

SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR LEONARDO MW LTD FOR THE YEAR ENDED 31 DECEMBER 2018

This statement is issued on behalf of Leonardo MW Ltd (“Leonardo in the 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 2018, setting out the measures Leonardo in the UK takes to prevent 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.

Leonardo S.p.A (“Leonardo”), of which Leonardo in the UK is a subsidiary, is committed to acting in an ethical, sustainable manner, as stated in its [Charter of Values](#), approved by the Board of Directors:

*Leonardo 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 also recognises that there is a close link between modern slavery risk and the exploitation of certain raw materials that can find their way into the aerospace and defence industry’s supply chains, in particular “conflict minerals” such as tin, titanium, tantalum and gold (“3T and G”), and it is our intent to evolve our Modern Slavery strategy to manage the risk posed by 3T and G into one cohesive approach. Through our policy and processes and engagement with the broader industry we seek to anticipate, prevent and mitigate potential negative human rights impacts.

LEONARDO IN THE UK

Leonardo in the UK operates from 6 main sites (Basildon, Bristol, Edinburgh, Luton, Southampton and Yeovil), employing around 7,000 highly skilled people. The company makes a significant contribution to the UK economy with annual revenues of around £2bn, approximately 50% of which are from exports. Our position in the UK as a world-class advanced engineering company is built on our sustained investment in research and technology, state of the art facilities and the expertise of our engineers. Leonardo in the UK supports a UK supply chain of around 2,300 businesses.

Our supply chains are diverse and extensive, both geographically (based in Europe, Africa, the Americas and Asia), and in the nature of products and services offered.

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We have a direct supply chain that exists to support the production and through-life support of our products, supplying services such as machining and parts such as electronic equipment. We also have an indirect supply chain for the things that do not go directly into our products, servicing the operational needs of our manufacturing facilities and offices.

GOVERNANCE AND POLICIES

Responsibility for the management of the most significant non-financial risks to Leonardo in the UK is determined by its Executive Committee. The Operational Assurance Statement and non-financial risk registers, including Modern Slavery risk, are reviewed regularly by the Executive Committee to monitor the status and progression of mitigation plans. Key risks, such as those relating to Modern Slavery, are reported to the Leonardo Board of Directors on a regular basis by the Leonardo in the UK Executive Committee.

LEONARDO POLICIES IN RELATION TO MODERN SLAVERY AND HUMAN TRAFFICKING

All Leonardo 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. Leonardo in the UK recognises the important responsibility it has to balance the interests of shareholders, employees, customers, suppliers, and the wider community and recognises that the responsible and sustainable development of the business is a key foundation for its long term success.

The CRP commits us to ensuring that (i) Leonardo in the UK and our employees do not engage in practices and do not infringe applicable laws and regulations relating to slavery, human trafficking, forced labour and child labour; and (ii) we shall 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 slavery, human trafficking, forced labour and child labour.

The Leonardo Code of Ethics can be found [here](#).

COMPLIANCE

Leonardo in the UK is committed to respecting the human rights of our employees in the workplace and requires 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 slavery and human trafficking occurring in our business or supply chain.

We work with other companies in the Aerospace and Defence Sector to ensure compliance and to improve current ethical business conduct best practice. Leonardo in the UK is a key group member of the Aerospace and Defence industry's

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representative body, ADS, and its Business Ethics Network (BEN) and members of the ADS Human Rights Working Group (more on which see below).

Compliance with Leonardo 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 in the UK helpline, which is operated by an independent third party (Expolink), is in place to enable employees and suppliers to raise concerns anonymously. Every report submitted is assessed and investigated.

During 2018, no concerns or calls were raised regarding modern slavery or human trafficking by either our UK-based employees or supply chain.

RISKS OF SLAVERY AND HUMAN TRAFFICKING WITHIN PROCUREMENT AND OUR SUPPLY CHAINS

Leonardo in the UK undertakes modern slavery risk assessments, within our business and within our supply chain. We have in place pre-qualification processes for new suppliers, and our standard contract terms explicitly require suppliers to be legally compliant with modern slavery and human trafficking legislation. We screen all potential and new suppliers using tools such as Dun & Bradstreet, and we are an active participant of the Joint Supply Chain Accreditation Register (JOSCAR). Our supplier screening is ongoing and is part of a wider human rights and governance compliance activity.

If any supplier is unable to comply with our supplier standards, including those regarding slavery and human trafficking, we will take appropriate action. This may include the cancellation of purchase orders as well as alerting local authorities of any suspected or confirmed illegal activity. We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business. In light of the obligation to report on measures to ensure that all parts of our business and supply chain are slavery free we have reviewed our workplace policies and procedures to assess their effectiveness in identifying and tackling modern slavery issues.

