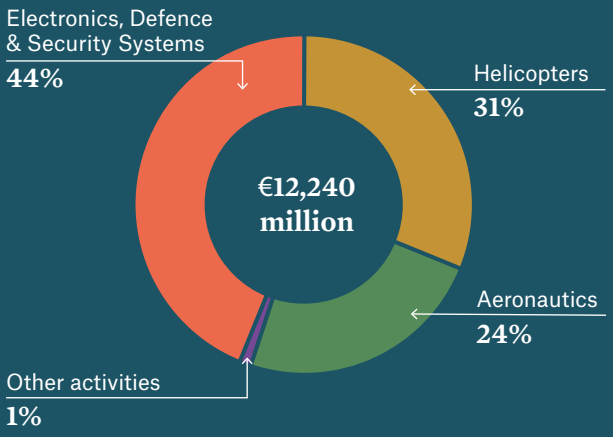
NEW ORDERS



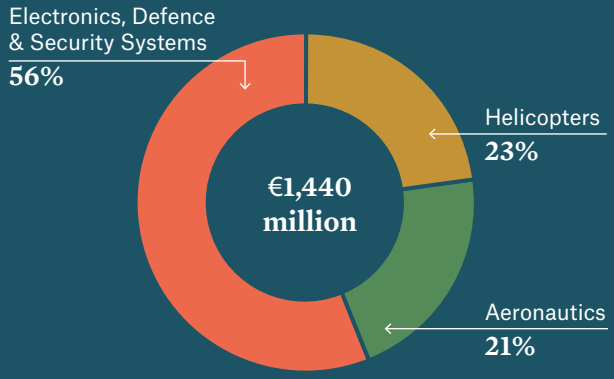
ORDER BACKLOG



REVENUES



R&D EXPENSES



Products, services and solutions

AIR

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

LAND

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

SEA

From maritime and coastal surveillance to the supply and integration of all ship systems: Leonardo offers cutting edge functionalities and all the skills necessary to give naval forces timely and accurate information and the ability to manage and control integrated situational awareness, communications and weapon systems.

SPACE

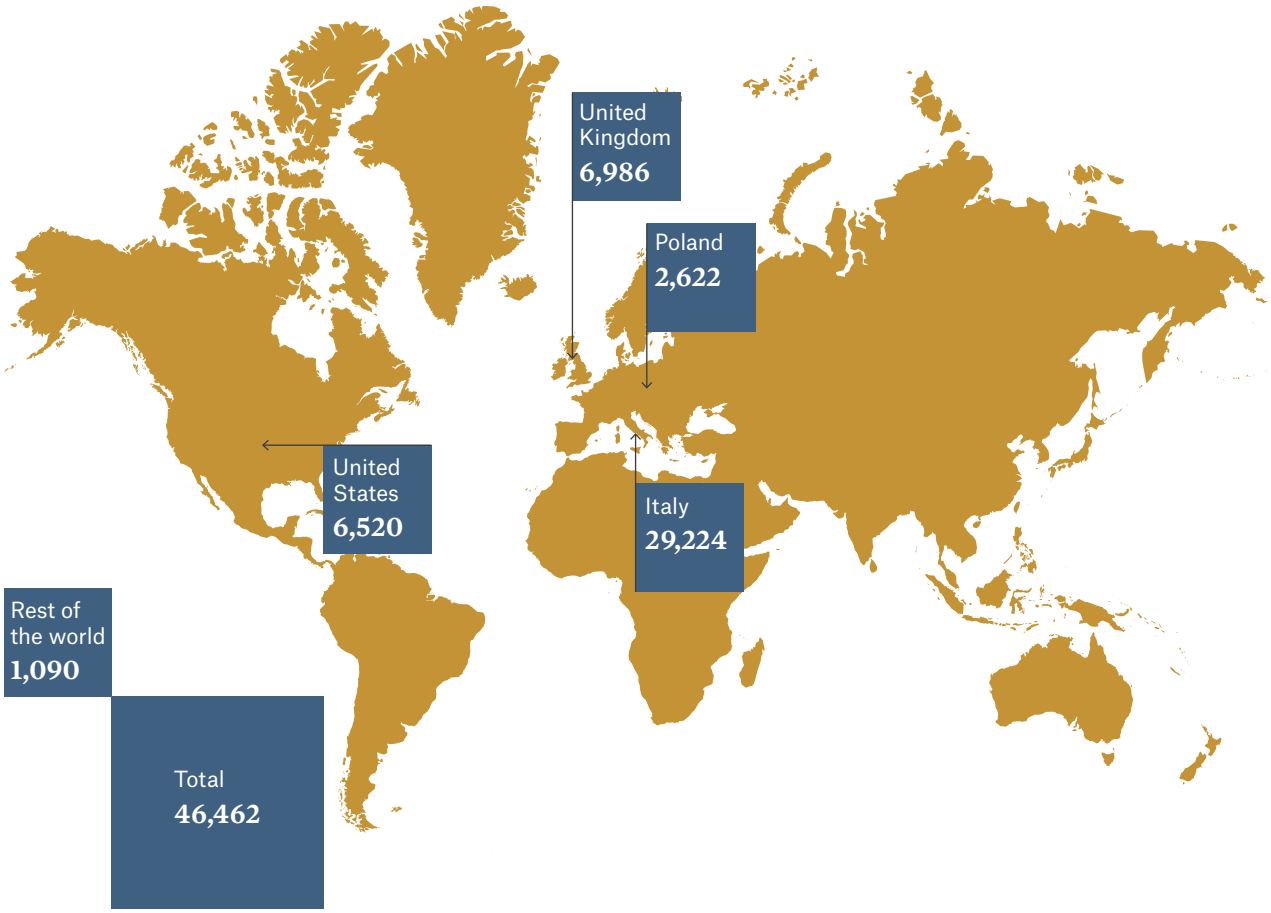
From design to development of integrated satellite systems, management of satellite communication networks and development of geo-information and Earth observation applications: Leonardo provides a full offer, which includes sensors, payloads, advanced robotics systems, solutions and services.

CYBER AND SECURITY

From integrated systems for the security of major events to the protection of critical infrastructure. Leonardo provides a broad range of services and solutions to protect and respond to the most advanced and persistent cyber-attacks. Leonardo exploits the synergies between IT, communications, physical and digital security to offer integrated systems to secure and control the territory.

Global presence

4 domestic markets



Over 46,000 employees

Products and solutions in 150 Countries

People at 31 December 2018.

Corporate bodies and committees

Board of Directors

(for the three-year period 2017-2019)

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

Luciano Acciari, SECRETARY TO THE BOARD OF DIRECTORS

Independent legal auditors

(for the 2012-2020 period)

KPMG SpA

Board of Statutory Auditors

(for the three-year period 2018-2020)

REGULAR STATUTORY AUDITORS

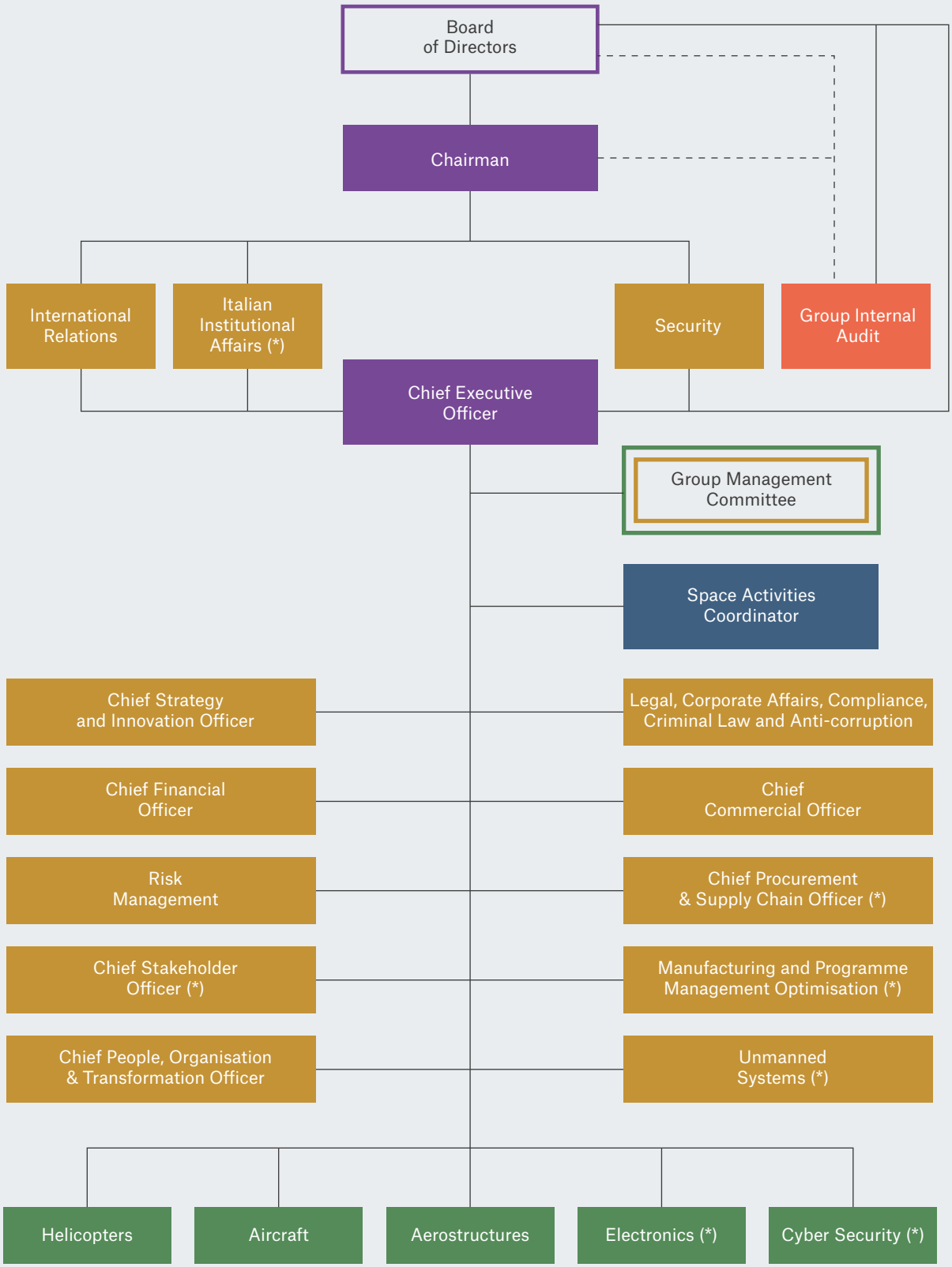
- → Luca Rossi (*), CHAIRMAN
- → Sara Fornasiero (*)
- → Francesco Perrini
- → Leonardo Quagliata (*)
- → Daniela Savi

ALTERNATE STATUTORY AUDITOR

- → Marina Monassi (*)

A: Control and Risks Committee.
B: Remuneration Committee.
C: Nomination, Governance and Sustainability Committee.
D: Analysis of International Scenarios Committee.
(*) First appointment in 2018.

Organisational structure



(*) Organisational unit/Division set up in 2018.
The organisational structure refers to Leonardo SpA.

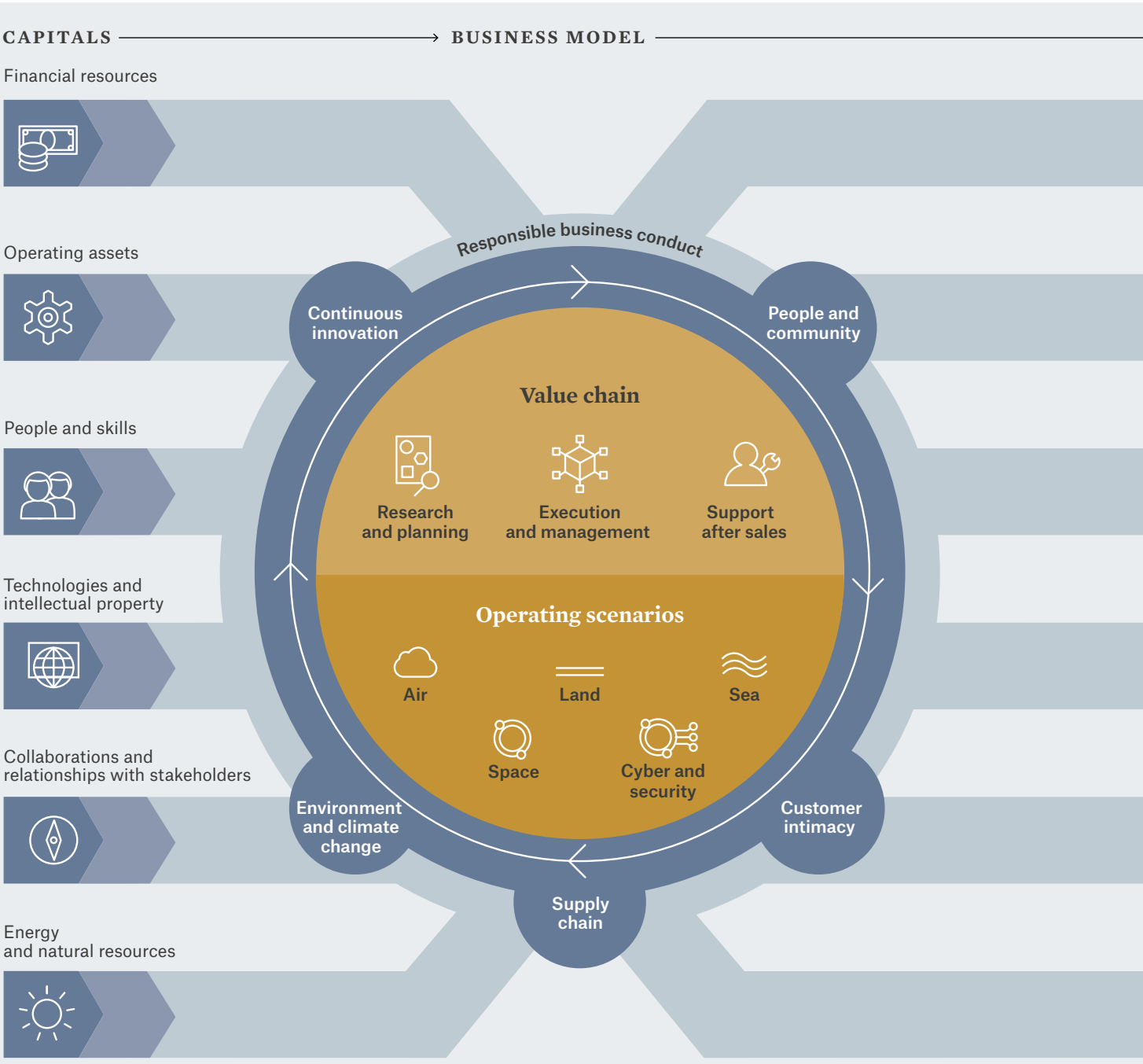
Results and targets

Business model

Leonardo develops, manufactures and manages products, systems, services and integrated solutions for both defence and civil segments in order to meet the needs of Governments, institutions, companies and citizens in all operational scenarios: air, land, sea, space, cyber and security.

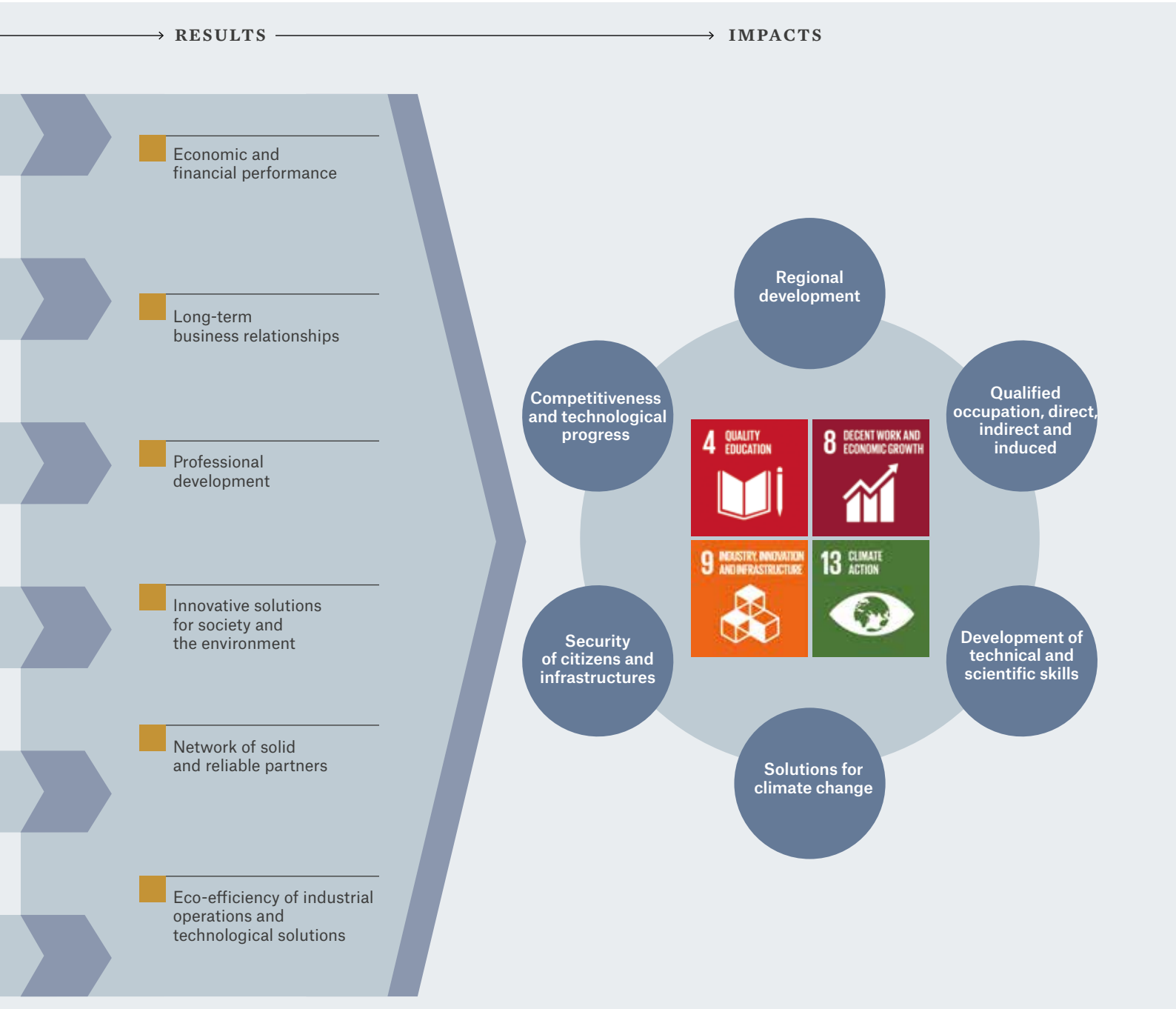
The integrity and shared values guide the choices and behaviours in the conduct of the business and contribute to increase consumers', suppliers', business and trade partners' and all stakeholders' trust.

How Leonardo creates value



Through continuous innovation, the management of knowledge and skills, customer intimacy, suppliers' involvement and attention to environmental sustainability, Leonardo uses its tangible and intangible capitals to create value, inspired by the International Integrated Reporting Council (IIRC) approach.

The economic, social and environmental impacts generated by Leonardo's business model thus directly contribute to achieving four of the Sustainable Development Goals (SDGs), selected among the 17 promoted by the United Nations' 2030 Agenda, for a development aimed at achieving prosperity for people around the world.

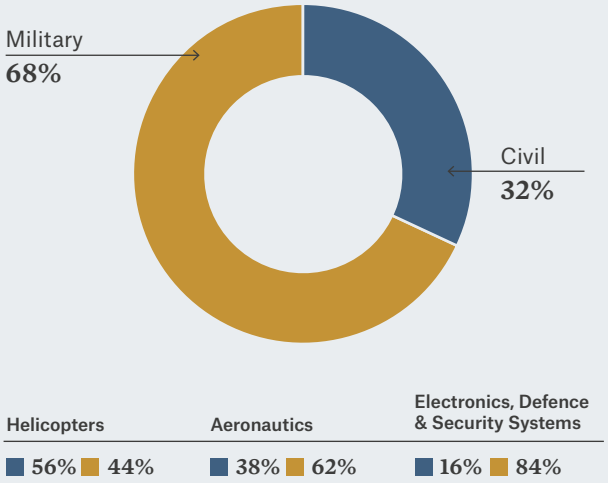


Results and performance

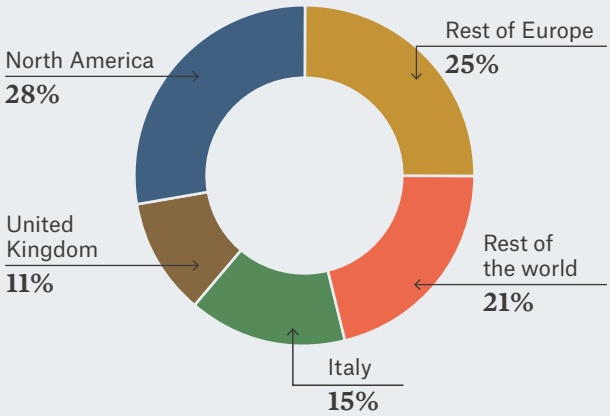
Economic and financial results

€ million	2016	2017[1]	2018	2018 vs 2017
New orders	19,951	11,595	15,124	*+30%*
Order backlog	34,798	33,507	36,118	*+8%*
Revenues	12,002	11,734	12,240	*+4%*
EBITA	1,252	1,077	1,120	*+4%*
Net result	507	279	510	*+83%*
Net debt	2,845	2,579	2,351	*-9%*
FOCF	706	537	336	*-37%*

REVENUES BY MARKET



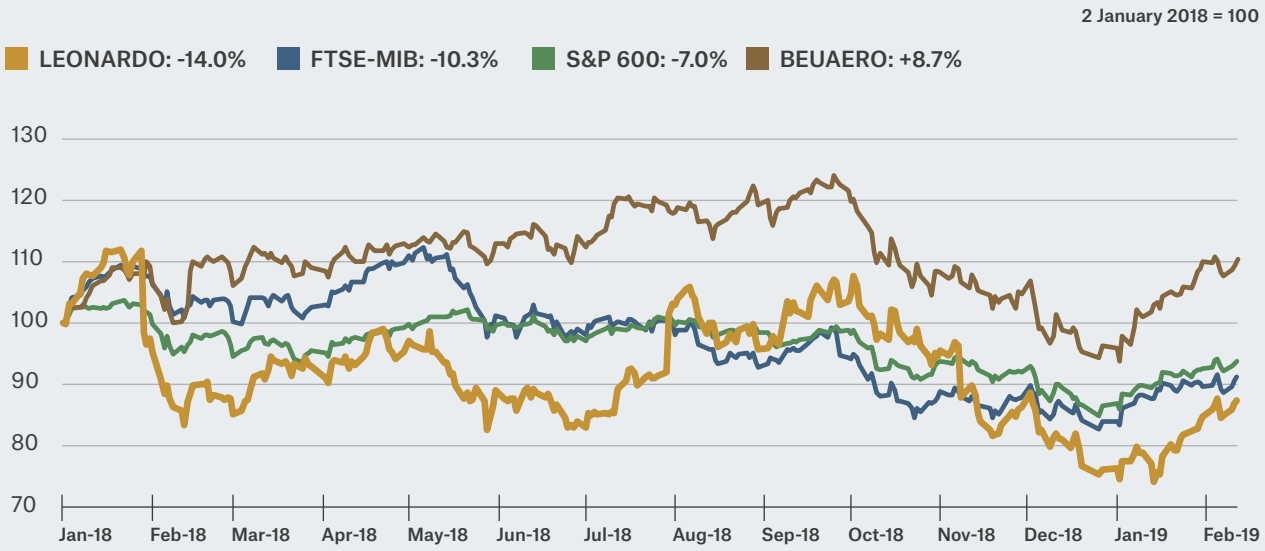
REVENUES BY GEOGRAPHICAL AREA



[1] 2017 figures restated for the implementation of IFRS 15 related to revenues recognition.

PERFORMANCE OF LEONARDO STOCK

Reference period: January 2018 - February 2019



CREDIT RATING

MOODY'S
Rating: Ba1
Outlook: Stable

STANDARD & POOR'S
Rating: BB+
Outlook: Stable

FITCH
Rating: BBB-
Outlook: Stable

Extra-financial results

	2016	2017	2018	2018 vs 2017
Workforce (no.)	45,631	45,134	46,462	*+3%*
New employees under 30 on total hiring (%)	31	38	38	-
Women in managerial positions on total managers and middle managers (%)	14	15	16	*+1 p.p.*
Average training hours per employee (no.)	14	20	20	-
R&D expenses on revenues (%)	11	13	12	*-1 p.p.*
Energy from renewable sources on total energy consumption (%)	32	35	37	*+2 p.p.*
Employees at ISO 14001-certified sites on total employees (%)	67	66	69	*+3 p.p.*
Scope I and II CO_2 emissions intensity on revenues (gram/€)	29.6	27.8	28.7	*+3%*
Water withdrawals intensity on revenues (litre/€)	0.53	0.51	0.48	*-8%*
Waste produced intensity on revenues (gram/€)	2.99	2.77	2.77	-

In 2018, Leonardo's organisational profile showed a workforce increase of roughly 3%, after a decreasing trend over the last years, due to the rise in the hiring of new employees, including 38% in the under-30 age bracket. The percentage of women in managerial positions increased, reaching 16% of the total managers and middle managers, thanks to the promotion policies on gender diversity implemented in recent years. The hours of training provided to employees were in line with 2017.

Expense in R&D accounted for roughly 12% of total revenues, allowing the Group to continue to invest in internal research and external partnerships aimed at boosting the current and future development of the product portfolio and related competitive edge.

During the year and in line with the guidelines set out in the Energy Management Policy, electrical energy from renewable sources on total energy consumption increased by 2 percentage points, reaching 37% of the Group's energy mix. Employees working in sites with ISO 14001-certified environmental management systems accounted for 69% of the total workforce, with an increase of 3 percentage points on 2017. The increase of CO_2 emissions is mostly due to the greater production volumes compared to the previous year and the greater use of gaseous substances in the helicopter manufacturing processes. Water consumption intensity, calculated as the ratio on revenues, decreased by around 8% in 2018 while the quantity of waste produced was flat compared to 2017.

Breakdown of added value

€ million	2016	2017	2018
Total gross added value[2]	**12,882**	**12,306**	**13,126**
Suppliers (cost for the purchase of goods and services)	7,570	7,454	8,024
Employee remuneration	3,159	3,111	3,376
Loan capital remuneration	498	529	368
Public administration remuneration	122	106	63
Community investments and sponsorships	5	6	4
Company remuneration	1,528	1,100	1,290
Total value distributed	**12,882**	**12,306**	**13,126**

In 2018, Leonardo accounted 97% of its taxes in Countries in which it has main operating assets (Italy, the United Kingdom, the United States and Poland), where 98% of its employees work and 76% of its goods and services are purchased.

[2] "Total gross added value" includes Revenues, Other revenues and Other operating costs and net accessory.

Recognition and awards

Sustainability equity indexes	> **Dow Jones Sustainability Indices (DJSI)** - Ninth consecutive year in the DJSI equity indices; one of 8 companies in the A&D industry and one of 9 Italian companies admitted. > **ECPI** - Inclusion in the ECPI World ESG Equity Index and Euro ESG Equity Index for the fourth consecutive year.
ESG disclosure	> **Carbon Disclosure Project (CDP)** - Level A- confirmed for the second consecutive year, on a decreasing scale from A to F. > **Defence Companies Anti-Corruption Index** - Level B in the most recent ranking issued by Transparency International, on a decreasing scale from A to F. > **E&S (Environmental & Social) Quality Score** - Scored as having the lowest risk level with respect to environmental and social performance by Institutional Shareholder Services (ISS) in January 2019.
Innovation	> **SMAU prize for Innovation** - Awarded for the second consecutive year, in Lombardy, in the Industry 4.0 category, for the MORPHEUS XR system designed for immersive training using virtual reality technology and, in Campania, for Innovathon, a 24-hour idea marathon to promote and speed up innovative processes. > **Scientific Achievement Award** - Received from NATO for the contribution to the development of an innovative approach to training and simulation based on the Modelling & Simulation as a Service (MSaaS) paradigm.
People	> **Best Employer of Choice 2019** - Confirmed in the top 20 ranking of Italian employers. > **Investor in People** - Awarded gold level accreditation in the most important classification in the United Kingdom for human resources management. > **Investor in Young People** - Awarded gold level accreditation for the commitment in the United Kingdom to support the young people to enter the job market. > **Employer Recognition Scheme Gold Award** - Awarded by the UK Ministry of Defence to companies for the support for the military community and the Armed Forces. > **Best for Vets Award: Employees** - Leonardo DRS was one of the 100 US companies rewarded for its policies for veteran employees. > **Forbes World Best Employer 500** - Inclusion in the Forbes list of the top 500 best employers around the world for the attention to the work environment and people enhancement.
Customers and suppliers	> **Best Performing Supplier** - Award from Airbus for the Company's performance in terms of On Time Delivery (equal to 100%) and product quality. > **Independent Teleport Operator of the Year** - Assigned by World Teleport Association (WTA) for Telespazio's role in 50 years in the space operations sector. > **Il Logistico dell'Anno Award** - Awarded by Assologistica for the innovative approach of the Aircraft Division's new logistics service centre. > **ProPilot** - Ranked first in the 2019 ranking among the global helicopter companies, with a score of 7.79/10 for the efficiency and quality of post-sale activities.
Governance	> **Best Corporate Governance 2019** - Award by the Ethical Boardroom' magazine for the leadership in corporate governance in the European Aerospace and Defence sector. > **ISO 37001:2016 certification** - First Company among the top ten global players in the sector to obtain ISO 37001 certification for the anti-bribery management systems.

Trends and scenarios

Leonardo's business development is affected by changes in reference geopolitical and macroeconomic scenarios, which can also be caused by Government spending policies, private sector customer needs and the more significant environmental, social and governance aspects that emerge at global level.

Geopolitics and EU common defence

Political uncertainty in certain areas of the world and the rise in migration flows have encouraged western Countries to focus increasingly on the issue of security, earmarking resources and implementing shared and integrated measures, especially in the European Union.
The European Defence Action Plan includes numerous projects that foster competitiveness in the European defence industry: the Preparatory Action on Defence Research (€90 million budget for the period 2017-2019); the European Defence Industrial Development Programme (EDIDP) (€500 million budget for the period 2019-2020) to promote partnerships during the development stage; the European Defence Fund Regulation, under approval, to launch new R&D partnerships between companies from different Countries (€13 billion proposed budget for the period 2021-2027); the Permanent Structured Cooperation (PESCO) designed to converge planning and harmonisation of requirements and a collaborative approach, including through funding from the European Defence Fund.

