

To promote further globalisation of its sourcing footprint, Airbus has established regional sourcing offices in North America, China & East Asia and India.

For the sourcing of indirect Goods and Services, the Airbus General Procurement function is represented in the three core regional sourcing offices. Throughout China, India and North America, Airbus General Procurement has over 50 employees managing "Local for Local" activities across 18 sites. Airbus General Procurement will continue to grow the global footprint by implementing new developments within Asia Pacific (Singapore and Malaysia) and the Middle East throughout 2020.

Airbus and its Divisions being certified ISO 14001, the Procurement function is acting in adherence with ISO 14001 requirements.

II. Governance

Responsible sourcing and supplier management

The Company strives to make environmental and societal responsibility a core element of its procurement process, managing the relationships with suppliers through sourcing strategy, supplier selection, contract management, supplier monitoring and development.

The Company's 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 compliance 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 Supplier 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).

Responsibility and sustainability activities in the supply chain are managed by the Procurement R&S department together with divisional representatives and a network of focal points from the different purchasing commodities. The Head of Procurement R&S department is part of the Procurement Leadership Team (PLT).

The central Procurement R&S department manages integrity topics and awareness within the Procurement function and deploys the corporate Supplier R&S programme with related supplier due diligence actions. The Supplier R&S Programme Manager is also part of the corporate cross-functional group, the R&S Network.

In response to legislative developments and new regulatory requirements, Airbus launched in 2017 the Supplier R&S programme, a transverse governance structure for environmental, human rights, health and safety issues. It is based on the following key elements and principles of due diligence following the OECD framework on responsible business conduct:

- Supply base risk mapping
- Supplier assessment/audits and development plans
- Supplier engagement and contractual requirements
- Policies, tools and reporting

For anti-corruption topics in the supply chain, the Procurement department cooperates closely with the Legal & Compliance department.

III. Risk Management

The Company's direct procurement-related risks 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 risk management plan.

a) Regulatory Non-Compliance

The Company may not obtain sufficient visibility and information from its supply chain in regards to compliance with environmental, human rights, health and safety laws and regulations and a supplier's adaptation of international sustainable development goals.

In the event of an industrial accident or other serious incident in the supply chain, or any problems of the supplier to fulfil its operational or product compliance, this may also have a significant adverse effect on the reputation of the Company and its products and services. The Company's reputation may also be affected by the public perception of social and/or environmental impacts of its supply chain's industrial operations on local environments, communities, biodiversity and the general public's health.

b) Supplier's Impact on Local Environment

From the extraction of raw materials to the manufacturing of parts delivered to the Company, a supplier's industrial operations may have significant environmental impacts on the local environment where the activity is performed, with possible impacts on air, water, soil, biodiversity, workers' occupational health and safety and on the general public's health.

c) Disruption Risk

In the event that a supplier fails to comply with environmental, human rights, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against the supplier. Regulatory authorities may require them to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks.

In response to above a) to c), the Company deploys responsible sourcing activities and specific supplier due diligence actions in frame of the corporate Supplier R&S programme.

d) Risk of Product Non-Compliance

The various products manufactured and sold by suppliers must comply with relevant environmental, human rights, health and safety laws and regulations, for example those designed to protect customers and downstream workers, and those covering substances and its contents, in the jurisdictions in which they operate. Even if a supplier seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the REACH regulation) may force it to adapt, redesign, redevelop, recertify and/or remove its products from the market. Seizures of defective products may be pronounced that could prevent delivery to Airbus.

In response, a Procurement Task Force has been established in order to have a group-wide governance for supplier management and assessment of chemical regulations and obsolescence impact.

IV. Initiatives: Airbus Supplier Vigilance Plan

The Company requires commitment to responsible business practices and sustainable development from all suppliers of its entities and strives to make environmental and social responsibility a core element of our sourcing and supplier management process. This joint commitment is a key element in securing success, conformance to applicable laws and a sustainable future of the aviation industry.

Supply Base Risk Mapping

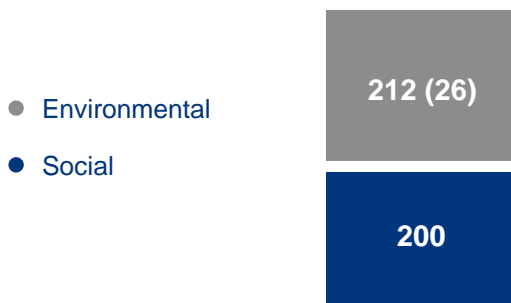
Social Compliance Risks

Since 2018, the Procurement R&S department has performed a proactive social risk mapping in line with international guidance, internal commodity expertise and externally available country indices. The risk mapping resulted from both a country risk and a purchasing category perspective considering indices like child labour, modern slavery/forced labour, recruitment practices, working time, wages, people safety at work and freedom of association. In 2019, the methodology has been formalised and published in an internal commodity guide and applied to the entire Company.

