

TOWARDS ENERGY TRANSITION

Voluntary disclosure in line
with Task Force on Climate-related
Financial Disclosures (TCFD)
Recommendations

June 2022



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TOWARDS ENERGY TRANSITION - INTRODUCTION

The growing attention to the climate and the environment is increasingly shaping the market needs and, consequently, influencing the value proposition of Leonardo which, as an industrial and technological leader, intends to consolidate a business model that combines competitiveness, innovation and sustainability to contribute to the world's progress and safety.

In 2020, Leonardo launched a strategic vision projected to the next 10 years, "Be Tomorrow - Leonardo 2030", which promotes a renewed approach to sustainability as enabling element of the company's transformation and growth path, especially with reference to technological and process innovation, in accordance with the Sustainable Development Goals of the United Nations and with the multilateral commitments taken at the international level.

Leonardo's sustainability strategy, which also includes the management of climate change aspects, is transversal to the development of the Group's projects and integrated into innovation activities, product development and business conduct in all operational domains, from fixed and rotary wing platforms to solutions in the field of electronics, space and cyber domain. The sustainability strategy is made up of:

- Sustainability Plan, which covers the entire value chain, in line with the strategic vision of «Be Tomorrow - Leonardo 2030», identifying measurable actions and initiatives;
- Sustainability targets, published in the Integrated Annual Report;
- ESG (Environmental, Social and Governance) KPIs, measurable and verified, to measure company sustainability as well as the impacts on the society and the environment.

The information that follows on Governance, Strategy, Risk and Opportunity Management, Metrics and Targets related to climate change is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which Leonardo supports since their publications in 2017.

Guide to the document in line with TCFD

TCFD Recommendations		Paragraph
Pillar	TCFD Recommended Disclosures	
GOVERNANCE	a) Describe the board's oversight of climate related risks and opportunities.	Governance
	b) Describe management's role in assessing and managing climate related risks and opportunities.	
STRATEGY	a) Describe the climate related risks and opportunities the company has identified over the short, medium, and long term.	Risk and opportunity management Decarbonisation and climate change adaptation strategy
	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
RISK MANAGEMENT	a) Describe the company's processes for identifying and assessing climate related risks.	Risk and opportunity management
	b) Describe the company's processes for managing climate related risks.	
	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the company's overall risk management.	
METRICS AND TARGETS	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets for GHG emission reduction GRI disclosures related to climate change
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	

GOVERNANCE

A sound and transparent governance is fundamental to effectively implement the Group climate strategy and achieve the decarbonisation objectives, involving all organizational levels and including incentive mechanisms linked to climate-related performance.

At Leonardo's highest governance level, the Chief Executive Officer approves the Sustainability Plan, and the Board of Directors, by means of the Sustainability and Innovation Committee and in collaboration with the Control and Risks Committee, verifies the pursuit of the related targets, which include the ones aimed at combating climate change and protecting the environment.

At management level, the Chief Technology Officer of Leonardo is responsible for sustainability strategy and identification of related objectives by means of the Sustainability unit, which provides updates to the Sustainability and Innovation Committee on average every two months. Climate-related aspects are dealt with across the organization, involving different Company functions:

- the Chief Risk Officer, who ensures the definition, update and dissemination of methodologies, metrics and tools for proper identification, analysis and management of risks that could affect Leonardo, including climate-related risks, providing periodic updates during the year to the Board of Directors on the main results of the enterprise risk management activities¹;
- the Chief Financial Officer, who is in charge of reporting on and integration of ESG metrics, including climate-related ones, in the Group financial planning and communication;
- the Group Energy Manager, who is in charge of the operational management of energy and emission-related topics at Leonardo's plants and for supporting the implementation of the climate strategy, in collaboration with Facility Managers, HSE Managers, Risk Managers and the Sustainability Coordinators.
- The Sustainability Coordinators, appointed within the various divisions, corporate functions and subsidiaries, are the internal connection points involved in the process of setting out, implementing and monitoring the Sustainability Plan, ensuring consistency between targets, sustainability programmes, including climate-related initiatives and the related non-financial indicators.

In order to strengthen the management commitment towards the Group decarbonisation, the Remuneration Committee proposed the inclusion of objective of GHG emission reduction intensity (scope 1 e 2² on revenues) in the Long-Term Incentive (LTI) Plan, with a 10% weight and more than 200 people involved, including the Chief Executive Officer, the General Manager and Directors with Strategic Responsibilities. The LTI Plan is proposed for approval to the General Assembly.

Leonardo confirmed in the Climate A list 2021 of CDP for the second year running

In 2021 Leonardo was confirmed for the second year running on the Climate A List of the international non-profit organisation CDP (formerly Climate Disclosure Project), which includes the world's leading companies – out of more than 13,000 analysed – in the fight against climate change. Leonardo has been the only company in the Aerospace and Defence sector and together with other 5 Italian companies to be included in the A List which is compiled on the basis of information on impacts, risks and opportunities related to the environment, requested by more than 590 investors, accounting for USD 110 trillion of assets under management. The confirmation on the highest level of the CDP evaluation rewards Leonardo's ongoing commitment and actions taken to reduce emissions, mitigate climate change risks and implement transition towards a low-carbon economy.

¹ For more information, please see the paragraph Risk and opportunity management.

² Scope 2 emissions as for the Long-Term Incentive Plan are calculated using location-based method.

DECARBONIZATION AND CLIMATE CHANGE ADAPTATION STRATEGY

Climate change is an increasingly central issue which is steering economic and industrial policy in view of the potential impacts generated by profound environmental changes, including:

- the "Global commons"³ influenced by anthropogenic intervention that will cause an exponential growth in resource demand and, at the same time, an ever-greater scarcity;
- potential new forms of conflict that might lead to new global competition for the exploitation of natural resources;
- rising global temperatures, extreme weather events, rising sea levels, fires, floods and droughts that will increasingly put human livelihoods at risk with serious consequences for the security of individuals and the global development.

On these assumptions, there have also been increasing implications for the AD&S sector, in particular:

- environmental and social criteria have been introduced as part of the competitive bidding process (e.g., «Social Value model» by the UK Ministry of Defence);
- sustainability is a cornerstone of governments and end-users of Western countries, with also governmental end-users adopting broad-spectrum sustainability policies;
- growing ESG integration in financial strategies and in the decisions of capital allocation by investors will direct and influence investment flows (e.g., European Taxonomy);
- the five main European aviation associations have committed to achieving net zero CO₂ emissions in the European civil aviation sector by 2050 («Destination 2050»);
- in the period from 2021 to 2027, the EU budget amounts to more than €bil. 1,800, with a particular focus on research and innovation and climate and digital transitions.

Leonardo set out decarbonisation strategy aimed at mitigating risks and seizing opportunities related to climate change. It is made up of two main perspectives: the first one is linked to the **continuous efficiency of production activities and processes**, by reducing energy consumption and emissions into the atmosphere, while the second is linked to the **development of products and services with lower environmental impact**, even in the context of European programmes for research and innovation, and of **technologies functional to monitoring and mitigating the effects of climate change**, such as the development and use of satellite systems for Earth observation, high-performance IT systems, such as the davinci-1 supercomputer, and solutions that enable intervention in the event of natural disasters. This strategy is supported by investment decisions and financial planning that consider sustainability parameters. At the end of 2021, 50% of the total sources of financing available to the Group is linked to ESG parameters. This result was achieved thanks to the issue of two ESG-linked credit lines, both linked to specific KPIs, including the reduction of CO₂ emissions.

