

## Commercial Disputes

In May 2013, Airbus was notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2018 at the earliest.

In the course of another commercial dispute, Airbus received a statement of claim by the Republic of China (Taiwan) alleging liability for refunding part of the purchase price of a large contract for the supply of missiles by subsidiary Matra Défense S.A.S., which the customer claims it was not obliged to pay. An arbitral award was rendered on 12 January 2018 with a principal amount of €104 million plus interest and costs against Matra Défense S.A.S. Airbus is studying the award and considering the next steps.

## 1.1.8 Non-Financial Information

### 1.1.8.1 Airbus' Approach to Responsibility & Sustainability

#### Airbus and its Main Stakeholders

Airbus is an industrial company operating in businesses with long product lifecycles and corresponding returns on investment. There are significant costs and risks in programme development and cyclical civilian markets. These features define the Company and shape its relationships with all stakeholders. For a description of Airbus' business model, see "— 1.1.1 Overview".

Airbus is engaged in stakeholder dialogue at various levels of the Company. Cooperation being at the heart of Airbus since its inception, the Company strongly encourages exchanging on best practices, understanding different perspectives and improving its performance in every activity. The responsibility for stakeholder engagement is decentralised at Airbus and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. Airbus often seeks a sectorial approach in order to strengthen the impact.

The Company's main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

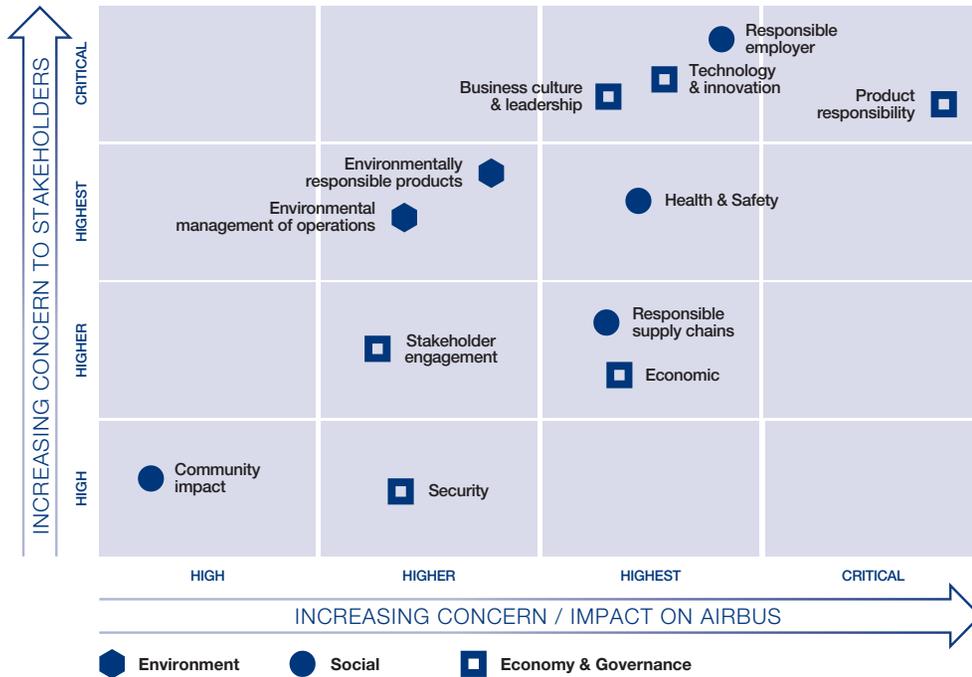
- generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability;
- be a provider of choice, offering superior value-for-money products and services to customers;
- engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, Airbus must respond to their expectations about development, people management and values;

- build sustainable relationships with its suppliers based on mutual interest to satisfy its customers to encourage responsible practices. The Company promotes the Supplier Code of Conduct as standards consistent with its own code of conduct, and also develops and implements adequate mechanisms to monitor supplier performance;
- Play a key role in society and towards local communities. The Company is committed to responsible business practices in terms of respect for human rights, labour, the environment and anti-corruption. In addition, the Company encourages initiatives that contribute to tackling societal challenges whether through its products and services, skills and resources or via key partnerships.

#### Materiality Assessment

In order to prioritise its responsible and sustainable efforts, Airbus has performed a materiality assessment in 2017. With the support of consultants, Airbus approached a set of stakeholders representing customers, works councils, local community partners, NGOs, technological partners, investors, airworthiness authorities, MROs, government bodies, suppliers and industry associations. Airbus chose a qualitative approach rather than a quantitative approach. In-depth interviews were conducted with external stakeholders. A list of top issues for the Company was developed, consolidated and ranked by the Company's Responsibility & Sustainability Network. The network gathers a group of experts advising on Airbus' Responsibility & Sustainability ("R&S") strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. It is trans-functional, trans-national and trans-divisional and meets on a regular basis. The outcome of this assessment was shared with top management.

MATERIALITY MATRIX 2017



**UN Sustainable Development Goals**

Airbus is committed to the UN Global Compact principles and has reached the “Advanced Level”.

Airbus adopted the UN Sustainable Development Goals (SDGs) in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, Airbus performed a mapping of its contributions based on the Company’s publicly available information (including the Company’s web site, annual report and press releases). It demonstrated that at least eight of the 17 SDG goals are directly relevant to Airbus’ businesses and stakeholders’ feedback confirmed that Airbus is actively contributing to:

- SDG 4: Quality education;
- SDG 5: Gender equality;
- SDG 8: Decent work and economic growth;
- SDG 9: Industry, innovation and infrastructure;
- SDG 12: Responsible consumption and production;
- SDG 13: Climate action;
- SDG 16: Peace, justice and strong institutions;
- SDG 17: Partnerships for the goals.

Throughout 2017, Airbus continued the mapping internally and identified KPIs to assess its overall contributions to the above SDGs. Measurement will start in 2018.

**Responsibility & Sustainability Charter**

In 2017, Airbus has outlined its commitments in a new R&S Charter. The aim of the Charter is to demonstrate how Airbus intends to contribute to the requirements and needs of society and how employees will live Airbus’ six values in their daily work with all stakeholders whether customers, suppliers, partners, shareholders. The Charter is available at [www.airbus.com](http://www.airbus.com).

**Airbus’ Way Forward: Vigilance Plan**

Airbus is determined to conduct its business responsibly and with integrity. The Company is convinced that promoting responsible business conduct within our value chain is key to sustainable growth.

As far as its own operations are concerned, Airbus has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations. They are fully embedded into the Company’s culture and processes. At Airbus, heads of programmes and functions, supported by their respective specialists, shall ensure proper deployment of the Company’s policies, management of Enterprise Risk Management (ERM) in their fields as well as duly reporting issues to top management. Airbus’ approach is thus based on its existing strengths:

- 1) strong management process already established and adopted by employees;
- 2) empowerment of specialists;
- 3) industry approach whenever possible.



## Information on Airbus Activities

## 1.1 Presentation of the Company

In 2017, Airbus established a working group composed of specialists representing supplier management, health and safety, environmental affairs, labour rights, ethics and compliance, corporate governance as well as risk managers and representatives from the Company's two Divisions. One of the tasks of the working group was to perform a risk assessment and define concrete actions in order to ensure continuous monitoring of the entire Company and to mitigate principal risks or prevent serious violations. Airbus is also working to ensure that internal processes will be adjusted in order to ensure the efficiency of all measures.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment. The ERM system was updated to take into account the most significant potential risks related to these areas that Airbus may generate as part of its operations. The ERM team also adjusted its procedures so that these potential new risks and their likely adverse impacts can be duly assessed throughout the Company. For each risk, a dedicated action plan is being defined by the responsible team who will monitor its deployment throughout the Company. The potential new risks and related action plans will be consolidated and reported to the top management of the Company. For a complete description of Airbus' ERM system, see "— Corporate Governance — 4.1.3 Enterprise Risk Management System".

To support our commitment to and promotion of a speak-up culture, Airbus created the OpenLine to provide the Company's employees with an avenue for raising concerns in a confidential way. Subject to regulatory approval, Airbus intends for employees to be able to raise their concerns, if any, about violations of human rights and fundamental freedoms, health and safety and environmental policies.

Airbus is also reinforcing its training for employees related to human rights as well as other topics related to responsibility and sustainability. Airbus currently proposes over 80 e-learning courses on labour relations, diversity, environmental and health and safety matters to its employees. In addition, the Company also provides training to its employees on the Airbus Standards of Business Conduct. Finally, a R&S learning programme targeting employees to be trained on new regulations and supporting cultural change will be developed and launched in 2018.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. Currently, Airbus and its Divisions have different governance directives for the affiliates in their respective scopes with the aim to have a single governance directive in 2018. The objective of the corporate governance directives for Airbus' affiliates is to define rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. The document is used to assist

Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus' ongoing commitment to high standards of corporate governance.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where the strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate's management. The board will consider the affiliate's accounts, the operating and development plans, the Company performance versus the allocated targets, human resources topics and ERM. At least once a year the agenda of the board will include an update on ethics and compliance matters (including training, awareness and any other relevant issues).

In order to ensure proper and systematic cascading of CSR-related policies throughout the Company, Airbus' head of Subsidiaries and Affiliates has joined the R&S Network while, in return, each impacted function has appointed an official point of contact that can support affiliates in the implementation of these policies.

In 2018, Airbus will update its directive on CSR-related policies requirements applicable to its affiliates. Airbus will communicate the necessity to ensure deployment and monitoring of the following policies described in this chapter:

- International Framework Agreement;
- Agreement on the European Works Council;
- Supplier Code of Conduct;
- Health & Safety Policy;
- Standard of Business Conduct;
- Environmental Policy;
- Airbus Anti-corruption Policy and Directives.

Affiliates will be asked to evaluate the newly identified potential risks via the Airbus ERM system as well as to regularly monitor them as part of their risk assessment process. Airbus will ensure that the procedures to assess, investigate and manage allegations are well-aligned throughout the Company. In addition, a self-assessment of affiliates regarding social, human rights, and environmental matters will be organised, starting in 2018.

For its principal joint ventures, Airbus will ensure the proper application of its policies or those of its partner.

The overall plan will be shared with employees throughout the year.

