

Gender Pay Gap Report 2019



Introduction

At Leonardo, we are strongly committed to supporting our people and, as society and the environment we work within changes, our approach to inclusion and diversity evolves and adapts to reflect this.

With this, our third gender pay gap report, we are pleased to reaffirm our commitment to taking positive and determined steps to becoming a more inclusive and diverse organisation and employer.

Having a variety of people from different backgrounds, cultures and approaches can, and does, enhance the working environment - creating an environment for greater collaboration, innovation and opportunities to develop as an organisation.

As previously reported, we appointed a Head of Diversity and Inclusion late in 2018. Since then we have quickly established a lean but robust diversity and inclusion approach within Leonardo UK.

Successfully engaging with colleagues across our UK business, and externally with partners and colleagues, we have set about raising awareness of the opportunities inclusion and diversity bring. As a result we are continuing to make progress in closing our gender pay gap through the actions we have in place to improve our gender balance, culture and decision making.

In 2019, whilst the improvement in our results is modest, we know there are many factors that can influence the overall picture. For example, the sector we operate in has unique challenges in terms of attracting women and female students - as such, Leonardo remains a predominantly male organisation. We are aware of these issues and remain determined to increase the number of women in Leonardo and to support their careers and progression into senior positions. We also demonstrate this commitment through signing both the Women in Defence and Women in Aviation and Aerospace Charters.



What is the gender pay gap?

A gender pay gap is the difference in average hourly earnings for all men and all women across an organisation, a sector, or the economy as a whole. For example, if an organisation has a 10% gender pay gap it means that women across the organisation earn an average of 10% less per hour than men.

What does it mean?

A gender pay gap is considered an indicator of gender parity within a workforce. Put simply, if there are more men in senior positions or in roles with higher pay in an organisation, then the gender pay gap will be larger.

As such the regulations for gender pay gap reporting in the UK encourage employers to take effective action to ensure they close any gap that may exist.

Since 2018 companies with over 250 employees have been required to report on the following elements:

- › Mean and median gender pay gap in hourly pay
- › Mean and median bonus gender pay gap
- › Proportion of men and women who receive a bonus
- › Distribution of men and women across pay quartiles

Equal Pay

Equal pay, which is paying men and women the same salary for the same (or similar) work, should not be confused with the gender pay gap. Unequal pay has been unlawful since 1970 and it is important to understand the difference between the two.

Leonardo's 2019 Results

	Median %	Mean %
2019	17.6	16



The figures represent our aggregated results which include all UK employees.

What this tells us

Since the 2018 gender pay gap report we have seen some positive outcomes including:

- › Our average gender pay gap is 16%, less than the 17.1% reported in 2018
- › An overall improvement in the number of females in the upper quartile coupled with a reduction of those in the lower quartile
- › Leonardo UK's gender balance has improved to 17% Female/83% Male¹.

Whilst this is a move in the right direction, we acknowledge there is still work to do to enable the UK business to achieve the pledge for a 70/30 gender split by 2025.

The 2019 findings also indicate that whilst there has been improvement in the number of females within senior management, the quartiles are still not representative of our gender balance as a whole.

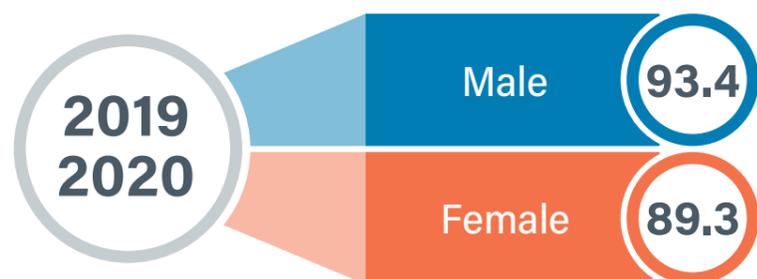
Bonus

Bonus gender pay gap (earned in 12 months preceding 5 April 2019)

The findings show the Bonus Mean of 27.2% which is an improvement on the figure reported for 2018-2019 as we have appointed more women into senior leadership roles and have targets to accelerate this trend.

There has been no Bonus Median to report in previous years. The Bonus Median in 2019 is 60% due to the timing of a divisional bonus paid out that impacted on our statutory reporting requirements.