In the management of **operations** Leonardo monitors and increases the eco-efficiency of its sites through specific projects, also in collaboration with third-party partners in the energy sector, and the adoption and gradual extension of the ISO 14001 and ISO 50001 environmental management systems.

The reduction of energy consumption is among the key objectives of the Leonardo Production System (LPS), a model based on the World Class Manufacturing system which Leonardo is extending within the Group⁴.

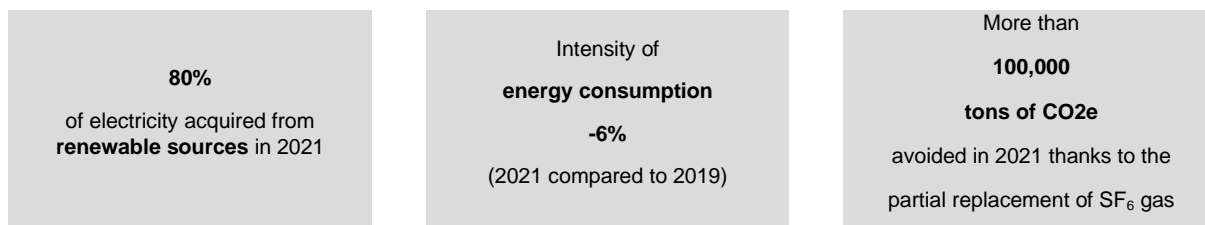
Efforts to reduce energy consumption are also pursued by Leonardo through its energy policy, which aims to maximize the purchase of energy from renewable sources and to increase self-production from renewable sources, with a consequent reduction of GHG emissions. The energy consumption and expenditure of the Group's sites are managed with a centralized governance model geared towards efficiency and sustainability, contributing to its decarbonization objectives.

³ Global commons refer to international, supranational, and global resource domains in which common-pool resources are found. Global commons include the Earth's shared natural resources, such as the high oceans, the atmosphere and outer space and the Antarctic, in particular. Cyberspace may also meet the definition of a global common.


⁴ For more details on the LPS, refer to Leonardo's Integrated Annual Report 2021, paragraph "Change management models in the business".


The multi-year investment programme for energy efficiency, in line with the Group’s energy policy and efficiency improvement targets, ensures the allocation of resources to projects with the best technical, financial and sustainability returns.


Moreover, Leonardo uses an internal carbon price, which is the result of internal analysis and forecast, to help identifying investments able to reduce emissions, and consequently to optimise the Emission Trading Scheme (ETS) allowance management.





Main projects to reduce CO₂ emissions in operations (Scopes 1 and 2)


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SF₆ replacement – Leonardo is carrying out its work to upgrade the manufacturing processes in order to significantly reduce the use of the SF₆ inert gas by replacing it with a gas with lower Global Warming Potential (GWP), according to the methods envisaged in the relevant project of the Sustainability Plan. The objective is in fact to replace SF₆ gas (GWP: 23,500) with R134a (GWP: 1,300) as the inert gas used during the melting and casting of magnesium alloys. 2021 saw a reduction in direct emissions by more than 100,000 tons of CO_{2e} thanks to the partial replacement of SF₆ with R134a.
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Energy self-production programme – The analysis has been completed for the first pilot plants of Nola, Vergiate, Decimomannu and Cisterna di Latina, for which authorisation and construction activities of self-production plants exclusively based on photovoltaic technology (100% green) to be started during 2022. Additional 10 sites in Italy have also been analysed with the aim of maximising direct consumption of energy from renewable sources and increasing the share of renewable energy produced, exploiting the space available in industrial areas and limiting the exploitation of land. In fact, it is estimated that the energy self-consumed by these plants can contribute to a reduction in electricity consumption from the external grid amounting to over 16 GWh per year, equal to about 5,000 tons of CO_{2e} avoided per year, by 2025. The systems hosted at Leonardo’s plants will be owned by a third-party partner who will make a portion of the energy produced available to the sites, thus reducing the withdrawal of electricity from the external grid and associated costs.
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Full Potential lighting programme – The first phase of Leonardo’s LED lighting programme, which was launched in 2014, has enabled the replacement of more than 12,000 lamps, for estimated annual savings in electricity consumption of 16.8 GWh when fully operational and total avoided emissions of more than 6,000 tons of CO_{2e}, in addition to improving the quality of workplace lighting. During 2021, analyses of the new “Full Potential” lighting programme were completed to accelerate the replacement of lamps that are not yet LED at the other sites in Italy. Based on these analyses, Leonardo allocated around €mil. 30 of investment in the 2022-2026 budget plan, with the first projects starting in 2022. Under the programme, it is expected that the plants’ electricity consumption will be reduced, by 2025, by more than 23.7 GWh per year, equal to about 7,400 tons of CO_{2e} per year avoided compared to 2019.
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District heating – Completed the project to replace the internal heating system at the Turin site of the Aircraft Division with a modern and more environmentally sustainable district heating system, that along with those already in use at the Brescia, Genoa and Świdnik sites makes it possible to avoid direct consumption of natural gas. The Turin district heating system contributes to reduce emissions by around 500 tons of CO_{2e} per year.
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Digital energy monitoring – New smart meters were installed to monitor energy at Leonardo sites in 2021. The new systems, which are operational in 24 of the Group’s sites, enable even more structured and digitised management of energy consumption and facilitate the identification of new projects to improve energy consumption efficiency. It is possible to monitor over 70% of the consumption at the Italian plants through the platform that connects around 1,100 smart meters.
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Electric and hybrid cars – 37% of Leonardo’s long-term leased corporate fleet consists of hybrid/electric drive vehicles, with the goal of achieving 80% by 2023. Additional charging points will be installed at all Leonardo sites, on top of the 67 that are currently in use at 21 facilities, to support this objective. Regarding the carpool, currently 55% is made up of “green” vehicles. A car sharing pilot project has also been launched at some sites, using only electric or hybrid cars, with the aim of gradually extending it to the entire Group.

Main projects to reduce CO₂ emissions in value chain (Scope 3)

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Sustainable employee mobility - Home to work travel plans have been set up for 38 company sites in Italy, 10 of which on a voluntary basis. Approximately 29,000 Leonardo’s employees work at such sites, equal to about 94% of the Company’s population in Italy. The plans include more than 230 projects to be implemented; in 2021, Leonardo spent about €mil. 3 for sustainable mobility projects benefitting its employees, including, for example, maintaining the shuttle service at numerous company sites, installing covered parking spaces for bicycles and kick scooters, and providing grants for the purchase of public transport season tickets.

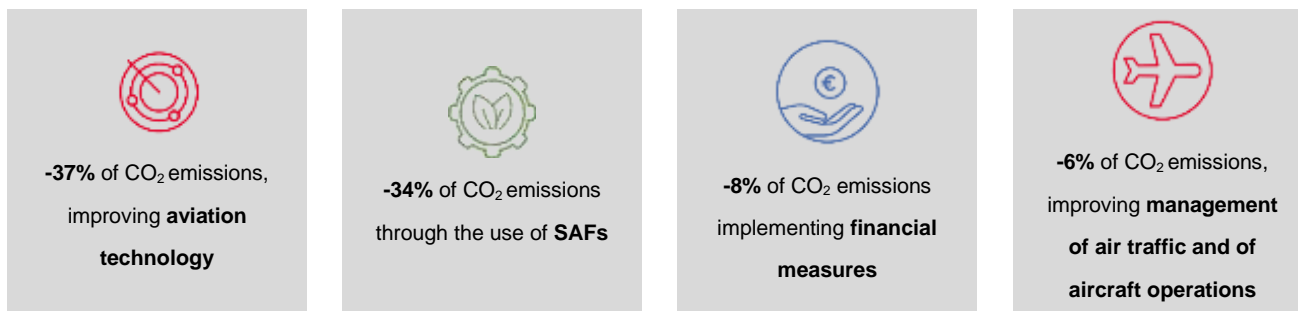
Logistics – Implementation of the Transportation Control Tower to make the Group's shipping management more efficient while reducing emissions under Scope 3.



