

MATERIALITY ANALYSIS:

Strategic priorities for Leonardo and its stakeholders



A compass for a long-term strategy

The materiality analysis is a process aimed at identifying and evaluating the strategic priorities developed by Leonardo (the internal perspective) and its stakeholders (the external perspective). It selects the key topics that affect the company's ability to create and maintain value in the short, medium and long term.

The materiality matrix is a tool that compares and summarises the points of view of both the Top Management and external stakeholders.

Leonardo's Approach

To update the materiality analysis we followed a specific methodological process based on two components:

- DATA-DRIVEN – in-depth analysis using a Big Data analytics platform.
- PARTICIPATION – extensive engagement of Leonardo's functions, Top Management and external stakeholders.

THE PROCESS

- Through a benchmarking of the Aerospace, Defence and Security (AD&S) industry and a preliminary data-driven analysis based on Datamaran's platform, 16 material topics were identified (starting from a base of 71 specific topics).
- 33 Leonardo's functions and departments identified their key stakeholders to represent the external perspective, which was complemented by in-depth data-driven analysis.
- An online stakeholder survey was launched to select Leonardo's material topics from both an internal and external perspective.

THE INTERNAL PERSPECTIVE

Top Management's engagement

Leonardo's top managers replied to the survey by evaluating the 16 themes on the basis of their strategic priorities.

41

Top Managers involved

THE EXTERNAL PERSPECTIVE

Data-driven analysis

In-depth analysis of external documentary sources using Natural Language Processing and Big Data analytics.