Digitalisation and cyber security

The introduction and integration of new digital technologies are transforming business models, Company processes and relationships with the supply chain and business partners.
Products and solutions with new digital functionalities and innovative services based on big data analytics will increasingly penetrate all the markets.
The quality of the digital infrastructure and the ability to protect the cyber ecosystem will be two of the key factors for the protection of global economic and social prosperity. The impact of cyber threats is expected to cost USD 8,000 billion over the next five years (source: Juniter Networks) and 5 billion information files will be stolen in 2020.

Decarbonisation and circular economy

The Paris COP21 and subsequent meetings outlined the trajectory towards more sustainable, low environmental-impact production and consumption models that will contribute to a more competitive system and create new jobs. With respect to the circular economy, the European Union estimates that measures like environmentally-friendly designs and the reduction and reuse of waste can generate savings of more than €600 billion, reducing the total annual GHG emissions by 2-4%. The introduction of measures to increase the productivity of material resources by 30% before 2030 should boost GDP by an additional near 1% as well as creating more than 2 million jobs. The principles of the transition to a low carbon condition and a circular economy are also becoming an integral part of the R&D processes of the Aerospace, Defence and Security sector.

Skills for the future

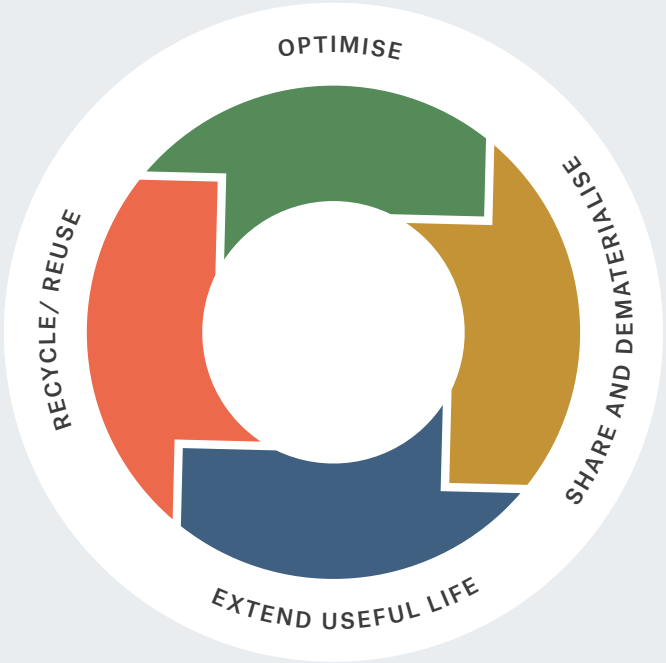
The fourth industrial revolution encompasses the extensive use of new digital technologies (robotics, 3D printers, Internet of Things, automation) that have a significant impact on industrial processes.
By 2025, Europe will see an 8% increase in demand for STEM (Science, Technology, Engineering, Mathematics) skills, for a total of 7 million jobs in this field (source: 2016 DESI Report). At present, the European average for STEM university graduates is just 19.1% (13.5% in Italy). Moreover, only 10,000 of the roughly 120,000 engineers that graduate each year decide to work in the Aerospace, Defence and Security sector (source: CSG).
It is, therefore, essential to encourage young people to study these subjects to obtain the human capital necessary for the high-tech sectors and to underpin social and economic growth.

The circular economy in the Aerospace, Defence and Security sector

Accelerate the transition to a sustainable production and consumption system that strengthens the global economic system's resilience. With this objective, the circular economy has become a reference point for institutions engaged in defining sustainable development policies and a factor to be considered by companies in the future strategies. Indeed, the European Commission has already adopted a new ambitious package of measures for the circular economy while the European Defence Agency (EDA) has rolled out a research project to map the introduction of the circular economy principles in the defence sector.

In line with its commitment to long-term sustainable development, Leonardo has looked into the "circularity" framework carrying out a study for the aeronautics and helicopter sectors. The results of the study have been presented at a conference held by the COTEC Foundation (Foundation for the technology innovation), showing how, within the Company, there are already activities carried out in line with the circular economy principles. It was reported also that the greater use of digital technologies and the creation of an ecosystem that facilitates the recovery and reuse of materials at the end of their lives are the factors that will speed up the transition, creating simultaneously value for Leonardo and the community.

THE CIRCULAR ECONOMY IN THE LEONARDO'S BUSINESS MODEL



- → Reduction of materials thanks to advanced design systems
- → Application of Product Life Cycle Management and ecodesign approach
- → Use of composites to reduce weight, consumption and impacts

- → Sale of flight hours in place of the product
- → Product test virtualisation
- → Training systems by virtual simulators

- → Optimisation of the maintenance cycle
- → Replacement of just the components that reach the end of life
- → Update of software to lengthen hardware components' life

- → Use of recyclable metallic materials
- → Regeneration of used components
- → Recycling of auxiliary materials, packaging, assembly tools and metallic equipment
- → Buy-back of used helicopters

Model based on the circular economy system diagram of the Ellen MacArthur Foundation.

Stakeholder engagement and materiality

Leonardo is part of a system in which companies, political and economic institutions and the scientific community interact. Stakeholders are constantly engaged through the competent organisational units and using schedules and methods that depend on the stakeholder. All dialogue and interaction opportunities – from Shareholders' Meetings to participation in trade association, from exhibitions and events around the world to the partnerships within technological R&D programmes – contribute to improving the business management practices, stakeholder relations and corporate reputation.

ON STAKEHOLDERS' SIDE: TOOLS FOR DIALOGUE AND LISTENING

MORE FOLLOWERS ON THE SOCIAL MEDIA

+24% +17% +196%

2018 change on 2017.

A YEAR OF SUSTAINABILITY ON THE MEDIA

+40%	+40%	+20%
STEM, human resources, ethics and integrity, circular economy	Innovation and technology	Supply chain

ESG topics in the 2018 press review.

Materiality matrix

In 2018, Leonardo updated the materiality matrix, which summarises the most material topics for the Company and its stakeholders, which are explained in greater detail in this Report.

32 external stakeholders selected and involved in the Rome and London workshops to update the materiality analysis.

The first stage consisted of a multi-dimensional analysis of the external context, taking into consideration macro trends and global priorities for the main Countries where Leonardo operates as well as a benchmark comparison with other sector companies and the ESG (Environmental, Social & Governance) evaluations performed by rating agencies.

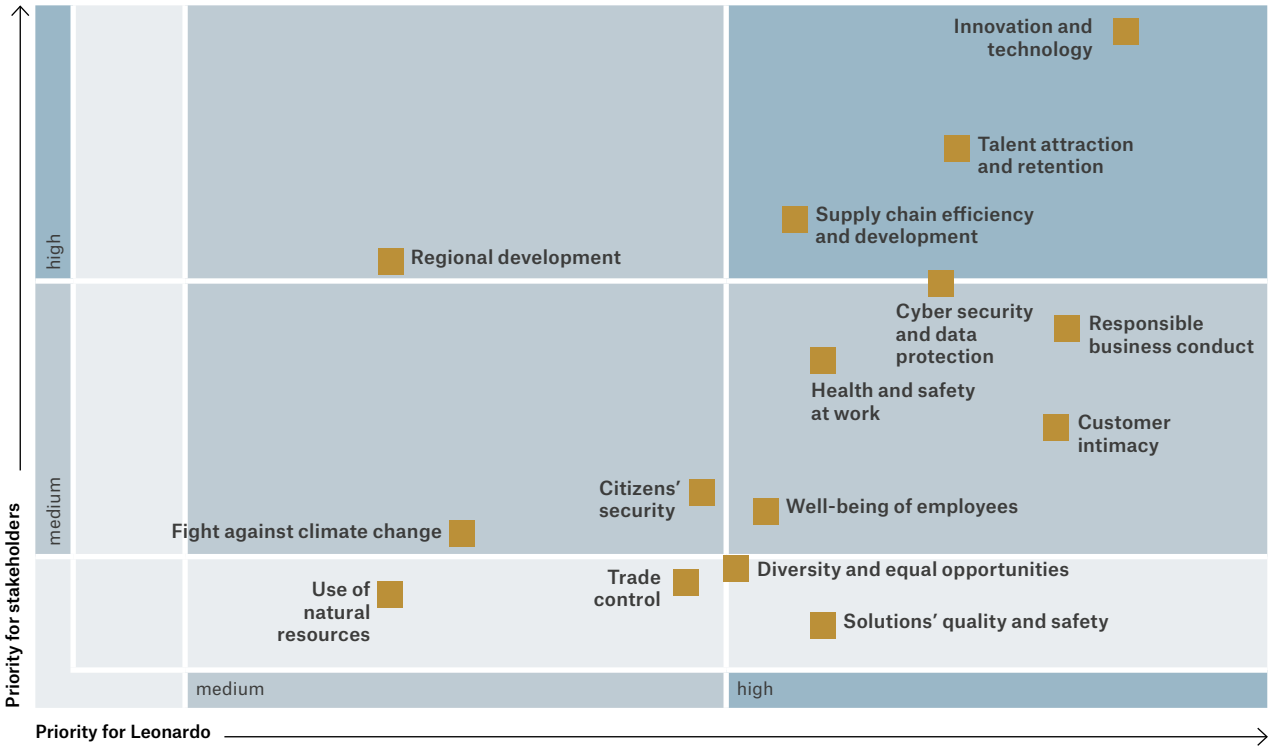
In addition, Leonardo, for the first time, involved the representatives of the main stakeholder categories in two of its domestic markets (Italy and the United Kingdom) through dedicated workshops. These workshops represented an opportunity for Leonardo's external stakeholders – including customers, suppliers, institutions, academia, the financial community, the media and trade associations – to provide and exchange their views and opinions on the key risk areas and opportunities aimed at creating value. Each participant contributed to the analysis by expressing their opinions on the relevance of the material topics, based on their experience and relationship with Leonardo.

Stakeholder engagement on material topics

The analysis was completed by involving the Group Management Committee, as representation of the Company management that expressed the internal perspective by evaluating the materiality of each topic in the short and long term.

The resulting materiality matrix was presented to the competent Board of Directors' committees – the Nomination, Governance and Sustainability Committee and the Control and Risks Committee – in a meeting prior to that held by the Board of Directors for the approval of the Consolidated Non-financial Statement.

The materiality matrix



Sustainability targets

Sustainability is Leonardo's way of doing business, the foundation of the long-term strategy, fully integrated into the Industrial Plan approved by the Board of Directors in 2018.

The development guidelines, transversal to the business, are broken down into specific operating commitments and objectives. The Nomination, Governance and Sustainability Committee verifies their achievement and consistency with the Industrial Plan, together with the Control and Risks Committee.

The Group Management Committee, composed of the first level management, is responsible for defining both the sustainability targets and the related actions to be implemented. The Sustainability Ambassadors, from the various Divisions and departments, contribute to the implementation and monitoring of the specific initiatives.

In 2018, for the first time, part of the CEO's short-term variable remuneration was tied to the achievement of ESG objectives, and specifically to Leonardo's inclusion in the Dow Jones Sustainability Indices (10% of the Management by Objectives - MBO).

DEVELOPMENT GUIDELINES		COMMITMENTS	TARGETS
 GROWTH	Delivering customer-centric solutions	Strengthening customer intimacy	Increasing and strengthening of Customer Support, Service & Training activities
 COMPETITIVENESS AND INNOVATION	Building a solid and reliable supply chain	Strengthening relations with suppliers to develop long-term partnerships	Implementation of partnership programmes with the supply chain to improve business sustainability by 2020
		Increasing employee awareness on ESG topics related to the supply chain	Training on ESG topics to all employees directly involved in procurement and the supply chain by 2020
		Enhancing the responsible business management of the supply chain	Definition of Group governance model and assessment of conflict minerals on 100% of the supply chain by 2021
	Accelerating collaborative innovation	Developing the innovation culture and harmonising internal practices	Sharing of knowledge and best practices and promoting initiatives across the Group
		Promoting open and collaborative innovation	Strengthening of collaborations with external partners and improvement of the efficient management of open innovation and technology scouting
	Promoting operational eco-efficiency	Strengthening the commitment to contrast climate change	Definition of the approach to the circular economy
		Extending the certified environmental management systems	80% of employees in ISO 14001-certified sites by 2020
		Managing natural resources more efficiently	Reduction of water withdrawals by 6% by 2020 Reduction of waste produced by 7% by 2020
 PEOPLE AND PROCESSES	Being a smart employer able to attract and nurture talent	Investing in training and development programmes	Over 100 hours of training for each employee in the 2018-2022 period
		Identifying and encouraging the skills for today and tomorrow	Mapping and assessment of the Group skills Initiatives to encourage young generations to study STEM subjects
		Encouraging generational turnover, ensuring excellence in terms of competences and professionalism	New employees under 30 hired equal to at least 40% of the new hiring in 2022
		Creating an inclusive work environment	Women hired equal to at least 32% of total new hiring in 2022
	Promoting a responsible business model	Promoting responsible business practices	Certification of the anti-bribery management system by 2019
		Training commercial advisors and sales promoters	Training of commercial advisors and sales promoters by 2019
		Increasing employee awareness of responsible business	Increase of employee awareness of the whistleblowing system by 2019
		Improving investors' and ESG rating agencies' perception of Leonardo	Admission to the main sustainability indexes and improvement of ESG rating

MAIN PROGRESS IN 2018	SDGs
Set up the International Flight Training School Strengthened the international presence and established Leonardo International	
Rolled out LEAP 2020 with 400 suppliers in four goods categories equal to 20% of the Group's total expenditure	
Activity commenced	
Activity commenced	
Set up the Innovation Hub and technological communities (Leonardo Connect) Identified over 400 technologies in the technological taxonomy	
About 200 research projects and partnerships with more than 90 universities and research centres around the world, including around 50 in Italy Undertaken new collaborations and partnerships within the main European programmes (e.g., OCEAN2020)	
Defined Leonardo's position on the circular economy and presented the key points to the COTEC Foundation	
69% of employees working in 47 ISO 14001-certified sites, increased by 3 percentage points on 2017	
Reduced water withdrawals intensity (calculated on revenues) by 8% compared to 2017 Waste produced intensity (calculated on revenues) flat compared to 2017	
Provided 20 hours of training per employee Activated around 900 between internships, apprenticeships and training courses	
More than 500 skills mapped in the Group Introduction of the Leadership Framework – set of cross-functional and managerial competencies – and integration in the Performance and Development Management Involvement as educational partner in STEM initiatives (for example, National Geographic Festival of Sciences and Big Bang Fair)	
Employees under 30 hired equal to 38% of total new hiring Over 1,100 employees participating in the early retirement plan as per article 4 of the Italian "Fornero Law" (Legislative Decree no. 201/2011)	
Women employees hired equal to 21% of total new hiring	
Obtained ISO 37001 certification for Leonardo SpA	
Activity commenced in line with new Guidelines for commercial advisors and sales promoters	
Carried out intranet awareness campaign directed at all employees	
Admission to DJSI World and Europe Improved rating from the main ESG rating agencies (for example Sustainalytics and MSCI)	

Sustainable Development Goals (SDGs)

Leonardo is committed to contributing to the achievement of the four SDGs by the promotion of the scientific citizenship, the strengthening of small and medium enterprises, technological partnerships, innovation processes and the continuous improvement of products and solutions for society and the environment.

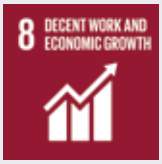
In 2018, with Leonardo's support, 30 students, researchers and sector experts took part in the first Summer School on Sustainable Development sponsored by the Italian Alliance for Sustainable Development (ASviS) and the Siena University. The objective is to train professionals aimed at promoting and applying the contents of the 2030 Agenda within companies and institutions. During the two-week advanced training course, the participants met with lecturers, academics, business experts and representatives of bodies and institutions on politics, science and innovation, elaborating proposals and innovative solutions for new sustainable development models.

Leonardo partner of the Siena Summer School on Sustainable Development

- → **1st** school dedicated to the SDGs in Italy
- → **150** candidates
- → **30** participants including students, researchers, communication and sustainability experts, policy makers and directors
- → **40** lecturers from the academic world, institutions, companies and international organisations
- → **2** weeks of lessons, seminars, team works and laboratories

SIENA SUMMER SCHOOL ON SUSTAINABLE DEVELOPMENT

Leonardo for the SDGs

Goal	Target	Leonardo's commitment
	**Target 4.4** Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	Spread a culture of innovation and provide access to young generations to education and the STEM disciplines to create opportunities for them, develop their talent and renovate knowledge and technical skills.
	**Target 8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation. [...] **Target 8.3** Promote productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises. [...]	Contribute to economic and social progress within the contexts where the Company operates through manufacturing, technological development and investing in people and their skills, by creating qualified work opportunities and favouring the growth of small- and medium-sized companies.
	**Target 9.5** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all Countries, [...] encouraging innovation and substantially increasing the number of research and development workers per one million people and the related spending.	Encourage technological development through a collaborative innovation approach, by sharing resources, skills and structures with external partners, to generate stronger and more stable industrial, environmental and social development over time, to favour employment and to create value for all stakeholders.
	**Target 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all Countries. **Target 13.3** Improve education, awareness-raising, human, and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Prevent and mitigate climate change through technological solutions used for Earth observation and monitoring natural phenomena, the reduction of its CO_2 emission and the development of low environmental-impact products and systems.

Governance and business conduct

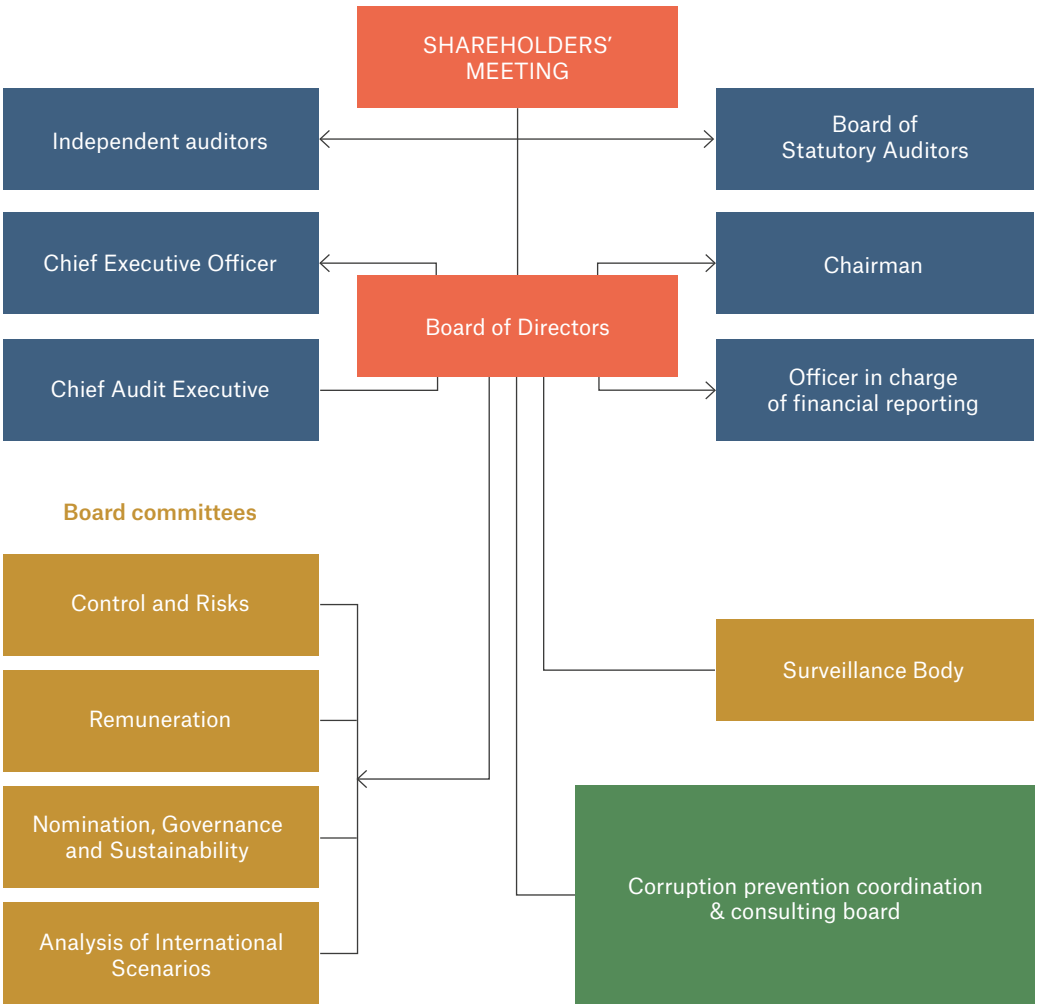
Corporate governance

Leonardo's corporate governance system aims to maximise value for shareholders, control business risks and achieve greater market transparency, as well as ensure integrity and proper conduct in its decision-making processes to the benefit of all stakeholders.

The corporate governance model is in line with the Corporate Governance Code for Listed Companies (approved by the Corporate Governance Committee and promoted by – inter alia – the Italian stock exchange Borsa Italiana), to which the Company adheres, and with the best international practices, also in terms of diversity of Board of Directors (BoD).

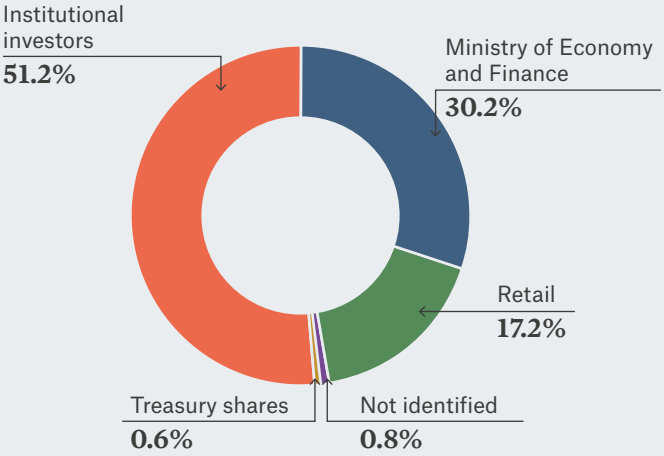
As part of this model, the BoD is the main body entrusted with the power to define business strategies, the Company's organisational structure and business activities' control.

The corporate governance model

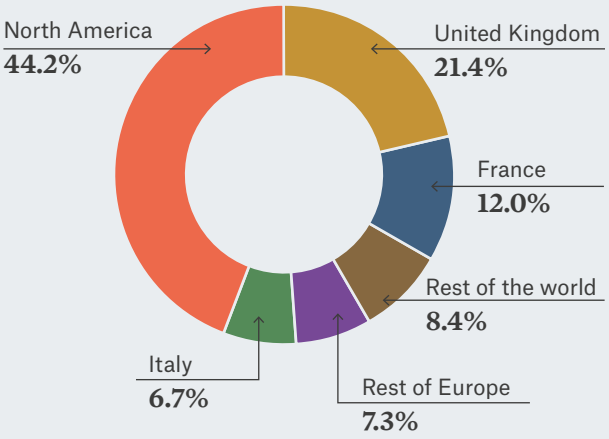


Shareholding structure

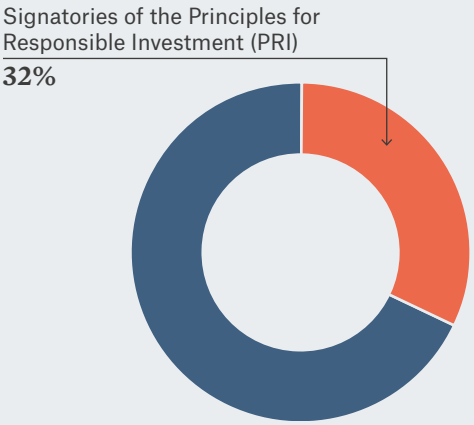
SHAREHOLDING COMPOSITION



GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL FREE FLOATING RATE



RESPONSIBLE INVESTORS



Shareholding structure updated at February 2019.

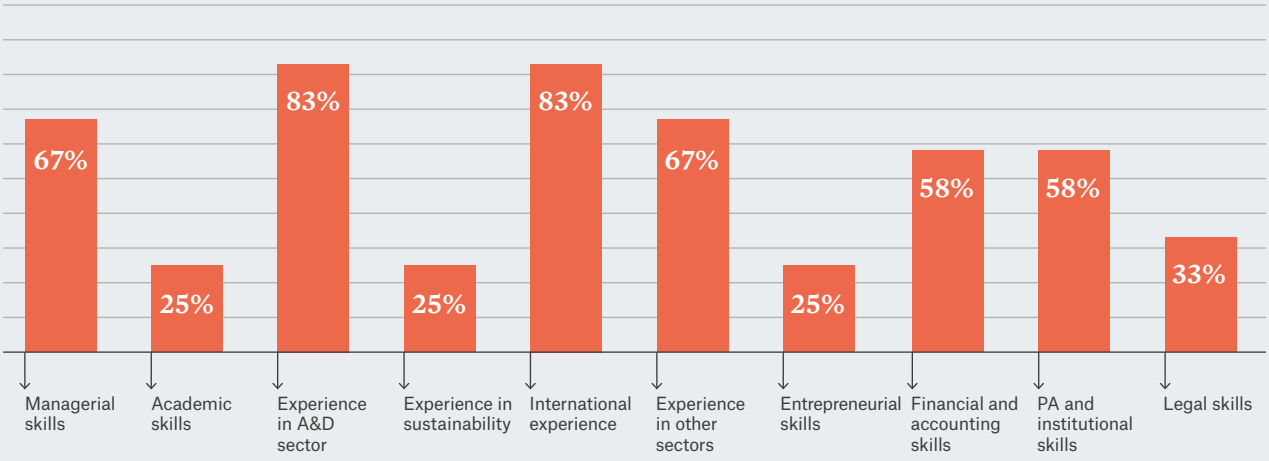
The BoD is supported by four committees, which make proposals and provide advice: the Control and Risks Committee, the Remuneration Committee, the Nomination, Governance and Sustainability Committee (as required by the Corporate Governance Code for Listed Companies) and the Analysis of International Scenarios Committee.

The effectiveness of the BoD is also ensured by the diversity of members in terms of age, gender and mix of skills and experiences.

Numbers of the Board of Directors

	Leonardo BoD	Average FTSE-MIB[3]
Number of Directors	12	13
Directors appointed by minority shareholders	4	2
Women Directors	33%	32%
Average age	60	57
Independent Directors	75%	55%
Average number of positions for each Director (overboarding)	1.1	2
Attendance rate of the BoD	96%	92%

SKILLS AND EXPERIENCES OF DIRECTORS



[3] Assonime data (2018). The average age is calculated using 225 companies listed on the MTA market of the Italian stock exchange Borsa Italiana.

Responsible business conduct

Leonardo forges relationships with its stakeholders with integrity and in compliance with regulations and asks its suppliers, customers and business partners to accept and apply the same principles and conduct.

Its responsible business conduct model is based on a system of rules and internal codes, including the Charter of Values, the Code of Ethics, the Anti-Corruption Code, the Whistleblowing Management Guidelines and the organisational, management and control models developed in accordance with the applicable regulations in each of the Countries where it operates[4]. Its model also complies with the "Common Industry Standards" of the AeroSpace and Defence Industries Association of Europe (ASD) and the "Global Principles of Business Ethics for the Aerospace and Defence Industry" of the International Forum on Business Ethical Conduct (IFBEC).

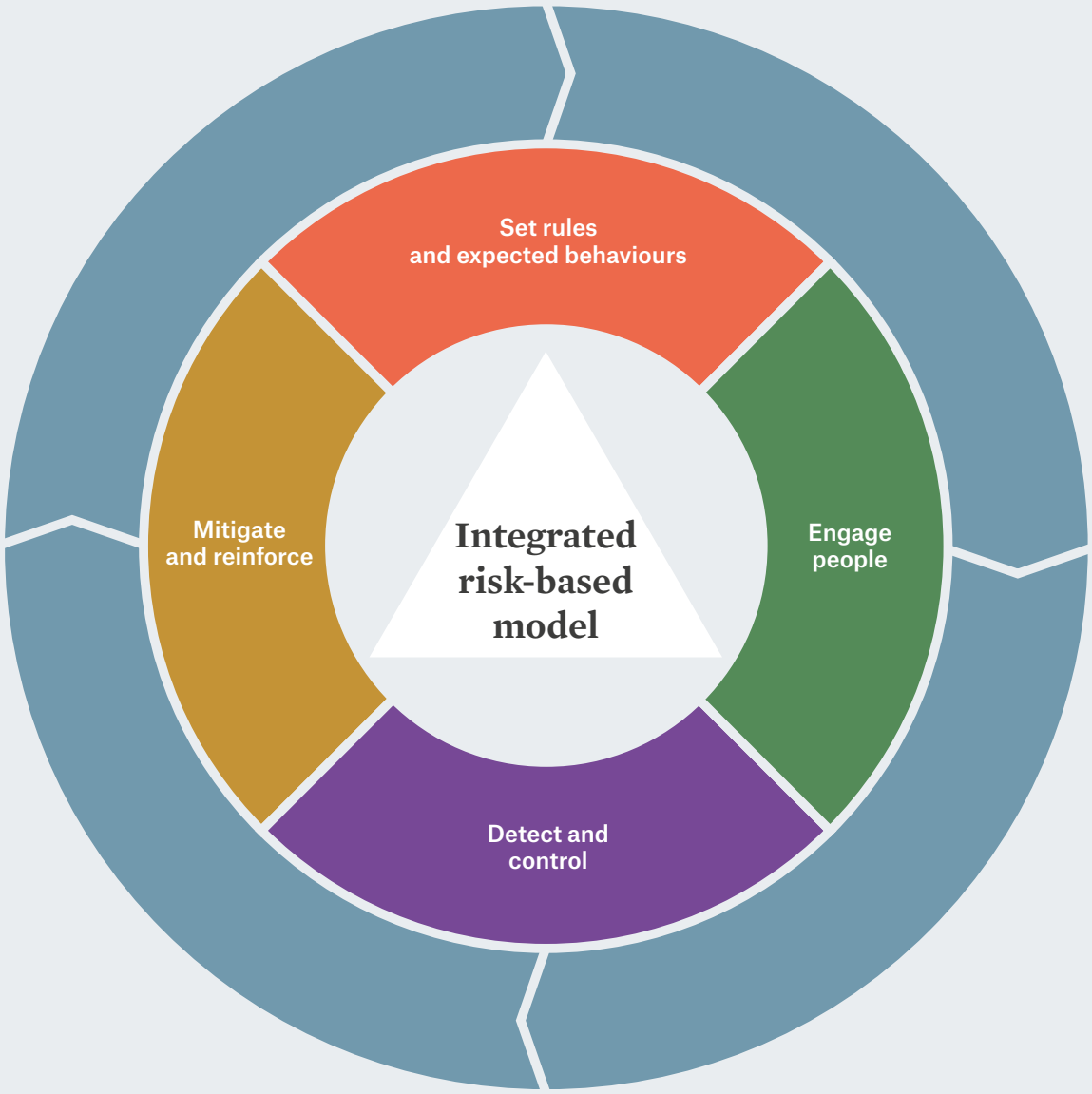
The model's effectiveness is ensured by integrating new risks that arise from changes in the scenarios and operating environments and by improving management of current risks, mainly through discussion between the various relevant internal functions. Over the last years, Leonardo has focused on implementing due diligence tools and strengthening internal controls.