Engaging suppliers – Leonardo committed to have 100% of LEAP (Leonardo Empowering Advanced Partnerships) suppliers with set targets and plans on green energy, CO₂ emission reduction, waste recycling, water consumption by 2023. LEAP is the programme for Italian and international suppliers aimed at creating more solid and sustainable relations among Leonardo and its partners, enhancing capabilities and technological excellence. In 2021 within LEADS (Leonardo Assessment and Development for Sustainability), Leonardo analysed over 500 key suppliers, covering more than 25% of the value of orders placed, to assess their maturity on five areas of Sustainability/ESG dimension, including parameters connected to environmental responsibility, identifying strengths and areas for improvement in the supply chain. Furthermore, in the first months of 2022, Leonardo improved the reporting of Scope 3 emissions to cover all the applicable categories using refined methodologies. Improving the estimation method of the emissions related to “Purchased good and services”⁵ category is indeed fundamental in order to identify possible actions to reduce supply chain related emissions.

In developing **products and solutions**, Leonardo uses cutting-edge materials, processes and technologies that limit energy consumption and help reduce GHG emissions, thus contributing to combating climate change and reducing the use of hazardous substances. Leonardo produces in fact aircrafts that consume less fossil fuels through the use of lighter materials and have lower energy requirements, virtual training systems that drastically reduce real flight hours, and systems to optimise air, urban and maritime traffic, able to make the aeronautics and transport sectors more environmentally sustainable. Leonardo's approach in the aeronautics sector supports the objectives of Destination 2050⁶, the major sustainability project in the aviation sector in Europe, which sets out a roadmap for net zero-emission air transport by 2050, acting on all flights relating to Europe, the United Kingdom and the European Free Trade Association, through the collaboration of airlines, airports, Aerospace companies and navigation service providers.

Destination 2050 objectives



Leonardo also participates in the **research and development** of advanced solutions with low environmental impact promoted by major national and European projects, benefiting from both risk sharing and reduced research costs and time to market, including: **Clean Sky 2** and **SESAR 2020**, within the Horizon 2020 programme, and their successors **SESAR 3** and **Clean Aviation**⁷.

As for the advocacy on issues relating to energy transition and environmental protection, Leonardo upholds clear and consistent positions, ensuring its engagement activities consider the goals of the Paris Agreement.





Leonardo is a member of the **International Aerospace and Environment Group (IAEG)**, an organisation including the industry's leading companies committed to advancing innovative environmental solutions and standards for aerospace. Among the topics dealt with are hazardous substance management, alternative technology development, and GHG emissions reporting and management. In order to provide further support within the sector, a working group has been formed, which is dedicated to expertise in the **AeroSpace and Defence Industries Association of Europe (ASD)**. Leonardo also participates in the Energy Transition and Climate Change group of the **European Round Table (ERT)**, and in the related thematic task forces, mainly focusing on issues of mitigation and adaptation to climate change and the impact of new technologies to accelerate the digital and green transitions underway.

⁵ Category 1 of the GHG Protocol.

⁶ For more information, please see the website of [Destination2050](#).

⁷ For more information, please see [2021 Annual Integrated Report](#), chapter “Prosperity”, paragraph “European research programmes” and the paragraphs “Research, development and product engineering” of the sectors in the chapter “Segment results and outlook”.

Main solutions and projects for climate change mitigation

	<p>Virtualisation – Embedded Training Systems allow online training with real and/or virtual actors in a tactical scenario shared between aircraft, ground simulators and monitoring and control stations, with real-time data exchange through data link (aircraft-to-ground) and communication networks (ground-to-ground). These technologies make it possible to significantly reduce the need for flights on real platforms, with consequent energy consumption and production of climate altering emissions. The virtualisation of product testing (Certification-by-Simulation) will also drastically reduce, if not completely eliminate, the flight activities required to obtain certifications for platforms and/or their subsystems. The current real tests (on the ground or in flight) may in fact take place in digital form by using advanced simulation systems and accurate models, supported by high performance computing capability of the Leonardo's new supercomputer davinci-1.</p> <p>Electric and hybrid platforms - Research activities on electric and hybrid platforms for the next generation of aircraft, helicopters and tiltrotor (ATR, AW09, AW609, NGCTR) will allow the reduction of CO_{2e} emissions, up to potentially being zeroed, thanks to new propulsion systems that operate much more efficiently than current ones and without the use of fossil fuels, supporting the requirements of the New Green Deal.</p> <p>Composite materials - The use of carbon fiber for aerostructures manufactured by Leonardo reduces fuel consumption by 10-15% and emissions by 20% compared to those made of metallic materials, as well as increases operational efficiency and the useful life of aircraft. In the Joint Lab with Solvay, Leonardo is collaborating in the development of thermoplastic matrix materials, which make it possible to reduce aircraft weight and therefore fuel consumption and emissions. The new material does not require the use of an autoclave for the manufacturing of large, complex structures and the consolidation of parts, thus further reducing energy consumption and emissions in the production line.</p> <p>Next Generation Civil Tiltrotor and Life Cycle Assessment (LCA) - Leonardo is developing a new model of a more efficient, eco-friendly Next Generation Civil Tiltrotor (NGCTR) within the Clean Sky 2 programme, with the objective of reducing CO₂ emissions up to 50% and noise emissions by 30% in the takeoff phase and up to 75% in the flyover condition compared to the average values of rotary wing aircraft that are currently on the market. Within the programme, Leonardo develops eco-design approaches for specific NGCTR subsystems and LCA models to quantify the environmental benefits obtained from the design of additive manufacturing transmission components and composite wing structures. Supported by detailed LCA models, eco-design approaches will be gradually extended to more complex macro-systems of products in the Helicopters Division. Based on these activities, Leonardo will implement, in the future, an approach in line with the ISO 14040 and 14044 standards, delivering training to the main partners in order to gather the data required for LCA assessments.</p>	<p>1/10 CO_{2e} emissions produced with one hour of simulator compared to one hour of real flight</p> <p>-20% of CO_{2e} emissions with the use of carbon fiber for aerostructures</p> <p>Up to -50% of CO_{2e} emissions with the Next Generation Civil Tiltrotor compared to helicopters currently on the market</p>
	<p>Sustainable Aviation Fuels (SAFs) - Environmentally sustainable fuel is one of the solutions to contribute to reducing aviation's carbon footprint at global level. At present, Leonardo has 12 helicopter models that can operate on fuels with up to 50% of SAFs⁸.</p>	<p>Up to -80% of CO_{2e} emissions over the entire life cycle thanks to the use of SAFs with respect to traditional fuels⁹</p>
	<p>Emission Trading Scheme - In Italy, 9 sites fall within the scope of the ETS (Emission Trading Scheme) regulations, compared to 12 sites in 2013, and must therefore offset their CO_{2e} emissions by purchasing allowances partly free of charge and partly in return of payment. No site of Leonardo falls within the scope of application of the Aviation ETS regulations.</p>	<p>-3 sites under ETS compared to 2013</p>
	<p>Air Traffic Management – Air Traffic Management (ATM) systems help optimise traffic and reduce aircraft GHG emissions. Leonardo develops and produces ATM systems within the European SESAR (Single European Sky ATM Research) programme, based on paradigms of sustainability and digitisation to create a single European air traffic control system, which as of today is still fragmented. In this context, LEANS (Leonardo Evolution Air Navigation System) has been set up, which is aimed at evolving the current Leonardo ATM system to adapt to the needs of its customers, creating together a shared vision and a roadmap towards automation, digitisation, scalability, optimisation and green transformation (reducing for example gate-to-gate times and fuel consumption).</p>	<p>~100,000 tons of CO_{2e} avoided in one year with Leonardo's Free Route ATM system in the sky in Italy</p>

