

b. Environment

I. Introduction

“At Airbus we believe that by demanding more of ourselves, we can demand less of our planet. We are challenging ourselves to go further when it comes to taking responsibility for the environmental impact of our product throughout its lifecycle, and are investing major efforts into examining and reducing the impact of our products in operation together with all actors within the aviation sector. We not only rigorously track and measure our own impact, in our sites, products and services, but we also collaborate with our worldwide supply chain to drive more effective environmental management and decarbonise our industry. And we place innovation at the core of this effort by investing in research, new technologies, and sustainable solutions to help us reach our vision.”

Guillaume Faury, Airbus CEO

II. Governance

New Policy

“Go further” for Airbus means developing products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. This is driven through the Company's environmental policy, with a strong support from the CEO and Executive Committee.

The policy focuses on three main directions:

- continually improving our manufacturing and site operations by achieving net zero GHG emissions, zero water and air pollution, sustainable energy sources and zero waste to landfill before 2050;
- driving development of eco-efficient products and services, taking into account environmental challenges; and
- working in cooperation with the aerospace sector to develop sustainable operations of air transportation.

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

As aviation represents around 2.5% of global man-made CO₂ emissions, the Company recognises its role in reducing the global environmental footprint of the sector and the importance of respecting the commitments of the Paris agreements. Climate change may also affect the environmental conditions in which the Company's manufacturing activities and products are operated. Another area of attention is the elimination of substances posing a risk to human health or the environment. The Company is continually seeking technically-feasible sustainable solutions to reduce the environmental impacts of its products and operations, in cooperation with its suppliers and industrial stakeholders.

Organisation around Environmental Affairs Topics

Since September 2019, an Environment Executive Steering Committee has been established. This committee gathers members of the Executive Committee and managers in charge of environmental topics. It meets regularly to review progress and take decisions on all matters related to the environmental strategy of the Company.

An Environmental Coordination Committee on a cross-Divisional level ensures consistency in the operational management of environment throughout the Company and aligns on reduction objectives. The Coordination Committee meets four times a year and is composed of the heads of Environment for Helicopters, Defence and Space and the commercial aircraft activities of the Company.

The role of the Airbus Environmental Affairs organisation is to guide the business in environmental matters, to set the policy and deploy, drive and improve the Environmental Management System (EMS) throughout the Company to achieve the Company's environmental objectives. The Airbus EMS is based on ISO 14001:2015. Airbus was the first aircraft manufacturer to be ISO 14001 certified, and continues to show its commitment by having been recertified to ISO 14001: 2015 in November 2019.

Airbus also monitors environmental regulatory developments to understand, evaluate and prepare for legal and regulatory evolutions applicable to its activities and products.

On an annual basis, the Company undertakes an extensive exercise to collect, consolidate and report its environmental data. This enables Airbus to measure the environmental impact of its site operations, track its performance and communicate information on environmental matters to internal and external stakeholders. As part of its transparency policy, the Company discloses its GHG emissions to the CDP, providing its investors and other interested parties with the insight they need. Once evaluated by CDP, Airbus' entries to the climate change questionnaire are made available publicly on the CDP website.

Working in Cooperation

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

For instance, Airbus is a Founding Member of the International Aerospace Environmental Group (IAEG) and is actively engaged in all areas of work, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practices and promote the development of global standards.

Airbus is also an active board member of the ATAG which sets industry goals including CO₂ emission reduction goals, and mobilises action on strategic aviation issues.

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, CO₂).

Airbus supported the ICAO agreement in 2016 on the CO₂ standard and also the adoption of the new Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) in 2017. Within the framework of this sectoral offsetting scheme, airlines were scheduled to start the monitoring and reporting process of CO₂ emissions as of 1 January 2019. CORSIA is the first global sectoral offsetting scheme.

On space activities, Airbus has worked with the ESA in Earth observation for over 25 years. EarthCARE (Earth clouds, aerosols and radiation explorer) and Copernicus, the most ambitious Earth observation programme to date, are two examples.