Proportion of Bonus Payments Received



Proportion of employees who receive a bonus (in 12 months preceding 5 April 2019)

The figures show that where Leonardo employees work in roles that can attract bonuses, there is a 4.1% gap between female and male employees who receive a bonus.

Distribution of all UK employees across pay quartiles (as at 5 April 2019)

	Min - LQ		LQ - Med		Med - UQ		UQ - Max	
	M	F	M	F	M	F	M	F
2019	68	32	85.5	14.5	87.2	12.8	89.5	10.5

These figures show the gender distribution across Leonardo's UK business in four pay quartiles and confirm that there are a higher proportion of male employees across all levels of our UK business.

The findings also indicate that while we have seen some improvement in the numbers of women in the upper quartile for pay gap reporting purposes, representation in the top quartile remains low and this finding is further reflected across all pay quartiles.

I confirm that the data reported is accurate

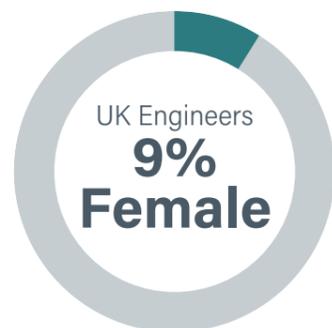
Norman Bone
Chair and Managing Director, Leonardo UK

Our response

In Leonardo overall

- › there are more than four times as many men as women working in the Company and
- › a significantly greater proportion of men in our senior leadership population

As outlined above the pay gap recorded for Leonardo UK reflects the sector in which we operate where the UK engineering population is made up of only 9% women. Whilst we recognise the challenges this presents, we know there is no room for complacency and reaffirm our commitment to change.



What we are doing to make Leonardo different

Since 2018, we have made considerable progress to put Inclusion and Diversity high on our agenda across our entire organisation. We have, amongst other things, established three network groups: Gender balance, Pride and Carers with the intention to set up more in the future. We have an active calendar of events and campaigns to raise awareness and promote every day inclusion.

We have recently been awarded Investors in Wellbeing Gold recognising our commitment to the wellbeing of our employees and in particular, our highly impactful Mental Health Awareness Programme for our Leaders and Managers.

We have introduced an innovative talent programme, Succeed to Lead, that enables our employees to nominate themselves for accelerated development and means that anyone can apply for this truly inclusive opportunity. Every individual on the programme receives a personalised curriculum to prepare them for their next career move and many of our female delegates are undertaking Women in Leadership programmes as a result.

Furthermore, we have recently created a new Inclusion and Diversity (I&D) 2020+ Strategy and Action Plan. To understand what we have achieved so far, and where we need to continue to make more progress, we have conducted a study into any barriers to inclusion across our Industry and our business. We received over 1000 responses from our employees in a survey and these findings inform our new plan.

Our I&D plan states that our aims are:

“For Leonardo to be a welcoming, inclusive place to work for all of our people. We will strive to build an inclusive, diverse culture where individuals can thrive, feel safe and perform at their best.”

The plan also takes into account external events, emerging trends and best practice. It enables us to proactively consider our future approach to I&D so that we can be seen as Leaders within our Industry who are prepared to be open about and overcome barriers to inclusion.

Women in Leonardo in the UK

In our 2019 Sustainability Report, at group level, we have committed to achieving a minimum of women hired equal to at least 32% of total new hiring in 2022.

In the UK, women currently make up 17% of our business and we continue to work towards achieving a ratio of 30% (minimum) of women across our business by 2025.

In seeking both to attract more female applicants to Leonardo, and to support and develop existing female employees, as one company from 2020 onwards, we will:

- › Continue offering our highly successful Succeed to Lead talent programme that currently has a 29:71 female to male split to offer tailored development to support career progression.
- › Ensure there is a gender balance across all of our succession plans as well as in our talent pipeline
- › Drive our action towards achieving ‘30% Club’ targets and beyond for senior leadership opportunities for women.
- › Trial the STEM Returners Programme and Flex the UK Campaign to promote our opportunities as widely as possible and make best use of our excellent flexible working practices.
- › Maintain our proactive STEM activities with female students to inspire future generations about a career in our Industry whilst also extending our reach to work with schools and communities with people facing social exclusion.

Our People Friendly Policies

We offer enhanced family leave policies designed to balance the demands of parenting as well as supporting our female employees when they return to work after parental leave.