⁸ Leonardo helicopters that can operate with fuels having up to 50% of SAFs without operational limitations or performance degradation are the following: AW139, AW169, AW189, AW149, A109S, AW109SP, AW119MkII, A109A/All, A109C, A109K2, A109E, A119.

⁹ Depending on the mixture of SAFs used. More information can be found on the [website](#).

Urban Air Mobility – Development roadmap for an innovative mobility solution based on point-to-point medium distance vertical take-off and landing (VTOL) flights through hybrid/electric powered aircraft (eVTOL), to be used for passenger and cargo transport, helping to reduce city congestion and road pollution.

Unmanned solutions – Leonardo holds a stake in Skydweller Aero Inc., a start-up focused on the development and deployment of a fully electric solar unmanned aircraft capable of carrying large payloads with unlimited range and ultra-persistent endurance; furthermore, Leonardo is implementing the “Drone as a Service” (DaaS) business model through the cloud-based platform T-DROMES, which supports, in an integrated way, the planning and management of missions of environmental monitoring, firefighting, humanitarian surveillance, migration flows, emergency response and border control.



Biomass – It is ESA's mission with launch scheduled for 2023 to monitor from Space the structure of forests, including their overall biomass and height, and to gain a better understanding of the carbon cycle, in which forests play a crucial role, storing CO₂, for the global climate system. Biomass will use a specific type of P-band synthetic aperture radar (SAR), for which Leonardo is providing the Power Amplifier Subsystem (PAS).

Main solutions for climate change adaptation



Fixed and rotary wing platforms – Multi-mission and surveillance aircrafts and helicopters designed for offering excellent performance in the most challenging operating conditions in case of natural disasters, fires and humanitarian relief (AW Family; C-27J Firefighting).



Command and Control – Multi-disciplinary solutions to collect and aggregate information from heterogeneous systems in order to coordinate the right reaction in the management of any emergency, providing first responders with a common operational framework for safety and situational awareness.



Digital Twin Earth Precursor (DTEP) – This is a European Space Agency (ESA) project coordinated by Telespazio UK for the development of a technological prototype of an ultra-high precision digital Earth model that is capable of increasing understanding of the local impact of climate change on a global scale. In using a high-resolution digital reconstruction of the Earth, it is possible to expand decision-making capabilities, make increasingly advanced predictions and simulations, and address current environmental and societal challenges. The "Climate Impact Explorer" prototype is focused on providing advanced metrics of drought frequency and water stress parameters in climate change scenarios, in areas of the African continent and the United Kingdom.

PRISMA – It is the national hyperspectral mission to monitor and map the Earth's surface for environmental risk management. Since the beginning of its operations in 2019, the hyperspectral payload, operating in more than 200 bands in the visible and shortwave infrared spectrum, is acquiring data over the entire world, revealing all its capabilities for monitoring the Earth's delicate ecosystem, in particular for monitoring water transparency, crop health, drought, risk of biodiversity loss, fire risk, air pollution, as well as natural disasters such as volcanic eruptions, landslides, floods.

Geoinformation services – Integrated solutions of data acquisition, analysis and reporting for environmental protection, rapid mapping to support the management of natural disasters, maritime surveillance in case of oil spills, interferometric measurements to control landslides and land subsidence, cartography thematic for agriculture and forestry.

“Net zero” target in the United Kingdom

The United Kingdom is one of the Leonardo’s domestic markets, with an important industrial presence made up of seven manufacturing sites and around 7,400 employees. In the United Kingdom Leonardo has committed to achieving climate neutrality by 2030 for Scopes 1 and 2 emissions and across the value chain by 2050, with a target to reduce CO₂ emissions by 40% (for Scopes 1 and 2) by 2025 (compared to 2018). In September 2021, Leonardo published its Carbon Reduction Plan, which will be updated on an annual basis, including information on Scopes 1 and 2 and five categories of Scope 3, as well as a description of the most significant measures that will be adopted to reduce the environmental impact of operations in the United Kingdom. These include:

- > **Energy management standards** - Implementing ISO 14064-1 certified management systems at all UK operations by the end of 2024 with the ambition to follow the PAS 2060 standard to demonstrate the credibility of the stated carbon neutrality target.
- > **Self-produced energy** - Making investments to achieve 25% of self-produced energy under power purchase agreements by 2030.
- > **Use of electric vehicles** - Expanding charging points, providing incentives for employees to transition to hybrid or electric vehicles, 100% of electric executive cars by 2030, and corporate electric fleet by 2025.
- > **Investments in energy efficiency at sites** - Implementing a system to monitor electricity and gas consumption at all sites, launching a Lighting-as-a-Service (LaaS), significantly reducing fossil fuel consumption and promoting the use of low greenhouse gas emission refrigerants.
- > **Water efficiency and reduced waste generation** - Target of 5% waste reduction, recycling of at least 90% of non-hazardous waste by 2024, and 5% reduction in water consumption and discharge by 2024.

At the United Nations Climate Change Conference (COP26), which was held in Glasgow in November 2021, Leonardo also tested the use of Sustainable Aviation Fuels (SAFs) for the AW149 helicopter, the next generation military helicopter that the company is proposing to the UK Ministry of Defence to meet the New Medium Helicopter requirements. Leonardo has conducted the demonstration flight of the AW149 with the use of SAFs from Bristol to Yeovil.

Leonardo’s commitment to carbon neutrality is consistent with the new Social Value model adopted by the UK Ministry of Defence (MoD) as part of its competitive bidding process. By this model, bids, programmes and contracts are evaluated not only in relation to technological capabilities and product performance but also with reference to the impact on the economy, the environment and society. The five key themes defined by the UK MoD include combating climate change, as well as equal opportunities, reducing economic inequality, post-pandemic recovery and well-being.

Scenario analysis

Leonardo assesses probability and impacts of risks (with best, most-likely and worst-case estimations), also taking into account the expected results of the actions defined for their treatment.

To support the identification of both physical and transition risks and opportunities and to assess the resilience of its strategy in the medium-long term, Leonardo performs scenario/sensitivity analysis considering how strategic targets can be influenced by multiple uncertain and interconnected factors.

For example, Leonardo carried out a scenario analysis to estimate carbon price referring to two different scenarios: the first one is a “business as usual” scenario (Representative Concentration Pathway – RCP - 8.5), while the second one considers a temperature increase limited to 2°C/1.5°C (RCP2.6).