21

industry peers

1,877

national and international laws and regulations

10,829

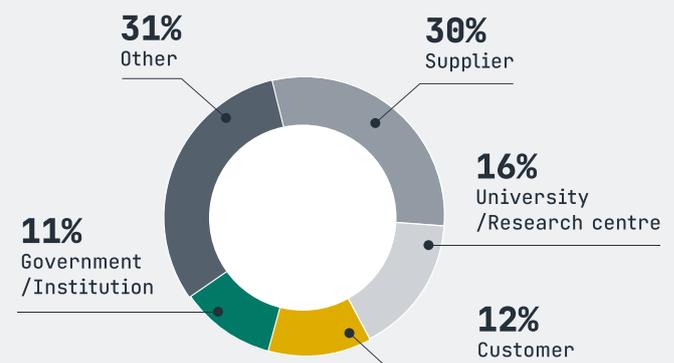
press articles

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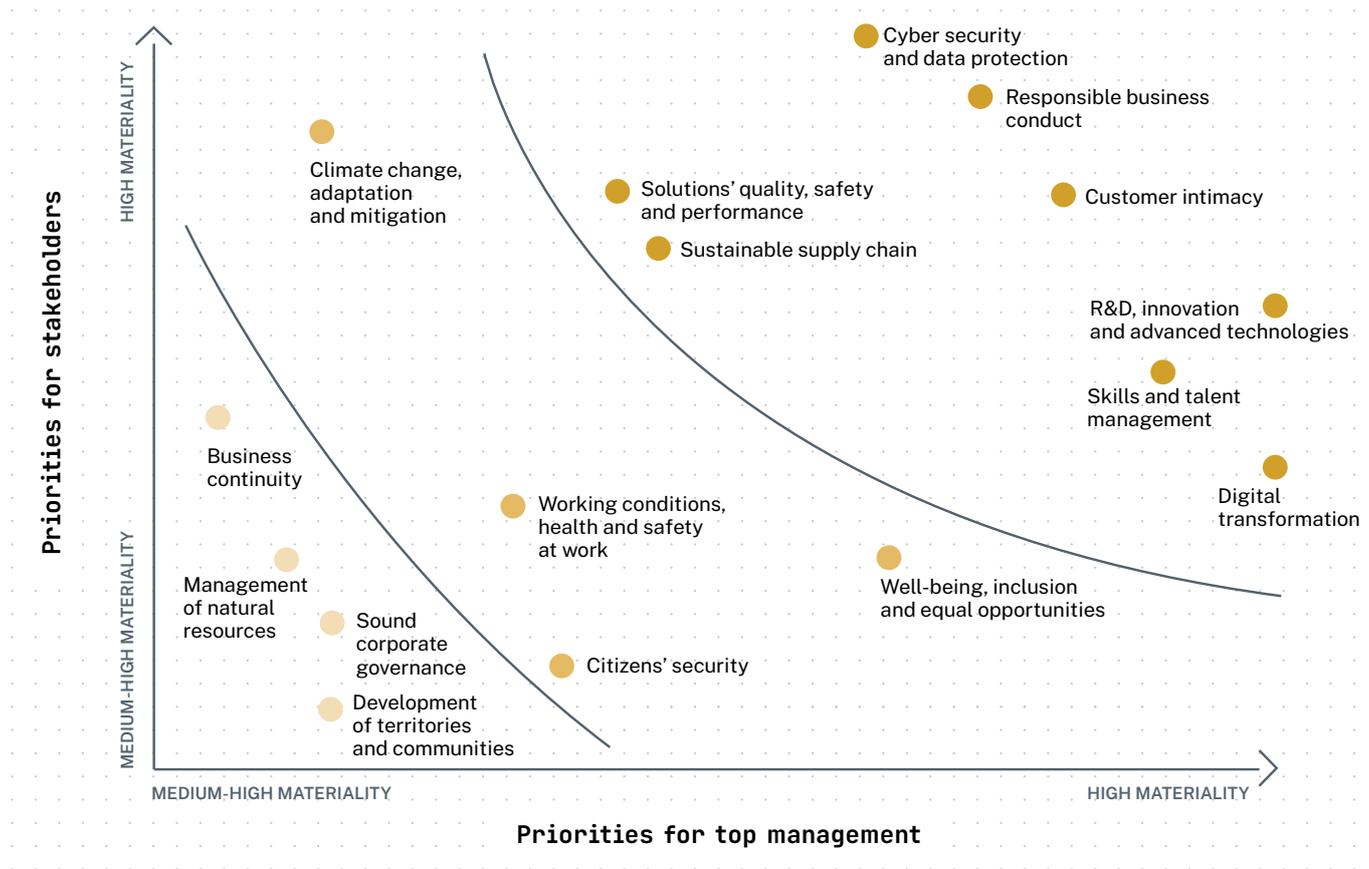
tweets

Online survey

273 stakeholders involved, 134 respondents from 13 countries.



Materiality matrix: results



Top material topics for external stakeholders



Cybersecurity and data protection

Business resilience and privacy are based on protection of data and sensitive information. Vulnerability of critical information systems and networks can disrupt crucial activities and compromise data privacy.



Climate change, adaptation and mitigation

The management of risks and opportunities related to climate change spans the reduction of emissions from products, services and activities, as well as the adoption of measures to address and mitigate impacts.



Responsible business conduct

Compliance must be ensured in areas such as anti-corruption, trade control, human rights, prevention of illegal activities and risk management. On this regards, investment in control and reporting systems and dissemination of corporate values to foster ethical business are key elements.

Compared with the 2020 Materiality Analysis, the latter topic has increased its relevance to stakeholders, as has that of **sustainable supply chains**.

Scenario: trends

Among the new features of the 2021 analysis update, a question on medium/long-term sustainability trends was included in the survey to better integrate the Group's strategy with the views of external stakeholders.

Primary trends from the perspective of internal and external stakeholders:

- circular economy in production cycles (e.g. material recovery/recycling to tackle the scarcity of raw materials);
- technological sovereignty and technological independence;
- promotion of human rights to strengthen a responsible business conduct in the Aerospace & Defence sector;
- geopolitical tensions and cooperation within the European Union for the defence and security of citizens.

Next steps

- **Strategy**
The materiality analysis supports the definition of priorities for the Strategic and Sustainability Plan, in line with the Group's operating model and sustainability policy. In addition, the findings contribute to reinforce the risk analysis process.
- **Actions**
In order to enhance the value creation, Leonardo will undertake a set of actions related to those topics considered as the most important for the stakeholders (namely, the material topics):
 - > Responsible Business Conduct -key topic for both internal and external stakeholders.
 - > Climate Change, adaptation and mitigation, cybersecurity and data protection -in light of the existing discrepancies between the internal and external perspectives and the need to include both into Leonardo's strategy, a stronger monitoring process is required.
- **Engagement**
The materiality analysis also drives sustainability actions through a continuous dialogue with the stakeholders.
- **Integrated Report**
The Integrated Report is consistent with the material topics.
- **Continuous monitoring**
The data-driven approach supports the monitoring of material the topics.