A dedicated programme has been launched by the Procurement function in order to monitor Airbus' suppliers and develop processes to identify potential serious harm to human rights, fundamental freedom, health and safety and the environment with the aim of preventing them. For more information, see the dedicated chapter on the supply chain, including the vigilance plan for suppliers, under chapter 1.1.8.4 (b) Responsible Suppliers.

### 1.1.8.2 Responsible Manufacturer

#### a. Product Safety

Airbus recognises and values the trust the flying public puts in its aircraft, and this is the reason the Company constantly strives to improve safety any way it can. Its investment in successive generations of aircraft which embody new and safer technologies have been very successful in achieving an ever-decreasing number of accidents despite an ever-increasing number of flights.

Today, with the rate of accidents at an all-time low, Airbus is working even harder to ensure that accidents remain rare events.

This is why it is Airbus' top priority to continually improve safety. Its commitment to safety starts at the top, is reflected in the structure of its organisation, and is most deeply embodied in the mind-set employees bring to work.

At every point in design, manufacturing and assembly, Airbus makes sure that its aircraft not only comply with but exceed the safety requirements laid down by the European Aviation Safety Authority (EASA) and the US Federal Aviation Authority (FAA). The development of the Fly-By-Wire and flight envelope protection technologies more than 25 years ago, or more recently the Runway Overrun Prevention System, are examples of significant contributions to safety introduced by Airbus and now becoming industry standards.

Whenever safety topics must be discussed, it is done at the appropriate level, including by Airbus' senior executives. By acting together, the Company ensures that the full power of coordinated cross-company action can be brought to bear on any issue where it is believed that safety can be further enhanced.

The Product Safety Process (PSP) is Airbus' primary means of responding to what is happening with the 10,000 Airbus aircraft flying today, and of maintaining continued airworthiness. It enables Airbus to analyse reports from the field and other in-service events, and frequently leads to the introduction of safety enhancements either to new products under development or to existing designs. In this way, Airbus is actively enhancing the safety level for its products and helping to advance the safety level for the whole industry.

The PSP is now evolving to be part of Airbus' Safety Management System (SMS), formalising Airbus' evolution to a risk management approach to safety. Both the PSP and the SMS rely on a network of safety representatives within each Division of the Company. All Airbus employees, including those in the safety network, are trained to recognise that the lives of passengers and airline personnel can depend on their personal commitment to safety, and to ensure that they are aware of how their personal actions can improve safety.

Airbus and its employees at all levels therefore work hard to ensure safety in:

- the design of aircraft to higher levels than those required by EASA/FAA Part 25 regulations;
- the quality of manufacturing in line with its EN 9001 certification;
- the materials/manuals supplied to customers to operate and maintain the aircraft;
- the training provided to flight crews, cabin crews and maintenance crews;
- the worldwide services delivered in support of the aircraft's operation.

Yet what makes a flight safe is a combination of a safe aircraft, safe airline operations and a safe air transport system. Therefore, even if the primary responsibility of Airbus as a manufacturer is the aircraft, the scope of safety at Airbus reaches beyond the product and also includes an active role at the air transport system level.

Airbus is in constant contact with other aircraft manufacturers, airlines and air safety organisations around the world to find new ways of improving safety standards. The Company believes that industry wide cooperation is crucial to making further safety enhancements.

Airbus has put in place a harmonised approach to product safety throughout the Company. Similar processes and tools to those described above for Airbus commercial aviation are in place at Airbus' Divisions, Defence and Space and Helicopters. These include a dedicated Product Safety function, which is empowered to take action across the business to ensure the safety of all operations, daily monitoring and management of safety topics and deployment of a SMS as well as related specific organisation approvals by competent organisations. However, the implementation of these harmonised processes was adjusted to the specificities of their activities and of the regulatory requirements. For example, there is no regulation to manage companies and official organisations' participation in safety investigation for the military world. In addition, due to the nature of military activities, investigation are often classified as confidential or restricted for officials.

#### b. Research & Technology

In 2017, CTO underwent a transformation programme to become more agile, innovative and aligned with the needs of Airbus. The new organisation applies a lean, project-based approach, will encourage collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts.

The CTO organisation is responsible for: guiding all R&T activities of the Company and ensuring Airbus-wide integration of technology through Technology Planning and Roadmapping, accelerating the development of selected technologies through Flight Demonstrators together with the Divisions, providing expertise in breakthrough technologies in support of the group-wide projects in Central R&T and developing technologies for the next generation aircraft in Airbus R&T.

**Technology Planning and Roadmapping** developed a set of technology roadmaps spanning the R&T portfolio, which are used to analyse technology progression using key figures of merit and is starting to provide a valuation methodology for the R&T activities.

**Flight Demonstrators** provide a maturation mechanism and maturity gates for the Group R&T portfolio. The Demonstrators employ a CTO-established development methodology, including phasing and key gates, lightweight project management and earned-value management processes, including budgeting, HR and contracting mechanisms tailored for speed of execution.

**Central R&T** is organised in five boost areas – Data Science, Materials, Communication Technologies, Electrics Expertise and Virtual Product Engineering. A research vision and new ways of working were implemented with a short cycle for testing new ideas and decision gates for the creation of larger projects. The transitioning from the former Airbus Group Innovations is ongoing through 2018.

**Airbus R&T** portfolio will be organised in three areas starting in 2018 to better adapt to Airbus product policy and business needs – Enhancing our Aircraft Programmes, Next New Aircraft, and Digital Design & Manufacturing. The organisation started a transformation programme aiming for speed, agility and high performance with a flatter hierarchy and empowered teams.

In addition to the domains described above, five technology thrusts were established to ensure coherency in the portfolio of activities and to rapidly advance strategic priorities. These thrusts are:

- Electrification;
- Digital Design and Manufacturing;
- Connectivity;
- Autonomy;
- Materials.

## Key Progress in 2017

### Flight Demonstrators

#### ▪ E-Fan X Programme

The E-Fan family of technology demonstrators was a bold step towards all-electric and hybrid-electric flight aimed at establishing requirements for future certification of electrically powered airplanes and at training a new generation of designers and engineers for the challenges of electric flying. In March 2017, the Airbus Executive Technical Council decided to refocus Airbus' efforts on electric flight towards a more ambitious project, which aims to develop a hybrid-electric demonstrator baptised the "E-Fan X", a stepping stone towards a hybrid electric single aisle aircraft. In November 2017, E-Fan X was launched in conjunction with Siemens and Rolls-Royce. E-Fan X will be powered by a 2 MW motor, which is one order of magnitude greater than E-Fan 2.0's motor.

#### ▪ E-Aircraft Systems House (EAS)

The EAS aims to verify hybrid- and electric propulsion systems functionality and performance for low, medium,

and high-power systems by ground testing, accelerating technology readiness in collaboration with Siemens and developing and supplying hybrid-electric propulsion systems and hardware for Flight Demonstrators.

In 2017, it continued to support electrification projects, including providing the test bench for CityAirbus.

### A<sup>3</sup>

A<sup>3</sup> (pronounced "A-cubed"), is the advanced projects and partnerships outpost of Airbus in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** launched in 2017 to help integrate unmanned aircraft systems (UAS) into the airspace. Using a simulator to evaluate policy options and operational models for air traffic management systems, it aims to service all forms of airborne traffic.
- **Vahana** is an electric urban air mobility vehicle designed to carry a single passenger or cargo. A<sup>3</sup> is aiming to make it the first certified passenger aircraft without a pilot. The first Vahana full-size prototype is scheduled to fly in early 2018.
- **Transpose**, launched in December 2016, rethinks the aircraft cabin architecture and passenger experience possibilities. The project demonstrated user tests in a modular cabin in its alpha phase.
- **Voom** delivers an on-demand urban air mobility service using helicopters. It successfully completed its beta phase pilot in Sao Paulo, Brazil, and will continue as a business in 2018 within Airbus Helicopters.
- **Airbus China Innovation Centre (ACIC)**: This year, a second innovation centre was opened in Shenzhen, China. Like A<sup>3</sup>, it is focused on technologies and business models that could be disruptive to the core business. However, it will leverage the hardware ecosystem in Shenzhen, and talent pool in China to develop projects. The first ACIC project will be launched in 2018.

### BizLab

Airbus BizLab is the aerospace accelerator where startups and Airbus intrapreneurs speed up the transformation of innovative ideas into valuable businesses. BizLab offers early-stage selected projects wide-ranging support in the form of a programme with a six-month acceleration phase. Startups and internal projects benefit from free hosting in BizLab facilities, have access to a large number of Airbus coaches and experts in various domains, and participate in events such as a Demo Day with Airbus decision makers, Airbus customers and partners. The BizLab expanded its network by opening a fourth campus, in Madrid, in January 2018.

### Airbus Helicopters

CityAirbus is a three-to-four passenger optionally piloted electric vehicle for unmanned air mobility. It has transitioned into Airbus Helicopters from the ExO and expects an unmanned flight test in 2018. The urban last mile delivery solution, Skyways, plans a demonstration in February 2018, after which it will be transitioned into Airbus Defence and Space.

### Airbus Defence and Space

Airbus Aerial is an image and data analytics services company that was launched in 2017. It integrates data from a broad array of aerospace assets including satellites and unmanned aerial vehicles. At the end of 2017, it employed 22 people.

### c. Environmental Matters

The industry faces a variety of environmental challenges, including climate change, and Airbus invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them.

As aviation represents around 2% of global man-made CO<sub>2</sub> emissions, Airbus recognises its role in reducing the global environmental footprint of the sector and the importance of staying in line with the global 2°C trajectory. This is done through continually seeking to reduce the carbon intensity of Airbus' industrial operations and working together with Airbus' suppliers, industry and government stakeholders in its aim to find sustainable solutions to reduce the environmental impact of its products, deliver its ambitious sectorial emission reduction goals, as well as preparing adaptation to the effects of climate change on its operations.

One of these challenges is the elimination of substances from its products and processes that may pose a risk to human health or the environment, which will be addressed later in this section.

## 1. Environmental Management at Airbus

"Shaping our future" means that Airbus develops products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. Incorporating environmental values into its core policy not only improves the management of operational business risks and opportunities but also enhances the long-term sustainability of its business.

Alongside the Company's environmental policy in pursuit of eco-efficiency, Airbus has developed an aspirational long-term ambition for 2050 setting the direction for the Company regarding environmental matters, providing a framework to set up concrete environmental objectives for the short- and mid-term.

