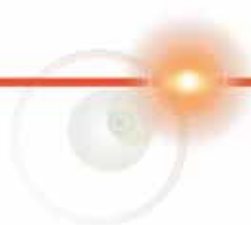


RESPONSIBILITY MADE BY EADS

EADS 2011 CORPORATE RESPONSIBILITY
& SUSTAINABILITY REPORT



EADS



AIRBUS



ASTRIUM



CASSIDIAN



EUROCOPTER

EADS

AT A GLANCE



HOW TO READ THIS REPORT

As one of the world's largest aerospace & defence groups, with product lifecycles extending to 30 years, some 133,000 employees and an extensive global supply chain, we recognise the responsibility that our position implies. We are committed to giving our stakeholders insight into how our strategy for creating economic value is entirely consistent with sound Corporate Responsibility and Sustainability (CR&S) values, and provides an opportunity to differentiate EADS from its competitors.

This CR&S report is the third we have published and expands on its two predecessors. In 2009, EADS produced a comprehensive report explaining how our CR&S objectives are fully integrated into EADS' strategic Vision 2020 and how we are implementing them through a roadmap. In 2010, our report highlighted the Group's progress against the CR&S roadmap, through case studies, concrete examples and key performance indicators.

Building on our last two reports and our constructive dialogue with sustainability analysts and stakeholders at large, our 2011 report is designed to provide further insights into our corporate management principles and the robust processes underlying our CR&S initiatives. Additionally, members of our Board and top management have introduced each section of the report, to signal how CR&S is a mainstay of EADS' governance and strategy.

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CHIEF EXECUTIVE OFFICER'S LETTER

*Dear Shareholders,
employees, customers
and suppliers,*

EADS is a testament to the success of long-term, responsible and sustainable industrialism. In 2011, we reported excellent annual financial results. Revenues, EBIT and orders all exceeded expectations. We also created skilled jobs and set a new benchmark for eco-efficient air travel, with the launch of the A320neo passenger jet, which will significantly reduce CO₂ emissions in the important single-aisle, short-haul segment of air travel.

Yet while these achievements were reported in a single year, they are actually the result of long-term planning, investments and partnerships that have taken place over many years. EADS' current success arises from the momentum that has been building since it was formed more than ten years ago.

Responsibility and sustainability lie at the heart of how we create financial value. As an industrial Group with long product cycles, we invest strategically looking years into the future. With an eye to what our customers will need as priorities change, we develop our people's competencies and research ground-breaking technologies that will deliver new products. Anticipating our production requirements, we form long-term industrial partnerships with suppliers and help to build the industrial fabric of countries where we do business.

At EADS we recognise the increasingly strong relationship between responsibility and sustainability on the one hand, and profit on the other. As a leading global aerospace and defence group, with a vibrant innovation culture, we have a role and a duty to play in solving some of society's most pressing challenges – how to make air travel and manufacturing sustainable, how to enhance the security of principled nation states and how to mitigate climate change. Doing so will improve the world we live in and support our economic success.

Within this context, 2011 was a highly successful year. By attracting more than 1,000 orders in a single year, and becoming the fastest-selling commercial aircraft ever, the A320neo is the most graphic illustration to date of how airlines and aerospace manufacturers alike are focusing on enhancing environmental performance. Looking to the longer term, we continued to develop the technologies, operations and infrastructure to deliver on the aviation industry's goal of capping net aircraft carbon emissions from 2020 and to reduce net emissions by 50% by 2050 (against 2005 levels). Notably, in early 2012 we signed the Air Transport Action Group declaration restating the industry's commitment to a sustainable future.

“Responsibility and sustainability lie at the heart of how we create financial value.”

Throughout the year, all four Divisions acted to reduce the environmental impact of our manufacturing facilities in line with Vision 2020 goals. We also invested in the training and development of our people, making sure that we have the right processes in place to develop and recruit the key skills we will need, not just for next year but for the following 10 years and beyond. We are committed to enhancing the engagement of our people, taking specific actions to encourage personal development, career evolution and diversity. Notably, we sought to improve wellbeing in 2011 through the ‘mylife@EADS’ initiative. Finally, we acted in line with our principles in our supply chain and all the countries where we do business.

Reporting on environmental, social and governance (ESG) issues, as we do in this report, is essential for communicating to our stakeholders the value we are building for the benefit of all – our shareholders, customers, employees, suppliers and society as a whole. For this reason, I believe that stakeholders should consider financial and ESG reporting together, in order to gain the fullest possible understanding of not only our opportunities and risks, but also how we are balancing short-term financial progress with long-term value creation. Reflecting the importance of ESG factors, we have built a matrix of robust processes that underlies all of our activities.

The planning for management succession illustrates the effectiveness of our processes. Our Board of Directors followed the succession process dictated by EADS’ sound governance structure to ensure the smooth hand-over to my talented successor, Tom Enders. Our head of Human Resources, and our Chief Financial Officer, who is retiring, are both handing over to successors promoted internally. The transition will formally take place at our annual general meeting in May 2012, and I wish Tom and his management team every future success in promoting EADS as an engine of long-term, responsible and sustainable growth.

Yours sincerely,



LOUIS GALLOIS
CHIEF EXECUTIVE OFFICER

EADS 2012 PRIORITIES RELATED TO CR&S

(Excerpts from EADS Group priorities for 2012)

DEVELOP AND DELIVER IN LINE WITH OUR LONG-TERM OBJECTIVES

- © *FOCUS MANAGEMENT ON ENGAGEMENT, PEOPLE SKILLS AND GENDER DIVERSITY. PURSUE ENGAGEMENT INITIATIVES AND INVEST IN PEOPLE TO ENSURE FUTURE SUCCESS.*
 - © *ENFORCE INTEGRITY AND TRANSPARENCY IN OUR KEY PROCESSES, AND SET INDUSTRY STANDARDS FOR BOTH BUSINESS ETHICS AND ENTERPRISE RISK MANAGEMENT.*
 - © *FOSTER INNOVATION AND ENTREPRENEURSHIP. MOBILISE AND DIRECT INNOVATION TOWARDS DISRUPTIVE PRODUCTS, WHILE GROWING NEW BUSINESS OFFERINGS AND RE-INVENTING CUSTOMER VALUE PROPOSITIONS.*
 - © *IMPROVE THE ECO-EFFICIENCY OF OUR PRODUCTS AND INDUSTRIAL PROCESSES.*
-

VISION, MISSION AND MATERIALITY

EADS aims to balance its strategy for growth with fulfilling duties to all stakeholders and addressing material sustainability issues. Underlying this is our drive to deliver the best technology to serve mobility and security.