In 2018, Leonardo signed the United Nations' Global Compact, the largest global initiative for business sustainability, committing to respect and promote the Ten Principles related to human rights, labour, the environment and anti-corruption.

Specifically, as a confirmation of the consolidation path of the responsible business conduct model undertaken by the Company, Leonardo SpA obtained the ISO 37001 certification of the anti-bribery management system, an external recognition of the quality of the internal rules and controls system and of the capacity to prevent, detect and respond to the corruption.

[4] Leonardo SpA has adopted an Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001.

The integrated risk-based model



The integrated model in action: activities and results in 2018

Set rules and expected behaviour

Main policies, guidelines and directives issued

→ Guidelines for commercial advisors and sales promoters (Business Compliance).

→ Directive on Project Risk Management.

→ Update of the Whistleblowing Management Guidelines, approved by the BoD.

Organisational, Management and Control Model

→ Updating of the model as per Legislative Decree no. 231/2001.

Focus on the commercial area

→ Issue of guidelines, procedures and directives specific to the commercial area to standardise processes and models and increase traceability.

→ Introduction of training courses for commercial advisors and sales promoters.

→ Introduction of a risk analysis methodology for red flags during due diligences of commercial advisors and sales promoters.

Engage people

Business Compliance

→ 11,494 hours of training for Divisions and the subsidiaries, 6,347 participants.

→ 38 people involved on a classroom training on how to assess the risk profile of commercial advisors and sales promoters.

Trade Compliance

→ 25,866 hours of training for Divisions and the subsidiaries, 9,692 participants.

Anti-corruption

→ 10,280 employees trained on the Anti-Corruption Code and on the Organisational, Management and Control Model.

Project and Enterprise Risk Management

→ 480 project managers, process owners, risk owners and risk managers trained, for a total of 1,900 hours.

Security of Company information

→ 80% of employees completed the first online course module.

Mitigate and reinforce

Risk assessment

→ About 200 people involved in the new enterprise risk assessment activity.

→ Systematic risk assessments performed on projects during the bidding and performance stages.

Systems and organisation

→ ISO 37001 certification for the "Anti-bribery management system" obtained (first international standard for anti-bribery management systems).

→ Anti-corruption organisational unit set up.

Sharing of best practices

→ Compliance Council: 770 people involved at Group level for a total of 4,620 hours.

→ Trade and Business Compliance: 242 resources involved in three meetings with the professional community for a total of nearly 2,000 hours.

Detect and control

Internal Audit

→ 112 audits and follow-ups, of which:

> 15% satisfactory;

> 57% needs improvement of moderate effort and impact;

> 19% needs improvement of significant effort and impact;

> 3% not satisfactory.

Trade Compliance

→ 216 transactions notified in Sensitive Countries.

→ Over 101,000 customs transactions managed.

Reputational analysis

→ More than 600 reputational reports on third parties.

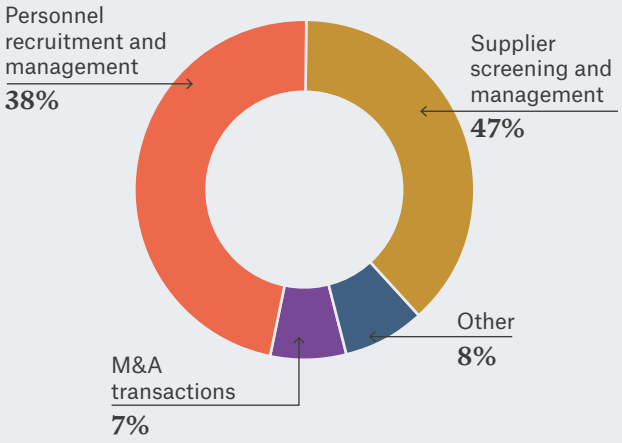
Whistleblowing

→ 68 reports received in 2018, of which:

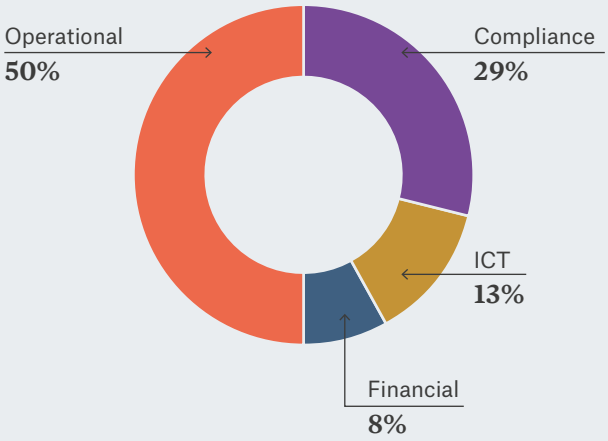
> 84% anonymous;

> 58% based on valid or partially valid supporting evidences.

SCOPE OF REPORTS RECEIVED



SCOPE OF AUDITS/FOLLOW-UPS



LEONARDO - FIRST OF THE TOP 10 GLOBAL AD&S COMPANIES TO BE ISO 37001 CERTIFIED

Leonardo SpA standouts from the top ten global players in the sector for the ISO 37001:2016 "Anti-bribery management system" certification, the first international standard for anti-corruption management systems. The important achievement confirms the quality of Leonardo's system of rules and internal controls and its commitment to responsible business practices. The assessment evaluated the structure and adequacy of the management systems of Leonardo SpA and its application in various operating areas of the Company. During the process all the Company's regulatory systems were verified, all the main Company sites in Italy were inspected and the heads of the departments (Corporate and Divisions) exposed to risk areas were interviewed. The compliance of the management system to the ISO 37001:2016 standard, whose certification is valid until 2021, will be annually verified by the third-party certification body by a specific audit.

AN EFFECTIVE SYSTEM TO ENSURE BUSINESS CONTINUITY

The Business Continuity Management System (BCMS) monitors Leonardo's ability to meet its commitment to provide products or services of an acceptable and agreed standard, including after a serious incident, protecting employees, assets, reputation and suppliers and strengthening the organisational resilience. In 2018, the Company updated its Business Impact Analysis methodology, which underpins the system, to define, inter alia, the standard recovery times for the entire organisation and support the choice of related continuity solutions, thus containing the financial, business, legal, regulatory and contractual effects of disruption to business while retaining stakeholder confidence. In 2018, the BCMS of Genoa and Pomigliano d'Arco (Naples) data centres obtained ISO 22301 certification.

Respect for human rights

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

Leonardo's commitment to the protection of human rights includes three areas: people management, relationships with suppliers and aspects related to the sale and distribution of products, considering the specific features of the business. These three areas resulted from an analysis performed between 2017 and 2018 based on the ISO 26000 guidelines: it identified the areas potentially exposed to the risk of violations of human rights and the existing measures to manage and mitigate the related risk. In compliance with the requirements of Legislative Decree no. 254/2016, Leonardo's obligations and commitments are summarised below.

People

Leonardo guarantees equal opportunities and fair treatment for all employees based on their skills and abilities, and it prohibits all discrimination and exploitation of child, forced or illegal labour.
Furthermore, it protects the dignity of people, guaranteeing political and trade unions rights, and it respects privacy and promotes the health and safety of workers. Protection of its workers includes also better treatment than that set out by law and the national labour agreements (for example supplementary healthcare).

- → **99%** of employees located in OECD Countries.
- → **82%** of employees covered by collective bargaining agreements.
- → **33%** of employees members of trade unions.
- → **63%** of employees work on OHSAS 18001-certified sites.

Suppliers

Leonardo asks its suppliers to sign the Code of Ethics, the Anti-Corruption Code, the Organisational, Management and Control Model and its Supplier Code of Conduct, which prohibit forced labour and human trafficking and which require the protecting of health and safety in the workplace. Furthermore, during the screening process, suppliers are assessed to verify that they meet further requirements related to the protection of employment and people. In addition, reputation checks of third parties Leonardo intends to work with are performed. In the United Kingdom, these checks are performed in accordance with the Modern Slavery Act. Leonardo has social clauses to protect works in the case of contract handovers.

- → **90%** of purchases from EU Countries, the United States and Canada.
- → **100%** of suppliers accept the Supplier Code of Conduct.
- → Over **4,500** suppliers screened, including on social, legal and ethical issues.
- → Over **600** reputational reports on third parties.

Sale and distribution of products

Leonardo is not involved in the production, development, stocking, trade and/or sale of non-conventional weapons (e.g., cluster bombs, mines, chemical weapons, etc.).
Furthermore, the Company is committed to preventing the risk of illicit practices related to the sale and distribution of its products, through the Trade Compliance Programme. Beyond the applicable regulations, Leonardo uses due diligence tools and processes, including the preliminary analysis of potential clients and end users, screening activities to check whether they are on black lists and other checks in the case of transactions with Sensitive Countries. The list of such parties is regularly updated and is available on the Company website.

- → Over **25,000** hours of training on Trade Compliance provided to over 9,000 people.
- → **31** Sensitive Countries monitored.
- → **216** transactions notified in Sensitive Countries.

Governance and risk management

In line with national and international standards and best practices[5] and in compliance with the Corporate Governance Code for Listed Companies, the Organisational, Management and Control Model and the Group's Anti-Corruption Code, the Company's risk governance model has three levels, defines roles and responsibilities for the different organisational units and ensures the exchange of information flows.

The risk governance model

RISK GOVERNANCE

The **BoD** defines and supervises the guidelines for the internal control and risk management system.

The **Control and Risks Committee**, the **Board of Statutory Auditors** and the **Surveillance Body** perform supervisory activities as control bodies.

The **Internal Audit** receives the results of the risk assessment and monitoring activities which it assesses to plan controls.

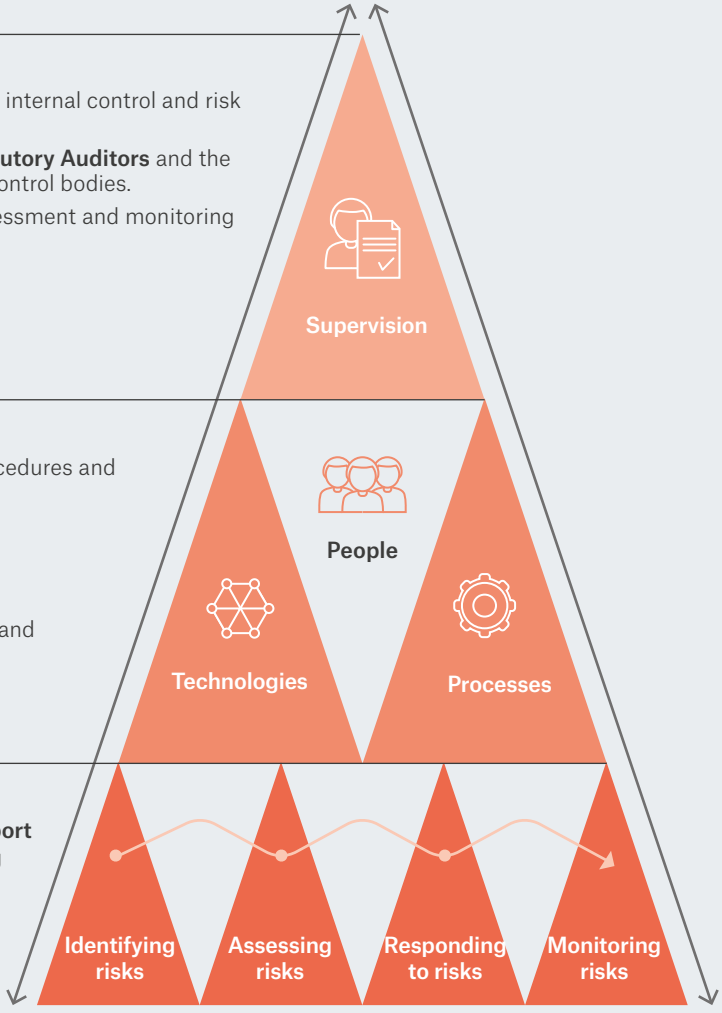
RISK INFRASTRUCTURE

The **second level functions** define the processes, procedures and methodologies to oversee the main risk areas.

> Risk Management.
> Human Resources and Organization.
> Administration, Finance and Control.
> Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption.
> Other functions.

RISK OWNERSHIP

The **business lines, technical departments** and **support departments** identify, measure and handle risks using fixed objectives and managed processes, adequately reporting to management above them.



[5] Main references: ISO 31000:2018 - Risk Management - Principles and guidelines; PMI - Practice Standard for Project Risk Management; Enterprise Risk Management Integrated Framework - CoSO ERM; ISO 37001:2016 - Anti-bribery management system; ISO/IEC 27005:2018 - Information security risk management.

The model's effectiveness is achieved also through the dissemination of methodologies, metrics and tools to correctly analyse and manage risks with the objective to guarantee the creation and protection of the value of projects and to safeguard the Company's value over time as well as business and stakeholders' interests.

The operating risk management involves the entire organisation on an ongoing basis. The process is based on the identification, assessment and monitoring of risks and related mitigation actions in order to support the achievement of the strategic goals and the Industrial Plan for the business' sustainability over the medium to long term.

In 2018, Leonardo engaged in discussions with other Italian and international companies of the Aerospace, Defence and Security and other sectors to share experiences and best practices for the continuous improvement of risk management practices, supporting in this way also the development of a "risk culture" in the industrial sector.

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

Management of cyber and information security

Leveraging on its technological skills and capabilities, Leonardo has developed and constantly updates its own defence system to protect data and sensitive information about its people, customers and intellectual property.

The system is based on a specific organisational structure and operating tools, based in Italy and the United Kingdom. The main site is the Security Operation Centre (SOC) in Chieti, which is operational 24/7, to protect the Italian and international critical infrastructures. It covers the entire cyber security cycle, from the detection of threats to the definition of countermeasures to respond to attacks.

Leonardo promotes a culture of cyber risk prevention both within and outside the Company. It plays a key role in several working groups set up with the public and private sectors in Italy and abroad.

Leadership and networking

Europe and the world

→ Partner of NATO Communication and Information Agency (NCIA).

→ Member of the European Cyber Security Organisation (ESCO) set up by the European Union to encourage the development of the European cyber security ecosystem.

→ Member of the European Organisation for Security (EOS), a platform for the exchange of ideas and best practices.

Italy

→ Industrial member of the Technological Hub for the cyber security in cooperation with the Prime Minister's office - Department for Information Safety.

→ Collaboration with ISPI, the Italian Institute for International Political Studies specialised in geopolitical and global political-economic analyses for the creation of the Observatory on cyber security

Awareness and capacity building

→ Safety portal: 100 articles published and 3,500 users from Leonardo's workforce.

→ Second edition of the "Cyber Shield: Facing the Threat" contest, organised by CERT (Computer Emergency Readiness Team) of Leonardo.

→ Sponsoring of Cyberchallenge 2018, the recruitment event for the best young IT talents in Italy (between 16 and 22 years).

Management systems

→ Information management system certified ISO 27001:2013 for Corporate and Divisions.

Cyber detection & response (2018 vs 2017)

Increase in perimeter awareness

→ Knowledge of the Company networks: **+27%.**

Reduction of the attack surface and prevention of threats

→ Vulnerability assessment: **+650%.**

Improvement of cyber security capacity

→ Early warnings issued: **+25%.**

Reduction of average life time of incidents

→ Remedial action response time: **-9%.**

→ Action closure average time: **-80%.**

CYBER SHIELD: AN EXERCISE IN CYBER SECURITY

Leonardo's CERT held the second edition of Cyber Shield, a cyber security exercise with 21 teams (physically present or remotely connected) and representatives of the financial, energy, military and government sectors. During the "Facing the Threat" exercise, the teams retraced the steps of the analysis of a cyber security incident and information in a scenario of misdirection, false clues and cyber criminals that revolved around the forensic analysis of a drone, the new element of this year. This type of event allows Leonardo's CERT to test its ability to analyse incidents and cyber threats and to confirm its position as a specialised player in the sector as well as developing its collaborations and partnerships network.

Transforming resources into value

Continuous innovation

Capital	Material topics	SDGs
Financial resources People and skills Technologies and intellectual property Collaborations and relationships with stakeholders	> Innovation and technology > Solutions' quality and safety	 

Innovation is the leading competitive factor for Leonardo, a fundamental part of its business culture and one of the boosters of the technological and industrial development of the Countries where it operates.

Thanks to the skills and abilities of its people, the financial resources invested steadily and in a targeted manner and the collaboration with technological partners, the ideas are transformed into ever better performing and more sustainable products and services to meet the needs of society and markets in continuously changing international scenarios.

One of Leonardo's distinctive traits in creating innovation is the development of dual use solutions that can be applied in both civil and military areas. This has a positive effect on several sectors of the economy and society.

The activities related to technological research are essential to foster the development of new products and services and to improve the existing ones. These activities are carried out to achieve an increased efficiency, reliability, competitiveness, accessibility, security and environmental sustainability.

THE NUMBERS OF THE INNOVATION

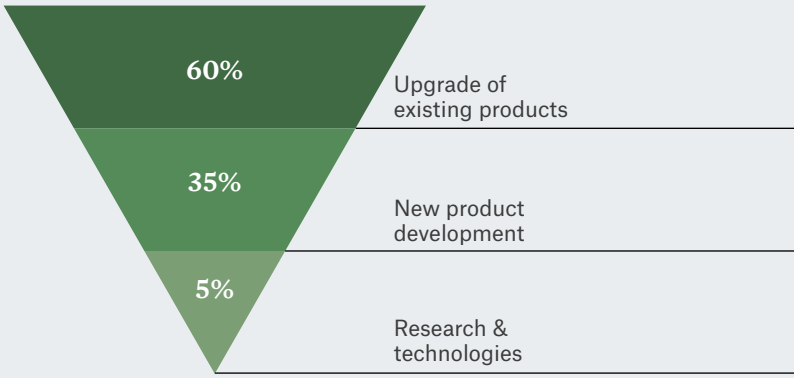
12%
of revenues spent in R&D

4th
in the global A&D sector for R&D investments[6]

Roughly **9,000**
employees engaged in R&D activities

About **200**
projects and partnerships with more than **90** universities and research centres around the world, including about **50** in Italy

BREAKDOWN OF R&D EXPENSES IN THE INDUSTRIAL PLAN



[6] The 2018 EU Industrial R&D Investment Scoreboard.

The strategic innovation guidelines and technological development priorities are defined and regularly updated reflecting the impacts on products and services of the emerging global trends and indications from national and international institutions. The innovation is related to both technical aspects and improvement of applied methodologies and processes.

The entire innovation process, from definition of the strategies to the validation and consolidation of the business areas' technological plans and definition of the product portfolio, is managed at Group level and coordinated centrally.

Main technological advances

Design, development, test and qualification activities

Aircraft
- ATR
- ATR 72-600 special versions
- C-27J
- Eurofighter Typhoon

Helicopters
- AW139

Air traffic management
- Primary and secondary S-band radar

Avionics
- InfraRed Counter Measure (IRCM) System
- Obstacle Warning System
- Mission Management System

Defence
- Vulcano 127mm guided munitions

Cyber security
- Artificial intelligence solutions

Earth observation
- Geo-information platforms with application of machine/deep learning and data analytics
- Space Weather
- Space Situation Awareness

Design, development, test and qualification activities

Aircraft
- LFFA - Light Fighter Family of Aircraft
- M-345
- Tempest

Helicopters
- AW609 Tiltrotor
- AW249

Avionics
- Grifo-E radar with E-scan antenna technology

UAV
- MALE 2025
- UAS FALCO 48
- RUAV AWHERO

Defence
- Multi-sensor, high-precision turret system
- New 76mm naval gun mount
- Lightweight Black Arrow torpedo

Radio Communication
- Software Defined Radio

Research activities & technologies

Processes and new technologies
- Technologies for the new green regional aircraft and the Next Generation Civil TiltRotor (NGCTR) - Clean Sky 2
- Electric/hybrid propulsion
- Reduction of helicopter vibrations and noise pollution
- Structural Health Monitoring System
- Solutions for the new European ATM - SESAR 2020 system
- Structural design, innovative aerostructures manufacturing and repair processes
- Digitalisation of manufacturing processes and predictive maintenance
- Additive Manufacturing

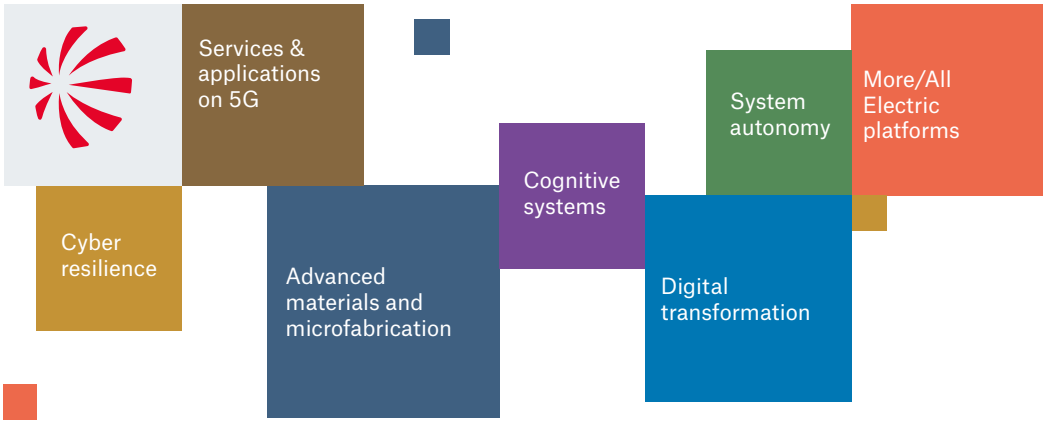
Information Technology
- Big data analytics
- Deep learning
- Artificial intelligence
- 5G services

Advanced materials and technologies
- Active electronical scan technologies (AESA)
- Laser technologies for defence and civil applications
- Virtualisation
- Quantum technologies
- 2D materials (e.g., graphene)

Technological fields and intellectual property

Leonardo steers the innovation strategic path towards technologies and technological trends associated to products and services with a greater commercial attractiveness and market penetration. The objective is to focus initiatives and investments on innovative areas that give a greater competitive edge and the best financial return. Products and services are selected by analysing the commercial portfolio (product portfolio assessment drill down) in line with the strategies set out in the 2018-2022 Industrial Plan.

Enabling technological areas

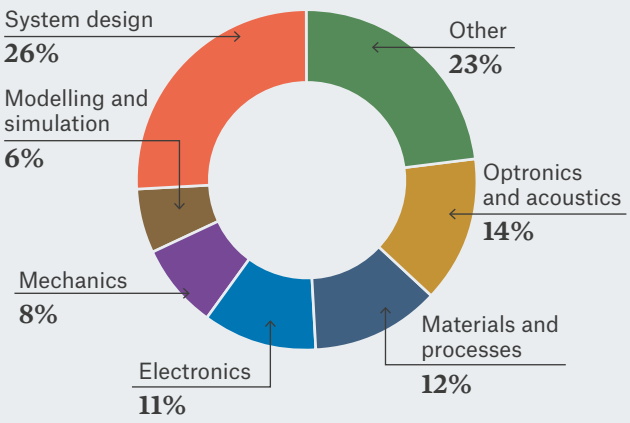


Leonardo defines its technological development strategy by assessing the impact of technology on the products with the greatest potential and their maturity and innovation level index using an internally developed methodology to regularly monitor, measure and update the Group's technological taxonomy, characterised by a high number and difference of solutions: over 400 technologies and disciplines grouped into 14 areas. The Company has also launched projects for transversal technological environments to discover innovative solutions and start-ups in the external ecosystem, prioritising technologies for hardware, digital technologies and those that provide products and solutions with greater "intelligence", making them as cognitive as possible. Attainment of the goals set out in the innovation strategy and compliance with the timelines and investments are ensured by careful monitoring of performances, risks and costs throughout the technology development stage.

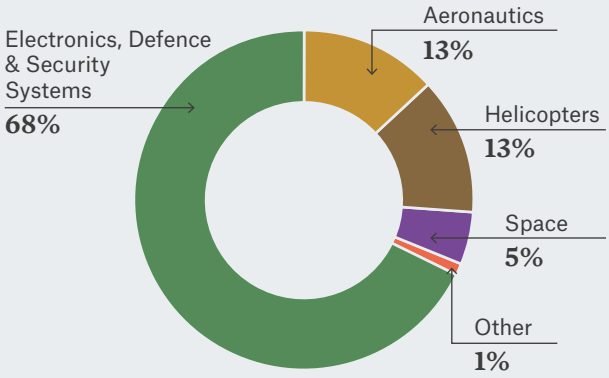
Leonardo has made a selection of its patents available to the SMEs as part of a pilot project launched by the MESAP innovative cluster in 2018.

The amount earmarked for R&D expenses and the high innovation rate boost the patent asset, which is a very strategic resource for Leonardo. Intellectual property is enhanced through the management and protection of innovative potential, which is fundamental to bolster industrial growth and support the Country by the positive impact directly related to the protection of ideas behind advanced technologies. In this respect, in the helicopter sector, Leonardo has set up a network of experts to identify the high value-added knowledge and support the actions to protect intellectual property in line with the strategic development of products, services and technologies.

BREAKDOWN OF PATENTS BY KEY TECHNOLOGIES



BREAKDOWN OF PATENTS BY SECTOR



UNMANNED TECHNOLOGY AT THE CENTRE OF THE "FREE THINKING WORKSHOP"

The "Free Thinking Workshop", an internal discussion on the current scenario and opportunities for unmanned solutions – organised with Fondazione Ricerca & Imprenditorialità (FR&I) at the Ansaldo Foundation in Genoa – enabled the pooling of ideas and content to arrive at an integrated strategic view of the unmanned sector in which the Group is an international leader. Leonardo has developed an entire range of dual use unmanned solutions, from strictly automatic solutions to independent systems that modify their response to the changing characteristics of the operating environment, also including through ongoing learning. Along this line of evolution, Leonardo develops systems and platforms viable in various situations: on land, underwater, in the air with the UAV (Unmanned Aerial Vehicle), MALE (Medium Altitude Long Endurance remotely piloted aircraft), UCAV (Unmanned Combat Air Vehicle) and RUAS (Rotary Unmanned Air System) drones, and in the space, thanks to satellites and robotics for interplanetary missions. According to market estimates, this sector will generate global revenues of almost €180 billion in the next 10 years.

ADVANCED MATERIALS: WITH GRAPHENE THE FUTURE IS ALREADY HERE

Graphene is one of those super materials destined to change our lives. It is made of a single flat sheet of carbon atoms; it is light and flexible but also strong and resistant with great potential for uses in various fields from composite materials to electronics, from energy to space. Along with another 150 academic and industrial partners, Leonardo is part of the Graphene Flagship project, launched by the European Commission in 2013 to take this material from the laboratory to practical applications within 10 years. Leonardo organised the event "Graphene: Revolution is coming to Earth... and Space" at the Milan National Museum of Science and Technology "Leonardo da Vinci" to promote graphene in Italy. The guest of honour was the winner of the Nobel Prize in Physics Konstantin Noveselov who discovered graphene. Researchers from all over Europe shared the various applications possible, also with a view to future research partnerships, while more than 200 visitors and students from Milan schools discovered or increased their knowledge of this new material's potential.

5G TECHNOLOGY: THE NETWORK SPEED FOR THE SECURITY

The new 5G communication standards allow the increase of data transmission speed, significantly expanding the potential of digital applications. Leonardo has used the new technology to design a public security and access controls solution for the port area in Bari. This is one of the first practical applications to harness the potential of this new technology in the security field. The solution, developed with the partners of the Bari-Matera 5G consortium, connects numerous control devices of the port's infrastructure – including sensors, security cameras, wearable devices, terminals, drones and transportable gates – with a centralised command and control platform that processes data, returning information useful to assess the in situ situation and manage any critical events.

The innovation ecosystem

The Leonardo Innovation Hub is the new tool designed to efficiently manage technology scouting and collaborative innovation.

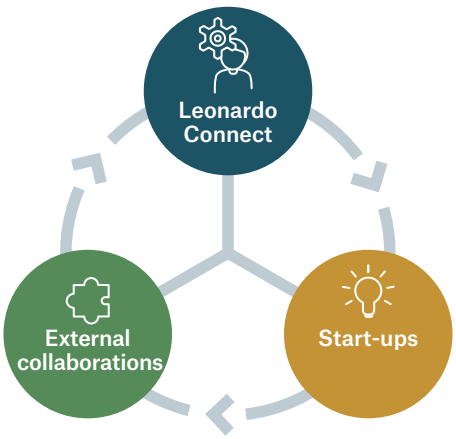
Leonardo pursues an innovation model that enhances the creativity and competences of its resources, promotes internal knowledge sharing and facilitates external exchange and collaboration.

This approach feeds a complex, constantly evolving system that can develop technological competences to be shared, thus benefiting all stakeholders.

Leonardo's open innovation approach stimulates the incorporation and growth of start-ups and supports numerous partnerships with universities, institutes and research centres, SMEs, also within the Technological Districts. This creates training and qualified employment opportunities and synergies that allow for the achievement of the critical size necessary to compete on international markets.

The Company also cooperates with the main sector associations, participating in national and internationally funded initiatives and programmes that guarantee the availability of the resources necessary for research and implementation activities.

Leonardo Innovation Hub



Innovation Award

Numbers - 750 projects submitted by Leonardo employees (+8% on 2017), including 40% from outside Italy. More than 10,000 innovative projects and patent proposals have been made in 14 years by 30,000 employees.

Impact on innovation - 18% of the Leonardo patents come from proposals submitted for the Innovation Award, 86% of which were applied to systems, products and services.

Process innovation - Since 2018, the competition includes ideas to improve organisational, management, engineering and production processes. An innovative assessment system has also been introduced. After the initial screening, the ideas have been assessed by all the employees who have voted for the 5 more innovative ideas, then presented to the experts for their final opinion.

Culture of innovation

Innovation Day - First edition of the event presenting Leonardo's new technologies to promote its role as an innovative idea incubator. The exhibition area included products and solutions to show the effects of innovation on daily life and, specifically, on people's security and protection. The centrepiece of the event was a round table discussion titled "Innovation through contamination", featuring representatives from authorities, academia and research organisations with discussions focused on roboethic, big data analytics, algorithms and artificial intelligence. During the event, which allowed students to meet Leonardo's engineering experts, were awarded the employees winners of the Innovation Award and the students, evaluated on 4 categories: virtual and augmented reality, cognitive systems, blockchain and the circular economy.

Leonardo Connect - A platform consisting of technological Communities to spread the innovation culture within the Group by sharing and enhancing distinctive knowledge, know-how, technological best practices and the identification of strategic partnerships. In 2018, the pilot projects on artificial intelligence and additive manufacturing were rolled out.

Free Thinking Workshop - An internal discussion to consolidate an integrated strategic vision of the unmanned sector.

