

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.

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.

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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;