VISION

After a decade in existence, EADS has a Vision for 2020 that defines the nature and the shape of the Group we intend to become. Vision 2020 anticipates EADS maturing as the worldwide leader in aerospace and defence platforms and systems, doubling its revenues, and balancing them between commercial aircraft and other businesses, with services accounting for 25%. In order to achieve this, EADS aims to focus on its core business, become a truly global company, employ 20% of our workforce outside Europe, return to high profitability and pursue eco-efficiency, as well as become a global employer of choice, a breeding ground of innovation and an engaging workplace.

MISSION

EADS is an industrial group operating in businesses which are characterised by long product lifecycles and corresponding returns on investment, considerable cost and risks in programme development, and highly cyclical civilian markets. These features define the Group and shape our relationships with all stakeholders.

EADS' principal stakeholders are our employees, shareholders and lenders, our customers, suppliers and partners, and, of course, society at large (including the public sector, its communities, regulatory authorities and others).

We define the Group's primary purpose, its missions and the objectives flowing from them, in relation to these stakeholders who are all vital to the Group's interests and existence.

Because EADS has many stakeholders and such a long-term outlook, we have a multi-faceted set of missions, which we seek to perform harmoniously while bearing in mind that shareholder value creation is an absolute must to ensure our future.

Certain missions take precedence over others, such as those mandated by law, but management and employees may not ignore the larger picture of key Group missions when focusing on their own specific objectives. The Board of Directors is the ultimate arbitrator for prioritising key missions, taking into account its duty to serve the best interests of the Group and our stakeholders.

MATERIALITY

EADS' CR&S priorities are based on assessments of the factors that are most relevant within our Divisions and to our stakeholders. In 2010, we conducted a formal assessment of materiality that confirmed the appropriateness of these issues, and raised awareness regarding secondary issues¹.

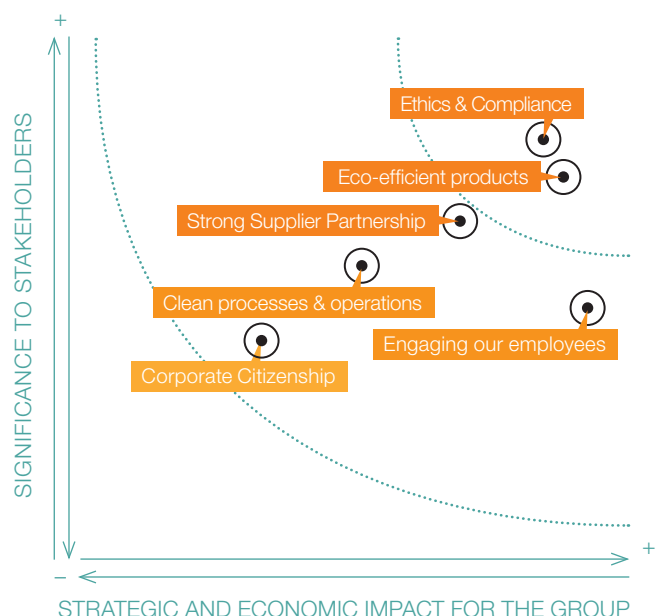
The main CR&S issues have been gathered under the six following main challenges:

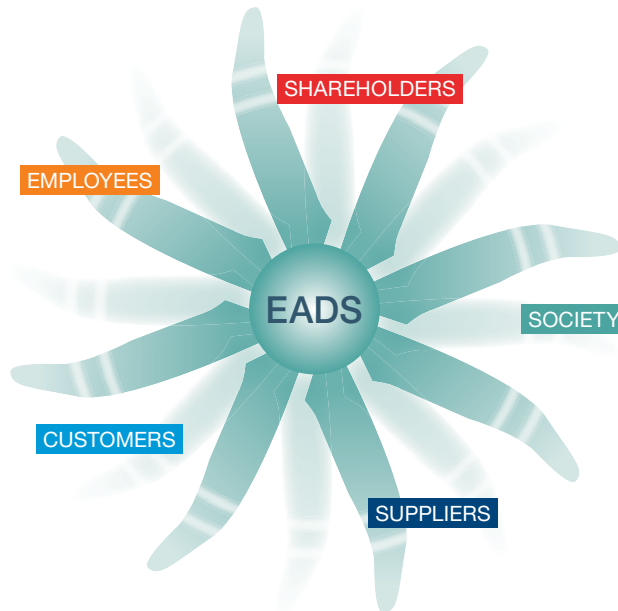
- ⊙ Sound governance
- ⊙ Innovative, clean and safe products
- ⊙ Eco-efficient processes and operations
- ⊙ Our people
- ⊙ Supply chain
- ⊙ Corporate citizenship.

EADS categorises our many CR&S challenges under these headings, which also serve to structure this report.

¹ According to the Global Reporting Initiative, material topics should include those that have a direct or an indirect impact on an organisation's ability to create, preserve or erode economic, environmental or social value, for itself, its stakeholders and society at large.

MATERIALITY ASSESSMENT



EADS' DUTIES TO ITS INTERDEPENDENT STAKEHOLDERS²**CUSTOMERS**

EADS' mission towards our customers is to be a provider of choice, to offer superior value-for-money through our behaviour and performance. EADS owes its customers:

- ☉ To commit only to specifications and to schedules that we are sure of meeting, and to manage their expectations transparently and honestly;
- ☉ To warrant the price of products, systems and services by their quality, and by the economic and performance advantages they provide;
- ☉ To anticipate evolving market requirements through innovation; to seek safe and eco-efficient solutions for sustainable mobility, and reliable, capable and affordable solutions for defence, security and institutional needs.

SHAREHOLDERS

EADS' duty towards our shareholders is to generate value by developing a sustainably profitable portfolio of aerospace and security businesses. We must meet our obligations to lenders and other financial counterparties and safeguard our creditworthiness. As a custodian of the trust we receive, EADS must strive:

- ☉ To maximise the economic return of long lifecycle investments, while minimising their risks;
- ☉ To adapt our portfolio of businesses continuously and to ensure its value is reflected in the share price by making disciplined and transparent disclosure.

SOCIETY

EADS' mission towards members of society at large and local communities includes:

- ☉ To be a sustainable source of high-quality employment, seeking the benefits of culture and skills in our home countries and throughout our global market, while fostering education in technological fields and research;
- ☉ To be an inventor and symbol of cutting-edge technology;
- ☉ To progress towards eco-efficiency;
- ☉ To promote a model of European cooperation, perpetuating the spirit, enthusiasm and passion of EADS' founders;
- ☉ To fulfil the defence and security interests of legitimate customers sustainably, and particularly to be an instrument of strategic independence in our home countries;
- ☉ To reject any form of anti-competitive and illegal behaviour.