Recyclability is another important topic that the Company is tackling in cooperation with other entities through TARMAC Aerosave, a joint venture between Airbus SAS, Safran Aircraft Engines and Suez, providing state of the art services for the management of an aircraft's end of life.

III. Risk Management

Environmental risk and opportunities are managed following the Company's ERM system and requirements defined within the ISO 14001:2015 certified EMS. Identification of specific environmental risks and opportunities is defined by internal guidance and it notably highlights the Life Cycle Perspective approach to be adopted and the inputs to be considered: environmental aspects and impacts, compliance obligations and other issues and requirements including stakeholders' expectations.

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 top management.

1. Climate Change Risk on Aircraft and Industrial Operations

The air transport market and Airbus business and operations may be disrupted by climate change, air emissions related impacts and stakeholders expectations including those of society, regulators and customers.

Climate Change Mitigation

Developing lower emission products and services to satisfy those expectations will require breakthrough advances in technology research (e.g. development of energy storage for electric aircraft, electrical distribution in the aircraft, power to weight ratio of electrical machines, etc.).

Airbus pursues incremental improvement of its programmes and has developed a dedicated organisation aimed at developing the future technologies that will be required. However, these technologies may not be available on time or may not deliver the required improvements to meet the climate objectives.

The Company's reputation may be affected if its or the sector's expected contributions on GHG emission reduction are not delivered as defined by ATAG to support the Paris agreements. Society's sensitivity to climate change leading to a change in passengers' behaviour including preference for alternative means of transport may change the market and demand for air travel. The Company may face reduced demand for its products and may need to adapt its business model in consequence.

Climate Change Adaptation

The foreseen consequences of climate change include harsher average weather conditions and more frequent extreme weather events, such as hurricanes, hail storms, heat waves or extreme cold spells. To cope with degraded operational conditions, more frequent redesigns may be required to meet more stringent regulation and certification criteria or standards.

Industrial operations and supply chain may also be affected by the consequences of climate change and require specific adaptation measures to remain operational.

2. Chemicals of Concern

Evolution of the hazardous chemicals' regulatory framework may lead to short- and long-term potential bans and result in business disruption across the Company's value chain.

With the aim of protecting human health and the environment, regulators at national and international level have developed a stringent set of legal requirements that are continuously evolving to ensure that hazards related to substances are under control or eliminated.

In order to mitigate the risk of disruption in its operations and supply chain, the Company's policy is to develop safe alternatives to the targeted substances and substitute these as soon as those alternatives have proven reliable enough to meet the stringent airworthiness criteria.

IV. Initiatives

Industrial Operations

The Company is engaged in an industrial transformation to anticipate mid-term evolutions of its industrial systems as well as looking for 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 based on life cycle assessment studies of some Airbus products is also ongoing to help focus on appropriate topics.

In 2019, Airbus has rolled out High5+, a 2030 plan to reduce the footprint of all Airbus activities globally and reach out to the supply chain. High5+ engages all sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. These objectives have been set in absolute value compared to 2015 levels to reduce energy consumption, CO₂ emissions, water consumption, VOC emissions and waste production as follows:

- energy and CO₂: Following "Science Based Targets" methodology, reduce energy consumption by 20% and reduce direct (scope 1), indirect (scope 2) and oversize transportation (scope 3) GHG emissions by 40%. Reduction of oversize transportation impact will involve use of carbon offsetting to achieve overall ambition;
- waste and raw materials: divert 100% of the waste from landfilling and incineration without energy recovery, and reducing the amount of waste produced by 20%;
- air emissions: comply with air emissions regulations with 0% increase of air emission by 2030;
- water: develop strong maintenance and rehabilitation programs to improve reliability and lower costs in order to reduce water purchase by 50%, with no increase in water consumption; and
- deploy environmental requirements and risk evaluation across a targeted scope of the supply chain. Enhance the use of environmental risk evaluation for consideration as a quantitative input during selection, contracting and supply chain control phases.

In order to better embed this ambition into the Company's performance management, the Executive Committee agreed in 2019 to include a CO₂ reduction target for 2020 of 2.7% on the same perimeter as part of the Company's top objectives. As such it will form part of the CEO's and other Executive Committee Members' remuneration in 2020.