Environmental Compliance Risks

In addition, an environmental risk mapping has been performed, taking into consideration categories such as the existence of hazardous substances, energy consumption, CO₂ emissions, water usage, waste management, air pollution and specific local Chinese environmental regulations. In 2020, environmental risk mapping will be included in the above methodology.

Number of business-relevant external risk suppliers identified in 2019 (thereof lower tiers)



Source: Procurement Responsibility & Sustainability Risk mapping methodology and Airbus Sourcing Report 2018

Supplier Factory Visits

Related to the commercial aircraft activities of Airbus, the Gemba Walk pocketbook is a practical and visual guideline for Airbus employees visiting a supplier's shopfloor, which supports the identification and reporting of risks or improvement opportunities observed during factory visits.

A dedicated pocketbook on environment, health & safety and human rights risks has been developed in 2019 and published on the Airbus intranet.

Supplier Assessment / Audit and Development

In 2019, the Company has worked with external expert companies for the performance of R&S related desktop assessments and specific on-site audits. The assessments cover social compliance criteria such as human rights, labour practices, health and safety and anti-corruption as well as environmental regulations and sustainability criteria based on the environmental questionnaire developed by the IAEG.

All business relevant external risk suppliers are eligible to an R&S assessment by an external expert company. By end of January 2020, the Company had launched approximately 55% of such assessments with a target to reach 100% by end of 2020.

Specifically on environmental matters, the Company further fostered REACH awareness in the supply chain and engaged with suppliers to accelerate the substitution and manage the use of the most hazardous substances. In particular, regarding the REACH EHS readiness of suppliers, the Company focused on:

- engagement with 223 *in situ* suppliers through webinars and supplier conferences to develop their readiness to comply with enhanced REACH EHS conditions when working on Airbus sites. Further direct exchanges with AIRBUS EHS experts has been organised with 25% of them;
- evaluation of the maturity of external suppliers in Airbus qualified processes in regards to the future enhanced protection requirements that are being defined by the European Commission. Out of 357 suppliers of Airbus qualified processes using chromates in industrial processes, the 80 most impacting suppliers have been assessed on-site in 2019 by a third party on behalf of Airbus.

Supplier Engagement

Contractual Requirements

The Company's standard procurement contract templates have evolved over the last few years to reinforce R&S related clauses that require suppliers to:

- comply with all applicable laws and regulations relating to production, products and services;
- provide information on substances used in manufacturing processes and contained in the product itself;
- provide information on environmental, health and safety matters such as safe usage and management of products across its lifecycle (including waste management);
- implement an Environmental Management System based on ISO 14001 or equivalent;
- comply with the Company's anti-corruption and bribery requirements; and;
- comply with the Airbus Supplier Code of Conduct, including with regard to environment, human rights, labour practices, responsible sourcing of minerals and anti-corruption.

In 2019, the full scope of clauses were included in new contracts by default and the implementation in existing contracts has started according to the contractual roadmap of each purchasing commodity.

During the 2019 Annual Supplier Conference for the commercial aircraft business of Airbus, for the first time an award was presented to two suppliers with regard to responsibility & sustainability. This award recognised these suppliers for their efforts to drive sustainability within the Airbus supply chain.

Training & Awareness

Throughout 2019, the Procurement R&S department supported both internal awareness sessions and workshops as well as external supplier meetings on responsibility & sustainability in the supply chain.

The Company's internal Procurement Academy provides training on core competences and skills to develop procurement expertise and prepare employees within the Procurement department for the challenges of the future. R&S modules are embedded in Procurement's newcomer induction path and manager development programme.

The e-learning specifically developed for the Procurement population on environmental issues has been updated in order to reflect the latest status of laws, regulations and Airbus internal processes. This training targets supply chain quality managers, ordering officers and buyers.

Policies & Tools

The Company 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 & tools managed by the Procurement strategy teams and creation of specific guidelines and/or commodity awareness.

Grievance Mechanism

Since 2019, the Airbus OpenLine is available to external stakeholders, such as suppliers and their employees, as a secure and confidential channel through which they may, on a voluntary basis, raise alerts related to Airbus in the areas of bribery, human rights, environment and health and safety. This medium is available through the Airbus OpenLine website (www.airbusopenline.com) in 13 languages. For more information on OpenLine, see "–1.2.3(a) Ethical Business Practices".

Work with External Stakeholders

As mentioned under "Environment" in section 1.2.2(b), Airbus is a founding member of IAEG, which is working on common aerospace industry standards and tools to manage environmental obligations.

More specifically, for supply chain the IAEG has developed:

- a Supply Chain Environmental Survey, which has been implemented in 2019 at Airbus and will be used as the environmental assessment module as mentioned in paragraph 2 above;
- an EMS implementation guideline to encourage a wider uptake of environmental management systems as appropriate for each company in a phased approach and cost effective, consistent and supportive manner;
- a GHG Reporting Guidance, including a parametrical approach to evaluate emissions.

IAEG has also set-up a working group in 2019, to define an Environmental Qualification Programme to assess and develop the environmental maturity of suppliers.