SUPPLIERS

EADS must treat our suppliers as partners whose performance is inherently tied to our ability to satisfy its customers; we benefit from sustainable relationships based on mutual interest with our best suppliers. With regard to these suppliers, EADS must strive:

- ☉ To deal fairly with them, following terms and conditions that further their prosperity, ensuring that they understand and are able to meet the commitments, challenges and risks they take;

- ☉ To share information and to assist them so they can perform optimally under their contracts;
- ☉ To set clear, achievable and measurable objectives;
- ☉ To impose standards consistent with our own, as defined in the Supplier Code of Conduct, and to provide regular feedback on performance.

EMPLOYEES

EADS must engage employees as partners who share the Group's goals and rise to our challenges. Within the confines of local regulations, we must respond to employees' expectations about development, people management and values. The purpose of EADS is:

- ☉ To offer personal development and career perspectives commensurate with competence and attitude, with Group needs, with equal opportunity principles and with diversity objectives;
- ☉ To promote leadership that sets clear, achievable and measurable objectives;
- ☉ To justify employees' pride in EADS' products, and our values of good citizenship and responsibility;
- ☉ To offer fair gratification and rewards commensurate with performance of assigned work.

² Source EADS 'Blue Book'.

OUR MAIN CR&S CHALLENGES



SOUND GOVERNANCE

For EADS, responsibility and sustainability starts with good governance. Our strong corporate governance organisations, including controls and risk management, and ethics and compliance are the foundations on which the Group is building its future. These governance standards are influencing how we transform our business.

OBJECTIVES

- ④ Embed CR&S standards into EADS strategy and core business processes.
- ④ Raise awareness of employees and business partners regarding EADS' commitment to ethical business conduct.



INNOVATIVE, CLEAN AND SAFE PRODUCTS

We are at the heart of today's corporate responsibility debate. We are involved in some of the most critical questions of our times – sustainable mobility, the security of nation states and, more broadly, the evolution to a "green" economy. We have a responsibility, through our products and services, to take a lead in providing answers to these questions while building economic value, creating more jobs, and preparing for the challenges and opportunities of a more sustainable economy.

OBJECTIVES

- ④ Promote innovation, quality and eco-efficiency as drivers of research, product development, production and new business opportunities.
- ④ Develop cutting-edge solutions for sustainable mobility.
- ④ Support security and stability.
- ④ Reach out beyond aerospace to provide solutions.



REDUCING THE IMPACT OF INDUSTRIAL OPERATIONS

EADS is committed to becoming an eco-efficient enterprise, i.e. a more profitable company that continuously improves its overall environmental performance. We are striving to introduce this management philosophy, fully integrating it within the business and turning it into a company culture. We encourage all Functions, programmes and stakeholders to exercise responsibility towards the environment, while at the same time enhancing our competitiveness.

OBJECTIVES

- ④ Use our roadmap to achieve greater environmental efficiency.
- ④ Embed environmental management across product lifecycles in EADS' culture.



DEVELOPING AND ENGAGING OUR PEOPLE

Our people are the key to EADS' success and competitiveness. We are committed to developing their full potential, responding to their expectations regarding personal development, and providing equal opportunities to all. Concentrating on managing employee competencies, we are nurturing the skills base needed for the future and preparing to weather the ups and downs of economic cycles, while also seeking to ensure that our people are truly engaged.

OBJECTIVES

- ⊙ Anticipate, secure and develop competencies.
- ⊙ Improve employee engagement and development.
- ⊙ Reinforce diversity and integration throughout EADS.



SUPPLIER PARTNERSHIPS

EADS is forging increasingly strong relationships with suppliers. The combination of a business model that relies extensively on high-quality outsourcing, and long product cycles, means that we form long-term partnerships with our suppliers and progress together.

OBJECTIVES

- ⊙ Grow and progress with our suppliers.
- ⊙ Share CR&S objectives with our suppliers.



AN ACTIVE CORPORATE CITIZEN

We believe that contributing to the well-being of the communities in which we work, and especially to education in the sciences for young people, is an ethical imperative. We are focusing on activities where our expertise can add value.

OBJECTIVES

- ⊙ Be a long-term partner in the countries where we operate.
- ⊙ Focus on activities where our expertise adds value, i.e. research, education and humanitarian relief.

HOW WE IMPLEMENT CR&S

The Board and top management make strategic decisions relating to CR&S, charging the Corporate Secretary with overseeing implementation of CR&S strategy throughout the Group. The Corporate Secretary's office has representatives in Divisions and Business Units who pursue its goals by embedding CR&S in core business processes and making it part of EADS' business culture. Successful implementation requires both strategic input from top management and bottom-up initiatives from employees.

TOP-DOWN AND BOTTOM-UP

PRAGMATIC APPROACH

EADS has a Group-wide CR&S organisation, coordinated by the Corporate Secretary, which manages CR&S in a manner consistent with the Group's broad strategy for creating economic value.

The organisation has a pragmatic approach, with specific objectives implemented by a number of specialist teams. For example, in 2011 EADS created a Diversity Board to implement our diversity strategy and policies.

We also formed a Corporate Environmental Affairs department to help the Divisions to identify trends that may evolve into regulations, to oversee the Group's compliance with reporting obligations, and to support the Divisions and Functions (which remain in charge of the dialogue with their direct stakeholders).

Throughout the Divisions and Business Units, there are people charged with executing CR&S objectives. Focusing on the areas that are most relevant to EADS, they have specific goals, with milestones and key performance indicators, so that progress can be planned and measured.

INVOLVING ALL EMPLOYEES

By balancing short-term objectives with long-term strategic goals, we ensure that our CR&S approach is not only inherent in Group strategy but also embedded in core business processes. With the full commitment of top management, we aim to engage all employees in the approach.

As shown in the illustration opposite, while top-down management primarily drives EADS' CR&S strategy, this also requires bottom-up initiatives from employees. While management decides the overall vision, employees suggest how initiatives may be implemented.

