



## **SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR LEONARDO FOR THE YEAR ENDED 31 DECEMBER 2016**

This Slavery and Human Trafficking Statement is made pursuant to Section 54 of the Modern Slavery Act 2015 of the United Kingdom (the "Act") to report upon the steps taken by Leonardo during the financial year ending 31 December 2016 to combat and prevent slavery and human trafficking from taking place within its own operations and supply chains.

### **LEONARDO'S ORGANISATION**

Leonardo is a global aerospace, defence and security business. Its main operations and manufacturing capabilities are in Italy and the UK although it also maintains a strong industrial and commercial footprint in the US, Poland, Germany, Turkey, Brazil, Australia, Saudi Arabia and other parts of the Middle East. Leonardo Spa, an Italian publicly listed company, is the parent of the Leonardo group of companies, including the main trading entity in the UK, Leonardo MW Ltd.

Leonardo's business is divided into divisions supporting two industrial sectors, as follows:

- (i) *Aerospace and Defence Electronics*: providing solutions for avionics, land and naval applications and delivering mission critical systems for situational awareness, self-protection and surveillance; and
- (ii) *Helicopters*: providing research, design, development, production, customer support and marketing of an extensive range of modern helicopters for commercial, public service and security and defence applications.

The period covered by this Statement has been one of change for Leonardo, which has undergone a substantial global reorganisation exercise, including a wholesale brand transformation to "Leonardo". In the UK, during 2016 and into 2017, this has involved the consolidation of Leonardo's UK-based businesses, including Selex ES Ltd, AgustaWestland Limited and DRS Technologies UK Ltd, under one corporate umbrella, Leonardo MW Ltd, bringing together approximately 7,500 UK-based staff.

The scope of this Statement represents the work undertaken by the UK-based businesses of Leonardo to combat modern slavery and human trafficking, now led through Leonardo MW Ltd, and references to Leonardo for the remainder of this statement should be read in this context.

### **LEONARDO'S COMMITMENT TO COMBATING MODERN SLAVERY AND HUMAN TRAFFICKING**

Modern slavery refers to the exploitation of people or the coercion of people to work and can take many forms, including forced or compulsory labour, child labour, servitude and related workplace abuse, and is commonly coupled with human trafficking.

We at Leonardo are committed to eradicating all forms of violations to human rights within our operations and supply chain, including slavery and human trafficking.



## **RESPONDING TO THE MODERN SLAVERY ACT**

Leonardo has mobilised a cross-functional working group to assess and respond to the requirements of the Act, with representation from key business stakeholders, including Compliance, Legal, Procurement, Human Resources and Corporate Social Responsibility. In its first year this working group has focussed on establishing robust procedures to monitor and, if identified, address slavery and human trafficking risk within our operations and supply chain. Further, it has initiated a programme of reviewing existing procurement procedures and corporate policies and practices, updating those where required to address slavery and human trafficking.

## **TRAINING ON SLAVERY AND HUMAN TRAFFICKING**

Leonardo has developed and launched a Slavery and Human Trafficking online training course, mandatory for all employees and new starters during their induction. This introduces the importance of respecting human rights in all our business activities, explains what 'modern slavery' is and where it may be found. There is a short Q&A section at the end of the video to assess each participant's understanding of the material.

A more in depth training programme has been developed for those in Leonardo who work most closely with our supply chain and should be undertaken annually. This programme includes specific guidance on how to identify and report non-compliance issues when visiting supplier sites and on how to communicate Leonardo's expectations to suppliers effectively.

## **RISKS OF SLAVERY AND HUMAN TRAFFICKING IN LEONARDO'S OWN OPERATIONS**

We have undertaken an assessment of the risk of slavery and human trafficking taking place in our business, not only within our own operations but also those of our suppliers. As part of that exercise the risk profile of countries in which Leonardo operates has been assessed, together with the nature of the operational activity at each location.

We have analysed our recruitment processes, not only for those individuals that we directly employ, but also our contract staff population. Based on our risk assessments to date, we deem the risk of slavery or human trafficking occurring within Leonardo's direct employee population, or our agency and contract staff population under our direct supervision, to be low.

We have also considered the population of workers that support our operations, working alongside us, but that are part of outsourced services arrangements, such as cleaning and catering personnel. We recognise that the nature of these services industries can make them more susceptible to exploitation of the more vulnerable in society and thereby at greater risk of involvement in slavery and human trafficking. We have sought additional engagement from the providers of such outsourced services to ensure that they too have effective procedures to protect their staff and their supply chains from slavery and human trafficking risks. So far, this engagement has been positive.

