



## PART 2 – CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

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## **GOVERNANCE**



- ✓ **CORPORATE GOVERNANCE**
- ✓ **RESPONSIBLE BUSINESS CONDUCT**
- ✓ **RISK MANAGEMENT**
- ✓ **STAKEHOLDER ENGAGEMENT**

## Report on operations at 31 December 2023

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

<u>Priority topics</u>	<u>SDGs</u>	
<ul style="list-style-type: none"> <li>&gt; Business integrity, compliance and anti-corruption</li> <li>&gt; Protection of human rights</li> <li>&gt; Cybersecurity and data protection</li> </ul>		
<u>Objectives</u>	<u>Progress</u>	<u>Target year</u>
<ul style="list-style-type: none"> <li>&gt; Annual renewal/maintenance of the ISO 37001:2016 "Anti-Bribery Management System" certification</li> </ul>	<span style="font-size: 2em;">{</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; margin-right: 10px;">✓</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">+</span>	<b>2023</b> <b>2024-2026 (renewal and maintenance)</b>
<span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; font-size: 1.5em;">✓</span> Objective achieved <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px; font-size: 1.5em;">+</span> New objectives		
<u>Impact indicators</u>		
<b>42%</b> of women sitting on the Board of Directors  <b>40%</b> on the Board of Statutory Auditors  <b>100%</b> of women as chairmain of board committees	<b>20%</b> of long-term variable remuneration and  <b>10%</b> of short-term variable remuneration linked to <b>ESG objectives</b>	<b>55%</b> of total financing sources linked to ESG parameters, for a total of € 3.26 billion

### *"Our future together", the new Supplier Code of Conduct*

With the publication of the new Code of Conduct for Suppliers "Our future together"<sup>33</sup> at the beginning of 2024, Leonardo reaffirms the importance of ethical principles in the conduct of business, promoting them more decisively not only internally but also to external partners. In particular, the Code reaffirms the value of respecting human rights, diversity and inclusion, both of direct and suppliers' workers, as well as the right to privacy and personal data protection. Moreover, it further emphasizes the importance of integrity and business ethics, as well as the principles of environmental sustainability and decarbonisation, as necessary prerequisites to ensure lasting progress for the benefit of people and the planet<sup>34</sup>.

<sup>33</sup> The Code is available at this [link](#).

<sup>34</sup> For more information on the new Code of Conduct for Suppliers, see the section [Supply chain value](#) in the chapter "Prosperity".

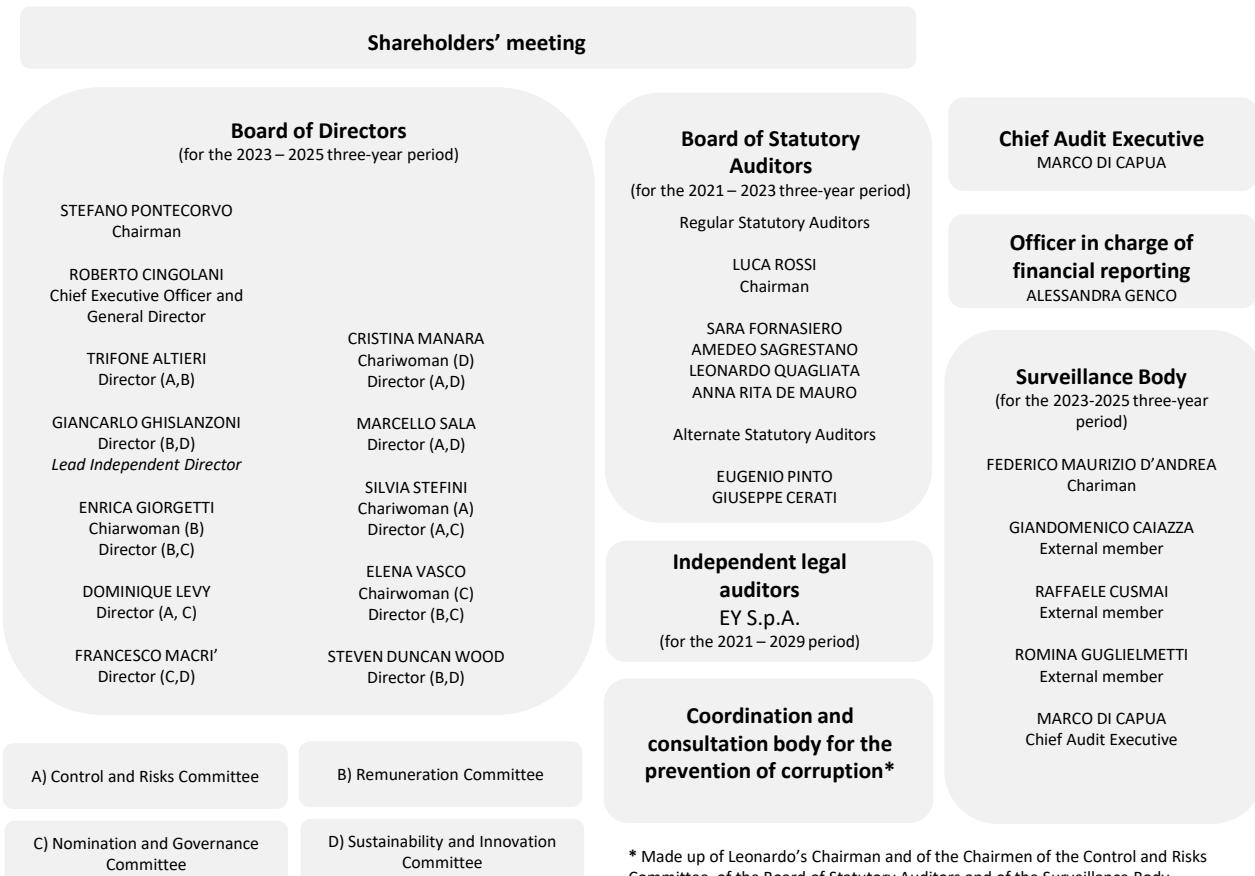
## Corporate Governance

Leonardo's corporate governance model, based on a traditional organisational structure, complies with the Corporate Governance Code (approved by the Corporate Governance Committee and promoted by, among others, the Italian Stock Exchange) which is adhered to by the Company and with the international best practices.

As part of this model, the Board of Directors (BoD) is the main body entrusted with the power to define business strategy and structures in coherence with the Company's management and control activities. During its term, the BoD may draw on support from the Board internal committees that make proposals and provide advice.

The current BoD was appointed by the Shareholders' Meeting held on 9 May 2023 for the three-year period from 2023 to 2025, in compliance with the criteria for gender, age, skills and experience balance set in the policies on diversity. Following its appointment, the Board set up four committees from among its members, with functions in the areas of Control and Risks, Remuneration, Nomination and Governance, Sustainability and Innovation.

### Corporate governance model



\* Made up of Leonardo's Chairman and of the Chairmen of the Control and Risks Committee, of the Board of Statutory Auditors and of the Surveillance Body

NOTE 1: The previous Board of Directors, whose term of office expired with the Shareholders' Meeting of 9 May 2023, was composed of the following: Luciano Carta (Chairman), Alessandro Profumo (Chief Executive Officer), Carmine America, Pierfrancesco Barletta, Elena Comparato, Dario Frigerio, Patrizia Michela Giangualano, Paola Giannetakis, Federica Guidi, Maurizio Pinnarò, Ferruccio Resta and Marina Rubini.

NOTE 2: The previous Supervisory Board for the three-year period 2020-2022 expired on 25 June 2023 and was composed of RAFFAELE SQUITIERI (Chairman) GIORGIO BENI (External Member) CHIARA MANCINI (External Member) CLAUDIA TEDESCHI (External Member) MARCO DI CAPUA (Chief Audit Executive) ANDREA PARRELLA (Group General Counsel).

## Report on operations at 31 December 2023

### Features of the BoD<sup>35</sup>

	Leonardo	Average FTSE-MIB <sup>36</sup>
Number of Directors	12	12.3
Number of Directors appointed by minority shareholders	4	2.3
Number of independent Directors	10	7.8
Number of women Directors	5	5.3
Average age	56	58
Average tenure (years)	1	4.9
Meetings held in 2023	13	14.1
Attendance rate (%)	100	96

### Board committees

a) Control and Risks	b) Remuneration	c) Nomination and Governance	d) Sustainability and Innovation
Directors: 5	Directors: 5	Directors: 5	Directors: 5
% independent: 80%	% independent: 100%	% independent: 100%	% independent: 80%
Meetings held in 2023: 11	Meetings held in 2023: 8	Meetings held in 2023: 9	Meetings held in 2023: 8
Attendance rate: 100%	Attendance rate: 96%	Attendance rate: 100%	Attendance rate: 92%

### BoD competences and experiences



Leonardo has adopted an engagement policy aimed at promoting and regulating opportunities to meet and discuss with financial stakeholders ("Policy for the management of dialogue with shareholders in general and with other stakeholders"). The scope of the policy includes the requests for direct interaction with the Company that are submitted by financial stakeholders on issues concerning the economic and financial results and outlook, the Industrial and Strategic Plan, corporate governance, social and environmental sustainability, the remuneration policy for directors and managers with strategic responsibilities, the internal

<sup>35</sup> The indicators are related to the BoD appointed on 9 May 2023, except for the value relating to the number of meetings held, which refers to the total for 2023. The attendance rate is calculated as the number of events attended/number of meetings convened. The source of the FTSE MIB data is Assonime.

<sup>36</sup> Year 2022.

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control and risk management system, and the Company's policies on ethics, transparency and anti-corruption<sup>37</sup>.

### Remuneration policy

The objective of the remuneration and incentive policy in 2023 was to attract and motivate people with the professional skills to carry out assignments and fulfil responsibilities assigned to them, in line with the management's interests and with the priority objective of creating value in the medium- to long-term. To do this, the policy has been designed in order to ensure a balance between the variable component of remuneration and the fixed one, while also establishing a balance between short- and long-term incentives, and an alignment of the remuneration and incentive system with the pursuit of long-term interests (in terms of both economic-financial performance and ESG), ensuring that the variable component of remuneration is connected with the results achieved and paying great attention to the objectivity of metrics used to measure performance<sup>38</sup>. In addition to the Chief Executive Officer, population involved in the Short-Term Incentive Plan (MBO) of Leonardo Group is equal to about 1,070 Group executives, including Managers with Strategic Responsibilities and Top Managers of Leonardo. Population involved in the Long-Term Incentive Plan of Leonardo Group is equal to about 200 Group executives, including Managers with Strategic Responsibilities and Top Managers of Leonardo. Starting from 2021, middle managers in Italy have been assigned a bonus target, as agreed in the Company Supplementary Agreement on 21 May 2021. Furthermore, under the same agreement, a portion of the remuneration of all other employees was linked to a variable component (performance bonus) linked to the Group's results of operations and, depending on the levels, to individual performance.

<b>20%</b> of long-term variable remuneration and	<b>98.19%</b> Favourable votes cast by the 2023 Shareholders' Meeting on Remuneration Policy	<b>36x</b> ratio of total CEO remuneration to employees' median remuneration
<b>10%</b> of short-term variable remuneration linked to ESG objectives		

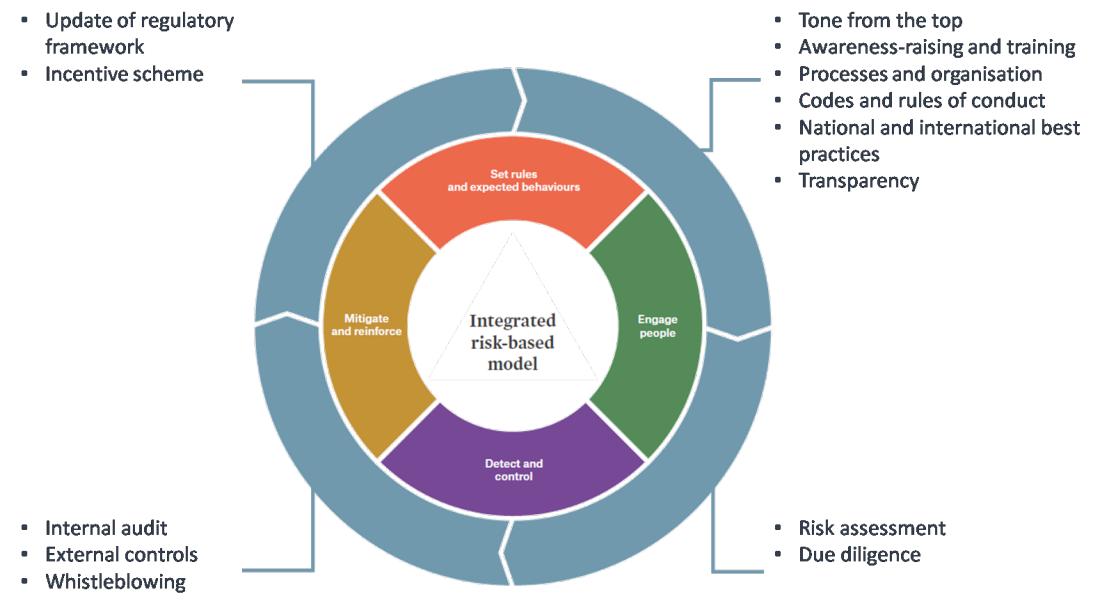
<sup>37</sup> For more details on the financial stakeholder engagement policy, please see 2023 Corporate Governance Report, paragraph "Investor Relations".

<sup>38</sup> Notably, long term remuneration of CEO and management is tied to the achievement of targets related to CO2 emissions Scope 1 and 2 location-based, calculated as a ratio to revenues, and to the increase of hires of women with STEM degree. For more details please see [Remuneration Report 2023](#).

## Responsible business conduct

Leonardo acts with integrity and transparency in compliance with regulations and with zero tolerance for any type of corruption to ensure the most proper management of the business and to establish relationships of trust and collaboration with employees, customers, suppliers and all other counterparties, asked to accept and apply the principles and values stated in the Charter of Values, Code of Ethics and other codes of conduct<sup>39</sup>. In conducting its business, Leonardo confirms its commitment to respecting and promoting the Ten Principles of the United Nations Global Compact related to human rights, labour, the environment and anti-corruption. Leonardo's model for the responsible conduct of business, inspired by national and international best practices, is based on company codes of conduct and a system of clear rules, periodically updated, that guide compliant and responsible behaviour. Constantly raising the awareness and training of employees and third parties, due diligence tools and internal audits, risk assessment methods, in addition to the adoption of an increasingly transparent approach on corporate information and processes, help to strengthen a governance and management system capable of preventing any possible risk, promoting and developing an ethical business culture. Leonardo has also adopted 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) and collaborates with TRACE International.

### Responsible business conduct model



<sup>39</sup> Including the Anti-Corruption Code, the Whistleblowing Management Guidelines, Organisational, Management and Control models and Compliance Programmes developed in accordance with the applicable regulations of each Country in which the Company operates (Leonardo SpA adopted an Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001).

Set rules and expected behaviours
<b>Guidelines and procedures – main updates</b>
<ul style="list-style-type: none"> <li>&gt; Work has been commenced on the update of the 231/2001 Model following the amendments made to Legislative Decree 231/2001, as well as the organisational changes that have occurred since the date of the last update of the Model (13 December 2022).</li> <li>&gt; The Whistleblowing Management Guidelines were updated following the entry into force of Legislative Decree 24/2023 implementing Directive (EU) 2019/1937 on the protection of persons who report breaches of Union Law.</li> <li>&gt; The new company rules on the matter of commercial advisors, sales promoters, distributors and resellers have been implemented through the adoption of a single document for Leonardo and its subsidiaries.</li> <li>&gt; The new company rules on the matter of Trade Compliance have been implemented through the adoption of a single document for Leonardo and its subsidiaries, which incorporates the new international norms and standards governing smuggling and respect for human rights.</li> <li>&gt; The procedure on the matter of personnel selection and recruitment has been updated.</li> </ul>
<b>Engage people</b>
<b>Continuous training</b> <ul style="list-style-type: none"> <li>&gt; About 15,900 hours of business compliance training delivered to more than 13,600 people in the year.</li> <li>&gt; More than 16,900 hours of training on national and international trade compliance regulations delivered to more than 8,800 people from various departments and external suppliers and providers.</li> <li>&gt; More than 1,000 hours of training on Project and Enterprise Risk Management delivered to over 350 people, including through operational sessions extended to several functions, designed on the peculiar features of each operating entity involved and also through innovative delivery modes.</li> <li>&gt; More than 28,300 people involved in anti-corruption training.</li> <li>&gt; About 19,350 hours of training delivered on cyber security.</li> <li>&gt; Involvement of employees and counterparties in training activities related to anti-corruption, business compliance, with respect to the values and principles laid down in the Code of Ethics, the Charter of Values, and the Supplier Code of Conduct.</li> </ul>

<sup>40</sup> For more information on Leonardo's approach to travel security, please see the paragraph on [Health and safety](#).

- > The Traveler Leaflet Vademedecum, providing tips for safer and more conscious travel, has been made available on the Security Portal.

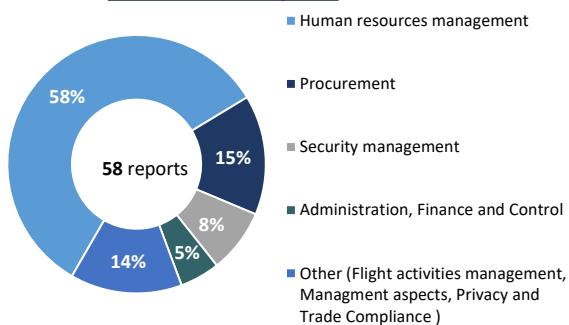
Mitigate and reinforce	
Certifications	Security
<ul style="list-style-type: none"> <li>&gt; ISO 37001: 2016 "Anti-bribery Management System" certification has been maintained following successful completion of the annual surveillance audit conducted by the Certifying Body.</li> <li>&gt; ISO 27001 certification of the information security management system has been maintained at Group level and for the perimeter of National Security (Physical Security &amp; T.U.L.P.S.). The ISO 27001 certification has been extended to the perimeter of PSOC (Physical Security Operation Center). ISO 27701 (Privacy Information Management System) and ISO 27035 certifications have also been obtained for the Cyber &amp; Information Security perimeter.</li> <li>&gt; FIRST and Trusted Introducer certification of Leonardo's CERT (Cyber Emergency Readiness Team) was maintained, as was the recognition from Carnegie Mellon University on the matter of Cyber &amp; Information Security.</li> <li>&gt; ISO 22301 certification has been renewed for the three-year period from 2023 to 2026 for the Business Continuity Management System in some perimeters involving the Corporate of Leonardo (Administration and Budget, Security – Travel Security, Supply Chain Security and Security Threat, Research and Analysis OUs), the Genoa and Pomigliano d'Arco Data Centres, and the SOC (Security Operation Center) in Chieti.</li> <li>&gt; Work has been completed on preliminary and audit activities to obtain the 27001 certification in Travel Security.</li> <li>&gt; The Cyber Essentials and Cyber Essentials Plus certifications have been renewed for the appropriate perimeters of the Cyber, Electronics and Helicopters divisions of Leonardo UK, and of the Electronics division of Leonardo SpA, a prerequisite for bidding and contracting with UK government agencies.</li> <li>&gt; Quality certification for Internal Audit activities has been maintained: 10 quality reviews have been conducted, all of which have obtained General Compliance with International standards IIA and activities have been carried out on company self-evaluation and continuous improvement.</li> <li>&gt; The Authorised Economic Operator (AEO) certification has been maintained.</li> <li>&gt; The Strategic Industrial Security Clearance (NOSIS) up to the TOP SECRET level and NATO/EU/OCCAR/ESA qualifications has been maintained.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; In 2023 no data breaches were detected which impacted or originated from company systems relevant in accordance with the regulations in force. Data breaches were detected on third-party systems (unrelated to Leonardo's management) with potential impact on employees' personal data. These events were carefully monitored and addressed in terms of information and security actions to protect those concerned. Even with reference to the IT and cyber security services offered by Leonardo, no data breach notices were received in 2023, which involved customers' personal data relevant under current regulations.</li> <li>&gt; Developing security risk analysis management tools with suppliers and providers.</li> <li>&gt; An incident response/prevention automation system has been maintained through malicious IP blocking.</li> <li>&gt; Searching, monitoring, and analysing information for subsequent collation, integration, interpretation, and processing of data useful for threat prevention toward assets and employees.</li> </ul>

#### Risk Management

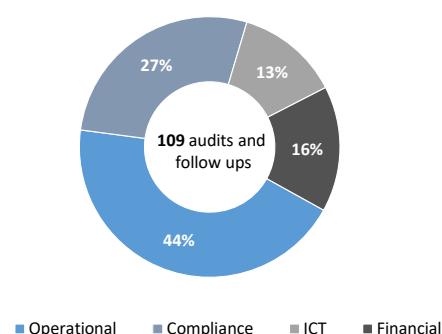
- > Work has been completed on the process of dissemination and implementation of risk management of Leonardo's subsidiaries against the backdrop of the activity carried out in recent years.
- > The specialist risk and opportunity management vertical system in HSE has been updated and a dedicated risk scoring system has been implemented to support the identification of main risks with any possible impact on business objectives.
- > Work has been continued on the integration of risk management into business processes with simultaneous updating of company rules in order to promote risk-based thinking.

Detect and control	
Risk assessment	Whistleblowing
<ul style="list-style-type: none"> <li>&gt; More than 2,200 people involved in risk analysis activities regarding business processes, investment projects and projects in bidding and execution phase.</li> <li>&gt; Risk assessment and monitoring activities carried out for anti-corruption purposes involving more than 500 people and using a methodology with elements to assess each country in which Leonardo operates.</li> <li>&gt; Work has been continued on the Independent Risk Review programmes in relation to a selection of medium/high-risk projects in which the project team has been supported by risk managers who are not involved directly in activities.</li> <li>&gt; Machine learning engines have been developed and put in operation to support risk detection, as part of Artificial Intelligence applied to the Risk Management process, with the involvement of the Cyber &amp; Security Solutions division.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; A total of 58 reports were received in 2023, concerning both Leonardo SpA and Group companies, both in Italy and abroad.</li> <li>&gt; The reports have been found to be of a qualified nature in 54% of cases.</li> <li>&gt; From the analysis of the reported content, the reports have concerned issues attributable to the following business processes of Leonardo: Human Resources management, procurement, corporate security (Security) management, administration, finance and control, and residually other areas, including flight operations management, as well as operational and Privacy and Trade Compliance issues.</li> <li>&gt; All of the reports have been involved in information-gathering activities and, of these, 23 have been dismissed by the various Surveillance Bodies and the Whistleblowing Committee (on the grounds that they are unfounded or too general and/or lacking the minimum elements to initiate any investigation).</li> <li>&gt; 46% of the reports for which an investigation work has been completed provided evidence, some of which partial.</li> <li>&gt; The results of the audits carried out have made it possible to take, where elements of well-founded evidence have been found, disciplinary actions and/or sanctions and to adopt organisational measures and/or company rules aimed at improving and strengthening the Internal Control and Risk Management System.</li> </ul>
<b>Third-party due diligence</b> <ul style="list-style-type: none"> <li>&gt; 115 enhanced due diligence audits on sales promoters, commercial advisors, distributors, resellers and lobbyists. The red flags reported have been mitigated with necessary remedial actions, and none of them have led to the impossibility of awarding the assignments.</li> <li>&gt; 394 audits carried out before payments to sales promoters, commercial advisors and lobbyists.</li> <li>&gt; More than 400 audits on potential customers, service centres and business partners.</li> <li>&gt; 210 reputational risk reports for sponsorships, supply and commercial contracts.</li> <li>&gt; 200 enhanced anti-fraud due diligence audits carried out on natural and legal persons of interest to Leonardo SpA.</li> <li>&gt; 90 National Security Audits reports.</li> <li>&gt; Analysing, producing and sharing more than 1,200 threat analysis reports with top management and business and security operating structures in the domestic and international context from more than 1,500 sources.</li> </ul>	

Status of the reports



Scope of audits and follow ups



## Anti-corruption, business compliance and third-party risk

Leonardo has implemented a process for the vetting of counterparties that includes ethical-reputational analyses and an in-depth assessment of the risks related to each specific engagement in accordance with company rules and in full compliance with applicable regulations. Due diligence audits are also carried out on counterparties under industrial offset agreements<sup>41</sup>.

In continuity with the path it embarked on 2021, Leonardo further strengthened the system to identify the level of risk associated with the positions of Sales Promotion, Commercial Advisory, Lobbying, Distribution and Reseller. In particular, some risk factors ("red flags") on which the "Risk Grid"<sup>42</sup> is based were reshaped to achieve greater clarity and effectiveness of the risk assessment tool at the time of updating the company Business Compliance rules in 2023 and in light of the experience gained in previous years.

### **197 counterparties**

including sales promoters, commercial advisors, distributors, resellers and lobbyists, with contracts in place, 1 of which for offset support

### **911 due diligence and reputational risk analyses**

carried out on counterparties and potential commercial partners

### **More than 200 hours of training**

delivered to sales promoters, commercial advisors and lobbyists through 102 online courses

Leonardo carries out activities aimed at institutions to support its reputation and business strategy, present the company's position on specific issues and seize potential future business opportunities. These activities, which are carried out in compliance with current regulations, as well as with the principles and standards of conduct set out in Leonardo's Code of Ethics, Anti-Corruption Code and other company rules, mainly consist of monitoring specific regulatory developments and organising meetings with government and parliamentary representatives on matters of interest. Leonardo's representatives who carry out these activities are enrolled in special public registers.

With the recent update of the company rules, Leonardo has confirmed its intention not to allow the Italian Group companies to sign lobbying contracts, on the basis of the current wording of Art. 346-bis of the Italian Criminal Code and in consideration of the lack of organic regulations governing lobbying in Italy. This option remains for subsidiaries under non-Italian law, albeit with reference only to those countries where the regulations permit the conclusion of such contracts.

In 2023, the expenses for lobbying activities carried out exclusively by the Group's non-Italian subsidiaries in the countries in which it is permitted by the relevant regulations in force, amounted to approximately USDmil.2 (about USDmil. 1.7 in 2022 and USDmil. 1.8 in 2021) and related to North America (mainly the United States), Canada, Germany and Poland. In particular, among the main areas for which the Group's non-Italian subsidiaries made use of the support from lobbyists during 2023 are those involving technologies for infrastructure and transport, the purchase and/or upgrade of helicopters on the part of government

<sup>41</sup> For more information on the offsets, please refer to the paragraph [Social collaboration value and industrial programmes](#).

<sup>42</sup> This is a tool designed internally by Leonardo and used to assess the specific risks associated with awarding commercial brokerage assignments, with reference to two types of risk factors ("Red Flags"): the "Gates" related to cases that could give rise to the risk of commission of crimes and which, if found, determine the impossibility of proceeding with awarding the assignment and the "Drivers," which instead concern ethical and reputational issues.

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agencies, including those for firefighting, search and rescue missions, naval systems and research and development programmes for submarines, technology for advanced protection systems, ground-based and satellite communication systems, air navigation support tools and laser systems.

### Trade compliance

Leonardo has set out an internal compliance programme (ICP) - Trade Compliance Program – in order to ensure full compliance with applicable laws and the provisions issued by the competent authorities in the field of Trade Compliance. The programme allows for the prompt identification and implementation of compliance with any applicable Italian, EU and international regulations regarding the export and import of defence, dual-use or commercial goods and/or services subject to regulatory requirements, as well as obligations related to embargoes, sanctions or other trade restrictions, including political commitments made under the Common Foreign and Security Policy (CFSP) framework and international regulations and conventions signed by Italy and the European Union<sup>43</sup>.

Furthermore, the Trade Compliance Program also provides for due diligence audits on potential customers and end-users, verifying whether they are mentioned in restriction lists and additional checks in the case of transactions linked to Sensitive Countries, as well as specific checks to verify that internationally recognised human rights are respected. In this regard, the Human Rights Impact Assessment (HRIA) tool has been introduced as a key element of Leonardo's Trade Compliance Program with the aim of setting out the main risk factors with reference to the issue of human rights and the potential impact of the activities carried out by the company<sup>44</sup>.

### Cybersecurity and data protection

Leonardo guarantees the security of data, sensitive information and intellectual property by managing the entire cycle from defining security requirements for information systems to detecting threats and establishing the countermeasures to take in response to attacks that have taken place. The cyber defence system provides for specific organisational measures - in compliance with regulations and standards that set out specific requirements and time limits for reporting incidents or data breaches -, as well as continuous training of operators and operational tools, concentrated in Italy, which are updated on an ongoing basis. Leonardo also fosters a cyber risk prevention culture both inside the company and towards the outside world through the participation in working groups at national and international level, with collaborations involving institutional and governmental players and sectors such as telecommunications, banking/finance, energy, manufacturing and services. Courses and awareness initiatives are provided periodically on cybersecurity-related issues, including through bulletins and news published on the Security Portal accessible by employees.

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<sup>43</sup> Leonardo operates in strict compliance with all international treaties and conventions signed and ratified by the Italian Government, which include – but are not limited – to: “The Biological and Chemical Weapons Convention”, “The Anti-Personnel Landmines Convention”, “1980 Convention on Certain Conventional Weapons (Protocol III and IV)”, “The Convention on Cluster Munitions”, the “Treaty on the Non-Proliferation of Nuclear Weapons” (NPT) and the “Nuclear Suppliers Group (NSG).”

<sup>44</sup> For more information please refer to the paragraph [Respect of human rights](#).

## Cyber, physical and industrial security initiatives

**Protection of classified information** – Leonardo collaborates with key institutional stakeholders to ensure the protection of classified information. With about 800 classified contracts, Leonardo has handled more than 10,000 provisional personal security, facility security clearances and authorisations for CIFRA access, and has delivered training on a six-monthly basis.

**PSOC (Physical Security Operation Centre)** – The PSOC enables all alarms and images from the video surveillance systems of more than 50 Italian sites to be handled centrally. The TSS (Travel Security System) has also been integrated, allowing continuous operational support in case of alarm, as has the Mosaic application for Security Threat Research & Analysis. In addition, the prototype of the International Security Kit (ISK) has been completed, which will be used to raise the security level of branch offices and representative offices abroad through the remote support of the PSOC. Finally, the first French foreign site in Aix-En-Provence has been connected to the PSOC.

**Response to cyber threats** – Leonardo has increased H24 staff in service to cope with growing cyber threats, even in relation to the Russia-Ukraine conflict. Systems have been put in place to protect company devices and automate incident response, thus improving response times and process efficiency.

**Cyber protection of assets, networks and information** - Leonardo has designed advanced systems and devices to protect company assets, networks and information through innovative technologies, which will be used to enhance capabilities to identify, prevent and manage cyber threats.

**Vulnerability analysis** - Leonardo wages various types of cyber threat prevention, including exercises with certified and international Cyber Defence specialists, security awareness campaigns for its employees, vulnerability assessments and penetration tests on specific environments and parts of the company infrastructure. Furthermore, activities have been carried out to improve the computer security of company workstations, even if they are connected remotely to the company network (smart working).

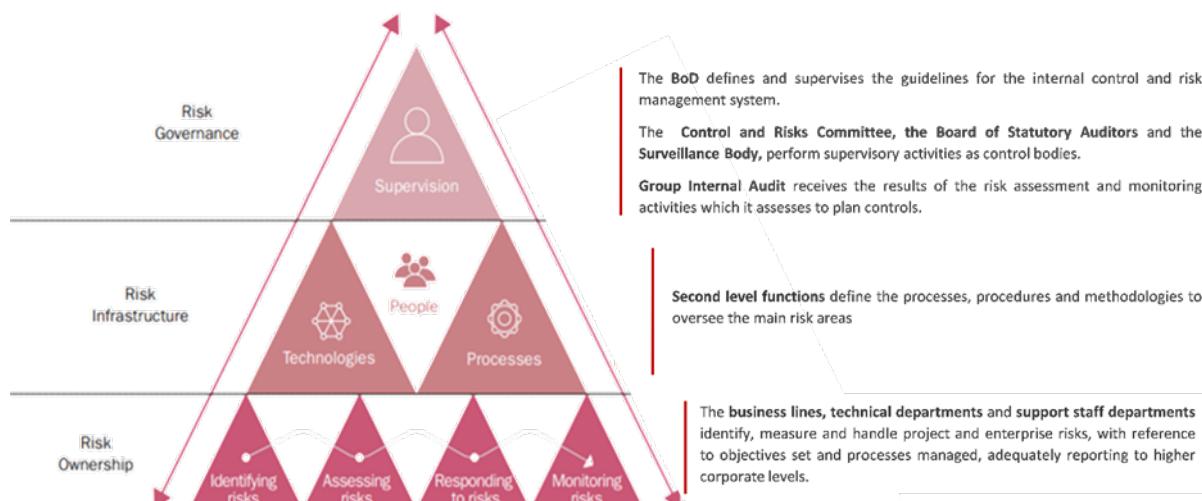
## Business Continuity

Leonardo guarantees its business continuity and resilience through effective responses and reactions, in order to safeguard the sustainability of its business, as well as the reputation and integrity of its organisation, in addition to the interests of its stakeholders. The Business Continuity Management System (BCMS), which is certified ISO 22301 for some perimeters concerning the Corporate functions of Leonardo SpA (Administration and Budget, Security – Travel Security, Supply Chain Security and Security Threat Research and Analysis OUs), the Genoa and Pomigliano Data Centres, and the SOC (Security Operation Center) in Chieti - supports the definition, implementation and handling of procedures that ensure continuity of its company processes necessary for priority activities. In accordance with the provisions of standard ISO 22301, Leonardo has updated its operational methodology, confirmed in company procedures, such as Policies, directives and Operational guidelines. In 2023 Leonardo started the BCMS cycle on the perimeters specified by the management and continued work on the activities that had already started in 2022. The Business Impact Analysis and related results have allowed strategies and solutions to be set out as countermeasures to any possible business disruption, which are reported in the Continuity Plans, allowing a reduction in the insurance premium on the properties of Leonardo.