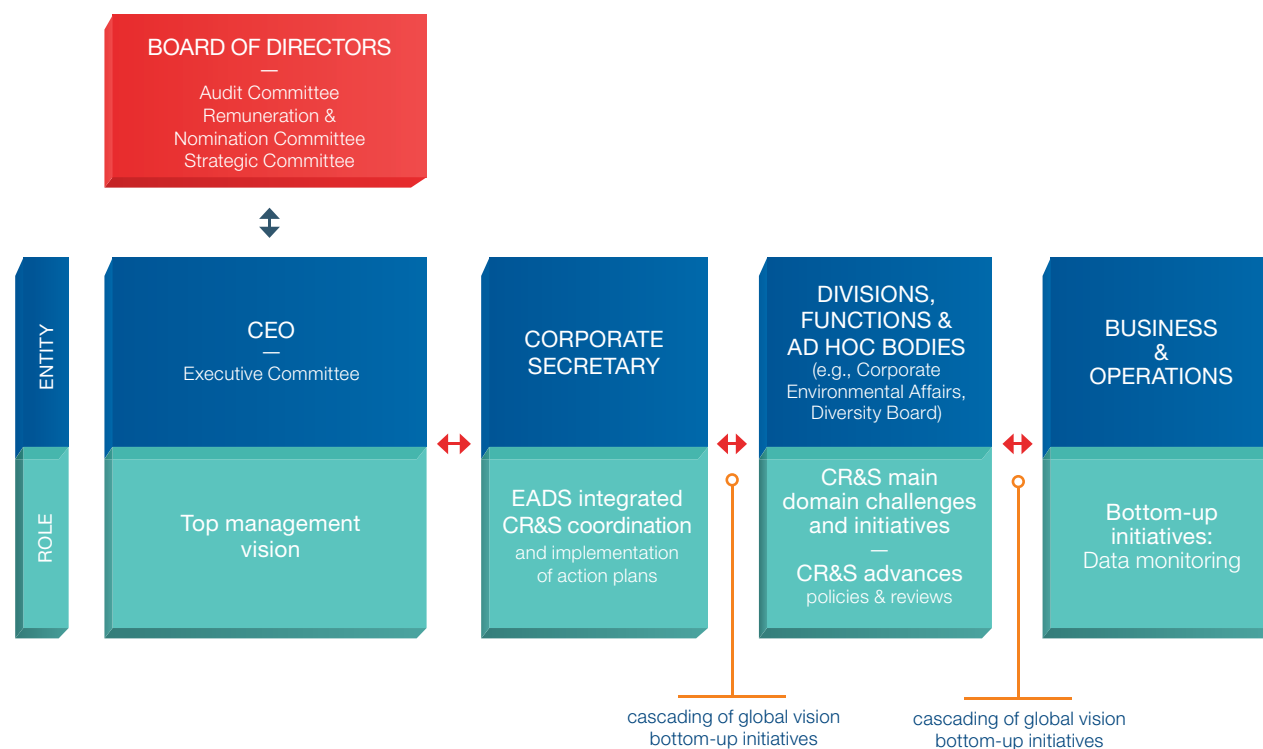
STRUCTURED ACTIVITIES

The Corporate Secretary ensures that CR&S is conducted in a structured way by:

- ⊙ Coordinating the internal CR&S network to ensure visibility and consistency in EADS' approach, both internally and externally;
- ⊙ Exploring how to use CR&S issues to create value through competitive advantage or cost reduction;
- ⊙ Defining and updating EADS' CR&S policies and activities;
- ⊙ Overseeing appropriate reporting (e.g., environmental reporting), to measure performance and progress;
- ⊙ Identifying emerging CR&S issues and exploring how to respond;
- ⊙ Making proposals and recommendations to EADS management regarding all CR&S matters;
- ⊙ Representing EADS to outside networks and maintaining a dialogue with stakeholders.

This approach provides a framework for the Divisions and Business Units which are responsible for day-to-day business and promotes dialogue with their direct stakeholders.

CORPORATE RESPONSIBILITY & SUSTAINABILITY STRUCTURE



EADS' Blue Book sets out the Group's corporate management principles and responsibilities, giving a comprehensive picture of how the Group organises itself to meet its obligations, and to achieve the missions and goals set by its Board of Directors or defined by law. CR&S principles are at the core of the Blue Book. As a global Group, with employees across the world, and products that have lifecycles exceeding 30 years, EADS believes CR&S is an important element in its success.



SOUND GOVERNANCE

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SOUND GOVERNANCE

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— Director, Chairman of the Audit Committee

WHAT IS EADS' APPROACH TO CORPORATE RESPONSIBILITY AND HOW DOES THE GROUP'S GOVERNANCE REFLECT THIS?

Corporate responsibility and sustainability (CR&S) influence how our Group balances short-term and long-term objectives – both how we manage our businesses on a daily basis and how we seek to develop them for the future. Under that definition, corporate responsibility and sustainability is a mainstay of the Group's governance and strategy. At Board level we recognise the importance of this, and I know the Executive Committee shares our commitment. Indeed, good governance practices are the cornerstone of responsibility, providing a framework for us to assess how to take advantage of EADS' growth opportunities – many of which are themselves related to sustainability – and how to manage the inherent risks.



WHAT STEPS HAVE THE BOARD TAKEN TO MAKE SURE EADS HAS ROBUST GOVERNANCE?

As you will read, the Board – and especially the Audit Committee which I chair – have focused on building a strong governance framework, particularly since 2007. We have constructed a network of corporate management processes and organisations, putting in place rigorous controls and focusing especially on ethics and compliance. During 2011, we concentrated on strengthening our enterprise risk management and compliance organisations' reach into the Group's smallest subsidiaries, and also introduced processes to make sure that these organisations play a part in acquisition due diligence. What's more, we made progress in our efforts to ensure that the high ethical standards required of a company such as ours are implemented thoroughly and accepted throughout the aerospace & defence industry globally.

WHAT ARE YOUR FUTURE PRIORITIES FOR GOVERNANCE AND CR&S?

In terms of governance, the priority for 2012 will clearly be the management and Board changes, which we have diligently prepared in accordance with EADS' well-defined succession process. The new management and Directors will assume their positions after our Annual General Meeting on 31 May 2012, and I have no doubt the transition will be smooth. Turning to CR&S more broadly, I think there is a case for reporting environmental, social and governance information alongside financials such as profits, as this would give our stakeholders a far more complete understanding of our company's value. I believe that better correlating extra-financial and financial criteria in EADS corporate reporting would provide our shareholders, customers, employees, suppliers and society with better insight into the value EADS is creating for all of our stakeholders.

SOUND GOVERNANCE

For EADS, responsibility and sustainability starts with good governance. Our strong corporate governance structures, including for control and risk management, and ethics and compliance are the foundations on which the Group is building its future. We have high standards, which we are continually seeking to improve.