The Company's **2050 Ambition** covers the three following complementary directions:

- operating Airbus sites without impact on climate change by eliminating greenhouse gas emissions, with zero air and water emissions, zero waste to landfill and minimal natural resources consumption;
- delivering products which provide maximised value to customers whilst meeting expectations of society through minimised impact on climate, air emissions and noise, management of substances of concern aiming at their elimination and maximised reliability, throughout the product lifecycle;

- engaging the supply chain in the Company's ambitious objectives.

In 2015, an Environment Steering Committee was created to manage all matters related to the environment. The Steering Committee meets four times a year and is composed of the heads of Environment for Airbus Commercial Aircraft, Helicopters and Defence and Space, as well as a representative from the R&S department. Its role is to develop and define the environmental policy and associated objectives and agree on a common approach for the management of the environment throughout the Company.

Airbus has put in place a robust **Environmental Management System (EMS)** centrally and within its Divisions. One of the functions of the Airbus EMS is to track the enhancement of its environmental performance as it includes identifying, managing, monitoring and controlling an organisation's environmental issues. Airbus' EMS is guided by the latest version of the international environmental standard, ISO 14001: 2015 version. The 2015 version has a broader scope than previous standards, and Airbus was among the first aerospace companies to adopt it.

Environmental risks and opportunities are managed following the Company's ERM process. Risks and Opportunities are reported quarterly to the Executive Committee of each Division and top risks are consolidated at Company level to be brought to the attention of Airbus' top management.

On an annual basis, Airbus undertakes an extensive exercise to collect, consolidate and report the Company's environmental performance data. Quantitative data is gathered – energy and water consumption, CO<sub>2</sub> and VOC emissions and waste generation – as well as qualitative data – certification, incidents, activities on site. This enables Airbus to measure its environmental impact, follow its performance and communicate information on environmental matters to internal and external stakeholders. The Company's commitment to eco-efficiency is demonstrated through its transparent reporting.

In the future, the reporting of environmental indicators will include relevant categories of Scope 3 emissions for Airbus' operations. This will provide greater understanding of the impact on the environment of activities under Airbus' control.

### Working in Cooperation

Airbus understands the importance of working together with other stakeholders to find solutions.

Engagement within the International Aerospace Environmental Group (IAEG). Airbus is a Founding Member of IAEG and participates in different areas of IAEG, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practises and promote development of global standards for implementation of environmental requirements in the aerospace industry.

Airbus is an active board member of the Air Transport Action Group (ATAG) which sets goals and mobilises action on strategic aviation issues such as climate change through involvement throughout the industry (*i.e.* with other manufacturers, airlines, airports, air traffic management).

Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (*i.e.* air quality, noise, CO<sub>2</sub>). Airbus has shown a long-term commitment to support the need for global civil aviation governance, with ICAO as its corner-stone, working together with stakeholders across the aviation industry and with the relevant governmental agencies.

Airbus, with the rest of the aviation industry, has supported the ICAO agreements in 2016 on the CO<sub>2</sub> standard and Carbon Offsetting & Reduction Scheme for Aviation (CORSA), the new international carbon offsetting scheme for aviation.

Airbus continues to proactively support emissions and noise reduction once its aircraft go into service. This could be through fuel efficiency services, weight saving projects, retrofits (*i.e.* sharklets) and ground operations (*i.e.* eTaxi). In 2015, Airbus launched the Sustainable Aviation Engagement Programme, establishing long-term cooperations with various Airbus operators to offer ways to reduce their environmental footprint.

Clean Sky was at the time of its launch the largest European research programme funded by the EU, developing innovative, cutting-edge technology aimed at reducing CO<sub>2</sub>, gas emissions and noise levels produced by aircraft. As part of this programme, Airbus developed the Bluecopter concept, which demonstrates a number of fuel saving and noise reduction technologies. It is already the quietest helicopter worldwide in its category, and also the first to reach the noise category A+. The demonstrator underwent a stringent flight test campaign until April 2017 in order to validate the effectiveness of the technologies developed in the frame of the CleanSky programme.

In September 2017, the Company used a modified A340 aircraft to test the laminar flow concept developed by Clean Sky. The BLADE project aims to reduce wing friction by 50% and reduce CO<sub>2</sub> emissions by up to 5%.

## 2. Environmental Concerns

### Regulated substances across its products' lifecycles

Aerospace manufacturing, operations and maintenance rely on certain regulated substances to achieve a high level of quality, safety and reliability accounting for lengthy product lifecycles. Some of these substances are or may in the future be classified as substances that may pose a risk to human health or the environment. These type of risks depend on many factors such as the category of classification, but also the operational use of these substances under applicable laws/regulations laying down occupational exposure limits, and the lifecycle stage of the products.

If a substance not yet identified is classified in the future as one that may pose a risk to human health or the environment, this may give rise to substantial costs for Airbus to manage it, including, for example, research and development (whether alone or in cooperation with other stakeholders) of suitable alternatives, testing, qualification and certification costs. Any reputational risk and potential claim against Airbus that may result will also need to be managed.

Airbus continues in its activity (also in cooperation with industry stakeholders) to identify new technologies and solutions that avoid use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. Airbus also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector's safety and lifecycle specificities.

Airbus identifies, tracks and declares regulated substances. The Company has already substituted certain substances of concern or developed replacement technology where suitable alternatives have been found, such as some ozone-depleting substances (ODS), fluorinated gases, or substances of very high concern (SVHCs) under the European regulation REACH. On top of all applicable regulatory requirements, more than 100 substances have been targeted by Airbus for substitution and the Company is always looking for new solutions. For example, Airbus Commercial Aircraft launched the Airbus chromate free project in 2006. The project has so far delivered substitution solutions for a considerable number of usages and continues efforts to substitute the remaining ones. One of the first steps was to deploy chromate-free surface protection systems, with among others, operational changes and replacement within Airbus' production lines. Over 100 suppliers are now "qualified" to use chromate-free pickling before anodisation.

Within IAEG, Airbus contributed to the creation of the IAEG "Aerospace and Defence Declarable Substances List" (AD-DSL) and the associated declaration standard (IPC-1754). The AD-DSL provides an initial common list of chemicals/substances identified and reviewed by IAEG as used within the aerospace and defence supply chain and thus will make it easier to work with regulatory agencies to appropriately manage regulated substances and chemicals used in manufacturing.

Surface modification by laser is a new technology developed by Defence and Space to replace the use of substances for some processes, notably for pre-treatment before bonding. This technology is now available for some Space Systems applications and is planned to be implemented into the serial production of flight hardware for New Generation Synthetic Aperture Radar satellites (NGSAR).

### Environmental impact of Airbus Operations

Airbus is engaged in an industrial transformation to anticipate and prepare itself for mid-term evolutions of its industrial systems as well as the longer term solutions to build its “factories of the future”. This Company-wide initiative will support the reduction of Airbus’ environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of hotspots is ongoing to help focus on appropriate topics.

Analysis of the current trends shows that the regulatory pressure on the international scene to reduce the environmental footprint of the aerospace industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement). In addition, the expectations of stakeholders (including citizens, investors) are also elements that increase pressure towards low carbon and sustainable production patterns. Since 2015, Airbus has been developing its plan for the next decade to prepare for upcoming regulatory developments, maintaining employee engagement and proposing solutions to stakeholders’ expectations.

Airbus has committed and continues to commit to setting up ambitious short-, mid- and long-term environmental targets. In 2006, Airbus set up the environmental vision for 2020 with goals for reduction of energy consumption, CO<sub>2</sub> emissions, water consumption, VOC emissions and waste production. To fulfil its commitments, Airbus developed innovative projects, continuous improvement mind-set and practices sharing and participates in projects with other stakeholders.

Airbus has also set an extended 2030 Vision, with operational objectives on Airbus manufacturing activities but also encompassing suppliers. Airbus wants to engage in ambitious environmental objectives in its aim to:

- enhance the use of environmental risk evaluation for consideration as a quantitative input during supplier selection, contracting and auditing phases;
- divert waste from landfilling and incineration;
- comply with air emissions regulations and absorb ramp up production impacts;
- comply with GHG emissions regulations (and compatible with the global 2°C trajectory) and absorb ramp up production energy impacts;
- develop strong maintenance and rehabilitation programs to improve reliability and lower water costs.

To highlight the importance of CO<sub>2</sub> impact in design and operation of plants, an initiative is being developed to set an internal “Carbon Price” to be used in the trade-off between different solutions. This may be used for industrial projects and 2030 Vision would integrate a progressive increase in the Carbon Price as a further carbon-reduction incentive and to bring greater appreciation of the CO<sub>2</sub> impact in the near future.

Airbus monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. The performance linked to 2020 Vision results shows good progress (by reference to a baseline of 2006 at constant revenue and production) in different areas: energy consumption (stationary sources) has decreased by 37%, CO<sub>2</sub> emissions by 42% (scope 1 stationary sources + scope 2 total), while water consumption has been cut by 48% and waste by 41%.

Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators. The current reporting covers Scope 1 and Scope 2 emissions.