## Risk management

The risk governance model is in line with national and international standards and best practices<sup>45</sup> and is compliant with the Corporate Governance Code for Listed Companies, the Organisational, Management and Control Model and the Group's Anti-Corruption Code. It has three levels, provides for clear-cut roles and responsibilities for the various departments and ensures a suitable exchange of information flows, to guarantee effectiveness.

Risk governance model



The operating risk management, which involves the entire organisation, is based on the identification, assessment and monitoring of the enterprise and project risks and the related mitigation plans. It is supported by specific methodologies, instruments and metrics for the related analysis and management. The processes underlying Project Risk Management and Enterprise Risk Management, which are in turn integrated into the company business and support processes, are regularly improved, with the aim of innovating and spreading an effective risk-based organisational culture. Risk management processes support, in fact, the risk owners, along the entire corporate value chain, in identifying and managing risks and opportunities, including those linked to ESG factors. In particular, the Enterprise Risk Management methodology fosters the identification and management of the cause-effect link between ESG factors and the potential impact on the Company (strategic, operational, financial, compliance and reputational) and supports the preparation of the Industrial Plan, which also includes the strategic vision and sustainability initiatives.

### Risks for the Group

The Group is subject to a number of risks that may affect the achievement of its objectives and results. Therefore, risk analysis and management processes are implemented systematically, including any related treatment action, with specific methodologies and practices that consider the probability of occurrence and related impacts in accordance with international regulations and standards. The examination of risks and consequent actions reported below is supplemented by the more detailed information provided in Note 37 of the Consolidated Financial Statements for the component of merely financial risks.

<sup>45</sup> 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.

	Main risks	Actions
<b>Conflicts and geopolitical tensions increase the complexity and instability of the global scenario</b>	<p>The resurgence of violent military conflicts between Israel and the Palestinians has led to a highly tense situation, with the possibility of them extending to countries in the Middle East region. The situation has global repercussions, thus heightening tensions between individual world and regional powers. In addition to a deterioration of economy, any escalation of the conflict could shape new geopolitical balances and change the markets eligible for Leonardo in the medium-to-long term. Growing instability in the Middle East region also affects the security of shipping of goods and cargo, primarily in the Red Sea, leading to the need to take alternative routes and incur increasing time and costs for delivery to businesses and end customers.</p> <p>At the same time, degrading security conditions in the target geographic area could jeopardise the safety of Leonardo's people, assets and business continuity in Israel, as well as of the Israeli supply chain and customers.</p> <p>The protracted Russian-Ukrainian war and the possibility of conflict escalation bring Europe and NATO into the centre of growing geopolitical tensions, which increase the complexity and instability of the global scenario, also from a geo-economic perspective. Faced with the new bloc opposition, various countries, including some of those closest to the conflict zones in Ukraine, are seeking and allocating incremental resources for defence, also in the wake of NATO spending targets with regard to GDP. At the same time, markets are experiencing increasing variability, fuelled by repeated phases of insecurity and mistrust on the part of citizens and businesses, still restrictive monetary policies following inflationary trends, and growing public debt which add up to the difficulties and bottlenecks of the post-Covid-19 recovery, with respect to which smaller companies in particular have already seen deterioration in their risk profile.</p>	The Group has an integrated strategic planning process, aimed at supporting the achievement of a sustainable competitive advantage, based on an in-depth knowledge of the markets and the reference scenario, regularly fed by specific external analysis activities on the context and its evolutionary dynamics, including in relation to geopolitical issues.
<b>The change in the level of expenditure of national governments and public institutions may affect business performance</b>	<p>The major customers of the Group are national governments or public institutions. Moreover, the Group takes part in numerous national and international programmes funded by the European Union, governments or multinational collaborations. Therefore, it is influenced by economic and geopolitical factors at global and regional level, the rating or risk profile of countries, the expense policies of the public institutions, also for research and development programmes funding, in addition to the medium/long-term plans of the governments. Increases in defence spending, identified by several countries as necessary given the rising geopolitical tensions, may lead to peaks in demand in the short/medium term and make international competition even tighter, benefiting companies with more immediately available production capacity.</p>	<p>The Group pursues an international diversification strategy, placing it in its main markets, as well as in emerging markets marked by significant growth rates, in the aerospace, defence and security sectors.</p> <p>Development and production plans are updated according to the demand evolution and the order trend.</p>

	Main risks	Actions
<b>The Group operates in civil sectors that are highly exposed to growing levels of competition</b>	In the civil sectors, customers' spending remodulation not only gives rise to delays in obtaining new orders or falls in the numbers of orders themselves, but also affect their economic and financial conditions. These sectors are also characterised by the entry and success of competitors even from other fields of activity, mostly with the help of anti-cyclical M&A transactions carried out by international investment funds. The market positioning of these players could have an impact on the Group's volumes, results and debt, thus prospectively enabling a growing competitive challenge on government customers. The time-to-market of products and their development and upgrade is a critical success factor for market positioning, given the strong competitive drive and speed of innovation.	In addition to balancing its customer portfolio suitably between government and non-government entities, the Group systematically pursues its objectives in order to increase industrial efficiency, diversify its customer base and improve its ability to perform contracts, while reducing overhead costs with a view to enhance its competitive capacity.  The Group ensures highly qualitative and innovative product standards, and an integrated value proposition aimed at maintaining its technological edge, including thanks to open innovation and the interaction with innovative startups and SMEs.
<b>The capacity for innovation and growth depends on the strategic planning and management of skills</b>	Incessant technological innovation and the growing complexity of the Group's businesses require constant alignment of skills, in order to provide high added-value products and services. Especially in a market environment characterised by sharp demand for innovation skills, any shortage of special expertise could have impacts on the full achievement of short- and medium/long-term business objectives, including possible repercussions in terms of time-to-market of new products and services, as well as of access to emerging business segments. Companies compete for skills and talent by leveraging, among other things, the distinctiveness of the brand, the ESG (Environmental, Social, Governance) profile, the welfare offer and the work-life balance, which are positively valued by the new generations entering the labour market.	The Group monitors and manages competencies and professional skills by means of plans of action directed at attracting, retaining and motivating its human resources, managing talents, providing ongoing specialist training and reskilling/upskilling, insourcing core competencies and defining succession plans, with the gradual adoption of state-of-the-art tools of People Analytics and new Lifelong Learning development and training platforms for all personnel, particularly in the STEM (Science, Technology, Engineering & Mathematics) area.
<b>The Group operates in some business segments through partnerships or joint ventures</b>	The corporate strategies contemplate the possibility of gaining business opportunities partly through joint ventures or commercial alliances in order to integrate its technology portfolio or strengthen its presence in the market. The operation of partnerships and joint ventures is subject to both strategic positioning and management risks and uncertainties. Divergences can arise between partners about the identification and achievement of operational and strategic objectives, as well as core business operations.	The Group systematically carries out due diligence activities before and after the completion of partnerships and joint ventures. At this purpose, the active involvement of its top management in any related operation is aimed, among other things, at directing its strategies and identifying and managing any critical issue in a timely fashion.
<b>The Group is exposed to the risk of fraud or illegal activities on the part of employees and third parties</b>	The Group adopts and updates its organisational, control, procedural and training system to ensure fraud risk monitoring and compliance with any and all anti-corruption laws applicable in the domestic and foreign markets in which it operates. However, the possibility of employees or third parties behaving in an ethically incorrect or not fully compliant manner cannot be ruled out, nor can be ruled out the possibility of judicial authorities initiating proceedings aimed at establishing	The Group has set out a model of responsible business conduct aimed at preventing, identifying and responding to the risk of corruption.  Thanks to its model, Leonardo SpA has reached the highest level of Transparency International's Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI), in addition to

	Main risks	Actions
	<p>any possible liability attributable to the Group, the results and timing of which are difficult to determine and which might entail temporary suspensions from the market concerned.</p>	<p>having its ISO 37001 certification, the first international standard on anti-corruption management system, confirmed. Leonardo was the first company in the world's top ten in Aerospace, Defence and Security to obtain this certification. The model also provides for the responsible management of the supply chain, through the qualification, selection and management of suppliers, as well as the adoption of a risk analysis tool within the scope of due diligence audits within the process of engagement assignation to sales promoters, commercial advisor and lobbyists.</p>
<b>The settlement of legal disputes can be extremely complex and might require a considerable period of time</b>	<p>The Group is party to judicial, civil and administrative proceedings; for some of these, the Group has established specific provisions for risks and charges in the consolidated financial statements to cover any potential liabilities that could derive. Some of these proceedings in which the Group is involved – for which a negative outcome is unlikely or that cannot be quantified – are not covered by the provisions referred to above.</p> <p>Further developments of judicial proceedings, presently unforeseeable and indefinable, together with the possible consequential impact on Leonardo's reputation, could also have a significant impact on its relationships with customers.</p>	<p>The Group regularly monitors potential and existing disputes, taking the necessary corrective actions and adjusting its provisions for risks on a quarterly basis.</p>
<b>The Group operates in particularly complex and regulated markets, which require compliance with specific regulations (e.g. export control)</b>	<p>Defence solutions are of particular importance in terms of compliance with regulatory obligations and, therefore, their export is strictly regulated and is subject to prior authorization, based on specific national and foreign regulations (such as, for example, Italian Law 185/1990 and the U.S. ITAR and EAR), as well as to customs formalities. The prohibition on, limitation or any possible revocation (for example in the case of embargoes, geopolitical tensions or the occurrence of wars) of export authorisations for defence or dual-use products, as well as failure to comply with any applicable customs regime, may have substantial adverse effects on the Group's business, financial position, results of operations and cash flows. Moreover, failure to comply with these regulations could also make it impossible for the Group to operate in specific regulated areas.</p>	<p>The Group ensures, through specific functions, a timely implementation and management of the formalities required by the relevant regulations, monitoring their updating on an ongoing basis in order to allow the day-to-day performance of commercial and operational activities, in compliance with the provisions of law and with any possible authorisation and/or limitation and of its Policy of respect for human rights. The Group has promptly made arrangements to carry out the changes necessary as a result of Britain's exit from the European Union and is continuing to follow developments in customs regulations in order to carry out the necessary modifications immediately.</p>
<b>Pandemics can have time-varying effects and lead to systemic crises</b>	<p>A pandemic can undermine people's health to the point of jeopardising the resilience of the health and socio-economic systems of the countries involved, leading to systemic or large-scale crises that may take a long time to normalise. The duration and magnitude of a pandemic depend, among other things, on the timeliness and effectiveness of health actions taken at</p>	<p>The Leonardo Group guarantees every possible effort to preserve the safety and health of its people wherever they are located, in full compliance with the relevant regulations.</p> <p>The Group has put in place and maintains specific action plans to contain possible impacts</p>

Main risks	Actions
<p>global level, the possible mutations of the virus, and the coverage and decay of immunisation. A single epidemic event not properly addressed at regional or local level can quickly turn into a pandemic.</p> <p>As was the case with Covid-19, the Leonardo Group performance, can be affected by declines in target sectors, as well as by additional risk factors, including economy and market trends, asymmetries between demand for and supply of certain goods and services, inflationary effects, shortages of certain professional skills, the ability of customers and suppliers to meet contractual obligations undertaken and to undertake new ones, the revision, by customers, of purchasing strategies, also by shortening supply chains or insourcing services, restrictions resulting from measures to protect people's health, with repercussions on the Group's commercial and industrial action.</p>	<p>of new pandemics. These plans concern, among other things: proactive management of relations with customers, both institutional and non-institutional, thanks to a widespread geographic presence, balanced with the application of tools to virtualise promotion and marketing action; reorganisation of production lines, together with the remotisation of certain technical functions and constant monitoring of the company's supply chain and procurement strategy.</p>
<p><b>The Group operates through a number of industrial plants and processes that may expose it to risks to the health and safety of workers and to environmental risks</b></p>	<p>Risks to the workers' health and safety are based on the principle of zero tolerance, in strict compliance with the relevant regulations, and are managed through targeted risk analyses, which take account of injury frequency and severity rates and related improvement objectives, specific action and training plans, within the framework of a precise system of proxies and powers for each relevant matter, aimed at ensuring that the action taken complies with the Group's guidelines. The Group also confirms its commitment to extend the coverage in terms of Health and Safety System, for example through the ISO 45001 certification. The Group is also committed to protecting the safety of its people working on company sites and in direct relations with customers around the world from external threats.</p> <p>The Group complies with the ever-increasing limits and restrictions imposed by the environmental protection regulations as regards sites and production processes. The Group also confirms its commitment to extend coverage in terms of Environmental Management System, for example through the ISO 14001 certification. The Group regularly performs environmental assessments of sites and monitoring, and it also takes out specific insurance policies in order to mitigate the consequences of unexpected events.</p>
<p><b>Climate change, the protection of the environment and consequent new developments in the</b></p>	<p>The transition to a low-carbon and more environmentally sustainable economy may entail risks for the company, induced by greater severity of environmental and climate policies, disharmony in the regulations of different countries with related</p> <p>The Group pursues an industrial strategy aimed at the environment and improving the efficiency of its production systems and processes on an ongoing basis for the reduction of energy consumption and atmospheric emissions and,</p>

	Main risks	Actions
<b>scenario concerned may require action to be taken on certain types of processes and products.</b>	<p>competitive asymmetries between companies, the progress of the relevant technology or the changing confidence of investors and lenders in the relevant business. In parallel, the importance of the sustainability requirements of the supplier and its supply chain grows in customer tenders, while the consumption of energy and water resources becomes central along the entire value chain of the company. Company processes, particularly production processes, as well as products and services offered to the market may be affected.</p> <p>The impact of climate changes, in addition to modify the environmental context, exposes the Company to an increased frequency of acute weather events, such as floods, storms and wind, as well as droughts and fires, which can endanger industrial sites and products being prepared.</p>	<p>thanks also to the participation, as a partner of excellence, in the main European programs for research and innovation, develops low environmental impact technological solutions which are functional to the fight against climate change.</p> <p>The Group puts measures in place against any possible acute or chronic physical risks and has specific insurance cover against the possible consequences of disastrous climatic or natural events.</p>
<b>Breaches of information security obligations can cause damage to the Group, its customers and suppliers and pose a threat to the security of citizens and critical infrastructures</b>	<p>Companies are required to face the risks associated with cyber resilience of their products and services and their information &amp; communication technology infrastructure, taking into account the continuous evolution of cyber threats in their numerous forms (from advanced persistent threat to the phishing campaign), the sophistication of attack strategies and the increase in the exposed surface area resulting from, among other things, the increasing digitisation of processes, products and services for customers, as well as the increased use of smart working. The critical geopolitical context, the deterioration of relations between states or the occurrence of war conflicts may increase the scope and number of cyber attacks, aimed at institutions and companies.</p> <p>Computer incidents and attacks, including any in the supply chain, stoppages, leaks of personal data and the loss of information that may also be of strategic importance may endanger business and even the Group's image, above all in the event of the theft of third-party data kept in the Group's archives.</p>	<p>The Group manages cyber security through dedicated controls and training for the entire corporate population, as well as processes, procedures and specific technologies for the prediction, prevention, detection and management of potential threats and for responding to them. Leonardo is ISO 27001 certified and is constantly engaged in management and improvement activities aimed at maintaining the certification itself.</p> <p>Leonardo also benefits from substantial experience in the field of cyber security, gained on the market through the competent business division. In addition to a continuous improvement in the methods of managing permissions of access to information, Leonardo continues to take any action to extend data and information protection and processing methods and processes to its own suppliers.</p>
<b>The Group could encounter difficulties protecting Intellectual Property</b>	<p>Leonardo's success and results also depend on the Company's ability to protect the innovations resulting from its R&amp;D activities through Intellectual Property. In this respect, the Group mainly uses industrial secrets, patents, copyrights. Nevertheless, the possibility cannot be ruled out that the activity of a "disloyal" employee, an improper action of a supplier or a legal but aggressive act of a third party may lead to repercussions on the company's Intellectual Property. Furthermore, there is a greater risk of counterfeiting in highly technological environments such as that in which Leonardo operates, given the high number of patents held by third parties.</p>	<p>The Group is committed to the continuous improvement of its Intellectual Property protection processes, from the approval of research and development investments, through the definition and implementation of measures to protect technical information and proprietary know-how. Appropriate monitoring and surveillance actions are taken to detect any infringements by suppliers, partners or competitors. Of particular importance is the creation, the expansion and the penetration of the internal IP Correspondent networks in the business divisions.</p>

	Main risks	Actions
<b>The Group provides highly complex products, systems and services, including under long-term fixed-price contracts</b>	<p>The Group supplies products, systems and services that are particularly complex due to their advanced technological content, including under long-term contracts at a fixed all-inclusive price. Terms and conditions of contracts generally include challenging requirements and rigorous completion times, the failure to honour which may entail the payment of penalties, in addition to warranty liability and claims for damage that are not covered in full by insurance policies. Furthermore, an unforeseen rise in the costs incurred in the performance of a contract, which may also be the result of the occurrence of chance events, could lead to a lower profit. In this regard, attention must also be paid to the effects of market phases characterised by inflation, over-demand, lack or discontinuity of supply of services and goods (including energy commodities) necessary for production and delivery to the customer, inflation phenomena, with consequent greater execution times and costs for the company. These dynamics, which may also be determined, accelerated or exacerbated by the deterioration of institutional and commercial relations between sovereign states or by the onset of war conflict, can also affect the competitiveness of the company's offer for the acquisition of additional long-term contracts as well as of new customers.</p>	<p>From the commercial offer phase and at regular intervals during the performance of the contract, Leonardo considers the projects' main performance and financial parameters in order to assess its performance and manage risks throughout the entire life cycle through the detection, assessment, mitigation and monitoring of risks with the definition and management of appropriate contingencies, in order to protect the financial margins of the projects themselves. Risk management is supported by dedicated Risk Managers in project teams. The Group is committed to the continuous improvement of its industrial efficiency and its ability to meet customer specifications. With reference to energy commodities, the Group pursues, on an ongoing basis, a strategy aimed at optimising purchases and uses of resources.</p>
<b>The risks of performance of contracts, associated with the liability to customers or third parties, also depend on the supply and sub-supply chain</b>	<p>The Group purchases, in very substantial proportions with respect to its sales, industrial products and services, materials and components, equipment and subsystems; it may therefore incur liability to its customers for operational, legal or financial risks attributable to third parties, who operate as suppliers or sub-suppliers. The Group's dependence on suppliers for certain business activities might give rise to difficulties in maintaining quality standards and meeting delivery times. The risk profile of suppliers, mainly small and medium enterprises, can deteriorate, also suddenly, during downturns in economy, in the presence of geopolitical tensions and conflicts and during periods of convulsive recovery, also due to subsequent offer shortages and discontinuity, bottlenecks and inflationary effects into the real economy, mainly on raw materials and energy commodities. In addition, third-party acquisitions of suppliers relevant to the Group could change the terms and conditions of contract renewals, with costs or timing being less convenient for the Company.</p>	<p>Leonardo has been pursuing its policy of strengthening and improving the supply chain for some years, leveraging a transparent and sustainable partnership relationship with the excellences in its Supply Chain, to give rise to a more innovative, integrated and resilient industrial eco-system. In addition to the programmes already in place or completed (LEAP, ELITE Leonardo Lounge), the Company has defined a set of principles and rules for the assessment of key suppliers, specifically oriented towards the development and growth of the Supply Chain with a view to long-term sustainability (Leonardo Assessment and Development for Sustainability).</p>

	Main risks	Actions
<b>The Group is required to fulfil direct or indirect offset obligations in certain countries</b>	In the Aerospace and Defence sector, some international institutional customers require the application of some types of industrial offset related to the award of contracts, sometimes with rigorous requirements, linked to the development policy of each country. Therefore, the Group may undertake offset obligations that require procurement or manufacturing support at local level, technology transfer and investments in industrial projects in the customer's country. Failure to meet offset obligations may result in the application of penalties and, in certain cases, might prevent the Group from participating in contract award procedures in the countries concerned.	The Group manages offset risks by means of appropriate analyses carried out from the offering phase within the project teams, which also appoint an Offset Manager for the division concerned. A due diligence is performed before dealing with a third party under an offset agreement, which is conducted according to the relevant international best practices.  Leonardo has also set up a dedicated central organisational unit to guide and supervise offset activities.
<b>Chips, electronic components and critical raw materials available on the market</b>	The production of chips and electronic components – of great importance for industrial applications, especially for high-tech applications - is still polarised on a few countries, mostly outside the European Union. These goods continue to be characterised by long delivery times as a consequence, first, of the peaks in demand generated by the Covid-19 lockdowns and, then, of the convulsive and at times discontinuous post-pandemic recovery, then impacted by the outbreak of the Russian-Ukrainian conflict and the consequent contrasts between countries.  Critical raw materials, including rare earths, are a decisive enabler for both the technologies of certain production sectors and the initiatives behind the European Green Deal. Most of the critical raw materials relevant to the Aerospace and Defence sector are not directly available in Europe, but rather in other mainly non-NATO/EU countries. Availability and production of materials are sometimes concentrated in a single country, which may therefore be in a position to sway the balance between global supply and demand, with impacts on market prices and/or availability of goods, in particular in scenarios marked by critical geopolitical issues, the deterioration of institutional and commercial relations between sovereign states or the occurrence of war conflicts.	Leonardo, in addition to monitoring the prospective requirements of its supplies, takes part in international working groups, such as those at European and NATO level, which reconcile the interests of both States (supporting the definition of recommendations for member States) and the companies and supply chains involved, in order to encourage the identification of common strategies for mitigating risks. Leonardo also engages in activities having the purpose of enhancing the efficiency of the use of resources (for example fostering circularity mechanisms) as soon as the product technological research and sustainable design phases start.
<b>A substantial amount of consolidated assets is attributable to intangible assets, goodwill in particular</b>	The recoverability of amounts recognised in intangible assets (including goodwill and development costs) is linked to the implementation of future plans and the business plans for the relevant products that, especially in case of long-term developments, may see the needs of customers and the competitive environment change, given the speed of technological innovation.	The Group implements a policy of monitoring and limiting amounts capitalised under intangible assets, with specific regard to development costs, and carries out ongoing monitoring of performance under scheduled plans, taking any necessary corrective action in the event of unfavourable trends. These updates are reflected in impairment tests.
<b>The Group's debt could have an</b>	The debt level, beside impacting the profitability as an effect of the related borrowing costs, could affect the Group's strategy, limiting its operational flexibility. Continued or new monetary tightening by central banks	In assuring a solid and balanced structure between sources of funds and investments, Leonardo continues to pursue the reduction of its debt by paying steady attention to cash

	Main risks	Actions
<b>Impact on its strategies</b>	could make new financing and current floating-rate debt more expensive. Potential future liquidity crises could also restrict the Group's ability to repay its debts.	generation, which is used, based on the Group's orderly financial strategy, to partially reduce the existing debt.
<b>The Group's credit rating is also linked to the opinions of the credit rating agencies</b>	All Group bond issues are given a medium-term financial credit rating by the international agencies. A possible downgrade in the Group's credit rating, also as a consequence of the changed country of origin rating, could severely limit its access to funding sources, as well as increase its borrowing costs for loans, which would have a negative impact on the business prospects, performance and financial results. Prospectively, sustainability eligibility and performance will also become increasingly important in determining creditworthiness.	The Group continues to be engaged in reducing its debt. The Group's financial policies and selection of investments and contracts involve being constantly alert to maintaining a balanced financial structure.
<b>The Group realises part of its revenues in currencies other than those in which costs are incurred, exposing it to the risk of exchange-rate fluctuations. A part of consolidated assets is denominated in US dollars and pound sterling</b>	The Group reports a significant portion of revenues and costs in currencies other than euro (mainly in dollars and pounds). Accordingly, any negative changes in the reference exchange rate might have negative effects (transaction risk). Moreover, the Group has made significant investments, in particular in the United Kingdom, in Poland and in the United States of America: this might have a negative impact on the Group's results of operations, financial position and cash flows due to the translation of the financial statements of foreign investees (translation risk).	The Group continuously applies an organised systematic hedge policy to combat transaction risk for all contracts in its portfolio by using the financial instruments available on the market. Moreover, in intercompany financing activities denominated in currencies other than the euro individual positions are hedged at the central level.
<b>The Group is a sponsor of defined-benefit pension plans in the UK and the US and of other minor plans in Europe</b>	Under the pension schemes reserved for employees who mainly operate in the United Kingdom and in the United States of America, the Group is required to ensure a specific future retirement benefit level for employees participating in the plan. In said countries the pension funds in which the Group participates invest resources in the plan assets (stocks, bonds, etc.) that might not be sufficient to cover the agreed-upon benefits, mainly with strong market fluctuations. If the value of plan assets is less than the agreed-upon benefit level, the Group duly recognises the amount of the deficit among liabilities, with consequent adverse effects on its financial position, results of operations and cash flows.	The Group monitors pension funds' investment plans and strategies on an ongoing basis and takes immediate deficit corrective action when necessary.

## Stakeholder engagement

Continuous engagement with internal and external, domestic and international, stakeholders is a core element of Leonardo's strategy to create shared value. The Company nurtures stable, long-lasting relationships based on integrity and transparency, by dialoguing with and involving its stakeholders, through organisational units established to understand their interests and expectations. Stakeholder relations moments (involvement of employees, materiality analysis, events for the financial community, trade association meetings, collaborations within the scope of technology R&D programmes, support to projects at local level and digital events, etc.) are opportunities to strengthening its bond with the industrial, economic and social context while helping the company to improving its business management practices and increasing its knowledge level.

In 2023, Leonardo actively participated in specific working groups coordinated by European associations to strengthen oversight of sustainability issues. These include the Climate and Defence Task Force of the Aerospace, Security and Defence Industries Association of Europe (ASD), which aims to build a common Decarbonisation Roadmap for the aerospace and defence sector. Within the association, Leonardo leads the Sustainable Supply Chain subgroup aimed at identifying common actions to decarbonise the supply chain. In collaboration with CSR Europe, a leading European network of companies committed to corporate sustainability and responsibility, Leonardo has contributed to the workstream Markets Hub aimed at the analysis and compliance of European regulations governing reporting and materiality analysis. Leonardo also participated in the Energy Transition and Climate Change task force of the European Roundtable of Industrialists (ERT) focused on the competitiveness of European energy-intensive industries. Given the growing interest of defence institutions - MoD and NATO - with respect to the issues of adaptation of the military instrument to climate change and decarbonisation, Leonardo has been involved in dedicated working groups, such as the NIAG (NATO Industrial Advisory Group) study on "Ensuring Allied Capabilities Adaptation in the context of Climate Change." Leonardo is also a member of the Stakeholder Advisory Board of Edison (SAB) and the Advisory Board for Social Issues of Anima, demonstrating, within the Italian industrial context, its relevance as a key stakeholder on issues related to sustainability.

Finally, Leonardo had the opportunity to be present at the COP28 held in Dubai in 2023, where it presented the "Technology Driven Climate Action" panel, showing that its solutions can be enablers for climate and environmental transition. The event involved various stakeholders from the Society, including the Ministry of Environment and Energy Security, non-profit organisations such as CDP (formerly Carbon Disclosure Project) and the UN Global Compact Network Italy, and associations such as ESA (European Space Agency).

## Reputational risk analysis

In 2023 the issues concerning Leonardo were dealt with in more than 7,700 dedicated articles both in general and specialist press, in 44 countries, thus further consolidating Leonardo's media coverage in the domestic markets and increasing it in some key countries, such as France and Germany.

Sentiment analysis confirms the positive results achieved in previous years both in Italy, where 98% of the coverage has a positive and neutral value, and at an international level, where the negative sentiment component is about 1%. Leonardo can therefore boast a further strengthened image as a technological and innovative player, with a sustainable organisation and with strong economic and financial indicators, among the leaders in the AD&S sector. In Italy, particular attention was paid by the press to the change in the company's top management and the resulting reorganisation, the share price performance, and the Group's positioning within the consolidation process of the European AD&S sector. On the issues front, the corporate narrative focused on four technological areas: global monitoring, space, cybersecurity, and digitalisation.

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On the digital side, the work on brand journalism, commenced in 2022, further grew through developing new formats and strengthening those already in place while maintaining the multichannel strategy unchanged. On Leonardo's websites, there was a substantial improvement in key performance indicators, with a total of 4,997,646 active users (+89% compared to 2022) and 17,884,343 page views (+121.8% compared to 2022). The presence on its X, LinkedIn and Instagram profiles was also positive, with a total of 1,176,594 followers (+16.7% compared to 2022), more than 22 million impressions and an engagement of about 1 million interactions.

## **PEOPLE**

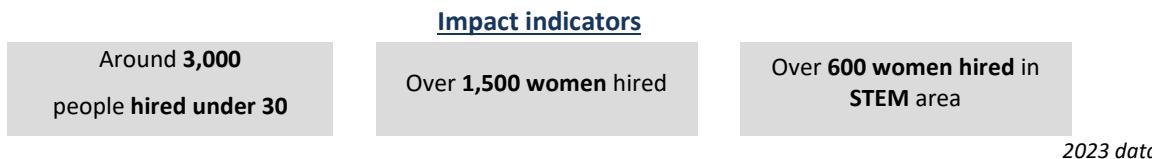
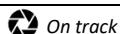


- ✓ **EMPLOYMENT PROTECTION, PEOPLE WELLBEING AND ENGAGEMENT**
- ✓ **DIVERSITY, EQUITY AND INCLUSION**
- ✓ **EMPLOYER BRANDING AND TALENT ATTRACTION**
- ✓ **SKILL MANAGEMENT AND ENHANCEMENT**
- ✓ **HEALTH AND SAFETY**
- ✓ **RESPECT OF HUMAN RIGHTS**

## Report on operations at 31 December 2023

Involvement, empowerment, and attention to people's well-being and safety are the cornerstones of Leonardo's culture. The company is committed to fostering and protecting an inclusive and stimulating working environment, oriented towards flexibility and equity, in which everyone can demonstrate their potential to the fullest, contribute to the achievement of business objectives and to the sustainable development of the communities in which it is present.

<b>Priority topics</b>	<b>SDGs</b>
<ul style="list-style-type: none"> <li>&gt; Diversity, equity and inclusion</li> <li>&gt; Health and safety</li> <li>&gt; Skill development, talent attraction and wellbeing of employees</li> <li>&gt; Protection of human rights</li> <li>&gt; Digital transformation</li> </ul>	  
<b>Objectives</b> <ul style="list-style-type: none"> <li>&gt; At least 32% of women on total hires</li> <li>&gt; 30% of women on total STEM recruitment</li> <li>&gt; 20% of women in management levels</li> <li>&gt; 20% of women on total employees</li> <li>&gt; 27% of women in succession plans</li> </ul>	<b>Progress</b>      <b>Target year</b> 2025



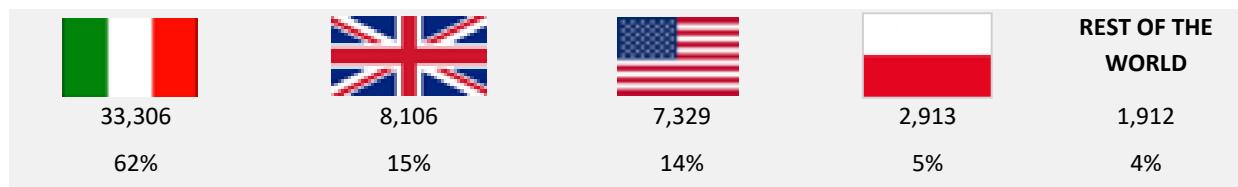
## *Signature of the "Business for People and Society" Manifesto of UN Global Compact*

In 2023 Leonardo continued to actively promote a corporate culture based on the respect for the dignity of each individual and the appreciation of the uniqueness of each person, and to be committed to preventing and removing any form of discrimination at all stages of the employment relationship, inside and outside the company community and with all stakeholders. It is a commitment in line with the goals and the Sustainability Plan, which is inspired by the main international standards and norms, from the SDGs of the United Nations Common Agenda and joining the UN Global Compact in 2018 - a commitment that was strengthened in 2023 with the CEO/GM signing the "Businesses for People and Society" Manifesto.

## Report on operations at 31 December 2023

Leonardo is strongly oriented towards seizing all the opportunities and challenges of innovation in order to strengthen its role as an accelerator of technological evolution and progress in the countries in which it operates; for this purpose, it is working to attract talent on an ongoing basis and incorporate the best technical and managerial skills into the company, guaranteeing people continuous professional development, opportunities for internal mobility and international dialogue, including through the use of innovative digital processes and tools capable of involving the entire corporate population.

### Employees worldwide



Leonardo employs 53,566 people, 96% of whom are located in Italy, United Kingdom, United States and Poland. This human capital is mainly composed of staff with a STEM qualification, characterized by a generational diversity that fosters the exchange of experiences and skills.

### Employees by professional category, gender and age group

	women %	men %	< 30 years	30 -50 years	>50 years
<b>Total Work force</b>	<b>20%</b>	<b>80%</b>	<b>13%</b>	<b>52%</b>	<b>35%</b>
Managers	15%	85%	0%	32%	68%
Middle Managers	20%	80%	1%	43%	56%
White collars	24%	76%	16%	52%	32%
Blue collars	10%	90%	13%	58%	29%

In the last years the trend shows a constant growth of the number of employees (+4.2% vs 2022), in line with the growth in business volumes, as well as the presence of employees under 30 (+1.8 p.p. vs 2022) and women in managerial positions (+0.8 p.p. vs 2022).

