

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

This statement is issued on behalf of the Board of Leonardo UK Ltd (Leonardo UK) pursuant to section 54 of the Modern Slavery Act 2015 (the Act). It constitutes our Modern Slavery and Human Trafficking statement for the financial year ending 31 December 2021, setting out the measures Leonardo UK takes to prevent Modern Slavery and Human Trafficking in our business and supply chain. We are committed to responsible business conduct and fully support the principles of the Act to proceed in an ethical and sustainable manner. As stated in our Charter of Values:

Leonardo Group upholds and promotes human rights in every context in which it operates by creating equal opportunities for its people and fair treatment for all – regardless of race, nationality, political creed, religion, gender, age, diverse ability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and of each employee; among other things we promote the inclusion of minorities, ensure freedom of assembly and abide by the absolute prohibition of illegal labour.

LEONARDO IN THE UK

Leonardo UK operates from 6 main sites in the UK (Basildon, Bristol, Edinburgh, Luton, Southampton and Yeovil) employing around 8,000 highly skilled people. The company makes a significant contribution to the UK economy with an annual revenue of over £2bn, around 50% of which are exports. Our position in the UK as a world-class, advanced engineering company is built on sustained investment in research and technology, state of the art facilities, the expertise of our engineers and our commitment to the highest principles of sustainability and ethics. Leonardo UK invests significantly in research & development in the UK and continues to help sustain the competitive edge of our supply network of around 2,300 businesses.

GOVERNANCE AND POLICIES

Leonardo UK is governed by a UK Board of Directors, which is responsible for all regulatory, corporate and commercial matters. Responsibility for the oversight of our most significant non-project/contract risks has been delegated by the Board to the Assurance and Internal Controls Committee (“AICC”), a UK Committee made up of senior management from Divisions and Legal. Operational Assurance Statements prepared by senior management and non-financial risk registers, including Modern Slavery risk, are reviewed regularly by the AICC to monitor the status and progression of mitigation plans. Key risks, such as those relating to Modern Slavery, are reported to the Board on a regular basis by the AICC.

The Board has also established an Ethics and Social Responsibility Committee to ensure that the company acts in accordance with our corporate values. This includes reviewing the contents of this Modern Slavery Statement.

LEONARDO GROUP POLICIES IN RELATION TO MODERN SLAVERY AND HUMAN TRAFFICKING

All of Leonardo's Group businesses, wherever they are located in the world and wherever they have dealings in the world, are required to respect people and to value their diversity. The Leonardo Group recognises the important responsibility it has to balance the interests of its shareholders, employees, customers, suppliers, and the wider community and recognises that the responsible and sustainable development of our business is a key foundation for its long-term success.

The UK Board has formally adopted this approach and commits Leonardo UK to ensuring that:

- our employees do not engage in practices and do not infringe applicable laws and regulations relating to Modern Slavery, Human Trafficking, forced labour and child labour; and
- we take all reasonable measures to ensure that our suppliers and other entities acting on our behalf do not engage in practices or infringe applicable laws and regulations relating to Modern Slavery, Human Trafficking, forced labour and child labour.

Our Supplier Code of Conduct is found [here](#) and our Code of Ethics is found [here](#).

COMPLIANCE

Leonardo UK is committed to respecting the human rights of our employees in the workplace. We contractually require our suppliers and business partners to adopt the same or similarly high standards of ethical behaviour. This includes giving guidance and support to our directly contracted suppliers and business partners in taking appropriate steps to prevent Modern Slavery and Human Trafficking in our business and supply chain.

We also work with other companies in the Aerospace and Defence Sector to ensure compliance and to improve current ethical business conduct best practice. Leonardo UK is a key group member of the Aerospace and Defence industry's representative body, ADS, and its Business Ethics Network (BEN). We are also members of the ADS Human Rights Working Group (more on which below).

Compliance with our processes is the individual responsibility of each employee. Every employee has the responsibility to bring concerns to the attention of the business and is encouraged to do so. A Leonardo UK Speak Up helpline, which is operated by an independent third party, is in place to enable employees to raise concerns anonymously. Every report submitted is assessed and then investigated.

There is also a Group Level whistleblowing hotline which is available to both Leonardo employees and other stakeholders such as suppliers and customers. It is available [here](#).