Environmental performance	GRI	KPI	Unit	2017	2016
Energy		<b>Total energy consumption (excluded electricity generated by CHP on site for own use) ✓</b>	MWh	<b>4,098,475</b>	3,893,111
		<b>Energy consumption from stationary sources ✓</b>	MWh	<b>1,357,724</b>	1,395,192
		<i>of which</i>			
		natural gas consumption	MWh	1,298,639	1,335,263
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	13,782	12,170
		liquefied petroleum gas consumption	MWh	357	360
		propane consumption	MWh	1,356	3,883
		biomass consumption	MWh	43,117	43,517
	EN3	<b>Energy consumption from mobile sources ✓</b>	MWh	<b>1,206,689</b>	1,045,159
		<i>of which</i>			
		gasoline consumption	MWh	2,749	2,769
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	26,020	27,166
		liquefied petroleum gas consumption	MWh	5	118
		propane consumption	MWh	1,736	1,700
		jet fuel aircraft / kerosene consumption	MWh	1,172,453	1,010,647
		▪ flight tests	MWh	687,071	559,106
		▪ Beluga	MWh	485,382	451,540
		aviation gasoline consumption	MWh	3,448	2,760
		<b>Total electricity consumption ✓</b>	MWh	<b>1,534,062</b>	1,452,760
		<i>of which</i>			
	purchased electricity consumption	MWh	1,405,920	1,371,842	
	purchased heat/steam	MWh	127,899	80,671	
EN4	generated electricity from photovoltaic on-site for own use	MWh	242	247	
	generated electricity from other renewable source on-site for own use	MWh	0	0	
	Generated electricity from CHP on-site for own use ✓	MWh	190,127	188,144	
Air emissions		<b>Total CO<sub>2</sub> emissions</b>	tonnes CO <sub>2</sub>	<b>1,013,101</b>	935,402
		<b>Total direct CO<sub>2</sub> emissions (Scope 1) ✓</b>	tonnes CO <sub>2</sub>	<b>591,002</b>	557,447
		<i>of which</i>			
	EN16	CO <sub>2</sub> emissions from stationary sources	tonnes CO <sub>2</sub>	265,350	272,679
		CO <sub>2</sub> emissions from mobile sources	tonnes CO <sub>2</sub>	311,036	269,493
		CO <sub>2</sub> emissions from fugitive sources	tonnes CO <sub>2</sub>	14,579	15,203
		CO <sub>2</sub> emissions from processes on site	tonnes CO <sub>2</sub>	37	72
		<b>Total indirect CO<sub>2</sub> emissions (Scope 2) ✓</b>	tonnes CO <sub>2</sub>	<b>422,099</b>	377,955
	EN20	<b>Total VOC emissions*</b>	tonnes	<b>1,565</b>	1,539
		<b>Total SO<sub>x</sub> emissions</b>	tonnes	<b>15</b>	15
	<b>Total NO<sub>x</sub> emissions</b>	tonnes	<b>314</b>	241	

Environmental performance	GRI	KPI	Unit	2017	2016
Water	EN8	<b>Total water consumption ✓</b>	m <sup>3</sup>	<b>4,011,897</b>	<b>3,834,265</b>
		<i>of which</i>			
		purchased water	%	76,5%	76,4%
		abstracted ground water	%	19,3%	20,0%
		withdrawn surface water	%	4,0%	3,5%
		rainwater collected used	%	0,2%	0,1%
Waste	EN21	<b>Total water discharge</b>	m <sup>3</sup>	<b>3,416,506</b>	<b>3,464,179</b>
		of which water discharged via an internal pre-treatment plant	m <sup>3</sup>	214,200	228,428
	EN22	<b>Total waste production, excluding exceptional waste ✓</b>	tonnes	<b>105,839</b>	<b>104,505</b>
		<i>of which</i>			
		non-hazardous waste	tonnes	77,073	77,835
	EN24	hazardous waste	tonnes	28,766	26,670
		waste going to material recovery	tonnes	61,933	62,344
		waste going to energy recovery	tonnes	21,844	21,954
		Material recovery rate ✓	%	58,5%	59,7%
		Energy recovery rate	%	20,6%	21,0%
EMS certification		Number of sites with ISO 14001 /EMAS certification**	unit	61	61
		Percentage of workforce covered by ISO 14001 & environmental reporting	%	90%	86%

✓ Data audited by Ernst & Young et Associés. Limited assurance report is available on [www.airbus.com](http://www.airbus.com)

2017 data covers 89% of total Company employees.

2016 data correspond to the data validated by the external third party in 2016, without any recalculation to take into account perimeters movements, which can explain some of the observed variances.

\* 2017 VOC emissions data is estimated. The consolidated 2017 data will only be available following publication of the Registration Document.

\*\* Number of sites covered by the environmental reporting which are certified ISO 14001.

Only 100% consolidated entities are taken into account. The data here results from Airbus' worldwide reporting campaign, carried out by the Environmental network. Airbus environmental reporting includes all 100% consolidated companies with more than 50 employees, which represent 99% of Airbus' total workforce. Among these companies, 90% had reporting contributors and tools. Note that some entities with less than 50 employees are taken into account in the reporting, as they are included in bigger entities which report their environmental data.

### Environmental Impact of its Products in Operation

In the last 50 years, the aviation industry has cut fuel burn and CO<sub>2</sub> emissions per seat / kilometre by more than 80%, NO<sub>x</sub> emissions by 90% and noise by 75%. Whilst this performance is impressive, high predicted traffic growth (5% *per annum*), aviation's short to medium-term reliance on fossil-based fuels and the potential impacts of non-CO<sub>2</sub> factors, the aviation industry faces a significant challenge in reducing its impact on climate change.

To address the CO<sub>2</sub> challenge, Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to the ATAG CO<sub>2</sub> emission goals:

- improve fleet fuel efficiency of 1.5% per year by 2020;
- stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG);
- by 2050, net aviation carbon emissions will be half of what they were in 2005.

Meeting these goals will require a truly collaborative approach across the industry, focused on a combination of improvement measures including technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and global market based measures (MBMs).

Progress has been made on the first two of ATAG emission targets:

- by delivering aircraft such as the A350 XWB, 25% more efficient than the previous generation aircraft and the A320neo with -15% to -20% fuel burn compared to A320ceo, the average increase in global fleet fuel efficiency has been over 2% *per annum* over the last five years;
- alongside reducing CO<sub>2</sub> emissions, Airbus aircraft also offer significant improvements in both noise and NO<sub>x</sub> emissions reduction: A350 XWB with up to 21 dB lower noise and 27% lower NO<sub>x</sub> emission compared to current industry standards, A320neo with up to 20dB lower noise and 50% lower NO<sub>x</sub> emission compared to current industry standards. The new H160 helicopter brings noise levels down by 50% compared to previous generation helicopters;

- the recently agreed ICAO CORSIA will also play an important role in achieving CNG from 2020.

For the ambitious long-term 2050 target, clearly Airbus and the wider industry do not have all the answers today. Such significant reductions will require disruptive approaches in technology (*i.e.* hybrid electric), significant quantities of low carbon fuels, innovative ways of operating the aircraft (eTaxi, formation flight) and sustainable ways to offset emissions.

In reaching this ambition Airbus is working on a wide range of innovative technologies that have the potential for significant environmental benefits:

- propulsion integration: from advanced turbofans to hybrid distributed propulsion (*i.e.* electrification);
- aerodynamics: from advanced wingtip devices to natural and hybrid laminar flow;
- structures: from innovative materials to bionic structures;
- systems & cabin: from paperless/wireless to more electrical systems;
- operations: from noise to climate-optimised trajectories;
- manufacturing: from direct printing to 3-D printing;
- aircraft configuration: from integrated airplanes to disruptive configurations.

Electrification and hybridisation can bring significant benefits in addressing CO<sub>2</sub>, noise and NO<sub>x</sub> emissions. Airbus is driving a step change in air vehicle performance, first through small, short-range vertical take-off and landing (VTOL) urban air mobility demonstrator projects like Vahana and CityAirbus. In the longer term Airbus will also look at larger commercial aircraft.

Airbus' engagement also extends to promoting the commercialisation of sustainable aviation fuels. For example, in order to make a step towards regular distribution of BioJet, Airbus and Total are working in cooperation to use sustainable fuels on ferry flights from Toulouse to Hong Kong. A biofuel delivery platform has been set-up and is in service in Toulouse.

Recyclability and waste management are important topics that Airbus is tackling in cooperation with other entities. With TARMAC Aerosave, a joint venture between Airbus, SNECMA and Suez, more than 90% of an aircraft weight is today recycled or re-used through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials. Airbus is also investigating with certain operators innovative solutions to improve the in-flight cabin waste management.

#### d. Responsible Defence and Space Products

Airbus works together with states, international organisations and customers to create better defence solutions for a safer and more prosperous world. Its military aircraft, Earth observation satellites and security technologies help protect freedom and democratic values by enabling governments to guarantee their sovereignty and combat changing terrorism threats and cybercrime.

It is one of Airbus' aims to support the EU/NATO governments in their efforts to make the world a safer place. To fulfil their mission to guarantee sovereignty, security and human rights, these nations require equipment and defence systems that they themselves define. Airbus supports the EU/NATO governments – which constitute the majority of Airbus' customer base – in this task by supplying the necessary equipment.

Airbus defence technologies can also be used to solve societal challenges. More ways are being explored for observation or communication satellites to contribute to solving some global challenges such as climate change, fast and reliable internet connection or security. Recent projects include:

- Sentinel-5 Precursor, which is part of the joint European Commission–European Space Agency global monitoring programme Copernicus, aims to acquire continuous and accurate Earth observation data and provide services to improve the management of the environment, understand and mitigate the effects of climate change, and ensure civil security;
- Spationav is the coastal protection project of Signalis France, ensuring maritime security in France. Its mission is to protect human life, the coastal environment and French national interests while covering 6,000 kilometres of coastline with 5,000 ships tracked each minute. Spationav is counteracting illegal activities such as smuggling and terrorism;
- the Global Earth Observation Challenge organised by Defence and Space rewarded in October 2017, six start-ups that innovate and develop new applications primarily based on Airbus' satellite data. Among them, two projects were linked to monitor environmental impacts: Ozium (Australia) creates new landscape intelligence by fusing a variety of remote sensing data to identify where the environmental risks and opportunities occurred in the past, where they are today, and project where they will occur in the future; Kermap (France) uses satellite imagery to support the ecological transition of cities;
- TeSeR is the next EU project to clean up space, which is led by Airbus. Technology for Self-Removal of Spacecraft (TeSeR) aims to reduce the risk of spacecraft colliding with debris in space and provide a sustainable space environment for future generations;
- the OneWeb Satellites JV is building a communications network with a constellation of low Earth orbit (LEO) satellites, with a goal of enabling access to billions of people around the world. With more than 7 terabits per second of new capacity, it aims to transparently extend the networks of mobile operators and ISP's to serve new coverage areas, bringing voice and data access to consumers, businesses, schools, healthcare institutions and other end users.

Finally, the Airbus Foundation, which will be discussed later in this chapter, is multiplying partnerships in order to leverage Airbus' know-how and technologies to be applied to the humanitarian sector, with UAVs, satellite imagery and decontamination projects in particular.

### 1.1.8.3 Responsible Employer

#### a. Airbus' Workforce

As of 31 December 2017, Airbus' workforce amounted to 129,442 employees (compared to 133,782 employees in 2016), 95.8% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2017. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2017, 7,318 employees worldwide were welcomed into Airbus (compared to 7,532 in 2016 and 5,266 in 2015). At the same time, 5,151 employees left Airbus including partial retirements (compared to 4,698 in 2016 and 4,870 in 2015).