### Human capital evolution indicators

<b>+4.2%</b> <b>Growth of workforce</b> (+2,174 employees)	<b>Employees under 30</b> <b>from 11.2% to 13%</b> <b>of work force</b> (+1,190 employees under 30)	<b>Women manager</b> <b>from 18.7% to 19.5%</b> <b>of total managers and middle managers</b> (+67 women managers employees)
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2023-2022 variation

## Employment protection, people wellbeing and engagement

In December 2023 Leonardo signed an agreement with the Trade Unions for the renewal of the Company Supplementary Agreement. The agreement is characterised not only by a general improvement in the pay schemes reserved for employees and the continuation of the related harmonisation process within the Group, but also by the additional measures to strengthen Corporate Welfare and the provision of new experimental solutions aimed at rescheduling working hours.

With a view to fostering an ongoing commitment to caring for its people by creating a chain of shared value, strengthening employees' sense of belonging and at the same time making the Group attractive to new talent, significant regulatory measures aimed at specific needs have been put in place, which are especially focused on the issues of parenting, fragility, inclusion and gender equality, care needs and support for victims of gender-based violence.

### Supplementary Company Agreement: key elements

**Pay schemes** – As early as in July 2023, Leonardo and the Trade Unions had reached an agreement on the main pay schemes, including increases in the Performance Bonus and Collective Superminimum to be applied in the three-year period from 2024 to 2026.

**Welfare** - With the aim of increasingly placing the enhancement of human capital at the heart of the company's strategy, new and concrete general tools have been adopted to strengthen the existing system, such as: changes in the supplementary health care model; strengthening supplementary pension schemes, through the increase of company contributions; and the activation of new forms of protection in favour of all personnel in case of death or permanent disability due to illness.

**Flexibility and work-life balance** - The new agreement provides for the permanent adoption of Smart Working within the company's structure as an element that is now naturally intrinsic to the work organisation model in the Group; furthermore, guidelines are set out which are aimed at experimenting with the rescheduling of working hours, also with a view to their reduction, to be carried out in some "pilot" company areas directly linked to production or operational support activities. The purpose of the experimentation is to find the best solutions capable of reconciling the work-life balance needs of the employees involved with the objectives of strengthening the company's competitiveness and productivity.

**Early retirement** – In 2023 Leonardo recorded 449 voluntary personnel exits under the union agreements which provides for the early retirement under Article 4 of Law 92/2012 (Fornero Act).

The year 2023 was a year of consolidation of the welfare and wellbeing system, which saw the expansion and enhancement of areas related to economic and physical wellbeing (on the side of both healthcare and ill-health prevention), including through putting in place measures and safeguards at the production sites and ensuring the extension of services to the family members as well.

### Major welfare and wellbeing projects

**Work-life integration** - Leonardo contributes to the enhancement of parenting by providing grants for day-care centres, scholarships for employees' children and offering the opportunity to take short- or long-term leave from work for health reasons, affecting the employees or their family members, childcare for both parents, and for reasons related to study and training. Leonardo also promotes work-life balance through parenting enhancement plans (such as "Lifeed"). 200 schemes for parents with children up to age 18 were activated in 2023. Furthermore, Leonardo encourages form of flexible work, including the possibility of hybrid work, access to offices

**Psycho-physical wellness** - In Italy it is possible to access a dedicated service platform (Gympass), which allows access to physical facilities/gyms, online master classes, apps, and nutrition and meditation activities. More than 7,000 employees have signed up for the platform. Furthermore, Leonardo has launched a pilot programme for cardiovascular prevention carried out at 3 sites, with more than 200 participants. Finally, Leonardo launched the "Apertamente" project in 2023, which is a psychological support and guidance service both through the use of an online platform and by delivering the service on site with a professional

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in a flexible time slot and make use of tools such as hourly compensation. Finally, Leonardo allows the use of part-time working arrangements. In the United Kingdom, Leonardo has changed, through the Custom Working project, the way work is done, empowering employees, along with their managers, team, and customers, to decide where and when they work. This flexibility allows the company to maintain a focus on customer needs while better balancing employees' work need with personal and family commitments. Leave policies allow people to volunteer in addition to annual leave.

psychotherapist, with more than 600 people having used the service.

**Economic welfare** – Leonardo has put in place the Flexible Benefits plan in Italy, which has involved about 30 thousand employees, supporting them with grants for the purchase of textbooks and passes for public services, as well as services for the full or partial reimbursement of various types of school, social welfare and transport expense. 90% of the amount converted to Welfare was used by employees. In the United Kingdom, Leonardo employees are eligible for tax and insurance benefits if they purchase an electric car under the Go Green Car Scheme. Flexible benefits worth more than €mil. 12 were provided in Italy and the United Kingdom in 2023 too.

In 2023 Leonardo also implemented a number of employee listening and engagement initiatives to strengthen a sense of belonging, steer change towards a shared direction, and support the broader community through solidarity projects.

### Major employee listening and engagement projects

**People Survey 2023** - The survey involves all Group employees and is aimed at exploring various aspects of life and work at Leonardo: engagement (e.g., satisfaction, empowerment, motivation, etc.), working environment (e.g., coworker relations, collaboration and sharing, happiness and stress management, etc.), relations with managers, innovation orientation, diversity and inclusion, work-life balance and sustainability. The People Survey, launched in February 2023, had more than 36,700 people from 20 countries participating, with an overall response rate of 69% (+5% from the last survey in 2019). The survey, which was completely anonymous, showed that 71% of people are proud to work at Leonardo, 70% recognise an inclusive and open-minded culture at the company, and 65% say managers know how to instill confidence in employees and stimulate a positive climate within work teams (62%).

**Move Together for the Planet** – During the third edition of Leonardo Challenge dedicated to the engagement and well-being of people and the planet, employees around the world came together, both physically and virtually, to walk as many kilometres together as possible. As part of the project Leonardo joined a reforestation project in Malawi (Africa) with the non-profit organisation One Tree Planted, committing to planting around 22,000 trees. The project also involves local communities in educational and awareness-raising initiatives on sustainable resources, climate change, agro-forestry and gender equality.

**Sustain-Able** - Interactive gamification platform aimed at raising awareness of employees on sustainability issues through contests, missions and thematic news (environment, circular economy, focus on communities, etc.).

## Diversity, equity and inclusion

Turning every difference into an opportunity for growth through teamwork is for Leonardo a strategic factor of competitiveness, talent attraction, human capital enhancement and innovation, which are all key to ensuring the Group's sustainable growth and creating an increasingly collaborative and inclusive working environment in which each person can feel free and safe to express themselves in order to realise their potential to the fullest.

Leonardo's approach to Diversity, Equity and Inclusion (DE&I) is based on the fundamental principles of respect for Human Rights and promotion of equal opportunities, with the awareness that different characteristics, and personal and cultural orientations are a valuable source of mutual enrichment.

This is an approach that has always been grounded in Leonardo's Charter of Values and Code of Ethics and was further strengthened in 2023 with the appointment of the Diversity, Equity and Inclusion Manager, the issuance of the Diversity, Equity and Inclusion Policy, and the confirmation of the Whistleblowing platform as a channel for reporting any breaches (behaviours, acts or omissions) of the law or company protocols in this area as well.

The Diversity, Equity and Inclusion Roadmap is developed through concrete actions that can be measured over time: from awareness-raising and training initiatives to programs dedicated to women's empowerment, from the promotion of STEM disciplines among women and girls to actively listening to people's needs, from offering services and solutions for a better work-life balance to schemes and tools for valuing parenting and training on unconscious bias for recruiters.

A people-centered cultural model, which is further confirmed by the introduction of targets related to the hiring of women with STEM profiles in the long-term Remuneration Policy for CEO and Top Management<sup>46</sup>.

### Main DE&I projects

**Talent attraction and inclusive recruitment** - In the United Kingdom, Leonardo has focused its work on Employer Branding and recruitment strategy in order to increase diversity of both candidates and new hires. Recruitment managers have been encouraged to complete training modules on inclusive recruitment in order to attain the goal of diversifying talent and increasing awareness of unconscious bias. In the United Kingdom, Leonardo also continues to work with STEM Returners, the program to bring back talent with STEM backgrounds to work after a work hiatus, thus obtaining a total of 29 returns. The partnership with the Association For BME Engineers (AFBE) continues to support Leonardo in order to attract talent from different ethnic backgrounds. In the United States Leonardo carries out targeted activities for schools and universities with a high presence of African-American students (Historically Black Colleges & Universities - HBCUs).

**GENERiamo Cultura** – This is an awareness-raising campaign for the prevention of workplace harassment and gender-based violence launched on the occasion of the International Day Against Violence Against Women. As part of this initiative, promoted by the National Commission for Equal Opportunities, established between Federmeccanica-Assistal and the Trade Unions FIM-FIOM-UILM, Leonardo has organised an in-depth discussion event to promote a corporate culture that is

**Springboard Programme** – This is an international Project dedicated to women's personal and professional development, for which 3 international editions were completed in 2023, involving about 100 women.

**Navigator** - In the United Kingdom Leonardo has finalised 3 development programmes dedicated to the male population to explore topics such as masculinity stereotypes, mental health, wellbeing and stress management.

**Network Group** - Seven Employee networks have been established in the United Kingdom to raise awareness and promote D&I strategy and make Leonardo an inclusive working environment for all employees: Pride (LGBTQ+), to provide advice and promote awareness of LGBTQ issues in the workplace; Equalise to offer support to employees and increase awareness about gender equality; Carers to support employees with special care needs such as for elderly parents, partners or children; Enable focused on neurodiversity and disability; Ethnicity Inclusion, to support ethnic inclusion; Wellbeing, to promote the fundamentals of personal and organisational wellbeing; Armed Forces, dedicated to employees who have relationships with members of the military.

**Inclusion 365** – The project consists of tailored training programs developed in the United Kingdom and dedicated to creating psychologically healthy teams and working environments as key elements of a successful DE&I strategy.

<sup>46</sup> For more details, please see the chapter on Governance, paragraph on [Remuneration policy](#).

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increasingly respectful of diversity and to counter any form of discrimination and violence.

**Valore D** - In Italy Leonardo cooperates with Valore D, which is the first business association to promote gender balance, offering its people the opportunity to access a range of educational and in-depth content in the DE&I area.

**Disability** – In 2023 Leonardo UK became a member of the Business Disability Forum, providing employees with tools and information to support disability inclusion, including training and best practices.

## Employer Branding and talent attraction

In 2023 Leonardo has implemented numerous initiatives in support of Employer Branding and Recruiting, with the aim of attracting the best talent to the labour market and sourcing the skills of interest for its various businesses, including by leveraging all growth and work-life balance opportunities offered.

**LinkedIn Top Companies Italy 2023:** fifth place in the ranking that recognises the best companies in which to grow professionally

**"Disability Confident level 2 employer":** recognition obtained by Leonardo UK for attention to employees with disabilities

**Investors in People** at Silver level,  
**Investors in Young People and We Invest in WellBeing** at Gold level in the United Kingdom

**In the Top 10** in the industry for "young professionals" and "new graduates in STEM disciplines" targets in **Universum's Most Attractive Employer** ranking

### Major projects

**HR Graduate Programme** – This is an approximately two-year training programme, launched in April 2023, which is reserved for the best new graduate talent and aimed at induction into company HR functions with strong digital skills. The programme is structured into several phases, from onboarding to training delivered in collaboration with IE Business School in Madrid, from job rotation to an overseas experience.

**Future Loading** – This programme has been designed and implemented in collaboration with Luiss Business School in Rome, launched in September 2023, leading to the induction of 30 excellent resources into the company. The participants, hired by one of the Group's entities, will undertake a 12-month interdisciplinary training course, including through one or more training experiences abroad. At the end of the course, the young talents will earn a Master's degree in Advanced Management, which is recognised at an International level.

**Global Combat Air Programme (GCAP)** - In 2023 Leonardo launched an Employer Branding and Recruiting campaign to attract the best skills needed to develop the GCAP programme<sup>47</sup>, with the aim of hiring about 400 people with STEM profiles in the two-year period from 2023 to 2024, mainly in the professional areas of Engineering and Project & Programme Management.

**Career Day** – In 2023 Leonardo participated in 30 Career Days, and in Employer Branding and Recruiting events organised in the main universities in Italy, both online and in-person. To support recruiting, priority was given to STEM profiles and women. More than 40,000 students and new graduates visited Leonardo's booth and stand.

**Future Mission - Journey to discover the professions of Leonardo** – In 2023 too, Leonardo's employees continued to tell external stakeholders about key professional skills and competencies, as well as the main production sites in Italy and the technologies of excellence that characterise them.

<sup>47</sup> International cooperation programme to develop a next-generation air system together with British and Japanese partners. For details please refer to [Segment results and outlook](#).

## Skill management and enhancement

Leonardo's industrial strategy aims to attract and manage the job profiles and skills needed to meet the new challenges posed by the market, including the risk of their obsolescence.

The company's skill management and enhancement schemes support people throughout their career in the company, stimulating lifelong learning and activating upskilling and reskilling processes, also with a sustainable perspective.

The use of innovative technology tools in the various areas of people management and development is a key factor for change and radical improvement in the Group's overall performance. In particular, the most recent initiatives for the development of new skills aim to align the competencies of our human resources with the needs of the future, design training programmes and reduce outsourcing and recourse to the market, leveraging a digital approach that combines data mining, artificial intelligence and Massive Open Online Courses (MOOC) training platforms.

**60%** of employees hold a  
**STEM** qualification

**44.7%** of new hires hold  
a **STEM** qualification

About **1.3 milion hours**  
of training delivered

**938 training courses**  
activated with  
educational system<sup>48</sup>

2023 data

Leonardo takes part in strategic initiatives focused on skill development at a European level too. Among these are the **ASSETs + (Alliance for Strategic Skills addressing Emerging Technologies in Defence)** project, involves about 30 European partners (industrial, academic, etc.); the project aims to create a system of observation and management of critical skills in the AD&S sector and a mechanism through which universities can bridge the gap of misalignment on identified skills through new pedagogical approaches and training courses.

Participation in the ASSETs+ project enables Leonardo to contribute actively to the European education system and to find funding lines to support business activities and in line with sustainable development goals. In particular, Leonardo maintains a role of direct responsibility in carrying out any and all activities related to the certification of the project's content and outputs, as well as the role of coordinating the Industry and chairing the relevant Steering Committee.

Leonardo has also adhered to the **Pact For Skills**, which is one of the 12 actions required to implement the Skills Agenda for Europe. The purpose of the programme is to mobilize stakeholders involved in the target sectors in order to create better upskilling and reskilling opportunities for students and workers in Europe, sharing specific commitments. This Pact will also help foster the transition to digital and automation and increase the competitiveness in our continent. A working group dedicated to skills in the Aerospace and Defence Industries Association of Europe (ASD) sector has been formed to provide further support within the sector.

Leonardo also participates in the **Jobs, Skills & Impact Working Group** of the European Round Table (ERT), which is mainly focused on reskilling and upskilling programmes, needed to address digital and green transitions that are underway<sup>49</sup>. As part of this programme, the R4E (Reskilling for Employment) project was launched to identify how best to address upskilling and reskilling needs in Europe.

<sup>48</sup> Internships, apprenticeship programs, traineeships, school-to-work alternation.

<sup>49</sup> For more details on Leonardo's commitment to developing skills for the future, please also see the section on [Digital education, scientific culture and technological expertise](#).

## Performance measurement

**People analytics** – Analysis and data mining tools have been adopted to identify and develop new skills, map the job profiles present in its organisation and monitor the evolution and trends of the market, as well as the activities of its main competitors. The fact of identifying in advance any emerging role or roles affected by significant changes does in fact allow the company to take actions for the recruitment of new profiles or training of resources in order to acquire or strengthen specific skills in a targeted manner, including with a view to up/reskilling and especially targeted at digital technology and STEM disciplines. On the basis of the analyses carried out, the use of the Coursera platform also makes it possible to select the best courses or the most suitable certifications. Specifically, in-depth analyses of seven strategically important technologies have been conducted through this rationale, defining assumptions for the development of the necessary roles and training required on impacted populations, supported by the Love for Learning project.

**Digital transition** – The Workday platform, which was launched in October 2022, has digitalised the main processes of people's professional lives: from training to personal and professional data management and administration, from remuneration issues to real-time updated reporting for managers. During 2023, the platform was enriched with additional functionality, starting with the launch of the new individual performance appraisal process (Performance & Development Management - PDM), enriched with new features (e.g., Continuous Feedback).

## Training and development

**Love for Learning** – Leonardo is the only Italian company that has made the training offer of Coursera, the world's leading platform for MOOCs available to all of its employees around the world. Approximately 8,000 courses and 3,000 guided projects, which are produced by the best universities in the world, are accessible from home and office. Participants can earn certifications for the courses taken, thus improving their level of employability. In order to make the training experience even more targeted, training courses were planned for professional roles in the engineering area, particularly exposed to the danger of professional obsolescence.

**UP** – This is a high-level international managerial training course that has involved 79 new executives in 2 editions, with over 4,500 hours of training, to support the exercise of leadership, promote team building, networking and customer experience, a strategic vision and sustainability.

**Skillgym** – Leonardo has implemented a Digital Role Play SKILLAGYM platform for soft skill development. The goal of the program is to improve the ability to evaluate one's own behaviours in the workplace in an objective manner. Leonardo allows its people to participate in training schemes dedicated to specific roles useful for developing managerial skills on various topics, including, for example, fostering a culture of responsibility and results orientation, enhancing leadership and management of one's team. With regard to the latter topic, the increase in team management skills increased by 7% and in general resulted in an improvement in the managerial skills of employees who took part. The programme as a whole involved 1,971 users engaged in 5,259 hours of attendance, leading to an increase in the soft skills of the population involved.

**Internal mobility** – Position filled with internal candidates, including through the use of job posting: Italy 25%, Poland 4.2%, US 16%, Switzerland 20.5%, UK 21%.

**Sustainability Training Courses** – In 2023 too, the interactive multimedia course on sustainability issues was made available to employees, aimed at publicising the actions the company is implementing on the topic of sustainable development. Topics covered within the course include raising awareness of water efficiency, waste reduction, and energy efficiency. Since its launch, the course has been completed by 18,400 people.

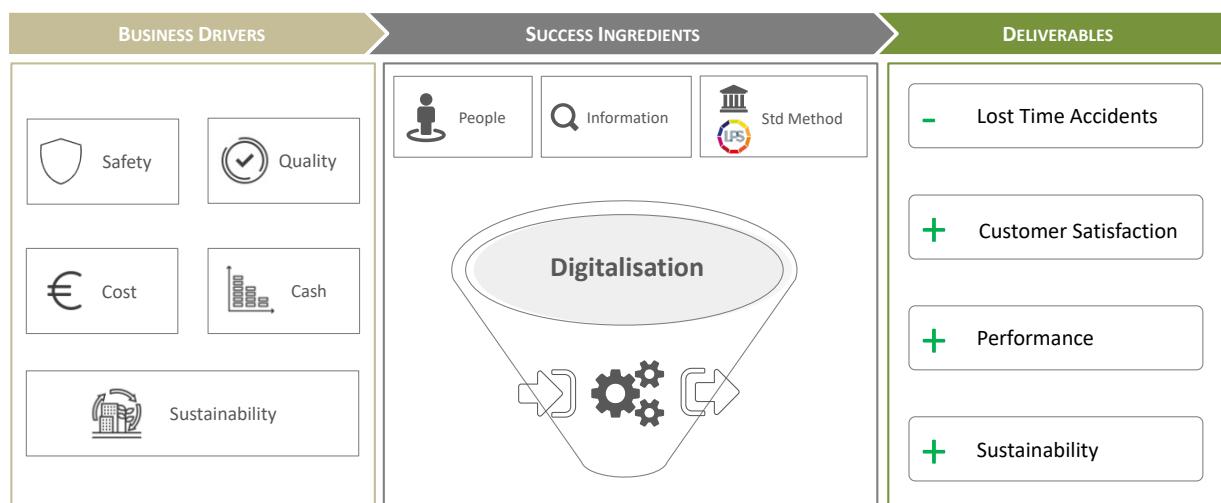
**You Challenge Me** – The programme, intended for employees hired in Italy, consists of a customised course developed on the metaphor of the "Grand Prix." Objectives include strengthening the culture and knowledge of Leonardo as "One Company" and developing distinctive competencies by identifying skills to be enhanced. The programme involved 661 participants for a total of 8,199 hours and among the skills that emerged as strengths and improved downstream from the programme are, flawless execution, customer satisfaction and energised employees. In particular, the latter, which refers to adaptability, involvement of others, and overcoming critical issues, even with a long-term view, experienced a significant increase in the score achieved, from a starting value of 59.5 (percentile scale) to a final value of 70.54, demonstrating a significant improvement of this skill in the people involved.

## Change management models in the business

### *Leonardo Production System (LPS)*

It is the agile production system inspired by the World Class Manufacturing (WCM) method, by which Leonardo pursues the objective of optimising efficiency and productivity through an approach oriented to continuous improvement in the management of processes and programs, which is capable of ensuring more and more quality and safety. The programme is in its fourth year of implementation, which has seen the consolidation of the Leonardo Production System as the manufacturing management model for the Group. The consistent application of the programme and its focus on the highest priority areas have made possible important results in terms of Occupational Safety, Quality, Productivity and Sustainability.

#### LPS Framework



The enablers of the programme are people skills development, leadership of plant managers as a driver of disseminating the WCM methodology, and digital transformation. In 2023, the Business Intelligence platform was strengthened to provide more immediate access to information analysis, reinforcing the data-driven model.

LPS is managed by a governance and control system based on standardised evaluation criteria set out at an international level by WCM Association, which was joined by Leonardo in 2022, the first company in the A&D sector. Each facility operated under the LPS model is audited every six months by a team of WCM-certified company or third-party auditors. In 2023 22 audits were conducted, which certified that the model had been properly implemented according to WCM standards. From the launch of the program at the beginning of 2019, LPS involved 18 manufacturing plants in Italy and made it possible to reduce injuries in the areas of intervention by more than 90%, as well as to increase productivity on average by about 30%, achieve "zero failure" condition on 50% of industrial plants and reduce the index of in-house problems by about 30% and that on problems detected by the customer in terms of quality by 25%, allowing to contain the cost of "non-quality". These improvements have made it possible to adequately meet the demands of customers.

About <b>6,000</b> people involved in <b>18</b> manufacturing plants	About <b>14,000</b> projects for continuous improvement	<b>More than -90%</b> of injuries and <b>+30%</b> of productivity in the areas in which the LPS system has been implemented	<b>Quality: -30%</b> of in-house problems and <b>-25%</b> detected by customers	<b>First company</b> in the A&D sector to become a member of the <b>WCM Association</b>
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### *Leonardo Project Management Model*

The **Leonardo Project Management Model (LPMM)** is the new company process aimed at improving project performance in terms of time schedule, costs, quality and customer satisfaction.

The model sets out a common set of innovative tools and methodologies aimed at strengthening the role, decision-making autonomy and professional and managerial development of project managers and project team members by spreading the culture of team working, collaboration and knowledge sharing.

As from the issue of the LPMM, the monitoring of Key Performance Indicators of process and project performance, the ongoing implementation of Change Management and the gradual digitalisation of the process have enabled the improvement of the economic and financial stability of the programmes, a growing application of best management practices, and a stronger cohesion and motivation of Leonardo Project Management Community.

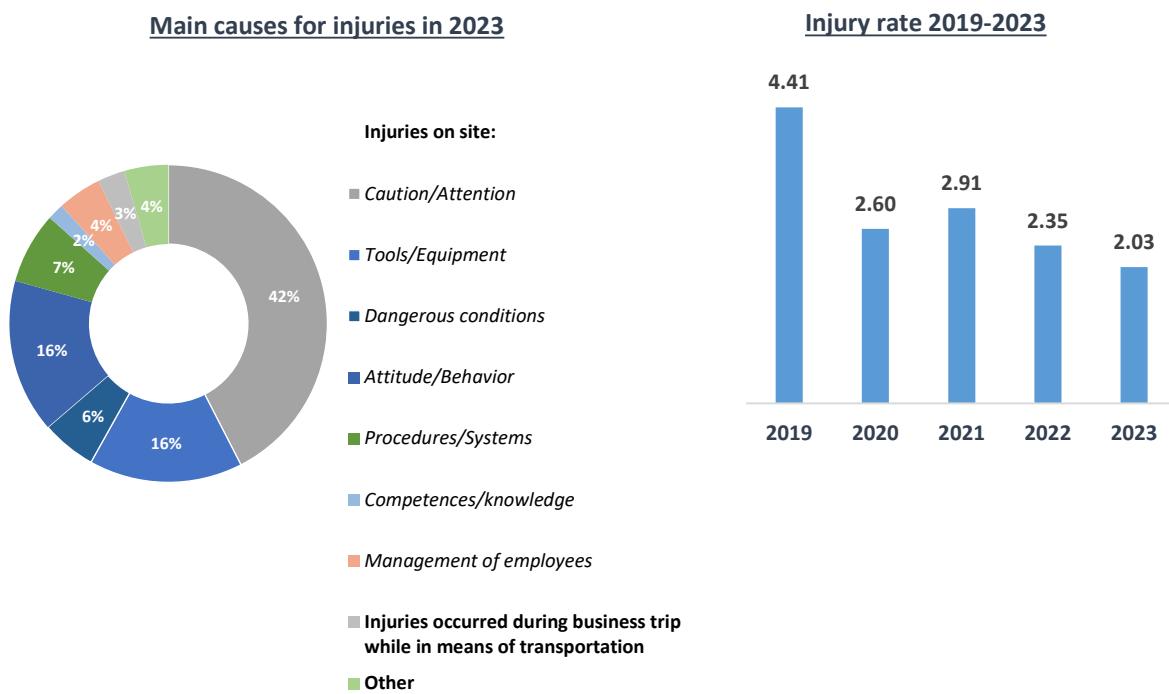
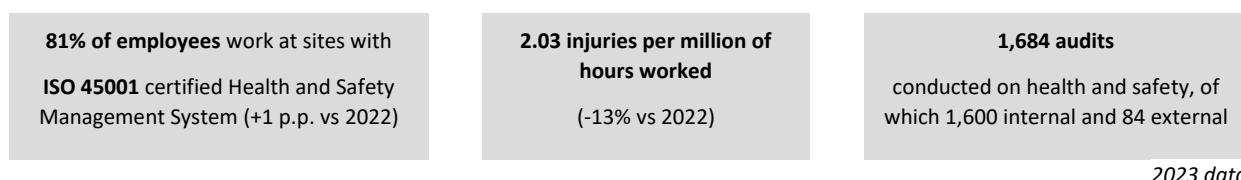
Over 2,000 people involved in <b>Change Management and cross-fertilization projects</b>	500 strong-matrix project teams ( <b>Integrated Project Team</b> ) formalised	3 digitalisation projects of Project Management tools <b>completed and new projects under development</b>	Launch of the <b>Project Management Academy</b> for the <b>personal and professional development</b> of Leonardo PM Community
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### *Leonardo UK Digital Enabler Model*

In the United Kingdom, Leonardo has set out a programme that aims to transform the production system to drive business evolution and digitise its products and services to maximise customer benefits while ensuring modern and safe working environments where people's skills can be enhanced. Key elements of the programme include: the Digital Employee Experience (DEX), which aims to improve employee engagement, collaboration, productivity and wellbeing; and business transformation programmes such as Future Factory, within which, in 2023, a team from Leonardo UK participated, as part of the programme, in an industry consortium focused on digital technologies as a lever to reduce the use of energy in manufacturing processes and contribute to the decarbonisation process.

## Health and safety

Leonardo considers the protection and safety of its workers as a priority, and therefore implements all appropriate measures preparatory to the elimination and/or mitigation of risks related to the performance of their professional activities and the resulting impacts. Among the objectives of Leonardo's Health, Safety and Environment Policy<sup>50</sup> are those of ensuring safe working environments and operating conditions, preventing risks to the health and safety of its employees and of anyone who has access to the Group's sites, raising awareness and providing continuous training to personnel on health and safety issues, in compliance with the laws in force in the countries in which it operates, voluntary standards and stakeholder expectations, with a view to continuous improvement. Among the tools used to ensure compliance with adequate standards are health and safety audits, both internal and external, which are mainly aimed at maintaining Management System certifications, as well as at compliance, safety and hygiene audits.



2023 confirmed the trend of improvement in the accident rate compared to the last three years and in particular a 13% reduction was recorded compared to 2022.

<sup>50</sup> For more details on environmental safety, please also see the paragraph on [Natural resources management and biodiversity](#).

## Occupational health and safety

**Supplementary Health Care** - Health coverage schemes were put in place for employees and their entire households in Italy. In the United Kingdom insurance coverage is on a contributory and voluntary basis.

**Employee assistance programmes** – Leonardo, through a third-party provider, offers support to employees in need of legal and financial advice and counselling on domestic abuse and bereavement issues.

**Workplace Health Promotion** – It consists of health promotion initiatives in Italy to launch prevention programmes and the conscious adoption of healthy lifestyles. Among the initiatives implemented in 2023 are flu vaccination campaigns, breast cancer prevention, and early prostate cancer diagnosis.

**Travel security** - Leonardo considers as a priority the protection and safety of its workers who are called upon to perform their professional work abroad on posting, secondment or relocation. Among the preventive measures put in place to ensure adequate information and preparation, Leonardo offers specific training courses to its employees in travel security, safety and health, in addition to a dedicated, 24/7 health care service; an automated system for providing employees with the Health and Safety information in the country of destination (Pre Travel Advisory); and an app available to travellers with geolocation features in case of emergency. Travel Security processes are ISO27001 certified.

## Respect for human rights

Leonardo has defined specific principles and rules of conduct aimed at spreading a culture of respect for human rights universally recognised in line with the United Nations' Universal Declaration of Human Rights, the International Labor Organisation (ILO) Conventions, the Organisation for Economic Co-operation and Development (OECD) guidelines and the Charter of Fundamental Rights of the European Union. Leonardo's commitment to respect for human rights is expressed within its Code of Ethics, approved by the Board of Directors<sup>51</sup>, which extends to direct and indirect employees, suppliers, customers and anyone who has any kind of relationship with the company. Moreover, this vision is referred to and reinforced in the Charter of Values, the Group Policy on Human Rights, the Supplier Code of Conduct, and the recent adoption of the Diversity, Equality and Inclusion Policy. The management of its people, supplier relations and the sale and distribution of products are the areas of the Group that, through a specific analysis conducted on the basis of the ISO 26000 guidelines, have been identified as most exposed to the risk of violations of human rights. For each of these areas, the Group has put in place various measures to monitor the protection of human rights in order to prevent any related risks, implementing specific mechanisms for the management of reports, either signed or anonymous, setting up a specific dedicated communication channel<sup>52</sup>.

People management	Supply chain	Sale and distribution products
<ul style="list-style-type: none"> <li>&gt; Prohibition on all discrimination against gender, race, skin colour, language, religion, political opinions, sexual orientation, nationality, social status or background, trade union membership, age or disability or any other type of discrimination or intolerance towards diversity.</li> <li>&gt; Prohibition on all forms of exploitation of child, forced or illegal labour.</li> <li>&gt; Guarantee for political and trade unions' rights.</li> <li>&gt; Protection of data of natural persons, especially sensitive data, whether they be employees, collaborators, visitors, customers or suppliers.</li> <li>&gt; Protection of health and safety of workers, in compliance with applicable provisions and the highest standards in terms of safety and hygiene.</li> <li>&gt; Promotion of health and safety and of diversity culture and inclusion, also through Working</li> </ul>	<p>Through the Supplier Code of Conduct, Leonardo requires from its suppliers:</p> <ul style="list-style-type: none"> <li>&gt; Protection of the right to work and equal opportunities, promoting dignity, health, freedom, equality of all workers, rejecting all the forms of discrimination, whether directly or indirectly, also with reference to political or trade union related aspects;</li> <li>&gt; Non-involvement in forced labour, human beings trafficking, and exploitation of child labour and forced labour generally speaking;</li> <li>&gt; Payment of the minimum wages and benefits legally mandated, as well as working conditions, working time and fair compensation complying with the laws and the standards applicable in the countries where the supplier operates;</li> <li>&gt; Safety and protection of health in the workplace in compliance</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Development of technology solutions for the security and protection of citizens, national institutions, technological sovereignty, and the resilience of countries.</li> <li>&gt; Non-involvement in the production, development, storage, trade and/or sale of non-conventional weapons (e.g. cluster bombs, landmines, biological and chemical weapons, blinding laser weapons, incendiary weapons, depleted uranium weapons);</li> <li>&gt; Non-involvement in nuclear weapons production or maintenance activities;</li> <li>&gt; Ensuring, by means of the Trade Compliance Program, full compliance with applicable laws and provisions of competent authorities for Trade Compliance issues (i.e. obligations for embargoes, sanctions or other trade restrictions);</li> <li>&gt; Due diligence on whether potential customers and end-users are in blacklists and other</li> </ul>

<sup>51</sup> For more details, please see the Code of Ethics of Leonardo.

<sup>52</sup> The Guidelines on the management of reports are available on the [website](#). The dedicated channel is [humanrights@leonardo.com](mailto:humanrights@leonardo.com).

## Report on operations at 31 December 2023

groups formed by company and labour unions representatives.	with current regulations regarding Health & Safety <sup>53</sup> . Leonardo, moreover, carries out reputational checks of third parties with which intends to establish contractual relationships and envisages social clauses to protect workers in the case of contract handovers.	checks in case of transactions with Sensitive Countries; ➤ Full-scale use of the Human Rights Impact Assessment tool to analyse, through specific red flags, the conduct of business activities to check for compliance with internationally recognised human rights.
<b>99%</b> of employees in OECD countries. <b>77%</b> of employees under collective agreements. <b>31%</b> of employees are members of trade unions. <b>81%</b> of employees operating in ISO 45001 certified sites.	<b>99%</b> of purchases from OECD countries Within the accreditation and pre-qualification process in Leonardo's supplier register and in Joscar, <b>100%</b> of suppliers accepts Supplier Code of Conduct <b>95%</b> of key suppliers state that they have no suppliers in countries considered at risk <sup>54</sup> . More than <b>6,600</b> evaluated on social and ethical-legal issues.	<b>418</b> transactions monitored in Sensitive Countries.

