

– a method related to the requirements for the investigation of compliance allegations, to ensure that these investigations are conducted in a consistent and professional manner in accordance with company standards and relevant laws.

In 2018, the Ethics & Compliance team also worked to align and integrate the compliance due diligence screening and on-boarding process of suppliers – formerly managed by the Procurement team through its “Watchtower” – into the overall Ethics & Compliance policy framework and tools. Further work will be conducted by the E&C team in 2019 to roll-out the process consistently across Airbus’ Divisions and subsidiaries.

Export Compliance

Each of the countries in which the Company 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 the Company’s 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

Building on the solid Personal Data Privacy policy foundation, governance and culture in place since years and the Binding Corporate Rules (available at <https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Airbus-Binding-Corporate-Rules%20.pdf>) into force across the group since 2014, the Company fully commits to Privacy and the General Data Protection Regulation (“GDPR”) requirements in its operations and products. Thus the Company has deployed updated policies, tools and practices across its entire organisation to meet the Privacy by Design and other GDPR requirements into force since May 2018.

Awareness and Training

The Company 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 2018, the Company’s employees followed 204,667 Ethics & Compliance digital training sessions. In coordination with an effort to increase accessibility to the digital learning platform, one of Airbus’ 2018 objectives was for all employees with access to a computer to perform an Ethics and Compliance digital training session.

Speak-Up Channel: OpenLine

The Company recognises that the Standards of Business Conduct cannot address every challenging situation that may arise. The Company therefore encourages its employees to speak-up through various channels, including through OpenLine (available at <https://www.airbusopenline.com/>). The OpenLine enables users to submit in good faith an alert securely and confidentially and also to ask all questions related to Ethics and Compliance. In 2018, the Company decided to further improve the accessibility and use of the OpenLine by extending the geographical coverage of the tool, which should allow access to all employees based in the countries where Airbus operates.

The Company also decided to extend the scope of the OpenLine to responsibility and sustainability related topics. Finally, and beyond already existing measures to preserve the confidential use of the OpenLine, users are offered a new option allowing them to remain anonymous, where legally permissible. All of these improvements came into force on 1 January 2019. The Company 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, visit the OpenLine website.

b. Responsible Suppliers

The Company 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 12,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2017, the overall external sourcing volume of Airbus is valued at around €52 billion.

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.

The Airbus “Procurement Academy” provides training on core competences and skills to develop procurement expertise. and prepare Procurement employees for the challenges of the future.

2. Responsible Supplier Management

As a global leader in aeronautics and space, the Company 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 the Company’s activities are managed.

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.

The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management (available at <https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Supplier-Code-Conduct-EN.pdf>). This Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). Airbus implemented the International Forum on Business Ethical Conduct ("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. Suppliers are also expected to cascade these principles throughout their own supply chains.

Supplier Mapping

As part of supplier management activities for commercial aircraft, Airbus 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 2018, a total of 8,680 suppliers from 64 countries were identified by the Supplier Mapping tool of which 1,071 were tier-one suppliers, 6,473 second tier suppliers, 1,314 qualified sub-tiers suppliers. A total of 141,148 activities were involved and 45 quality alerts resulted from 422 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

Ethics & Compliance Supplier Watchtower

In 2018, the Ethics & Compliance Supplier Watchtower was managed by the Procurement Ethics & Compliance department proactively checking specific suppliers for compliance aspects.

In 2018, suppliers were 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 each year in both 2017 and 2018.

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 to a large extent 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 i) requirements for suppliers to comply with all applicable laws and regulations regarding, products and services and ii) 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 for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System – based on ISO 14001 or equivalent – 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 questionnaire (EORS) assesses the level of maturity of supplier processes to manage Airbus environmental requirements and regulated substances obsolescence. EORS is applicable to all Airbus Commercial Aircraft suppliers – for the time being EORS campaigns have targeted the suppliers of cabin, systems and equipment, engines and nacelles products.

As mentioned above under section 6.1.2(c) Environment, Airbus is a founding member of IAEG, which is working on enabling a common approach at industry level, in regard to standards and tools to manage environmental obligations.

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

Zero Tolerance Approach to Modern Slavery in the Supply Chain

As previously mentioned under section 1.1.8.3(b) under "Human Rights" as part of its obligations under the UK Modern Slavery Act, the Company published its second Modern Slavery Statement in 2018 in recognition of the global aim of this topic. Modern slavery, along with wider human rights, is a topic followed by the Airbus R&S Network and Supplier R&S Programme. Actions to address these issues and understand associated risks in the supply chain continued during 2018 and are detailed in the chapter in regards to the Vigilance Plan.

In addition, the Company continued the roll-out of its e-learning modules focused on helping all employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns. This e-learning, available in four different languages, is part of the mandatory

Ethics & Compliance catalogue of learning. The Company also plans to launch an in-depth training course specifically focused on human rights and modern slavery for employees engaged in activities in high risk areas identified through its supplier risk mapping and assessment.

Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of people with disabilities 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 2017, the global volume of business with disability friendly companies in France was €44.5 million with an increase of 19% compared to 2016 for Airbus in France. At the end of 2018, 56 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 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 Responsibility & 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.