In terms of nationalities, 37.3% of Airbus' employees are from France, 32.1% from Germany, 9.4% from the UK and 9.8% from Spain. US nationals account for 1.9% of employees. The remaining 9.6% are employees coming from a total of 127 other countries. In total, 92.1% of Airbus' active workforce is located in Europe on more than 100 sites.

#### Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus' employees by Division and geographic area, as well as by age, including the percentage of part-time employees.

Employees by Division	31 December 2017	31 December 2016	31 December 2015
Airbus Commercial Aircraft ✓	74,542	73,852	72,816
Airbus Helicopters ✓	20,161	22,507	22,520
Airbus Defence and Space ✓	32,171	34,397	38,206
Airbus former HQ <sup>(1)</sup> ✓	2,568	3,026	3,032
<b>Group Total ✓</b>	<b>129,442</b>	<b>133,782</b>	<b>136,574</b>

(1) "Airbus former HQ" includes Headquarters, Shared Services and Innovation Works.

Employees by geographic area	31 December 2017	31 December 2016	31 December 2015
France ✓	47,865	47,963	50,810
Germany ✓	44,214	46,713	47,796
Spain ✓	13,177	12,682	12,521
UK ✓	11,304	12,020	12,157
US ✓	2,707	2,829	2,821
Other Countries ✓	10,175	11,575	10,469
<b>Group Total ✓</b>	<b>129,442</b>	<b>133,782</b>	<b>136,574</b>

% Part time employees	31 December 2017	31 December 2016	31 December 2015
<b>Group Total ✓</b>	<b>4.2%</b>	<b>4.1%</b>	<b>3.9%</b>

Active Workforce by contract type	31 December 2017	31 December 2016	31 December 2015
Unlimited contract ✓	126,534	131,153	133,650
Limited contract > 3 months ✓	2,908	2,629	2,924

<i>% Active Workforce by Age</i>	<b>31 December 2017</b>	31 December 2016	31 December 2015
<20 ✓	0.1%	0.2%	0.2%
20-29 ✓	10.1%	10.4%	10.6%
30-39 ✓	29.4%	29.5%	29.7%
40-49 ✓	28.4%	27.9%	27.9%
50-59 ✓	26.8%	27.1%	27.1%
60+ ✓	5.1%	4.9%	4.6%

	<b>31 December 2017</b>	31 December 2016	31 December 2015
Employee Turnover Rate* ✓	4.0%	3.6%	3.6%

✓ Data audited by Ernst & Young et Associés. Limited assurance report is available on [www.airbus.com](http://www.airbus.com).

\* The turnover rate does not include departures of the non-active workers.

Airbus' headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the active workforce, *i.e.* the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies.

The scope for Human Resource (HR) structure reporting covers about 97% of Airbus' consolidated companies, including all employees of these companies, irrespective of their individual consolidation quota (except for the part time employee indicator where coverage is 96%). This includes employees working for the Company or its subsidiaries in France, Germany, Spain, Great Britain and internationally. In total, about 3% of the companies belonging to Airbus – usually recently acquired – are not included in the scope, as no detailed employee data is available at Group level. The coverage rate is calculated on the basis of the number of employees (active work force).

For more details on Scope and Methodology, please refer to the Airbus website at <http://www.airbus.com>.

## **b. Human Capital Management, Labour Relations and Human Rights**

Airbus' workforce is managed by the HR function thanks to a set of HR policies and a strong labour structure. HR policies are discussed and agreed with social partners through continuous and regular meeting at global and local levels. The current priorities of the Airbus' HR function are:

- to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements;
- to facilitate diversity, continuous integration and internationalisation of Airbus and contribute to a common culture based on strong company values;
- to be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

HR places people at the heart of Airbus' future success.

## **Labour Relations**

Wherever it operates, Airbus wishes to grow its economic success in consideration of common principles and standards consistent with International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which the Company has adopted. The principles are in compliance with the Airbus Standards of Business Conduct and with the International Framework Agreement signed in 2005.

In the International Framework Agreement, Airbus reaffirms its willingness to respect the regulation regarding fundamental human rights, equal opportunities, free choice of employment, as well as prohibition of child labour and respect and ensuring the conditions for industrial dialogue.

Airbus in particular intends, via its agreements, to respect the disposition of the following ILO conventions: numbers 111 (discrimination – employee and occupation), 100 (equal remuneration), 135 (workers' representatives), 29 (forced labour), 105 (abolition of forced labour), 182 (child labour), 138 (minimum age), 87 (freedom of association and protection of the right to organise) and 98 (right to organise and collective bargaining).

The head of each business is responsible for ensuring compliance with these principles and will take appropriate measures to ensure their implementation.

The employees of Airbus will be informed, either orally or in writing, of all the provisions of this framework agreement, in accordance with the relevant legal form and/or local practice.

The provisions of this framework agreement define Airbus' standards to be applied wherever Airbus operates, insofar as more favourable conditions do not exist already. Airbus central management shall take appropriate measures to eliminate any breach of the aforesaid principles.

Airbus is in continuous dialogue with social partners on its sites in Europe, principally through meetings with management at the European Committee level but also through meetings and

negotiations at national or local level. Sites outside Europe are covered by Airbus' ILA framing the social dialogue and social culture in line with local labour legislation, culture and practices of respective countries.

Regular social dialogue is ensured as per ILO requirements and local legislation thanks to Airbus' Societa Europea Work Council (SEWC) agreement in 2015. In 2016, for example, Airbus organised 16 meetings with SEWC while the agreement stipulates three mandatory meetings per year.

## Human Rights

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain.

## 2017 Achievements

In 2017, Airbus provided more than 1.7 million training hours. Moreover, in 2017 more than 42,000 employees benefitted from the development, evaluation and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the Company's approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the culture evolution and human transformation in Airbus.

	2017	2016	2015
Total number of Training Hours	*	2,320,508	2,264,145
Total number of Training Participants	*	214,819	226,692
Number of Classroom Training**	161,419***	-	-
Number of Digital Learning**	193,200***	-	-

\* Change of reporting in 2017, no numbers reported for 2017.

\*\* New reporting scope since 2017. 51.7% digital learning in the 2017 learning plan (Active Workforce from fully-consolidated entities at 31 December 2017).

\*\*\* These figures include training sessions provided by Airbus, including to externals, to employees in subsidiaries, and to employees that have since left the Group.

On a more restrictive HR perimeter (Active Workforce from fully-consolidated entities at 31 December 2017), the number of training sessions are the following:

- number of classroom training: 134,427 ✓
- number of digital learning: 144,624 ✓

Mobility of employees within or across Divisions is one of the main priorities for the overall benefit of the Company. In 2017, more than 11,000 employees changed jobs cross-divisionally and cross-country. For reference, Airbus has an attrition rate of 2.7% for its core entities and 4.0% when its subsidiaries are included.

In order to drive its digital transformation, Airbus aims to create a people-centric and trusting working environment. Launched at the end of 2015, a company transformation programme called PULSE has been designed to support the people aspects of the business transformation with the objective to increase empowerment, accountability and collaboration through digitally-powered capabilities, reworked HR policies and new ways of working.

In 2017, all Airbus employees were invited to select the Company's values. This inclusive consultation exercise included employees from 17 countries. Around 55,000 employees took part in this campaign and defined the Company's six core values: Integrity, "We are One/Team work!", Customer focus, Creativity, Respect and Reliability.

Airbus is committed to promote awareness through internal communication initiatives and awareness sessions and to train its employees worldwide on potential risks. Related risks will now be monitored via the Airbus ERM process throughout the entire Company. Finally, subject to regulatory approval, Airbus intends to extend its existing OpenLine to concerns related to human rights and fundamental freedom.

Airbus acknowledges its role in promoting responsible business practices worldwide. To that end Airbus now seeks to identify risks related to human rights violations in its ERM system. Risk evaluation will start in 2018. KPIs as part of Airbus' commitments related to the UK Modern Slavery Act will be identified in 2018. Human rights is also a topic addressed in the Airbus Supplier R&S Programme.

At Airbus recognition of excellence is key. In 2017, over 1,000 projects were submitted company-wide to participate in the Awards for Excellence scheme. The aim is to reward employees and teams for exceptional achievements, their ways of working and their contribution to improving business performance.

Airbus additionally launched its first *Dream Big Challenge*, inviting employees to propose new products, business and services ideas. Over 700 ideas were submitted in 2017. Following a summit held in November, the three most promising projects were selected to be developed further in incubators and during dedicated worldwide learning expeditions to Airbus' BizLabs.

## c. Health & Safety

To sustain its commercial success, attract the best talent and be known as a safe and healthy workplace, it is Airbus policy to continuously reinforce health and safety as part of the business culture, delivering responsible health and safety management that sustainably reduces risk to people, the environment and the business. The purpose of the Airbus health and safety policy is to:

- demonstrate commitment to good management control of health and safety;
- describe the guiding principles for health and safety management;

## Information on Airbus Activities

### 1.1 Presentation of the Company

- integrate health and safety into company culture, strategy, processes, objectives, and decisions;
- engender the harmonisation of health and safety philosophy and methodology, to gain risk control and efficiency benefits;
- stimulate the sustained reduction of work related health and safety risks, in order to protect people and the Company.

To achieve its policy objective, Airbus is consolidating health and safety resources into a companywide organisation in order to drive effective, efficient risk control. This approach is designed to deliver companywide harmonisation of philosophy and method, with proactive risk assessment and control, role-appropriate competence and development, and active monitoring, analysis and oversight reporting.

Airbus consults employee representatives, for example in direct meetings and committees, and conducts a range of communication campaigns, thereby encouraging all employees to engage in health and safety risk management. Airbus' industrial managers are closely involved in the performance-monitoring process, for example conducting formal "go-look-see" safety tours. All reported incidents are appropriately investigated, using root cause methodology where necessary. Significant incidents and the results of monitoring are discussed by industrial management teams in the regular "Safety, Quality, Cost, Delivery, People" management system or similar processes.

However, health and safety is not only a compliance matter; Airbus strives to improve even further, and so is introducing a formal corporate management framework based on the coming ISO 45001 Standard, which is supported by a common companywide health, safety and environment software platform. This software toolkit, called FISH, will start to be deployed in 2018, and will enhance its Occupational Health, Risk Management and Incident Management capability.