### Human Rights Impact Assessment

Human Rights Impact Assessment (HRIA) is an analysis tool, which was adopted for the first time in 2021 and with which the company has defined, the main risk indices with reference to human rights and the potential impact of the activities carried out by the Company, in order to apply the provisions of the Group's Policy on respect for human rights and to take action in line with the objectives of the company Sustainability Plan. The analysis is carried out both "by Country" and "by transaction".

The introduction of the HRIA tool has expanded the list of Sensitive Countries (for which please refer to the link published on the company's website), allowing for expanded oversight of the Group's business transactions.

In particular, through the "by Country" analysis, the Countries are identified, which, despite the absence of specific sanction programmes, have been reported by national and international bodies (e.g. UN and EU) due to violations of human rights, with specific regard to: serious acts of internal repression, violations of international humanitarian law; belonging to conflict zones in the trade of "3TG" minerals (so-called conflict minerals), thus including them in the list of Sensitive Countries for the company and, therefore, establishing the obligation to notify any transaction involving them, either directly or indirectly.

On the other hand, the "by transaction" analysis has made it possible to implement the risk analysis tool relating to transactions with Sensitive Countries, adding two drivers relating to the respect for human rights that are linked to the HRIA "by Country".

On 23 February 2022, the European Commission published the proposed Corporate Sustainability Due Diligence Directive (CS3D) with the aim of prescribing a due diligence requirement for companies, taking appropriate measures to identify and address any adverse impact on human rights and the environment along their value chain. In 2023, even in view of these legislative requirements encouraging responsible and sustainable business, Leonardo conducted an in-depth analysis, with the support of CSR Europe, a European association focused on sustainability issues, concerning the legislative requirements of CS3D by identifying

<sup>53</sup> For more details, please see [Leonardo's Supplier Code of Conduct](#).

<sup>54</sup> The data relates to last LEADS assessment conducted on 600 key suppliers.

## Report on operations at 31 December 2023

gaps between the present situation and the due diligence elements required by the proposal. On the basis of this gap analysis, carried out on the basis of public and company documents, a roadmap was developed, the outcomes of which were shared and discussed with all functions potentially impacted by the directive, aimed at defining the improvement actions required for a more comprehensive oversight of the human rights issue along the value chain while strengthening its commitment to corporate responsibility and sustainability.

**PLANET**

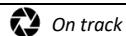


- ✓ DECARBONISATION PATH
- ✓ CIRCULAR ECONOMY
- ✓ NATURAL RESOURCES AND BIODIVERSITY MANAGEMENT

## Report on operations at 31 December 2023

Leonardo is aware that the activities of its production sites and its entire value chain are in close connection with surrounding ecosystems and societies. Responsible use of natural resources, monitoring and management of waste produced, containment of emissions and energy consumption, as well as protection of biodiversity are the drivers of Leonardo's sustainable business strategy aimed at mitigating risks and seizing opportunities in the short, medium and long term by leveraging the efficiency of its processes, products and services, digitalisation and new technologies. A key element of this strategy is combating climate change, which engages Leonardo in rethinking its production processes with the aim of promoting the transition to a low-carbon economy, mitigating the effects of climate change-related risks and seizing the opportunities of its solutions by employing them as drivers of climate action. The pursuit of the Science Based Target initiative (SBTi) commitment strengthens the efforts Leonardo is promoting to reduce its direct and indirect emissions. The transition to a circular business model, adopting technological solutions and responsible behaviour, is a further goal of the Group's sustainable strategy, which aspires to respect the natural capital and material resources used.

<u>Priority topics</u>	<u>SDGs</u>										
<ul style="list-style-type: none"> <li>&gt; Environmental impact of the use of materials and circularity</li> <li>&gt; Management of natural resources and biodiversity</li> <li>&gt; Climate change, adaptation/mitigation</li> <li>&gt; R&amp;D, innovation and advanced technologies</li> <li>&gt; Digital transformation</li> </ul>											
<b>Objectives</b> <ul style="list-style-type: none"> <li>&gt; Reduction in electricity consumption taken from external grid by 10%<sup>55</sup></li> <li>&gt; Reduction in Scope 1 + Scope 2 emissions (Market Based) by 50%</li> <li>&gt; Reduction in water withdrawal by 25%</li> <li>&gt; Reduction in the amount of waste produced by 15%<sup>56</sup></li> </ul>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Progress</u></th> <th style="text-align: center;"><u>Target year</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"> </td><td style="text-align: center;">2025</td></tr> <tr> <td style="text-align: center;"> </td><td style="text-align: center;">2030</td></tr> <tr> <td style="text-align: center;"> </td><td style="text-align: center;">2030</td></tr> <tr> <td style="text-align: center;"> </td><td style="text-align: center;">2030</td></tr> </tbody> </table>	<u>Progress</u>	<u>Target year</u>		2025		2030		2030		2030
<u>Progress</u>	<u>Target year</u>										
	2025										
	2030										
	2030										
	2030										



<u>Impact indicators</u>	
<b>About 180,000 tons of CO<sub>2</sub>e avoided</b> thanks to the partial replacement of gas SF <sub>6</sub> from 2020	<b>About 77,000 tons of CO<sub>2</sub>e avoided</b> through the use of virtual training systems in 2023
<b>Over 15,000 tons of waste recovered</b> in 2023	

## Leonardo's participation in COP28

In December 2023, Leonardo had the opportunity to participate in the United Nations Climate Change Conference (COP)<sup>57</sup> for the first time. The occasion allowed the company to present the "Technology Driven Climate Action" event showing how the technology, solutions and products developed by the Group can contribute to combating climate change. The event was attended by the Ministry of Environment and Energy Security, non-profit organisations, such as CDP (formerly Carbon Disclosure Project) and UN Global Compact Network Italy, and associations such as ESA (European Space Agency).

<sup>55</sup> Calculated as a ratio to revenues. Baseline 2019.

<sup>56</sup> Reduction in emissions, water withdrawals, and absolute amount of waste generated. Baseline year 2019.

<sup>57</sup> Specifically, the 28<sup>th</sup> COP 28 conference was held in Dubai between 30 November and 13 December 2023.

## Decarbonisation path

The decarbonisation path undertaken by Leonardo is aimed at reducing direct and indirect climate-altering emissions in line with the commitment made by joining SBTi. Technology, digitalisation, efficiency improvement of its operations and involving the supply chain are the main drivers integrated into the production model and the development of new products and solutions to promote this commitment. In 2023, the Group promoted the submission of targets to the SBT initiative by following up on the commitment made in 2022.

### Decarbonisation roadmap: a strategy in line with SBTi

Leonardo pursues the goal of reducing its carbon footprint by committing to lower direct scope 1 and 2 emissions. As early as in 2022, this commitment was strengthened by including a target of a 50% reduction in scope 1 and 2 (market based) emissions in 2030 compared to 2020 within the Group's Sustainability Plan. This commitment is pursued through several initiatives, aimed at decarbonising and curbing the energy consumption of its operations, including the energy self-production programme, the Full Potential LED lighting programme, the replacement of SF<sub>6</sub> gas with a less climate-altering gas, which avoided the emission of about 180,000 tons of CO<sub>2e</sub> in 2023 compared to 2020, and the development of additional innovative solutions. In 2023, the effort supported by the Group resulted in a 9.5% reduction in scope 1 and 2 (market-based) emissions compared to 2022.

### Major projects to reduce CO<sub>2</sub> emissions in its operations (Scopes 1 and 2)



**SF<sub>6</sub> replacement** – Leonardo is proceeding with the work to upgrade its manufacturing processes in order to significantly reduce the quantities used for the inert gas SF<sub>6</sub> by replacing it with a gas with lower Global Warming Potential (GWP), according to the methods envisaged in the related project of the Sustainability Plan. The objective is, in fact, to replace SF<sub>6</sub> gas (GWP: 24,300) with R134a (GWP: 1,530) as the inert gas used during the casting of magnesium alloys. In 2023, a direct emission reduction of about 180,000 tons of CO<sub>2e</sub> was achieved through the partial replacement of SF<sub>6</sub> with R134a, compared with 2020.



**Energy self-production programme** – Following the formalisation of an additional lot of contracts in 2023 for a total installable capacity of 35.3 MWp, there are 16 agreements in place for the construction of plants at different stages of implementation (2 with operations started at construction sites, 2 with operations still to be started at construction sites in early 2024, and 12 with design and permitting activities in progress). Furthermore, 15 additional plants are in the process of being analysed with the aim of maximising electricity production from on-site plants, reducing dependence on fossil fuels and diversifying the risk associated with volatile energy markets. The current estimate of self-consumed PV energy relating to the plants at which operations have already been started may then reach a value of about 50GWh/year when fully operational, equivalent to about 16,000 tons of CO<sub>2e</sub> per year avoided. The outcome of the authorisation procedures, which are currently in progress, will confirm these values and the timing of construction of the plants, with the aim of giving maximum acceleration to the project. The systems hosted at Leonardo's plants will be owned by a third-party partner who will make a portion of the energy produced available to the sites, thus helping to reduce the withdrawal of electricity from the external grid and associated costs. Finally, assessments have been initiated for the future installation of additional PV systems on other areas within Leonardo's sites and the potential development of plots of land that are not used at present.



**Full Potential lighting Programme** – Work is continuing on the massive programme to replace lighting systems with LED technology, envisaged in the Sustainability Plan. In the period from 2021 to 2023, investments of about €mil. 20.1 were completed, which will allow, when fully operational, to save about 21.6 GWh/year, equal to more than 6,800 tons of CO<sub>2e</sub> avoided per year, which must be added to the 6,000 tons of CO<sub>2e</sub> avoided per year thanks to the first installations completed in the period from 2014 to 2020. The Programme, on which Leonardo has decided to give maximum acceleration and which will be completed in 2024, envisages an overall investment of about €mil. 31 and an estimated reduction in consumption of about 31 GWh/year when fully operational, equal to about 10,000 tons of CO<sub>2e</sub> avoided per year. The Programme will also make it possible to improve working environments, with regard to all impacted areas: industrial, office and outdoor areas.

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**Thermal Energy Consumption Efficiency** – At the end of August 2023 works were started on the new thermal plant at the Vergiate factory, which will replace the current steam generators with more energy-efficient machines. As from October 2024, the plant will adopt hot-water thermal distribution, with the goal of completing the works by 2025 consistently with production requirements. The new plant will be able to reduce gas consumption by about 900,000 m<sup>3</sup> per year, equal to about 1,800 tons of CO<sub>2</sub>e avoided, through an investment of more than € mil. 6.



**Digital energy monitoring** – A digital platform connects about 1,200 smart meters through which about 74% of the energy consumption is monitored at the Italian plants, enabling a structured and digitised management of energy consumption and facilitating the identification of new projects to improve consumption efficiency. In 2023 Leonardo prepared energy diagnoses based on the data collected by the platform in 2022, according to Legislative Decree 102/2014. Energy Diagnoses were conducted on 16 Leonardo sites and allowed for updating the energy performance of the plants and take new actions on plant engineering efficiency improvement.



**Electric and hybrid cars** - Leonardo's corporate fleet (long-term rental) in Italy consists of 62% hybrid/electric drive vehicles (+19 p.p. compared to 2022), with the goal of achieving 80% by 2024<sup>58</sup>. Regarding the carpool, the current share of green vehicles is 55%. In support of this objective, additional charging stations will also be installed at all Leonardo sites, in addition to more than 330 that are already in use (including 134 in 2023).

A pilot car sharing project has also been launched at some sites, using only electric or hybrid cars, with the aim of gradually extending it to the entire Group.

## Major projects to reduce CO<sub>2</sub> emissions in the value chain (Scope 3)

During 2023, Leonardo conducted a careful examination of the scope 3 emissions produced by the Group to identify, in line with the SBTi methodology, the areas of greatest commitment towards which to promote its decarbonisation actions, including its supply chain and its products and services.

### Reduction in emissions in the supply chain

Leonardo aims to become a driver for reducing emissions in its supply chain. The supplier engagement programme undertaken by the Group is aimed at creating a community that is aware of and committed to achieving increasingly ambitious sustainability goals<sup>59</sup>. Among the actions taken, Leonardo has started specific training, awareness and sustainability reporting planning support programmes to bring its suppliers' decarbonisation path into line with SBTi. Leonardo plans to further support the decarbonisation of its supply chain by supporting it through the creation of a community engaged in a common vision and goal; the development of the necessary skills, through training courses, workshops, and specific advice, involving experts and market industry leaders for sustainable solutions and financial support initiatives for small and medium-sized enterprises.

### Reduction in emissions through the development of products and services

Leonardo is active in reducing scope 3 emissions related to the use of its sold products and services by promoting innovative solutions, the use of alternative materials and state-of-the-art fossil fuel substitutes, which enable the customer to reduce emissions generated in the phase of use. For example, Leonardo allows virtual pilot training, through the creation of simulators, reducing real flight hours and the resulting emissions. The use of alternative materials, on the other hand, allows the manufacture of lighter aircraft that consume less and produce smaller amounts of emissions. Leonardo is investing to develop products that can use alternative fuels to fossil fuels such as, for example, synthetic fuels and Sustainable Aviation Fuel (SAF).

<sup>58</sup> This target, which has been proposed again in 2024, was not met in 2023 due to major delays in the delivery times of new cars on the part of the suppliers, caused by global geopolitical contingencies that also affected the automotive market.

<sup>59</sup> For more information, please see [Partnerships and supplier development programmes](#) in the paragraph "Supply chain value" of the chapter "Prosperity".

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In line with this strategy, Leonardo promoted the first flight of an AW139 helicopter in 2023, using 100% SAF fuel at the Cascina Costa plant. The flight, which lasted about 70 minutes, showed no significant differences from the performance of traditional fuel.

In addition, Leonardo manufactures systems to optimise air, urban and maritime traffic, which make the aeronautics and transport sectors more environmentally sustainable and participates in research and development activities for advanced solutions with low environmental impact promoted by major national and European projects, such as, for example, Clean Aviation and Sesar.

### Major projects to reduce Scope 3 emissions



**Virtualisation** – Virtualisation, which was originally created to only support cockpit crew, has over the years seen growth in the share concerning training of both cabin flight crew (e.g., MITHOS-related activity for winch operations training) and aircraft maintenance personnel. Embedded Training Systems allow online training with real and/or virtual actors in a tactical scenario shared between aircraft, ground simulators and monitoring and control stations, with real-time data exchange through data link (aircraft-to-ground) and communication networks (ground-to-ground). These technologies make it possible to significantly reduce the need for flights on real platforms, with consequent reduction in the use of fuels and production of climate altering emissions. The virtualisation of product testing (Certification-by-Simulation) will also drastically reduce the flight activities required to obtain certifications for platforms and/or their subsystems.

1/10

CO<sub>2</sub>e emissions produced with one hour of simulator compared to one hour of real flight



**Sustainable Aviation Fuel (SAF)** - Environmentally sustainable fuel is one of the solutions to contribute to reducing aviation's carbon footprint at global level. At present, Leonardo has 12 helicopter models that can operate on fuels with up to 50% of SAF<sup>60</sup>. In 2024 Leonardo will complete verification of the ability for in-service owner aircraft to operate with drop-in fuels with up to 50% of SAF. Leonardo is also active in various national and international councils to monitor and analyse technological advances towards the definition of both 100% SAF drop-in fuels for in-service aircraft and newly formulated 100% SAF fuels for future aircraft. Within the ATR consortium, the compatibility of the family of ATR 42/72 regional aircraft with drop-in fuels with up to 50% of SAF has already been defined.

Up to -80%

of CO<sub>2</sub>e emissions over the entire life cycle thanks to the use of SAF with respect to traditional fuels<sup>61</sup>



**Emission Trading Scheme** - In Italy, 9 sites fall within the scope of the ETS (Emission Trading Scheme) regulations, compared to 12 sites in 2013, and must therefore offset their CO<sub>2</sub>e emissions by acquiring allowances partly free of charge, and partly for valuable consideration.

9 Leonardo sites

fall within the scope of ETS



**Air traffic management** – Air Traffic Management (ATM) systems help optimise traffic and reduce aircraft GHG emissions. Leonardo develops and produces ATM systems within the European SESAR (Single European Air Sky ATM Research) programme, which aims to realise the Digital European Sky by constructing large-scale demonstrators that aim to eliminate inefficiencies in all phases of flight to create a single European air traffic

About 150,000

tons of CO<sub>2</sub>e avoided in one year with Leonardo's Free

<sup>60</sup> Leonardo helicopters that can operate with fuels having up to 50% of SAFs without operational limitations or performance degradation are the following: AW139, AW169, AW189, AW149, A109S, AW109SP, AW119MkII, A109A/AII, A109C, A109K2, A109E, A119.

<sup>61</sup> Depending on the mixture of SAFs used. More information can be found on the [website](#).

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control system, which at present is still fragmented<sup>62</sup>. In particular, Leonardo's current Air Traffic Control (ATC) system aims to adapt to the needs of its customers, based on a shared vision and a roadmap integrated with SESAR towards automation, digitalisation, scalability, optimisation and green transformation.



**Sustainable employee mobility** – Some plans have been prepared for 41 company sites in Italy, 9 of which on a voluntary basis, which provide for the implementation of several projects aimed at encouraging more sustainable home-to-work mobility. Almost 30,000 people work at these sites of Leonardo, equal to about 95% of the company population in Italy. In 2023, Leonardo incurred expenses of about € mil. 3 to support employees in making sustainable mobility choices, including: the continuation of smart working, maintaining the shuttle service at numerous company sites, installing covered parking spaces for bicycles and kick scooters, providing grants for the purchase of public transport season tickets, the provision of an app specifically for sustainable mobility, agreements to encourage the use of bicycles and with Trenitalia to offer favourable terms for the purchase of train tickets.

3 mln € to support employees in making sustainable mobility choices



**Logistics** – Implementation of the Transportation Control Tower to make the Group's shipping management more efficient while reducing emissions under Scope 3, through consolidation of shipping and reduction of dedicated transport and, where possible, with a shift to more sustainable modes of transport (e.g., maritime). A reduction of 5% in CO<sub>2</sub> emissions was achieved in 2023, which is expected to increase to 7% in 2024<sup>63</sup>.

-5% CO<sub>2</sub> emissions through the implementation of the Transportation Control Tower

**Genova 4 assi** – This project involves the construction of a trolleybus system along the main routes through Genoa. The route network will extend 96 kilometers from east to west and into the valleys, passing through the city center, and will be covered by 138 trolleybuses and electric buses. Through Leonardo's SIGMA+ system, the monitoring solutions, supported by advanced AI-based video analysis algorithms, will enable data processing and efficient traffic light control, thus ensuring safeguards for a proper use of infrastructure. The project will generate positive impacts for the environment and the community, including a reduction in pollution and CO<sub>2</sub> emissions through increased use of sustainable and efficient multimodal public transport compared to private vehicles and improving the liveability of the city through reduced urban traffic.

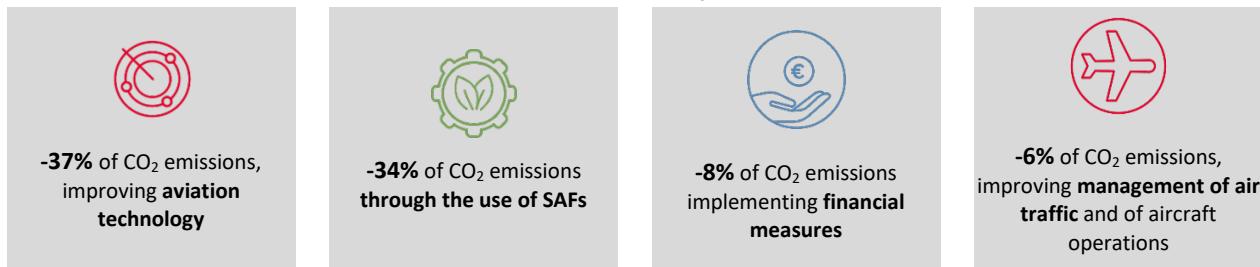
<sup>62</sup> SESAR 3, the current definition of the SESAR programme, linked to the Net Zero Emission policy strategy for aviation at the ICAO and European levels, is focused on increasing gate-to-gate efficiency through a combination of dedicated solutions for European airspace redesign and reuse, civil-military coordination, flight planning, integration of new types of energy-efficient aircraft into the ATM ecosystem, and green management of airport surface and control and landing operations.

<sup>63</sup> Baseline 2019.

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

### Destination 2050 objectives



### "Net zero" objective in the United Kingdom

In the United Kingdom Leonardo has committed to achieving Net Zero by 2030 for Scopes 1 and 2 emissions and across the value chain by 2050, with a target to reduce CO<sub>2</sub> emissions by 40% (for Scopes 1 and 2) by 2025 compared to 2018. The most significant measures to reduce carbon footprint include:

- > **Energy management standards** – Implementing ISO 14064-1 certified management systems at all UK operations by the end of 2024 with the ambition to follow the PAS 2060 standard to demonstrate the credibility of the stated carbon neutrality target.
- > **Renewable energy** - Ensuring that 100% of the electricity used on sites is from renewable sources, through certificates of the Guarantees of Origin.
- > **Self-produced energy** – Making investments to achieve 25% of self-produced energy under power purchase agreements by 2030.
- > **Use of electric vehicles** – Expanding charging stations, providing incentives for employees to transition to hybrid or electric vehicles.
- > **Investments in energy efficiency at sites** – Implementing a system to monitor electricity and gas consumption at all sites, launching a Lighting-as-a-service (LaaS), significantly reducing fossil fuel consumption and promoting the use of low greenhouse gas emission refrigerants.
- > **Decarbonisation of heating systems** - Replacing gas heating systems with electric systems to reduce climate-altering emissions.
- > **Employee engagement and training** - Increased awareness among employees on climate action and sustainability issues through campaigns, training courses and working groups.

### **Leonardo's advocacy activities and collaborations on environment and climate**

Leonardo is a member and is part of the Board of Directors of the International Aerospace and Environment Group (IAEG), an organisation including the industry's leading companies committed to advancing innovative environmental solutions and standards for aerospace. Among the topics dealt with are hazardous substance management, alternative technology development, authorisations related to chemicals (REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals), international regulations on environmental issues, and GHG emissions reporting and management. At the European level, Leonardo is a founding member of the Climate and Defence (C&D) task force of the AeroSpace and Defence Industries Association of Europe (ASD) and its subgroups on Ecodesign and Sustainable Supply Chain. Within ASD the Group also participates in the Economic, Legal and Trade Commission (ELT) and the Corporate Social Responsibility (CSR) subgroup that monitors European dossiers concerning sustainability and reporting

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issues. With respect to decarbonisation and adaptation to climate change, Leonardo has been called upon to participate in dedicated working groups, contributing to the drafting of armed forces guidelines on the subject. Leonardo also participates in the Energy Transition and Climate Change group of the European Round Table (ERT). Finally, Leonardo is part of the Confindustria Environment Technical Group and of the Technical Group on Corporate Social Responsibility in Italy.

### Leonardo's contribution to climate change adaptation

The demand for Earth observation and monitoring services to verify climate conditions, and to deal with extreme events and emergency situations, is expected to increase. Adaptation to climate change requires actions, skills and technologies that the Aerospace, Defense and Security sector can help provide through its technological assets and an integrated, multi-domain approach.

Leonardo provides **manned and unmanned helicopters** and **aircraft**. In the second category, Leonardo has a Medium-Altitude Long-Endurance class product portfolio consisting of the "**Falco family**" and a technology evolution roadmap for use in environmental surveillance and monitoring, emergency management and border control missions in a connected environment and highly integrated with other infrastructures.

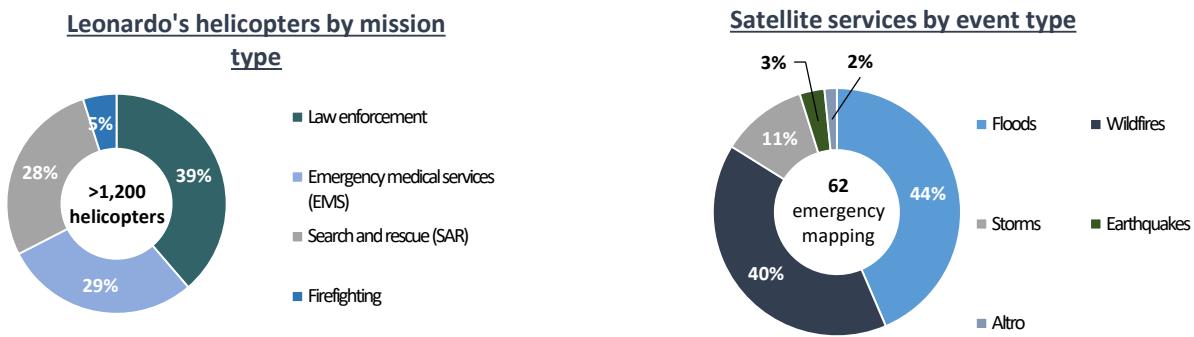
Leonardo develops **multi-mission configurations** of aircraft for search and rescue and emergency medical missions (SAR - Search and Rescue - and EMS - Emergency Medical Services, respectively), and designed for excellent performance under the most demanding operating conditions in natural disasters, fires and humanitarian relief (AW family, ATR Special Version and C-27J Firefighting).

Another category of services is **global monitoring**: timely and quality data analysis is essential for decision-making in a variety of areas. The real-time integration and processing of large amounts of data coming from various sources (including satellites, drones, communication systems, sensors, and control rooms) is at the heart of global monitoring. Such satellite geo-information services are useful for monitoring emergencies such as floods, fires, tornadoes, and other solutions aimed at facilitating climate change adaptation. Leonardo also provides geospatial information to support emergency management through e-GEOS. Specifically, with reference to the phases concomitant to or immediately following the emergency, Leonardo operates the Copernicus Emergency Rapid Mapping Service, which provides standardised mapping products that enable verification of the pre-event situation, and an approximate assessment of the most affected locations, and the intensity and severity of damage. Access to the service is centrally coordinated by the European Commission and is granted free of charge to Civil Defence and Humanitarian Aid workers from member states and international organisations such as the United Nations, the World Bank and specific NGOs. With regard to the prevention, preparedness and containment of disaster risk and in the recovery phase, Leonardo is a leader in the Risk and Recovery Mapping Service component. Within the scope of the Copernicus programme, Leonardo also provides the European Ground Motion Service (EGMS), which is created through state-of-the-art spatial remote sensing technology, and enables the detection and measurement of ground movements across Europe with millimetre accuracy, using InSAR (Interferometric Synthetic Aperture Radar) data derived from Sentinel-1. This data is used both to monitor the structural integrity of dams, bridges, railways, buildings and to identify areas where a new infrastructure can be built, assessing the likelihood of natural hazards such as landslides or subsidence.

Among the products with an impact in terms of climate change adaptation is the **X-2030 platform**, which is a "system of systems", a command and control, communication, cyber and intelligence solution for monitoring the territory, capable of processing and exploiting huge amounts of data from heterogeneous sources in real time. The X-2030 platform provides, through collecting and correlating information from available sensors and databases, an integrated and georeferenced view of both the territory in real time and its changes over time and is used, for example, for monitoring environmental and anthropic events,

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preventing risks (including those caused by climate change) and environmental crimes, monitoring archeological sites and for city management and urban security purposes.



## Circular economy

The **transition to a circular business model** forms an integral part of Leonardo's Sustainability Plan strategy and projects. Specifically, a transformative approach is being pursued across the entire value chain of the products and materials used: reuse, reconditioning, life extension, product as a service are already implemented as best practices while other models such as circular supply chain, extended manufacturer's liability, industrial symbiosis are opportunities for the Group's evolving and increasingly circular business. The objective of Leonardo is to decouple business growth from the use of material resources, including in view of the intention to reduce strategic dependence on critical raw materials at the European level<sup>64</sup>. Leonardo's circular economy strategy is based on four main interconnected areas: **optimising** the use and choice of materials since the design stage (through eco-design and additive manufacturing) to obtain products that reduce the use of resources throughout their life cycle and are prepared for circular reuse; **dematerialising** and **virtualising** by using increasingly digital platforms for industrial processes and solutions offered to customers (through the adoption of digital twins); **extending the useful life of products** by implementing product as a service, enhancement of used products including through reuse, predictive maintenance, including through predictive models and Artificial Intelligence; **promoting the recycling** of materials, by managing the end of life of products. The following infographic shows examples of actions the Group is taking to implement the strategy.

Leonardo proposes itself as a driver for the creation, through partnerships and industrial symbiosis, of circular supply chains which involve the supply chain and customers and are also extended to application domains outside the scope of AD&S, as witnessed by the project to recycle carbon fibre composite materials<sup>65</sup>. In addition to monitoring regulatory developments on the issue and requests from external stakeholders, including customers, Leonardo pursues the dissemination of circular business models, with the aim of implementing initiatives to increase the volumes of incoming recycled materials and reduce those of non-recycled waste. In order to quantify these flows, one of the methods used is the Life Cycle Assessment (LCA), as a fundamental tool for optimising the resources and carbon footprint of products and for comparing circular and linear business models. Furthermore, Leonardo is developing projects to replace hazardous substances in processes that tend to result in waste that is difficult to recycle. Finally, Leonardo pursues the reduction and recovery of materials in the cycle of its production activities, such as production waste and end-of-life materials (including recycling of carbobesins or data centres), or end-of-life products (including reuse of avionics products used in helicopters and company mobile phones).

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<sup>64</sup> Including the "[EU Critical Raw Material Act](#)".

<sup>65</sup> For more information, please see "["Composite Materials: A Hidden Opportunity for the Circular Economy in New Material & Circular Economy Accelerator" in Download Composite Materials: A Hidden Opportunity for the Circular Economy — CSR Europe](#)



#### Main results

- ✓ Aircraft structures capable of maintaining a **service life level in excess of 20 operating years**<sup>66</sup>.
- ✓ **49% of waste generated recovered in 2023**.
- ✓ **About 77,000 tons of CO<sub>2</sub> avoided** through the use of virtual training systems in 2023 (**more than 50,000 training hours delivered in the year**).
- ✓ Divisional projects for paperless and digitized management of manufacturing/production document flow to **reduce paper use by up to 90% on a single process basis**.

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<sup>66</sup> Leonardo's study presented to Cotec in November 2018: "Circular Economy in the Aviation Sector, a document for specific use by the Cotec Foundation."

## Leonardo's major circular economy projects

**Digital twin and additive manufacturing** – Primary enabler of Leonardo's transition to a circular model is digitisation. The use of the Digital Twin makes it possible to reduce the use of resources in prototyping, testing and training on developed products, and to rethink production cycles. In 2023, work commenced on research and innovation projects on the Digital Twin of products in the Helicopters and Electronics divisions. It is possible to reduce waste during production processes through additive manufacturing. In this case too, research and innovation projects have been started on critical materials with a high circular value such as titanium powder. Additive manufacturing will also be applied to recycled carboresin for the manufacture of secondary structural parts and will also allow parts of products to be replaced during their service life.

**Composites Recycling** – Leonardo has promoted, through the activities of Leonardo Innovation Labs and in collaboration with its suppliers and technology partners, such as Herambiente and Solvay, the creation of the circular supply chain for recycling carbon resins, which are materials that are complex to recycle but widely used in aeronautics because of their unique mechanical strength characteristics. The project aims to maintain the technical quality of aeronautical carbon fibre and the circular value of carbon resin waste. The recycled carbon fibre will also become second raw material for applications outside the aerospace and defence domain. The pilot phase of the project at a medium-scale plant is nearing completion.

**WEEE (Waste from Electrical and Electronic Equipment)** - As part of IT Evolution consolidation, Leonardo has transitioned from 50 data centres to two next-generation computing hubs, virtualising the services offered in the cloud and increasing computing power, reliability, and security, with energy savings of about 20% compared to the previous setup. Leonardo disposes of end-of-life electronic materials through qualified partners, which carry out waste sorting and conditioning of materials (such as electronic components, plastics, metals, etc.), joining a supply chain to produce secondary raw materials with efficiency greater than 85% by weight of waste. In 2023, more than 10.5 tons of WEEE material was sent for recycling, with a total of 35.5 tons since the project began. Recycling also implements the practice of urban mining that allows the recovery of critical raw materials and conflict minerals.

**Predictive maintenance** - The use of predictive maintenance enables the extension of product life. To this end, Leonardo has developed a pilot process, which, using hyperspectral imaging and AI-based automation technologies, monitors and prevents helicopter blade failures.

**Multiple use of packages** – Leonardo aims to reuse plastic packaging used for products, parts and materials in production processes, which accounts for the most significant portion of waste produced. Also thanks to this practice in the Aircraft division, waste production was reduced by 1.8 tons/year, of which 1 ton/year was plastics, in the JSF production process.

**Reusing products and parts** – As part of the activities in support of integration and test (RIG) of mission equipment of the NH90 helicopter carried out by the Electronics Division, end-of-life electronic materials made available by the Helicopters Division and the Electronics Division itself are used. Specifically, on the one hand, most of the avionics equipment and cable harnesses are recovered from decommissioned or discarded material, thus allowing new use of equipment that is no longer suitable for flight; on the other hand, PAC (Programmable Automation Controller) actuators are converted from avionics equipment to equipment useful for simulating the platform. Since the start of the project, about 900 kg of electronic equipment has been recovered and reused (repurposed). In addition, the implementation of the new test bench allows the equipment to be tested at the production site, lowering the emissions that would otherwise be produced by the travel of its employees.

