



SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR LEONARDO FOR THE YEAR ENDED 31 DECEMBER 2017

This statement is made on behalf of Leonardo MW Ltd (“Leonardo UK”) pursuant to Section 54, of the Modern Slavery Act 2015 and sets out the steps Leonardo UK and its subsidiaries have taken to prevent slavery and human trafficking in our business and supply chain during the financial year ending 31st December 2017. The key achievement for this last year has been the consolidation of the work undertaken in 2016/7, in particular the 100% completion rate of training activity, in order to establish a springboard for proactive activities over the coming years.

Leonardo UK is committed to conducting business responsibly and to maintaining and improving systems and processes to combat and prevent the risk of slavery or human trafficking in our own operations and supply chains. It is also recognised that there is a close link between modern slavery risk in the defence industry and the risk posed by conflict minerals of tin, titanium, tantalum and gold (3T and G) and it is our intent to evolve our Modern Slavery strategy to incorporate the risk posed by 3T and G into one cohesive approach.

LEONARDO GROUP ORGANISATION

The Leonardo Group is amongst the top ten global players in Aerospace, Defence and Security, leveraging on its breadth of technology and capability and product leadership. With over 45,000 employees worldwide, Leonardo Group has a strong industrial presence in four markets: Italy (where the group is headquartered), the UK, US and Poland, and a network of strategic partnerships and subsidiaries across the world.

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 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 and the expertise of our engineers. Leonardo UK invests significantly in R&D in the UK and continues to help to sustain the competitive edge of our UK supply network of around 2,300 businesses.

Our supply chains are diverse, 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 the goods and services that do not go directly into our products, which service the operational needs of our manufacturing facilities and offices.

GOVERNANCE AND POLICIES

The Board has put in place the Operational Framework, which sets out how Leonardo UK does business. It encapsulates our values, policies and processes, together with clear levels of delegated authority aimed at ensuring that all of our employees act in an ethical, accountable and consistent manner.

Responsibility for the management of our most significant non-financial risks is determined by the 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 are reported to the Board on a regular basis.

LEONARDO GROUP POLICIES IN RELATION TO MODERN SLAVERY AND HUMAN TRAFFICKING

The Leonardo Group Code of Ethics and Charter of Values states that it and all subsidiary companies will conduct business fairly, impartially, and in full compliance with all applicable laws and regulations. We are firmly committed to integrity, honesty and respect for others in all our business relationships, including those with customers, suppliers, communities where we conduct business, and amongst employees. This means that all our 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. Our Corporate Responsibility Policy (CRP) states that Leonardo UK 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 CRP commits us to ensuring that (i) Leonardo UK and our employees do not engage in practices such as slavery, human trafficking, forced labour and child labour and do not violate 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 violate applicable laws and regulations relating to slavery, human trafficking, forced labour and child labour.

Our Code of Ethics can be found against the following link:-

<http://www.leonardocompany.com/en/chi-siamo-about-us/etica-compliance/codice-etico>

COMPLIANCE

Compliance with our processes is the individual responsibility of each employee. Every employee has the responsibility to bring violations to the attention of their Supervisor/Manager and is encouraged to do so. If inappropriate to do so for any reason, an Employee should speak to an appropriate Supervisor/Manager, Human Resources, or contact the Leonardo helpline, which is operated by an independent third party and where reports may be submitted anonymously. Our helpline is overseen by our Group Audit Committee and every report submitted is assessed and investigated.

During 2017, no concerns or calls were raised regarding modern slavery or human trafficking.

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

Leonardo UK works with over 6000 directly contracted suppliers and partners globally and we recognise the role they play in supporting responsible business. Our relationships with suppliers are often long-term due to the length of our product lifecycles, so we aim to work with suppliers who embrace standards of ethical behaviour consistent with our own. During 2017, we spent nearly £1bn across the world with directly contracted suppliers.