In October 2019, the Company joined the Responsible Business Alliance's Responsible Mineral Initiative (RMI), in order to further enforce activities of responsible sourcing while applying industry standards for supplier due diligence and data management in accordance with the OECD framework.

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 that are launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2019, the global volume of business with disability friendly companies in France was €50 million with an increase of 20% compared to 2018 for Airbus in France. At the end of 2019, 60 disability friendly companies are working with Airbus compared to 10 in 2010.

In November 2019, the Company organised its first (Dis)Ability Forum in Hamburg to increase its cooperation with disability friendly companies in Germany.

Conflict Minerals

The Company places great importance on the responsible sourcing of materials used in manufacturing. Some minerals including 3TG (tin, tungsten, tantalum and gold) are necessary for the proper functioning of components within its products. The Company largely does not directly import minerals but these minerals are found in certain products the Company procures.

In that context, the Company requires from all suppliers to comply with applicable laws and regulations on conflict minerals, including 3TG.

For the small portion of direct procurement of minerals in Airbus Defence and Space, the Company has established a dedicated Conflict Mineral Management System. This document describes the necessary activities needed to monitor potential future legal obligations linked to the upcoming EU regulations on the importation of 3TG.

To outline the Company's commitment to responsible business, the Responsible Mineral Policy was released in 2019 (available at <https://www.airbus.com/company/sustainability/human-rights.html>), which details its engagement to improve safety and human rights conditions in the mineral supply chains.

Plastic-Free Supply Chain

Aligned with the R&S Charter and SDG 12 (responsible consumption & production), a dedicated project has been launched at Airbus Defence and Space with the aim of reducing, reusing and recycling plastic waste and packaging in Airbus area of involvement by 2025. This includes the following initiatives in relation to Airbus products, logistic flow and the supply chain:

- implementation of optimised processes for inter-site/supply chain deliveries;
- review of specification and contractual requirements of packaging;
- review of the current take-make-waste extractive industrial model and promotion of the circular economy approach towards a sustainable way to use plastic.

Discussions to extend this project to both Divisions and to enlarge to packaging at large have started in 2019 and will continue in 2020.

CO₂ Emissions

In 2019, Airbus undertook an initial assessment of its scope 3 "Purchased Goods and Services" impact using a methodology developed by IAEG.

V. Future Outlook

The Supplier R&S programme activities will evolve to actively mitigate R&S risks in the supply chain, adapt to evolving R&S requirements and our ambition as a sustainable company.

From 2020 onwards, Airbus will conduct R&S-related on-site assessments and specific development plans with a certain number of risk suppliers identified during the self-assessment campaigns that were launched in 2019.

The Company aims to embed R&S assessments systematically in the supplier approval, monitoring & control process to assess in the future not only suppliers in specific R&S risk countries and activities but all suppliers that are strategic and critical to business.

Specific R&S training modules and solutions will be developed for both internal use and awareness in purchasing commodities and some specifically to be made available to suppliers through the supplier portal and online.

Regarding environmental sustainability and substance management, the Company will focus on the following in 2020:

- monitoring of the mitigation action plan to close the findings of the REACH readiness assessment conducted in 2019;
- identification of Airbus suppliers contributing the most to VOC emissions, water or energy consumption in order to request from them a regular monitoring and continuous improvement of their operational performance;
- identification of the key contributors to CO₂ emissions in the supply chain and engagement in a supplier dialogue, to evaluate opportunities for GHG emission reduction and ways to monitor the progress.

1.2.4 Responsible Employer

a. Workforce

As of 31 December 2019, the Company's workforce amounted to 134,931 employees (compared to 133,671 employees in 2018), 95.54% of which consisted of full-time employees. These statistics take into account consolidation effects and

perimeter changes throughout 2019. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

Entries & Leaves	2019	2018	2017
Newcomers	11,270	10,959	7,318
Core division	6,643	5,246	3,900
Subsidiaries	4,627	5,713	3,418
Leavers (including partial retirement)	5,842	6,198	5,151
Core division	2,902	3,245	2,646
Subsidiaries	2,940	2,953	2,505

In terms of nationalities, 35.6% of the Company's employees are from France, 31.6% from Germany, 8.5% from the UK and 10.1% from Spain. US nationals account for 2.1% of employees. The remaining 12.0% are employees coming from a total of 142 other countries. In total, 90.1% of the Company's active workforce is located in Europe on more than 100 sites.

Furthermore, Airbus expects its workforce to evolve naturally to support the business.

Workforce by Division and Geographic Area

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

Employees by Division	31 December 2019	31 December 2018	31 December 2017
Airbus Commercial Aircraft ⁽¹⁾	80,985	80,924	74,542
Airbus Helicopters	20,024	19,745	20,161
Airbus Defence and Space	33,922	33,002	32,171
Airbus (former HQ)	0	0	2,568
Group Total	134,931	133,671	129,442

(1) Airbus commercial Aircraft includes population of Airbus Former HQ since 1 January 2018.