GOOD GOVERNANCE STANDARDS AT EADS

Good governance standards are a cornerstone of EADS' corporate responsibility. EADS is committed to meeting and even exceeding social, legal and statutory requirements to ensure transparent management practice. We provide the most accurate and reliable information and records in all decision-making processes and business relations, both inside and outside EADS. To achieve the highest standard of reliability, we continually improve our internal control and risk management procedures.

Being registered in the Netherlands and listed on the stock exchanges of France, Germany and Spain, numerous corporate governance regimes apply to EADS. In order to be in line with best practices applicable in these jurisdictions, we work with a common set of corporate governance principles. In accordance with Dutch law, and with the provisions of the Dutch Corporate Governance Code, on the occasions when we do not apply these provisions we explain why we have not done so.

As a controlled company, we take specific measures to safeguard minority shareholders' interests. Four of our 11 Board members are independent and meetings are run in a way designed to encourage the expression of everyone's views. Given the absence of any material conflicts in business interests between EADS and its controlling shareholders, the Directors appointed by the controlling shareholders are judged to represent the interest of all shareholders fairly.

BOARD OF DIRECTORS

The Board of Directors consists of a maximum of 11 members appointed and removed by the shareholders' meeting. A specific set of rules governs the Board's internal affairs. Initially introduced at a Board meeting in July 2000, these have since been amended twice to take into account corporate governance changes. The rules specify the Board of Directors' composition, role and key responsibilities, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. Furthermore, they stipulate the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee, and the Strategic Committee) and specify their composition, role and operating rules.

The Board's four independent Directors are defined as "a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with either the Dasa Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group". The companies in this definition are EADS' principle shareholders.

The work of the Board of Directors is governed by internal directors' guidelines (the "Directors' Guidelines"), which are in line with corporate governance best practices. The Directors' Guidelines comprise a Directors' charter, detailing the rights and duties of the members of the Board of Directors; an Audit Committee charter; a Remuneration and Nomination Committee charter; a Strategic Committee charter (the "Strategic Committee Charter"). Each committee charter sets forth its role.

THE BOARD'S COMMITTEES

The Board has three committees, each of which meets regularly to fulfil its specific task. The Audit Committee approves the annual financial statements and interim accounts; the Remuneration and Nomination Committee makes recommendations regarding senior appointments and remuneration; the Strategic Committee makes recommendations regarding strategic issues.

Audit Committee

The Audit Committee met five times in 2011, with an 85% average attendance rate, to approve annual financial statements and the interim accounts, as well as the appointment of external auditors and the determination of their remuneration. Moreover, the committee was responsible for ensuring that the internal and external audit activities were correctly directed and that audit matters were given due importance at Board meetings. The committee also oversaw the operation of the Group's ERM system and the Compliance Organisation.

Remuneration and Nomination Committee

The Committee met four times in 2011, with a 94% average attendance rate. In addition to making recommendations to the Board of Directors for major appointments, the Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, and reviewed the Executive Committee members' 2011 remuneration, the long-term incentive plan and variable pay. Based on the outcome of the Free Share Plan, it also proposed the terms of the 2012 Employee Share Ownership Plan.

The Corporate Secretary conducted a Board self-assessment in early 2011, exploring the role of the Board of Directors, its operations, and processes that influence its performance.

Strategic Committee

The Committee met three times in 2011, with an 80% average attendance rate. It monitored major strategic and divisional initiatives, acquisition targets and divestment candidates, as well as the Group's top priorities. Furthermore, it made recommendations to the Board, in view of the competitive landscape and industrial policy in the home countries, company perception in key markets, and recent constraints on defence budgets. The Committee also reviewed several country strategies.

HOW THE BOARD WORKS

The Board of Directors meets regularly to discuss important strategic issues, the progress of programmes, risk issues and governance. There were nine Board meetings during 2011 and the Chief Executive Officer kept it regularly informed of developments through business reports, including rolling forecasts, and strategic and operational plans. The average attendance rate at such meetings was 86%.

Throughout the year, the Board of Directors monitored the progress of significant programmes, such as A320neo, A400M, Ariane 5, Paradigm, Eurofighter, Talarion and Saudi Border Security. It was kept informed about the A350 XWB programme's progress and reviewed the status of the programme management improvement initiative throughout the Group.

Furthermore, the Board of Directors addressed EADS' strategy (including the competitive environment). In line with the strategic objectives set forth in Vision 2020, the Board approved the acquisitions of Vector Aerospace, Satair and Vizada, which strengthened EADS' position internationally and in the services market.

The Board also focused on possible consequences resulting from the European sovereign debt crisis, as well as the Group's financial results and forecasts, cash management, compliance in key business processes, and efficiency and innovation initiatives. It thoroughly reviewed Enterprise Risk Management (ERM) results, export control regulations, investor relations and financial communication policy, and legal risks. Moreover, the Board discussed further actions for the improvement of EADS employee engagement.

Importantly, the Board of Directors focused on governance issues and succession planning in order to facilitate a smooth transition in 2012. It diligently prepared recommendations for appointments, applying EADS' approved succession process. This process aims to identify the best possible candidates for the composition of the Board of Directors as well as for top senior management positions.

The Board of Directors carries out an annual self-assessment of its performance, and invites independent consultants to make an assessment every three years (the last occasion was in early 2010). A thorough discussion of the findings takes place at a subsequent meeting of the Board.

The Corporate Secretary conducted the most recent self-assessment in early 2011, exploring the role of the Board of Directors, its operations, how well it fulfils its mission and the documentation and processes that influence its performance. The Directors concluded that as the Board has gained in maturity its work as a team has grown increasingly efficient, allowing it to explore new domains and to tackle relevant matters in the Group's best interests.

Additionally, the Directors unanimously agreed that discussions were uninhibited and that differing views were both encouraged and constructive. Moreover, the working relationship between the Board of Directors and the members of the Executive Committee was considered productive.

ENTERPRISE RISK MANAGEMENT

Enterprise risk management (ERM) is an important part of CR&S as it provides a Group-wide consistent framework for internal controls and risk management that support the company's value creation. The EADS Board of Directors and EADS senior management regard ERM as one of the key management processes to steer the enterprise. ERM aims to cover all business areas to identify, assess and respond to any significant risk and opportunity we are facing, including the six CR&S themes EADS has identified as material and that we highlight in this report.

ERM is a recurring compliance process, fully embedded in day-to-day operational management and programme operations. Dedicated executive management reports are made and consolidated on a quarterly, annual and, if necessary, ad hoc basis.