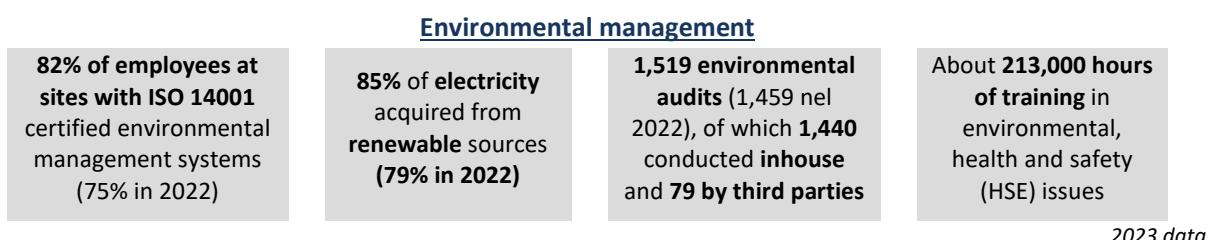
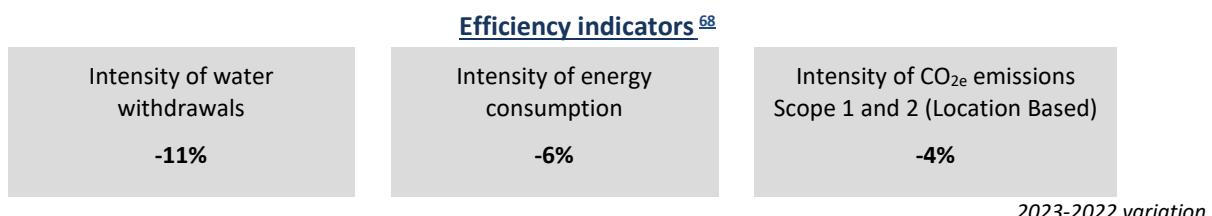
**Rationalisation of archives and digitisation of paper documents** - Work continued on the project aimed at reducing and centralising Leonardo's paper archives, including for their possible digitisation at a later time. More than 5.9 million pages were digitised in 2023. The remaining paper is sent for recovery and in particular, about 30 tons of paper and cardboard have been delivered to a paper mill that specialises in converting such waste into new paper products for office use. This operation will enable to free about 4,000 square meters of areas at company sites, which may be allocated to uses with greater added value for the business.

**Sustainable canteens** – Leonardo is committed to the development of circular models through the recovery of surplus food from the main Italian factories in favour of non-profit organisations, for the benefit of the local areas concerned. To this end, Leonardo has activated the Responsible Canteens Programme since 2013, in partnership with the Banco Alimentare Onlus Foundation and canteen service providers, to recover surplus food<sup>67</sup>.

<sup>67</sup> For more details, please see the paragraph on [Value for communities and territories](#) in the chapter on "Prosperity".

## Natural resources and biodiversity management

Leonardo is committed to the efficient use of energy and natural resources and a reduction in emissions and pollution, operating in compliance with applicable laws and stakeholder expectations. Audit programmes, risk identification and management processes in the area of environment and any related improvement and mitigation plans make it possible to ensure a safe working environment, as well as check for regulatory compliance, maintain site management system certifications, certify emission allowances, and assess the correct application of monitoring, control and reporting tools to protect people, the environment and business continuity. Specifically, environmental risks are also identified from the topics that emerged from the materiality analysis. As part of Leonardo's Sustainability Plan, energy and industrial efficiency improvement measures have been planned to reduce GHG emissions and the pollution into the atmosphere (Volatile Organic Compounds), as have studies and initiatives to reduce water withdrawals, waste production by implementing circular economy practices, the use of hazardous substances, and protect the soil and subsoil and biodiversity. Specifically, Leonardo is implementing a standardised management model through the Leonardo Production System (LPS) continuous improvement programme, already active at 18 company sites, which enables the efficiency and continuous improvement of operations, including with a view to reducing environmental impact, in terms of lower emissions, water and energy consumption and waste generation. Leonardo also studies applications of the Life Cycle Assessment (LCA) methodology to both manufacturing processes and products for resource optimisation (emissions, and water and material flows) and decarbonisation monitoring. As part of the Clean Aviation project, Leonardo adopts the LCA methodology developed in collaboration with project partners in order to quantify the decarbonisation and material resource reduction of future sustainable aircraft, on some wing parts of the aircraft.



<sup>68</sup> Indicators calculated as a ratio to revenues.

## Water and waste management

Leonardo is increasingly committed to the responsible management of natural resources, with specific regard to water resources and waste. To this end, Leonardo has commenced work on projects to reduce water withdrawals and increase the volumes of water to be recovered and reused, and to reduce the amount of waste produced and increase the amount of waste to be sent to recovery operations, with a view to circular economy. In particular, Leonardo has launched the Water Audit Cycle (WAC) project, which has allowed desktop studies to be conducted in relation to the analysis of factory water balance, primary water and wastewater treatment systems (both domestic and industrial), and technological systems (e.g., cooling towers) that use water, with the aim of identifying actions for the recovery and reuse of water resources on site (Water Circularity). In 2023 specific in-depth investigations were carried out at 9 production sites in Italy, prioritised because of the volumes of water withdrawn and its use. Improvement actions have been taken which involve both the upgrading of existing wastewater treatment plants and the installation of new treatment plants. Systems for the recovery and reuse of water are already in place at several sites: at sites in Puglia, the company has implemented treatment systems (e.g., reverse osmosis and filtration) and recovery of rainwater, which is reused predominantly in production processes and technological systems; at the Brindisi and Pomigliano sites, evapo-concentration plants are operating to treat industrial wastewater, resulting in recovery and reuse of water; at the Caselle Nord site, an ion-exchange resin plant is operating to treat washing water from galvanic processes in order to recover and reuse post-treatment water. At the same time, Leonardo has launched the Waste Prevention Programme (WPP) project, which has enabled the implementation of desktop studies related to a precise analysis of the types of waste produced at Leonardo sites in order to identify any possible action aimed at reducing the quantities of waste and identifying alternative forms of management, with a view to circular economy. In 2023, specific in-depth studies were carried out at 9 production sites in Italy, prioritised because of the volumes and types of waste produced. Improvement actions have been taken which concern on-site treatment, using evapo-concentration systems, of industrial wastewater that is currently managed as waste. The most notable projects are those focused on water circularity, which involve the combined treatment of liquid waste that makes up the largest contribution of waste destined for disposal and not recycled, and industrial wastewater. For example, at the Nola site, a system is already in place to treat industrial wastewater consisting of oil emulsions, previously managed as waste, by means of an evapo-concentration system. At the Anagni site, operations on an evapo-concentration system for the treatment of industrial wastewater, formerly managed as waste, were started at the end of 2022. With the activation of this treatment, it was possible to reduce the amount of liquid waste by 65 tons in 2023.

Furthermore, Leonardo adopts an approach aimed at enhancing the circular value of materials and increasing awareness of being part of a circular value chain, also in view of the increasing attention to traceability of incoming and outgoing materials and due diligence audits covering respect for human rights (including topics on conflict minerals), recycled and recyclable quantities, and protection of biodiversity at source or destination sites. In addition to what is required by regulations from managing partners and consortia, Leonardo is requesting evidence of the supply chain up to the "End of Waste" or the production of "secondary raw materials" as part of the WEEE<sup>69</sup> project for waste from Urban mining that contains critical raw materials and conflict minerals in order to further improve waste traceability.

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<sup>69</sup> For more details on WEEE, please see the paragraph on [Circular economy](#).

### Other projects to manage water resources

**Smart Water project**– After the initial phase of defining the water balance and setting out priorities for intervention on about 36 sites, the project has planned to start operations at work sites in 2023 to improve efficiency of water withdrawals and to install new smart meters, aimed at real time monitoring of consumption, the audit of results of the actions taken, and the design of efficiency improvement actions. The actions implemented in the period from 2022 to 2023, including the installation of about 50 smart meters, have allowed an estimated reduction of about 500,000 cubic meters/year of water supplied compared to 2019.

**Water Site Risk Analysis** – An innovative methodology has been developed to assess water risk to the business at Leonardo sites and direct a proper management strategy; it is based on an assessment of risk exposure (dependent on geographical location, characteristics of manufacturing processes and intensity of use of water resources), and the effectiveness of operational and organisational measures put in place to guard water resources. The project covered 31 sites that amount to almost 90% of the water withdrawal volume for the Group.

**Water recovery project** - At the Grottaglie site, a project has been launched to maximise the recovery of rain and condensate water from Air Treatment Units (ATUs) through an accumulation basin. The water recovered through a reverse osmosis process will be used in cooling towers. As a whole, a reduction in water withdrawals by about 25% is expected at the Grottaglie site in 2024 compared to 2019 values.

### Soil and air emissions

Leonardo implements various activities to reduce pollutants emitted into the atmosphere through the application of new technologies and more efficient abatement systems. These include improving management systems, eliminating or reducing diffuse and/or fugitive pollution in the atmosphere, and eliminating emission sources. These activities contribute to avoiding or completely eliminating relative emissions, including NO<sub>x</sub>, SO<sub>2</sub> and VOC emissions. Furthermore, Leonardo is committed to promoting initiatives aimed at controlling and reducing the use of hazardous substances. Leonardo's sites where production processes are carried out, which involve the controlled use of hazardous substances operate in line with specific regulations to manage risks and any potential impact on the environment. The operation of contaminated sites and ongoing remediation procedures in the Group, 19 in 2023, is based on an approach of responsibility and sustainability to implement the best technical and operational solutions.

At its various sites in Italy and abroad, Leonardo has implemented processes to improve wastewater quality. Produced domestic and industrial wastewater is sent to purification and treatment processes before discharge into public sewers or surface watercourses. Domestic wastewater is sent to biological purification and treatment processes prior to discharge, while industrial wastewater is treated through chemical and physical processes, ion-exchange resins, and/or evapo-concentrators. Through these treatments, risks associated with the quality of water leaving production processes are reduced and the impact of water emissions on the terrestrial ecosystem and the waterways involved is also reduced<sup>70</sup>.

### Hazardous substance management

Leonardo, whose business is at the end of the supply chain, is committed to managing chemicals and mixtures deemed harmful to human health and ecosystems through material procurement and supplier qualification stages<sup>71</sup>. The management of such substances is complex both because of the stringent performance, safety and certification requirements of its products and because some hazardous substances are not universally identified as such in materials entering production processes<sup>72</sup>. In compliance with the REACH Regulation and the RoHS Directive and as an example of applied Ecodesign, Leonardo targets the reduction of the use

<sup>70</sup> For more details, please see the paragraph on [Water and waste management](#) above.

<sup>71</sup> For more details, please also see the in-depth study on paragraph "Supply chain value", [REACH and chemical substances](#).

<sup>72</sup> Such as, for example, for Per- and Polyfluoroalkyl Substances (PFAS).

of hexavalent chromium in processes for hard coatings of parts with high thermomechanical strength and a need for corrosion protection in very challenging environments. As part of the working group on Critical Raw materials<sup>73</sup>, Leonardo has activated collaboration with RINA-Centro Sviluppo Materiali, one of the research and development partners, concerning alternative coating creation techniques, preferring chemical processes with reduced environmental impact in terms of use of materials and emissions.

## Biodiversity protection

Leonardo contributes to the anthropisation of geographical areas and the modification of the natural ecosystem with its products and production processes and of its supply chain. If "business as usual" inexorably increases impacts on the natural capital on which one's business depends<sup>74</sup>, Leonardo deploys numerous actions that in some cases produce a reduction in impacts on biodiversity, such as those for decarbonisation and optimisation of environmental resources<sup>75</sup> while in others they enable biodiversity gains, as in the case of actions for active restoration and regeneration of ecosystems. The Group conducts a precise mapping of production sites and their relative distance from protected natural areas in order to assess any interconnections with ecosystems. In 2023 these sites amounted to 39 (26 in Italy, 6 in the United Kingdom, 4 in the United States and 3 in the rest of the world). In addition, 26 sites owned in Italy are affected, within a radius of 3 km, by additional landscape constraints, including archaeological ones (buffer strips, areas of public interest, etc.). The extent in hectares of sites located within 3 km of protected natural areas and/or areas of high biodiversity is 743 hectares, equal to about 53% of the surface area occupied by Leonardo Group sites. Among the actions taken to reduce impacts on ecosystems, some can be due to compliance requirements with environmental regulations while others refer to the specific characteristics of the geographical area or nature reserve near which the production site is located, including: forest reforestation with native species (such as at the Cameri site in conjunction with new construction and in Foggia), operation of the runway at the Vergiate airport according to criteria for reducing impacts on flora and fauna, phytodepuration of wastewater with native plants, and installation of oil/water separators to avoid soil or water contamination. Furthermore, Leonardo acts as a provider of services and a supplier of products for biodiversity protection, seizing its business opportunities. Technologies for monitoring and protecting natural capital are mainly based on satellite monitoring and artificial intelligence. Many of Leonardo's products are flexible and multi-objective, enabling applications and services for both security and biodiversity; such as, for example: SEonSE (Smart Eyes on the SEas), a geospatial platform that provides information related to illegal activities or other anomalous events, such as oil spills, enabling the preservation of marine resources but also monitoring the evolution of the marine and coastal environment; natural emergency response and disaster recovery systems, including the C-27J Fire Fighter aircraft<sup>76</sup> and resilience system for floods and extreme weather events for the island of Saint Lucia.

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<sup>73</sup> Within the scope of the Incubator Forum on Circular Economy in European Defence (IFCEED) project of the European Defence Agency.

<sup>74</sup> Such as the availability of water in local aquifers, soil, air thermoregulation, etc..

<sup>75</sup> Including a reduction in water supply.

<sup>76</sup> For more information, please see the chapter on "Sector results and outlook", section on [Developments in 2023 - Aircraft](#).

## Other projects to protect biodiversity

**Acoustic, electromagnetic and material dispersion impacts** – Leonardo assesses and minimises the acoustic and electromagnetic impacts of products, as well as the dispersion of harmful materials and substances into the environment, including during the testing phases of products through the application of virtualisation and circular economy practices.

**Reforestation and combating deforestation** – Leonardo participates in projects to regenerate at-risk habitats of particular relevance, such as the reforestation project in Malawi within the scope of the "Move Together for the Planet" project<sup>77</sup>, in association with other companies in the sector and with the active involvement and for the benefit of the local agricultural community. Leonardo, through Telespazio Brasil, also develops artificial intelligence for satellite image processing used for "law enforcement" against deforestation by regulatory agencies, such as the UN Office on Drugs and Crime (UNODC), and for the European Space Agency (ESA). These tools rely on artificial intelligence algorithms to identify areas of deforestation in the rainforest and process massive data acquired from their satellite radars to qualify essential biodiversity variables such as tree height and foliage quality, even in the presence of cloud cover.

**PRISMA – "PRecursore IperSpettrale della Missione Applicativa" (Hyperspectral Precursor of the Application Mission)** - Prisma is the Italian Space Agency's Earth observation mission that embarks a hyperspectral sensor, developed by Leonardo. Since the beginning of its operations in 2019, the hyperspectral payload, which operates in 240 bands in the visible and infrared spectrum, acquires data with global coverage, which, when properly processed, can detect spectral signatures of specific materials, soil and vegetation conditions, water status, and many other phenomena, making it possible to monitor the Earth's most at-risk ecosystems, including, water shortage due to drought, altered biodiversity, fire risk, air pollution, and assessment of damage caused by natural disasters such as volcanic eruptions, landslides, and floods. PRISMA data, which are accessible to the scientific, technological and business community, are exploited in numerous research and innovation projects: for example, Leonardo, through e-GEOS, with national scientific teams and FAO support, leads a European Space Agency project to develop experimental ElectroOptical analysis techniques for water resource management and food security in Africa, promoting technology transfer with local entities and communities.

**Copernicus Security– External Action (SEA) service** – Leonardo, through e-GEOS, has led SEA since 2017 as the leading company of an international partnership. Among innovative SEA projects is ARCOS (Arctic Observatory for Copernicus SEA), whose goal is the development and implementation of an early warning system, for critical, natural or man-made events, in the Arctic, based on continuous monitoring of the region. Such a system has become necessary because of the increased accessibility due to melting glaciers and the consequent emergence of new economic opportunities, such as the opening of new transport routes and access to natural resources, which has increased the risks to the preservation of the natural environment (as well as to security, given the particular geopolitical situation in the area).

**Satellites in Agriculture** – Leonardo, through e-GEOS, in collaboration with the Italian Agricultural Payments Agency (AGEA) has developed an automated and continuous process that uses data from the European Sentinel satellite constellation, to verify the correctness of the agricultural practices required for the payment of subsidies, linked to the market and environmental sustainability requirements. For this purpose, more than 140 thousand square kilometres of area on the national territory are monitored each year, making data available to support agri-environmental, forestry and management policies in line with climate change impact mitigation. In addition, e-Geos develops technology solutions that combine satellite data and ground-based sensors to provide modular services for monitoring the growth and health status of crops, planning agronomic work, assessing risks, saving water and fertilizers, and targeted and sustainable use of pesticides, supporting farmers in the optimal management of their plots of land and institutions in controlling production.

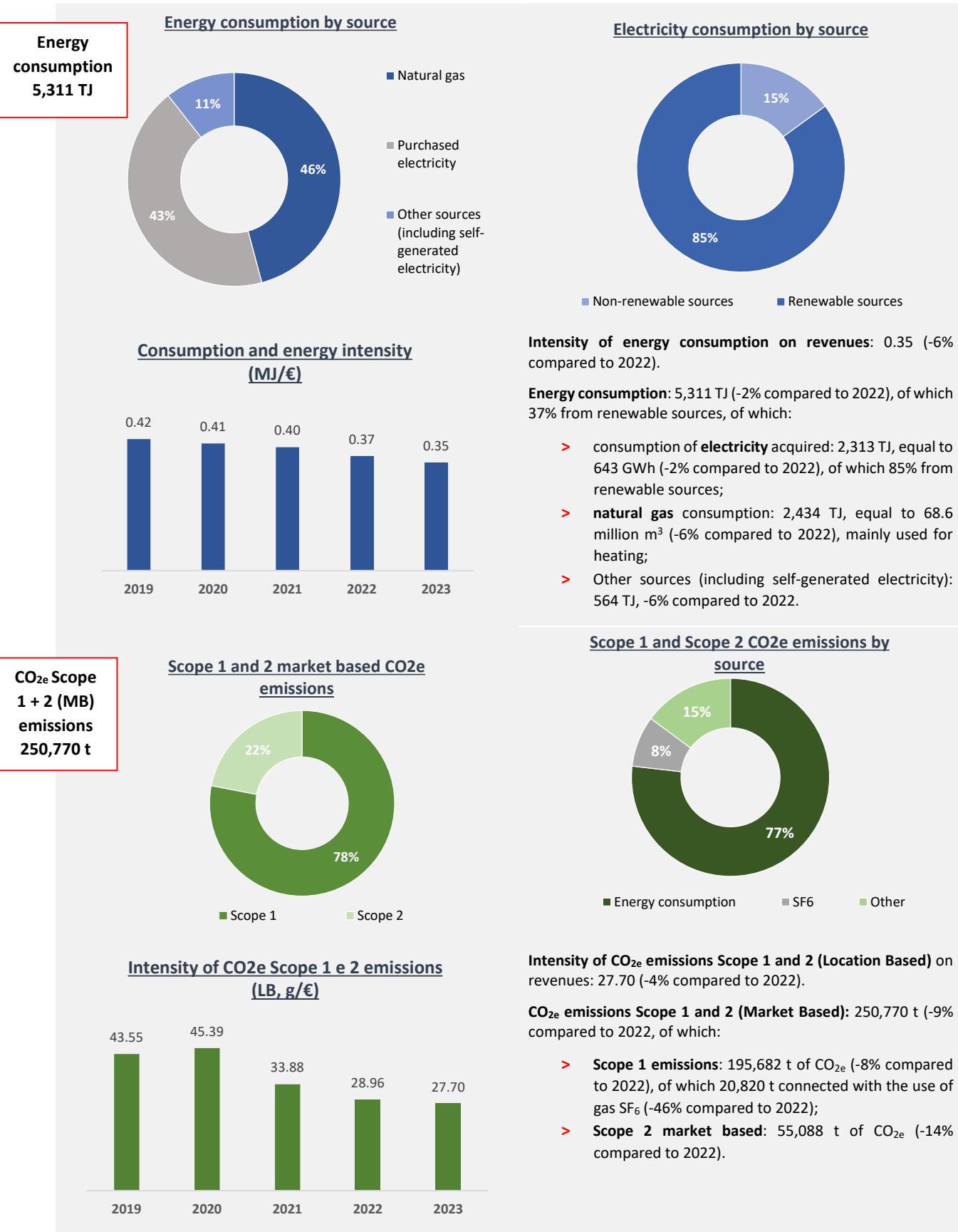
## Energy resilience

Leonardo continues its efforts to ensure the energy resilience of both its operations and the power grid in Italy. Specifically, the Energy Infrastructure Programme has been launched to increase the reliability of power supply at the production sites, in support of their business continuity. In 2023, work progressed on the projects concerning the new electrical substation serving the Nola site and infrastructure improvement initiatives serving La Spezia, Caselle Nord and Caselle Sud. In addition, Leonardo has confirmed its participation in the Demand Response programme, making 2 MWe of power available to the National Electricity Grid with the Cameri site. This programme aims to make energy use more efficient on a national

<sup>77</sup> For more details, please see the chapter on [Employment protection, people wellbeing and engagement](#).

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scale and provides for energy not absorbed by production activities to be fed into the national electricity grid on demand. The initiative, promoted by the European Commission, encourages the active participation of end consumers in the electricity system in solving technical problems on the grid, including supporting the emergency situation related to energy markets.





## **PROSPERITY**



- ✓ INNOVATION
- ✓ SUPPLY CHAIN VALUE
- ✓ CUSTOMER INTIMACY, QUALITY AND SAFETY
- ✓ VALUE FOR COMMUNITIES AND TERRITORIES

## Report on operations at 31 December 2023

Prosperity is the result of economic and social security that is achieved while respecting people's rights, collective needs and in harmony with natural resources. Leonardo takes action on the entire value chain to contribute to long-term prosperity. Technological innovation, mainly in its digital dimension, is among the key enablers to sustainable development thanks to the resulting impacts and support to the entire research ecosystem. Partnerships, which are targeted at customer satisfaction and supplier resilience, are the foundation for solid economic growth. Investments in the territory and the promotion of scientific and technological culture, generate a positive socio-economic impact on communities and future generations.

<b>Priority topics</b>	<b>SDGs</b>	
<ul style="list-style-type: none"> <li>&gt; Citizens' security</li> <li>&gt; Solutions' quality, safety and performance</li> <li>&gt; R&amp;D, innovation and advanced technologies</li> <li>&gt; Sustainable supply chain</li> <li>&gt; Relations with local areas and communities</li> <li>&gt; Digital transformation</li> <li>&gt; Cyber security and data protection</li> </ul>		
<b>Objectives</b>	<b>Progress</b>	<b>Target year</b>
<ul style="list-style-type: none"> <li>&gt; Implementing supply chain development programmes and medium/long-term partnerships, focused on SMEs, to improve business sustainability</li> <li>&gt; Raising awareness of/delivering training on SDGs and supporting tools for reporting to more than 80% of key suppliers (over 500 suppliers)</li> <li>&gt; 100% of LEAP partners with set targets and plans on green energy, CO2 emission reduction, waste recycling, water consumption</li> <li>&gt; Training in sustainable supply chain issues to at least 500 key suppliers</li> <li>&gt; Inclusion of ESG criteria/requirements in more than 70% of major new tenders awarded<sup>78</sup></li> <li>&gt; Increasing computing power by 40% per capita</li> <li>&gt; Increasing storage capacity by 40% per capita<sup>79</sup></li> </ul>	<span>✓</span> <span>✓</span> <span>✓</span> <span>+</span> <span>+</span> <span>⟳</span> <span>⟳</span>	2023 2023 2023 2027 2028 2025 2025

 Objective achieved

 On track

 New objective

### Impact indicators

**2.2 billion euros spent for R&S and product engineering<sup>80</sup>**

**Over 26,000 jobs supported**

in the supply chain in the United Kingdom, in which 2/3 of 2,100 suppliers are SMEs

### The new training campus based on virtualisation and lower emissions

With the inauguration of the new campus in Decimomannu in 2023, the International Flight Training School (IFTS), born in 2018 from the strategic collaboration between the Italian Air Force and Leonardo, has increasingly become the international reference point for advanced training for air force pilots around the world. The new training and education model also leverages on LVC (Live, Virtual and Constructive) technology, which enables the creation of an integrated simulation environment and the reduction of actual flight hours, with lower impacts in terms of fuel consumption and GHG emissions.<sup>81</sup>

<sup>78</sup> Calculated on tenders valued > 1 M€ managed through Leonardo portal, does not include DRS, the Electronics Division of Leonardo UK and local purchases on the part of foreign subsidiaries.

<sup>79</sup> Calculated as number of flops (Floating Point Operations Per Second) and bytes in relation to employees in Italy. 2020 year baseline.

<sup>80</sup> R&D by sector: Helicopters € 562 mln, Electronics Defence and Security €1,255 mln, Aircraft €336 mln, Aerostructures €33 mln.

<sup>81</sup> For more details see the following section [Customer intimacy, quality and safety](#).

## Innovation

In order to achieve increasingly challenging objectives that allow continuous improvement of product competitiveness, in a perspective of long-term sustainable development, Leonardo has built an integrated innovation ecosystem to intercept nascent technological innovation oriented towards an efficient cross-fertilisation between different business sectors. This ecosystem actively supports the two internal innovation engines: the engineering and R&D areas of the Group's Divisions and Companies and Leonardo Innovation Labs, which are the central laboratories set up in 2020 with the aim of anticipating technological innovation by integrating long-term technological research and supporting the Company in introducing emerging and sustainable technology into products and services. Leonardo's innovation system is powered by key tools such as: open innovation, with its many channels of listening and discussion to capture new contaminations, contests on new and topical issues, networking with Universities and Research Centres, Innovation Communities, internal working groups established with the objective of accelerating innovation culture by sharing best practices and skills, and the Intellectual Property (IP) Office for the management and maintenance of the portfolio of patents and brands. At the end of the year, with the new organisational structure, Leonardo's innovation vision embarked on a new path, strongly focused on digital technologies as an essential element of innovation in all areas of Leonardo and across the entire value chain, from laboratories to market delivery.

### Numbers of innovation

**1<sup>st</sup> place in Italy and 2<sup>nd</sup> place among the European companies in the A&D sector for R&D investments**<sup>82</sup>

Collaborations with more than 90 universities and research centres in Italy and in the world

Over 150 PhD scholarships, either funded or co-funded, currently active in Italy and the UK

13,000 people dedicated to R&D work

6.6 petaflops of computing power  
31.9 petabytes of storage capacity

### Leonardo Innovation Labs

Leonardo Innovation Labs are the technology incubators conceived to support the Group in long-term research and development of the most innovative technologies, especially in the digital field, and transversal competencies across the company's business areas. The laboratories are focused on 8 research areas: Artificial Intelligence, Deep Digital Technologies (Big Data, High Performance Computing and Cloud), Digital Twin and Advanced Simulation, Quantum Technologies, Autonomous and Robotic Systems, Electrification, Materials and Optoelectronics.

**11 laboratories** in 6 Italian regions and 1 in the USA

**150 researchers and PhD students** in the Labs research group

**4 joint laboratories** in collaboration with third-party entities

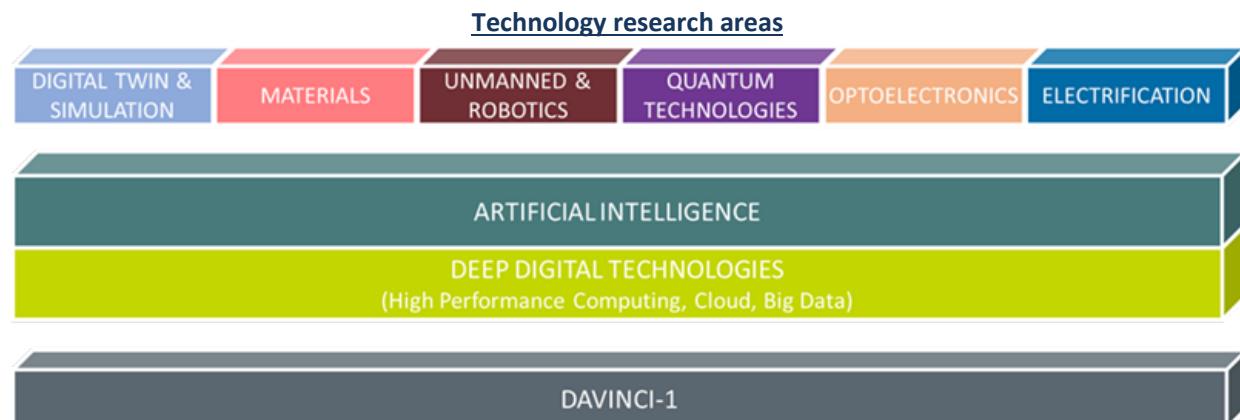
**100 terabytes** of data that can be used in the data lakes

These facilities - some set up in collaboration with industrial partners and research centres that are world leaders in their respective fields of expertise - are built close to Leonardo's main industrial sites with the aim of also facilitating technology transfer to the Divisions. The labs are thus fertilizers for local areas while allowing Leonardo to centralise the development of frontier technologies. In 2023 a new model of Labs as a service for the Leonardo Divisions was also introduced, in which the labs work as incubators on basic and pre-industrial research projects agreed and planned with the Divisions. Research activities are carried out by Labs researchers, in collaboration with research centres and universities through dissertations and PhDs, thus

<sup>82</sup> [The 2023 EU Industrial R&D Investment Scoreboard | IRI \(europa.eu\).](https://europa.eu)

## Report on operations at 31 December 2023

ensuring a real pipeline of researchers from academia to industry. This will make it possible to generate a continuous flow of talent and to ensure flexibility and renewal in terms of professional competencies, which will guarantee the ability to design and produce future products and solutions of Leonardo. Central Corporate function Labs also ensure that all synergies between different research areas and between Leonardo Divisions can be exploited in full based on an integrated innovation approach. The davinci-1 is at the base of this model with its computing and storage capabilities that are exploited by AI, Big Data, HPC and Cloud technologies, used by all other research areas.



### DAVINCI-1

The davinci-1 supercomputer, one of the most powerful supercomputers in Aerospace, Defence and Security, is Leonardo's answer to accelerate technological transformation towards industry digitisation. The architecture of the davinci-1 High Performance Computing (HPC) is an integrated supercomputing and cloud computing platform, which combines flexibility and computing power, thus allowing the training of algorithms (from deep learning to Artificial Intelligence), customisation by technology platform and the calculation of numerous interactions between the data that are generated (data analysis and big data).

Progress 2023 - In 2023, in continuity with the work performed in 2022, the production model was strengthened, and the on-boarding was implemented on the system of all Leonardo divisions with HPC computing and Big Data processing needs; work also continued to strengthen resource usage monitoring, which will allow us to plan utilization and future updates in a better manner. The company Cloud Computing service delivered by davinci-1 itself has been enhanced, on which several digital transformation services for use by Leonardo divisions have been released. The set of services delivered is available to Leonardo Innovation Labs researchers and engineers and Leonardo researchers to leverage its computing power and storage space for research, numerical simulation, big data analytics and Artificial Intelligence activities.

### ARTIFICIAL INTELLIGENCE

Artificial Intelligence (AI) is an essential technology in many domains and it is important to study it in order to seize new opportunities to be applied to Leonardo's products and services. This research area is dedicated to the study of new AI models and analysis techniques to monitor critical infrastructures, through the analysis of data derived from satellites and field sensors (audio, video, IoT), for security applications, using images, video streams, audio, and for command and control applications based on the integration of data from advanced sensors, decision support systems adaptable to various operational environments. A particular research focus is on techniques and methodologies to make networks and models certifiable and robust.

Progress 2023 – In 2023, techniques were refined and improved for the continuous training of neural networks, developing an innovative technique applied to Computer Vision. A framework was finalised for the analysis of generic hyper-spectral imagery, and work was developed on algorithms for the textual analysis of news and documents, weather nowcasting systems, techniques for classifying drones/birds from radar and micro-Doppler images, anomaly detection, and Machine Unlearning techniques. New Super Resolution algorithms were developed, applied to the naval sector, to increase the readability of texts and visual details of low-resolution images. An algorithm was developed to discriminate fake images, generated by generative AI systems, and real images, in the context of the European H2020 ELSA project.

### DEEP DIGITAL TECHNOLOGIES

#### Big Data

Dealing with data to analyse them and extract real information is key to each business. The Big Data research area works in synergy with the HPC/Cloud research area to study and investigate into new methods for information extraction and data fusion. In particular, this research area is dedicated to designing and developing a prototype of a Leonardo framework for Big Data applications, which is capable of exploiting the computing power of the davinci-1 supercomputer, specialising it for different cases of use, enabling industrialization such as Flight Condition Recognition.

Progress 2023 – In 2023 innovative Big Data-based services were designed for the Divisions, innovative data management solutions were implemented and new computationally intensive data-driven models (digital transformation) were enabled. At the implementation level, data lake infrastructures for the Divisions were improved and upgraded to manage and analyse Leonardo's product data. The Helicopters Division already has digital services in its catalogue based on leveraging the data lake infrastructure built within davinci-1's cloud infrastructure.

#### High Performance Computing and Cloud

This research area aims to support the Company in the process of innovation by directing it towards the adoption of cutting-edge digital technologies, which are capable of exploiting the power of High Performance Computing (HPC) and the Cloud. In particular, this research area is dedicated to: deploying and running applications used for the design of Leonardo products; optimising applications to maximise the exploitation of the HPC infrastructure, supporting code modernisation and porting of proprietary applications in a distributed environment, implementing a Cloud solution for the Company and its customers adopting IaaS, PaaS and SaaS (National Cloud, Military & Space Cloud) paradigms.