During 2020, we had one report regarding Modern Slavery in our supply chain relating to the provision of certain PPE equipment by a company in Malaysia. The report was raised by an employee following a BBC News report and a dedicated team was established to look into the matter, overseen by the AICC. This in turn resulted in alternative sources being procured and assurances obtained from the intermediary organisation. During 2021, we had no reported incidents to either our Speak Up helpline or to management directly.

SUPPLY CHAIN, DUE DILIGENCE AND SUPPLIER MANAGEMENT

Like other companies in the Defence Sector, the Leonardo UK supply chain is complex, global and multi-tiered. Leonardo UK procures goods and services from a variety of suppliers in the UK and from overseas. The diversity of the goods and services acquired is a product of the multiple lines of business within Leonardo UK and the global markets in which they operate. Leonardo UK also acquires significant volumes of goods and services from other parts of the Leonardo Group predominately in Europe, but also the US and Australia.

In order to deliver customer capability, Leonardo UK works closely with more than 2,000 directly contracted suppliers, spending £1.2bn worldwide. These relationships are often long lasting due to the complexity of the products and their long lifecycles and so it is critical that our suppliers share our values of responsible business. To ensure this, we monitor and manage them throughout the relationship process from initial selection through to project completion.

| Geographic Location | % of Total Spend |
|----------------------------|-------------------------|
| Italy | 39% |
| United Kingdom | 22% |
| United States of America | 13% |
| France | 8% |
| Germany | 7% |
| Canada | 4% |
| Spain | 3% |
| Poland | 2% |
| Rest of World | 1% |

The procurement organisation deploys common policies across all the Leonardo UK businesses to enable a standard approach to be taken across core subjects including the measures to be taken in respect of modern slavery and human rights.

Leonardo UK screens all new suppliers for adverse media and previous prosecutions in relation to any human rights abuses. This due diligence is undertaken either through the Leonardo Group Services (LGS) Supplier Qualification Portal or through the Joint Supply Chain Accreditation Register (JOSCAR) co-created with ADS. JOSCAR requires all UK suppliers to provide confirmation of their approach to Modern Slavery through the form of a detailed questionnaire and also, if applicable, the inclusion of their Modern Slavery Statement. Should a previously screened supplier be associated with any form of prosecution of which human rights is a part, the annual return from participating suppliers allows us to continually monitor status. This is then assessed and escalated appropriately through Leonardo UK documented processes. As part of our zero tolerance approach, where a part of our supply chain is found to be engaging in human rights abuses and our supplier is unable or unwilling to rectify the same it is removed and replaced.

Prior to approving and selecting suppliers, we outline the products and services we need and establish a way to identify suppliers including Small to Medium Enterprises (SME's) and Categories of procurement taking into consideration supplier location. Once we have established a short list of suitable suppliers we undertake a risk based due diligence process against a number of non-financial risks, which includes:

- Acceptance to Leonardo UK Contracting Conditions which requires the supply chain to be compliant with the Modern Slavery Act 2015;
- Responsible Trading Principles - business ethics, anti-corruption and anti-bribery, governance and legislation;
- Human rights – working hours, harassment and unlawful discrimination, whistleblowing line, Modern Slavery, Human Trafficking and child labour;
- Health and safety – workplace and product safety;
- Environment – impact of operations and products;
- Management systems – environmental management systems certified to ISO14001 or similar environmental activities; and
- Responsible sourcing including management of conflict minerals risks.

Suppliers are regularly reviewed throughout the contractual relationship and our UK General Conditions of Purchase requires all our suppliers to comply with all applicable laws and regulations including those relating to human rights, anti-slavery and the environment and, where possible, flow down the same to their suppliers. Once a supplier has been approved through the Leonardo UK on boarding process we continue to actively monitor and manage the supplier throughout the period of the

relationship including ongoing risk based due diligence through regular supplier business reviews. If a supplier's level of risk increases, or gaps in performance are highlighted, continuous performance improvement plans are put in place.

Leonardo UK and the UK Procurement Council (s) have determined that Leonardo UK has a low dependency on goods and services from Suppliers that present a high risk modern slavery.

SUPPLY CHAIN RISK ASSESSMENT

Leonardo UK will regularly evaluate the nature and extent of its exposure to the risk of Modern Slavery occurring in its supply chain through implementation of its risk management procedures. We do not consider that we operate in a high-risk sector due to the skilled nature of our workforce and those of our direct supply chain. We do, however, assess geographical risks as we accept that exposure to modern slavery may be greater depending on the geographical location of the supplier and will take into account the Transparency International Corruption Perception Index (CPI) to aid that regional assessment.