PROCESS OBJECTIVES

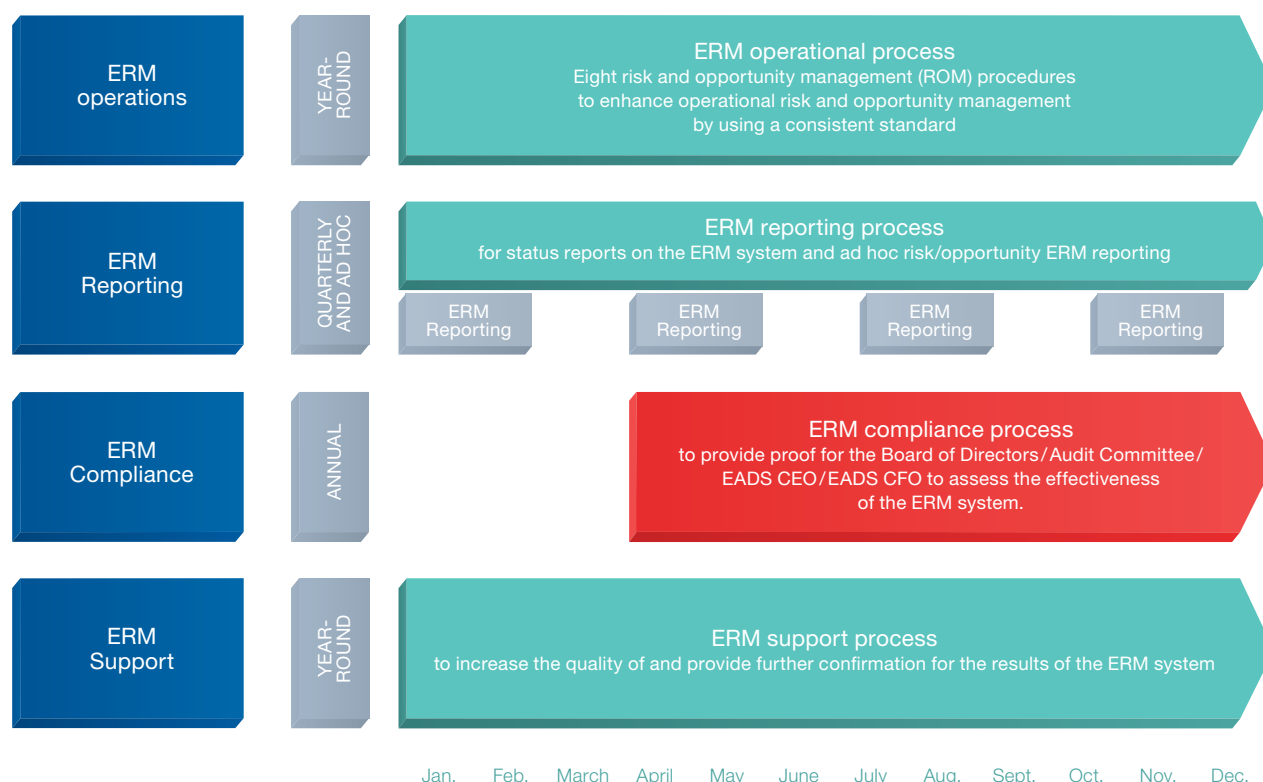
- ⊙ Allow risk-enabled decisions and managerial processes.
- ⊙ Facilitate and support management and programmes to deal effectively with risks, opportunities and related response actions.
- ⊙ Enhance the deployment of risk-response/opportunity-capture decisions and actions.
- ⊙ Align risk tolerance with strategy-setting, and decision-making with operational and programme activities.
- ⊙ Identify, assess and manage cross-enterprise risks and/or opportunities by understanding interrelated impacts on the enterprise.
- ⊙ Provide results to facilitate the company's financial and strategic planning processes.

EMBEDDED THROUGHOUT THE GROUP

ERM is an ongoing business process, flowing throughout EADS. Carried out at every level of our organisation, it is an integrated, hierarchical bottom-up and top-down process that enables better management and transparency of risks and opportunities, as well as internal controls. At the top level, the Board of Directors discusses the Group's main risks and opportunities every quarter, while the Audit Committee supervises the effectiveness of the ERM process as a whole.

We have one integrated, consistent, comprehensive, efficient and transparent ERM system, with a common understanding, methodology, practice and language. All EADS business operations and programmes apply the process, and it is an integral part of all other business processes, to foster the effective management of risks and opportunities and its respective internal controls.

ERM PROCESS



FROM REGULATORY LAW TO EFFECTIVE MANAGEMENT TOOL

Disclosing the effectiveness of financial reporting has become a legal obligation for listed companies worldwide. EADS has used this requirement as a lever to improve its risk management and internal control efforts to better support business operations by deploying and maintaining a Group-wide ERM System.

Within the aerospace & defence industry, highly complex products with long returns on investment over volatile market cycles exacerbate risk but also create opportunities. Therefore, risk management is embedded in EADS management practices and is an integral part of corporate culture. Risk management cannot be reduced to mere risk and opportunity identification; instead coherent policies and actions are needed to mitigate risks and to capture opportunities as well as to allocate responsibility squarely. ERM is intended to be a useful management tool for all EADS managers.

PROGRESS IN 2011

ERM encompasses both the risks that are inherent within an aerospace & defence business, and those which are out of the ordinary, such as natural disasters. For example, in response to exceptional geopolitical and natural events in 2011, a divisional ERM roundtable was set up to discuss risks arising from Japan's earthquake and tsunami, as well as those related to the Arab Spring. Specifically, the roundtable looked into whether there could be any danger receiving contaminated parts from Japanese supply chains or any other disruptions of production due to supply chain failures.

From a more organisational perspective, ERM's scope began to expand to include small subsidiaries and also certain key players in the supply chain. Furthermore, special attention was given to EADS businesses outside Europe, in the United States, Australia, Malaysia, Brazil and the Middle/Far East, and will now extend to companies acquired during 2011, when appropriate.

ETHICS AND COMPLIANCE

Ethics and Compliance has been incorporated into Vision 2020 and was one of the Group's 10 top priorities in 2011. As with any aerospace & defence company it has an important role to fulfil, in particular minimising the risk of bribery and making sure that export control regulations are observed. EADS' Ethics and Compliance Organisation supports the Group's commitment to the highest ethical and compliance standards. By ensuring that business practices conform to applicable laws and regulations, as well as to ethical business standards endorsed by the Group, including zero tolerance of corruption, the organisation sustains EADS' global competitiveness and protects its reputation and assets. To guarantee independence, the Chief Compliance Officer (CCO) reports to the Audit Committee of the Board.