Polaris Innovation Journal and Paperback - 36 issues published in 9 years available to all employees and 6 monographs focusing on sustainability, intangible capital, software, unmanned solutions and emerging technologies.

Lunchtime seminars - 86 seminars on technologies and solutions with over 9,000 participants, also connected by video conference.

Cross-fertilisation and start-ups

Innovathon - Leonardo started a trial of the "hackathon" methodology, aimed at stimulating, promoting and speeding up innovation processes.

Innovation Lab - Two new laboratories open to all employees in Rome and Genoa dedicated to artificial intelligence applied to homeland & cyber security, in addition to the Maker Space in Luton and the Innovation Hub in Edinburgh.

Lazio Innova Challenge - A "Call for ideas" launched at the end of 2018 by e-GEOS on artificial intelligence and big data to monitor infrastructure.

Airathon - Leonardo participated to the event organised by the Italian Air Force about the application of disruptive technologies to logistics together with more than 100 participants, 15 start-ups, industry experts, researchers and students.

Tech Up - A "Call for action" to receive proposals from start-ups and researchers on emerging technologies, promoted by Fondazione Ricerca & Imprenditorialità of which Leonardo is a member together with universities, large companies, banks and institutions.

Main collaborations

PROSIB - Project for the development of hybrid and electric propulsion for regional aircraft and helicopters. Leonardo coordinates a team consisting of the Naples University, CIRA (Italian Aerospace Research Centre), the Turin Polytechnic and the Pisa and Palermo Universities.

Comfort Project - Development of active and passive technologies to decrease vibrations and noise levels in helicopters with the Milan Polytechnic.

Framework agreements and memoranda of understanding - With the Milan Polytechnic, Scuola Superiore Sant'Anna, CINI (National Interuniversity Consortium for Informatics) and CIRA (Italian Aerospace Research Centre).

Competence centres Ministry of Economic Development (MISE) "Industry 4.0" - The "Manufacturing 4.0" and "START 4.0" competence centres were set up, led by the Turin Polytechnic and the National Research Centre, respectively. The "Industry 4.0" and "Cyber 4.0" centres are currently being set up, led by the Naples Federico II University and the Rome Sapienza University, respectively.

National CyberRange - A joint project between the Ministry of Defence's Joint Cybernetic Operations Command and a consortium led by Leonardo that includes the Rome Sapienza University, the Genoa, Modena and Reggio Emilia Universities and some SMEs, set up to develop a platform to train resources in cyber security.

Leonardo 4.0 - Development of solutions and platforms to make production processes more efficient by using innovative technologies such as IoT, big data analytics and software defined data centres.

INNOVATHON: A MARATHON OF INNOVATIVE IDEAS

The Innovathon event allowed Leonardo to test the "hackathon" methodology, which stimulates, promotes and speeds up innovation processes. Employees had a limited period (24 hours) to think up innovative ideas and solutions and build a working prototype, responding to a specific business requirement in the avionics and space systems sector. The challenge consisted of the creation of algorithms to identify and classify important information on board a surveillance drone and the presentation of the information to the land-based operator in the most effective way. Thanks to its cross-sector nature, the "hackathon" methodology can extend the range of applications and players involved, making it possible to include start-ups and universities to encourage cross-fertilisation with different businesses and technologies and strengthen the approach to collaborative innovation.

HYBRID-ELECTRIC PROPULSION FOR A CLEAN SKY

Leonardo leads PROSIB - PROpulsione e Sistemi IBridi, the first Italian project to prepare integrated feasibility studies for the application of hybrid-electric propulsion to regional aircraft and helicopters. PROSIB complies with the air transport sustainability objectives set by the IPPC (Intergovernmental Panel on Climate Change), Flightpath 2050 and ICAO (International Civil Aviation Organisation). Leonardo coordinates a team of companies and numerous academic bodies and research centres (Naples University, CIRA, the Turin Polytechnic, the Pisa and Palermo Universities). Its immediate objective is to train experts for centres of excellence where additional technical and industrial developments will be made and, in the medium to long term, to propose innovative solutions for short-haul air transport.

THE HELICOPTER OF THE FUTURE IN COLLABORATION WITH THE POLYTECHNIC

Extension of the partnership between Leonardo and the Milan Polytechnic to develop new helicopter technologies confirms that ties between large companies and top universities are fundamental for technological progress. The new planned activities include manufacturing of innovative mechanical coupling components using lighter materials to reduce production costs and facilitate installation. The programme also includes a research project on predictive maintenance to improve safety levels and cut operating costs. The activities performed to date have already generated significant results in terms of a reduction in vibrations and noise levels in the aircraft cabins. This will decrease the pilot's work load making the missions execution more efficient.

International programmes

Leonardo is a key partner in the main international programmes for research and innovation such as Horizon 2020, the EU Framework Programme conceived to reduce environmental impacts and contrast climate change. Leonardo steers development of technologies to manufacture a new generation of more efficient and environmentally-friendly helicopters and regional aircraft and is involved in the platforms to develop shared air traffic control infrastructure.

Leonardo is a partner of excellence also in other European programmes, ranging from cyber security to maritime surveillance, search and rescue and space technologies. These programmes include the Galileo project, one of the largest and most ambitious initiatives in Europe, aimed at generating a precise global satellite navigation system and a reliable positioning service, and Copernicus, the programme coordinated and managed by the European Commission to provide Europe with its own Earth observation capacity, complementary to that of certain member states, to monitor the environment, manage humanitarian emergencies, natural disasters, climate change and civil defence.

European programmes in the aeronautic field

Programme	Length	Field of development	Targets
Clean Sky 2	**2014-2024**	Next Generation Civil TiltRotor (NGCTR).	> Reduction of the complexity of the engine installation and steering systems and improvement of the rotor's performance. > Reduction of CO_2 emissions by 30-50%. > Reduction of noise pollution by roughly 50% compared to the average values of helicopters currently on the market.
		Materials and technologies for aircraft structures, advanced aerodynamics and electrification of some systems of turboprop aircraft.	> Aircraft with 90 seats: reduction of CO_2 by 35-40%, NO_x by 50% and noise by 60-70%, in comparison with the same aircraft that uses state-of-the-art technologies of the 2000s. > Aircraft with 130 seats: reduction of CO_2 by 46-52%, NO_x by 57-63% and noise by 20-30% in comparison with a regional jet that is currently in service.
SESAR 2020 (Single European Sky ATM Research)	**2016-2022**	Technologies for the new European air traffic management system.	> Increase of the management capacity by up to three times in comparison with the current air traffic. > Cutting costs by 50%, increase flight safety by factor of 10. > 10% reduction of the environmental impact for each flight by decreasing fuel consumption, noise and emissions.

ATR JOINS THE TEAM FOR THE NEW EUROPEAN RECEIVER

ATR, a joint venture 50%-participated by Leonardo, will take part in the EDG²E (Equipment for Dual frequency Galileo, GPS and EGNOS) project aimed at developing a new European receiver in the next four years to enable enhanced navigation systems. The prototype will elaborate signals received from the GPS, Galileo and EGNOS systems to accurately determine the aircraft's position, altitude and velocity. It will use an ATR aircraft in the trials to validate the receiver's capacity in 2021. Development of the new system will improve capabilities of tomorrow's aircraft.

SUCCESSFUL TESTS FOR THE EXOMARS DRILL

The drill manufactured by Leonardo for the ExoMars 2020 mission passed the space qualification tests successfully. They were performed over four months in a special room where operations in a Martian environment were simulated: rocky surface, temperatures of between -100 °C and +35 °C and a carbon dioxide atmosphere with a pressure of 5-10 millibar. The drill is now ready to carry out its mission on the ExoMars rover, i.e., to search for evidence of present or past life by drilling up to two metres below the surface of the Red Planet with a Polycrystalline Diamond tip. At that depth, biological activities are not destroyed by cosmic radiation and proof of their existence may be found.

European technologies for maritime security: Leonardo at the helm of OCEAN2020

OCEAN2020 is the first project sponsored by the European Defence Fund: Leonardo will lead a team of 15 European Countries with 42 partners, comprising the Italian, Greek, Spanish, Portuguese and Lithuanian Ministries of Defence, assisted by the Swedish, French, UK, Estonian and Dutch Ministries of Defence, as well as companies and research centres.

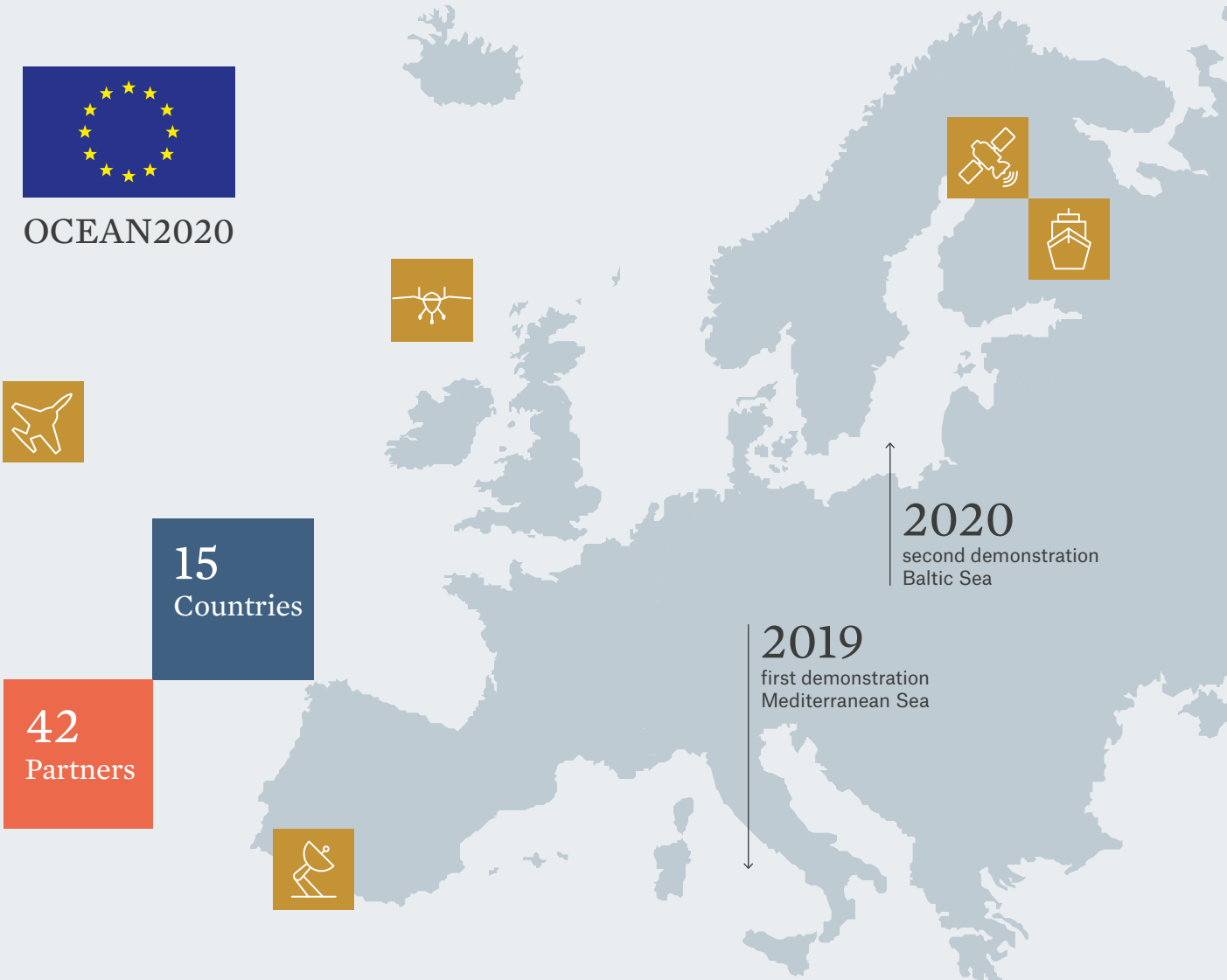
The objective is to improve maritime surveillance operations by using manned and unmanned systems to build up a complete and updated picture based on the various factors considered.

The team will develop a system architecture to share information obtained from unmanned systems with the naval and land command and control centres through:

- → the integration of unmanned platforms of different types (fixed wing, rotary wing, surface and underwater) with naval units' command and control centres;
- → data exchange via satellite with command and control centres on land;
- → joint and cooperative use of both manned and unmanned vehicles;
- → application in maritime surveillance and interdiction missions.

The first demonstration will take place in the Mediterranean Sea in 2019, will be coordinated by the Italian Navy and will see Leonardo's AWHERO and SW-4Solo unmanned helicopters in operation.

In the frame of the research programme, the revolutionary geospatial platform SEonSE (Smart Eyes on the SEas) will be also used leveraging the use of cloud computing and advanced big data analytics. SEonSE enables real time access to tailored information about what is happening at sea, including by tablet or smartphone. The solution developed by e-GEOS combines data coming from multiple sources (COSMO-SkyMed and Copernicus in particular), enabling dual use services for maritime security and surveillance, monitoring illegal traffic, environment protection as well as fight against piracy.

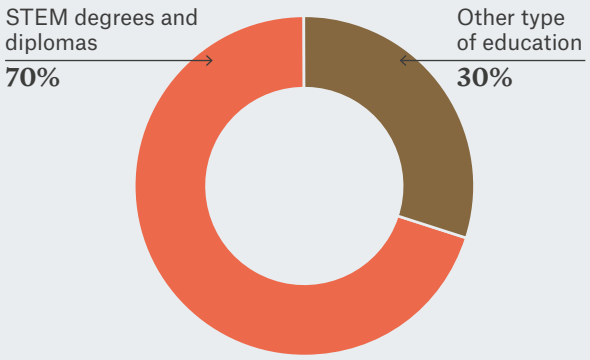


People and community

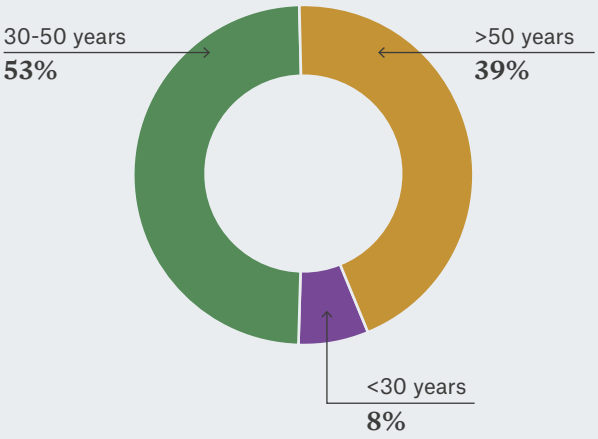
Capital	Material topics	SDGs
People and skills Collaborations and relationships with stakeholders	> Attracting and developing talent > Diversity and equal opportunity > Health and safety at work > Employee well-being	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH

Leonardo's over 46,000 employees (+3% on 2017) represent a strategic capital in which it invests in order to ensure the skills and capabilities necessary in the long term to face future challenges and compete successfully on global markets.

EMPLOYEES BY QUALIFICATION



EMPLOYEES BY AGE GROUP



Average age
45 years

Average seniority
17 years

Average hours of training per employee
20 hours

This objective is pursued through development and training programmes for employees throughout their professional life and initiatives aimed at attracting new competencies on the market.

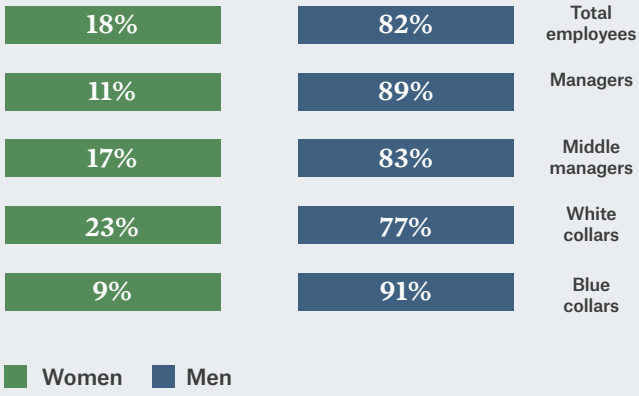
Leonardo has a transparent, fair and merit-based management policy that promotes an inclusive work environment where diversity is respected and enhanced and everyone is encouraged to proactively contribute to the achievement of the corporate strategy.

70% of Leonardo's employees have a STEM background. The generational diversity that characterises the Group's human capital encourages the exchange of experiences and skills. Women account for 18% of the total workforce and, among the members of the Group Management Committee, for 21%.

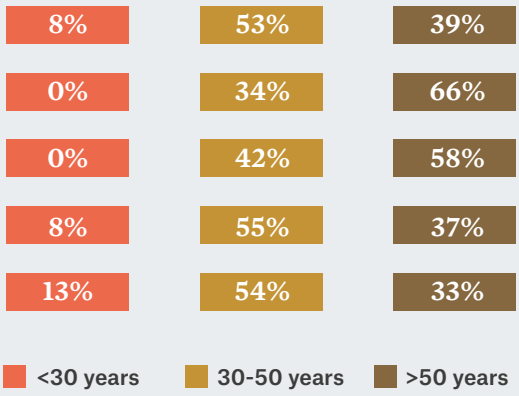
Leonardo is committed to promoting the STEM subjects with young generations, making the scientific citizenship and quality education as strategic fields for the Company's positioning and for the role played in the Countries where it operates.

It is also an active member of its communities and territories thanks to social, cultural and welfare projects and collaborations with foundations, institutions and non-profit organisations.

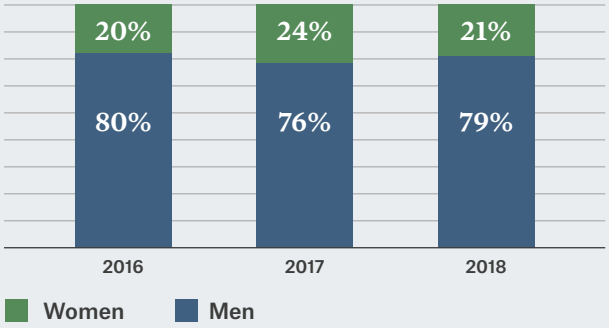
BREAKDOWN BY GENDER



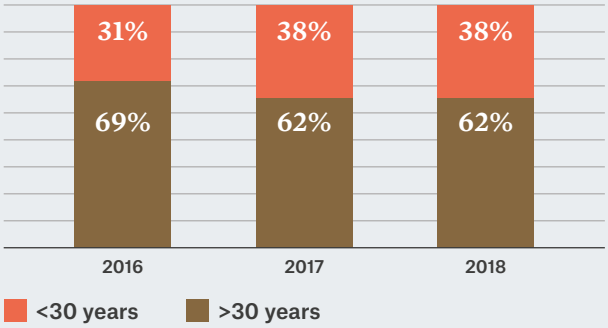
BREAKDOWN BY AGE GROUP



NEW EMPLOYEES HIRED BY GENDER



NEW EMPLOYEES HIRED BY AGE GROUP



Skills and talent

Leonardo manages skills through integrated and consistent policies, processes and IT systems to improve the knowledge of its human capital, enhance the related skills and cultivate potential and talent.

2018 activities were mainly focused on promoting the new Leadership Framework with all its employees, assessing and nurturing resources on the basis of the related attitudes and values. Indeed, the Leadership Framework was the key feature of the Executive Convention attended by all the Group's managers, activating a waterfall communication process to reach all Leonardo's people.

To nurture and enhance people

Skills management - In 2018, a self-assessment campaign covered roughly 500 technical skills to map the knowledge and key abilities of white collars, middle managers and managers of the Group. The self-assessment has allowed examining in depth Leonardo's people in order to plan in a more effective way training courses and job rotation pathways.

Performance assessment - Approximately 60% of the Group's workforce took part in this assessment, covering around 27,000 employees. Specifically, by using Performance & Development Management tool roughly 22,000 people were assessed, with a 98% attendance rate of the managers, middle managers and white collars. Part of the assessment included a meeting of the employee and their manager to discuss the appraisal made in the previous year, including with respect to the new Leadership Framework, and the objectives for the current year.

People review - Assessed and evaluated over 1,000 managers, middle managers and white collars to identify "high potential" resources, equal to 48% of the total assessed population.

To direct the change

Accelerate - More than 60 "high potential" resources took part in the first session of a 6-month international training and development project (roughly 6,000 hours), focused on the Leadership Framework and project work on issues of particular interest to the Group. This project will continue in 2019 with another two sessions.

Succession plans - In order to ensure business continuity and tackle future challenges, in 2018, the succession plans for first-level organisational positions were updated and succession candidates selected for positions up to the third level for the Divisions and subsidiaries.

Leonardo Faculty - With more than 50 people including Subject Matter Experts, lecturers and internal trainers, the Faculty supports the entire "knowledge cycle" by identifying needs, providing training, facilitating and certifying internal experts on the core skills, who are consulted about the main training, development and knowledge management projects.

The Leadership Framework: a compass for all employees

Eight key skills that represent the set of aptitudes and capacities that must be part of the professional and personal expertise of each person in the Group, guiding behaviours that support change and growth. The new Leadership Framework is a "to be" model, and it is the basis on which each employee is measured in the context of the Performance & Development Management.

Customer satisfaction

Know how to identify external and internal customers' needs, acting as a credible partner to provide optimal, tailored and high value-added solutions.

Integrity in business

Work in a loyal and reliable way, carrying out the daily activities according to the principles of correctness, integrity and transparency.

Technology and innovation

Bring outstanding professional know-how and promote innovative solutions. Create added value for the customer and show attention to the protection and enhancement of intellectual property.

One Leonardo

Be aware of the superiority of the team's value compared to that of the individual. Have a clear vision of the organisation and the impact of their work on Company's activities and stakeholder relations.

Energised employees

Exert a propulsive drive towards the change. Actively participate in the transformation's implementation processes.

Sense of urgency

Show a strong sense of responsibility in carrying out the work. Be able to involve other resources in increasingly challenging situations.

Commercial focus

Have a deep knowledge of market dynamics, customers' and end users' evolving needs.

Flawless execution

Be focused on objectives. Be able to handle complexity, guaranteeing efficiency in processes and effective implementation of projects.

Health, safety and well-being

Leonardo complies with the requirements set by the relevant regulations applicable in the Countries where it operates and ensures a safe work environment through the active prevention of injury risks. This commitment is illustrated in the Environmental, Health and Safety Integrated Policy aimed at employees, including those travelling for work, and contractors working in Group's sites.

The tools used to protect workers' health and safety include occupational health and safety management systems compliant with international standards, awareness campaigns and training provided to employees, contractors and service providers.

The attention towards the individual also includes solutions to improve employees' well-being, fostering the work-life balance.

Health and safety

Investments - €12.7 million (over €29 million in the past three years).

Training - 171,000 hours of specialist health and safety training (+15% compared to 2017).

Management systems - 42 sites equipped with OHSAS 18001-certified health and safety management system, covering 63% of the workforce (increase by 7 percentage points compared to 2017)[7].

Injuries

Employees - In 2018, the injury frequency rate[8] was equal to 1.2 (with a low increase on 1.0 in 2017). No fatal injuries.

Supplier personnel - Services provided by third parties were monitored in 17 sites for 230 suppliers and 52 registered injuries.

Travel security

Training - First online course on travel security for all employees. Rolled out in October, in the first two months 25% of the employees had completed the course.

Awareness - Safety portal and periodic issue of information.

Tools - proprietary methodology to assess Country risk; medical help desk available 24/7 with a dedicated telephone number.

People's well-being

Italy

- → Pilot smart working project for 200 employees and extension to other 700 people working in Genoa site.
- → Supplementary healthcare for employees' families.
- → Breast cancer prevention campaign.
- → New Company canteen at the Roma Laurentina site, with improvement of the acoustic comfort.

United Kingdom

- → "5 ways to well-being" (connect, be active, give, keep learning, take notice): awareness programme to the employees based on publications and events.
- → Occupational health consultants available on site.

United States

- → Employee Assistance Program - 24/7 psychological support.
- → Weight loss programme, organisation of running and walking clubs, fitness centre discounts, involving roughly 700 people.
- → Diabetes programme with monthly newsletters, awareness activities, workshops on specific health and well-being issues, involving roughly 200 people.

[7] Calculated using the environmental reporting scope. See the Methodology note.
[8] The injury frequency rate is calculated using the following formula: (Total injuries/Total worked hours)*200,000.

SOCIAL DIALOGUE

The agreement signed by Leonardo and the Italian trade unions for the early retirement of more than 1,000 employees is a significant step towards Company's technological transformation and sustainable development. The voluntary departures will create the conditions to hire new employees compatible with Company's financial resources and its business objectives and needs. In 2018, Leonardo established an effective dialogue with its employees and the trade unions: 19 meetings were held at central level and 20 at Division level; in addition, three meetings of the Strategy Observatory, which was formed through the single second-level supplementary contract of 2016 covering development, Company structures, internationalisation and alliances, investments and technologies.

Education and the scientific citizenship

Leonardo is committed to spread the culture of innovation and attract younger generations to STEM studies. The promotion of those activities responds to the growing need for technical and specialised skills for Aerospace, Defence and Security and has a positive impact on all the high-tech sectors that are constantly looking for qualified resources.

Around 900 internships, apprenticeships and training courses.
30,000 young people outreached in 13 career days in Italian universities.

In Italy, Leonardo works with institutions and secondary technical schools to enhance the industrial vocation of the territories and relaunch technical jobs, also by involving the Group engineers in educational activities aimed at students. In the United Kingdom, Leonardo participates in initiatives aimed at promoting joint action of the sector companies, such as the Aerospace and Defence Growth Partnership and the Women in Aviation and Aerospace Charter. Moreover, by the participation to "The 5% Club", apprenticeships and pre-apprenticeships are organised for secondary school students. Leonardo's employees are often involved as STEM ambassadors in educational outreach programmes (competitions, workshops and seminars); they attend conferences and teach at universities and business schools. In order to strengthen relationships with universities and to create a bridge with the labour market, Leonardo has set up conventions with the main universities for training placements and degree dissertations on subjects relating to its business and participates in numerous job fairs and orientation events.

EDUCATIONAL PARTNER OF THE NATIONAL GEOGRAPHIC FESTIVAL OF SCIENCES

Leonardo was the educational partner of the National Geographic Festival of Sciences, an entire week dedicated to the theme "The causes of things", attended by Nobel prize winners, international scientists, philosophers, researchers and artists who discussed various issues: robotics, artificial intelligence, health technologies, astrophysics, protection of the oceans and the environment, astronomy and human rights. Leonardo contributed to the creation of more than 200 free educational laboratories for schools, which were visited by more than 18,000 students and involved games, simulations, exhibitions and shows to promote a scientific culture in the new generations.

STEM projects to promote scientific citizenship

→ **i.lab Matematica - Milan Science and Technology Museum**
About 15,000 visitors of the permanent interactive laboratory designed to attract students, families and teachers to maths in an informal and fun manner, through specific programmes.

→ **Leonardo Committee Graduate Award**
This award was given to a Computer Vision project, a discipline that studies processes able to simulate the functioning of a human brain when processing images.

→ **Mars. Close encounters with the Red Planet**
Guided visit at the Milan Science and Technology Museum led by designers of Leonardo's ExoMars team, also involving employees' children. A prototype of the drill that will be used to bore the Martian earth was donated to the museum, where it is on exhibition.

→ **Gravity. Imaging the Universe after Einstein**
More than 700 students from 19 primary and secondary schools participated free of charge in 30 educational laboratories organised with the support of Leonardo in the exhibition housed in MAXXI, the Rome National Museum of 21st Century Arts. The educational activities included learning about the Universe and space-time relations.

→ **Space Festival at Busalla**
Leonardo is the scientific partner of the Space Festival, which was held for the second time. It was attended by astronauts, astronomers, astrophiles as well as families and people passionate about space to share projects and visions. Leonardo presented its SD2 drill which was used on the surface of Comet 67P as part of the Rosetta mission.

→ **European Researchers' Night**
Leonardo took part in the initiative promoted by the European Commission by organising laboratories and events. The initiative, which reached to thirteenth edition, was held in Rome, Frascati, Milan, Turin and L'Aquila.

→ **UK Year of Engineering 2018**
Leonardo contributed to the celebration participating in many initiatives, including:

> **RAF100**
The graduates and apprentices of Basildon, Luton and Yeovil participated in the London part of the tour to celebrate the Royal Air Force (RAF)'s 100th year with a STEM stand, a real educational and creative laboratory with practical lessons on aerodynamics and thermal chambers used to film visitors in real time.

> **The Big Bang Fair**
Leonardo participated in the most important STEM fair in the United Kingdom for young people, organised by EngineeringUK in collaboration with the Royal Academy of Engineering.

> **Flying Start Challenge**
Competition for young engineers for the development and construction of a model glider assisted by expert mentors from the aerospace industry.

> **International Women in Engineering Day**
"Girls into Engineering" event to strengthen the skills of future women engineers by involving secondary school female students in engineering-related activities.

> **Futures days**
Event in the context of the Farnborough International Airshow to stimulate and encourage young people between 11 and 21 years old to undertake and think about a career in the Aerospace and Defence sector, involving roughly 5,000 people.

> **Royal Institution Masterclass Programme**
Programme aimed at encouraging young students interested in science and engineering to continue on to university. Leonardo involved 40 students from six secondary schools in the Luton area.

Commitment to the community

Leonardo contributes to the development of the communities and territories in which it operates, offering the heritage of its industrial culture and the voluntary involvement of its people and former employees.

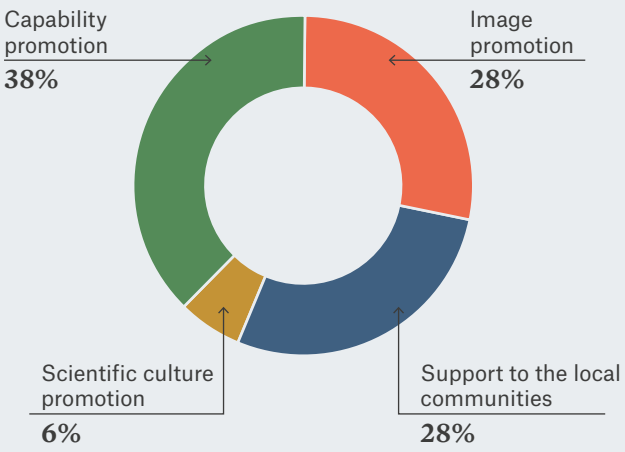
This commitment evolves over time, focusing on changes in the social context, in order to have a positive impact on the emerging social needs, in the cultural and social fields as well as in the environment protection and welfare support.

Leonardo - Civilità delle Macchine Foundation was established to promote a new industrial humanism.