SUPPLIER SELECTION PROCESS AND ASSURANCE

Prior to approving and selecting suppliers, Leonardo in the UK outlines the products and services we need and shortlists potentially suitable suppliers. During this supplier evaluation stage, due diligence is carried out on suppliers against the following non-financial risks:

- Responsible Trading Principles - business ethics, anti-corruption and bribery, governance and legislation

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- Human rights – working hours, harassment and unlawful discrimination, 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
- Responsible sourcing including conflict minerals

The Leonardo in the UK supply chain includes suppliers that we manage directly and those that we deal with on behalf of our customers. Our supply chain is complex but mainly centred in Europe and the USA, however we are conscious of the fact that our supply chain as a whole presents the greatest potential exposure to modern slavery and we therefore have risk assessment processes in place to understand and minimise such risk. When engaging with a supplier, we carry out appropriate due diligence, such as checking whether they have appropriate policies and procedures in place to manage their own modern slavery risks.

Directly contracted suppliers are regularly reviewed, throughout their contractual relationship, as part the Leonardo in the UK Supplier Management process (on-going assurance review) and via our regular business review meetings. Supplier non-financial risks including Modern Slavery are re-reviewed (via on-site audit or Supplier questionnaire depending on level of risk categorisation), and progress against any mitigation plans are monitored. If a supplier's level of risk increases, or gaps in performance are highlighted, performance improvement plans are put in place or enhanced.

TRAINING

Leonardo recognises that the knowledge, responsibility and conduct of our people play an important role in mitigating the risk of slavery and human trafficking within our organisation and supply chains. To help our employees identify and address modern slavery risk in our business, Leonardo in the UK has provided modern slavery awareness briefings for all employees. We have also included modern slavery in our annual business ethics training, for all new employees. We participate in our trade body (ADS) ethics forum, where we are able to share best practice on ethical and human rights issues.

Training will continue into 2019 as the demands of the business dictate with directed training of Procurement, Human Resources Quality Assurance and Governance staff who are readily engaged with the supply chain and who are considered most likely to directly encounter human trafficking activities in the course of their work.

SPECIFIC ACTIVITIES DURING 2018

1. Ethics and Social Responsibility Committee

Leonardo in the UK has set up a specific committee to manage and oversee ethical risks and issues related to the business, including in respect of compliance with modern slavery laws. The committee is made up of senior members of the Legal, Finance and HR functions and will report directly into the UK Management Committee.

2. 3T and G

Slavery with regards conflict minerals represents a key risk for the aerospace and defence industry as a whole. Leonardo in the UK has therefore engaged a leading Human Rights Lawyer with an aim to establish a broader industry-wide strategy and an industry-wide fund to support resilient anti-slavery programmes in high risk areas, including in Africa and South America. This project is in its initial stages and discussions are ongoing via ADS, and the Business Ethics Network.

3. Indirect supply chain

Leonardo in the UK recognises that it must look at all aspects of its supply chain, including those that are not necessarily core to its business products and services. By way of example, recognising the prevalence of modern slavery in the global food production industry, we have engaged directly with our main coffee supplier to review their policies and procedures. Following this engagement, we can confirm that all of that supplier's coffee is procured using ethical and sustainable coffee growers and that no slavery exists between the farmer who grows it to when it is poured out. This is independently monitored by the Fairtrade Foundation, details of whom are available [here](#). Leonardo in the UK would like to thank ISS UK and Bewleys for their co-operation and expertise in this area. Similarly at our Yeovil site, our main coffee provider is Starbucks, which is also Fairtrade certified.

NEXT STEPS

In 2018, we issued a comprehensive Modern Slavery Questionnaire to the Top 50 Global Suppliers to our Basildon, Bristol, Edinburgh, Luton & Southampton sites (which produce electronics), looking to identify areas of risks and good practice. In 2019, we will build on this by extending coverage of our risk based detailed supplier assessments and questionnaires to facilitate supplier good practice sharing opportunities at our Yeovil site (which produces helicopters). In 2019 we will also review, benchmark and update our supplier business review templates to ensure compliance is covered.

As Leonardo in the UK's anti-slavery and human trafficking programme matures, we will seek to better identify and prioritise those suppliers that may be at higher risk of

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exposure to slavery and human trafficking, and to ascertain a suite of measures that can be implemented to mitigate those risks. Following a review of the effectiveness of the steps we have taken to date we propose to take the following additional steps to combat slavery and human trafficking:

- Continue to engage via ADS with the broader aerospace and defence industry with an aim to establishing a collaborative approach with regards to the risk posed by conflict minerals/3T and G;
- Enhanced training for staff in Procurement, Supplier Quality Assurance and Human Resources functions on how to run a modern slavery audit of a supplier;
- Begin auditing selected suppliers of high risk products such as 3T and G;
- Identify one 3T and G product as a test case and trace the 3T and G element back to the ground;
- Ensure all existing key suppliers confirm compliance with the Modern Slavery Act and demonstrate that they have policies and processes in place to ensure that neither slavery nor human trafficking are taking place within their organisations and their supply chains;
- Continue to assess all new suppliers in scope for high risk of exposure; and
- Address procedural gaps identified as part of our own operations risk assessment;
- During 2019 / 2020 we will develop a more formal monitoring protocol to ensure that we are aware of any emerging issues

Leonardo in the 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 an ethical and sustainable manner across our supply chains.

We shall continue to take a zero tolerance approach to modern slavery and are committed to developing and strengthening our modern slavery strategy.



Norman Bone, MBE, FRAES

Chairman and Managing Director of Leonardo in the UK