Health and safety concerns caused by work activities include the possibility of injury, physical and mental ill-health, business interruption and regulatory action. Any reputational risk and claim against Airbus that may result will also need to be managed. Data indicates that main causes of injury are slip, trip and fall events and manual handling. Work at height and chemicals present additional concerns. The Company manages risks by applying risk assessment and control processes, enabling continuous risk control improvement.

To support its risk management activities, Airbus has more than 300 courses dedicated to health and safety available in its training catalogue, addressing a wide range of topics including, for example, working at height, first aid, management of substances and materials and psychosocial risk. In 2016 the Company delivered over 260,000 hours of dedicated health and safety training to more than 42,000 individual employees. In 2017, the Company has delivered about 200,000 hours of training to approximately 40,000 participants. In addition, there are over 100 digital health and safety reference courses, which employees can take at any time.

Airbus has health and safety processes for on-site subcontracting and intends to further adapt and develop such processes. Airbus prepares prevention plans in order to identify potential risks and define prevention measures in cooperation with on-site subcontractors, and monitors on-site subcontracting activities.

The health and safety improvement plan includes initiatives to review Airbus' Health and Safety Policy which applies companywide including to affiliates. The corporate health and safety management system is being developed in accordance with the principles of the new ISO 45001 framework. This work will include defining maturity indices and performance indicators.

In order to continuously improve the management of risks, work includes project FISH (the configuration and implementation of a global software platform for health, safety and environmental topics). This will enable the aggregation and analysis of health and safety data to form a risk topography that focuses resources to best effect. It is expected that this project will be completed in 2019. Thus, Airbus intends to report on its health and safety KPI's in the coming years' management reports.

## d. Inclusion & Diversity

Airbus is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone's unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company. But the demographics of the world are changing, and this change impacts Airbus because it affects customers, suppliers, employees and Airbus' candidate pool. Airbus must face the 21<sup>st</sup> century's challenges with 21<sup>st</sup> century people and solutions.

Airbus' approach to Inclusion & Diversity ("I&D") takes different forms including: I&D Steering Board chaired by the Airbus CEO, dedicated training and awareness, internal incentives for international mobility, initiatives to attract women, flexible work-life solutions. In fact, the Company strives to ensure I&D is embedded in all it does, serves business purposes and benefits all employees worldwide. With full support of the entire HR function, I&D initiatives are run and coordinated by a dedicated team of experts worldwide. The Company's efforts are also supported by several employee networks such as Balance for Business and platforms for exchange like "Knowing Me, Knowing You".

In line with its aspiration for a more diverse workplace, Airbus is working to increase the number of applications from areas that are currently under-represented in its workforce, including but not limited to women, nationalities, age groups and social backgrounds to ensure a broader range of candidates for open positions.

In order to support recruitment of women in all areas, Airbus has entered into partnerships to increase the number of women starting a career in the aeronautical industry – for example with *Capital Filles*, Women in Aviation, IAWA. Internally, an I&D network of over 4,000 employees work on how to attract, develop and retain diverse profiles, especially women, in the Company. In parallel, Airbus strives to increase the number of women in leadership positions, including through dedicated coaching and training such as “I Unleash My Potential” as well as by fighting stereotypes in internal conferences or workshops. In terms of internationalisation of profiles, Airbus facilitates the attraction of talents from around the world to Airbus’ traditional home countries (France, Germany, Spain, UK) through an International Graduate Programme enabling talents from all around the world to come and work on their development over one year at Airbus sites in Europe. In addition, Airbus also put in place several actions to boost mobility from other regions to the home countries.

Although Airbus welcomes many forms of diversity, it measures the evolution of the diversity of its workforce with a specific focus on gender diversity and internationalisation with key KPIs such as: proportion of women promoted to a position of senior manager or above, proportion of women among white collar external hires, gender pay gap (if any) at all levels between

women and men, and the number of moves from the key countries (including India, China, US) to the home countries.

Airbus has launched several actions to embrace other forms of diversity, including:

- reverse mentoring to connect all generations in the Company;
- accompany the creation of Employees Resource groups like Pride@Airbus (LGBT+ network);
- coordinate all local strategies towards disability with several thousand differently abled employees all around the world.

Finally, Airbus offers a wide scope of trainings supporting I&D initiatives and has also embedded a diversity aspect in leadership programmes.

As far as the Airbus Board of Directors is concerned, Airbus is moving in the right direction with 3 women in 2017 compared to not a single woman on the Board in 2013. They are Catherine Guillouard, Claudia Nemat, María Amparo Moraleda Martínez.

For a description of the diversity policy of the Airbus Board of Directors, see “— Corporate Governance — 4.1.1 Corporate Governance Arrangements” under the heading “Board of Directors” and “— Corporate Governance — 4.1.2 Dutch Corporate Governance Code”, “Comply or Explain” under the heading “Gender diversity”.

	31 December 2017	31 December 2016	31 December 2015
Women in active workforce ✓	17.5%	17.2%	17.2%
Women in management positions ✓	12.4%	11.4%	10.9%

The % of women in management positions only applies to the top 4% of the active workforce.

### 1.1.8.4. Responsible Business

#### a. Ethical Business Practices

##### Leading by Example

The Airbus Ethics & Compliance Programme seeks to ensure that the Company’s business practices conform to applicable laws, regulations and ethical business principles, as well as developing a culture of integrity.

In 2017, Ethics and Compliance was a top priority for Airbus. In its list of priorities for the year, Airbus set the objective to:

“Engage and develop our people worldwide to excel today and tomorrow by adopting key digital skills and mind-set, reinforced ethics & compliance adherence and a strong focus on diversity”.

Airbus also announced the appointment of an Independent Compliance Review Panel (ICPR) composed of eminent external consultants to help Airbus further improve its processes. The ICPR members are Lord Gold from the UK, Noëlle Lenoir from France and Theo Waigel from Germany. All well-versed in compliance monitoring of large corporations, they will have access to all levels of the Company and will report to the Airbus CEO and Board on how to further improve Airbus’ compliance processes, policies, organisation and culture.

Compliance is at the heart of everything Airbus does today – Airbus is putting significant resources and effort into supporting the coordinated criminal investigations by the UK Serious Fraud Office (SFO) and France’s Parquet National Financier (PNF). For further information on the investigations, see “— 1.1.7 Legal and Arbitration Proceedings”.

##### Our Commitment

Over the years, Airbus has earned the trust of passengers, customers, operators and other stakeholders through the quality and safety of our products. To fully serve our communities and thrive in the future, our commitment to business integrity must be just as robust – this means conducting our business ethically and based on Airbus values, and in compliance with all laws and regulations.

As part of this commitment, Airbus supports the principles of the UN Global Compact and IFBEC’s Global Principles of Business Ethics which set a benchmark for high ethical standards globally.

##### Our Standards

The foundation for integrity at Airbus is the Standards of Business Conduct. These Standards are intended to guide daily behaviour and help employees resolve the most common ethical and compliance issues that they may encounter.

The Standards of Business Conduct apply to all employees, officers and directors of Airbus as well as entities that Airbus controls. Third-party stakeholders whom Airbus engages are also expected to adhere to these Standards of Business Conduct in the course of performing work on our behalf.

### Our Programme

While the Standards of Business Conduct provide a useful starting point, they cannot answer all questions, nor are they sufficient to ensure that Airbus complies with the myriad legal requirements applicable to its business. Because of this, Airbus has worked over the past several years to develop an Ethics & Compliance programme that is structured around four key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance, Data Protection Compliance and Procurement Compliance.

Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

Improving the programme is a constant and ongoing process, not only in the area of Business Ethics/Anti-Corruption but across the ethics and compliance spectrum more generally in order to capitalise on our values.

### Business Ethics/Anti-Corruption Compliance

Airbus rejects corruption of any kind, whether public or private, active or passive. This means that neither Airbus, its employees or third parties acting on its behalf may offer, promise, give, solicit or receive – directly or indirectly – money or anything of value to or from a government official or someone in the private sector in order to obtain or retain business or secure some other improper advantage.

The Anti-Corruption Policy (available at <http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-Anti-Corruption-Policy.pdf>) summarises its stance of zero tolerance. It also refers to some of the specific directives Airbus has adopted to address key anti-corruption risk areas, such as the engagement of third parties, gifts and hospitality exchange and the making of sponsorships and donations.

More broadly, Business Ethics at Airbus also covers other areas such as conflicts of interest, anti-competitive conduct, insider trading, fraud, etc., while also complementing the Airbus Corporate Social Responsibility programme which focuses on managing the social and environmental impacts of Airbus's operations.

### Export Compliance

Each of the countries in which Airbus does business has controls on the export and transfer of its goods and technologies that are considered to be important to national security and foreign policies. As a global enterprise, it is Airbus' responsibility to

respect and comply with each of these controls. The Export Compliance Directive defines its policies, processes and organisation to ensure compliance with all relevant export control laws and regulations.

### Data Protection Compliance

Airbus is required to handle personal data in accordance with applicable data privacy laws at national, European and international level. In doing so, Airbus seeks to apply a consistent approach, by setting data security standards for personal data processing in line with global best practice. This is embodied in part by its Binding Corporate Rules (available at <http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-BCR-/Airbus%20Group%20BCR%20.pdf>), which provide a consistent level of protection for various personal data throughout Airbus.

### Procurement Compliance

Airbus suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in a manner compatible with the Airbus Supplier Code of Conduct (available at <http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Supplier-Code-of-Conduct/Supplier%20Code%20of%20Conduct.pdf>). Suppliers are also expected to cascade these principles through their own supply chain. For further information see “— Responsible Suppliers” below.

### Our E&C Organisation

The Ethics & Compliance organisation is part of the Legal Department under the ultimate responsibility of the Airbus General Counsel. The aim is to provide strong governance throughout the Company with the global presence of qualified compliance officers who ensure the compliance programme is implemented in the different functional and operational areas.

They do this in close cooperation with its employees and management, who are expected to lead with integrity by example and take responsibility for compliance within their scope of activity.

### New and Updated Policies

In January 2017, Airbus published a directive defining the requirements for sponsorships, donations and memberships. The directive establishes a Company-wide framework and provides guiding principles and clear instructions on how to request, approve and record contributions.

In February 2017, Airbus published a directive defining the requirements for the prevention of corruption in the engagement of lobbyists and special advisors. The purpose of the directive is to ensure that Airbus' political engagement through lobbyists or special advisors remains fully transparent and ethical, and facilitates Airbus' compliance with all applicable laws.