The analysis allows to:

- estimate the potential increase in operating costs of Leonardo’s sites under ETS if the price of the allowances to be purchased by Leonardo - to compensate the GHG emissions exceeding the free allowances assigned to the Group by the regulators - should increase in the medium-long term;
- assess the potential economic return and convenience of investments that allow to reduce GHG emissions, in particular in those sites operating under ETS;
- increase Group awareness on the need to make its offer of aircraft and helicopters increasingly environmentally friendly also in view of possible new aeronautical regulations (e.g., carbon tax) and consequent customers’ demand (downstream perspective);
- increase Group awareness on the potential impact of carbon price increase on Leonardo’s suppliers (upstream perspective).

The RCP2.6 scenario, whose CO₂ emission pathway is consistent with Leonardo’s strategy and vision, is further pushing the Company to accelerate its decarbonisation journey, funnelling more financial resources towards development of low carbon solutions; at the same time benefitting Leonardo’s shareholders in terms of carbon exposure (as investee company) and the global community (reducing its impact on natural capital). On the other hand, a lower pace of decarbonisation at global level, as per the “business as usual scenario”, will expose Leonardo to increasing physical risks connected to extreme weather events for which protection

measures at existing sites may be insufficient, forcing Leonardo to rethink the geographical presence of its manufacturing sites, as well as its supply chain, and implement mitigating actions to preserve business continuity, with related increased costs.

In both scenarios, Leonardo is equipped to face and put in place mitigating measures as described in the “Risk and opportunities management” paragraph.

RISK AND OPPORTUNITY MANAGEMENT

Identification, assessment and monitoring of main risks and of related treatment actions in Leonardo are supported by specific methodologies, tools and metrics aimed at their analysis and management.

The Enterprise Risk Management (ERM) methodology and process, constantly updated to innovate and spread an effective organizational culture based on risk prevention and management, integrate the analysis of ESG factors and topics, including those related to climate change, in order to:

- identify the main potential risks related to climate change;
- assess the current exposure and the potential strategic, operational, financial, compliance and reputational impacts for the company;
- address further actions needed for risk treatment;
- support preparation of the Strategic, Industrial and Sustainability Plans.

Leonardo risk management process envisages the involvement of several company functions, both business and support ones, notably:

- Process Owners – in charge of risk identification, assessment and management;
- Risk Owners – experts of the specific risks in each relevant area;
- Action Owners – in charge of risk treatment (e.g. risk mitigation).

ERM reporting, intended also to inform both governance and control bodies, facilitates enterprise risks monitoring and awareness and enables the decision-making process related to the identification of mitigation actions suiting the company risk appetite.

In the first phase of the process, Leonardo Risk Management function supports the owner functions in the ESG-related risk analysis, also through checklists of the main risk factors relevant to the company. Such checklists include a sub-set of factors specifically referred to Leonardo (40 in 2021) selected from an initial pre-defined list of ESG related risk factors, which are generally applicable to the AD&S sector (around 200 in 2021).

The subset of risk factors is then defined and updated taking into account the company’s mission and the competitive positioning targets in the market, as well as the materiality analysis, potential and actual law requirements and emerging trends at global level. As far as climate change is concerned, Leonardo risk factors are related both to production activities and processes (firstly operations and supply chain) and to customers’ products and services demand.

Risks identified and assessed by the owner functions have been classified according to the categorization of the TCFD recommendations: transition risks (policy & legal, technology, market and reputation risks) and physical risks (acute and chronic risks), as reported below. Notably, each risk has been assessed in terms of probability and impact with the aim of defining the “current” risk level. Based on the company risk appetite, proper mitigation actions and subsequent “post-action” risk level, to be monitored until completion of the action plans, have been defined¹⁰. Risk impacts are evaluated on the short-term horizon and further analysed in the strategic plan time horizon of medium and long term.

At the same time, risk analysis, constant monitoring of both market drivers and customer needs as well as collaboration with research centers and other business partners support the identification and prioritization of the opportunities related to climate change along the value chain: from the decision of developing a new product, to the presentation of the commercial offer, to the business program execution, with regard also to the company supply chain.

¹⁰ For more details, see the “Strategy” paragraph.

Transition risks			
Risk	Description	Time Horizon	Actions
Policy & Legal	<ul style="list-style-type: none"> Some Leonardo's sites might be subject to even more stringent climate regulations than the ones currently in force according to the rules set in each Country. For example, in Italy, 9 plants fall under the scope of the ETS (Emission Trading Scheme); such plants, when exceeding the free of charge allocation, shall compensate their own CO₂ emissions by purchasing allowances¹¹. Regulatory, economic and social pressures to reduce environmental impacts at industrial level might lead to a reduction of free of charge allocated allowances and to the increase of their price. Likewise, Leonardo's plants located outside of the European Union, such as those in the US, might have to comply with laws and have similar impacts in the future. Moreover, the growing attention to the energy transition paid by national governments, notably in the most advanced economies, might lead to the issuance of even more stringent rules, with scopes of application wider than the only CO₂ emissions, including topics related to water, waste and biodiversity. For Leonardo this might lead to an increase of operating costs. 	Medium / long term	<ul style="list-style-type: none"> Research and development of new solutions (notably aircraft and helicopters with reduced energy needs) and processes with a lower environmental impact through divisions, Leonardo Labs, national and European initiatives and other open innovation programs. For Leonardo, research and development is a strategic priority, as witnessed by the expense of €1.8 billion in 2021 and the around 9,600 people dedicated to these activities. Efficiency interventions and energy self-production in the sites of the Group which might enable more plants to be excluded from the scope of the ETS Directive. Energy governance centralized model and multi-year investment program aimed at increasing energy efficiency. Path for evaluating GHG emission reduction targets according to the Science Based Target initiative (SBTi). Integration of parameters in the investment procedure related to a lower environmental impact, including GHG emission reduction. Launch of projects and partnerships for the development of both circular economy of materials and eco-design approaches – lower weight, modularity, material selection. Carbon price used to assess the convenience of investments aimed to minimize energy consumption and/or avoid purchase of allowances in the market. In 2021 Leonardo used a shadow price of €53.55 per ton of CO_{2e}. Constant monitoring of the allowances market to capture opportunities for reducing operating costs. Introduction of KPIs linked to the achievement of ESG targets, included those related to climate change, in the Incentive Plan of management Further implementation of LEAP (Leonardo Empowering Advanced Partnerships) programme, the supply chain management and improvement model aimed at supporting strategic suppliers in the transition towards sustainability. Improvement and development projects are already under way with 120 suppliers, including managerial training, commercial partnership agreements, financing, and support for technology transfer, digital transformation and cyber security.
	<ul style="list-style-type: none"> The banking system might acknowledge growing relevance to the ESG dimension also in the loans to the small-medium enterprises, firstly with regards to environmental topics. Leonardo's supply chain might be affected in the medium period by the increase of the cost of financing of their working capital and their investments. Leonardo might have to put in place extraordinary interventions to support "critical" suppliers. 	Medium term	
	<ul style="list-style-type: none"> European regulations on ESG topics and financial instruments might penalize the AD&S sector, e.g., with regard to the European Social and Environmental Taxonomy and to the Ecolabel for retail financial products. This might create an unlevel playing field within the sector, with non-European competitors gaining a competitive advantage. Moreover, structural consequences might affect in the medium-term Leonardo and the whole European sector's availability and cost of debt as well as the share price of listed companies. 	Medium term	
Market and technology risks	<ul style="list-style-type: none"> The different priorities assigned by Countries worldwide for the management of topics related to the ecological transition might cause impacts on processes, products and related technologies, giving rise to competitive asymmetries in the different market geographies, also driving an unexpected development of new competitors, with potential impacts on Leonardo's market shares. 	Long term	

¹¹ Italian plants under the scope of the ETS are: Cascina Costa, Vergiate, Foggia, Grottaglie, Nola, Pomigliano, Cameri, Venegono Superiore and Caselle Nord.