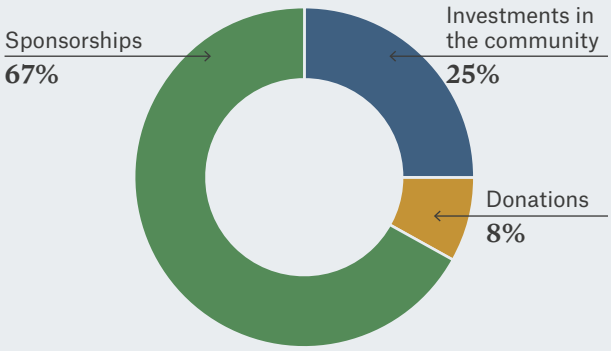
In 2018, the investments in the communities amounted to roughly €4.1 million (7% of which were in kind donations related to the Responsible Canteens Programme).

Investments in social initiatives

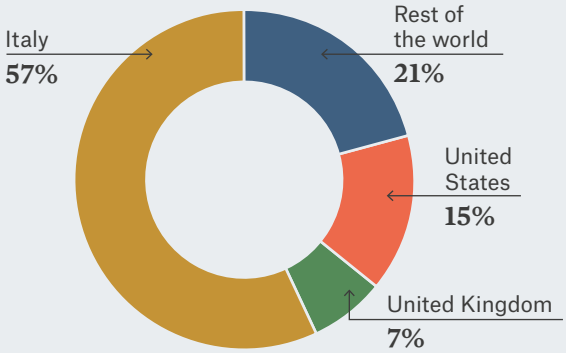
SCOPE OF THE INITIATIVES



TYPE OF CONTRIBUTION



GEOGRAPHICAL BREAKDOWN



The four Company museums – Agusta Museum (Cascina Costa, Varese), Melara Association Museum (La Spezia and Brescia), Officine Galileo Museum (Campi Bisenzio, Florence) and Radar Museum (Fusaro, Naples) – act as a reference point for the communities and areas thanks to the commitment of its employees, volunteers and seniores. Together with the Ansaldo Foundation, they are responsible for promoting, enhancing and protecting the culture, historical heritage, experience and industrial traditions of the companies that made Leonardo's history.

LEONARDO IN SUPPORT OF GENOA

Given its longstanding relationship with Genoa, Leonardo stepped in to assist its citizens affected by the collapse of the Morandi Bridge. During the crisis stage, it made accommodation available to those people moved out of their homes at risk and distributed more than 10,000 hot meals in the subsequent two months. In addition and to assist the circulation of traffic and supervise critical areas, Leonardo offered video systems to monitor alternatives for heavy traffic and a mobile unit connected to the local police by radio and the town council's operations room. About 700 employees joined the smart working programme, for which a specific training session has been provided.

A RENEWED INDUSTRIAL HUMANISM: LEONARDO - CIVILTÀ DELLE MACCHINE FOUNDATION

Foster dialogue with civil society, promote industrial and business culture in the territories, enhance cultural heritage and museums and spread knowledge: these are the objectives of Leonardo - Civiltà delle Macchine Foundation, set up in November 2018. The projects will be designed to enhance the historical and technological heritage, nurture a new "industrial humanism" that promotes the idea of technology at the service of the common good, spread culture and industrial training to increase attractiveness and territorial development. The historical magazine "Civiltà delle Macchine" will be issued again as a publishing initiative to bridge the gap between humanistic and scientific cultures, in the wake of the experience gained in the period between 1953 and 1979, thanks to the contributions of prestigious collaborators like Giuseppe Ungaretti, Alberto Moravia and Carlo Emilio Gadda.

"GOLD AWARD" FOR SUPPORTING THE UK ARMED FORCES

Along with other major companies in the United Kingdom, Leonardo was awarded the Employer Recognition Scheme Gold Award for its work supporting the Country's Armed Forces. This is the highest recognition from the UK Ministry of Defence for companies that employ and support service personnel, veterans and their families. Leonardo signed the Armed Forces Covenant whereby the United Kingdom commits to encourage the employment of veterans, supporting employees who choose to be members of the Reserve Forces and the local cadet units in the local communities and local schools.

Main social initiatives in 2018

Culture and the environment

→ **Academies, theatres and foundations** - Leonardo supported museums like the Museo del Novecento in Milan as well as concert seasons of some of the most important Italian music institutions, such as the San Carlo Theatre in Naples, the Royal Theatre in Turin and the Santa Cecilia National Academy in Rome.

→ **FAI** - Leonardo supports Fondo Ambiente Italiano participating in the membership programme Corporate Golden Donor that offers all the employees the possibility to join the association at special conditions.

Families and local community

→ **Open Days at Leonardo sites** - The Open Day at the Caselle Sud (Turin) site aimed at children and teenagers was an opportunity for dialogue and awareness with questions and curiosity on historic aircraft, exhibited in the hangar, as well as on the new generation of aircraft, such as the C-27J and the ATR 72MP. This year was the fifth edition of the event, which is part of the "Open Airports" initiative organised by the Turin airport management company.

→ **My Safe Parent at Work** - A one-day event organised by the Świdnik site in Poland to promote awareness of health and safety in the workplace through a competition open to employees' children. 76 children presented their themed drawings to be shown in an exhibition and also took part in first aid exercises.

Research

→ **Telethon** - Leonardo, in occasion of the Christmas festivities, supported the Telethon Foundation engaged in biomedical research for the treatment of rare genetic diseases.

Welfare and solidarity

→ **Against food waste** - Through the Responsible Canteens Programme, started in 2013, food surplus produced by canteens at 21 of the Group's biggest Italian sites is collected in favour of non-profit organisations, thus transforming the food into resources for those most in need. The programme is managed in partnership with the Fondazione Banco Alimentare non-profit organisation, through the Siticibo programme, and in collaboration with the suppliers of canteen services. In 2018, roughly 160,000 portions of food were distributed, worth around €305,000. Since the programme's start-up, the equivalent of €1.9 million has been collected.

→ **Food collection** - 15 tonnes of long-term foodstuffs, 25% more than in the previous year, collected for 24 non-profit organisations already members of the Responsible Canteens Programme. Roughly 30,000 employees at 28 Italian sites took part in the initiative as well as some canteen service suppliers, one of which donated nearly one tonne of foodstuffs.

→ **Volunteering work** - In 2018, Leonardo set up a "volunteer board" in order to spread out the volunteering activities performed by the employees and to match needs and donated time, skills and goods.

→ **Armed Services YMCA** - Leonardo DRS supports the non-profit organisation in the United States that has specialised programmes and provides assistance to roughly 500,000 members of the US military and their families.

→ **Fisher House Foundation** - Leonardo DRS supports the non-profit organisation that provides accommodation to families of service personnel and veterans in hospital. The houses are built by US service personnel and healthcare centres.

Customer intimacy

Capital	Material topics	SDGs
Financial resources People and skills Technologies and intellectual property Operating assets Collaborations and relationships with stakeholders	> Customer intimacy > Cyber security and data protection > Responsible business conduct	

More than
4,200
helicopters
active in 120 Countries around the world

Air and sea traffic control systems in roughly
300 airports
and 120 ports

More than
700
surveillance radars
in operation around the world

Naval systems installed on
100 vessels
of 46
international Navies

Over 70
simulators
sold for helicopters and aircraft

and 80
for Air Traffic Management

The challenges and competition in global markets require technological excellence, international vocation and customer intimacy throughout the life cycle of products and relationships.

In order to meet these objectives, Leonardo's offer is based on customised solutions and value-added post-sales assistance, to provide customers with long-term performance. In 2018, Leonardo International has been set up to reorganise and manage the presence on foreign markets, strengthen the ability to enter target markets and present the Group's offer in a unified and effective manner.

4,000
systems

for the automated identification of licence plates used by Police Forces of more than 25 Countries

More than
1,700
ATR

sold to over 200 operators in roughly 100 Countries

More than
600
Eurofighter

ordered by 9 Air Forces

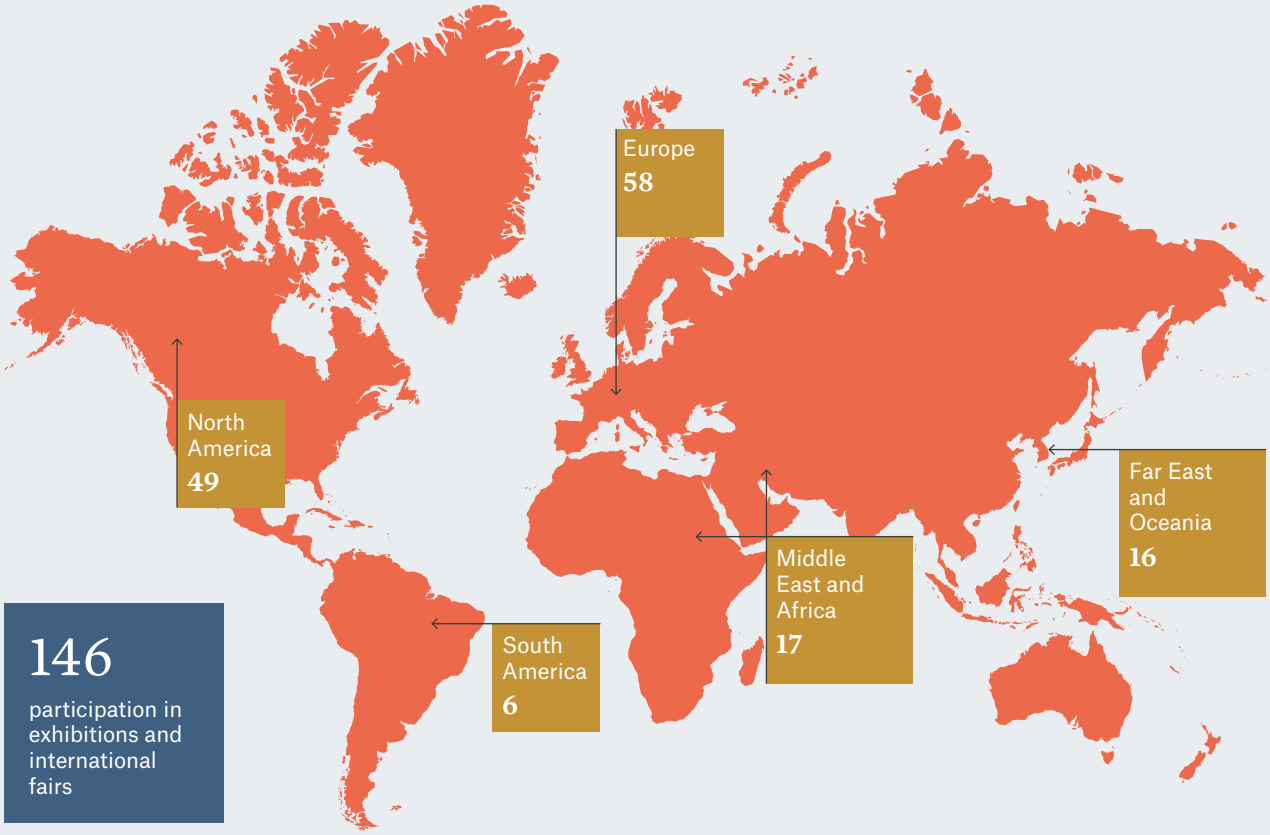
Over **5,000** networks and **70,000** users

protected by cyber security services in 130 Countries

The missions abroad are carried out with the support of international institutions and the diplomatic network. On the occasion of important official visits in strategic Countries by representatives of the Government, Leonardo works closely with all the main institutions.

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

PARTICIPATION IN EXHIBITIONS AND INTERNATIONAL FAIRS IN 2018



Execution & Delivery - Main 2018 milestones

- → The first 14A fuselage section for the new long-range model of the Airbus A321neo was delivered.
- → The first Commando Merlin Mk4 helicopter was delivered to the RAF as part of the Merlin Life Sustainment Programme (MLSP) to modify and upgrade the British AW101 helicopters.
- → The upgrade programme for the Tornado of the Italian Air Force was completed.
- → The first of the six Al Manama naval vessels was delivered to the Bahrain Navy ahead of schedule.
- → The first 500,000 flight hours of the Eurofighter were clocked.
- → First flight of the first pre-series pilot trainer M-345 HET (High Efficiency Trainer).

Customer care as a priority

Leonardo collaborates with customers from the initial development phases of the programmes, defining the specifications and requirements, through to the final validation and post-sales assistance to optimise development times and costs.

New edition of the E2-PM programme for 900 project managers and project team members.

During the project execution phase, Leonardo focuses on operational excellence and reliability as these factors contribute to strengthening its relationship with the customer and its market reputation. On-time and on-budget delivery is essential to meet contract terms and ensure cash flows. The achievement of these objectives is based on the output of the production units, thanks to the contribution of the new "Manufacturing and Programme Management Optimisation" unit and the professionalism of the people managing the contracts.

In order to match skills to business needs, Leonardo has an advanced training programme, Project Management E2-PM, for project managers, risk managers and project team members. The acquired skills and capacities are certified according to the PMI (Project Management Institute) and IPMA (International Project Management Association) standards. In projects with a medium- to high-risk profile, the project teams are assisted by Subject Matter Experts, expert in risk management field and not directly involved in the operative activities, in order to improve the project management, fostering also the sharing of experiences, best practices and the on-the-job training.

For some programmes, Leonardo organises regular meetings with customers and partners (user groups and conferences) to discuss operating issues, measure the satisfaction level, identify strengths and any possible improvements.

Engaging customers - User groups and dedicated conferences

Spartan user group	12 customers, 10 suppliers	≈ 100 participants
Tornado user group	4 customers, 2 industrial consortia	≈ 20 participants
M-346 joint user group	4 customers, 3 partners	≈ 80 participants
Helicopter Customer Advisory Board	60 multi-line customers	≈ 100 participants
NH90 GLIMS Annual Conference	14 customer Countries	≈ 170 participants

MAXI CONTRACT FOR LEONARDO IN QATAR

Leonardo will act as prime contractor for the entire NH90 programme contract signed with the Qatar Ministry of Defence worth more than €3 billion. The contract provides for the purchase of 28 helicopters and a complete support, maintenance and training services package and associated infrastructure. Leonardo will directly supply 12 helicopters, mainly for naval missions. Deliveries will start before June 2022 and continue until 2025. The NH90 is the largest helicopter programme in Europe. It is designed to be configured and used in different ways, with a large cabin and great load capacity, and it is built of composite, light and resistant materials. Its fly-by-wire flight control systems are redundant and allow control even if the helicopter is damaged, in order to protect the life of the team and the machine itself. It has anti-crash technology and a special self-protection suite, like the self-sealing tanks.

Value creation with customer support

In 2018, roughly 10,500 pilots and operators trained, reporting a satisfaction rate of 95 out of 100.

Leonardo operates on international markets combining product quality and technology with integrated value-added services.

For example, in the aeronautics and helicopter sectors, Leonardo invests on training services to guarantee the highest performance and safety standards and on logistics services, updates, repairs, and revamps to ensure the products' availability of and extend their life cycle.

Pilot and operator training, mainly based on cutting edge simulator technologies, allows them to cut back on real flight hours, resulting into a great impact on reducing costs, as well as on environmental and noise pollution reduction. The high-quality virtual and augmented reality technologies are also used during maintenance activities.

On-demand services represent an added value for the defence sector customers and can be tailored to the user's needs, including the generation of scenarios, mission management, "serious games" and distributed simulation exercises.

HeliSmart

HeliSmart (Virtual Maintenance Trainer)

An application that simulates an effective and flexible virtual training environment for helicopter technicians and logistics personnel, teaching diagnostic and maintenance procedures without having to use real machines.

Skyflight MOBILE SERVICE

Skyflight Mobile Service

An application designed to support customers in their flight planning activities whilst operating with the AW helicopter family products.
With an intuitive, simple and modern human machine interface, Skyflight simulates a real mission in complete safety: no formal training is required to use it.

LEONARDO RECEIVES THE PRESTIGIOUS "SCIENTIFIC ACHIEVEMENT AWARD" FROM NATO

NATO's Science & Technology Organisation, which is its scientific research and military technology unit with a network of more than 4,000 scientists and engineers, has recognised Leonardo's capability to innovate in the training and simulation field, contributing to the development of the "Modelling & Simulation as a Service" (MSaaS) paradigm. Leonardo received this award thanks to OCEAN (Open Cloud Environment ApplicatioN), a prototype of a cloud platform designed to deliver simulated training services for military purposes based on a virtual and immersive reality. OCEAN is the result of a collaboration between Leonardo and NATO's Modelling & Simulation Centre of Excellence.

Training

Advanced training for cyber and electronic activities - Thanks to an investment of over GBP 2 million, Leonardo's new training centre in Lincoln, United Kingdom, will be able to host up to 150 students simultaneously, tripling the current capacity, to effectively respond to the growing market demand for qualified, up-to-date personnel able to work in today's IT and electronics-driven battlespace. In addition to the UK Armed Forces, the Lincoln Leonardo Academy also hosts delegates from allied international Armed Forces including Brazil and South Korea. Around 70% of training delivered is expected to be to international customers.

Spartan Alliance: training 4.0 - The Pratica di Mare (Rome) air base (Centro Sperimentale di Volo) hosted the largest distributed simulation exercise ever carried out by the NATO Countries. Leonardo supported the Italian Air Force with RIACE (Realistic Intelligent Agent Computer Environment), a virtual distributed training solution that allows manned and unmanned systems and platforms located at sites in Italy and abroad to train inside a common virtual scenario. The exercise involved 20 experts in modelling, simulation and network protocols.

Training & Simulation as a Service (TSaaS) - At ITEC 2018 in Stuttgard, Germany, Leonardo showcased two demos of an innovative virtual reality product for operating and maintenance training. In the first demo, two radio operators exchanged information between a land-based vehicle and a helicopter during a patrol mission simulation using the OCEAN (Open Cloud Environment ApplicatioN) platform and the virtual immersive system Morpheus XR. The second demo showed how virtual reality can improve training quality during system or equipment maintenance. OCEAN is one of the first platforms developed using the "Modelling & Simulation as a Service" (MSaaS) paradigm. Together with Morpheus XR, it prospects new "Training & Simulation as a Service" (TSaaS) possibilities.

Logistics and maintenance

Logistic 4.0 for the Italian Air Force - The partnership focuses on identifying the new needs and developing advanced solutions for Customer Support, Services and Training using augmented and mixed reality, certified blockchain, artificial intelligence and big data analytics. In 2018, as gold partner, Leonardo participated in Airathon, the first hackathon held by the Italian Air Force on the application of new technologies to logistics, training and maintenance of the Air Force's systems and aircraft: a creative 48-hour marathon, which saw the participation of industry, start-ups and universities with a collaborative innovative approach.

New helicopter maintenance centre in Norway - Kongsberg Defence & Aerospace opened the centre as part of a thirty-year collaboration with Leonardo. The new centre will improve the availability of maintenance, repair and overhaul (MRO) services of the transmission systems of AW101 and NH90 helicopters operational in Scandinavia and other geographical areas. It will also have a new multi-role test bench to test transmissions before their return to service, cutting times and costs.

First "centre of excellence" for helicopter maintenance in Japan - This centre will be built under an agreement with Shizuoka Air Commuter Corporation (SACC) at the Mt. Fuji Skizuoka Airport and its opening is slated for spring 2019. The centre will support the successful AW109 and AW139 helicopters series, which had a great success in Japan. It will have an annual capacity of up to 24 units, with the potential to grow its capacity based on market demand.

Reward to Aircraft Division's logistics service - The Customer Support & Services unit of the Aircraft Division and the Kuehne + Nagel company have received "Il Logistico dell'Anno 2018" from Assologistica for the new global logistics centre at Milan Malpensa Airport. It is operative 24/7 and provides end customers with high-quality services, from storage to quality control of the incoming and outgoing materials, transport around the world, including customs import/export activities with a high security level.

International Flight Training School (IFTS)

The IFTS, a new initiative in the field of military pilots training coming from the partnership between Leonardo and the Italian Air Force, will be operative starting from 2019. It will strengthen the training already provided at the flight school of the 61st Wing at Galatina (Lecce) Air Base, exploiting market opportunities and international cooperation.
The IFTS will host up to 80 pilots per year from the Italian Air Force and foreign air forces providing stage IV of advanced training by Italian and international instructors. At present, pilots and instructors from the United States, Spain, France, Austria, the Netherlands, Poland, Singapore, Argentina, Greece and Kuwait receive training at the Galatina Air Base.
The pilots will be trained to use latest generation combat aircraft, including the Eurofighter and F-35, with flight practice on the M-346 (T-346 according to the denomination by the Italian Air Force), the most advanced aircraft on the market in terms of avionic and aerodynamic performance, and the Ground Based Training System, a state of the art system which integrates flight and mission simulations. The technologies used by the simulator include LVC (Live, Virtual and Constructive simulation) environments that enable trainees on the ground to interact with pilots in the air, flying real aircraft, during the same training missions. The extensive use of simulators for complex scenarios, with the related reduction in actual flight hours, leads to a large reduction in costs, emissions and noise pollution.
The IFTS Air Base will have environmentally-friendly infrastructure and electric vehicles and it will employ 200 highly qualified civil staff.

22
M-346

40
flight instructors

80
students per year

Supply chain

Capital	Material topics	SDGs
Financial resources Operating assets Technologies and intellectual property	> Regional development > Supply chain efficiency and development	

The supply chain is a strategic element of Leonardo's business model. Thousands of suppliers contribute to the Group's competitiveness and value creation through the quality of the products and services supplied and the collaboration in the project management, including with a focus on risk management. Suppliers also take part in collaborative innovation processes, in order to share knowledge, skills and technologies.

Leonardo purchases goods and services mainly from the four domestic markets (Italy, United Kingdom, United States and Poland), in which it has fostered the creation of industrial districts, bolstering the social and economic development of the territories and continuously relying on local suppliers, most of which are SMEs.

LOCAL SUPPLY CHAIN - 2018 NUMBERS

€8
billion purchases

66%
incidence of purchases on revenues

76%
purchases from domestic markets

Italy

74% of Leonardo SpA's suppliers are based in Italy and **63%** are SMEs, mainly based in five large industrial districts (Piedmont, Lombardy, Lazio, Campania and Puglia).

United Kingdom

70% of Leonardo MW's suppliers are based in the United Kingdom and roughly **60%** are SMEs, mostly located in south England.

United States

77% of Leonardo DRS' direct suppliers are SMEs, accounting for **51%** of the total expenditure, with programmes promoting SMEs run by women, veterans, disabled service personnel and native Americans.

Poland

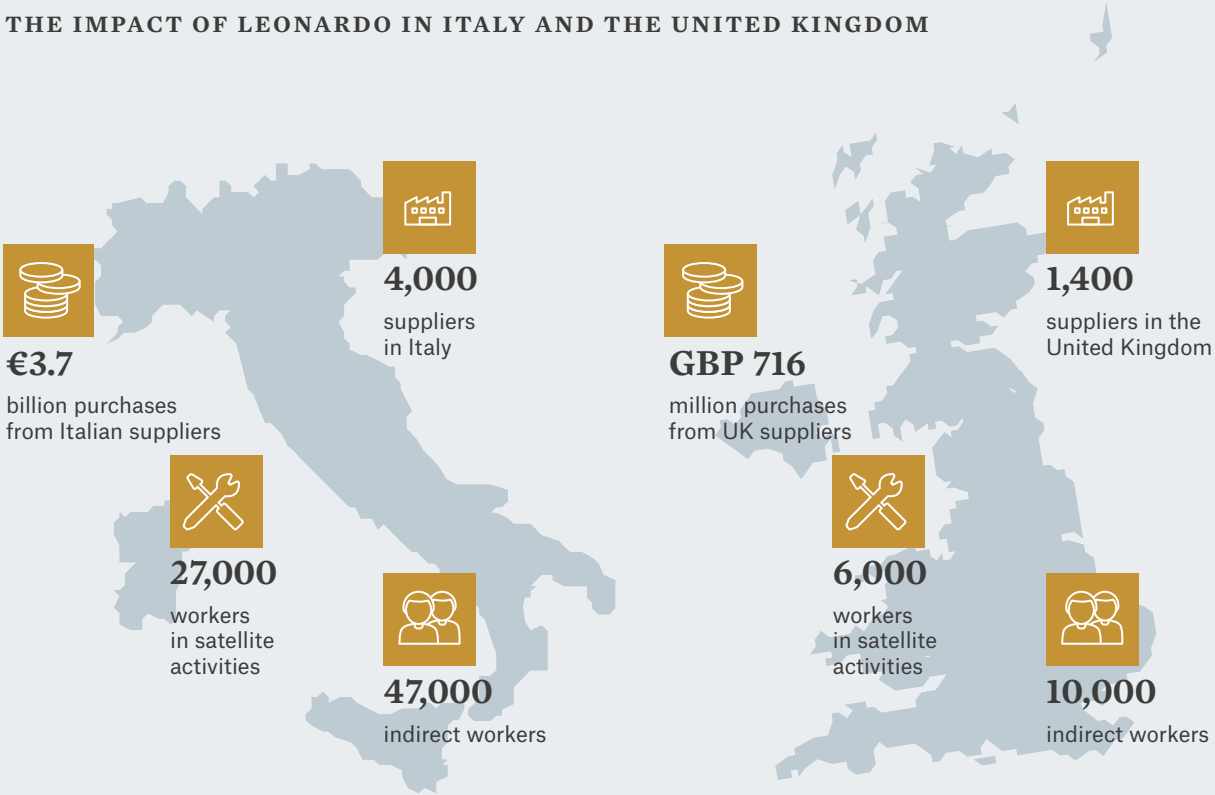
62% of the Świdnik site's suppliers are SMEs and **70%** are located in Poland, mostly based in Aviation Valley (a region in the southeast).

Leonardo contributes to strengthen the supply chain resilience as well as improve quality and competitiveness, by agreeing partnerships with suppliers and introducing capacity-building programmes.

All suppliers shall share and comply with ethical, social and environmental standards, acknowledging and accepting the Leonardo's Code of Ethics and the Supplier Code of Conduct as well as the guidance provided in the organisational and control models.

Leonardo monitors supply chain risks through specific measures, including with the involvement of its suppliers. These risks relate to compliance with social and environmental regulations, obsolescence or procurement of strategic materials and the growing risk of cyber-attacks.

THE IMPACT OF LEONARDO IN ITALY AND THE UNITED KINGDOM



€8.5
billion Leonardo's added value in Italy

€100 Leonardo's added value
generate an additional **€160** for the Italian economy

GBP 1.5
billion Leonardo's added value in the United Kingdom

GBP 100 Leonardo's added value
generate an additional **GBP 220** for the UK economy

2017 figures.

Growing with the suppliers

In 2018, Leonardo launched LEAP 2020 (Leonardo Empowering Advanced Partnerships), part of its 2018-2022 Industrial Plan to build up the Aerospace, Defence and Security supply chain through an industrial and supply chain approach. The programme, based on the creation of homogeneous supplier clusters, is focused on three strategic objectives: rethink collaboration with suppliers to reach a better balance between supply and cost; redesign the sector chain leveraging on suppliers' growth in terms of scale and quality; strengthen partners' capabilities to facilitate long-term relationships.

LEAP 2020 will trigger a virtuous circle able to guarantee Leonardo's business sustainability and performance in the long term, enhance the capabilities and technological excellences of the partners and concurrently strengthen the Country's industrial structure thanks to stronger companies, which will be able to be innovative and to compete on international markets.

By 2020

20% improvement in quality and delivery times

Italy

LEAP 2020 - The new programme's initial phase is focused in Italy on four product categories strategically important to all the Divisions, accounting for 20% of the overall expenditure, for a total of 400 suppliers, of which half are SMEs. During 2019, Leonardo will extend the programme to another four important goods categories, for an additional 15% of the expenditure, and will continue to implement the operating model and partnerships for the initial four categories.

United Kingdom

SC21 Programme - Leonardo MW is a founder member of the sector initiative to promote the aerospace industry's competitiveness and sustainability in the United Kingdom. This involves roughly 700 suppliers, of which 30% are sponsored by customers. Leonardo's suppliers amount to 190, of which 33 are sponsored. The initiative has been further strengthened by the launch of the Competiveness & Growth (C&G) programme focused on the competitiveness increase and organisational capability improvement.

Aerospace Growth Partnership - Leonardo MW participates in the National Aerospace Technology Exploitation Programme (NATEP) which assists SMEs develop innovative technologies and become more competitive.

Supplier-Enabled Innovation - Event organised by Leonardo in 2018 at the Edinburgh site where suppliers can attend presentations of products and services of emerging technology market leaders.

LEONARDO MEETS 100 SUPPLIERS AT FARNBOROUGH

During the Farnborough International Airshow, in July 2018, Leonardo met with more than 100 of its key suppliers in the United Kingdom in two conferences on the helicopter and electronics sectors. During the meetings, Leonardo presented the development guidelines for the supply chain as well as existing tools and best practices for ongoing improvement. Issues discussed included a session on the implementation of the Modern Slavery Act and a self-assessment questionnaire.

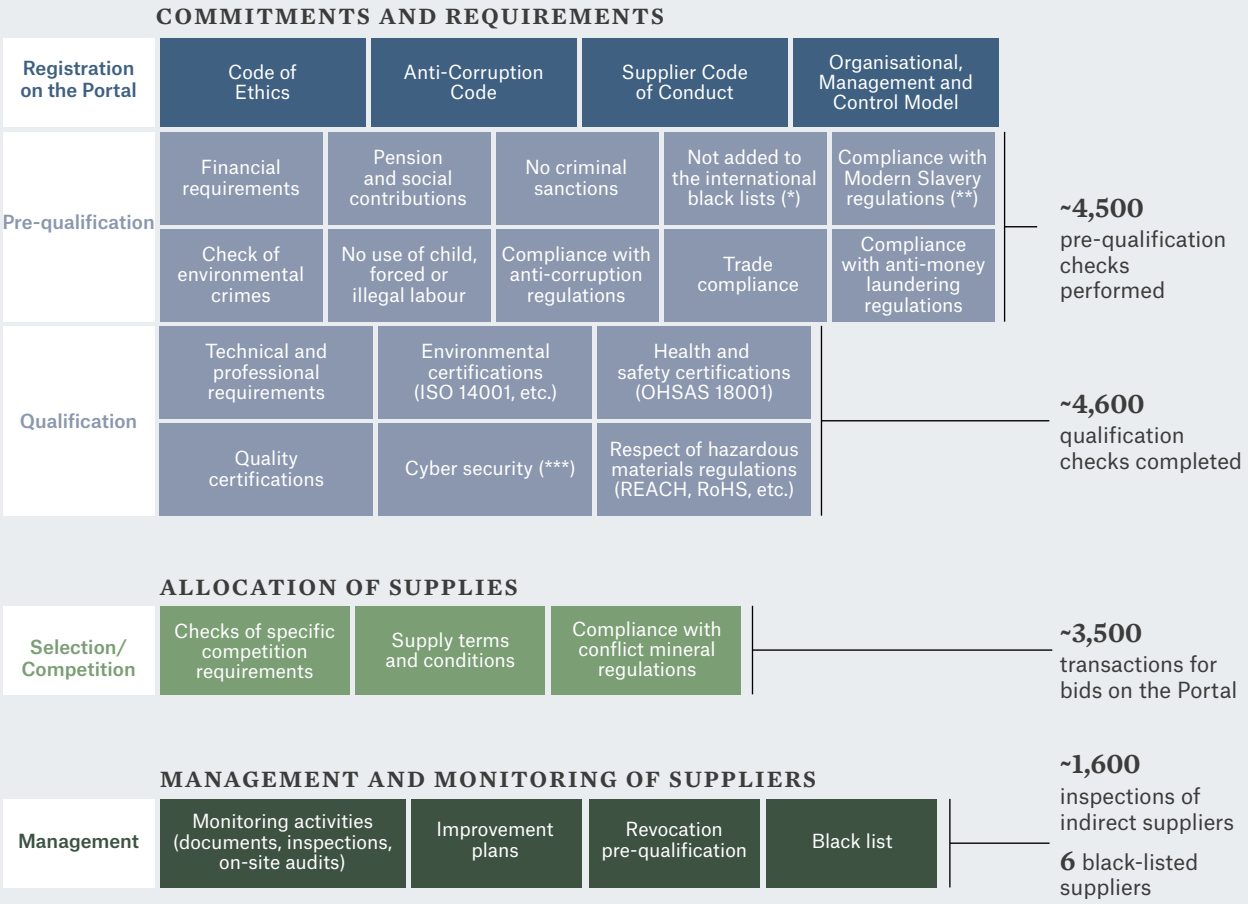
Supply quality

Update of the Supplier Code of Conduct: strengthened the commitment on equal work conditions.