CODE OF ETHICS

The Code of Ethics, called "Integrity and Transparency," is the Group's main compliance policy. The Code is a high-level guide describing how we expect employees and suppliers to behave. Further policies supplement the Code, both at Group and Division levels. Importantly, we communicate the Code's principles to our suppliers and sub-contractors.

The EADS Code of Ethics is built around the following five directives:

- ⊙ **Build a positive working climate**
Treat each other with respect, upholding employee rights, and ensuring workplace health and safety.
- ⊙ **Ensure sustainable profitability and focus on value creation**
Protect EADS' assets, maintaining accurate records, managing conflicts of interest, and avoiding insider trading.
- ⊙ **Deliver products and services that meet expectations**
Promote product quality & safety, competing fairly, engaging in proper business practices, protecting third-party assets, working with government customers and classified information, and complying with export laws.
- ⊙ **Grow together in an extended enterprise**
Treat suppliers equitably and conduct responsible sourcing.
- ⊙ **Support balanced local development**
Support our communities, striving for eco-efficiency, and donating to our communities.

MONITORING THE ETHICS AND COMPLIANCE PROGRAMME

The EADS Group CCO has established a compliance "roadmap" based on international standards and addressing the main identified compliance risks. The roadmap provides an overview of compliance activities such as:

- ⊙ Periodic assessment and reporting of the main compliance risks as part of the EADS Enterprise Risk Management system;
- ⊙ Monitoring of Ethics and Compliance policies;
- ⊙ Transparent reporting to the Audit Committee and communication to the Executive Committee;
- ⊙ Communication and training activities across the Group;
- ⊙ Functioning of the "OpenLine" alert system, which specifically deals with allegations relating to accounting, financing, corruption or anti-competitive practices.

The programme is regularly reviewed, with external verification of the implementation of adequate procedures.

BALANCING INDEPENDENCE AND EFFECTIVENESS

The CCO is supported by Compliance Officers across our Divisions, Business Units and Functions. A balance between proximity to day-to-day business activities and necessary independence is ensured through dual reporting to both Compliance and management.

Two committees help to advance compliance within the Group. The Compliance Steering Committee, which is made up of Compliance Officers, supports the development of the Ethics and Compliance Programme and ensures alignment throughout the Group. Meanwhile, the Compliance Council, which is composed of the Executive Committee and Compliance Steering Committee members, as well as other executives, approves priorities and monitors the implementation of the EADS Ethics and Compliance programme.

REPORTING TO THE AUDIT COMMITTEE

The CCO reports to the Audit Committee four times a year. Each report contains a dashboard describing the compliance organisation's progress in meeting its objectives. Additionally, focus reports detail the main compliance risks, key performance indicators, significant compliance allegations and compliance objectives. Additional reports are presented to the Audit Committee upon request on an ad hoc basis.

REDUCING RISK AND SPREADING HIGH STANDARDS

In 2011, the Ethics and Compliance Organisation made progress both in reducing risks within the Group and in fostering homogenous standards throughout the aerospace & defence industry globally. Additionally, the organisation sought to implement new procedures and to benchmark the efficiency of its programme.

“All newly acquired companies are systematically reviewed for compliance issues.”

Tasked by the Audit Committee with making sure compliance risks were managed even outside the Group's core, Compliance concentrated on new acquisitions, joint ventures and smaller subsidiaries. Focusing particularly on bribery and corruption risks as well as trade compliance, all newly acquired companies were systematically reviewed during due diligence for compliance issues, and again after acquisitions were completed. Smaller subsidiaries were also reviewed for compliance risks, with recommendations made for improvements. In the case of joint ventures, the compliance organisation made sure robust compliance systems were in place.

Through its leadership of the International Forum on Business Ethical Conduct (IFBEC), EADS helped to spread consistently high ethical standards across the aerospace & defence industry globally. IFBEC, of which we are a founding member, held its second annual meeting in 2011, which was attended for the first time by companies from outside Europe and the United States.

Finally, the compliance organisation further communicated the new Code of Ethics, published in 2010, within EADS. An awareness and training campaign was developed, including messages from the CEO to all staff. This campaign also included the launch of an e-learning programme. Additional initiatives in the Group's Divisions have also raised awareness of the Ethics and Compliance Programme. Specific topical training activities were also developed to cover key compliance risks.

TRAINING FIGURES ON ETHICS AND COMPLIANCE IN 2011



In 2011,

- © Around **9,200** employees were trained in person,
- © And **18,400** employees were trained on a web-based basis.

EXPORT CONTROL

EADS Group, as a global leader in aerospace, defence and security, commits itself to control exports of high-technology products and services. We carefully manage the export and transfer of “controlled” goods and technologies that are considered important by our five “home countries” for their national security, their foreign policies, the European Union and its allies.

We summarise our export control policy as follows:

- ☉ Cooperate closely and openly with governments.
- ☉ Always comply with governmental export rules and regulations.
- ☉ Check reliability of customers and end users.

A robust control framework

An EADS Group Export Compliance Directive, issued in 2009 by the CEO, is the foundation of our export compliance policy, setting the general policies that must be implemented. Taking into account the specific nature of their businesses, each Division and related Business Unit has issued implementing processes and procedures to comply with these policies.

The EADS Export Control Compliance Manual sets out the 16 principles of the EADS Export Control System. It defines guidelines and procedures for each of the countries where we do business, with a particular focus on the United States. The manual defines how to apply for export licenses, but also how to manage procedures for foreign nationals, technology, reporting, certification, audit and correction.

The EADS Group Export Compliance Directive is supplemented by two other key directives. Applicable to the whole Group, these Directives are incorporated in the Export Compliance Manuals. The Directives are:

- ☉ The Sensitive Country Directive;
- ☉ The Export Compliance Procurement Directive.