In June 2017, an updated version of the Airbus Standards of Business Conduct was published, to comply with the requirements of France's new Sapin II law. The updated version defines both bribery and influence peddling, and provides illustrations of each. Changes were also made to cross-refer to the Airbus Anti-Corruption Policy, and to include a new section on Anti-Money Laundering.

In June 2017, an updated version of the Airbus OpenLine Policy was also published, to enhance the provisions to protect the whistleblower from retaliation in line with Sapin II.

In September 2017, Airbus published its revised Business Development Support Initiative Directive (BDSI). The directive defines the Airbus requirements for the prevention of corruption in the engagement of BDSI third parties. It provides employees with step-by-step explanation of the due diligence, engagement, remuneration and monitoring of BDSI third parties.

In October 2017, Airbus published a directive defining the requirements for identifying and mitigating corruption risks in connection with M&A, JV and similar transactions. This directive is intended to help ensure a consistent approach to these matters across Airbus.

### Our Awareness and Training

Airbus aims to educate its people about the standards of conduct that apply to their jobs and the potential consequences of violations. Target populations are reviewed annually and required to undergo training and awareness eLearning or face to face sessions based on job function, role and responsibility.

In 2017, Airbus conducted 84,273 Ethics & Compliance digital training sessions.

### Our Confidential Speak-Up Channel: OpenLine

Airbus recognises that the Standards of Business Conduct cannot address every challenging situation that may arise. Airbus therefore encourages its employees to speak-up through various channels, including through OpenLine (<https://www.airbusopenline.com/>). The OpenLine enables employees to confidentially raise their concerns via the internet or by phone. Subject to local legal restrictions, the OpenLine alert system has been available for several years to employees in France, Germany, Spain, UK, Canada, Brazil, Australia and the US. In 2014, it was made available to employees in Mexico, China and Saudi Arabia. Airbus does not tolerate retaliation against employees making reports in good faith and/or assisting in investigations of suspected violations of the Standards of Business Conduct. For further information on the OpenLine please refer to the Airbus Group OpenLine Policy (available at <https://www.airbusopenline.com/PoliciesAndNotices>). Employees, customers, suppliers and third-party intermediaries are encouraged to share their concerns with management or with Ethics & Compliance resources.

## b. Responsible Suppliers

Airbus designs and integrates complex aerospace and defence products, leveraging an extensive supply chain. Co-operation with suppliers occurs in several fields of the business and is key to ensure quality standards which lead to shared success, growth through innovation and a commitment to sustainability. Airbus also engages its suppliers on its sustainability journey and shares a commitment to improve social and environmental performance, constantly driven by values of integrity and transparency.

### 1. Procurement at Airbus

More than 15,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2016, Airbus spent around €49 billion with its suppliers. The Procurement function is improving its performance through creating a more integrated, effective and lean organisation. It aims at increasing harmonisation of internal and supplier-related processes, job profiles, training processes and tools.

Whilst Airbus products and services are sold all over the world, the majority of its workforce and supply chain are based in Europe and the Organisation for Economic Cooperation and Development (OECD) countries. In the past few years, the supply chain has become concentrated and more international. Such rising concentration is the result of consolidation within the aerospace and defence sector, as well as larger work packages for the major new aircraft programmes being placed with a smaller number of lead suppliers. Airbus has identified global sourcing as one of its leading long-term objectives. To promote the globalisation of its sourcing footprint, an Airbus Global Sourcing Network (GSN) has been established including regional sourcing offices in USA, China and India.

### 2. Responsible Supplier Management

As a global leader in aeronautics and space, Airbus has taken a commitment to conduct its business responsibly and with integrity. Taking into consideration the level of outsourcing at Airbus, the supply chain is an integral part of Airbus' ecosystem and the Company is therefore committed to ensure that, as far as possible within its own scope of responsibility and legal obligations, potential adverse impacts of Airbus activities are managed. The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management. This Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). It has been developed with the International Forum on Business Ethical Conduct (IFBEC) in 2015 in the form of a Model Supplier Code of Conduct. Airbus is proud to be a co-founder of IFBEC, which supports the application of global standards for business ethics and compliance in the aerospace and defence industries. Airbus implemented the IFBEC Model Supplier Code of Conduct in its entirety as the Airbus Supplier Code of Conduct in 2016.

**Information on Airbus Activities**

## 1.1 Presentation of the Company

The Supplier Code of Conduct was sent to the 12,000 main suppliers across the world with a letter from the Airbus' Chief Procurement Officer and the Airbus General Counsel requesting a commitment to the Code. Airbus expects its suppliers to comply with the key values set out in this Code and to conduct business in accordance with all applicable laws and regulations of their operating markets, the countries in which operations are managed, or services provided. Suppliers are also expected to cascade these principles throughout their own supply chains.

**Supplier Quality Audits and Supplier Mapping**

Supplier audits and assessments support the goal of ensuring that supplier deliveries meet Airbus' specific requirements. Suppliers whose activities impact the airworthiness of Airbus products are assessed annually, with five areas of performance evaluated: quality, logistics, customer support, commercial performance and technical performance. Around 1,000 audits and assessments have been performed in 2016 for Airbus' commercial aircraft business.

As part of supplier management activities in the field of quality, Airbus Commercial Aircraft has put in place, the Supplier Mapping tool with multiple capabilities, notably to identify Airbus supply chain sub-tiers and support identification of risks of supplier non-performance. In 2016, a total of 6,904 suppliers from 58 countries were identified by the Supplier Mapping tool of which 1,007 were tier-one suppliers, 5,452 second tier suppliers, 445 other tier levels. A total of 97,537 activities were involved and 40 quality alerts resulted from 550 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

**Ethics & Compliance Supplier Watchtower**

The Ethics & Compliance Supplier Watchtower is managed by the Procurement Compliance department proactively checking specific suppliers for compliance aspects.

Suppliers are checked depending on the risks linked to their country of registration. The risk rating of countries is defined by the Procurement Compliance department and updated regularly. Criteria comprise export restrictions and responsibility and sustainability-related elements such as anti-corruption, human and labour rights.

Supplier Integrity Checks investigate compliance concerns which are triggered by certain business relationships. Such concerns are comprised of, for the Company or its ownership, among others: legal investigations or judgements, negative press reports, incidents of corruption, listings on sanction lists/blacklists, proximity to governments or risky entities (shareholders, customers, beneficial owners and subsidiaries). In case a Supplier Integrity Check yields concerns, a Procurement management meeting is held to discuss potential additional due diligence measures and mitigation actions. About 700 Supplier Integrity Checks were conducted in 2017 (about 600 in 2016).

A Supplier Integrity Check can be performed on demand and is also embedded in the supplier registration process and eProc, an electronic platform where buyers and suppliers perform all aspects of calls for tender, from identification of potential suppliers, contract awarding, to supplier evaluation and spend analysis.

**Environment, Health and Safety in the Supply Chain**

Identification of potential risks related to legal and regulatory requirements that may be applicable to Airbus' management of compliance of its activities and products and the communication of information on the composition of its products depends on the level of information made available by the supply chain.

Airbus Procurement is continuously striving to improve the integration of environmental, health and safety elements into the purchasing process.

Current standard procurement contracts include requirements for suppliers to comply with all applicable laws and regulations regarding production, products and services and requirements for suppliers to provide information on substances used in manufacturing processes, contained in their products and on environmental, health and safety matters, including information to enable safe use, for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System which shall consider continuous improvement through the mitigation of significant environmental aspects and impacts, including air emissions (e.g., Greenhouse Gas, Volatile Organic Compounds); waste, water discharges, raw material consumption.

Regarding supplier environmental control and monitoring, Airbus performs the following activities: collecting data from suppliers is made through a Material Declaration Form to enable Airbus to identify which substances are used, tracking and declaring them in the frame of substances regulation such as REACH. Environmental requirements are included in supplier audits and the Industrial Process Control Assessment (IPCA). In addition, the Environmental Obsolescence Risk at Supplier (EORS) assesses the level of maturity of supplier processes for management of Airbus environmental requirements and regulated substances obsolescence management processes. EORS are applicable to all Airbus Commercial Aircraft suppliers – EORS campaigns have targeted the supplier of cabin, systems and equipment, engines and nacelles products.

The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

### Zero Tolerance Approach to Modern Slavery in Supply Chain

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain. In June 2017, Airbus published its first public statement on modern slavery as per the requirements of the UK Modern Slavery Act 2015.

Recognising that modern slavery could occur in all areas of its value chain, Airbus has set up a Modern Slavery Steering Group within its UK business. The remit of this cross-functional group is to support and drive Airbus' approach to reducing the risk of modern slavery in its supply chain, and ensure that policy decisions and activities are coordinated, well led and effective.

The Airbus Supplier Code of Conduct includes the requirement to adhere to regulations prohibiting human trafficking and forced or indentured labour. In 2016 and 2017, Airbus held awareness sessions with key people working in its UK Procurement teams on modern slavery. Those sessions included information, guidance and advice on identifying potential risks in the supply chain. More in-depth training sessions took place in 2017 to include key teams in high risk areas, along with on-line training, information bulletins and news articles bringing this important subject to the attention of the wider workforce.

The Airbus "Procurement Academy" provides training on core competences and skills to develop procurement expertise. The Academy has introduced a complete set of common training solutions, covering the full range of supply chain topics, including an external qualification. Additionally, training is offered to suppliers around the world. The Procurement Academy also develops innovative development solutions to prepare Procurement employees to future challenges such as talent development programme, shaping the jobs of the future and connect with the Procurement community on end to end activities.

### Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of disabled people by its suppliers. Concretely, a specific mention is integrated into all relevant calls for tender launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2016, the global volume of business with disability friendly companies in France was €37 million with an increase of 30% compared to 2015 for the whole of Airbus in France. 51 disability friendly companies are working with Airbus compared to 10 in 2010. An extension of this project to Airbus sites in Spain and Germany is planned based on the same philosophy: create jobs for people with disabilities in specialised companies.

### 3. Moving forward: Airbus Supplier R&S Compliance Programme: Vigilance Plan

To deliver parts, components, sub-systems or services, quality, reliability and economic efficiency is key to its operations. However, Airbus believes that this should not be at any cost and as such is committed to engage in due diligence actions with its suppliers with regard to issues of Responsibility and Sustainability.