The supplier screening process, managed on the procurement portal to ensure transparency, includes a pre-qualification stage where the potential supplier's economic-financial, ethical-legal, social and environmental requirements are verified. The subsequent stage involves the verification of the technical and operating capabilities for specific supplies. Moreover, the monitoring activities put in place ensure that the suppliers retain the necessary requirements throughout the supply contract. They are temporarily or permanently excluded from the supplier list in the case of serious or repeated violations.

Through the Supply Chain Programme Risk Management Project, starting from 2018, the supply contracts set with selected suppliers include a binding requirement to exchange information on shared risks that have impacts on the projects. This requirement gives greater information about the project activities and timing, the causes of risks, the risk events expected to take place in the short and long term and their effects, identifying in a jointly manner the most efficient mitigation actions.

Supplier screening and management



(*) Check only carried out for suppliers in at-risk Countries.
(**) 2015 Modern Slavery Act in the United Kingdom and Code Title 22, chapter 78 in the United States.
(***) Checks launched from 2018.

F-35 GLOBAL QUALITY COUNCIL: "ZERO DEFECT" OBJECTIVE

As part of the F-35 aircraft programme, Leonardo hosted the twelfth Global Quality Council (GQC) meeting, where international prime contractors meet every six months. The meeting's objective is to constantly improve the performance of the F-35 programme to achieve the "zero defects" target through increasingly efficient cooperation and experience sharing.

Conflict minerals

→ Leonardo's suppliers shall commit to communicate and guarantee that all the materials supplied directly or indirectly through their sub-contractors do not contain minerals from conflict-affected Countries (especially but not limited to the Democratic Republic of Congo).

→ In the United States, Leonardo DRS is a member of the Responsible Minerals Initiative (RMI), an initiative of the Responsible Business Alliance (RBA).

Security

→ In 2018, Leonardo launched a project to define a security management model compliant with ISO 28000 to ensure the integrated management of risks related to the supply chain.

Modern slavery

→ Leonardo is revising its procurement processes to include checks to prevent the risk of modern slavery in all sensitive environments.

→ As part of the Responsible Business Alliance (RBA), Leonardo DRS' main suppliers of electronic components are involved in initiatives to combat modern slavery in low cost manufacturing centres, such as the Responsible Labor Initiative (RLI) for fair labour practices and the Supplemental Validated Audit Process (SVAP) on forced labour.

Traceability of materials and components

→ Among the tools used by Leonardo, the Component Management System maps hazardous materials in accordance with REACH and RoHS, conflict minerals, components' life cycles and international trade requirements.

→ In 2018, it monitored the following areas:

> Trade Compliance – 227,100 parts;

> conflict minerals – 106,700 parts;

> REACH – 117,500 parts;

> RoHS – 212,000 parts.

Environment and climate change

Capital	Material topics	SDGs
People and skills Technologies and intellectual property Operating assets Collaborations and relationships with stakeholders Energy and natural resources	> Fight against climate change > Use of natural resources	 

Leonardo integrates environmental responsibility with business strategies. For this purpose, it has established the Environment, Health and Safety Integrated Policy and the Energy Management Policy in order to:

- integrate environmental responsibility and eco-efficiency of operations in the running of the business in order to reduce greenhouse gas emissions and use energy and natural resources in a sustainable manner;
- adopt measures to continuously reduce and prevent pollution and waste, minimising waste production and promoting recycling and reuse;
- identify and assess environmental risks and aspects related to activities, monitoring and improving the management standards;
- spread and promote environmental sustainability through internal and external communications.

Leonardo is the only Aerospace, Defence and Security company and one of the first Italian companies to have joined the Task force on Climate-related Financial Disclosures (TCFD) in June 2017. The initiative was set up by the Financial Stability Board to encourage the reporting on the management of risks and opportunities of climate change.

The improvement process of the environmental and energy performances is based on targeted investments, employee training and the voluntary adoption of certified management systems compliant with international standards. These systems both represent an essential tool to identify, manage and mitigate risks, in line with the new requirements of ISO 14001:2015, and to define, pursue and monitor progress towards the improvement targets.

The environmental risk identification, assessment, management and mitigation processes are based on the use of tools and delegation systems defined at corporate level as well as technical-management solutions studied for the specific production processes, the organisation at a specific site and the local situation. This approach also allows defining effective response procedures to emergencies and mitigation of the related effects.

Energy efficiency and carbon footprint

Leonardo confirmed its position in the leadership band with an A- score according to the CDP assessment.

Leonardo's Energy Management Policy sets out the common standards for the efficient management of offices and sites. It promotes a shared energy culture across the Group through initiatives and tools to make people more aware of the issue.

The energy management model, controlled by the Group Energy Manager, pursues energy efficiency and sustainability by implementing initiatives aimed at containing sites' consumption and their emissions as well as through the energy procurement policy that requires that a large part of energy comes from renewable sources.

Leonardo monitors CO_2 emissions using the Carbon Management System, in line with the Greenhouse Gas Protocol.

ECO-EFFICIENCY OF THE NEW LOGISTICS CENTRE IN VERGIATE

An example of environmental efficiency and sustainability is Leonardo's project to transfer the activities carried out at Lonate Pozzolo (Varese) to a dedicated, completely revamped area at the Vergiate site (Varese). The new logistics centre, designed with a "reuse and reconversion" approach to existing assets, will reduce the environmental impact thanks to a new photovoltaic system on the building's roof. It will also decrease the costs and timing of services and processes, such as the shuttle services, security, canteen and packaging. The new photovoltaic system will produce roughly 90,000 kWh per year and avoid approximately 48 tonnes of annual CO_2 emissions.

ENVIRONMENTAL MANAGEMENT - 2018 NUMBERS

€8.5 million invested in **40** projects, including 85% to reduce energy consumption and 15% to reduce waste generation and water resource use

69% of the employees in **47** sites with ISO 14001-certified Environmental Management Systems

6 sites with ISO 50001:2011-certified Energy Management System

133 audits to obtain or maintain the certifications of sites' management systems and for the purposes of checking and assessing environmental risks

Energy management

- → **Investments** - 85% of the projects designed to reduce energy consumption.
- → **Consumption monitoring** - 15 high intensity energy sites, equal to 70% of the Italian sites' consumption, monitored by a new centralised software platform, which uses a network of about 1,000 sensors.
- → **LED industrial lighting project** - Over 11,000 lightbulbs replaced since 2014 for an estimated annual saving of 16,600 MWh.

Green mobility

- → **Car fleet**
  - > 20 charging stations in 10 sites.
  - > In 2018, 37% of the long-term rental vehicles were hybrid/electric, with an increase compared to 20% in 2017.
- → **Car pooling** - Completed the project to replace the cars used in the sites with 100% electric cars.
- → **Business travel** - Increase in the kilometres travelled by train (43% of the total) compared to planes, with an increase on 2013 (20%), due to the implementation of the travel policy.

COMMITMENT TO ENERGY EFFICIENCY

In 2018, Leonardo launched the "Smart Facilities" project aimed at the integrated management of the energy and maintenance issues of the Group's plants in order to boost efficiency of consumption and energy expenditure through the introduction of innovative management methods. Specifically, the monitoring of the energy consumption will be performed by the first centralised Group software platform consisting of roughly 1,000 meters of electricity, gas and water, which have already been installed at the 15 highest energy intensity sites, accounting for roughly 70% of the Italian sites' consumption. Through the implementation of statistical algorithms, it will be possible to analyse the sites' consumption in detail to identify efficiency projects and assess whether to install self-generation systems.

-8%
water withdrawals intensity

-8%
energy consumption intensity

>19,000
hours of training on environmental topics

>16,600
MWh of electric energy annually saved due to

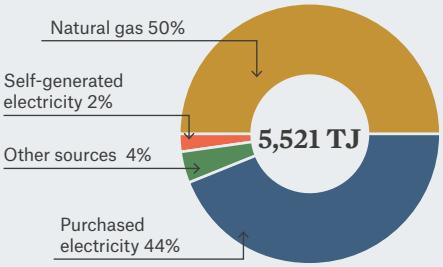
11,000
LED lights installed from 2014 to date

Intensity indicators, calculated on revenues, compared to 2017.

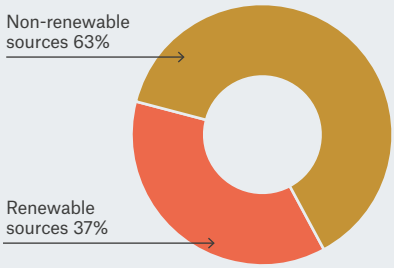
Main environmental data and information

2018 data

ENERGY CONSUMPTION BY SOURCE



ENERGY FROM RENEWABLE SOURCES
(% on total energy consumption)

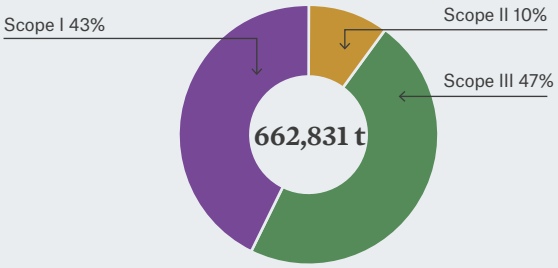


In 2018, energy consumption totalled 5,521 TJ, decreasing by 4% on 2017.

Natural gas was the main source of energy, making up 50% of the total.

83% of the electrical energy purchased was from renewable sources[9].

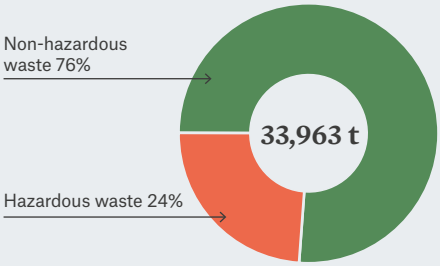
CO_2e EMISSIONS



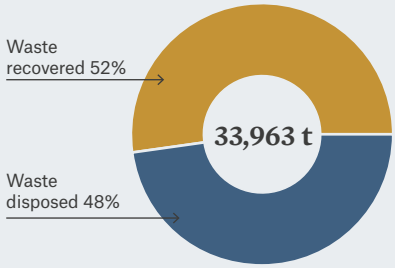
Total CO_2e emissions, equal to 662,831 t, increased by around 13% compared to 2017.

Specifically, Scope I emissions were equal to 286,643 t CO_2e (+11.6% on 2017) while Scope II[10] to 65,110 t CO_2e (-6.2% on 2017) and Scope III to 311,078 t CO_2e (+19% on 2017).

WASTE PRODUCED



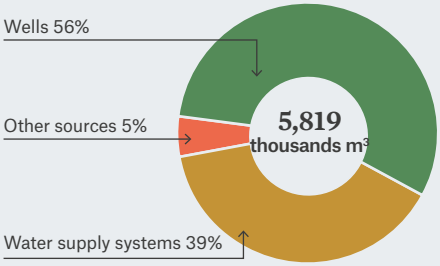
WASTE PRODUCED



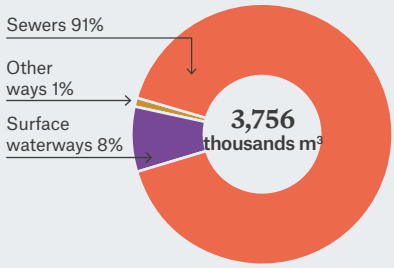
In 2018, waste produced amounted to 33,963 t, increasing by 4.5% compared to 2017.

24% of the total is classified as hazardous and 76% as non-hazardous.

WATER WITHDRAWAL BY SOURCE



WASTEWATER BY USE



In 2018, the water withdrawal totalled to around 5.8 million cubic metres, decreasing by 3.5% on 2017.

42% of the total refers to civil use, 45% to industrial use and 13% for other uses (in particular, irrigation and fire prevention).

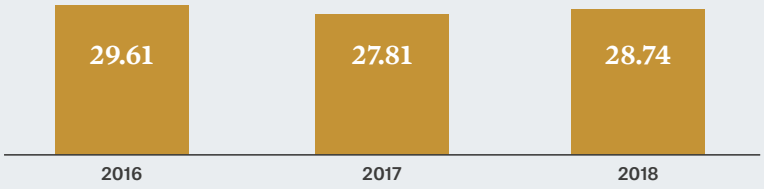
[9] Covered by Guarantees of Origin of renewable energy.
[10] Scope II emissions are calculated using the market-based methodology, which attributes a conversion factor equal to zero (0) to electrical consumption from renewable sources.

2016-2018 performance

ENERGY CONSUMPTION INTENSITY (MJ/€)

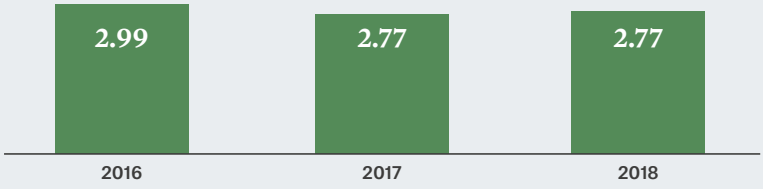
In 2018, the energy consumption intensity, calculated on revenues, decreased by 8% compared to both 2017 and 2016.

SCOPE I AND II CO_2e EMISSIONS INTENSITY (g CO_2/€)



The carbon intensity, calculated as the ratio between total Scope I and Scope II (market-based) emissions and revenues, was equal to 28.74 g per €, increasing by 3% on 2017 and decreasing by 3% on 2016.

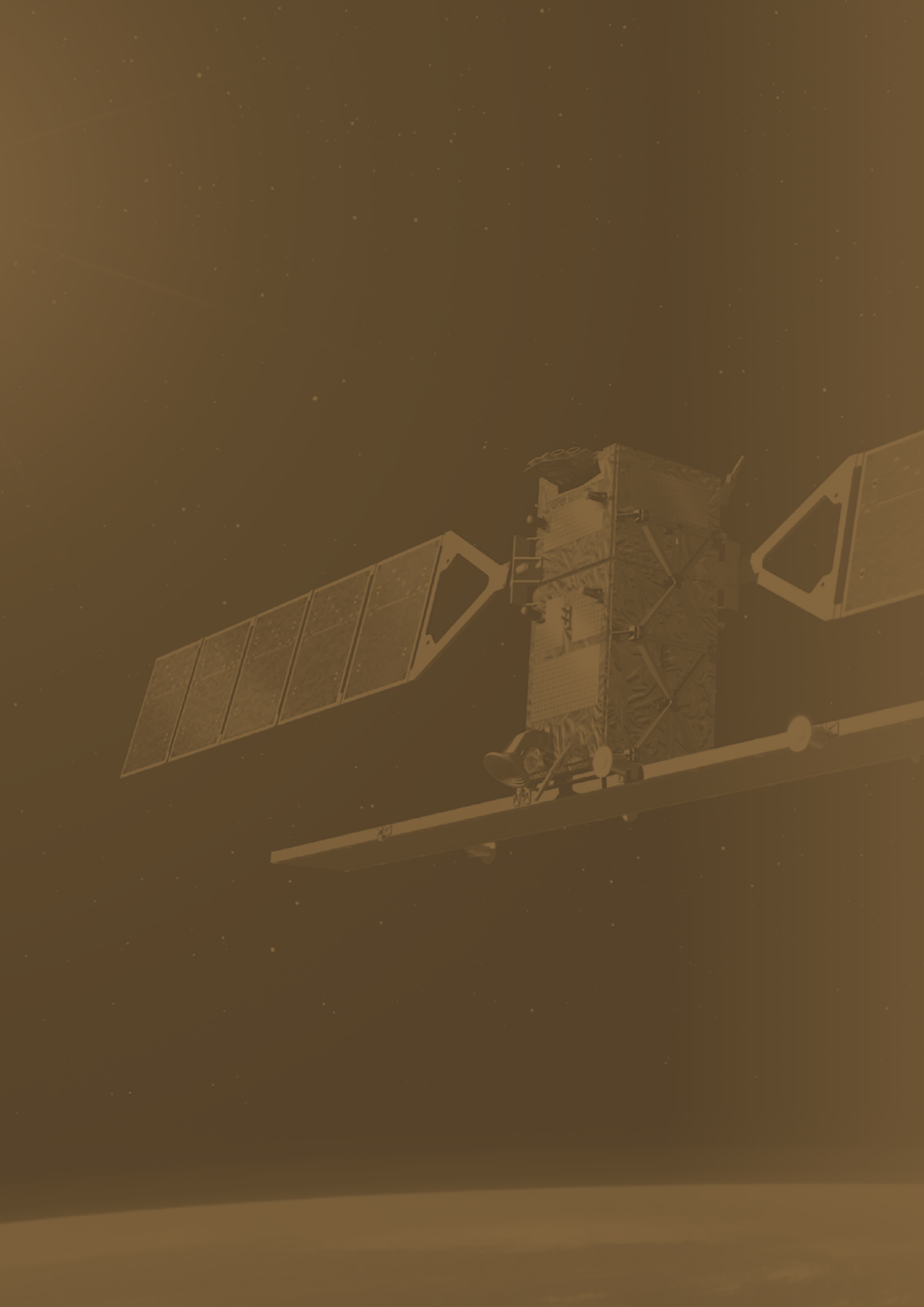
WASTE PRODUCED INTENSITY (g/€)



In 2018, the waste produced intensity, calculated on revenues, was stable compared to 2017; it decreased by 7% on 2016.

WATER WITHDRAWALS INTENSITY (l/€)

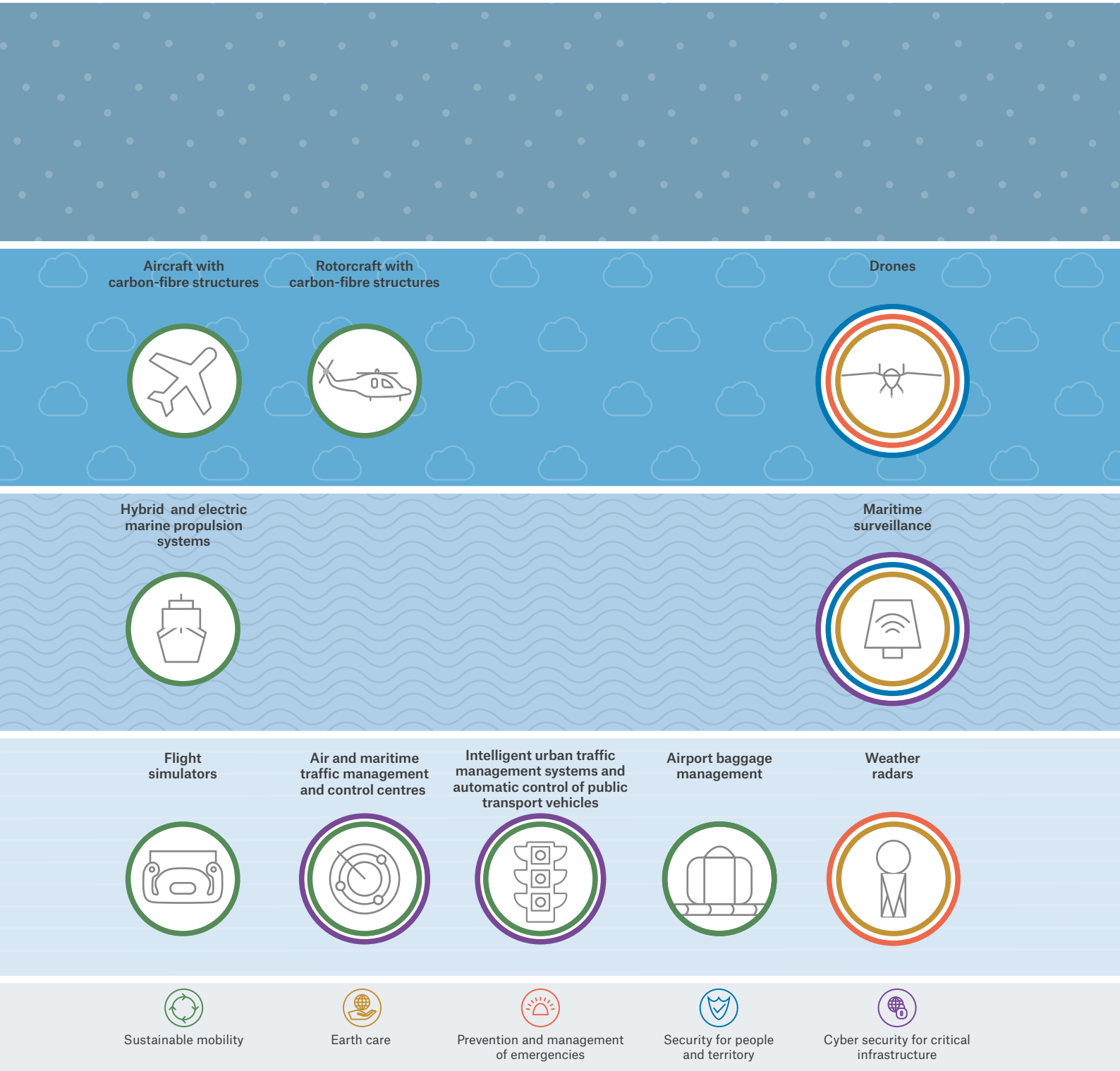
In 2018, the water withdrawals intensity, calculated on revenues, decreased by 8% on 2017, mainly due to the reduction of the water withdrawal from supply systems, and by 10% on 2016.



Solutions for society and the environment

In a rapidly changing international scenario, in which markets require increasing effectiveness, safety and reduced environmental impacts, Leonardo has technological solutions, the result of its research and development processes that can operate in an integrated and synergistic way to respond to the emerging global needs.

Connectivity Map



Specifically, Leonardo enhances its technologies through a dual use approach, applying them to the civil sector, with repercussions in many areas of interest for the economic system, and to the military sector, intercepting transversal needs, from the public to the private sector and from communities to individuals.

Sustainable mobility

More than 40,000 t CO_2 avoided in 2018 thanks to Leonardo's flight simulators for helicopter and aircraft pilots training.

The mobility of people and goods increases at a fast pace around the world. Forecasts for just air traffic expect the commercial fleet to have doubled by 2036 with the issue of another 41,000 aircraft on the market[11].

Leonardo has been engaged in research and development and the sale of innovation solutions for years. Thanks to state-of-the-art materials and technologies, these solutions limit energy consumption and GHG emissions, contributing to a decrease in the environmental impact of many sectors.

Air mobility - All the Company's aircraft and civil helicopters are certified in accordance with the environmental and noise requirements of the International Civil Aviation Organisation (ICAO). Among aircraft, the ATRs consume 40% fuel less than that consumed by the jets on regional routes, leading to a reduction in CO_2 emissions of roughly 5,000 tonnes yearly per aircraft.

To make its aircraft and helicopters lighter and more resistant, Leonardo uses, where possible, carbon fibre rather than metallic materials. It thus achieves greater operating efficiency, less fuel consumption of between 10 to 15% and less GHG emissions of roughly 20%, extending the aircraft's useful life and saving resources. Civil and military aircraft with carbon components manufactured by Leonardo include the Boeing 787, the ATR, the Eurofighter, the F-35 and the NH90.

Leonardo also services airports with its advanced Air Traffic Management systems, which optimise air traffic flows, and its innovative baggage sorting system, which generates energy savings of roughly 30% compared to the traditional systems.

The flight simulators for training of pilots reduce real flight hours with a positive impact on pilot safety, on the aircraft's life and less consumption and environmental and noise pollution.

Maritime mobility - The Vessel Traffic Management systems optimise naval routes, while the hybrid and electric systems reduce the environmental impact of marine propulsion.

Urban mobility - The mobility planning solutions using traffic lights and the centralised, coordinated management of public transport vehicles optimise traffic flows and reduce air pollution.

[11] *The Italian Aerospace, Defence and Security Chain*, The European House Ambrosetti 2018.

LEADINSKY AND FREE ROUTE: INTEGRATED TECHNOLOGIES FOR THE EMISSIONS REDUCTION

Leonardo's latest generation LeadInSky system allows ongoing controls of air traffic with a complete overview of flight from the departures through to the route and aircraft's landing. The Free Route product, which is part of LeadInSky system, provides aircraft with the ideal route without flight constrictions generating benefits in terms of operating efficiency, less fuel consumption and emissions. This procedure, rolled out in December 2016 by ENAV (the company that manages the civil air traffic in Italy) for routes above 11,000 metres of altitude, is now available for routes between 11,000 and 9,000 metres. Airline companies with routes across the Italian airspace have saved 30 million kilos of fuel, avoiding CO_2 emissions by 95,000 tonnes by using the first Free Route application. Lowering the quota to 9,000 metres should allow additional fuel savings of around 7 million kilos and 21,000 tonnes of CO_2 on roughly 70,000 flights a year. In addition, the LeadInSky system will be integrated with the ADS-B (Automatic Dependent Surveillance - Broadcast) satellite data as a result of the memorandum of understanding signed with Aireon LLC in 2018. This will provide a more effective and eco-efficient solution for route management, higher security and disaster recovery functionalities.

Earth care

The Sea and Land Temperature Radiometer measures the temperature of the oceans and land from an altitude of 800 km.

Technology's role is fundamental to monitor the land and marine ecosystems and contrast those phenomena that threaten their existence: desertification, the melting of glaciers, the indiscriminate exploitation of land and the resources of the seas by mankind.

Leonardo, through Telespazio and e-GEOS active in providing geo-information services, develops and uses cutting edge technologies and solutions to study and monitor the Earth by processing and analysing data and information provided by satellite systems, drones and meteorological radars. They include the Italian COSMO-SkyMed satellites, which have X-band radar sensors used to study the Earth day and night under any atmospheric conditions. They transmit the data obtained to management and control systems that provide an integrated view of the analysed areas. Starting from 2018, the second generation of satellites is steadily replacing the existing ones in orbit for more than 10 years, with efficiency and operating capacity improvements.

In 2018 MetOp C, the last of the three European polar-orbit meteorological satellites, was launched to obtain data about the atmosphere, improve global weather forecasts and facilitate a greater understanding of climate change. The satellites use the Leonardo's Global Ozone Monitoring Experiment 2 (GOME-2) spectrometer to map ozone and other gas concentrations in the high atmospheric layers that protect the Earth from the harmful effects of ultraviolet radiation.

Leonardo is also involved in European projects for the protection of the marine ecosystem (MARSUR, EUCISE2020, Blue Mass Med and SeaBILLA) and, inter alia, also the illegal dumping of waste and uncontrolled extraction of natural resources from the sea bed.

A TOOL TO MAP TERRESTRIAL FLUORESCENCE

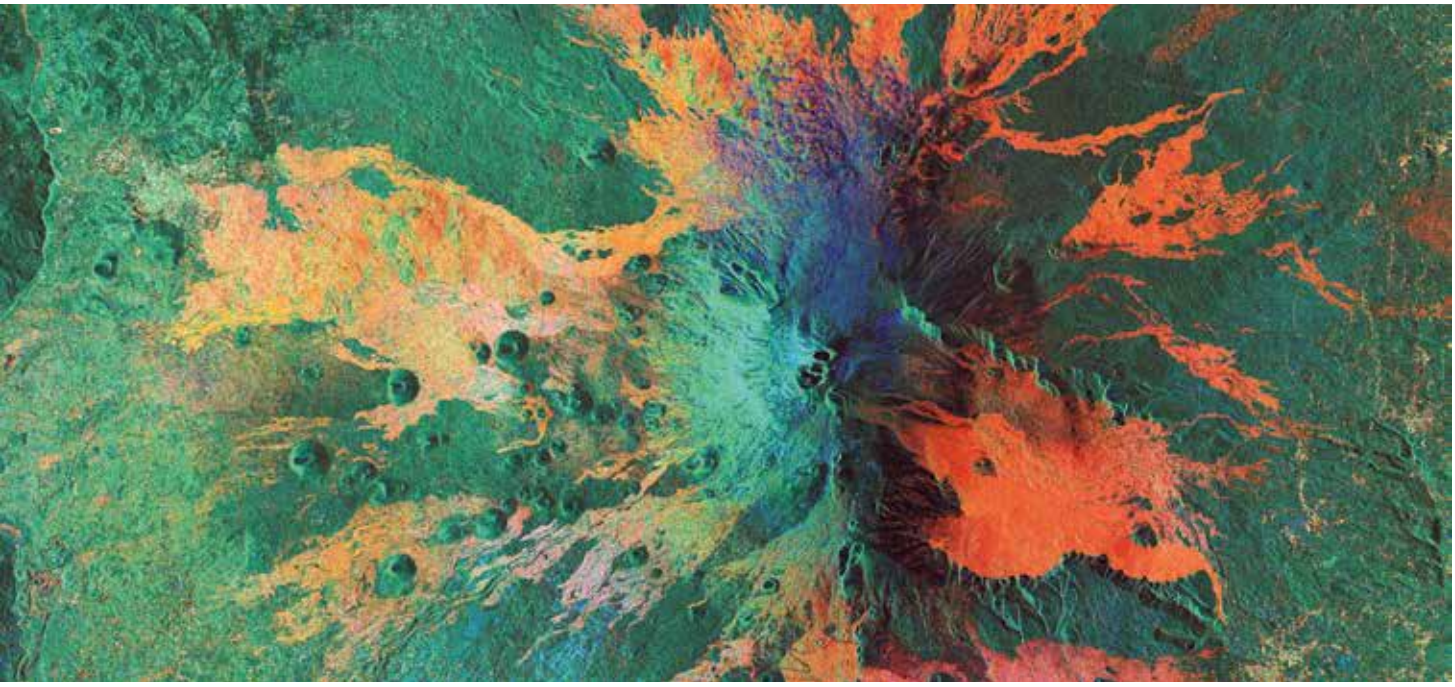
FLORIS, developed by Leonardo, is the high-resolution imaging spectrometer that will be used as part of the satellite programme FLuorescence EXplorer (FLEX) to map the health of vegetation. It will be launched in 2023 and will be able to monitor light emissions by plants from an altitude of roughly 800 km, precisely calculating the fluorescence intensity, i.e., the reddish glow characteristic of photosynthesis which is essential to preserve life on our planet. The information gathered by FLEX will cover both large and small areas and will be integrated with those acquired from Sentinel-3 satellite (part of Copernicus programme) optical and thermal sensors, which analyse the surface temperature of oceans and land to provide a complete overview and understand the planet's health. FLEX will contribute to tackling the challenges of climate change and the sustainable development of the environment, ecosystems and territories as well as providing useful information to the agricultural sector.