	<ul style="list-style-type: none"> • Countries whose economy is based on fossil fuel extraction might have to accelerate their own path of transition towards what envisaged in their diversification plans, with both impacts on their balance sheets and a related reduction of their spending capacity. In the medium-long term Leonardo might be affected by the reduction of the defence budget of such Countries. • Leonardo's customers might have a growing interest for low-carbon products, also looking at the environmental transition driving the post-pandemic recovery in Europe (among which for example potential extension of ETS to the internal flights in the EU and higher taxation on fossil fuels). Should Leonardo's offer be not timely aligned to such demand, the Group might lose market shares. • Leonardo's customers might introduce in tenders and bids new challenging ESG requirements to be met by proposing companies and their supply chain (eligibility parameters for tenders); the UK Ministry of Defence, one of the main Leonardo's customers, for instance, as part of its competitive bidding process, awards 10% of the overall score based on Social Value, measuring the impact of organisations on the well-being, resilience and sustainability of communities. In the medium-long term, some customers, especially in Countries with advanced economies, may accelerate this trend. Leonardo's supply chain is largely composed of small and medium-sized enterprises (over 6,700 in the domestic markets) that may not be able to quickly adapt their business models and industrial processes to ensure compliance with these emerging ESG requirements, with consequence on Leonardo competitiveness, cost profile and profitability. • Current production processes of Leonardo's supply chain might be affected by new ESG requirements and proper process adjustments might have to be put in place to ensure compliance. Suppliers' performance and business continuity might be affected, with negative impacts for Leonardo and its final customers. Moreover, suppliers might become the weak link of Leonardo's decarbonization strategy, affecting its successful implementation. 	<p>Medium / long term</p> <p>Medium / long term</p> <p>Medium / long term</p> <p>Medium / long term</p>	<ul style="list-style-type: none"> • Further implementation of LEADS, Leonardo Assessment and Development for Sustainability, the supplier evaluation model developed and adopted by Leonardo to improve key suppliers' performance in relation to sustainability and development risks, increasing their preparedness on new emerging ESG requirements. In 2021, over 500 key suppliers were assessed in terms of ESG/sustainability dimension, identifying strengths and areas for improvement. • Intelligence activity on potential changes and future evolution regarding customers' requirements for monitoring and forecast activities to anticipate trends and to be aligned to new market needs. • 2021 revision of the sustainability operating model, ensuring the allocation of responsibilities and the pervasiveness within the organization, also with the aim to be more aligned with stakeholder' requests and managing their expectations. Through such operating model, which is an enabler of the provisions of the Strategic and Sustainability Plans, Leonardo will better address the company towards the achievement of environmental targets. Leonardo's public targets for reduction of carbon footprint, which are supported by specific initiatives and backed by allocated budget, are indeed the cornerstone of the action of the Group for climate-related risk mitigation.
<p>Reputation risks</p>	<ul style="list-style-type: none"> • High volume of information on ESG topics publicly disclosed by companies, including those related to climate change, needed to address growing pressure from stakeholders, enables more frequent and detailed comparison among companies' ESG performance. In this context, should Leonardo targets and actions not meet 	<p>Long term</p>	

	<p>stakeholders' expectations a reputational damage might follow.</p> <ul style="list-style-type: none"> • Growing competition in the market sectors where Leonardo operates, as well as the need to maximize the useful life of products and solutions of the company, might lead to an increase in the institutional client portfolio of the incidence of Countries with lower environmental regulation, resulting in reputational impacts and, in the future, causing potential structural impacts on the cost of debt and possibly on the share price. 	<p>Medium / long term</p>	
<p>Physical risks</p>			
<p>Acute and/or chronic weather events</p>	<ul style="list-style-type: none"> • Intensification of natural events related to extreme acute atmospheric phenomena (e.g., hurricanes) and to chronic effects consolidating over the years (e.g., sea level rise, flooding, drought, fires) might damage both Leonardo and its suppliers' production operational assets located in specific geographical areas. Especially when areas have certain weather/morphological features, assets might be more exposed to operational disruptions resulting in an increase of the cost for insurance coverage and/ or for restoring a smooth production activity. • In the long term, chronic effects regarding climate change might involve a relocation of some of Leonardo's production sites, as well as a different geographic focus of its supply chain: resources and timing for the implementation of the related operational plans would be a key success factor, as well as backup solutions to be adopted in the transitional period to guarantee the proper service level for customers. • Temperature rise might lead to an increase of operating costs, mainly due to higher energy demand for cooling. 	<p>Medium / long term</p> <p>Long term</p> <p>Medium / Long term</p>	<ul style="list-style-type: none"> • Definition of proper action plans through the identification of Leonardo's sites located in geographical areas exposed to potential conditions of water stress, hurricane, storm and flooding risks, change of weather patterns and other climate-related physical risks¹². To adapt to climate-related risks specific operational and administrative initiatives have been implemented at site level considering location, local administration, plant technical features and other factors. Such initiatives also refer to: interventions for securing sites in case of hurricanes, winds and storms, through structural reinforcements, installation of fixed pumps in case of flooding, interventions on the discharge/ drainage network, optimization of the rainwater flow, installation of barriers against flooding, interventions for maintenance and cleaning of roofs and drains. For example, regarding water stress exposure, 18 Leonardo's sites (equal to 17% of sites included in the reporting scope) are located in areas at high rate of water depletion (so called water stressed areas)¹³ and specific projects are currently in place to reduce water withdrawal, as described in the 2021 Integrated Annual Report. • Monitoring of environmental risks related to production sites managed at different organizational levels, through tools centrally defined and technical and management solutions tailored for each site and process. • Insurance coverage for mitigation of the potential consequences resulting from catastrophic natural events. • Inclusion in the suppliers' vendor-listing criteria of the assessment of their continuity plans, also with regard to the impacts related to climate change risk.

¹² References adopted to identify risk areas are IPCC's Sixth Assessment Report: Climate Change 2021 and other reports of specialist agencies.

¹³ Analysis has been carried out adopting Water Risk Filter Tool methodology, which defines a water stressed area based on the ratio between water consumption and availability. Water Risk Filter performs sensitivity analyses adopting scenarios that, in line with the TCFD recommendations, are based on the combination of the most relevant climate scenarios (IPCC Representative Concentration Pathways – RCP) and socio-economic scenarios (IIASA Shared Socioeconomic Pathways – SSP).