Airbus strives to make sustainability a core element of its procurement process. Airbus has a long established and integrity-driven procurement process which manages relationship with suppliers from strategy, supplier selection, contract management to supplier management. Environmental activities in Procurement have paved the way to integration of wider corporate social activities within the supply chain.

Willing to encourage development of responsible suppliers and manage the potential adverse impacts of its activities as well as to create new opportunities, in 2017 Airbus launched a Supplier R&S Compliance Programme, following international guidance such as the OECD guidance on responsible business conduct. The programme has also been designed to increase supplier awareness in these areas to facilitate suppliers' compliance with applicable regulations requiring risk identification and management related to corporate social responsibility (CSR) including environment, health and safety, human rights and anti-corruption matters.

The Supplier R&S Compliance Programme initiated and defined in 2017 will continue and evolve year on year on the principle of continuous improvement. The Supplier R&S Compliance Programme has been presented to and reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Compliance Programme and its activities are managed by the Airbus Procurement Compliance department, together with relevant Airbus Procurement stakeholders. To this end, the existing Airbus Procurement environmental network with representatives from the different Procurement categories of purchase has been extended to cover other CSR-related topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of CSR-related topics and support the identification of risks according to the category of purchase. The Airbus Procurement R&S network can also support initiating cooperation with suppliers as well promoting industry-recognised practices. Additional governance exists with the R&S, Legal and Ethics & Compliance departments.

The Supplier R&S Compliance Programme is based on four key elements:

#### A. CSR-related risk identification and evaluation

All Procurement related risks are embedded into the Company's ERM system. A specific risk category regarding CSR-related risks in the supply chain has been integrated into the ERM system.

The Procurement function supported by the Procurement risk department manage ERM in procurement fields, as well as duly report issues to top management. Along with identification and reporting of CSR-related risks, a proactive supplier risk mapping is being performed in line with international guidance. Such risk mapping results from both a country and a purchasing category approach. The CSR-related risks levels per category of purchase have been analysed and reviewed with the relevant Procurement commodities.

This supplier risk mapping aims to detect areas where procurement activities are exposed to significant potential risks. With those suppliers linked to higher risk activities, specific actions started in 2017 will continue to be implemented in 2018. Such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower). New mitigation actions such as supplier evaluation will be implemented following a period of trial phase.

#### B. R&S in supplier selection and contracting

For the last few years, Procurement standard contracts have evolved to include clauses requiring suppliers to comply with all applicable laws and regulations as well as clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption will be incorporated into procurement contract templates to further specify Airbus' requirements in this domain.

Furthermore, Airbus is currently evaluating how to reinforce CSR-related requirements such as those on Human Rights, along the selection and contracting phase with suppliers. During the call for tender phase, results of the CSR-related risk assessment will be used to require further supplier evaluation if deemed necessary.

To enable successful implementation, Airbus will perform training and awareness activities for its buyers in addition to the specific training that already exists in the areas of environment and ethics and compliance.

#### C. Supplier evaluation and continuous improvement

Supplier CSR-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration into Airbus requirements of potential supplier improvement actions. Airbus is currently defining the options for supplier CSR-related evaluation and audits and how to integrate these activities to existing supplier assessment activities, such as supplier self-evaluation, desktop review or onsite audits. Airbus is also exploring potential solutions for the wider aerospace and defence sector via its participation to sector national associations. Once defined and approved, a trial

phase will be performed with specific sample of suppliers. Clear guidance on how to manage audit results will be integrated into the relevant Procurement processes.

From 2018 onwards, Airbus will strive to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus' Procurement strategy and is discussed and reviewed by a Steering Committee composed of the Executive Committee of Procurement.

#### D. R&S in the Procurement process

Airbus is currently assessing all Procurement processes and tools in order to integrate CSR-related requirements where relevant. This will lead in 2018 to the adaptation of Procurement process documentation managed by the Procurement strategy teams. Key documentation such as the Airbus Supplier Code of Conduct or Supplier Integrity Check application will be embedded into the Procurement tools, such as eProc.

### c. Local Socio-Economic Footprint

Airbus recognises the importance of contributing to the development of the communities in which it operates. Airbus was created by establishing a European partnership not only on one aircraft programme but on a long term industrial project. This same spirit of cooperation drives the development of the Company's international footprint. Airbus is a truly global company that acts local. Airbus' approach to community engagement is driven by the willingness to develop a win-win cooperation with the local eco-system and often materialises through partnerships with local NGOs, institutions and other companies.

#### Local Involvement

Sponsorships and donations are often meaningful ways to have a positive global impact in the communities and society at large. By leveraging its skills, know-how, expertise and passion of its employees, Airbus can bring positive contributions to local communities around its sites. Airbus' directive on sponsorships, donations and memberships provides a Company-wide framework to ensure its local actions are aligned with global strategy, priorities and values. While it naturally supports the local aerospace and defence community, Airbus encourages initiatives around:

- Education and Youth Development (preferably in STEM);
- Corporate citizenship and/or local community engagement;
- Humanitarian and/or Environment;
- Innovation, R&T and Science.

Today Airbus undertakes a large number of sponsorship and donation projects across the globe and contributed to more than 900 initiatives in 58 countries in 2017.

#### Volunteering at Airbus

In 2017, Airbus mapped the volunteering force of its employees worldwide. Mid-2017, about 5,000 Airbus employees were involved in volunteering for 85 initiatives contributing to the following SDGs:

- SDG 2: Zero Hunger;
- SDG 3: Good Health and Well-being;

- SDG 4: Quality education;
- SDG 5: Gender equality;
- SDG 8: Decent work and economic growth;
- SDG 10: Reduced Inequalities;
- SDG 13: Climate action;
- SDG 15: Life on Land.

Airbus encourages and looks for ways to facilitate its employees' social and environmental initiatives to contribute to societal challenges in the communities around their workplaces.

### The Airbus Foundation

*"With the Airbus Foundation, we reach out to a large population, inspiring young people and supporting humanitarian missions around the globe. I would like to thank Airbus employees for their passion in serving our communities."* Tom Enders, Airbus CEO

Based in Toulouse, the Airbus Foundation has a socio-economic footprint worldwide. Its goal is to support the international aid organisations in regions where the Company operates and beyond. The Airbus Foundation brings products and resources, from relief flights to satellite imagery, to the humanitarian aid community to help alleviate some of the world's most pressing challenges. In parallel, the Foundation invests in communities around the world with the aim of inspiring and encouraging youth development through contact with the aerospace industry.

Through its Humanitarian Flight Programme, the Foundation offers Airbus customers to use the delivery of their new aircraft to contribute to humanitarian efforts. By doing so, the programme helps the humanitarian community reduce its high logistics costs by delivering medical and school supplies, food, water sanitation equipment, toys, clothing and emergency response units to the most vulnerable around the world. The Programme also utilises, where possible, Airbus flight test aircraft for such missions. Since its launch in 2008, Airbus Foundation has coordinated 61 humanitarian flights, delivering approximately 800 tonnes of aid in over 25 countries. In addition, during the very first hours of a crisis, Airbus Helicopters is able to save people from harmful situations as well as support on ground rescuers to assess emergency situations. Since 2012 over 345 helicopters flight hours have been chartered in 11 countries, amounting to €490,000. Over the years the foundation also trained about 700 doctors and rescuers, enabling them to operate the Company's helicopters to ensure the development of Emergency Medical Services around the world. Finally, satellite images can be used to assist humanitarian organisations in the wake of a crisis in a number of ways. In August 2017, a Foundation branded satellite portal was opened, providing free of charge access to satellite imagery to selected partners with whom we have entered into partnerships. Access has been granted to IFRC and is planned for UN WFP and MSF.

Since the launch its youth development activities in 2012, more than 8,000 young people worldwide were involved with the aim to help them prepare for tomorrow's challenges. More than 1,200 Airbus volunteers worldwide supported these inspiring programmes and in doing so have developed their own skills. One of its flagship programmes, the Flying Challenge, focuses on

young people who are at risk of dropping out of the educational system and subsequently missing training and employment opportunities. The programme has been deployed in fourteen Airbus sites across France, Germany, Spain, the UK and the US.

With programmes like the Airbus Foundation Little Engineer and Discovery Space, the Foundation uses aerospace to spark an interest in science, technology, engineering and mathematics (STEM), facilitating the access to STEM skills for thousands of young minds around the world.

For more information, please refer to the latest Airbus Foundation Activity Report, which is available at [www.airbus.com](http://www.airbus.com).

### Development Pact between Airbus and Toulouse

At the local level, on 5 June 2016, Airbus CEO Tom Enders and Jean-Luc Moudenc, President of Toulouse Métropole, signed the economic attractiveness and development pact between Airbus and Toulouse Métropole, strengthening the cooperation that has been in place for nearly 50 years. The goal of the pact is to create the conditions required for maintaining the attractiveness and long-term sustainability of Airbus' sites in Toulouse, and those of its partners, and to favour the development of Toulouse's innovation ecosystem.

Airbus directly employs nearly 28,000 people in the Toulouse area. The commercial aviation site includes the Company's operational headquarters, its design offices and final assembly lines for the A320, A330, A380 and A350, and is the largest industrial site in France with a total surface area of 650 hectares. Every day, more than 41,000 people enter and leave this site.

This activity feeds a network of more than 1,500 suppliers working at every level, temporary staff and customers, and represents more than 50,000 employees. Furthermore, the metropolitan area has secondary education and university opportunities needed for recruitment purposes: vocational baccalaureates, baccalaureate +2-years training courses, engineering degrees and specialised training. The many research laboratories make it possible to establish a number of partnerships in a variety of areas.

As the attractiveness of a region does not concern the economic and technological fields alone, Airbus and Toulouse Métropole are working together on the metropolitan area's attractiveness from the point of view of lifestyle and quality of life, the excellence of its school, universities and medical facilities, the cultural heritage, the quality and variety of cultural amenities and events. For example, Stade Toulousain represents the French Occitanie region where Airbus has been supporting the local community's work-life balance through its sponsorship of the team since 1983. Team spirit, engagement, respect and a taste for challenge: these values unite Airbus and the rugby club Stade Toulousain.

Airbus provides support for the amenities related to scientific, technical and industrial culture such as Aeroscopia, the Cité de l'Espace and the Quai des Savoires.