ALADIN: THE GENIUS MADE BY LEONARDO IN ORBIT TO STUDY THE WIND

The Aeolus satellite, in orbit since August 2018, is the first satellite to measure wind speed and direction on a planetary scale thanks to ALADIN (Atmospheric LAser Doppler INstrument), the most powerful ultraviolet laser ever built for a space mission. It was developed by Leonardo together with the main Italian and European research centres and other specialised companies. The ALADIN receiver will emit ultraviolet light to the Earth from a height of 320 km and will measure its reflection using the Doppler effect to study how the winds blow, from sea level up to an altitude of 30 km, including areas where meteorological data are not available (e.g., oceans). The data will enable up to seven-day reliable weather forecasts compared to the current two days. The receiver will be better able to interpret developments in extreme meteorological events with applications for various fields: measurement of rainfall for agriculture, study of wind currents for aircraft navigation and construction of more accurate climatic models to understand how pollutants or potentially dangerous substances spread in the atmosphere.

SATELLITES TO PROTECT THE SEAS AND THEIR RESOURCES

Thanks to the COSMO-SkyMed constellation Leonardo contributes to protecting the seas and their resources. In 2018, e-GEOS was awarded two international contracts for navigation safety and marine environment protection. The first contract was signed with Australian Maritime Safety Authority (AMSA) to monitor oil spills and ships and calculate intervention times and methods. The second contract was awarded by the Indonesian Ministry of Maritime Affairs and Fisheries (KKP) for assistance to combat illegal fishing using satellite radar images of suspicious vessels. e-GEOS has also entered into a partnership with the Italian Navy Hydrographic Institute to test the efficiency of its technologies on the Arctic routes which, due to the melting of the glaciers, have seen greater maritime traffic and the concurrent presence of dangerous icebergs.



Etna Volcano, Italy
COSMO-SkyMed image © ASI, processed and distributed by e-GEOS

Prevention and management of emergencies

77 activations of the Emergency Mapping service in 2018, the highest number ever.

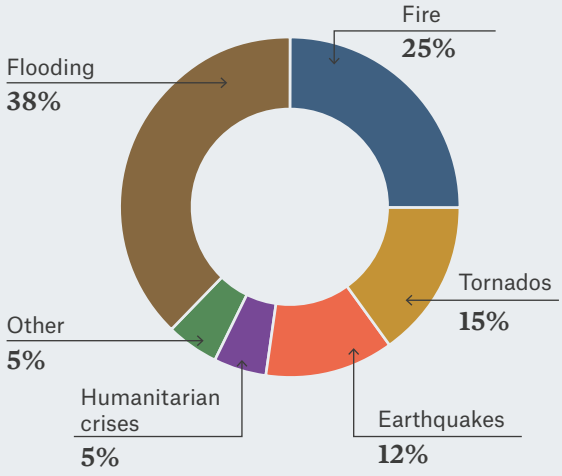
1,100 Leonardo helicopters, 27% of its fleet, used in rescue operations around the world.

Due to the increasing frequency of extreme meteorological events, their prevention and the emergency response capacity are fundamental to save human lives and contain structural damage. Over the last 20 years, natural disasters have cost USD 2.9 trillion, double the amount of the previous 20 years. 91% of the events were due to climate or meteorological phenomena[12].

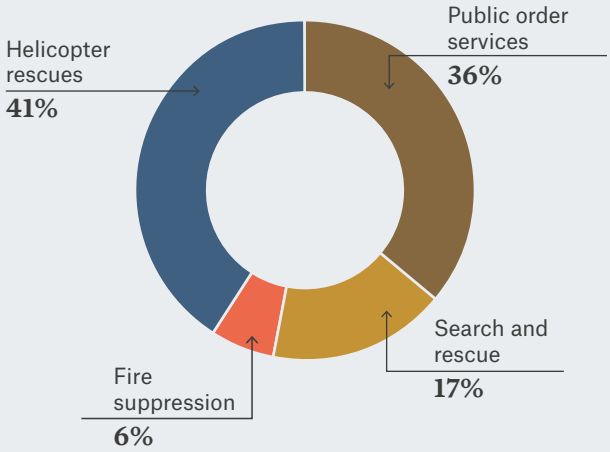
Over the years, Leonardo has developed tools and technologies for use in monitoring, analysing, planning and carrying out rescue missions. The COSMO-SkyMed radar satellite system plays a key role as it can observe the affected areas in any atmospheric conditions day or night, assisting the Emergency Mapping service for the crisis areas.

Depending on the situation to face, the following may be used in an integrated manner: unmanned aircraft to survey the area from above, IT and TLC systems to coordinate the rescue mission and the C-27J planes and helicopters to transport vehicles, supplies and personnel.

EMERGENCY MAPPING ACTIVATIONS BY TYPE OF EVENT



HELICOPTERS' USE BY TYPE OF RESCUE MISSION



[12] *Economic Loss, Poverty and Disaster*, UNISDR.

LEONARDO HELICOPTERS IN RESCUE MISSIONS

7,300

people saved by crews of the 15th Wing of the Air Force to date, using 15 AW139.

3,000

rescue missions carried out in the United Kingdom during the AW169's first year of service.

700

missions a year performed using four AW139 of the Los Angeles Fire Department.

600

missions in Poland in the last three years using W-3A Sokół helicopters by Tatra Volunteer Search and Rescue.

THE FIRST CLIMATE EMERGENCIES CENTRE IN THE CARIBBEAN IS "MADE IN ITALY"

In accordance with the contract signed with the Saint Lucia Government, the Leonardo subsidiary e-GEOS will build the first Caribbean infrastructure in the Lesser Antilles to prevent climate change emergencies, such as rising sea levels. The small Island Country will combine the technological capability of the COSMO-SkyMed constellation with the data generated by the meteorological radars and e-GEOS' know-how in the strategic emergency mapping sector to obtain a state-of-the-art early warning system that can monitor its coasts. The centre will be managed by the Slumet-Saint Lucia Meteorological Services and the National Emergency Management Organisation (NEMO), which is responsible for handling emergencies.

NEW METEOROLOGICAL RADAR FOR AUSTRALIA

The Australian Bureau of Meteorology, which monitors the weather, climate and water resources, has awarded Leonardo a contract to supply and install state-of-the-art C- and S-band meteorological radars in Australia. The Bureau offers a wide range of services, including forecasts, weather warnings, monitoring and consultancy to organisations and citizens with timely and accurate information about Australian territories, which is characterised by extreme events such as drought, flooding, fire, storms, tsunamis and tropical cyclones, and on Antarctic region. The Bureau currently operates 62 meteorological radars in its country-wide network which will be replaced by Leonardo's best-in-class systems. The four-year contract may be extended for up to 10 years.

LEONARDO AND SIAARTI FOR HELICOPTER RESCUES

Development of better performing machines and the concurrent smaller-size healthcare facilities means that the helicopter is one of the most used tools to evacuate and transport patients in critical conditions in all weather and environmental situations. In order to fully exploit its potential and increase the efficiency of helicopter rescue missions, Leonardo has signed a contract with SIAARTI (the Italian Society for Anaesthesia, Analgesia, Resuscitation and Intensive Care) to better adapt the helicopter's interior for this purpose and to define new guidelines and standards for doctors and their training in Italy and abroad. As part of the contract, the Company is assessing whether to develop a training centre with a mock-up AW169, which is already used by the Italian Red Cross, which would use of SIAARTI's scientific expertise.

Security for people and territory

More than 1,000 buses with video surveillance systems in Buenos Aires monitored by the public transport control centre realised by Leonardo.

Today's complex society requires increasingly higher security and territory defence measures to be adapted to meet constantly evolving needs and applications.

Leonardo contributes to public security, critical infrastructure, emergency services and civil protection through its state-of-the-art solutions that merge surveillance capabilities with the use of artificial intelligence and secure communication systems.

In the rapidly growing unmanned aircraft and systems (UAV/UAS) sector, the Company has a vast range of advanced solutions, including helicopters and drones for surveillance and information gathering, small exploration rovers, unmanned aircraft solutions for ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and support to the humanitarian operations.

Leonardo has developed solutions for facial and object recognition and the tracing of vehicles and people with solutions based on deep learning and artificial intelligence for the SC2 (Smart City Main Operation and Security Centre) platform, dedicated for the security of critical infrastructure.

In 2018, the European Defence Agency picked Leonardo to head the OCEAN2020 consortium, the first and most important European defence programme for maritime security, which is of great current attention by Europe and the Mediterranean area, interested by huge migratory flows.

LEONARDO'S TECHNOLOGY AT THE SERVICE OF LIGURIA

Leonardo signed a three-year memorandum of understanding with the local bodies of Liguria, to develop projects and technological demonstrators to prevent, protect and secure the region's residents and ecosystems. Based on the memorandum that represent the first public-private partnership, in line with the objectives of the United Nations' 2030 Agenda and the main EU guidelines about integrated security and risk prevention, Leonardo has committed to making its experience available to the relevant bodies to introduce specific technological solutions in various areas, such as territory monitoring, mobility, citizen services, security, energy efficiency, goods mapping and cyber system resilience.

MANAGEMENT OF DRONE TRAFFIC IN ITALY

In team with Telespazio and IDS - Ingegneria Dei Sistemi, Leonardo was selected by ENAV to become its business partner for the development of a system to control drone traffic and the related services. The Unmanned Aerial Vehicles Traffic Management (UTM) platform will allow the integration of numerous technologies for the secure movement of cooperative unmanned vehicles in the civil airspace (i.e., registered, authenticated and identified unmanned vehicles), their surveillance during the pre-flight phase and flight phase, assistance with mission planning, emergency management and flight data recording. Leonardo's ability to provide this service was a fundamental factor to ensure the flight safety of drones in a sector that is expected to take off in the next years: 7 million drones are estimated in circulation for recreational use and another 400,000 for commercial purposes from now to 2035 in Europe alone.

SPACE FOR SAFETY IN SCHOOLS AND MONUMENTS

The COSMO-SkyMed constellation data are particularly important for monitoring the state of conservation of school buildings and monuments throughout the Italian territory. Leonardo, through e-GEOS, the joint venture between Telespazio and the Italian Space Agency, supports national competence centres, the Ministry of Education, the Italian Space Agency and the National Council Research (CNR) by providing radar data in order to provide a detailed picture of about 40,000 Italian schools, and therefore speed up the times of checks and adjustments. The satellites in orbit are able to provide timely information on the slow movements of structures and thus give indications on the stability of buildings: taking advantage of the historicity of the data, they can therefore be compared to monitor anomalous movements and predict any structural problems. The same technologies, including radar interferometry, can also be used to monitor, enhance and secure some of the UNESCO sites in Italy, starting for example from the pilot project for the Colosseum area in Rome.

Cyber security for critical infrastructure

29 NATO Countries, 5,000 networks and 70,000 users protected by Leonardo's cyber security services.

Our globalised and interconnected world is a source of threats and cyber-attacks that can create significant material and virtual damage. The costs of cyber criminality increased fivefold in the period from 2011 to 2017 from USD 100 billion to over USD 500 billion, involving nearly a billion people in the world[13].

The cyber security and cyberspace sectors are of strategic interest to Leonardo which has developed and provides solutions, technologies and services for more than 30 years to guarantee the security of data, networks and systems in all operating scenarios. Thanks to its experience and proven abilities, Leonardo is the cyber security partner of many important Italian and international institutions like NATO, the UK Ministry of Defence, the Italian public administration and the European Space Agency.

As a founding member of the "Centro di Competenze Start 4.0 per la Sicurezza e Ottimizzazione delle Infrastrutture Strategiche", coordinated by the National Research Centre (CNR), and together with the Italian Technology Institute (ITT), the Liguria Region and other institutional and industrial bodies, Leonardo will take part in the research and development of enabling technologies (Internet of Things, blockchains, big data, artificial intelligence) in the sector of physical and cyber security of large port and transport, energy and manufacturing infrastructure. Leonardo, with its strategic partners, including Microsoft and specialist suppliers, has already developed, in the manufacturing sector, the Secure Connected Factory (SCF) platform that optimises the IT performance and security of production systems and buildings.

CYBER SECURITY FOR ENERGY INFRASTRUCTURE

Ansaldo Energia, a market leader in the power generation sector, selected Leonardo to ensure the resilience of its production plants and those of its customers to the growing number of digital threats. Leonardo will provide its experience gained in the cyber security sector to guarantee the physical and logical security of the energy systems, acting as system integrator of its own- and third-party technologies. It will focus on Ansaldo Energia's Lighthouse Plant, the first of its four "lighthouse" production plants of the Piano Impresa 4.0, that the national Technological Cluster "Fabbrica Intelligente" has picked on behalf of the Ministry of Economic Development.

[13] Clusit 2018.

LEONARDO AND NOZOMI NETWORKS FOR THE CYBER SECURITY OF CRITICAL INFRASTRUCTURE

Leonardo and Nozomi Networks, a leader in cyber security technologies to protect industrial control systems, have signed a contract that will permit to include the Nozomi solutions in Leonardo's global protection programme for the cyber security of critical infrastructure. This will ensure the automatic monitoring of communication behaviour, without repercussion on the industrial systems' working through passive monitoring, analytical controls and ongoing identification of cyber threats.

AN OBSERVATORY ON CYBER SECURITY IN PARTNERSHIP WITH ISPI

Together with ISPI (Institute for International Political Studies), Leonardo has set up an Observatory on cyber security. Among the activities of the Observatory, the promotion of forums, conferences and round tables involving sector experts and institutional representatives in discussions on national and international cyber security challenges and how to prevent and manage such threats. Leonardo has contributed to the realisation of numerous publications, including "Cybercrime as a threat to international security" and "Investing in cyber security: a priority for the national security" to help all stakeholders understand the challenges of internet and provide assistance to improve Italy's defence against cyber risks under the banner of collaboration between public and private.

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

The Chieti Security Operation Centre (SOC), opened in 2014, is one of Leonardo's centre of excellence and a reference point for the protection of essential Italian and international infrastructure. It is operational 24/7 and can identify possible cyber threats or attacks in real time. The SOC is in a protected area: to ensure maximum physical security, it was built in a high protection environment that safeguard from fire, water, electromagnetic fields, dust and other risk factors, including intrusion and tampering.

The centre has a specialised team, the CSIRT (Computer Security Incident Response Team), comprising security experts and certified ethical hackers who can manage the entire "security cycle" from an attack to the restoration of the functionalities of the affected system.

The Cyber Trainer project, funded by the Abruzzo Region with the European Regional Development funds (2014-2020), will take place at the Chieti site. Within the project framework, Leonardo heads a team of research centres, including the L'Aquila University, and some local SMEs to build a demonstrator to simulate networks, systems and applications in a realistic manner in order to facilitate training of cyber security managers and operators individually and in groups. The demonstrator will simulate attacks applicable to different industrial segments that are essential to the Region's economy, including the automotive sector, the smart city, energy efficiency and critical infrastructure. The project will concurrently demonstrate a dual use valence through modelling and testing scenarios of interest to the police and defence forces. The initiative will create new highly qualified jobs in an area characterised by the lack of employees specialised in cyber security and assist the Region's objective of becoming a competence centre of national importance in this sector.

SOC
Chieti

One of the most sophisticated centres at European and international level in terms of variety of services and number of customers served

45
experts
available 24/7

5,000
networks and
70,000
users protected

Customers in 130
Countries

400 security alarm systems and
107 cyber incidents managed each day

13,000
security events gathered and connected every second

Appendix

Methodology note

Leonardo's 2018 Sustainability and Innovation Report was drawn up in accordance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) using the "core" reporting option. It is also based on the International Integrated Reporting Council (IIRC) framework, with the objective to represent Leonardo's capacity to create economic, environmental and social value through its business model. Moreover, the reported contents reflect the four domains required by the Ten Principles of Global Compact, which Leonardo adopted in 2018: human rights, labour, environment and anti-corruption. The Sustainability and Innovation Report is prepared annually. This document covers 2018 (1 January 2018 - 31 December 2018) and was submitted and approved by Leonardo SpA's Board of Directors on 13 March 2019. The document is published on the Company website www.leonardocompany.com.

Materiality analysis

The material aspects reported in this document have been identified in accordance with the principle of materiality and considering the principles that set the content and the quality of sustainability reporting (stakeholder inclusiveness, completeness of information, sustainability context, balance, comparability, clarity, timeliness, reliability and accuracy).

The results of the materiality analysis performed in 2018 and the related methodology are reported in the paragraph "Materiality matrix" within the chapter "Stakeholder engagement and materiality".

Reporting scope

The reporting scope of the 2018 Sustainability and Innovation Report matches that of the 2018 Annual Financial Report. Personnel data refers to 100% coverage of the 2018 Annual Financial Report (99.9% in 2017 and 99.5% in 2016). Any limitations are indicated in this document. The scope of the environmental data[14] is based on the number of employees and the materiality of Leonardo SpA's and its subsidiaries' operating sites (plants/offices). The 2018 environmental reporting covered 90 sites. The number of employees included in Leonardo SpA's environmental scope in 2018 was equal to 45,006 (corresponding to 96.9% coverage of the 2018 Annual Financial Report). In order to ensure consistency with the consolidation criteria of the Annual Financial Report, the Group's 2018 and 2017 environmental data do not include those of the MBDA and Telespazio joint ventures, reported in a separate table.

[14] The environmental figures, reported through the Group's web-based system (specifically those on energy consumption), were derived from direct measurements (e.g., meters and consumption measurement systems); calculations (e.g., bills, purchase orders/invoices); estimates based on the number of employees and/or activities performed.
Specifically, when the sites have atmospheric emission monitoring systems (e.g., industrial sites), these are calculated using the laboratory analyses performed during the year. When the analyses are not available (e.g., sites housing offices and/or when the production processes do not give rise to atmospheric emissions), the Group's reporting system automatically calculates the NO_x and SO_2 emissions considering the annual consumption of natural gas and diesel oil to generate energy/heat and emission ratios available from public reports.

Sites covered by the environmental reporting scope

	2016	2017	2018
Sites covered by the environmental scope	**92**	**90**	**90**
MBDA and Telespazio sites	6	6	6

	2016	2017	2018
Italy	48	48	48
United Kingdom	9	8	8
United States	27	26	26
Rest of the world	8	8	8
Sites covered by the environmental scope	**92**	**90**	**90**
Italy (MBDA and Telespazio)	6	6	6

Division	2018 scope (*)
Helicopters	Yeovil, Cascina Costa di Samarate, Vergiate, Frosinone, Brindisi, Anagni, Sesto Calende, Venice, Benevento, Philadelphia
Aircraft	Venegono Superiore, Campo Volo, Caselle Nord and Caselle Sud, Turin, Venice, Cameri
Aerostructures	Pomigliano d'Arco, Foggia, Nola, Grottaglie
Airborne & Space Systems	Pomezia - via dell'Industria, Cisterna di Latina, Nerviano, San Maurizio Canavese, Ronchi dei Legionari, Palermo, L'Aquila, Montevarchi, Edinburgh, Luton, Farnham
Land & Naval Defence Electronics	Abbadia San Salvatore, Catania, Pisa, Basildon Lambda House, Campi Bisenzio, Carsoli, Basildon Sigma House, Southampton, Fusaro Bacoli, Giugliano, Rome - via Tiburtina, Taranto
Security & Information Systems	Genoa - via Puccini, Rome - via Laurentina, Chieti, Bristol Building 430
Defence Systems	La Spezia, Brescia, Livorno, Pozzuoli
Subsidiary	**2018 scope (*)**
Leonardo Corporate Center	Rome
Leonardo Global Solutions	Rome
Selex Service Management	Rome
Leonardo DRS	Fort Walton Beach - Anchor St., St. Louis, Melbourne - Babcock St., Dallas Expressway, Dallas Sherman, Johnstown Airport, Huntsville, Milwaukee, West Plains, Elizabeth City, Danbury, Cypress, Hauppauge, High Ridge, Dayton, Largo, Fitchburg, Chesapeake, Arlington, Bedford, Lemont Furnace, Germantown, Ottawa, San Diego, Dulles, Sidman
Agusta Aerospace Services	Grâce Hollogne
PZL-Świdnik	Świdnik
Larimart	Rome
Sistemi Dinamici	Pisa
Selex ES Inc.	Overland Park
Leonardo Romania Aerospace Defence & Security	Ploiesti
Selex ES Turkey	Ankara
Selex ES GmbH	Neuss
Oto Melara Iberica	Loriguilla
TOTAL	**90**

(*) Sites that left the environmental reporting scope in 2018 are Lonate Pozzolo, Bridgeport North Av. and Herndon Ds.
Sites included in the scope in 2018 are Pisa, Dulles and Sidman. Since 1 January 2018, the Montevarchi site is part of the Airborne & Space Systems Division following the incorporation of Sirio Panel.

Environmental reporting on MBDA and Telespazio - Scope and environmental highlights

Company	Certifications	2016/2017/2018 scope
MBDA	ISO 14001; OHSAS 18001	Rome, Bacoli, La Spezia
Telespazio	ISO 14001; OHSAS 18001	Rome, Fucino, Lario

Company	2016	2017	2018
Energy consumption (TJ) – Electrical energy and natural gas			
MBDA	66	70.3	73.3
Telespazio	127.6	129.2	122.1
Water withdrawal (m^3)			
MBDA	37,165 (of which 29,899 from water supply systems and 7,266 from wells)	45,664 (of which 33,275 from water supply systems and 12,389 from wells)	41,412 (of which 27,989 from water supply systems and 13,423 from wells)
Telespazio	65,379 (of which 59,668 from water supply systems and 5,711 from wells)	46,301 (of which 42,929 from water supply systems and 3,372 from wells)	38,694 (of which 36,857 from water supply systems and 1,837 from wells)
Special waste produced (t)			
MBDA	381.82 (of which 101.79 hazardous and 280.03 non-hazardous)	270.80 (of which 90.63 hazardous and 180.17 non-hazardous)	241.98 (of which 101.16 hazardous and 140.82 non-hazardous)
Telespazio	115.92 (of which 6.00 hazardous and 109.92 non-hazardous)	95.7 (of which 3.1 hazardous and 92.6 non-hazardous)	135.33 (of which 5.14 hazardous and 130.19 non-hazardous)
CO_2e (t)[15]			
MBDA	8,222.8	3,262 (*)	7,137 (*) (LB) 5,449 (*) (MB)
Telespazio	3,304.6	3,158	14,047 (LB) 3,189 (MB)

(*) CO_2 equivalent for electrical energy and natural gas.

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

GRI Content Index

The GRI table is in line with the "core" reporting option, as set out by the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). It refers to the 2018 Sustainability and Innovation Report, the 2018 Annual Financial Report, the 2019 Corporate Governance Report (on 2018), the Code of Ethics and the Anti-Corruption Code. KPMG SpA carried out a limited assurance engagement on the Leonardo Group's 2018 Sustainability and Innovation Report as at and for the year ended 31 December 2018, as a whole and in accordance with the criteria established by ISAE 3000 (revised). For additional information about the scope of the work and the procedures performed by the independent auditors, reference should be made to the "Independent auditors' report" on the Sustainability and Innovation Report. The information summarised in the GRI Content Index is included in the scope of the limited assurance engagement.

Key:

SIR = 2018 Sustainability and Innovation Report
AFR = 2018 Annual Financial Report
CGR = 2019 Corporate Governance Report (2018)

Disclosures		Reference	Page/note
	Organisational profile		
102-1	Name of the organisation		Leonardo SpA
102-2	Activities, brands, products and services	SIR	p. 8
102-3	Location of headquarters		Leonardo SpA's registered office is in Piazza Monte Grappa, 4 - Rome (Italy)
102-4	Location of operations	SIR	p. 11
102-5	Ownership and legal form	SIR	p. 35
102-6	Markets served	SIR	p. 10 p. 18
102-7	Scale of the organisation	SIR	p. 18
102-8	Information on employees and other workers	SIR	p. 58 p. 119 In 2018, the Group's supervised workers were equal to 2,885.
102-9	Supply chain	SIR	p. 75 p. 20
102-10	Significant changes to the organisation and its supply chain	SIR	p. 13
102-11	Precautionary principle or approach	SIR	p. 37 p. 42
102-12	External initiatives		> Corporate Governance Code for Listed Companies - Borsa Italiana; > Global Principles of Business Ethics for the Aerospace and Defence Industry - International Forum on Business Ethical Conduct (IFBEC) > Common Industry Standards - Aerospace Defence Security and Space (ASD) > OECD guidelines for multinationals > Task force on Climate-related Financial Disclosures (TCFD) > Italian Companies' Alliance for water and climate change > "Social responsibility for Industry 4.0" manifesto > Global Compact of the United Nations

102-13	Membership of associations		> AIAD (Italian Industry Federation for Aerospace, Defence and Security) > AIFI (Italian Association of Private Equity, Venture Capital, Private Debt) > ANITEC-ASSINFORM > ASD (Aeronautics, Space, Defence and Security Industries) > AIIA (Italian Association of Internal Auditors) > ASSONAVE (Italian Industry Association of Shipbuilding Industry) > ASSONIME (The association of Italian joint stock companies) > ADS (Aerospace Defence Security & Space) > techUK > NDIA (National Defence Industry Association) > SIA (Satellite Industry Association) > AIA (Aerospace Industry Association)
Strategy			
102-14	Statement from senior decision-maker	SIR	p. 4
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	SIR	p. 37
		Charter of Values	https://www.leonardocompany.com/documents/20142/115137/Carta_dei_Valori+ENG.pdf/481f041a-630c-6c8b-67ba-7f033d76ce71?t=1551772599336.
102-17	Mechanisms for advice and concerns about ethics		For more information on the reporting processes and mechanisms, reference should be made to the "Whistleblowing Management Guidelines" (https://www.leonardocompany.com/en/chi-siamo-about-us/etica-compliance/linee-indirizzo-whistleblowing-guidelines). Since they were issued, the Whistleblowing Management Guidelines have been circulated within and outside the Group to ensure maximum publicity. Furthermore, Leonardo DRS implements an Ethics Helpline available 24/7 managed by a third-party company (https://drs.alertline.com/gcs/welcome). In 2018, the number of reports received by Leonardo DRS amounted to 26.
		SIR	p. 37
Governance			
102-18	Governance structure	SIR	p. 34 p. 117
102-20	Executive-level responsibility for economic, environmental, and social topics		Chief Stakeholder Officer
102-22	Composition of the highest governance body and its committees	SIR	p. 12 p. 34 p. 36
		CGR	p. 33
102-23	Chair of the highest governance body	SIR	p. 12 p. 34
102-24	Nominating and selecting the highest governance body	SIR	p. 34
		CGR	p. 118

102-32	Highest governance body's role in sustainability reporting	SIR	p. 27 p. 34
102-34	Nature and total number of critical concerns	SIR	p. 39
102-37	Stakeholders' involvement in remuneration		In accordance with applicable regulations, Leonardo's shareholders expressed an advisory vote on the Remuneration Report.
Stakeholder engagement			
102-40	List of stakeholder groups	SIR	p. 24
102-41	Collective bargaining agreements	SIR	p. 41
102-42	Identifying and selecting stakeholders	SIR	p. 24
102-43	Approach to stakeholder engagement	SIR	p. 24 p. 37
102-44	Key topics and concerns raised	SIR	p. 26
Reporting practice			
102-45	Entities included in the consolidated financial statements	SIR AFR	p. 102 p. 204
102-46	Defining report content and topic boundaries	SIR	p. 102 p. 26
102-47	List of material topics	SIR	p. 26
102-48	Restatements of information		Any restatements or adjustments of information are indicated in the document from time to time.
102-49	Changes in reporting	SIR	p. 102
102-50	Reporting period	SIR	p. 102
102-51	Date of most recent report		2017 Sustainability and Innovation Report
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		sustainability@leonardocompany.com
102-54	Claims of reporting in accordance with the GRI Standards	SIR	p. 102
102-55	GRI content index	SIR	p. 102
102-56	External assurance	SIR	p. 102 p. 128

GRI 201 Economic performance			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach		Leonardo fully complies with the tax regulations in force in the Countries where it is active. Correct fulfilment of tax obligations is ensured by the Company's internal procedures that identify roles and responsibilities, operational and control activities and the necessary information flows. To further confirm its commitment, Leonardo has an open and transparent dialogue with the tax authorities through: > compliance with the rules and standards for financial reporting to provide information and communications; > definition of decision-making procedures for investments in tax havens, based on compliance with the principle that these investments must have valid economic reasons and not be made for tax evasion and/or planning purposes; > adoption of transfer pricing policies that comply with the ruling regulations; > compliance with regulations about tax returns and payments, both of which are checked by the independent auditors.
201-1	Direct economic value generated and distributed	SIR	p. 20
201-3	Defined-benefit plan obligations and other retirement plans	AFR	The pension plans offered to employees are of a defined-benefit nature. For additional information, reference should be made to the paragraph "Employee benefit obligations".
GRI 203 Indirect economic impacts			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 75 pp. 16-17
203-1	Infrastructure investments and services supported	SIR	p. 20 p. 65 p. 76 p. 77 p. 78
GRI 204 Procurement practices			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 75
204-1	Proportion of spending on local suppliers	SIR	p. 75

GRI 205 Anti-corruption			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 37
205-2	Communication and training about anti-corruption policies and procedures		In the main Countries in which it operates, Leonardo provides anti-corruption training in compliance with the ruling regulations and governance systems, including: > in Italy, in accordance with the 231/2001 Organisational, Management and Control Model; > in the United States, in accordance with the US Federal Acquisition Regulation (FAR) Mandatory Disclosure Rule; > in the United Kingdom, in accordance with the UK Bribery Act.
		SIR	p. 39
		Anti-Corruption Code	pp. 3-4, paragraph "Scope"
205-3	Confirmed incidents of corruption and actions taken	AFR	p. 256
GRI 206 Anti-competitive behaviour			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 37
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		No legal actions were commenced in 2018 related to anti-competitive behaviour, anti-trust and monopoly practices.
GRI 302 Energy			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
302-1	Energy consumption within the organisation	SIR	p. 84 p. 118
302-3	Energy intensity	SIR	p. 85 p. 118
GRI 303 Water			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
303-1	Water withdrawal by source	SIR	p. 84 p. 118
GRI 304 Biodiversity			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		34 sites are located in, or adjacent to, protected areas or areas of high biodiversity (20 in Italy; 4 in the United Kingdom; 7 in the United States and 3 in the rest of the world). In addition, 13 sites located in Italy are within 2 km of the landscape restrictions, also of an archaeological nature (buffer strips, areas of public interest, etc.).