## **RISKS OF SLAVERY AND HUMAN TRAFFICKING RISKS WITHIN LEONARDO'S SUPPLY CHAINS**

Leonardo's supply chain is highly complex, sourcing goods and services directly from a global network of approximately 3,000 active suppliers, based in around 40 countries. The working group has



initiated a suite of processes and activities that are intended to both assess and address the risk of slavery and human trafficking within Leonardo's supply chains, including:

### *1. Supplier pre-qualification*

All prospective suppliers of Leonardo are first subject to a pre-qualification assessment, part of which addresses the issue of modern slavery and human trafficking. If successful, each supplier must then submit to a capability audit by Leonardo which, commencing in 2017, shall specifically include further enquiries on what a supplier is doing to combat slavery and human trafficking.

### *2. Risk assessment & Supplier Mapping*

In this first year we have undertaken a desk-top assessment to understand better where first tier suppliers are in industries or geographies that are more at risk of involvement in modern slavery and human trafficking, thereby educating the compliance team and providing a better focus on those more vulnerable suppliers.

We have evaluated our first tier suppliers by "Supplier Mapping", correlating the following datasets: (a) the countries where our suppliers are based; (b) the products and services being supplied; and (c) the volume of spend. The data was evaluated against The Walk Free Foundation's Global Slavery Index on perceived slavery risk within sectors and geographic areas to assess where suppliers may be at a higher risk of exposure to or engagement with slavery or human trafficking. To date, we have identified no suppliers that potentially represent an elevated risk of exposure to or involvement in slavery or human trafficking.

### *3. Supplier Self-Assessment*

A number of UK suppliers that have annual revenues above £36M have completed self-assessment questionnaires which include questions regarding compliance with the Act and a requirement to certify that they do not employ any form of forced or child labour. No issues have been identified through these questionnaires.

### *4. Supplier Capability Assessment*

A Supplier Capability Assessment Questionnaire (SCAQ) is used by certain business areas within Leonardo to assess the capability and suitability of a supplier, identifying primary areas of interest which might need to be further explored as part of a supplier visit. The SCAQ asks for information on labour standards, whistleblowing facilities and ethical / social audits completed. To date, no slavery or human trafficking issues or risks have been identified through this process.

We recognise the challenges of directly influencing our supply chains. Our work to understand and address the slavery and human trafficking risks within the Leonardo supply chains has to date been focussed on our first tier suppliers, imposing contractual obligations on those to promote onward compliance through each tier. As our programme matures it is our intention to identify ways in which we can investigate beyond our immediate suppliers and into the lower tiers of our supply chains.



## OUR EXPECTATIONS OF SUPPLIERS

Our Code of Ethics is clear: we will not engage with suppliers that infringe internationally accepted standards for workers' rights (including working conditions), use child or forced labour, or fail to comply with relevant laws and regulations. The ethical standards by which Leonardo's suppliers must abide are set out in its contracts and now include express obligations that require compliance with the Act, together with a right of audit by Leonardo. As the ultimate sanction, we retain and will use the right to remove business from any supplier we identify as failing our high standards and expectations in relation to modern slavery or human trafficking.

However, we recognise that these measures only give a limited degree of comfort that slavery and human trafficking are not occurring within our supply chains. An important next step shall be to determine how we can obtain further assurance over the effectiveness of anti-slavery and human trafficking measures, including beyond the first tier of our supply chains.

## NEXT STEPS

As our anti-slavery and human trafficking programme progresses, Leonardo will seek to better identify and prioritise those suppliers that may be at higher risk of exposure to slavery and human trafficking, and ascertain a suite of measures that can be implemented to mitigate those risks.

In addition to on-going training and assessment activities already described in this statement, during the next financial year, and beyond, we plan to focus on refining our risk assessment processes, including:

- (i) obtaining more detailed data from suppliers to improve risk assessment activity;
- (ii) checking the veracity of existing supplier data and undertaking a more detailed review of that information;
- (iii) expanding the breadth of supplier self-assessment questionnaires or declarations; and
- (iv) undertaking audits / assessments of selected suppliers assessed to be at high risk.

Leonardo recognises that modern slavery is "*the human rights crisis of our time*" and is committed to doing its part.

N Bone  
Chairman and Managing Director  
Leonardo MW Ltd