Opportunities			
Resource efficiency and energy source	<ul style="list-style-type: none"> Leonardo's investments and initiatives to ease the transition towards a low carbon economy allow to reduce resource consumption (e.g., energy, water and waste production) and to increase the purchase of energy from renewable sources and the self-production. Such efficiency actions in its production processes might lead to larger cost savings for energy supplies, a lower dependence on third party sources and an increase of the energy resilience, as well as a better ability to comply with future, stricter energy efficiency-related law requirements. 	Medium term	<ul style="list-style-type: none"> Efficiency and energy self-production interventions in the Group's production sites, some of which already funded and others under evaluation, mainly in Italy and in the UK. Energy governance centralized model and multi-year investment program aimed at energy efficiency increase. Integration of parameters in the investment procedure related to a lower environmental impact and launch of circularity and industrial symbiosis projects applied to manufacturing processes (e.g., energy consumption reduction and related CO_{2e} emission reduction, material eco-design elements - lower weight, greater recyclability or possibility of upcycling). Carbon price used to assess the convenience of investments aimed to minimize energy consumption and/ or avoid purchase of allowances in the market. In 2021 Leonardo used a shadow price of €53.55 per ton of CO_{2e}.
Products and services	<ul style="list-style-type: none"> Climate change mitigation - Customer preferences and regulatory drivers are increasing the demand for energy-efficient and reduced-emission products also in the AD&S sector. Leonardo's products with higher fuel economy and lower use-phase emissions may be well positioned to capture expanding market share and adapt to changing customer preferences and regulations around fuel economy and emissions. Climate change adaptation - In the next future Earth observation and monitoring services to verify climate change related conditions, as well as solutions to cope with extreme events, are expected to grow. Thus, Leonardo may increase the sales of its advanced instruments, systems and services for monitoring climate change issues from satellites, as well as helicopters and aircraft for search and rescue (SAR) and emergency medical services (EMS) missions. 	Medium/ long term	<ul style="list-style-type: none"> Collaboration with stakeholders (customers, suppliers, institutions, research centers, universities, European and national research programmes, business partners) to develop low carbon solutions. For details see table "Main solutions and projects for climate change mitigation" of this document. Integration of parameters in the investment procedure related to a lower environmental impact and launch of circularity and industrial symbiosis projects applied to products and services (e.g., energy consumption reduction and related CO_{2e} emission reduction, material eco-design elements - lower weight, greater recyclability or possibility of upcycling). Commercial offering of rotary-wing platforms designed to perform all types of missions, from search and rescue (SAR) to emergency medical services (EMS), guaranteeing a rapid response to emergencies, even for long-distance inter-hospital transport or for high-altitude emergency rescues. Designed around patient needs, Leonardo's helicopters such as the AW09, AW119Kx, AW109 Trekker, AW109 GrandNew, AW169, AW139, AW189 and the AW609 TiltRotor are suited to the demands of primary and secondary missions, as well as rescue operations. At the same time among the fixed-wing platforms the C-27J Spartan Next Generation with the new Fire Fighter configuration can reach remote inland areas that are cut off from the sea or other water basins, optimising emergency response times, while reducing environmental impact. Commercial offering of satellite solutions and geo-information applications as well as manufacturing essential components of

			space systems. Leonardo keeps on continuously developing cutting-edge technologies, advanced instruments and solutions to study and monitor the Earth's health by processing and analysing data provided by satellites, with the aim to be a leader in the space market.
Markets	<ul style="list-style-type: none"> Definition of ESG targets, including those related to climate, allows Leonardo to access new and diversified opportunities in the field of sustainable finance, reducing the cost of funding (for example through margin adjustments mechanism on the ESG-linked financial instruments), increasing its attractiveness as investee company and improving its reputation in the financial markets. 	Short term	<ul style="list-style-type: none"> Engagement with main financial players in order to identify new opportunities related to sustainable finance. In 2021, Leonardo signed a ESG-linked Revolving Credit Facility ("ESG-RCF") for € 2.4 billion and a ESG-linked Term Loan Facility amounting to € 600 million. Continuous monitoring and efforts to achieve Leonardo's ESG targets, including those related to climate, to unlock the related financial benefits.

METRICS AND TARGETS FOR GHG EMISSION REDUCTION

Leonardo reports impacts and performances related to climate change in accordance with the GRI Sustainability Reporting Standards¹⁴ and by taking into account the non-binding Guidelines on reporting climate-related information issued by the European Commission, the SASB standards for the Aerospace & Defence sector and the “core” metrics set out in the White Paper “Measuring Stakeholder Capitalism - Towards Common Metrics and Consistent Reporting of Sustainable Value Creation” of the World Economic Forum (WEF).

Within its Sustainability Plan, Leonardo set quantitative targets consistent with its decarbonization strategy:

- > Reduction of electricity consumption withdrawn from the external grid by 10%¹⁵ by 2025;
- > Reduction of GHG Scope 1 and 2 (location-based) emissions by 4%¹⁶ by 2025;
- > Reduction of GHG Scope 1 and 2 (market-based) emissions by 40%¹⁷ by 2030.

For all the targets, 2021 performance improved compared to 2020, as pointed out in the table below.

KPIs	2019 (Baseline)	2020	2021	2021 vs 2019	Target
Electricity consumption withdrawn from the external grid intensity on revenues (MJ/€)	0.19	0.19	0.18	-9%	-10% by 2025
GHG Scope 1 + Scope 2 (location-based) emissions intensity on revenues (g/€)	43.55	45.39	33.88	-22%	-4% by 2025
GHG Scope 1 + Scope 2 (market-based) emissions (ton)	403,636	422,714	325,013	-19%	-40% by 2030

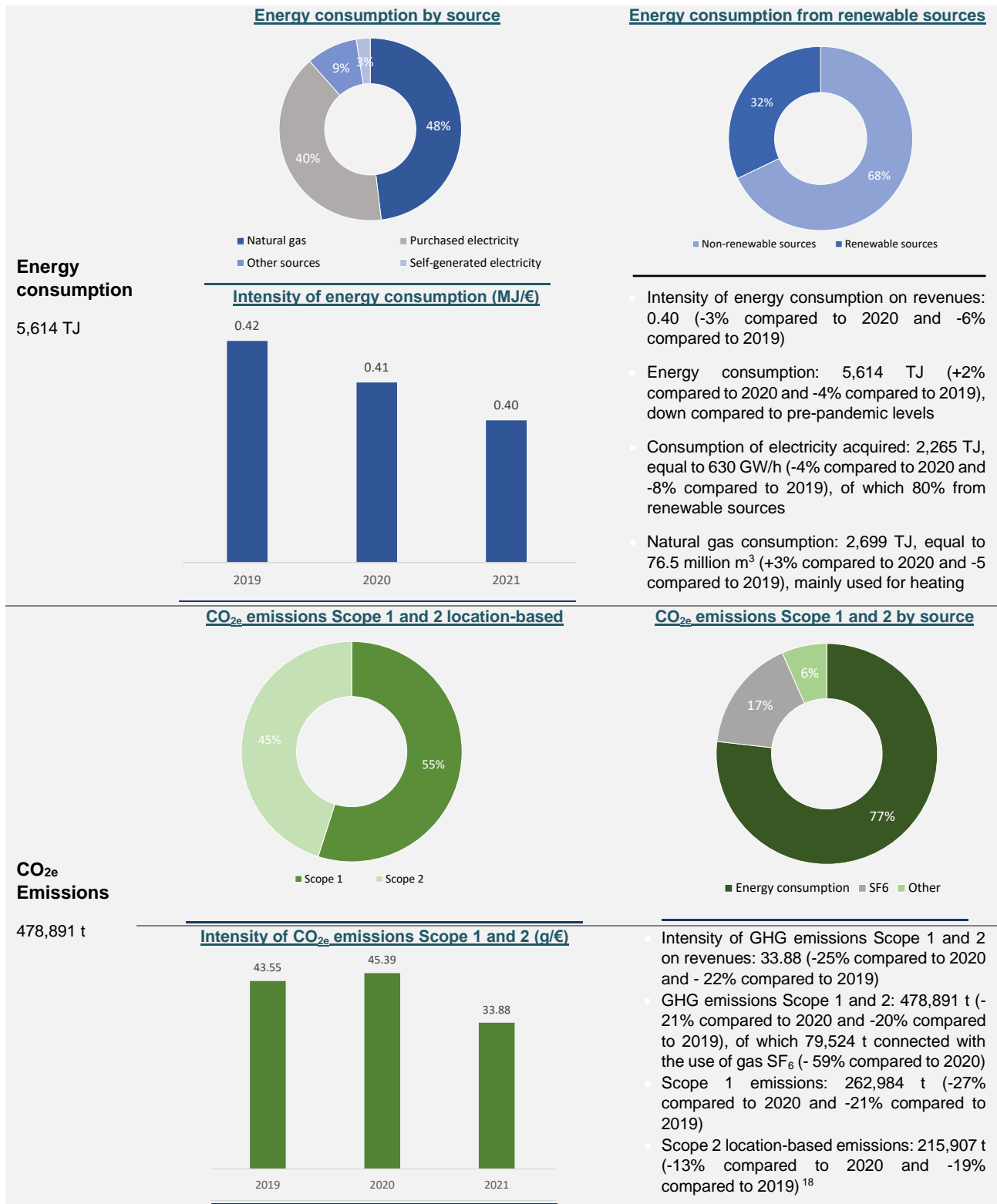
¹⁴ In the tables of GRI disclosures related to climate change, see KPIs referred to GRI 302-1/3 and to GRI 305-1/2/3/4.