Progress 2023 - In 2023 an HPC service for the collaborative digital design of future platforms was successfully tested and validated, which involved various Italian companies. Work also continued on the porting of both code and application divisions to HPC. In addition, the portfolio of cloud services was expanded to enable the use of HPC infrastructure through standardised functionalities, virtualising the hardware. These activities made it possible to proceed with a strong acceleration in the development of digital services for the divisions.

### Digital twin\Advanced Simulation

Leonardo is studying how to realise a digital copy of a product, a system or an industrial process that models its behaviour, thus allowing an increase in safety, efficiency and sustainability (through a lower use of materials and energy), and a reduction in development costs. The digital twin therefore offers new opportunities in the AD&S sector and applications that benefit the company, in areas such as global monitoring, healthcare, smart cities, multimodal logistics.

Progress 2023 - During the year, work was intensified, in particular, on the development of digital twin capabilities such as multi-physics and multi-scale simulation and the data-driven approach for surrogate models. With regard to the high-fidelity simulation stream, several use cases were instantiated for fixed-wing and rotary-wing platforms and synthetic databases were created in three different cases, integrating the data produced with the divisional data lake provided by the in-house private cloud on davinci-1.

### Materials

Materials research area focuses on studying new materials and processes for applications on products, especially in the avionics field.

Progress 2023 – In 2023 various nanostructured graphene films with variable emissivity were investigated for adaptive IR camouflage applications. Graphene-based films are also being developed for EMI shielding, and thermal and electrical management (Lightning Strike Protection). In addition to graphene, new ceramic-based solutions were investigated to improve ballistic protection, developing new multifunctional high-temperature coatings and erosion barriers. Other activities involved the development and validation of a new type of joint to replace riveting in aircraft. The use of engineering polymers was also investigated for FDM additive manufacturing. Recently, work commenced on a new line of research on innovative PV devices for space applications, with a specific focus on perovskite solar cells. On the simulation side, a monitoring method was developed to identify delamination in laminates, bird strike simulation and ballistic impact.

### Unmanned & Robotics

The U&R research area studies autonomous systems, both airborne and ground-based, based on intelligent and collaborative robots. Researchers study advanced human-machine interaction technologies for specific missions, production tasks, operations in extreme environments, maintenance and in the future even in the space environment. Special attention is given to research into new solutions for robotic hardware development, manipulation control, mobility and locomotion, navigation, motion planning and interaction and AI solutions for robots.

Progress 2023 – In 2023 work continued on the development and improvement of the Unmanned platforms developed in 2022 in order to adapt them for experimentation and demonstration of quadruped robot and outdoor autonomous flight capabilities. At the same time, advanced multi-modal sensing techniques were developed for flying platforms in synthetic environments and robotic perception solutions to artifact mapping and multi-object tracking problems. In addition, a sorting system based on object recognition with cameras and robotic arm was designed and installed. Work continued on the control of single and multiple mobile/fixed robots for industrial environments, as well as on studies on AI-based identification and visual tracking of target objects and the development of autonomous mapping and navigation for ground robots in non-structured environments. Finally, the researchers continued their work on Mission Management Replanning for Manned Unmanned Teaming (MUM-T) and explored topics related to Adjustable Autonomy and estimation of pilots' cognitive load.

### Quantum Technologies

The research area studies quantum technologies to apply them to different areas such as secure quantum communication, quantum sensing, inertial navigation sensors, and quantum computing with special focus on the study of algorithms, which by exploiting quantum computers are able to demonstrate real computational advantage.

Progress 2023 – In 2023 work was completed on the installation of a QKD (Quantum Key Distribution) network in the Naples area, which involved Leonardo's Pomigliano site and other nodes of local and national institutions, and the setup for a system for viewing around corners and behind obstacles (NLOS – Non-line-of-sight) integrated with a 3D LIDAR system for viewing through obscurants (fog, smoke, dust, etc.) in a single module, and the design of a cold-atom clock design; work was then implemented on quantum algorithms for tracking radar targets based on Multiple Hypothesis Tracker.

### Optoelectronics

The research area studies optoelectronics, with a focus on advanced electromechanical systems for optical applications, neuromorphic electro-optical vision, and meta-lenses for electro-optical systems.

Progress 2023 – In 2023 work was completed on the manufacture of a replacement metal lens of an optical unit within one of the legacy products, having also identified, for this purpose, an Italian foundry to replace the French one previously operating.

### Electrification

The electrification research area is focused on the study of new propulsion systems for the next-generation aircraft of the future. Study activities focus on electric power management (distribution, conditioning, control and storage) and electric machines. Technology modules are analysed in relation to energy storage (e.g., batteries, supercaps, fuel cells, H2, etc.), electrical distribution, power management control, propulsion architectures and "out of the box" aircraft configurations enabled by electrification itself. The work focused on electricity systems, both in merely architectural terms and in terms of power and energy management. This is because the electrical system in avionics must meet the functional and performance requirements of on-board systems while ensuring safety and operational reliability.

Progress 2023 – All existing solutions were examined to identify if and how state-of-the-art electrical networks (More Electric Vehicles (MEA)) can be adapted for MW-class electrical systems. Models and algorithms were developed for energy distribution system management and modelling at the "component level", for 1) electrochemical energy storage, 2) hydrogen production, storage and handling, 3) fuel cells/batteries, 4) electrical machines and drives. For each of the listed components/enablers, research has been directed towards improving a number of key performance indices, including (but not limited to) power and energy density, safety and reliability, efficiency, and aircraft integration.

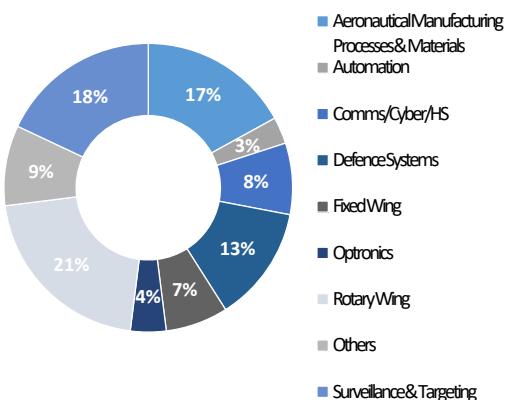
## Intellectual property governance

In 2023 centralised Governance policies were implemented for Intellectual Property (IP) to promote the growth and sustainable management of IPRs portfolios, the Group's competitive positioning, protection in the dissemination of technical and scientific information, support for the protection and industrial exploitation of results achieved in R&D work on the part of the researchers of Leonardo and of Leonardo Innovation Labs. In 2023 work continued on updating and promoting the proprietary (online) Patent Showcase. The patent offering is also geared toward dual use in technologies in sectors surrounding Aerospace, Defence and Security, in support of the development of small- and medium-sized enterprises (SMEs) and start-ups of strategic interest. Work also continued on the Patent Showcase dedicated to Mechatronics managed in collaboration with the technological hub of MESAP. The Intellectual Property function regularly examines the company's patent portfolio for optimisation and assesses the degree of utilisation of patents and the economic performance of generation, use, management and disposal of IPR assets, as well as developments in the patent activity of competitors.

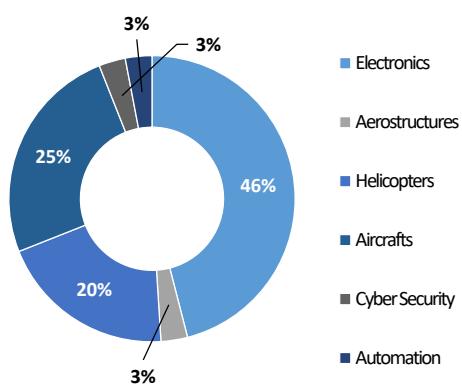
This approach to IP management activities required new editions of IP training, through webinars and in-person workshops, in order to create a corporate IP culture and strategy. Furthermore, in 2023 LIPM3 was implemented, which is a dedicated IP maturity model for continuous monitoring of the status of IP management and related improvement actions taken.

It should be noted that on 1 March 2023, the European Commission adopted a recommendation (Recommendation (EU) 2023/499 on a Code of Practice on the management of intellectual assets) for IP management, addressed to all categories of players involved in research and innovation. Many of Leonardo's processes, methodologies and initiatives respond to the instructions of the aforesaid recommendation.

**Patents by key technology**

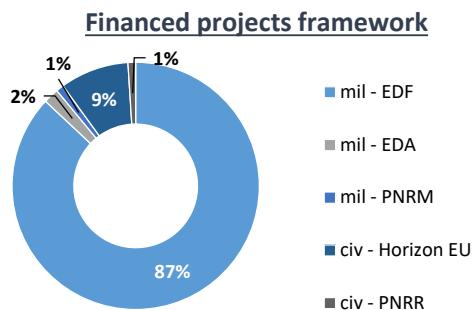


**Patent by sector**



## Funding programs for research and innovation

Leonardo participates in regional, national and supranational research and innovation funding projects and programmes, both military and civil, including major European programmes such as European Defence Fund (EDF), European Defence Agency (EDA) Programmes, Horizon Europe, National Recovery and Resilience Plan (NRRP) and National Military Research Plan (NMRP). Leonardo also takes part in strategic initiatives in National and Regional Technology Clusters, in particular with the chairmanship of the National Cluster for Aerospace Technology.



## Military programmes

<b>EDF</b>	<p><b>The European military research and development programme</b>, with its 2021-2027 long-term programme and significant budget for research work (€bil. 2.6) and capacitive-demonstrative development (€bil. 5.3), is the reference programme for the growth of the EU's resilience and strategic autonomy, the reduction of technological dependence on third countries and the creation of an industrial and technological base for a strong, competitive and innovative European Defence. Leonardo plays a leading role in EDF, as witnessed by the high success rate achieved in the 21st and 22nd editions. The programme allows Leonardo to address priority research and development issues, supporting the product development phases.</p> <p><b>Projects awarded in 2023</b> – In 2023 Leonardo has been awarded 18 projects by the European Commission, the most significant of which include <b>TIRESYAS</b>, coordinated by Leonardo, for the study of a new family of multi-domain sensors based on artificial intelligence, within which new approaches for radar surveillance and target tracking will be developed through innovative algorithms capable of combining various radar architectures and developing new multi-functional / multi-domain / multi-platform fully-digital radar systems.</p> <p><b>Projects with execution launched in 2023</b> - In 2023 work commenced on the execution phase of several projects awarded in the past (2021). Among the most significant on the topics of the digitisation and transformation of defence systems by using new computational and software technologies are the development of cloud technologies in the multi-domain field of <b>E-DOCC</b> (European Defence Operational Collaborative Cloud), and the digital twin in the naval domain (<b>EDINAF</b>, European Digital Naval Foundation), as well as artificial intelligence topics (<b>FARADAI</b>, Frugal and Robust AI for Defence Advanced Intelligence). The <b>ADEQUADE</b> (Advanced, Disruptive and Emerging QUAntum technologies for DEFense) Project on Quantum technologies needs to be highlighted in the area of Disruptive Technologies.</p>
	<p>In 2023, work continued on the collaboration with the 5th Department of Segredifesa (Italian Defence Secretariat General) on the National Military Research Plan (NMRP), which involved:</p> <ul style="list-style-type: none"> <li>&gt; the awarding of the <b>NMRP SEAFENCE</b> project for the protection of critical maritime infrastructure, strengthening its role in the underwater sector;</li> <li>&gt; the presentation of 4 projects in the areas of sustainability, space and multi-domain situational awareness.</li> </ul>
<b>EDA</b>	<p><b>Projects awarded in 2023</b> – At European level, Leonardo entered into a contract with EDA concerning a project on new ISR (Intelligence Surveillance and Reconnaissance) Electro-optical Systems.</p> <p><b>Projects in the definition phase</b> – 4 additional projects are in an advanced state of definition on space (optical technologies, including hyperspectral ones and SAR), advanced data processing and Space Domain Awareness, on new lightweight and impact-resistant materials for military applications, and the development of thin towed arrays.</p>
	<p><b>NATO</b> At NATO level, Leonardo participates in 10 NIAG (NATO Industrial Advisory Group) strategic direction studies: air-combat/defence, counter-missiles, materials, climate change, maritime-defence, Data Centric Security / Zero Trust Architecture, Modelling &amp; Simulation.</p>

## Report on operations at 31 December 2023

### Civil programmes

Horizon Europe	<p>Horizon Europe is a European programme for funding of research and innovation</p> <p><b>Projects awarded in 2023</b> - Leonardo was awarded projects in a number of fields in 2023 such as: space technologies, the reduction of environmental impact to combat climate change, the technologies for a new generation of more efficient and environmentally friendly regional helicopters and aircraft, on-board electronics in all areas of maritime, land, avionics and space transport, digitalisation, air traffic management infrastructures, eco-design of electronic components and new environmentally sustainable materials.</p> <p><b>Projects with execution launched in 2023</b> – In 2023 work commenced on the <b>CONNECTOR</b> project, in the field of Security, which develops Data Structures and AI Algorithms to improve maritime border surveillance.</p>
Clean Aviation	<p>Clean Aviation is the institutional partnership, which, within the European framework Horizon Europe programme, is focused on technological objectives for the green transformation of civil aviation, such as electric and hydrogen propulsion. Leonardo participates in the programme with a specific focus on fixed-wing aircraft in the regional aircraft segment.</p> <p><b>Projects awarded in 2023</b> - Leonardo was awarded two projects: <b>HERFUSE</b>, which will study the innovative fuselage and tail design of a regional hybrid-electric aircraft, and <b>ODP4HERA</b>, which will develop a digital platform to accelerate design and production of aircraft.</p> <p><b>Projects with execution launched in 2023</b> – 7 projects were launched, which were aimed at designing the regional hybrid-electric aircraft.</p>
NRRP	<p>With regard to the National Recovery and Resilience Plan, Leonardo has participated in several projects with the aim of maximising and enhancing collaboration and technology transfer from academia to industry, leveraging not only research programmes, but also funding grants for PhDs and research fellows. Leonardo is committed to developing skills, directing training activities in line with the needs of the Group's engineering and research facilities, especially on the most innovative and disruptive technologies, and strengthening the relationship and collaboration with supply chains and ecosystems (SMEs, start-ups, clusters, etc.). Leonardo is involved in 2 of the five National Research Centres: MOST (Sustainable Mobility) and ICSC (HPC, Big Data and Quantum Computing); two innovation ecosystems (Rome Technopole and RAISE) and six extended innovation partnerships (Future Artificial Intelligence Research - FAIR, National Quantum Science and Technology Institute - NQSTI, Security and Rights in the Cyber Space - SERICS, 3A-ITALY, RESTART and SPACE-IT Up in the process of being established).</p> <p><b>Projects awarded in 2023</b> - Leonardo was awarded two projects under the 2023 call for tenders issued by the BiRex Competence Center: <b>SEED</b>, focused on green computing technology solutions to reduce the energy consumption of data centers with high computing power, and <b>MAM4HP</b>, aimed at designing the most efficient Metal Additive Manufacturing technologies based on real industrial use cases.</p>
KDT/Chips JU	<p>The institutional partnership focused on the development of electronic components and systems, including big data, cloud, software and AI applications for embedded systems, Industry 4.0 and safety &amp; security evolved into the Chips JU at the end of 2023. Leonardo is a founding member of one of the 3 associations that make up the JU.</p> <p><b>Projects awarded in 2023</b> - Leonardo was awarded the <b>MATISSE</b> project concerning the digital twin for robotics In Orbit Servicing.</p>
Sesar	<p><b>Projects with execution launched in 2023</b> – Work commenced on the execution phase of the <b>ISOLDE</b> project to support the research and design of the future family of processors and chips for a European RISC-V Open Source architecture ecosystem, enhancing Leonardo's expertise on High Performance Computing and Applied AI, and of the <b>ECONe</b> and <b>AfPVN</b> projects, both in the avionics field with strong eco-sustainability and digitisation features; the former is oriented to innovative fixed-wing structures both in terms of materials and embedded electronics to increase their lifespan and simplify their recyclability while the latter is carried out in the field of predictive maintenance for electronics and on-board components, respectively.</p> <p>Sesar is the digitisation and modernisation programme of the European ATM system and contributes to the containment of emissions and noise through specific flight procedures and paths.</p> <p><b>Projects with execution launched in 2023</b> – Work commenced on 10 projects on the digitisation of the European infrastructure for air traffic control.</p>
EUROHPC JU	<p>EuroHPC Joint Undertaking (EUROHPC JU) is the institutional partnership created with the goal of establishing a global European supercomputing ecosystem. EuroHPC aims to develop a federated, secure and hyperconnected ecosystem of supercomputing, quantum computing, data services and infrastructure by supporting the development of key technologies and competencies at the academic research and industrial development levels. In line with the goals of technological autonomy and sovereignty addressed by European policies such as EU CHIPS ACT and Digital Compass, Leonardo was confirmed again in 2023 as one of the key players in projects focused on the study and design of future European technology CPUs and GPUs, which are co-funded by the EUROHPC Joint Undertaking.</p>

## Open innovation & multi-contest

During 2023, Leonardo continued to pursue the Open Innovation model, enhancing the expertise within the Group and leveraging openness with third-party entities to ensure its competitiveness and ability to design and manufacture future products and solutions and to be able to respond to technological, environmental and social challenges. Cooperation with third-party entities allows for the integration of additional capabilities and additional input that enriches Leonardo's overall vision and provides access to technology and talent in the field of STEM disciplines.

In 2023 work continued on the several initiatives launched in previous years, involving third-party players in collaboration agreements with Customers, Universities, Research Centres, Spin-offs and Start-ups looking for new technological trends. These include well-established projects such as the **Innovation Award**, now in its 17th edition, the **Aircraft Factory** with the launch of a dedicated Artificial Intelligence theme project, direct collaboration with Start-Ups and Spin-Offs, and scouting for solutions to innovation questions through the proprietary "**Solvers Wanted**" platform. Leonardo has also pursued collaboration with third-party Innovation ecosystems such as "**Open Italy**", for the launch and management of various co-innovation projects with Start-ups, and participates in ecosystems for dissemination of best innovation practices such as the **Digital Observatories** of PoliMI (Polytechnic University of Milan) (Startup Thinking), the **Innovation Roundtable** and **BDR** – Borsa Della Ricerca. Finally, Leonardo pays attention to the world of Start-ups as elements of innovation on certain technologies and participates in the Deal Flow of several Accelerators, including those promoted by CDP (Cassa Depositi e Prestiti) and ESA, and has concluded the second in-house accelerator program of the **Business Innovation Factory** (BIF).

In addition, intensive training activities on Innovation issues were carried out through a Mentorship course for a company community, a course on Open Innovation delivered together with LUISS and dedicated to the company's Innovation Focal Point community; finally, business modelling activities were also carried out with various company units to review the business from an innovation perspective.

## Network with universities and research centres

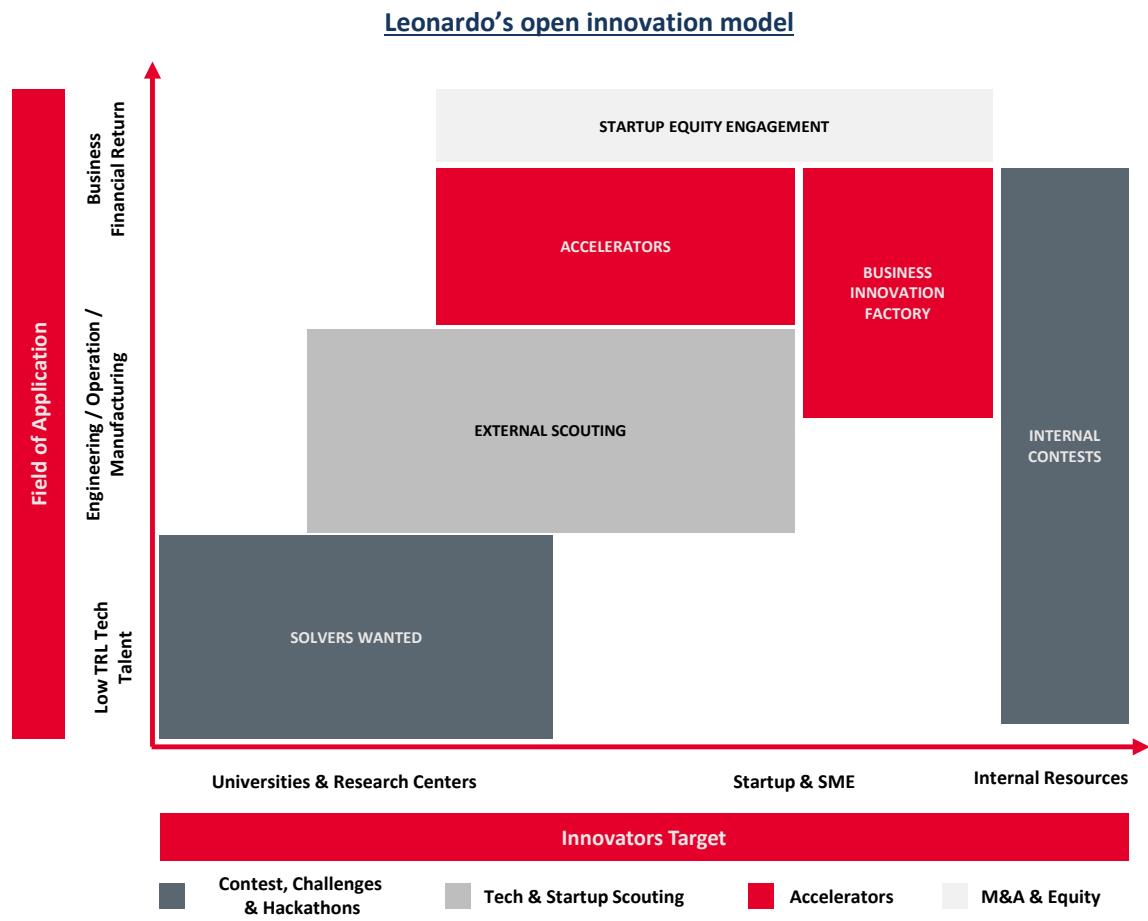
Leonardo considers relations with Universities and Research Centers as of strategic importance and maintains a mapping of more than 90 universities and research centres in Italy and worldwide, including through indicators from third-party sources<sup>83</sup>. This mapping makes it possible to identify the entities with which to enter into framework agreements and select partner Universities with which to enter into direct collaboration agreements and to grant PhD scholarships for Leonardo Innovation Labs and Divisions. In 2023, a framework agreement was entered into with the Federico II University of Naples, which must be added to the pre-existing framework agreements with Alma Mater Studiorum University of Bologna, the Polytechnic Universities of Milan and Turin, the Rome La Sapienza University, the University of Genoa, and CINI, CINECA and CNIT. During 2023, Leonardo profitably continued partnerships with Imperial College London and Université du Québec en Outaouais (Canada), forming the basis for future high-level scientific and technological collaborations with qualified international partners (the universities and their innovation ecosystems), the development of which is planned for 2024. With regards to PhD scholarships, Leonardo awarded 32 grants with 17 different Italian universities in Italy in 2023, on topics such as Materials, Artificial Intelligence, Robotics and Digital Technologies. The total number of PhD scholarships that are currently in

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<sup>83</sup> Among the third-party sources used: ranking of "Top 2% Scientists Worldwide" of Stanford University, other indicators such as H-index, the conditions of "ERC Grant Recipient" or of "IEEE Fellow", the list of 180 excellence departments of ANVUR for departments.

## Report on operations at 31 December 2023

place, funded or co-funded by Leonardo, exceeds 150 units, carried out in collaboration with 16 different universities in the United Kingdom and 30 Italian universities.



### Contests and Hackathon

**Drone contest** - The project, which has reached the beginning of its second cycle, entails a contest among different Italian universities in order to make autonomous drone systems using artificial intelligence. This new 3-year cycle involved the following universities: Turin Polytechnic, Milan Polytechnic and the Universities Alma Mater Studiorum in Bologna, S. Anna in Pisa, Tor Vergata in Rome and Federico II in Naples, to which must be added the Polytechnic University of Bari.

**World T TeC** – In January 2023, during the 15th European Space Conference in Brussels, winners were awarded in the fourth edition of the #T-TeC - Telespazio Technology Contest, Telespazio and Leonardo's Open Innovation competition reserved for university students and researchers in STEM subjects from around the world. This year, the winner of the Contest had the opportunity to form a Start-Up and participate in Leonardo's BIF Corporate Accelerator programme.

**Solvers Wanted** - Through the scouting platform, Leonardo offers challenges, technological contests and new ways of collaboration to the sector of start-ups, universities, spin-offs, SMEs and research entities to find ideas and innovators, together with whom to face current and future challenges. Ten challenges were completed - 1 on Pilot performance Monitoring, 2 on quantum technologies, 2 on 5G, 1 on structural batteries and 1 on Brain Computer Interface, 1 on Exploit My Patent – HPRD patent, 1 on new prospects for green Radar and 1 on Bio-inspired sensors technology - during the three-year period from 2021 to 2023. In addition, a technology network for the future aircraft, F2Link-Future Flight Leonardo Innovation Network, has been established, involving more than 20 universities, start-ups, SMEs and large companies.

### External scouting

This work allows the realisation of Proof of Concept (PoC) in collaboration with start-ups. Below are some examples:

- > **Smart document digitisation** – Start-up Atilia will enable Leonardo to address the need to automate the document extraction and classification process in the field of Procurement. By using a platform based on artificial intelligence, rapid classification of various types of documents and extrapolation of useful data to accelerate decisions and operations became possible.
- > **A fast and functional factory Digital Twin** – By using a Digital Twin tool provided by start-up Utwin, Leonardo is enabled to test innovative solutions to increase efficiency, such as optimising picking operations, checking product availability, and decreasing goods handling time. The ability to examine warehouse scenarios in virtual reality is essential, allowing optimal strategic choices to be evaluated.
- > **Evaluation of solid-state supercap technology** - In collaboration with start-up NOVAC, it has been possible to test and evaluate a hybrid battery and supercap energy pack in the context of drones. NOVAC's solution is highly innovative, since it involves the use of solid-state supercaps that can be adapted to the structure of the object.
- > **Real-time monitoring of Aircraft hydraulic systems** - In collaboration with start-up Sanchip, which makes sensors for monitoring oil health, a test bench has been realised, which allows a portion of the C27J aircraft's hydraulic system to be simulated. This prototype allows some maintenance tasks to be alleviated and abnormal drifts to be detected in real-time.

### Accelerators

In 2023 Leonardo confirmed membership as a partner in various Acceleration and Technology Transfer programmes:

- > **Takeoff** – This programme carries out acceleration services for start-ups that develop solutions and services in the aerospace and advanced hardware sectors. Leonardo, as Corporate Partner, had the opportunity to follow the deal flow and dedicate some mentors for the start-ups selected for acceleration. The Takeoff programme has also been selected for DIANA (NATO Defence Innovation Accelerator for the North Atlantic) and further enhances the competitiveness of the national aeronautics and aerospace system, even with a view to defence.
- > **RoboIT** – This initiative concerns a tool of Technology Transfer of Robotics in Italy, which is realised by CDP in collaboration with the Italian Institute of Technology (IIT) of Genoa while also involving the University of Naples Federico II, University of Verona, and Scuola Superiore Sant'Anna of Pisa. Leonardo, as partner, had the opportunity to follow the deal flow of selected projects and to connect the Leonardo Innovation Labs for robotics with each other to allow a discussion on research initiatives.
- > **Business Incubator Centre** – The ESA BIC (European Space Agency Business Incubator Centre), based in Turin, supports new Italian start-ups in the aerospace sector. The Polytechnic University, Incubator I3P and Fondazione LINKS are responsible, on behalf of ESA, for the implementation and operation of the incubator. Leonardo and Telespazio, together with other affiliated partners such as the Piedmont Aerospace District, Thales Alenia Space Italy, Avio and numerous innovative industrial companies, have the opportunity to view the deal flow of supported projects, offering mentorships with selected and properly trained colleagues.

### Business Innovation Factory

The year 2023 saw the second edition of Leonardo Corporate Accelerator - Business Innovation Factory -, which aims to scout for new products and technologies in Leonardo's areas of interest, as well as to accelerate new start-ups in the relevant industry in order to attract and generate value in Italy. This year's scouting focused on two main technology themes: Networking & CyberSecurity and Simulation & Gamification. The call received more than 150 applications at an international level, and the acceleration programme was dedicated to the best 7 start-ups, the winner of Telespazio's #T-TeC challenge and two Leonardo company projects in line with the strategic guidelines. The acceleration programme in this edition lasted 6 months with the direct involvement of Leonardo Mentors and saw the implementation of a PoC between the start-ups and divisions, which brought to light the integration of the innovation proposed by the start-ups with systems, products, services and solutions of Leonardo.

### Company contests

**Innovation Award** – The year 2023 saw the 17th edition of the Innovation Award reserved for all Leonardo employees who had the opportunity to share ideas and solutions in line with company strategic guidelines, for a total of 800 proposals collected. The Award was divided into several categories related to: Best Patent, Product & Technology Innovation, Idea, People First, Innovation Factory and Innovative Supplier Collaboration. Colleagues were asked to highlight the sustainability of each initiative in line with the Group's objectives, bringing out more than 200 solutions with impacts on this issue. Group Management also selected 3 proposals from the Idea category which were funded with a view to the realisation of the Proof of Concept.

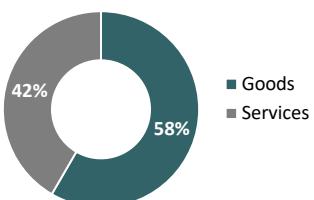
**New Aircraft Factory challenge** – A new challenge was implemented, which involved staff members from the Aircraft division on topics related to Artificial Intelligence. The format included an initial phase of disseminating AI issues to the entire population of the division, leveraging the expertise of company and third-party experts, a phase of collecting ideas from all colleagues in the division, a phase of selecting the best ideas, an in-person day according to the format of a hackathon for formalising and enhancing any ideas previously collected, thus going to create valuable synergies between similar solutions, and the final phase of creating a pitch deck and a video to be submitted to the evaluation committee composed of Top Management staff members from the Division.

## Supply chain value

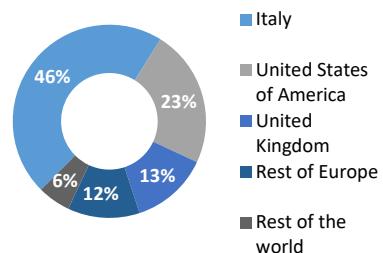
Leonardo's supply chain is made up of 12,000<sup>84</sup> companies around the world, which provide goods and services to all the entities of the Group and contribute on a daily basis to the competitiveness of the business, ensuring compliance with quality and safety requirements in the supplies and actively collaborating in the management of contracts and open innovation processes. It is a supply chain that includes both **international players** in the sector of AD&S, which supply highly complex systems and subsystems integrated into Leonardo platforms and many **small and medium-sized enterprises** (SMEs), the technological specialisation of which contributes to the creation and success of our products. Leonardo's considerable industrial footprint in its **domestic markets** has in fact enabled the development of local supply chains with a high intensity of knowledge and innovation, which are a key asset for the relevant local areas in terms of economic and employment impact and even more so for the quality of the skills developed and the technological content of the products and services we create. This is where most of the Group's purchases are concentrated and Leonardo acts as a driver to the growth of the chain, through the creation of partnerships and the implementation of development programmes.

### The supply chain in 2023

Purchase by category



Purchase by country



€bil. 9.9

of purchases of goods and services

65%

incidence of purchases on revenues

84%

of purchases related to domestic markets, with a supply chain of more of 6,800 SMEs

### Local supply chains – Incidence of National SMEs in domestic countries<sup>85</sup>



86%



78%



59%



82%

<sup>84</sup> Including 542 significant tier-1 suppliers, representing 58% of the total spent. Significant non-tier-1 suppliers, instead, amounts to 50.

<sup>85</sup> Calculated as the number of SMEs out of total suppliers by country.

Supplier relations are managed by a professional family of over 1,700 Procurement & Supply Chain professionals worldwide committed to create a quality, innovative, integrated, resilient and sustainable supply chain<sup>86</sup>. This objective relies on four key pillars within which projects, initiatives and concrete tools are developed to support our Group's growth, building a sustainable partnership with the excellences in the supply chain, while optimising costs and creating value, in compliance with Leonardo's security and compliance standards.

**4 Pillars of Leonardo's procurement and supply chain strategy**



**Partnerships and supplier development programmes**

An essential prerequisite to achieve the growth envisaged in the Industrial Plan, is the excellence of the supply chain, which must be able not only to ensure adequate operational performance, but also to be able to cope with the new complex challenges posed by the market, which require financial strength, expertise and rapid adaptation response. With this in mind, in 2018 Leonardo launched a **programme for the development and growth** of its suppliers - **LEAP** (Leonardo Empowering Advanced Partnership) with the aim of accelerating and supporting the growth of SMEs in the AD&S supply chain, making them more financially strong, able to invest and work on higher value-added projects and ready to compete on an international scale. LEAP has marked a paradigm shift in relations with suppliers, moving beyond a management model based merely on business relationships and cost reduction, with a view to establishing effective collaborative engagement, medium- to long-term partnerships, capable of fostering investment and accompanying the growth of the supply chain's excellences in terms of both service quality and size. In 2021, the programme incorporated innovation and sustainability objectives into the supply chain development plan, raising the supply chain's ambitions toward digital transformation, cyber security and green transition.

An improvement plan has then been prepared for each supplier, which makes use of the development projects put in place by Leonardo, even in collaboration with third-party stakeholders, including: the managerial training and mentoring Elite-Leonardo Lounge programme for entrepreneurs, developed with the Italian Stock Exchange's Elite scheme to improve managerial expertise and capabilities, strategic vision, internationalisation and sustainability of enterprises; the package of financial support tools for the supply chain, developed with the Group's main banking partners; technical/specialist and managerial training courses, provided free of charge to suppliers; assessments on digital maturity and cyber security to develop Industry 4.0 projects, carried out in partnership with the Confindustria DIH network; workshops on sharing the technology roadmap and the creation of an open innovation network to improve the ability to innovate; the provision of shared services delivered by Leonardo (such as regarding raw materials and transport) and a performance appraisal model.