GRI 305 Emissions			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
305-1	Direct GHG emissions (Scope I)	SIR	p. 84 p. 118 Source: GHG Protocol Global
305-2	Energy indirect GHG emissions (Scope II)	SIR	p. 84 p. 118 Reporting method based on the principles of the GHG Protocol new Scope II reporting guidance, using the following coefficients: > Average Grid US, Source: EPA - United States Environmental Protection Agency - eGRDI2016; > Average Grid Europa, Source: TERNA - ENERDATA 2016 data; > Residual Mix US and Canada, Source: 2018 Green-e Energy Residual Mix Emissions Rates; > Residual Mix Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2017.
305-3	Other indirect GHG emissions (Scope III)	SIR	p. 84 p. 118 Source: GHG Protocol Global
305-4	GHG emissions intensity	SIR	p. 85 p. 118
305-5	Reduction of GHG emissions	SIR	p. 84 p. 118
305-7	Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	SIR	p. 118 Source: GHG Protocol Global
GRI 306 Effluents and waste			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
306-1	Water discharge by quality and destination	SIR	p. 84 p. 119 Almost all the drains go to public sewer (91%), the 8% into surface waterways, in compliance with regulations, and the remaining 0.5% is disposed of in other ways (on soil, pursuant to the authorisation issued by the supervisory and control bodies, or disposed of as waste liquid).
306-2	Waste by type and disposal method	SIR	p. 84 p. 119

GRI 307 Compliance risk			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 81
307-1	Non-compliance with environmental laws and regulations		During 2018, 9 violations of environmental laws were identified by the control bodies (6 in 2017 and 3 in 2016), 3 of which gave rise to fines of €33,390 paid during the year. In 2018, Leonardo received a fine of €2,500 for a violation identified in 2017.
GRI 308 Supplier environmental assessment			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 75
308-1	New suppliers that were screened using environmental criteria	SIR	p. 79
GRI 401 Employment			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 58
401-1	New employee hires and employee turnover	SIR	p. 59 p. 121
401-3	Parental leave	SIR	p. 123 In Italy, parental leave related aspects are ruled by Legislative Decree no. 151/2001 and other laws on the matter.
GRI 402 Labour/management relations			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 58
402-1	Minimum notice periods regarding operational changes		In Italy and abroad, Leonardo applies the mechanisms allowed by the regulations and the agreements with the trade unions. In Italy, this issue is covered by and managed as part of the national collective labour and any supplementary company level agreements.
GRI 403 Occupational health and safety			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 62
403-2	Rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities	SIR	p. 62 p. 123 In 2018, the supervised workers' injury rate was 1.9, calculated using the following formula: TI = (Total injuries/Total worked hours)*200,000.

GRI 404 Training and education			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 58
404-1	Average hours of training per year per employee	SIR	p. 58 p. 19 p. 125
404-2	Programmes for upgrading employee skills and transition assistance programmes	SIR	p. 60
404-3	Percentage of employees receiving regular performance and career development reviews	SIR	p. 60
GRI 405 Diversity and equal opportunity			
103-1	Explanation of the material topic and its boundary		Internal boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 58
405-1	Diversity of governance bodies and employees	SIR	p. 59 p. 36 p. 126
405-2	Ratio of basic salary and remuneration of women to men	SIR	p. 127
GRI 407 Freedom of association and collective bargaining			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	Code of Ethics	p. 6
		SIR	p. 41
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SIR	p. 41
GRI 414 Supplier social assessment			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 75
414-1	New suppliers that were screened using social criteria	SIR	p. 79

GRI 415 Public Policy			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 37
415-1	Political contributions	Code of Ethics	p. 14 The Leonardo Group does not make any direct or indirect contributions whatsoever to political parties, movements, committees and political or trade union organisations or to their representatives and candidates, except as set forth in the specific laws. In the United States, direct or indirect political expenses and contributions linked to federal election are forbidden. Leonardo DRS has established a committee financed by employees, the "Political Action Committee" (PAC). Contributions to PAC are rigorously voluntary. Code of Ethics and Business conduct (Leonardo DRS) - p. 13.
GRI 416 Customer health and safety			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 68 Leonardo ensures the highest qualitative and safety standards, required by legislation and sector certifications (for example EASA; IATA; ICAO) and end customers.
416-1	Assessment of the health and safety impacts of product and service categories	SIR	p. 72 p. 90
GRI 418 Customer privacy			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 68
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data		No complaints about privacy violations or data loss were reported by customers in 2018.
Innovation and technology			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 48
Cyber security and data protection			
103-1	Explanation of the material topic and its boundary		External boundary; direct impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 43
Citizen security			
103-1	Explanation of the material topic and its boundary		External boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 88
Customer intimacy			
103-1	Explanation of the material topic and its boundary		Internal boundary; indirect impact
103-2; 103-3	Evaluation of the management approach	SIR	p. 68

Bridging table with Legislative Decree no. 254/2016

Leonardo's 2018 Sustainability and Innovation Report is drawn up in accordance with the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and it is also based on the International Integrated Reporting Council (IIRC) framework, with the objective to represent Leonardo's ability to create economic, environmental and social value through its business model. The Report also represents the Consolidated Non-financial Statement, pursuant to Legislative Decree no. 254/2016, prepared separately from the Financial Report.

The following bridging table has been created to make it easier to identify the requirements of the Decree.

Key:

SIR = 2018 Sustainability and Innovation Report
AFR = 2018 Annual Financial Report
CGR = 2019 Corporate Governance Report (2018)
MA = Disclosure 103-1, 103-2, 103-3 on the management approach of material topics

Requirements of Legislative Decree no. 254/2016	Field	Reference		GRI Standards reported
Reporting **Standard** and **Materiality** analysis	Environment, Social, Personnel, Human rights, Corruption	SIR	> Stakeholder engagement and materiality > Methodology note	102-45; 102-46; 102-47; 102-54; 102-55; 102-56
Business model for the management and organisation of the company's activities	Environment, Social, Personnel, Human rights, Corruption	SIR	> Profile > Results and performance > Stakeholder engagement and materiality > Corporate governance > Responsible business conduct > Governance and risk management > Supply chain > Environment and climate change	102-2; 102-4; 102-5;102-6; 102-7; 102-9; 102-10; 102-11; 102-12; 102-13; 102-17; 102-18; 102-40; 102-43; 102-44; MA 200 series; MA 300 series; MA 400 series
		AFR	> Leonardo and risk management > Leonardo and sustainability > Corporate governance	
		CGR	> Organisational model as per Legislative Decree no. 231/2001 > Additional corporate governance practices	
		Anti-Corruption Code		
Company **policies**, including due diligence procedures, outcomes and related **fundamental non-financial performance indicators**	Environment	SIR	> Supply chain > Environment and climate change > Main environmental data and information > Sustainable mobility	302-1; 302-3; 303-1; 304-1; 305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-1; 306-2; 307-1; 308-1; MA 300 series
		AFR	> Leonardo and sustainability/ The Environment	
	Social	SIR	> Profile > Stakeholder engagement and materiality > People and community > Customer intimacy > Supply chain > Respect for human rights	102-2; 102-4; 102-9; 102-40; 102-42; 102-43; 102-44; MA 204; 204-1; MA 205; MA 404; 404-3; MA 405; 405-1; MA 414; 414-1; MA 416; 416-1; MA 418; 418-1

	Personnel	SIR	> Profile > Results and targets > People and community > Respect for human rights	102-4; 102-8; 102-41; MA 401; 401-1; 401-3; MA 402; 402-1; MA 403; 403-2; MA 404; 404-1; 404-2; 404-3; MA 405; 405-1; 405-2
		AFR	> Leonardo and sustainability/ The Environment	
	Human rights	SIR	> Profile > Responsible business conduct > Respect for human rights > Supply chain	102-4; 102-9; 102-41; MA 414; 414-1; MA 407; 407-1; MA 418; 418-1
		Code of Ethics		
	Corruption	SIR	> Responsible business conduct	102-16; 102-17; MA 205; 205-2; 205-3; MA 415; 415-1; MA 206; 206-1
		AFR	> Provisions for risk and charges and contingent liabilities	
		CGR	> Additional corporate governance practices	
		Anti-Corruption Code		
Principal risks, generated or undergone, including their management, related to the above-mentioned matters, coming from business activities, products or services, commercial relationships including, where relevant, the supply chain	Environment, Social, Personnel, Human rights, Anti-corruption	SIR	> Materiality matrix > Governance and risk management	
		AFR	> Leonardo and risk management	
		Anti-Corruption Code		
Diversity in management and supervisory bodies		SIR	> Corporate governance > People and community	102-24; MA 405; 405-1
		CGR	> Diversity criteria and policies	

Task force on Climate-related Financial Disclosures

Governance

The Board of Directors, through the Nomination, Governance and Sustainability Committee, together with the Control and Risks Committee, evaluates the pursuit of the sustainability guidelines in line with the Group's Industrial Plan. The Group Management Committee, composed of first level management, is responsible for defining both the sustainability targets and the related actions to be implemented. The centralised innovation governance guides the development of technologies to fight climate change within the scope of the sector's main national and European programmes. To contain its carbon footprint, Leonardo operates in accordance with the Environment, Health and Safety Integrated Policy and the Group's Energy Management Policy, which were centrally defined and coordinated and then implemented at a divisional level, based on the proximity of the business. For further details, refer to the chapter "Environment and climate change" and the paragraph "Leonardo and sustainability" ("The Environment") in the 2018 Annual Financial Report.

Strategy

The objectives and the business strategy to address climate change, which are defined by taking into account legislative requirements, global scenarios and customers' needs, integrate two fundamental aspects: the first one related to the eco-efficient technologies and solutions which enable the monitoring of climate change effects; the second one related to the eco-efficient management of operations to reduce the environmental impacts. For additional information on the technology portfolio, refer to the chapter "Continuous innovation" and "Solutions for society and the environment" (paragraphs "Sustainable mobility" and "Earth care") and for details on eco-efficient operations, the chapter "Environment and climate change".

Management of risks and opportunities

Leonardo has adopted an integrated approach of identification, evaluation, management and control of financial, operational and compliance strategic risks. The Group applies the Enterprise Risk Management (ERM) approach to obtain an organic and complete overview of its main risks, including those related to the environment and climate change. With a specific reference to environmental risks related to operations, those are supervised and managed at multiple organisational levels, through centrally defined instruments and technical-managerial solutions, specifically studied on the peculiarities of each site and productions process. For further details, refer to the chapter "Governance and risk management" and the paragraphs "Leonardo and risk management" and "Leonardo and sustainability" ("The Environment") in the 2018 Annual Financial Report.

Business opportunities and climate change trends are identified through an evaluation process, which includes: analyses of the sector and emerging trends, the study of market drivers based on the challenges of climate change and customer requirements identified in the strategic commercial plan, and the identification of the competencies and skills necessary for technological development. On this field, Leonardo is working to develop a portfolio of technologies and solutions for the environment. For further details, refer to the chapter "Continuous innovation" and "Solutions for society and the environment" (paragraphs "Sustainable mobility" and "Earth care").

Metrics and targets

Leonardo reports the impacts and performance related to climate change in accordance with the metrics defined by the GRI Sustainability Reporting Standards. For additional information, refer to the paragraph "Environment and climate change" and the GRI tables on environmental indicators. In 2018, Leonardo retained its A- valuation from the CDP (Carbon Disclosure Project) on a decreasing scale from A to F.

GRI data and indicators

GOVERNANCE INDICATORS

Governance bodies and committees				GRI 102-18
Board of Directors	**Unit**	**2016**	**2017**	**2018**
No. of members	No.	**11**	**12**	**12**
of whom non-executive	No.	10	11	11
of whom independent	No.	9	9	9
of whom appointed from minority lists	No.	4	4	4
Meetings held	No.	**11**	**12**	**11**
Attendance rate (*)	%	**99**	**99**	**96**
Meetings held by the group of Independent Directors	No.	**3**	**3**	**2**
Control and Risks Committee	**Unit**	**2016**	**2017**	**2018**
No. of members	No.	**4**	**5**	**5**
Meetings held	No.	**10**	**7**	**10**
Attendance rate (*)	%	**90**	**99**	**90**
Analysis of International Scenarios Committee	**Unit**	**2016**	**2017**	**2018**
No. of members	No.	**4**	**4**	**4**
Meetings held	No.	**3**	**4**	**3**
Attendance rate (*)	%	**83**	**93**	**100**
Remuneration Committee	**Unit**	**2016**	**2017**	**2018**
No. of members	No.	**4**	**4**	**4**
Meetings held	No.	**5**	**9**	**6**
Attendance rate (*)	%	**100**	**94**	**92**
Nomination, Governance and Sustainability Committee (**)	**Unit**	**2016**	**2017**	**2018**
No. of members	No.	**5**	**7**	**7**
Meetings held	No.	**6**	**6**	**5**
Attendance rate (*)	%	**97**	**97**	**94**
Board of Statutory Auditors	**Unit**	**2016**	**2017**	**2018**
Members (standing)	No.	**5**	**5**	**5**
Of whom appointed from minority lists	No.	**2**	**2**	**2**
Meetings held	No.	**20**	**17**	**18**
Attendance rate (*)	%	**94**	**97**	**91**

(*) Calculated as the number of attendees/number of meetings.
(**) On 29 September 2016, the functions of the Nomination Committee were integrated with additional advisory and recommendation duties about sustainability and corporate governance.

ENVIRONMENTAL INDICATORS

Energy					
Energy consumption within the company	**Unit**	**2016**	**2017**	**2018**	**GRI 302-1**
Non-renewable energy consumed	TJ	**3,178**	**3,128**	**2,931**	
Natural gas	TJ	2,953	2,909	2,741	
Diesel oil for energy and/or heat generation	TJ	5	3	4	
Fuel oil	TJ	-	-	-	
Other (LPG, fuels used for product tests)	TJ	220	216	187	
Energy purchased for electricity and district heating	TJ	**2,497**	**2,454**	**2,453**	
Electrical energy from conventional sources	TJ	609	414	411	
Electrical energy from renewable sources	TJ	1,876	2,029	2,021	
District heating	TJ	12	11	20	
Self-generated energy	TJ	**149**	**143**	**137**	
Energy sold	TJ	**-**	**-**	**-**	
Total	TJ	**5,824**	**5,725**	**5,521**	
Energy intensity	**Unit**	**2016**	**2017**	**2018**	**GRI 302-3**
Energy consumption/Revenues	MJ/€	0.49	0.49	0.45	

Water					
Water withdrawals by source	**Unit**	**2016**	**2017**	**2018**	**GRI 303-1**
Water supply systems	thousands of m^3	2,390	2,379	2,242	
Wells	thousands of m^3	3,666	3,377	3,274	
Other sources	thousands of m^3	298	278	303	
Total	thousands of m^3	**6,354**	**6,034**	**5,819**	

Emissions					
CO_2e emissions	**Unit**	**2016**	**2017**	**2018**	**GRI 305-1/2/3**
Direct emissions (Scope I)	t CO_2e	270,689	256,878	286,643	
Indirect emissions (Scope II) market-based	t CO_2e	84,668	69,422	65,110	
Indirect emissions (Scope II) location-based	t CO_2e	290,925	279,227	262,331	
Other indirect emissions (Scope III)	t CO_2e	298,698	261,331	311,078	
Total Scopes I, II market-based and III	t CO_2e	**654,055**	**587,631**	**662,831**	
Total Scopes I, II location-based and III	t CO_2e	**860,312**	**797,436**	**860,052**	
CO_2e emissions intensity	**Unit**	**2016**	**2017**	**2018**	**GRI 305-4**
Total emissions (Scope I + Scope II market-based)/Revenues	g/€	29.61	27.81	28.74	
Total emissions (Scope I + Scope II location-based)/Revenues	g/€	46.79	45.69	44.85	
Other emissions	**Unit**	**2016**	**2017**	**2018**	**GRI 305-7**
NO_X	t	179	180	162	
SO_2	t	3	3	3	
VOC	t	117	95	109	
VIC	t	5	1	1	
Heavy metals	t	1	0.2	0.2	
Particulate	t	20	18	20	

Wastewater and waste					
Total wastewater by use	**Unit**	**2016**	**2017**	**2018**	**GRI 306-1**
Sewers	thousands of m^3	3,438	3,936	3,413	
Surface water	thousands of m^3	1,144	262	320	
Other use	thousands of m^3	78	23	23	
Total	thousands of m^3	**4,660**	**4,221**	**3,756**	

Waste produced by use	**Unit**	**2016**	**2017**	**2018**	**GRI 306-2**
Non-hazardous	t	**26,909**	**24,963**	**25,951**	
Recovered	t (%)	14,497 (54)	15,757 (63)	15,741 (61)	
Disposed	t (%)	12,412 (46)	9,206 (37)	10,210 (39)	
Hazardous	t	**8,928**	**7,524**	**8,012**	
Recovered	t (%)	1,826 (20)	2,040 (27)	1,996 (25)	
Disposed	t (%)	7,102 (80)	5,484 (73)	6,016 (75)	
Total waste produced (hazardous and non-hazardous)	t	**35,837**	**32,487**	**33,963**	

EMPLOYEE INDICATORS

Employees					
Total number of employees by employment type, employment contract, gender and region	**Unit**	**2016**	**2017**	**2018**	**GRI 102-8**
Total employees	No.	**45,402**	**45,134**	**46,462**	
Men	No.	37,441	37,134	38,094	
Women	No.	7,961	8,000	8,368	
Permanent employment contracts	No.	**44,647**	**44,711**	**45,761**	
Men	No.	36,837	36,769	37,539	
Women	No.	7,810	7,942	8,222	
Fixed-term contracts	No.	**755**	**423**	**701**	
Men	No.	604	365	555	
Women	No.	151	58	146	
Full-time contracts (permanent)	No.	**43,568**	**43,594**	**44,518**	
Men	No.	36,683	36,604	37,298	
Women	No.	6,885	6,990	7,220	
Part-time contracts (permanent)	No.	**1,079**	**1,117**	**1,243**	
Men	No.	154	165	241	
Women	No.	925	952	1,002	

Employees by employment type	Unit	2016	2017	2018
Managers	No.	**1,081**	**1,091**	**1,126**
Men	No.	982	985	1,005
Women	No.	99	106	121
Middle managers	No.	**5,249**	**5,467**	**5,725**
Men	No.	4,450	4,584	4,757
Women	No.	799	883	968
White collars	No.	**26,881**	**26,489**	**26,922**
Men	No.	20,905	20,574	20,811
Women	No.	5,976	5,915	6,111
Blue collars	No.	**12,150**	**12,047**	**12,648**
Men	No.	11,063	10,951	11,480
Women	No.	1,087	1,096	1,168
Pilots	No.	**41**	**40**	**41**
Men	No.	41	40	41
Women	No.	-	-	-
Employees by Country and gender	**Unit**	**2016**	**2017**	**2018**
Italy	No.	**29,103**	**28,892**	**29,244**
Men	No.	24,374	24,192	24,517
Women	No.	4,729	4,700	4,727
United States	No.	**5,555**	**5,812**	**6,520**
Men	No.	4,234	4,380	4,871
Women	No.	1,321	1,432	1,649
United Kingdom	No.	**6,976**	**6,784**	**6,986**
Men	No.	5,900	5,703	5,810
Women	No.	1,076	1,081	1,176
Poland	No.	**2,821**	**2,609**	**2,622**
Men	No.	2,261	2,122	2,126
Women	No.	560	487	496
Other Countries	No.	**947**	**1,037**	**1,090**
Men	No.	672	737	770
Women	No.	275	300	320

Employees by contract and Country	Unit	2016	2017	2018
Permanent employment contracts	No.	**-**	**-**	**45,761**
Full-time contracts	No.	**-**	**-**	**44,518**
Italy	No.	-	-	28,377
United States	No.	-	-	6,419
United Kingdom	No.	-	-	6,269
Poland	No.	-	-	2,545
Other Countries	No.	-	-	908
Part-time contracts	No.	**-**	**-**	**1,243**
Italy	No.	-	-	801
United States	No.	-	-	66
United Kingdom	No.	-	-	283
Poland	No.	-	-	2
Other Countries	No.	-	-	91
Fixed-term contracts	No.	**-**	**-**	**701**
Italy	No.	-	-	66
United States	No.	-	-	35
United Kingdom	No.	-	-	434
Poland	No.	-	-	75
Other Countries	No.	-	-	91

Total number and percentage of new employee hires and employee turnover by age group, gender and region	Unit	2016	2017	2018	GRI 401-1
Total hires and gender breakdown	No.	**2,016**	**2,469**	**4,502**	
Percentage of hires of total employees	%	4	5	10	
Men	No.	1,615	1,868	3,551	
	%	80	76	79	
Women	No.	401	601	951	
	%	20	24	21	
Number and percentage of hires by age group					
< 30 years	No.	631	942	1,730	
	%	31	38	38	
30-50 years	No.	883	1,011	1,882	
	%	44	41	42	
> 50 years	No.	502	516	890	
	%	25	21	20	

Number and percentage of hires by Country				
Italy	No.	646	516	1,408
	%	32	21	31
United States	No.	718	1,332	1,920
	%	36	54	43
United Kingdom	No.	498	439	795
	%	25	18	18
Poland	No.	39	51	169
	%	2	2	4
Other Countries	No.	115	131	210
	%	6	5	5
Total employees leaving and gender breakdown	No.	**3,123**	**2,799**	**3,174**
Percentage of employees leaving of total employees	%	7	6	7
Men	No.	2,560	2,275	2,582
	%	82	81	81
Women	No.	563	524	592
	%	18	19	19
Number and percentage of employees leaving by age group				
< 30 years	No.	305	406	573
	%	10	15	18
30-50 years	No.	1,050	947	914
	%	34	34	29
> 50 years	No.	1,768	1,446	1,687
	%	57	52	53
Number and percentage of employees leaving by Country				
Italy	No.	1,276	692	1,092
	%	41	25	34
United States	No.	870	1,098	1,180
	%	28	39	37
United Kingdom	No.	582	700	599
	%	19	25	19
Poland	No.	267	259	160
	%	9	9	5
Other Countries	No.	128	50	143
	%	4	2	5

Return to work and retention rates after parental leave, by gender[16]	Unit	2016	2017	2018	GRI 401-3
Rate of return to work by gender	%	**96**	**94**	**95**	
Men	%	97	98	96	
Women	%	95	91	92	
Retention rate by gender	%	**97**	**97**	**97**	
Men	%	95	98	97	
Women	%	99	97	97	
Employees who took parental leave during the reporting period, by gender	No.	**1,728**	**1,609**	**1,838**	
Men	No.	997	723	1,079	
Women	No.	731	886	759	
Employees who returned to work at the end of the parental leave during the reporting period, by gender	No.	**1,553**	**1,422**	**1,676**	
Men	No.	930	679	1,051	
Women	No.	623	743	625	
Employees who returned to work at the end of the parental leave and continued to work 12 months after their return, by gender	No.	**1,020**	**1,298**	**1,219**	
Men	No.	464	594	608	
Women	No.	556	704	611	

Occupational health and safety					
Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by gender and by region					GRI 403-2
INJURY RATE (IR)[17]	Unit	2016	2017	2018	
Total Group rate	i	**0.9**	**1.0**	**1.2**	
Men	i	0.9	1.1	1.3	
Women	i	0.7	0.6	0.8	
Italy	i	**0.9**	**1.2**	**1.2**	
Men	i	0.9	1.2	1.2	
Women	i	0.7	0.9	0.8	
United States	i	**1.5**	**1.1**	**1.4**	
Men	i	1.5	1.4	1.8	
Women	i	1.3	0.2	0.1	
United Kingdom	i	**0.4**	**0.4**	**1.5**	
Men	i	0.4	0.4	1.3	
Women	i	0.3	0.3	2.3	
Poland	i	**0.7**	**0.8**	**0.6**	
Men	i	0.8	0.9	0.5	
Women	i	0.2	-	0.7	

[16] The 2016 figures refer to approximately 98% coverage of total employees.
[17] The injury frequency rate is calculated using the following formula: TI = (Total injuries/Total worked hours)*200,000.

OCCUPATIONAL DISEASES - Occupational diseases rate (ODR)[18]	Unit	2016	2017	2018
Total Group rate	i	**0.10**	**0.06**	**0.03**
Men	i	0.09	0.07	0.03
Women	i	0.14	-	0.06
Italy	i	**0.04**	**0.08**	**0.04**
Men	i	0.04	0.09	0.03
Women	i	-	-	0.08
United States	i	**-**	**-**	**0.03**
Men	i	-	-	0.02
Women	i	-	-	0.07
United Kingdom	i	**0.48**	**-**	**-**
Men	i	0.40	-	-
Women	i	0.96	-	-
Poland	i	**-**	**0.13**	**0.09**
Men	i	-	0.16	0.10
Women	i	-	-	-
LOST DAYS – Lost Days Rate (LDR)[19]	**Unit**	**2016**	**2017**	**2018**
Total Group rate	i	**46.2**	**27.8**	**22.8**
Men	i	48.2	28.5	22.5
Women	i	35.3	24.2	24.1
Italy	i	**58.3**	**37.7**	**30.5**
Men	i	60.8	37.8	29.1
Women	i	42.9	36.7	38.5
United States	i	**23.0**	**14.5**	**5.9**
Men	i	23.8	19.2	7.8
Women	i	20.2	0.1	0.2
United Kingdom	i	**11.0**	**3.7**	**7.8**
Men	i	9.7	4.0	8.1
Women	i	18.4	2.1	6.4
Poland	i	**20.9**	**28.6**	**12.7**
Men	i	24.8	21.2	12.3
Women	i	4.2	59.9	14.6

[18] The occupational diseases rate is calculated using the following formula: ODR = (Total cases of occupational diseases/Total worked hours)*200,000.
[19] The lost days rate is calculated using the following formula: LDR = (Total days of lost work/Total worked hours)*200,000.

ABSENTEEISM RATE (AR)[20]	Unit	2016	2017	2018	
Total Group rate	%	**3.1**	**2.8**	**3.4**	
Men	%	3.0	2.7	3.3	
Women	%	3.8	3.4	3.7	
Italy	%	**4.1**	**3.4**	**3.8**	
Men	%	3.7	3.2	3.6	
Women	%	6.0	4.5	4.7	
United States	%	**0.1**	**0.1**	**1.5**	
Men	%	0.1	0.1	1.4	
Women	%	0.1	0.1	1.8	
United Kingdom	%	**3.5**	**2.7**	**3.4**	
Men	%	3.5	2.6	3.5	
Women	%	3.9	3.4	2.7	
Poland	%	**2.8**	**3.4**	**4.1**	
Men	%	2.8	3.2	4.0	
Women	%	2.8	4.5	4.6	
WORK-RELATED FATALITIES	**Unit**	**2016**	**2017**	**2018**	
Total Group	No.	**-**	**-**	**-**	
Men	No.	-	-	-	
Women	No.	-	-	-	

Training					
Average hours of training per employee by gender and by employee category	**Unit**	**2016**	**2017**	**2018**	**GRI 404-1**
Training hours	**hours**	**14**	**20**	**20**	
Men	hours	13	20	19	
Women	hours	13	18	23	
Managers	hours	44	16	18	
Middle managers	hours	12	20	22	
White collars	hours	10	18	19	
Blue collars	hours	16	23	19	

[20] The absenteeism rate is calculated using the following formula: AR = (Total days of absence/Total working days)*100.

Diversity and equal opportunity					
Composition of governance bodies and breakdown of employees by employee category, according to gender and age group, minority group membership and other indicators of diversity					**GRI 405-1**
Composition of governance bodies	**Unit**	**2016**	**2017**	**2018**	
Men	%	64	67	67	
Women	%	36	33	33	
< 30 years	%	-	-	-	
30-50 years	%	18	17	17	
> 50 years	%	82	83	83	
Breakdown of employees by category and gender	**Unit**	**2016**	**2017**	**2018**	
Men					
Managers	%	91	90	89	
Middle managers	%	85	84	83	
White collars	%	78	78	77	
Blue collars	%	91	91	91	
Pilots	%	100	100	100	
Women					
Managers	%	9	10	11	
Middle managers	%	15	16	17	
White collars	%	22	22	23	
Blue collars	%	9	9	9	
Pilots	%	-	-	-	
Breakdown of employees by category and age group	**Unit**	**2016**	**2017**	**2018**	
< 30 years					
Managers	%	-	-	-	
Middle managers	%	1	1	-	
White collars	%	8	7	8	
Blue collars	%	18	15	13	
Pilots	%	2	-	2	
30-50 years					
Managers	%	33	32	34	
Middle managers	%	44	42	42	
White collars	%	58	56	55	
Blue collars	%	52	52	54	
Pilots	%	49	42	42	
> 50 years					
Managers	%	67	68	66	
Middle managers	%	55	57	58	
White collars	%	34	37	37	
Blue collars	%	29	33	33	
Pilots	%	49	58	56	
Employees belonging to minority groups by professional category	**Unit**	**2016**	**2017**	**2018**	
Managers	%	1	1	1	
Middle managers	%	3	4	4	
White collars	%	5	5	6	
Blue collars	%	6	7	7	

Equal remuneration for women and men					
Ratio of base salary of women to men by employee category[21]	**Unit**	**2016**	**2017**	**2018**	**GRI 405-2**
Italy					
Managers	%	78	86	85	
Middle managers	%	97	96	95	
White collars	%	98	98	97	
Blue collars	%	96	97	93	
United States					
Managers	%	92	82	85	
Middle managers	%	85	83	86	
White collars	%	71	74	83	
Blue collars	%	84	85	87	
United Kingdom					
Managers	%	90	88	89	
Middle managers	%	97	88	88	
White collars	%	80	77	80	
Blue collars	%	84	79	83	
Poland					
Managers	%	87	93	116	
Middle managers	%	113	115	106	
White collars	%	86	85	87	
Blue collars	%	95	95	94	
Ratio of remuneration of women to men by employee category	**Unit**	**2016**	**2017**	**2018**	
Italy					
Managers	%	74	79	80	
Middle managers	%	96	96	91	
White collars	%	92	92	89	
Blue collars	%	85	84	80	
United States					
Managers	%	93	92	74	
Middle managers	%	90	74	90	
White collars	%	72	83	82	
Blue collars	%	88	88	83	
United Kingdom					
Managers	%	78	98	94	
Middle managers	%	92	86	90	
White collars	%	70	77	83	
Blue collars	%	76	77	87	
Poland					
Managers	%	87	92	79	
Middle managers	%	111	114	106	
White collars	%	77	77	79	
Blue collars	%	91	92	90	

[21] The 2016 figures refer to approximately 95% coverage of total employees in Italy and approximately 93% coverage of total employees in the United Kingdom.

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

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

To the board of directors of
Leonardo S.p.a.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2018 consolidated non-financial statement of the Leonardo Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 13 March 2019 (the "NFS").

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

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

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

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

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

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

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

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

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

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

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

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

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 consolidated non-financial statement of the Leonardo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Rome, 18 March 2019

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

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