Our contracts include clauses regarding Modern Slavery and the expectations set within them. Supplier compliance with these provisions are reviewed and considered during the supplier due diligence, selection and approval process and during ongoing supplier and quality management. All our suppliers are expected to sign up to provisions which set Leonardo's expectations for our supply chains on ethical, labour and environmental, modern slavery and human trafficking, including the following:

- Exercise due diligence over their supply chains to support international human rights;
- Work towards operations and supply chains that are free from slavery and human trafficking;
- Supply all raw materials, components and subassemblies from responsibly-sourced minerals in accordance with relevant legislation and best practice and be able to demonstrate this through due diligence processes;
- Provide workplaces that aim to be injury-free and incident-free for all employees, visitors and contractors;
- Support the principles of freedom of employment choice and freedom of association;
- Eliminate child labour in a way that is sympathetic to the needs of the local community;
- Provide a working environment that is free from bullying, harassment, intimidation or fear; and
- Ensure equal opportunities for all in employment without discrimination on grounds of race, religion, sexual orientation or gender.

The commitments set out above are required to be extended down through their supply chains, so that a supplier with whom we have a direct contractual relationship (i.e. a Tier 1 supplier) in turn bears the responsibility for ensuring compliance across their own direct supply chain (i.e. Tier 2 supplier) and so on (Tier 3, Tier 4 etc.).

SUPPLIER SELECTION PROCESS

Prior to approving and selecting suppliers, Leonardo UK outlines the products and services we need and short list 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

- 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

RECRUITMENT PROCESSES AND PEOPLE POLICIES

Due to the nature of the industry Leonardo UK works in and the customers we support, all potential prospective employees and contract staff go through a pre-employment vetting process. Subject to local laws in each jurisdiction, individuals are verified for identity, employment and academic history, nationality and right to work status and criminal record checks. Where we work with third party recruitment service providers, they are appointed and managed via our supplier management process. Our UK standard terms and third party recruitment terms require compliance with all legislation in the jurisdiction in which our supplier and they are encouraged to meet the same or similarly high standards equivalent to our own on ethical conduct [employment rights legislation](#), health and safety, environment, civil liberties and human rights.

Our people processes, outlined within our business management systems, ensure that where required by law or contract, each employee receives a contract or recruitment agreement outlining matters which may include remuneration, job role, rest and holiday periods, training and development and notice periods.

TRAINING

To ensure a high level of understanding of the risks of modern slavery and human trafficking in Leonardo UK's supply chains, we provide training to key staff as necessary. During 2017, awareness training was completed by all procurement, commercial quality assurance, legal, engineering and commercial teams as follows:

- 99% of Leonardo UK employees completed general awareness training regarding modern slavery and human trafficking (Target = 100%);
- 100% of Leonardo UK Procurement Teams completed general awareness training on our Modern-Slavery and Human Trafficking Policy and due diligence processes (Target = 100%);

Further enhanced training on Modern-Slavery and Human Trafficking Policy requirements will be provided to those functions directly responsible for its implementation (i.e. procurement, commercial, quality assurance and human resources). More detailed awareness training will also be given during 2018 to personnel considered most likely to directly encounter human trafficking activities in the course of their work.

NEXT STEPS

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

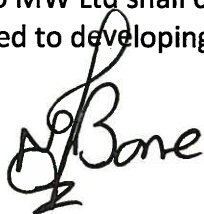
As it has been 3 years since the Modern Slavery Act has come into effect we expect our supply chain to have begun implementing their anti-slavery strategies, in accordance with the 10 year strategy put forward by the Government. Therefore we will now begin actively auditing suppliers of high risk products looking to both understand the actions they have taken to date and what we can do to support their compliance programmes going forward, recognising that slavery is an industry wide issue which needs to be worked on together for an effective, permanent solution.

Following a review of the effectiveness of the steps we have taken to date we propose to take the following steps to combat slavery and human trafficking:

- Enhanced training for all relevant 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 and coffee;
- Identify one 3T and G product as a test case and trace the 3T and G element back to the ground;
- Establish/support a defence industry modern slavery working group to share best practices and look at how we can work together to solve the problem;
- 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;
- Assess all new suppliers in scope for high risk of exposure;
- Address procedural gaps identified as part of our own operations risk assessment; and
- Provide greater clarity on 'red flag' issues in our policy.

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



N Bone
Chairman and Managing Director
Leonardo MW Ltd