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<sup>86</sup> Specifically, the Chief Procurement Services & Operations has the responsibility to define and coordinate the development strategies of all the organizational dimensions related to the Procurement and the Supply Chain (also including: the consolidation and continuous improvement of the integrated value chain, the increase of digitalization, the definition of management guidelines and the evolution of the Group's Register of Suppliers and Black List).

### LEAP – Supply chain development projects



In 2023, as further evidence of the relevance of the LEAP program to the management of relations with suppliers and its significant contribution to the community, Leonardo won the Best Supplier Relationship Management Initiative award, given by CIPS as part of the CIPS EXCELLENCE IN PROCUREMENT AWARDS<sup>87</sup>.

**206 suppliers** involved in development programs of the supply chain in Italy and the United Kingdom, of which more than 130 with LEAP (+25% vs. 2022)

**Sustainability Assessment – 1,100 suppliers**<sup>88</sup>, equal to more than 50% of new orders placed by Leonardo, both Italian and foreign, subject to a thorough sustainability assessment within the past 3 years

**Best Supplier Relationship Management Initiative 2023** - LEAP won an award within CIPS EXCELLENCE IN PROCUREMENT AWARDS 2023

Leonardo relies on a supplier **evaluation model** named **LEADS** (Leonardo Assessment and Development for Sustainability), with the aim of better understanding the performance and potential of its key suppliers, with specific regard to sustainability and development issues and risks, by monitoring 3 axes: 1) performance, from the perspective of quality, punctuality and costs, 2) technical and operational capabilities and asset availability, 3) sustainability, from the perspective of managerial and innovation capabilities, compliance with ESG principles and compliance and risk management practices. With reference to the ESG Sustainability axis of the LEADS model, as from 2021 Leonardo evaluated more than 800 key suppliers, with 200 KPIs, identifying strengths and areas for improvement in the supply chain regarding issues such as innovation capacity, STEM and managerial skills, circularity, and reduction of environmental impacts. Based on the results of this

<sup>87</sup> CIPS (Chartered Institute of Procurement & Supply) is the leading global professional body promoting best procurement and supply chain management practices worldwide with 64,000 members in 180 countries. For more details on the award, please see the following [link](#).

<sup>88</sup> Include the 800 suppliers assessed through the LEADS model and more than 300 suppliers assessed through EcoVadis or other platforms.

process, Leonardo then prepared and promoted the "Manifesto for Supply Chain Sustainability", to support and accelerate the transformation of its supply chain. Among the 800 key suppliers analysed on the ESG Sustainability component, 55 were included in a continuous improvement plan, which also includes other two LEADS assessment axes (Operational Performance; Technical Skills and Industrial Capabilities) and whose progress is monitored by a multifunctional and multidivisional team on a quarterly basis. One year after the first measurement, the results of the second sustainability assessment showed significant improvements in all areas of analysis, with an increase in the level of maturity of the supply chain on ESG issues and a concurrent reduction in the reported risks while enhancing Leonardo's commitment to the LEAP development programme.

<p><b>&gt;80% of the ordered volume managed through digital collaboration platforms.</b></p> <p><i>Sustainability target was achieved and exceeded (&gt;75% in 2023).</i></p>	<p><b>About 650 suppliers received training on SDGs and tools for reporting (+93% compared to 2022).</b></p> <p><i>Sustainability target was achieved and exceeded (&gt;500 in 2023).</i></p>	<p><b>100% of LEAP partners with targets and plans to reduce environmental impact (+60% compared to 2022).</b></p> <p><i>Sustainability target was achieved (100% in 2023).</i></p>
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### Leonardo Sustainable Supply Chain Manifesto

Based on the results of the first LEADS assessment on supplier sustainability, Leonardo has published the **Sustainable Supply Chain Manifesto**, which addresses three main themes, strongly in line with Italy's development guidelines: Digital Transformation, Cyber Security, People & Planet. These priorities, which are structured into 18 concrete projects, with progressive and measurable milestones, intend to support and accelerate the transformation of Leonardo's supply chain that is largely made up of SMEs, helping supplier companies to direct their efforts and investments to compete in international markets. The Manifesto was presented during the digital event **Leonardo for a Sustainable Supply Chain**, an occasion on which the Company, with the participation of top management and leading market players, also illustrated the challenges and opportunities for the Italian AD&S supply chain and shared the expectations and development guidelines to support an increasingly competitive, integrated, innovative and sustainable business ecosystem.



## Supply chain training and growth programmes

**ELITE Leonardo Lounge** – This is a two-year development programme targeted at entrepreneurs and top managers of supplier companies to accelerate their resilience and growth by facilitating access to capital, network and key skills. 67 key suppliers participated in the programme, coming from 13 Italian regions, with an aggregate turnover of €bil. 1.3 and a total of 7,500 employees.

**LEAP Technical Training** - 70 training courses were delivered to improve the technical and specialist skills of managers, white collar and blue-collar workers employed by the companies in the supply chain, in order to also respond to the demand for new skilled labour expected in the coming years. Leonardo has extended the training services provided by its subsidiary Leonardo Skills & Training to include suppliers, delivering a training course in line with the LEADS assessment model and customised through the participation of Group managers. Among the courses offered there are: project management, design excellence, manufacturing excellence, competitiveness and cost reduction, process and product quality, industry 4.0 and cyber security, sustainability and ecological transition, data protection. In 2023, the programme, which was launched in 2020 and is funded by Fondimpresa, saw the completion of the second edition with 17 suppliers involved and the preparation of the third edition expected to begin in 2024. More than 900 employees from the companies involved participated in the two editions already completed for a total of more than 22,000 hours of training.

**Supplier 360 Capability Assessment** – More than 70 key suppliers of the Electronics Division in the United Kingdom have been involved in the Leonardo programme for evaluation and development of technical capabilities and performance, involving 27 SMEs and paying attention to ESG issues.

**Leonardo DRS Supplier Sustainability induction project** - More than 100 key suppliers have been involved in sustainability induction project aimed at evaluating and improving supplier maturity on ESG topics, with a special focus on Climate impact and resource usage. Supplier have been involved in specific workshops, have conducted a specific assessment supported by Assent and had access to training and toolkit to evaluate their GHG emissions, water and waste consumption and define improvement initiatives.

**Confindustria's Digital Innovation Hub for digital transformation** – Raising awareness of and training in 4.0 technologies, assessment of the level of digital maturity and cyber security, development of a roadmap and support to the networking of suppliers in the Industry 4.0 ecosystem, from smart factories to Competence Centres. A total of 50 suppliers have so far been involved in the Leonardo Digital Supply Chain Project, with an aggregate turnover of €mil. 950 and a total of more than 5,100 employees.

**Supply Chains for the 21st Century (SC21 Operational Excellence)** – In the United Kingdom, Leonardo relies on 69 suppliers, 17 of which are sponsored directly, involved in the industry program that aims to improve industry performance, competitiveness and productivity by creating greater customer/supplier collaboration based on continuous improvement. In 2023, Leonardo supported the implementation of the Supply Chain Solutions programme led by ADS.

**Supplier Relationship Management (SRM)** – The objective of the Leonardo SRM project in the United Kingdom is to collaborate with key suppliers in indirect procurement, through partnerships and continuous improvement, on five key areas: resilience, cost efficiency and value generation, innovation, sustainability and methods of collaboration. At present, there are 18 suppliers that adopt SRM in full while others are taking part in the initiative with a light approach.

**Leonardo for a sustainable supply chain** – More than 600 Italian SMEs selected by Leonardo have taken part in the training course using video sessions, created in collaboration with The European House – Ambrosetti and made available free of charge to suppliers through a specially developed e-learning platform. The project aims to bring the supply chain into line with the new regulations on sustainability reporting (CSRD - Corporate Sustainability Reporting Directive) and the decarbonisation ambitions of Leonardo (SBTi – Science Based Target initiative)<sup>89</sup>, providing concrete support to suppliers in preparing a sustainability plan and reporting progress through a dedicated toolkit. Additional 150 suppliers have taken part in similar training courses in the United Kingdom and the United States.

<sup>89</sup> For more details on Leonardo's commitment to the Science Based Target initiative, please see the chapter on [Planet](#).

### **Collaboration with sector peers**

In 2023 Leonardo, as a member of IAEG<sup>90</sup>, promoted the voluntary adoption by major market players of a shared standard for measuring the ESG performance of suppliers in the AD&S sector, with the goal of increasing the sustainability of the operations of the aerospace industry and related supply chain. For this purpose, IAEG has selected the EcoVadis platform, a world leader in sustainability assessments. The adoption of a common approach will enable original equipment manufacturers (OEMs) to assess strengths and improvements at the industry level and put in place collaborations to accelerate the expected improvements in the industry. At the same time, such an approach will allow suppliers to conduct a single assessment, to be shared with all international customers, thus avoiding the need to undergo multiple specific assessments, ensuring a significant increase in the effectiveness and efficiency of the process. Furthermore, suppliers will have the opportunity to access the EcoVadis platform on favourable terms and take advantage of the resources it contains to support the improvement of their ESG performance. In the first year of launch, 2023, 10 major AD&S groups joined the initiative and began to build a pool of more than 1,000 companies operating in the sector, including 200 suppliers of Leonardo, which had been assessed by EcoVadis and which had made their scorecards available for the sector initiative<sup>91</sup>.

**10 major players** in the AD&S sector have adhered to the IAEG initiative with EcoVadis

**1,000 companies** in the supply chain **already measured** by EcoVadis

**Over 200 Leonardo's suppliers** have made their EcoVadis scorecards available

### **Sustainable supply chain management**

Among key priorities for Leonardo is that of ensuring the sustainability of our supply chain, which represents a strong commitment to the Group's stakeholders. In recent years our focus on environmental, social and governance (ESG) issues has gradually increased in all phases of collaboration with suppliers: from the application to become a supplier, to the pre-qualification and qualification phases to enter the register, from selection criteria to the contractual Terms & Conditions, up to due diligence audits and development plans of suppliers. In the **pre-qualification** phase Leonardo verifies whether the economic, financial, ethical, legal, social and environmental requirements are met, while in the **qualification** phase it assesses the technical and operational capabilities of the supplies, as well as the minimum requirements requested by Leonardo on environmental management, protection of conditions and rights of employees, protection of health and safety, cyber security and intellectual property protection. In 2023, reputational analysis of suppliers was strengthened through the extensive use of infoproviders, which, through specialised databases and media analysis, make it possible to highlight risks or alerts on the counterparty and its representatives on the economic, financial, ethical, legal, social and environmental fronts. According to the product sector, an additional verification on product qualification may be necessary to check compliance with the technical requirements of the component or part to be purchased. Furthermore, for some product areas, supplier selection takes account of the availability of specific additional ESG requirements, for example, the

<sup>90</sup> IAEG, International Aerospace Environmental Group, is a non-profit organisation comprising 54 leading Aerospace, Defence and Security companies that together account for over 70% of the industry at a global level.

<sup>91</sup> At Leonardo, more than 80 employees of the Procurement & Supply chain professional family participated in a training course in 2023 to support the implementation of the initiative.

possession of ISO 14001, ISO 45001, quality and cyber security certifications. Maintenance of the requirements is monitored via **periodic checks** throughout the entire duration of contractual relationships, both through recurring audits (every two years for pre-qualification requirements and every three years for qualification requirements) and through periodical audit plans, with serious or repeated non-compliance with requirements resulting in temporary or definitive exclusion from the Register<sup>92</sup>.

### A new Code of Conduct for suppliers

During 2023, Leonardo prepared a new Code of Conduct for suppliers, published on its website<sup>93</sup>. The new code reinforces the principle according to which suppliers are an integral part of Leonardo's business ecosystem and are a key determinant in the implementation of its sustainability strategy so it is essential that they share the same values, principles and standards as Leonardo and participate, in a partnership perspective, in Leonardo's commitment to developing a sustainable future for the Aerospace, Defense and Security sector, considering the impacts of its operations on the entire value chain.

In the United Kingdom, Leonardo has been actively involved since 2015 in the JOSCAR (Joint Supply Chain Accreditation Register) industry project to qualify joint suppliers and help guide the future development of the Aerospace and Defence programme in the country. In 2023 the Group increased its participation in the program to over 900 suppliers involved. JOSCAR, in which 50% of the participants are SMEs, maintains a portal dedicated to small and medium-sized enterprises in order to rationalise the number of communication channels used and provide a single point of access for both current Aerospace and Defence suppliers and new firms that intend to enter the market<sup>94</sup>. The initiative continues to evolve as more companies join the community of buyers<sup>95</sup> and the evaluation criteria used are updated to reflect the latest industry developments in the field of ESG<sup>96</sup>. The Group has also launched specific projects that involve suppliers to integrate environmental factors into supply chain management and reduce its environmental impact, including working groups and workshops to promote decarbonisation and chemical and environmental compliance, research projects to create more efficient products and materials that reduce atmospheric and acoustic emissions, and exploit technologies such as additive manufacturing, as well as pilot projects to promote the reuse of packaging<sup>97</sup>.

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<sup>92</sup> For more details, please see the section on [Other indicators](#).

<sup>93</sup> The Code is available to the public at the following [link](#).

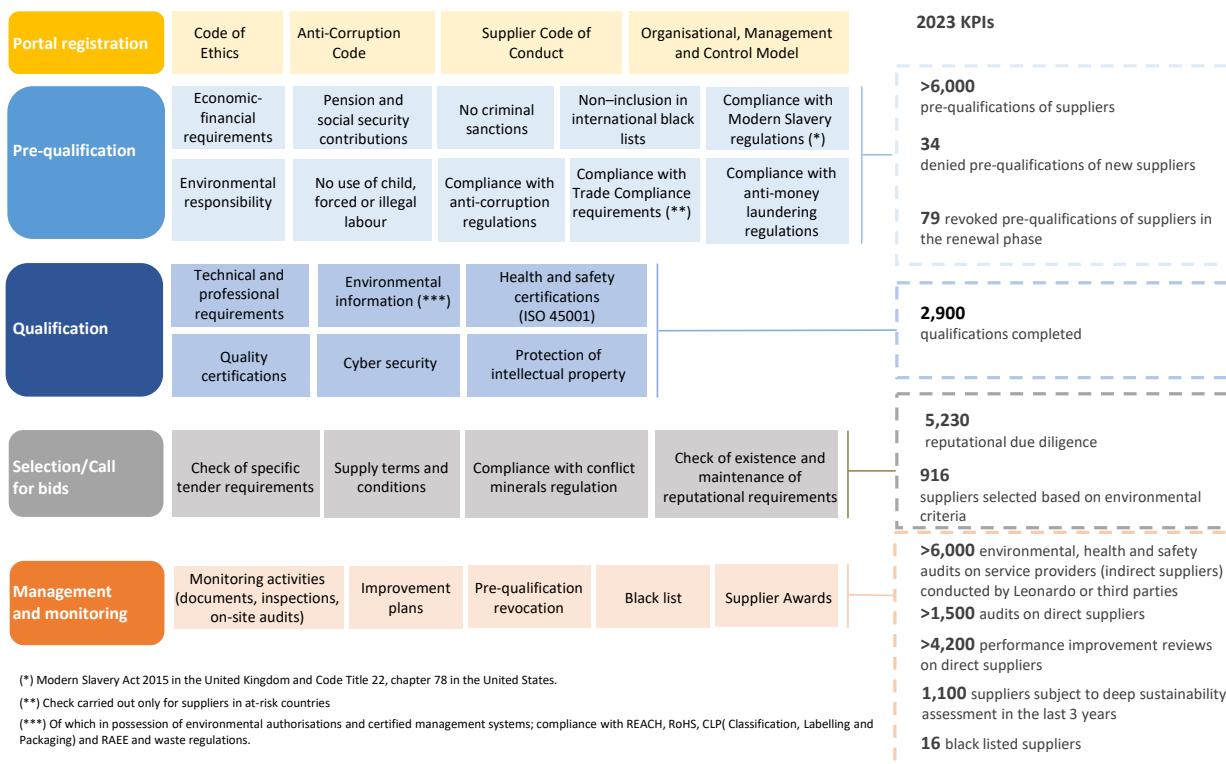
<sup>94</sup> About 550 companies have already registered on the portal.

<sup>95</sup> At present they are equal to 28.

<sup>96</sup> Additional details are available on the website of the initiative.

<sup>97</sup> For more details on the fight against climate change and the circular economy model within Leonardo, please see the chapter on [Planet](#).

### Main phases of supplier selection and management<sup>98</sup>



Leonardo engages suppliers on key and operational issues relating to the supply chain, including obsolescence management, procurement of critical materials and the growing risk of cyber-attacks. An increasing number of selected suppliers share their risk registers with Leonardo, and the company, in turn, shares the results of risk analyses with them as part of related projects.

### Supplier engagement

**Crisis teams** - Leonardo has established a multi-divisional management team for structured coordination among procurement managers across various countries to manage communication, monitoring and action plan definition activities on global procurement issues. The team, which started its operations during the Covid-19 emergency in 2020, continued its work as from 2021 with a focus on assessing and mitigating procurement issues concerning critical materials and microchips and the impact of the Russia – Ukraine and Middle - East conflicts.

**Electronic component analysis** – In the United States Leonardo DRS has maintained a tool to identify Circuit Card Assembly (CCA) - related risks and improve supplier performance. The tool allows the analysis of more than 1,500 CCAs associated with about 40,000 components, identifying risks of obsolescence, lead-time, price, or related supply shortages. Additionally, this automated tool helps improve CCA component obsolescence management and decision-making processes, for improved risk identification and action. In this

**REACH and chemical substances** - Leonardo acts in compliance with the REACH regulation with the objective of reducing the use of hazardous substances from its processes and products by 15% by 2025 and 50% by 2032 compared to 2022, considering the specific features of each business in which it operates. The reduction is calculated based on the indicator "kilograms of SVHC substances purchased (in Annex XIV of the Regulations as of 31/12/2022) per production hours. The Company has identified the hazardous substances used in industrial processes, started a rationalisation of the substances purchased, in compliance with the restrictions and exceptions provided for by the Regulation, and provided for mitigation plans for each division, as well as specific objectives for the reduction, and where technically possible, the elimination of hazardous substances from products, while also taking advantage of eco-design initiatives that make it possible to identify alternatives with lower impact right from the design phase. Leonardo collaborates with third-party

<sup>98</sup> The figures refer to Leonardo SpA, Leonardo Global Solutions and Leonardo Logistics. At Group level, in 2023 about 7,300 suppliers have been subject to ESG risk assessment, among which 459 significant suppliers.

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manner, Leonardo DRS has identified opportunities to ensure product development and production despite procurement-related challenges.

**Security and resilience** – Leonardo has strengthened security risk management in the supply chain by requiring security requirements from the qualification stage. For project supplies that must meet specific security requirements or key projects, it has outlined a homogeneous, cross-sector approach to identifying, assessing and managing security risks, monitoring identified risks and related treatment actions on an ongoing basis, and fostering better communication between divisions, as well as integration into the Company's risk management process. In the United Kingdom, Leonardo also participates in the cross-sector Supply Chain Resilience Working Group, launched by the UK Ministry of Defence to better manage risks and strengthen supply chain resilience; while in the United States, to effectively respond to the US Department of Defense's regulations, aimed at mitigating cyber security risks in the supply chain, Leonardo has developed new supplier cyber monitoring techniques to proactively identify risk mitigation actions and achieve or exceeding compliance with the new regulations. Regulatory compliance tracking systems continue to be strengthened, making it easier to support the supplier and act to mitigate risks.

**Climate Change and Sustainability Working Group (WG)** – Leonardo collaborates in the cross-sector working group formed by the UK Ministry of Defence to align the priorities of its key suppliers in combating climate change. The WG has jointly drafted a code of conduct to steer the sector toward greater openness and collaboration.

**UK Defence ESG Charter** – Leonardo is one of the signatories of the new “UK Defence ESG” charter, which includes three key commitments from the UK defence industry: climate transition and clean tech, impact on society and governance, and ethics. As one of the largest investors in research and technology, the defence industry will provide significant opportunities for the next generation of scientists and engineers while exploiting the tools of the new digital age to ensure a more secure and sustainable future. As part of its commitment to promoting a sustainable supply chain and consistent with its decarbonisation goals<sup>99</sup>, Leonardo encourages its suppliers to sign up to the initiative.

business partners to identify, develop and test together alternative solutions, including within the framework of national and European research and funding programmes, and involves suppliers in the management of hazardous substances and compliance with REACH regulations through contractual clauses and training courses on the subject. Leonardo participates and leads the working group of the European Aerospace and Defence Association (ASD) on REACH and chemical substances, supporting the actions towards the European Commission and Parliament and the dialogue with the European Defence Agency (EDA). Among the projects carried out in this context are the definition of a guideline to simplify the approach for waste management in the sector (Waste Framework Directive); the creation of a Working Group within the Chemical Strategy for Sustainability REACH and Classification, Labelling and Packaging (CLP) to inform the European Union of the needs of the sector in view of the update of the REACH and CLP regulations; participation in the CEFIC (European Chemical Industry Council) round tables to follow initiatives related to product sustainability and safe and sustainable design. Leonardo also chairs AIAD's REACH Working Group to coordinate dialogue with the Italian Ministry of Defence and political counterparts and participates in the UK Ministry of Defence's Sustainable Procurement Working Group to share best practices in managing industry policies, including REACH regulations and GHG protocols. Leonardo also participates in the Aerospace and Defence Chromium ReAuthorisation Consortium (ADCR), contributing to specific reports, including a socio-economic analysis in which it involved over 70 key suppliers that could be impacted by the replacement plans, in order to mitigate the risk of discontinuity in the business particularly linked to the replacement of some chromates with alternative solutions.

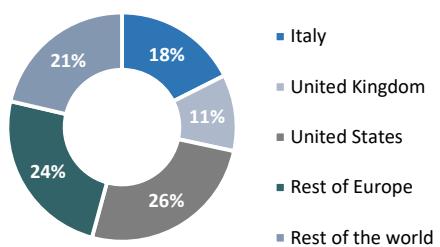
**ASD – Workstream Supply chain decarbonisation** – Within the Climate and Defence Task Force established by ASD, Leonardo coordinates, together with Saab, a workstream centered on supply chain decarbonisation, with the goal of sharing ways and initiatives – either currently in place or planned for the future - and assessing the possibility of taking collaborative actions to support the transition of the industry's supply chain. At the first meeting held in November 2023, Leonardo shared its strategy and supplier engagement projects implemented through the LEAP programme.

<sup>99</sup> For more details on Leonardo decarbonisation goals in the United Kingdom, please see the chapter on Planet, in the [Decarbonisation](#) section.

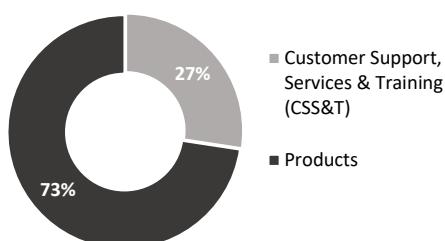
## Customer intimacy, quality and safety

Providing innovative technological solutions to contribute to the progress and safety of the world. From the design phase to the development of products, services and solutions and after-sales service, Leonardo searches and applies high levels of quality, safety and sustainability, in compliance with the standards and regulations of a highly regulated sector, in order to become a trusted partner for its customers. For Leonardo, customer centricity means in fact thinking every day about the positive impact of its business, responding to every possible operational need of its customers and striving to anticipate what could become their critical issues in the future.

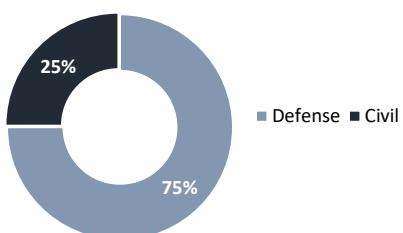
Revenues by geographic area



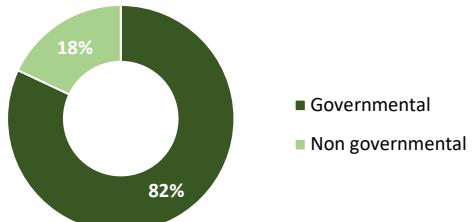
Turnover by market



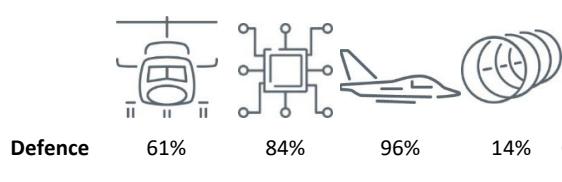
Defense / Civil turnover



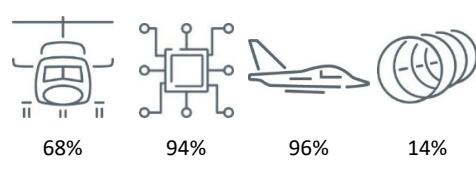
Governmental / Non governmental turnover



Defence/civil by sector



Governmental/nongovernmental by sector



## Customer support and training solutions

Leonardo offers customised solutions and innovative, value-added after-sales support services: from the offer of integrated services to continuous upgrading of Systems in order to ensure customers extended operational availability and performance over time, from training programmes in complex and multi-domain operational scenarios and training, in terms of both skills and expertise, collecting and processing any feedback from the field which is required to maintain continuous and ongoing direct contact with end users and build a strategic relationship in the long term. The development of the Customer Support, Services & Training business and the improvement in customer satisfaction are among the objectives of Leonardo's Strategic Plan, which are pursued through a transformation that involves technologies, the organisation, processes, procedures, compliance with standards and regulations, the way of doing business and, above all, people. Consolidation of the services business is focused on "customer capability", to be ensured by leveraging some key concepts for greater resilience: customer centricity, their demand for technology to be provided "as-a-service", continuous improvement, development of hard and soft skills, data management and analysis, through the application of smart technology and increasingly digitised processes and products. With a view to sustainable innovation, Customer Experience and the use of advanced digital technologies turn into a measurement of satisfaction in the use of the Systems, coupled with the ability to improve the product and its operations, ensuring the management integrity of information and transparency in customer communication.

In line with the ever-increasing and more advanced market demands, customer support training is based on interoperable and combined technologies – Live, Virtual and Constructive – to ensure an immersive reproduction of systems in their operational use. The use of flight simulators allows for expanding training effectiveness and reducing real flight hours, thus reducing environmental and acoustic impacts, and making a more efficient use of the Defence budget. Virtual and augmented reality technologies, together with artificial intelligence, are also used for preventive and predictive maintenance, thus helping to mitigate inefficiencies and reduce the environmental and logistics impacts, and enabling remote operations, thereby reducing physical travel to support operations.

**Over 50,000** training hours delivered through flight simulators

**Over 13,000** pilots and operators of helicopters and aircraft trained

**First place** among helicopter companies in ProPilot's ranking for quality of after-sales support, for the fifth year running

**First place** in Product Support Survey of AIN (Aviation International News) ranking in 2032 too

Data 2023

### Training pilots, technicians, and maintenance workers according to new standards and regulations

**International Flight Training School** – The project, a collaboration between the Air Force and Leonardo to build an advanced flight training center for military pilots destined for the latest generation of aircraft, is fully operational at the Decimomannu base in Sardinia and has been included among the first two sites in the European network of "NATO Flight Training Europe (NFTE)." The new campus was inaugurated in May 2023, and the prestigious Air Forces of the United Kingdom

### Digital Customer Service initiatives in support of customers

**Customer Satisfaction** – With the use of the Net Promoter System (NPS) methodology during 2023, more than 300 customers were involved from the civil, military and government markets in more than 70 countries all over the world in measuring Customer Satisfaction. Leonardo has collected and analysed, as a whole, more than 2,000 feedbacks since the start of customer satisfaction monitoring activities in 2019. The objectives have been achieved to obtain a deeper and more complete knowledge of the perception of Leonardo solutions on the part of its customers and to identify and implement corrective measures, with a view to

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and Sweden have adhered to the IFTS, joining those of Saudi Arabia, Austria, Canada, Germany, Japan, Qatar and Singapore. The use of the M-346, the most advanced training aircraft currently available on the market, and the related ground-based training system "Ground Based Training System - GBTS," which at the state of the art integrates flight simulation and mission, has already made it possible to reduce actual flight hours by about 50% compared to similar training previously carried out on fighter aircraft, achieving reductions in fuel consumption and related emissions by 19,000 tons of CO<sub>2e</sub> in 2023.

**Leonardo Academy for Basic Training (LABT)** – Following the attainment of some certifications at the end of 2022<sup>100</sup> and with the aim of further increasing its capabilities to deliver integrated maintenance training through the involvement of more business areas, Leonardo has established the Leonardo Academy for Basic Training (LABT) to offer basic training courses for maintenance workers and specialists in the Aerospace, Defense and Security industry, both in-person and remotely. In addition, LABT provides training for technicians based on the new standards of ASD S-Series, issued by the Aerospace, Security and Defense Industries Association of Europe related to product lifecycle data management in order to increase reliability, system availability and reduce related operating costs. Finally, LABT delivers any additional courses needed to complete the cultural background of Aerospace, Defense and Security operators. Among the first programmes interested in maintenance training in the military field are the AW139 and AW169 helicopters, the International Flight Training School (IFTS) programme, the Falco Xplorer remotely-piloted system, and components installed on military platforms.

**The importance of complying with standards and regulations** – Leonardo actively participates in activities within the ASD Service Commission for the definition of the new S-Series standards for data management of the entire product life cycle in the field of Integrated Product Support, through Integrated Logistic Support analyses, for an effective management of Technical Publications, materials and spare parts, for the definition of Integrated Life Cycle Analysis, the management of Preventive Maintenance, Training and In-Service Feedback in order to increase the reliability and availability of systems and consequently reduce the related operating costs. The compliance of the S-Series suite and mandatory regulations is for Leonardo an essential element, as well as a mandatory requirement for participation in international cooperation programmes.

continuous customer service improvement. Measurements were also extended to training activities and some new digital services compared to the previous 12 months.

**Digital Customer Service initiatives** – Leonardo makes available to its customers advanced Customer Relationship Management and e-commerce platforms, which enable better management of customers' requests and ensure a single point of access (Leonardo Customer Portal) for all after-sales services, including training activities and new evolved support services from a data-driven perspective, with the aim of ensuring a renewed and better customer experience.

**WCC European Roadshow** - In continuation of the Innovation and Excellence Award EMEA 2022, received from World Commerce & Contracting, a global community for the promotion of standards and continuous improvement in sales and contracting, Leonardo hosted the WCC European Roadshow in Rome in 2023, where it shared the value of implementing the initiative for the benefit of business and customers.

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<sup>100</sup> Specifically, Leonardo obtained certification from the Directorate for Aeronautical Armaments and Airworthiness, being recognised as a "Maintenance Training Organisation" according to the national AER(EP).P-147 standard and in line with the European EMAR 147 standard issued by the European Defence Agency (EDA).

## Social value and industrial collaboration programmes

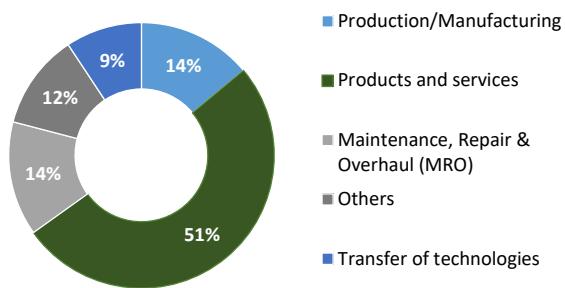
Leonardo is committed to generating positive impacts for the communities that host its sites and production facilities. For this reason, sustainability topics are integrated into initiatives, projects and working methods. Specific metrics are used to assess the effectiveness of these actions and quantify the impact produced on local communities. Moreover, this approach becomes also relevant in relations with those governments that, on the occasion of public tenders, exploit their spending power by providing incentives to companies to produce measurable social benefits in favour of communities, redesigning the relationship between public and private entities.

### The Social Value model in the United Kingdom

Leonardo has the objective of maximising the social value it produces, as evidenced by its commitment to supporting its people, community, and economy. In the United Kingdom, the UK government has structured social value into 5 areas: equal opportunities, reducing economic inequality, combating climate change, post-pandemic recovery, and wellbeing. During the selection process for awarding new contracts, the UK government gives a weight of at least 10% to the social value produced by individual companies.

In the United Kingdom, Leonardo contributes about GBP1.9 billion to the country's economy, employing more than 8,000 highly-skilled people and supporting more than 26,000 jobs. Leonardo also works with more than 2,100 local companies in the United Kingdom, two-thirds of which are SMEs.

Indirect offset projects by type



Furthermore, Leonardo collaborates with its international customers to generate economic and industrial benefits, both in the civil and Defence sectors, under industrial offset agreements. In 2023, Leonardo had 43 indirect offset contracts in place around the world<sup>101</sup>.

## Quality and Safety

Leonardo pursues the goal of ensuring the highest safety and quality of products and services, striving to deliver them to customers on time and without any defects. For this purpose, the Group uses company engineering and manufacturing processes based on recognised procedures and standards, promotes continuous training and information of people on quality and safety of products and services, and integrates methodologies of risk management, product life cycle management and crisis management. Leonardo operates in accordance with ISO9001, AS/EN9100, AS/EN9110 quality management standards, as well as with

<sup>101</sup> For more details, please see the section on [Responsible business conduct](#) and document on offset management on Leonardo website.

NATO AQAP 2110/2210/2310 standards, and those of design, production, and maintenance organisations in civil and military environments, and adopts and implements all customer specifications and procedures within its management and related documentation to ensure utmost compliance with required quality standards. This approach is to ensure the quality and safety of the design, implementation, maintenance, testing, delivery and customer support, even in the phase of use.

