MODERN SLAVERY STATEMENT

SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR LEONARDO FOR THE YEAR ENDED 31 DECEMBER 2019

This statement is issued on behalf of Leonardo MW 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 2019, setting out the measures Leonardo 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 UK is committed to acting in an ethical, sustainable manner. As stated in our Charter of Values, approved by the Group Board:

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 7,200 highly skilled people. The company makes a significant contribution to the UK economy with annual revenues 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 and the expertise of our engineers. Leonardo UK invests significantly in Research & Development in the UK and continues to help sustain the competitive edge of our UK supply network of around 2,300 businesses.

Our supply chains are diverse and extensive, both geographically in Europe, Africa, the Americas and Asia, and in the nature of the suppliers Leonardo UK works with. We have a direct supply chain that exists to support the production and through-life support of our engineered products, supplying services and parts such as machining and electronic equipment. We also have an indirect supply chain for that which is not product or service specific; servicing the operational needs of our manufacturing facilities and offices.
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GOVERNANCE AND POLICIES

Responsibility for the governance and oversight of Leonardo UK’s most significant non-financial risks is delegated to the company’s Assurance & Internal Controls Committee (AICC). The Operational Assurance Statement 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 regularly reported to the Board by the AICC.

LEONARDO GROUP POLICIES IN RELATION TO MODERN SLAVERY AND HUMAN TRAFFICKING

All of Leonardo’s Group businesses, wherever they are located, or may trade, in the world, are required to respect people and to value their diversity. Our Corporate Responsibility Policy (CRP) states that 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 Leonardo’s long term success.

The CRP commits us to ensuring that: (i) Leonardo 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.

Our Code of Ethics can be found here.

COMPLIANCE

Leonardo UK is committed to respecting the human rights of our employees in the workplace. We 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 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 UK is a key group member of the Aerospace and Defence industry’s representative body in the UK, ADS, and its Business Ethics Network (BEN). We are also members of the ADS Human Rights Working Group (more on which see below).
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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 helpline, which is operated by an independent third party, is in place to enable employees and suppliers to raise concerns anonymously. Every report submitted is assessed and investigated.

During 2019, no concerns or calls were raised regarding modern slavery or human trafficking by either our employees or our supply chain.

DUE DILIGENCE, RISK MANAGEMENT AND SUPPLIER SELECTION PROCESS

Suppliers to Leonardo UK are screened for adverse media reports and previous prosecutions in relation to human rights abuse. This is undertaken either through the Leonardo Group Services Supplier Qualification Portal or through the Joint Supply Chain Accreditation Register (JOSCAR) co-created with ADS, the aerospace and defence sector association, which requires our UK suppliers to provide confirmation of their approach to modern slavery through the form of a detailed questionnaire.

Should a previously screened company subsequently become associated with any form of prosecution of which a breach of human rights is a part, a mandatory annual return from participating suppliers allows us to periodically check their continuing compliance status. This may then be assessed and escalated appropriately through Leonardo UK documented processes. During this supplier selection stage, due diligence is carried out on suppliers against the following non-financial risks:

- Acceptance to Leonardo UK Conditions which requires the supply chain to be compliant with the Modern Slavery Act 2015
- Responsible Trading Principles - business ethics, anticorruption and anti-bribery, compliance with governance and legislation;
- Human rights – working hours, harassment and unlawful discrimination, whistleblowing line, 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 elimination of conflict minerals.

We undertake a risk review of Tier 1 suppliers, based on country and sector risk. For the elements of our supply chain we consider to have a potentially higher risk of modern slavery and human trafficking occurring, we undertake appropriate due diligence to understand the risk further. It is recognised that only a very small proportion of our Tier 1 suppliers are located in high risk countries, however, we are
planning to increase our engagement throughout 2020 with our Tier 1 suppliers to understand how they manage risk further down the supply chain.

**ON GOING SUPPLIER MANAGEMENT**

Our 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 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 of our supplier management process and via our project management processes. Supplier non-financial risks are re-reviewed (via on-site audits, reports, or questionnaires depending on level of risk categorisation), and progress against any mitigation plans are monitored. For financial risks we utilise industry-leading reporting services such as Dun and Bradstreet, and if a supplier’s level of risk increases, or gaps in performance are highlighted, performance improvement plans are put in place.