Airbus acknowledges the challenge of obtaining sufficient visibility of its supply chain and recognises a risk regarding supplier compliance relating to stronger R&S regulations in terms of human rights, labour and environmental standards in the global 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 Programme, following international guidance such as the OECD guidance on responsible business conduct.

The Supplier R&S Programme initiated and defined in 2017 for Airbus' commercial aircraft activities will continue and evolve year on year on the principle of continuous improvement and roll-out in Airbus' Divisions. In 2019, Airbus will also launch the Supply Chain Environmental Sustainability (SCES) project to complement the response to the Vigilance Plan. The Supplier R&S Programme has been presented to and is regularly reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Programme and its activities are managed by the Airbus Procurement Ethics & 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 R&S topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of R&S-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 corporate R&S, Legal and Ethics & Compliance departments. The Supplier R&S Programme manager is also part of the corporate cross-functional Airbus R&S Network.

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

A. R&S-Related Risk Identification and Mapping

All Procurement related risks for Airbus commercial aircraft activities are embedded into the Company's ERM system. A specific risk category regarding R&S-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 R&S-related risks, a proactive supplier R&S risk mapping has been performed in line with international guidance. The risk mapping resulted from both a country risk and a purchasing category approach for human and labour rights and environmental matters. The R&S-related risks levels in the existing supply base require an in-depth analysis and review with the relevant Procurement commodities to agree on the deployment of the relevant internal and external mitigation actions.

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 and implementation continued in 2018. For new suppliers joining the Airbus supply base such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower) and on-site assessments including questions to evaluate maturity on Responsibility & Sustainability. New mitigation actions in the existing supply base such as dedicated R&S Supplier assessments started to be implemented in 2018 in a trial phase with a specialist service provider.

B. R&S in Supplier Selection and Contracting

For the last few years, Procurement standard contracts have evolved to include clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption has been incorporated into procurement contract templates to further specify Airbus' requirements in this domain.

Furthermore, Airbus has agreed to reinforce R&S-related requirements such as those on human and labour rights along the selection and contracting phase with suppliers. In 2018 the Supplier Code of Conduct has been integrated as a new R&S annex in Airbus standard contract templates. The implementation will be rolled out according to the contractual roadmap of each purchasing commodity. During the call for tender phase, results of the R&S-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. R&S Supplier Evaluation and Continuous Improvement

Supplier R&S-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration of potential supplier improvement actions. In 2018 Airbus has started the supplier assessment activities in a trial phase with a specialist service provider that assesses social criteria including human and labour rights and environmental performance of 55 potentially critical suppliers in relation to R&S risks. Based on the outcome of the trial phase Airbus will define the long-term solution of regular supplier R&S-related evaluation and audits and its integration in the 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. Clear guidance on how to manage audit results and mitigation actions are being integrated into the relevant Procurement processes.

D. R&S in the Procurement Process

Airbus is currently assessing all Procurement processes and tools in order to integrate R&S-related requirements where relevant on top of environmental requirements, which are already largely considered. This will lead over the next years to the adaptation of Procurement process documentation managed by the Procurement strategy teams and set-up of dedicated R&S monitoring tools.

In 2018 Airbus started to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus' Procurement strategy and the embodiment of R&S compliance in supplier selection and management across the supply chain was part of the 2018 Procurement priorities for all employees. The R&S activities are discussed and reviewed by a steering committee composed of the Executive Committee of Procurement.

c. Community Engagement

The Company 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. The Company's 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

On a country level, take Spain as an example. In addition, in 2017, the direct contribution of the Company to the GDP of Spain was just under €1.3 billion, which represents 0.12% of national GDP and 60.7% of the contribution to GDP made by the sector. In addition, the Company stands out in Spain for its contribution to quality employment. The percentage of permanent contracts exceeds the national average by 11 percent and 100% of its employees are covered by a collective agreement. The Company is also committed to training and

development of its employees, investing five times more than the national average per employee. The Company's employees receive 4 hours more training per employee than the average for the Spanish industrial sector and 11 hours more than the national average.

On a municipal level, in Toulouse in 2018, the Company continued to support regional economic, academic and institutional players to create the conditions for long-term sustainability and the development of innovation. Airbus provided answers to calls for cooperation in the areas of artificial intelligence, data management and urban mobility as well as sustainability and quality of life in the region. In terms of mobility, the partnership with Toulouse Metropole reached a new milestone in 2018 with the deployment of a car-sharing initiative on all Airbus sites. The job fair *Carnet de Vol* gathering over 650 young professionals and 80 companies and the launch of an employers' groups (GEIQ) supporting insertion and training of young professionals around digitalisation were key highlights in terms of human capital resources.

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, the Company can bring positive contributions to local communities around its sites. The Company's 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, the Company encourages initiatives around:

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

In addition, the Company is an active member in several industry or other associations, and national or international advocacy organisations, such as GIFAS, World Economic Forum and Advanced Robotics for Manufacturing – ARM institute.

Volunteering at Airbus

In 2018, more than 5,000 employees of the Company were involved in volunteering for 97 initiatives.

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

For example, each week during term time, 115 employees from Airbus' Filton site in Bristol, UK, voluntarily go into local primary schools to provide valuable support in reading and maths hence contributing to SDG4.

The Airbus Foundation

The Airbus Foundation's goal is to support the international aid organisations in regions where the Company operates and beyond. It 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.

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