In addition, the quality and safety of the Group's products and services are attested by company and third-party audits. In fact, the products made internally and those commissioned to third-party suppliers, selected and qualified according to the standards adopted, are subject to internal audits and a final verification of conformity by the quality function of each factory on an ongoing basis, in compliance with contract requirements and/or other safety regulations. Furthermore, the quality and safety of the Group's products and services is attested by third-party certifiers through specific audits on an annual basis. For the type of products and services produced, Leonardo is also subject to certain audits on the part of the competent Authorities, including government bodies and customers, in the field of Safety and, if applicable, airworthiness.

Each Division or specific program within the Group is also supported by R&D activities geared towards the use of state-of-the-art technologies and the generation of proprietary processes in addition to safety. Each division adopts a centralised governance system, which provides for Safety Management Systems at the local function level, control and risk assessment procedures and manuals, preventive tests to verify the quality and safety of products and services, crisis management procedures involving recall systems and procedures of products not complying with safety requirements, customer alert, product tracking and other specific processes. Of fundamental importance are the continuous improvement plans, which, in close connection with the technology roadmap, improve the quality standard of parts, processes and services on an ongoing basis. Should issues emerge in relation to aircraft and helicopters in service, Leonardo proceeds with risk assessment, the identification of any possible mitigating measures, establishing their effectiveness and feasibility, and preparing a recovery plan. In addition, the level of Safety performance of products delivered to customers is continuously monitored, through the management of a database of significant incidents, which allows their analysis, the generation of statistics and a register of "lessons learned," to be analysed at the time of the implementation of a new design. The safety of maintenance operations is also subject to analysis, providing for the assessment of the related risk and control through the adoption of appropriate safety measures, procedures and personal protective equipment.

Leonardo is also committed to the training of all staff members involved in the quality and safety of the solutions produced through specific training on an annual basis<sup>102</sup>. Training activities are also implemented annually to support customers and suppliers.

Compliance with high quality standards is also required from suppliers, to guarantee materials and goods without any defect in design, manufacturing and installation, and verified during the qualification phase.

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<sup>102</sup> In the area of operational quality, special training courses related to root cause research tools, the identification of countermeasures and the assessment of their robustness are released. Trained people are evaluated with specific tests certifying their learning; among them those who are directly involved in improvement activities and problem solving are evaluated and monitored for their degree of knowledge with special 5-level radar charts on which the gap is also measured with respect to an expected target.

**89% of employees** operate at sites certified according to the ISO9001 quality standard

**90%** of suppliers in terms of total purchase value with certification of process quality

Furthermore, Leonardo plays an active role in the evolution of sector standards and regulations through its participation in the main international organisations, including IAQG (International Aerospace Quality Group), EAQG (European Aerospace Quality Group), RMS (Regional Management Structure) and SAE (Society of Automotive Engineers), and contributes to designing the EPAS (European Plan for Aviation Safety implemented by the European aviation authority with all Member States). Since 2018, it has guided the OPC Operations Council, formerly IAQG's Strategy Working Group, which defines quality standards and the related certification scheme format, measuring effectiveness and developing the global database of best practices. In Italy, as a member of AIAD, Leonardo sits on the Quality Committee, which pays particular attention to supporting small-and medium-sized enterprises, with regard to mandatory regulations and customer-specific quality and safety requirements.

### Process quality

A significant improvement was achieved in the quality management of processes and products through the use of a standardised QA Matrix across all Divisions, which is a tool that allows the collection of all "non-quality" events, the assessment of their impact, the "root causes" and the prioritisation of the best solutions for process control and its standardisation. In 2023, the matrix was implemented at 18 sites, and identified defects were prioritised based on related impact so that improvement projects could be designed on the most significant defects. Priority "non-quality" events were analysed through specific improvement projects, and more than 70% of them were closed and resolved.

## Value for communities and territories

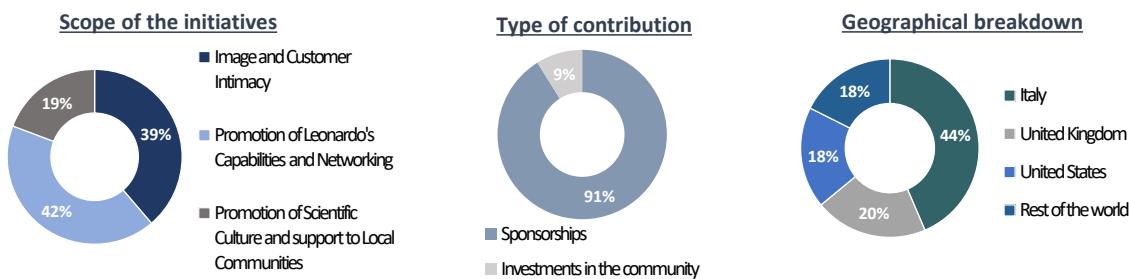
Leonardo generates value for communities by spreading a business culture that promotes sustainability through the social, economic and environmental development of the territories in which it operates. For this purpose, it launches, supports and incentivises projects with a strong social impact, aimed at disseminating knowledge and technologies, as well as enhances diversity by promoting inclusion, supports gender equality including through actions to disseminate STEM disciplines, invests in the growth of the community through volunteering skills and knowledge transfer, and safeguards environmental protection by promoting greater awareness among people. To this end, Leonardo carries out numerous engagement and awareness-raising activities in the territories that host the Group's production sites, collaborating with entities, associations and foundations, partners and non-profit organisations.

Leonardo's commitment is also expressed through the Group's Foundations and the voluntary support from its people, who thus contribute to activities targeted at the achievement of SDGs.

- **Leonardo Civiltà delle Macchine Foundation** is committed to promoting human rights in the digital society, combining scientific knowledge and research with culture and the arts, and fostering a constructive debate on the impacts of digital transformation. It promotes STEM and ICT competencies and digital education and supports economic growth and innovation by stimulating public debate on the sustainable development of the territories and the prospects for industrial development of the country. It supports research in the field of ethics and law of artificial intelligence through partnerships with institutions and universities.
- **Ansaldo-Leonardo Group Foundation** has been working for over 20 years in the recovery, protection, preservation and enhancement of the historical-cultural heritage consisting of its archival, photographic and film collections - over 100 collections, either its own or entrusted by third parties -, which preserve the memories in the entrepreneurial, industrial, technological and communication areas, in particular of those companies that have operated in the Liguria region.
- **Med-Or Foundation**, founded in 2021, aims to promote cultural, research and scientific training activities, to strengthen ties, exchanges and international relations between Italy and the countries of the enlarged Mediterranean area. It is an innovative, global and collaborative entity that aims to combine skills and capabilities of industry with the academic world for the development of geo-economic and socio-cultural partnership with countries in the Enlarged Mediterranean, Sub-Saharan Africa, the Middle East and the Far East with the aim of laying the foundation for sustainable and integrated development.

## Social commitment, support to territories and promotion of culture

The Group's commitment to fostering the socio-cultural development of the territories in which it operates also translates into economic action: in 2023, Leonardo invested about 3 €mil<sup>103</sup> in sponsorship initiatives aimed at communities and the promotion of culture and scientific research. The choice of activities to be carried out has favored wide-ranging projects that would allow the creation of partnerships and collaborations, through the support of cultural institutions, initiatives of a social and solidarity nature as well as research and innovation projects.



### Social commitment and support to territories

**Avanchair** - Collaboration work with Avanchair Startup, which has created an innovative electric wheelchair whose new prototype was presented in 2023. This project is a clear example of how technology transfer between different sectors can improve people's lives and reduce inequalities.

**WEEE (Waste from Electrical and Electronic Equipment) in prison** – It is an electrical and electronic equipment recycling project with a goal of training and social re-education of inmates in Bollate Prison - Milan. The recycling system, located inside the prison, has been built and operates thanks to the collaboration of institutional and private players<sup>104</sup>.

**Telethon Foundation** – In 2023 Leonardo decided to support "Plug & Play," Telethon's technology platform for gene therapy, which can optimise the time and resources needed to complete the development of therapies in line with its commitment to social welfare and the promotion of scientific citizenship.

**Volunteer bulletin board** - Leonardo supports, with a dedicated in-house platform, employees' offers and requests to volunteer in favour of non-profit organizations that operate throughout the territory. The section on "volunteer stories" is connected to the platform, which collects and recounts employees' experiences.

**Responsible Canteens** – This programme, in partnership with Fondazione Banco Alimentare Onlus and canteen service providers, has been designed for the recovery of surplus food

### Promotion of culture

**Leonardo Corporate Heritage** – The company museums that are part of Leonardo's Museum System in Italy are the Agusta Museum, with attached Villa in Cascina Costa di Samarate (VA), the Breda Meccanica Bresciana Museum, the Officine Galileo Museum in Campi Bisenzio (FI), the Radar Museum in Bacoli (NA), the headquarters of the Associazione della Melara in La Spezia, where the OTO-Melara historical archive is located, the Aeronautical Industry Museum in Turin and the Fucino Space Center Museum of Telespazio. In 2023 the Corporate Heritage programmes involved almost 8,000 visitors, accompanied by the company's Seniors (over 200 active in the Museums and Archives) and volunteers.

**Digitalisation of archival, photographic and film heritage** - The Ansaldo Foundation supports a plan to digitise its archival heritage, including photographs and films, by carrying out restoration work on some films. In 2023, the Foundation signed an agreement with Istituto Luce-Cinecittà to digitise and promote more than 300 period films related to the theme of work from the archival collections of Ansaldo and Ilva which are owned by the Foundation and have been declared of "notable historical interest" by the Archival and Bibliographic Superintendent's Office of the Liguria region. Finally, the full digitisation of the Civiltà delle Macchine magazine was completed in 2023.

**Digital skills and technologies at the service of culture** - In 2023, the Ansaldo Foundation signed an agreement with the University

<sup>103</sup> During the year, the company also financially supported, for a total value of about 2 €mil, two extraordinary activities related to the promotion of its capabilities and the consolidation of brand reputation, such as the "Centenario dell'Aeronautica Militare" and the international training activity "Formidable Shield" alongside the Italian Navy.

<sup>104</sup> For more details, please see the paragraph on [Circular Economy](#) in the chapter on "Planet".

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from the canteens of the main Italian factories in favour of non-profit organisations. In 2023 more than 144,000 portions of food were distributed for a total economic value of about € 275,000 (more than € 3.5 million since the start of the Programme).

**Support to military families in the United States** – More than 90% of Leonardo DRS' investments for communities support solidarity programmes reserved for active duty and retired veterans and their families in the areas of financial assistance, adaptive sports, medical research, community engagement, grief assistance and educational scholarships. Among the organizations supported by Leonardo there are Homes For Our Troops, the Fisher House Foundation and Blue Star Families.

**Plastic Free** – Leonardo confirms its collaboration with Plastic Free, the most important environmental volunteering association in Italy created with the aim of informing people and raising their awareness about the dangers of plastic pollution. During the year Leonardo supported an event at Pineta di Ostia, on the occasion of World Ocean Day promoted by United Nations, which allowed the collection of over 800 kg of waste. More than 200 employees joined Plastic Free initiatives over the past two years, helping to collect more than 2 tons of waste.

**Solidarity campaign for Emilia-Romagna** - In order to support the population of Emilia-Romagna affected by the floods in May 2023, Leonardo, joining to the solidarity initiative jointly promoted at the national level by Confindustria and CGIL-CISL-UIL trade unions, launched a campaign for all the Italian employees to donate an hour of their work and the company contributed for the equivalent amount. The total donation amounted to over € 200,000.

of Genoa and provided more than 2,000 hours of training through curricular internships in the field of archival, digital and communication technologies for the enhancement of cultural heritage. Likewise, the doctoral program on the theme of the evolution of Welfare and Corporate Identity in Ansaldo industries continued, and a new doctoral program, funded by the Liguria Region with the contribution of Ansaldo Energia, was launched on the themes of the history of national industrial development in the field of energy production.

**Enhancement of cultural and artistic heritage** – In 2023 the Med-Or Foundation supported various projects to enhance the cultural and artistic heritage, including: the travelling exhibition 'Mediterranea. Visions of an ancient and complex sea', realised in collaboration with MAECI - Directorate General for the Promotion of the Country System, Telespazio, the European Space Agency, the Italian Space Agency and e-GEOS; the event on "Nouakchott, Capital of Culture 2023 of the Islamic world: an Arab magic between past and future", organised in collaboration with the Mauritanian Ministry of Culture and the Mauritanian Embassy in Italy.

**"Transizioni" exhibition** - In 2023, the "Transizioni" exhibition curated by the Ansaldo Foundation with the support of the University of Genoa and the patronage of Genoa City Council was set up and opened to the public at Palazzo Reale in Genoa. The exhibition, which was attended by over 20,000 visitors, focused on themes related to the changes that took place because of the industrial revolutions in business, labour and society starting from the mid-19th century and throughout the 20th century.

**"Carabinieri: Italian Biodiversity Keepers" exhibition** - Leonardo has contributed to the "Carabinieri: Italian Biodiversity Keepers" exhibition, organised by the Italian Carabinieri Forces at the United Nations Secretariat Building in New York, to raise public awareness of the extraordinary biodiversity of Italy's territory and the indispensable need to preserve its integrity.

## Digital education, scientific culture and technological expertise

The promotion of digital education and sharing scientific knowledge, technological expertise, and innovation with the communities concerned form an integral part of Leonardo's strategy to strengthen the innovation chain and reduce the educational and social gap in the territories in which it operates.

Leonardo fosters upskilling and reskilling programmes dedicated both to keeping its people constantly up to date with technological developments<sup>105</sup>, and to support the dissemination of scientific culture to external communities by making available its wealth of knowledge and distinctive skills.

At Leonardo the valorisation of diversity and the promotion of social inclusion are a fundamental value, as well as a distinctive factor in competitiveness to be also pursued by fostering the development of technical and scientific skills in the communities concerned.

**Over 400,000 people**  
reached with scientific and  
digital citizenship  
programmes

**More than 30,000 male  
and female students**  
visited Leonardo's stands  
and interacted with  
company representatives  
during the Career Days

**About 1,400 schools,  
more than 1,900 teachers  
and 60,000 students**  
involved in the STEMLab  
project

**More than 2,000 hours of  
teaching** by Leonardo  
employees in Italian  
schools and universities

Leonardo has a network of STEM ambassadors operating in the various geographical areas, which, through training and popularisation activities delivered in collaboration with Technical High Schools, encourage new generations to undertake STEM-related courses of study, spreading passion for science and technology. Within the scope of the School-Business System project, promoted by the ELIS consortium, Leonardo has also made available to students of 1st and 2nd degree secondary schools the testimonies of 25 Role Model female employees with STEM backgrounds, who, through inspirational talks, have dedicated training sessions to students to support their future educational orientations. In this context, there is also the Young Women Empowerment Program - YEP, dedicated to female students in Southern Italy and promoted by the Ortigia Business School Foundation, which promotes training based on the skills of the future and a culture of gender equality, to counteract stereotypes and inequalities in the education and professional fields. The commitment to promoting STEM education is also important in other geographical areas in which the Group operates: in the United Kingdom career fairs, summer schools and dedicated contests have been organized, which have led to an increase of almost 20% in female placement for internship, apprenticeship and industrial placement roles.

### Digital education

**Digital High School** – The adventure of the new “digital high school” at the Matteucci Institute in Rome, started in 2022, continued into 2023. The project, which is the result of a proposal by the Leonardo Foundation, was implemented in collaboration with Leonardo, the Ministry of Education and the Matteucci Institute in Rome. The goal is to develop digital and technical skills, integrated and harmonised by humanistic knowledge, which are fundamental to ensuring a sustainable future. This five-year course of study includes a course in Artificial Intelligence developed by Leonardo experts who also serve as tutors in the

**STEM Lab** – The project was created for the purpose of promoting the dissemination of STEM education by providing content for teachers of 2<sup>nd</sup>-degree secondary schools in Italy and raising awareness among boys and girls. The initiative reinforces Leonardo's role as a hi-tech leader in support of the education system, enhancing the company's wealth of knowledge to the outside world and strengthening the relationship with the territory. STEMLab offers teachers free video lessons in the form of webinars, with teaching guides and workshop sheets to explore with students subjects and technologies connected with

<sup>105</sup> For details please refer to paragraph [Skill management and enhancement](#) of “People” chapter.

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planning phase and company internships planned for the final year of the course. In 2023, student enrolment in this course of study doubled, leading the Ministry of Education to grant the opening of a second section.

**Digital Transition Laboratory** - In collaboration with Bocconi, Trento and Florence Universities and the Privacy Guarantor, the Leonardo Foundation Laboratory is a space for study on the themes of Artificial Intelligence and digitisation on the Italian, European and global scene, through position papers, research and conferences.

**Become a Digital Citizen** - Born from the agreement between Leonardo, Leonardo Foundation and the General Command of the Carabinieri Corps, work continued in 2023 on this project which aims to reduce the digital divide in Italy, encouraging access to new technologies by the older social groups. With 33 offices in small and medium-sized municipalities made available by the Carabinieri, more than 300 citizens participated in the project in 2023.

innovation, including content that is developed directly by Leonardo experts. Contests such as the STEM Olympiad were also organised and multimedia Apps made available. Among the topics Artificial Intelligence, Big Data, Additive Manufacturing/3D Printing, Drones, Electrification, Ports and Airports, Space Robotics, Regulation on the use of chemicals (REACH), Cyber Security. By the end of December 2023, two years and a half after its launch, more than 1,900 teachers were enrolled and about 1,400 schools and more than 60,000 students were involved.

As part of the 59th edition of the Oscar di Bilancio awards, promoted by FERPI (Federazione Relazioni Pubbliche Italiana), Borsa Italiana and Bocconi University, Leonardo won the Generation Z Award, for "the ability to involve younger generations in achieving sustainability goals through innovative projects such as STEMLab."

**ITS Academy** – Work continued on Leonardo's commitment to creating a national ecosystem of digital skills under the agreement formalised between the Leonardo Foundation, the Emilia-Romagna, Liguria, Puglia and Umbria Regional Governments, the Ministry for Digital Transformation (MITD), the Cyber Security Agency, Confindustria INDIRE, the National ITS Association and the Minister of Education at the end of 2022, with the aim of creating ITS Academy curricular training programmes aimed at training various profiles.

## Scientific culture and technological skills

**Outreach project** – The Leonardo Foundation has started the preparatory activities for the realisation of the Outreach Project, which will be fully implemented during 2024. It is an innovative project that aims to raise awareness and bring a heterogeneous public closer to the content of a scientific nature and relating to the world of technological innovation, developed by Leonardo, with the aim of disseminating them through multimedia information tools and digital platforms with educational and training purposes. The project will make use of a dedicated Multimedia Production Centre.

**Treccani Scuola** – The collaboration between the Leonardo Foundation and Treccani also continued in 2023 for the programming of online lessons and multimedia educational content intended for the Treccani Scuola platform, with the aim of making Leonardo's advanced technological knowledge and skills available to the Italian school system.

**Cielo Itinerante** - Leonardo has collaborated in the realisation of 3 stages of the tour of Cielo Itinerante, an Italian non-profit association founded with the objective of bringing children in territories characterised by a higher rate of educational poverty and school drop-outs closer to space and the study of STEM disciplines. In these stages, dedicated to the promotion of science and technology with a focus on space, Leonardo brought the testimony of its activities in local areas through its Sustainability

**Precision Agriculture 4.0** – Even in 2023 work continued on the Leonardo Foundation's workshops and meetings on the subject of Precision Agriculture 4.0, following the 1<sup>st</sup> National Conference on Precision Agriculture, sponsored by the Foundation, in partnership with the Polytechnic University of Bari and University of Bari Aldo Moro, in order to present and deepen the innovative technologies of Precision Agriculture and the enabling technologies of the Impresa 4.0 programme for competitive and sustainable production.

**Research Projects** - In the course of 2023, the Med-Or Foundation organised numerous research projects in cooperation with various international research organisations and think tanks on topics mainly related to security, energy transition and new technologies in the wider Mediterranean region and the Middle East.

**"Futuri Probabili"** – Fondazione Leonardo, supported by Intesa Sanpaolo Spa, launched in 2022 and continued in 2023 "Futuri Probabili", research project targeted to the new generations. The aim is capturing young generations ideas on the next future related to some key topics: city, digital, scientific and technological innovation, space, demographics and migrations. The project also includes the production and distribution of docu-movies, articles and short clips which can be accessed via Fondazione Leonardo site and social media.

**hackher** - Leonardo supported the fourth edition of "hackher," a multidisciplinary project, which is also sponsored by the European

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Managers, involving over a hundred children from local communities and children/grandchildren of employees.

**"Università per il Subacqueo"** - The Leonardo Foundation, in collaboration with the Italian Navy and with the support of scholars and researchers from the National Research Council of Italy (CNR) and La Sapienza University, presented in March 2023 at the Livorno Naval Academy, a Report dedicated to the underwater dimension, which aims to regulate underwater activities and proposes the creation of a National Authority for Underwater Traffic.

**Science Festival** – Even in 2023, Leonardo, as historical partner of the event, sponsored the Genoa Science Festival, which featured 250 initiatives in 35 city locations and 200 thousand total attendance.

**Progetto Paese** – Fondazione Leonardo organised "Progetto Paese", a cycle of meetings aimed at sharing the competencies of the state-owned public companies and contribute to developing a new leadership. The training courses involved the Ufficiali dell'Arma dei Carabinieri, the Scuola della Guardia di Finanza and Scuola della Polizia Superiore.

**"Industry and Start Up for Space" Conference** – In 2023, as well, the Leonardo Foundation, in collaboration with central State Institutions, Universities and Research Centres, promoted the "Industry and Start Up for Space" Conference, as part of the National Space Day, in order to combine the debate on the aerospace domain with the training of new generations.

Parliament, with the aim of bringing girls closer to the STEM world and promoting gender equality in Information Technology.

**Med-Or Foundation Scholarships** – During 2023, the Med-Or Foundation funded a total of 346 scholarships for students from Africa and Middle East, including: 22 for bachelor's degree programmes, 27 for specialist courses, 7 for doctorates and post-doctoral research grants, 3 for master's degrees, 287 for educational and language training.

**Girls@Polimi** – Also in 2023, Leonardo actively participated in the Girls@polimi project, providing 4 scholarships for female high school seniors interested in enrolling in courses in Aerospace, Automation, Electrical, Electronic, Computer, Mechanical, and Industrial Production Engineering at the Polytechnic University of Milan for the 2023-2024 academic year. By supporting this further initiative, Leonardo aims to further support the orientation of the younger generation, and in particular women, towards the study of STEM disciplines.

## **CORRELATION TABLE – NON-FINANCIAL STATEMENT**

Leonardo's Consolidated Non-Financial Statement (**NFS**) 2023 is included within the Report on Operations of the Integrated Financial Statements 2023 and is prepared in accordance with Legislative Decree 254/2016, which in turn assimilates European Directive 2014/95. The topics required by Legislative Decree 254/2016 are covered in the document, consistently with the relevance of the topics themselves with respect to the Group's characteristics, giving evidence of activities, performance, results and impacts. The **NFS**, moreover, is prepared in accordance with the GRI Standards 2021 and contains additional indicators, to be considered additional to the disclosure prepared in accordance with the GRI Standards to meet the requirements of Articles 3 and 4 of Legislative Decree 254/16, which allow the Group's performance to be measured with respect to the relevant issues (in this regard, see the sections "ESG performance indicators", "SASB content index" and "Other indicators"). Below is a reconciliation table that identifies, for each area provided for by Legislative Decree 254/2016, the material issues for Leonardo and the references to the GRI Standards.

**Correlation table with Legislative Decree 254/2016**

<b>Topics of D.lgs. 254/2016</b>	<b>Scope</b>	<b>Reference</b>			<b>GRI Standards disclosures</b>
		<b>Document</b>	<b>Chapter</b>	<b>Paragraph</b>	
<b>Reporting standards</b> and materiality analysis	Environment, Social, Personnel, Human rights, Corruption	RO	Strategy and outlook	Materiality analysis	2-2, 2-3, 2-4, 2-5, 3-1, 3-2
			Governance	Stakeholder engagement	
			Annex to the operations report – Methodology note of the NFS	Methodology note of the NFS	
<b>Business model for the management and organisation of company activities</b>	Environment, Social, Personnel, Human rights, Corruption	RO	Group profile	Note 1	2-1, 2-6, 2-9, 2-10, 2-11, 2- 12, 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2- 22, 2-23, 2-24, 2-29
			Governance	Note 1	
	Human rights, Corruption	CGR	Organisational Model as per Legislative Decree 231/2001	Note 1	
			Additional corporate governance practices	Note 1	
<b>Company policies,</b> including due diligence procedures, outcomes and related key non- financial performance indicators	Environment	RO	Strategy and outlook	Sustainability Plan	301-1, 302-1,3, 303-1,2,3, 304-1, 305-1,2,3,4,5,7, 306-1,2,3, 306-3 (2016), 308-1, 3-3 (for material topics, see the following table)
			Group's results and financial position	ESG performance indicators	
			Planet	Note 1	
			Prosperity	Supply chain value	

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Topics of D.lgs. 254/2016	Scope	Reference			GRI Standards disclosures
		Document	Chapter	Paragraph	
Social	RO	Strategy and outlook	Sustainability Plan	2-21, 2-25, 2-26, 2-27, 2-28, 201-1, 203-1, 204-1, 207-1-2-3-4, 416-1, 3-3 (for material topics, see the following table)	
		Prosperity	Note 1		
Personnel	RO	Strategy and outlook	Sustainability Plan	2-7, 2-8, 201-3, 401-1-3, 402-1, 405-1-2, 403-1-2-3-4-5-6-7-9, 401-1, 404-1-2, 3-3 (for material topics, see the following table)	
		Group's results and financial position	ESG performance indicators		
		People	Note 1		
Human rights	RO	Strategy and outlook	Sustainability Plan	2-30, 407-1, 414-1, 418-1, 3-3 (for material topics, see the following table)	
		People	Respect for human rights		
		Code of Ethics			
Corruption	RO	Strategy and outlook	Sustainability Plan	205-2-3, 206-1, 415-1, 3-3 (for material topics, see the following table)	
		Governance	Responsible business conduct		
	CGR	Additional corporate governance practices	Note 1		
	Anti-Corruption Code				
Main risks, generated or undergone, including their management, related to the abovementioned matters	Environment, Social, Personnel, Human rights, Corruption	RO	Governance	Risk management	
		RO	Profile	Trend and vision	
Diversity in management and supervisory bodies		RO	Governance	Corporate governance	2-7, 2-8, 405-1
			People	Skill management and enhancement	
		CGR	Diversity criteria and policies	Note 1	

Legend

Note 1: Whole chapter included in the NFS

CGR = Corporate Governance Report 2024 (fiscal year 2023)

RO = Report on Operations

**Correlation table between material topics, Legislative Decree 254/2016 and GRI indicators**

Scope under Legislative Decree 254/2016	Material topic	Reference to GRI topics
Environment	Climate change, adaptation/mitigation	GRI 302, GRI 305
	Sustainable supply chain	GRI 308
	Natural resources and biodiversity management	GRI 303, GRI 304, GRI 305
	Environmental impact of the use of materials	GRI 301, GRI 306
	Citizen security	Non GRI topic
Social	Solutions' quality, security and performance	GRI 416
	R&D, innovation and advanced technologies	GRI 201, GRI 203
	Cyber security and data protection	GRI 418
	Sustainable supply chain	GRI 204, GRI 407, GRI 414
	Citizens' security	Non GRI topic
	Relations with local areas and communities	GRI 203
	Digital transformation	Non GRI topic
Personnel	Business integrity, compliance and anti-corruption	GRI 205, GRI 206, GRI 207, GRI 415, GRI 405
	Health and safety	GRI 403
	Diversity, equity and inclusion	GRI 201, GRI 401, GRI 402, GRI 405, GRI 406
Human rights	Skill development, talent attraction and wellbeing of employees	GRI 401, GRI 404
	Diversity, equity and inclusion	GRI 402, GRI 405, GRI 406
	Sustainable supply chain	GRI 204, GRI 308, GRI 407, GRI 414
	Protection of human rights	GRI 403, GRI 406

Report on operations at 31 December **2023**

**INDEPENDENT AUDITORS' REPORT ON THE NON-FINANCIAL STATEMENT AT 31 DECEMBER 2023**

## **Leonardo S.p.A.**

**Independent auditor's report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree December 30, 2016, n. 254 and article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018**

**Independent auditor's report on a selection of indicators presented in the consolidated disclosure of non-financial information**

## Independent auditor's report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree December 30, 2016, 254 and with article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of  
Leonardo S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to article 3, par. 10, of Legislative Decree December 30, 2016, n. 254 (hereinafter "Decree") and article 5, par. 1 item g), of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018, on the consolidated disclosure of non-financial information of Leonardo S.p.A. and its subsidiaries (hereinafter "Group" or "Leonardo Group") for the year ended December 31, 2023 in accordance with article 4 of the Decree, presented in the specific section of the Director's Report of the Group's consolidated financial statements and approved by the Board of Directors on March 12, 2024 (hereinafter "DNF").

Our limited assurance engagement does not cover the information included in the paragraph "*Information on EU Taxonomy for sustainable activities*" of the DNF, that are required by article 8 of the European Regulation 2020/852.

### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" defined by GRI - *Global Reporting Initiative* (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

## Auditor's independence and quality control

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

## Auditor's responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the *GRI Standards*. Our work has been performed in accordance with the principle of *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our limited assurance engagement was lower than that required for a full examination according to the *ISAE 3000 Revised* ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures aimed to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Leonardo Group consolidated financial statements;
4. understanding of the following aspects:
  - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - main risks generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Leonardo S.p.A. and with the personnel of Leonardo UK Ltd, Leonardo US Holding LLC, and Wytwornia Sprzemu Komunikacyjnego "PZL-Swidnik" Spolka Akcyjna and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidences;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for Leonardo S.p.A. (Pomigliano site - Aerostructures division; Venegono Superiore - Aircrafts division), Leonardo UK Ltd (Edinburgh site - Electronics division - and Yeovil site - Helicopters division), Leonardo US Holding LLC (Melbourne Babcock site - DRS), and Wytwornia Sprzemu Komunikacyjnego "PZL-Swidnik" Spolka Akcyjna (Świdnik site - Helicopters division) that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out site visits and remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Leonardo Group for the year ended on December 31, 2023 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the *GRI Standards*.

Our conclusion on the DNF of the Leonardo Group do not refer to the information included in the paragraph "*Information on EU Taxonomy for sustainable activities*" of the DNF itself, that are required by article 8 of the European Regulation 2020/852.

Rome, March 15, 2024

EY S.p.A.  
Signed by: Riccardo Rossi, Auditor



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*This report has been translated into the English language solely for the convenience of international readers.*

## **Independent auditor's report on a selection of indicators presented in the consolidated disclosure of non-financial information (Translation from the original Italian text)**

To the Board of Directors of  
Leonardo S.p.A.

We have been appointed to perform a reasonable assurance engagement on a selection of indicators (hereinafter "Selection of Indicators") for the year ended December 31, 2023, presented in the consolidated disclosure of non-financial information of Leonardo S.p.A. and its subsidiaries (hereinafter "Group" or "Leonardo Group") for the year ended December 31, 2023 (hereinafter "DNF"), identified in the paragraph "*Methodology note of the NFS*" of the DNF itself and reported in section "*Auditor's responsibility*" of this report.

### **Responsibilities of Directors for the Selection of Indicators**

The Directors are responsible for the preparation of the Selection of Indicators in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), as reported in the paragraph "*Methodology note of the NFS*" of the DNF.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of the Selection of Indicators that are free from material misstatements caused by fraud or not intentional behaviors or events.

### **Auditor's independence and quality control**

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### **Auditor's responsibility**

It is our responsibility to express, on the basis of the procedures performed, an opinion about the compliance of the Selection of Indicators with the requirements of the GRI Standards. Our work has been performed in accordance with the criteria of the principle *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the *International Auditing and Assurance Standards Board* (IAASB) for reasonable assurance engagements. This principle requires the planning and execution of work in order to obtain a reasonable assurance that the Selection of Indicators are free from material misstatements.



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As part of our engagement, we have carried out procedures aimed at obtaining evidence on the data and information included in the Selection of Indicators. The procedures defined are based on the auditor's professional judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In performing these risk assessment procedures, the auditor considers the internal control related to the Selection of Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

In particular, we have performed the following procedures:

- conducted interviews with relevant personnel to understand the business and reporting processes, including sustainability objectives, principles and management aspects related to the Selection of Indicators;
- conducted interviews with key personnel to understand the sustainability reporting system during the reporting period, including the process for collecting, collating and reporting the Selection of Indicators;
- checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined by the GRI Standards;
- undertook analytical review procedures to support the reasonableness of the data;
- identified and testing assumptions supporting calculations;
- tested, on a sample basis, underlying source information to check the accuracy of the data;
- inspected relevant documentation of the systems and processes for compiling, analyzing, and aggregating data in the reporting period and testing such documentation on a sample basis;
- performing site visits to visually inspect operations and perform inquiries and inspect documents on a sample basis.

Below is reported the Selection of Indicators on which a reasonable assurance engagement has been performed:

- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity - (measured on consolidated revenues);
- GRI 303-3: Water withdrawal;
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- GRI 305-4: GHG emissions intensity - (measured on consolidated revenues);
- GRI 306-3: Waste generated;
- GRI 401-1: New employee hires and employee turnover (including hires of women with STEM degree);
- GRI 403-9: Work-related injuries;
- GRI 404-1: Average hours of training per year per employee;
- GRI 405-1: Diversity of governance bodies and employees.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion the Selection of Indicators for the year ended December 31, 2023, presented in the DNF of the Group, identified in the paragraph "*Methodology note of the NFS*" of the DNF itself and reported in section "*Auditor's responsibility*" of this report have been prepared, in all material aspects, in accordance with the GRI Standards.

Rome, March 15, 2024

EY S.p.A.

Signed by: Riccardo Rossi, Auditor

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