¹⁵ Reduction of electricity consumption withdrawn from the external grid is calculated in relation to revenues. 2019 year baseline.

¹⁶ Reduction of GHG Scope 1 and 2 (location-based) emissions is calculated in relation to revenues. 2019 year baseline.

¹⁷ Reduction of GHG Scope 1 and 2 (market-based) emissions is calculated in absolute value. 2019 year baseline.

KPI performance related to climate change



¹⁸ The location-based method considers the average intensity of GHG emissions of the networks on which there is energy consumption, mainly using the data relating to the average emission factor of the network.

GRI DISCLOSURES RELATED TO CLIMATE CHANGE

Energy		GRI 302-1/3		
Energy consumption within the organisation (GRI 302-1)	Unit	2019	2020	2021
Non-renewable energy consumed	TJ	3,040	2,815	2,982
Natural gas	TJ	2,836	2,621	2,699
Diesel oil for energy and/or heat generation	TJ	4	3	2
Fuel oil	TJ	-	-	-
Other (LPG, fuels used for product tests)	TJ	200	191	281
Energy purchased for electricity and district heating	TJ	2,663	2,545	2,493
Electrical energy from conventional sources	TJ	429	436	460
Electrical energy from renewable sources	TJ	2,035	1,916	1,805
District heating	TJ	200	193	228
Self-generated energy	TJ	133	134	138
Energy sold	TJ	-	-	-
Total	TJ	5,836	5,493	5,614
Energy intensity (GRI 302-3)	Unit	2019	2020	2021
Energy consumption/Revenues	MJ/euro	0.42	0.41	0.40

Emissions		GRI 305-1/2/3/4/7		
CO _{2e} emissions (GRI 305-1/2/3)	Unit	2019	2020	2021
Direct emissions (Scope 1)	t CO _{2e}	332,780	359,711	262,984
Indirect emissions (Scope 2 market-based)	t CO _{2e}	70,856	63,003	62,029
Indirect emissions (Scope 2 location-based)	t CO _{2e}	267,468	248,958	215,907
Other indirect emissions (Scope 3) ¹⁹	t CO _{2e}	281,701	207,425	220,472
- Purchased goods and services	t CO _{2e}	127,000	103,304	90,847
- Fuel and energy-related activities (not included in Scopes 1 or 2)	t CO _{2e}	21,418	29,213	36,545
- Upstream transportation and distribution	t CO _{2e}	36,183	25,343	48,639
- Waste generated in operations	t CO _{2e}	27,335	24,854	21,984
- Business travel	t CO _{2e}	53,804	13,717	13,345
- Upstream leased assets	t CO _{2e}	15,961	10,994	9,112
Total emissions (Scope 1 + Scope 2 market-based)	t CO_{2e}	403,636	422,714	325,013
Total emissions (Scope 1 + Scope 2 location-based)	t CO_{2e}	600,248	608,669	478,891
CO _{2e} emission intensity (GRI 305-4)	Unit	2019	2020	2021
Total emissions (Scope 1 + Scope 2 market-based)/Revenues	g/euro	29.28	31.52	22.99
Total emissions (Scope 1 + Scope 2 location-based)/Revenues	g/euro	43.55	45.39	33.88

¹⁹ Scope 3 emissions data reported are subject to limited assurance by external auditors. A project is currently underway to improve analysis and quantification of Leonardo's Scope 3 emissions, notably for the categories "Use of sold products" and "Capital goods".

METHODOLOGY NOTE

The 2021 environmental reporting scope²⁰ covered 106 sites around the world (equal to about 98% of total employees in the 2021 consolidated financial statements). The scope has been based on the materiality of the environmental impact from operating sites, the number of employees of Leonardo SpA's and its subsidiaries consolidated on a line-by-line basis²¹.

External assurance

Information reported in this document, also included in the Non-Financial consolidated Statement of Leonardo, have been subjected to a limited assurance by the audit firm in charge of the assurance of Leonardo Consolidated Financial Statements, in accordance with the Italian law. Moreover, on a voluntary basis, Leonardo required to the same audit firm to perform a full assurance ("Reasonable assurance engagement") on a set of non-financial performance indicators (ESG), among which those related to climate change, that are considered important and strategic for the Group²². Below the subset of indicators related to climate change on which a reasonable assurance engagement has been performed:

- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity – (measured on consolidated revenues);
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- GRI 305-4: GHG emissions intensity – (measured on consolidated revenues).

Calculation criteria

- GHG Scope 1 Emissions - Source of the emission factor:
 - GHG Protocol Global;
 - UNFCCC - National Inventory Submissions 2021;
 - Table of national standard parameters (MITE).
- GHG Scope 2 Emissions - Reporting method based on the principles of the GHG Protocol new Scope 2 reporting guidance, using the following coefficients:
 - Average Grid US, Source: EPA - United States Environmental Protection Agency - eGRID2019;
 - Average Grid Europe, Source: TERNA - ENERDATA data 2020;
 - Residual Mix United States and Canada, Source: 2021 Green-e Energy Residual Mix Emissions Rates;
 - Residual Mix Europe, Source: AIB - Association of Issuing Bodies - European Residual Mixes 2020.
- Scope 3 emissions - Source of the emission factor:
 - GHG Protocol Global;
 - UNFCCC-National Inventory Submissions 2021;
 - Boustead Model;

²⁰ Environmental data, as reported through the Group's web-based system and notably those relating to energy consumption were obtained through: direct measurements (e.g., meters and consumption measurement systems); calculations (e.g., bills; purchase orders/ invoices); estimates based on the number of employees and/or activities carried out.

²¹ For more details on selected sites, see the Methodology Note of the NFS - Reporting scope of Leonardo Integrated Annual Report 2021.

²² Reasonable assurance was carried out in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised)-Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB). For more details, see Leonardo Integrated Annual Report 2021, Methodology Note of the NFS.

- UK Government GHG Conversion Factors for Company Reporting.

SAFE HARBOR STATEMENT: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements. The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts). These are only some of the numerous factors that may affect the forward-looking statements contained in this document. The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