**RISK MANAGEMENT**

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

Where we have identified a potential risk through our risk assessment procedures, we will explore ways of remedying and mitigating these risks through due diligence, improved procurement practices or industry collaboration. Leonardo UK also undertakes quarterly checks and takes regular actions to monitor any transactions undertaken taking into account Leonardo Group sensitive countries.

If evidence of modern slavery or human trafficking was found within our directly contracted suppliers, we would act immediately to work with the supplier and relevant authorities to understand the circumstances 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 or the circumstances were of such significance that education and remediation would be unlikely to address the issue, then corrective action may include termination of contracts and selection of an alternative supplier.

TRAINING

Leonardo UK 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 we have 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’s ethics forum (i.e. ADS’s Business Ethics Network), where we are able to share best practice on ethical and human rights issues.

Training will continue into 2020 as the demands of the business dictate, with directed training of Procurement, Human Resources, Quality Assurance, and Governance staff who are most closely engaged with the supply chain and who are considered most likely to directly encounter human trafficking activities in the course of their work. Those Employees will be taught the benefits of employing stringent measures to tackle slavery and human trafficking, as well as the consequences of failing to eradicate the same from our business and supply chains.

SPECIFIC ACTIVITIES DURING 2019

1. Conflict Minerals

Leonardo UK 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 a single cohesive approach. Slavery with regards conflict minerals represents a key risk for the aerospace and defence industry as a whole.

Leonardo UK together with a leading Human Rights lawyer entered into discussions with ADS’s Business Ethics Network (BEN) to establish a broader industry-wide strategy to support resilient anti-slavery programmes in high risk areas, including in Africa and South America. Initial presentations were provided in 2019 with further opportunities to move this approach forward through BEN in 2020.
Meetings and discussions have been held between Leonardo UK and the UK Research Institute’s Arts and Humanities Research Council (AHRC), to review how Industry and academia can share knowledge, and improve collaboration both at home and overseas on Modern Slavery and Human Rights. This includes discussions with the Bingham Centre for the Rule of Law, a constituent part of the British Institute of International and Comparative Law.

2. TEMPLATE – ASSESSMENT OF COMPLIANCE

Business Units within Leonardo UK are responsible for the implementation of anti-slavery and human trafficking policies that are tailored to their respective businesses. To support this Leonardo have developed an assessment compliance template which can be used to assess each Supplier’s obligations under the Modern Slavery Act. The plan is to deliver this to the Business during 2020 for implementation as part of the Supplier assessment process.

3. INDIRECT SUPPLY CHAIN

Leonardo 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, following the terrible incident involving the death of 39 Vietnamese immigrants last year, we have focussed on the potential of modern slavery and people trafficking in the logistics and freight forwarders industry. We worked with our principal logistics service provider in developing a framework of governance for Leonardo UK which facilitated the extension of focus to 3rd parties providing services inclusive of logistics activities for Leonardo. Following this engagement Leonardo UK received comprehensive reassurances from its service provider that it had adopted robust processes and procedures to substantively eliminate the risk of its logistics activities being used in people trafficking, including those operated on behalf of our business.

NEXT STEPS

In 2019, we undertook detailed supplier assessments and sent questionnaires to our Top 50 Global Suppliers in our Helicopter Division to facilitate supplier good practice. In 2020 in support of this we will also review, benchmark and update our Supplier business review templates to ensure comprehensive coverage.

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:
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- Finalisation and review of 2019 actions to ensure feedback into future strategy.
- 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).
- 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.
- Continue to raise awareness and training for our people; with combatting modern slavery included in our annual business ethics training as well as more detail training for key roles; we will be looking at how we can better understand the effectiveness of the training we provide.
- Continue 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.
- During 2020 we will endeavour to commence the development of a more formal supply chain monitoring protocol to ensure that we are aware of any emerging issues.
- In 2020 Leonardo UK will define, implement and review a series of planned activities with regards to the Modern Slavery Act 2015. This will include:
  - A refresh of business risk assessments to ensure any changes in the profile of supply chain risks are considered, assessed and appropriately managed.
  - Review of the terms and conditions businesses have with their suppliers;
  - Review of the due diligence processes adopted by businesses; and
  - A review of modern slavery training that has taken place in each business.
  - Recording and monitoring modern slavery incidents (if any) within Leonardo UK’s supply chains and, where necessary, developing corrective measures.

Leonardo UK will continue to review its 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.

Leonardo UK shall continue to take a zero tolerance approach to modern slavery and is committed to developing and strengthening its modern slavery strategy.

Signed

Norman Bone, MBE
Managing Director of Leonardo MW Ltd