Where Leonardo UK has identified a potential risk through our risk assessment procedures, we will explore ways of mitigating these risks through due diligence, improved procurement practices or industry collaboration. We also undertake quarterly checks and other regular actions to monitor any transactions undertaken e.g. arising out of the Leonardo Group sensitive countries list.

If Modern Slavery or Human Trafficking were found within our directly contracted suppliers, we would act immediately to work with the supplier and relevant authorities to understand the circumstances of what has been found and to put in place corrective actions that help the affected workers and protect them from further harm. If a supplier was unwilling to address the issue, then corrective action would include termination of contracts, selection of an alternative supplier and reporting the matter to either the police or other relevant law enforcement agencies in the territory.

TRAINING AND AWARENESS COMMUNICATIONS

Leonardo UK maintains regular awareness communications regarding Modern Slavery, with training seen as a priority to help reduce the risk of Modern Slavery in its operations. During the last few years, we have developed an interactive multi-media training program in order to raise awareness of the issue, help our staff spot the risk indicators and inform them of the correct route to report any concerns or risks they identify. This training is compulsory for all new starters to the business. During 2021, general training was provided to maintain awareness on this important subject.

Specific face-to-face training will be provided in 2022 to the procurement function as the demands of the business dictate to make them aware of the Act and to consider which parts of the Supply Chain from which they procure are the most susceptible to risk under the Act. Other focused training may be applied to our Human Resources, Quality Assurance and Governance, all of whom are engaged with the supply chain and who are considered most likely to directly encounter Human Trafficking activities in the course of their work.

OUR KEY AREAS OF FOCUS FOR FY 2021 WERE

| | |
|--|------------------|
| Establish a dedicated working group to focus on business ethics and sustainability issues in the supply chain, which will include Modern Slavery and Human Trafficking. It is proposed that this will report directly into the AICC and the Company's Ethics & Inclusion Committee, who in turn report into the Board. | Completed |
| To engage via ADS with the broader aerospace and defence industry with an aim to establishing a collaborative approach to tackling conflict minerals (3T and G) in the supply chain. | Completed |
| Review and update our policies in light of any changes in international law and best practice to ensure that we meet the Group legal requirements. | Completed |
| To raise awareness and training for our people; with Modern Slavery included in our annual business ethics training as well as more detailed training for key roles. | Completed |
| Review the JOSCAR supplier prequalification questions as applicable to enhance the modern slavery section. | Completed |
| To engage with key Tier 1 suppliers to increase visibility of Modern Slavery risk further down the supply chain; this will include continuing to screen all new suppliers and provide additional scrutiny on high-risk suppliers. | Completed |

PLANNED ACTIVITIES WITHIN 2022

- Extend the list of suppliers with whom we conduct due diligence.
- Provide a human rights and modern slavery briefing for the Modern Slavery Working Group under the Accountability and Internal Controls Committee.
- Continue to define, implement and review a series of key performance indicators (KPIs) with regards to the Act.
- Roll out revised General Conditions of Purchase including updated provisions on modern slavery and Social Value and flow these down to all existing suppliers.
- Update the JOSCAR supplier prequalification questions to enhance the modern slavery section.
- Continue to assess and monitor our Tier 1 suppliers and request evidence of updates of their own Modern Slavery practices.

- Record and monitor Modern Slavery incidents (if any) within Leonardo UK's supply chains and, where necessary, implement corrective measures.

2022 KEY PERFORMANCE INDICATORS

- Number of our UK Employees trained in human rights and modern slavery
- Number of calls to the ethics hotline on the subject of human rights and modern slavery in our business operations or supply chain
- % of Tier 1 Suppliers who have undertaken a modern slavery assessment

Leonardo UK will continue to review our policies and processes, for the benefit of all of our stakeholders, in order to raise standards to ensure that we operate in a demonstrably ethical and sustainable manner across our supply chains.

The Board and Leonardo UK shall continue to take a zero tolerance approach to modern slavery and are committed to developing and strengthening their modern slavery strategy.

Signed by



Norman J Bone MBE
CEO and Chair, Leonardo UK Ltd