Additionally we provide a range of flexible working opportunities, that we call ‘Custom Working’ so it is bespoke to the needs of our individual employees. This includes part-time working, job sharing and home working to enable our employees to achieve their ideal work-life balance.



Inclusion Focused Development

- › We will continue with our active calendar of campaigns and events, supported by our Network Groups to raise awareness and keep the I&D conversation going.
- › We will continue with our unconscious bias training that continues to receive positive feedback from all of our Managers. The aim of the training is to help our Managers understand the importance of difference and the opportunity that brings.
- › We will be adding inclusive leadership to our portfolio of leadership programmes.
- › We will be asking our Senior Leaders to promote every day inclusion through their own actions and behaviours, acting as role models within our business and reporting on their activities through regular blogs on our updated I&D Intranet pages.

Partnership and Collaboration

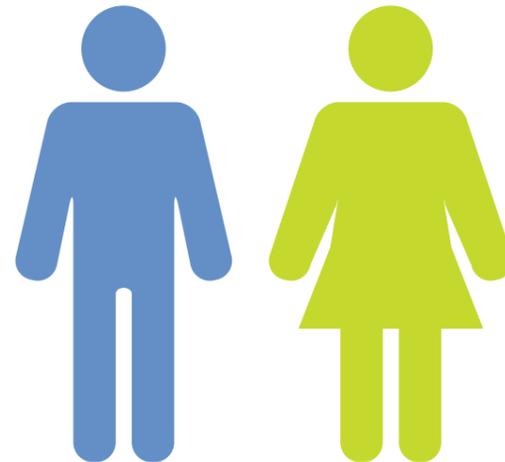
We work in collaboration with partner and external organisations sharing best practice to collectively address and challenge gender inequality in the workplace.

These include:

- › Inclusive Employers
- › Royal Academy of Engineering and Royal Aeronautical Society
- › Women's Engineering Society (WES) and Institute of Engineering and Technology (IET) and the WISE campaign

Charters

In demonstrating our commitment further to driving change and creating a more balanced and equitable sector for women, we are signatories to the Women in Aviation and Aerospace Charter and Women in Defence Charters launched in 2018 and 2019 respectively.



Early careers

At Leonardo we remain committed to promoting STEM both across the curriculum, and as a future career for the purposes of meeting the future skills requirements across the UK. Our programmes and engagement with partner organisations is focused and at the heart of our STEM engagement.

Each year we invest £1.45m in education and training in our UK business. Included within this are our apprenticeship and graduate opportunities and we are particularly focused on encouraging more girls to pursue STEM careers through our outreach and engagement work with schools and Universities.

We work with EDT, the largest UK STEM charity and have made inroads in the numbers of female student participating in the programmes we run with them. Currently this stands at circa 25% and we continue to work to increase the numbers.

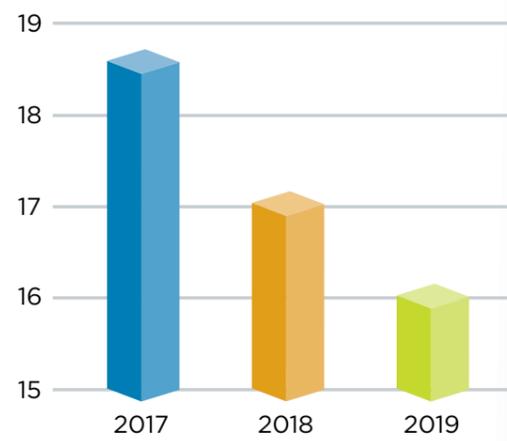


Appendix

The tables below show Leonardo's gender pay gap and gender balance across all quartiles, for the reporting period 2017 - 2019.

Gender pay gap

	Median	Mean	Bonus Median	Bonus Mean	Male receiving Bonus	Female receiving Bonus
2017	20.4	18.5	0	39.9	94.7	91.9
2018	17.8	17.1	0	33.2	59	59.2
2019	17.6	16	60	27.2	93.4	89.3



Gender balance across all quartiles

	Min - LQ		LQ - Med		Med - UQ		UQ - Max	
	M	F	M	F	M	F	M	F
2017	67	33	88.2	11.8	88.8	11.2	91.6	8.4
2018	67.7	32.3	87.2	12.8	87.5	12.5	90.8	9.2
2019	68	32	85.5	14.5	87.2	12.8	89.5	10.5



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