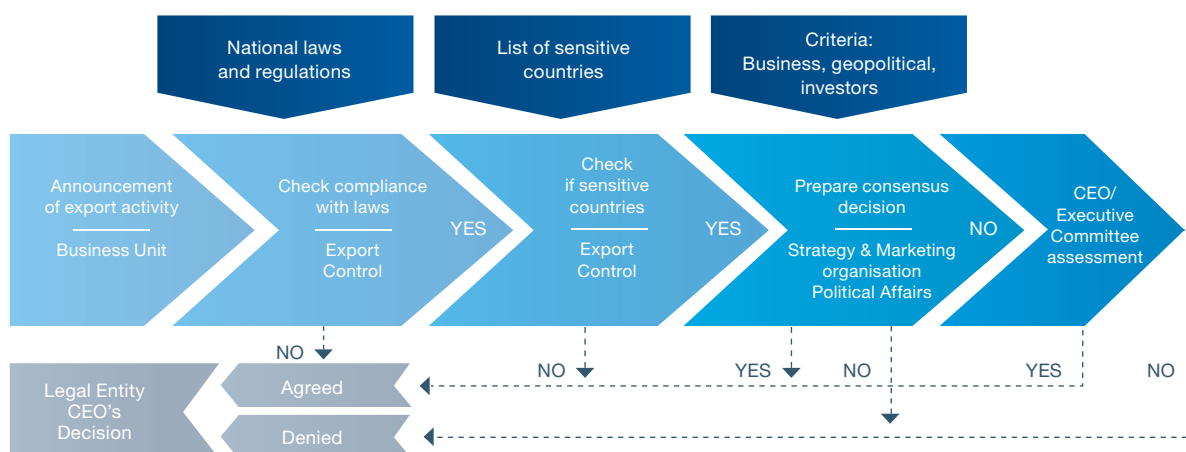
The Sensitive Country Directive states that all proposed EADS business with “sensitive countries” will be scrutinised. The Group Export Compliance Office has a dedicated department that, every quarter, updates a list of sensitive countries. This comprises countries that are officially sanctioned, so avoiding conflicts with EADS’ commercial interests. The CEO and the Executive Committee make the final decision about whether to do business in a country or not (see the Sensitive Countries Process table below).

The Export Compliance Procurement Directive ensures compliance with the export and re-export requirements of procured items’ countries of origin (especially the United States).

The Group Export Compliance Office participates in the Enterprise Risk Management (ERM) process and, accordingly, submits through the Compliance Office quarterly reports to the Audit Committee of the EADS Board.

The Group Export Compliance Office also supports the harmonisation of export compliance processes in major programmes, especially multinational or multi-divisional programmes.

SENSITIVE COUNTRIES PROCESS



Notably, it takes part in the merger and acquisition due diligence process. Additionally, it coordinates EADS' interactions with governmental institutions and industry associations (e.g., positions regarding US and/or EU law-making initiatives).

The Group Export Compliance Officer has access to all export compliance-related information in EADS (unless classified or restricted by national authorities), and has the power to intervene in situations that could impact the Group, escalating any matter if required.

Finally, the corporate intranet, training and awareness programmes, as well as IT solutions for license and programme management, are important tools for promoting the effectiveness of export control.

Centralised compliance

In order to strengthen compliance monitoring, we reorganised the export control structure in 2011 as a central Group Export Compliance Office. As a centralised organisation, it will enforce Group compliance, and implement Group policies and procedures, taking into account relevant national laws and regulations. It is creating centres of competence that will provide expertise, give advice and promote best practices across EADS while addressing the Group's key risks.

Each Division has its own export control organisation that is responsible for its operational activities and reports to the Group Export Control Office. The Head of the Group Export Compliance Office and the heads of the divisional export control organisations are members of the Export Compliance Council, which meets every quarter to monitor implementation of export control policies throughout the Group.

The Group Export Compliance Officer reports to both the Chief Compliance Officer and the Chief Strategy & Marketing Officer. This double reporting line safeguards the Function's independence, while also making sure it is close to business operations and effective.

BUSINESS ETHICS

Preventing bribery and corruption has always been a priority for EADS and we decided to adopt an anti-corruption compliance programme at an early stage in the Group's existence. The EADS business ethics policy and rules were adopted in February 2001 and are under continual review.

Preventing corruption

EADS business ethics policy and rules aim at identifying, detecting and controlling potential non-compliance risks in partnerships formed to support directly, or indirectly, marketing and sales activities, as well as risks in mergers & acquisitions and investment projects formed for entering new markets. We aim to preserve our reputation in a tightening regulatory context. For example, we apply a centralised vetting process to consultants (a specific category of business partner), who are particularly exposed to these compliance risks.

Management is responsible for reporting any deviation from the business ethics policy and rules to the Division's Compliance Officer and to the Group International Compliance Officer.

The policy and rules seek to ensure a safe and efficient selection of business partners, based on the following principles:

- ⊙ Transparency in selection of business partners;
- ⊙ Robust due diligence on business partners;
- ⊙ Appropriate remuneration for legitimate services;
- ⊙ Monitoring of contractual relationships with business partners.

In addition, the International Compliance Programme includes regular audit and reporting mechanisms, and conducts appropriate training sessions. Our policy also lays down guidelines regarding the acceptance of gifts and hospitality.

To make sure that employees are aware of EADS' business ethics policy, all employees involved in selling products and services attend training. EADS regularly publishes International Compliance Programme Newsletters for employees, covering the regulatory environment for foreign trade.



01.

INNOVATIVE,
ECO-EFFICIENT
AND SAFE
PRODUCTS

3 QUESTIONS FOR JEAN BOTTI

— Chief Technical Officer

HOW DO RESPONSIBILITY AND SUSTAINABILITY AFFECT EADS' APPROACH TO INNOVATION?

Sustainability and responsibility have become an increasingly important driver of innovation for EADS and for our stakeholders. As a result we are focusing our research activities more and more on eco-efficiency and new security challenges. As a leading aerospace & defence group, we have a major role to play in developing technologies and products that solve the problems of sustainable mobility, new security challenges and, more broadly, evolution to a "green economy." We are investing in developing the new technologies and products that are needed, knowing that this in turn will spur our future growth.

CAN YOU GIVE US SOME EXAMPLES OF WHAT YOU ARE DOING?

The fact that we have protected our level of research and technology spending through economic uncertainties in Europe shows the Group's commitment to innovation. As you will read in the following pages, we are allocating a larger budget to environmental technologies. In 2011, we revealed some of our thinking when we displayed futuristic concepts for the future of flight. We also publicised the application of new manufacturing techniques to reduce waste in manufacturing complex parts. At a product development level, the Group's drive to introduce the most eco-efficient products, such as the A320neo, has been acknowledged by the marketplace and our customers. The eco-efficiency benefits of this new version of the A320 has led to it receiving more than 1,000 orders over the last year, becoming the fastest-selling commercial jet ever. In the area of security, we are taking steps to address the threat of terrorism and the emergence of cyber warfare.



DO YOU HAVE ANY PLAN FOR ENHANCING THE WAY THAT EADS APPROACHES INNOVATION?

We are working to create a self-perpetuating culture of innovation, encouraging employees to suggest ideas in their specialist areas – or even to propose entirely new concepts beyond their specialist areas. For instance, the X3 hybrid helicopter demonstrator was originally suggested by Eurocopter's teams who, along with their management, have shown their ability to apply innovation in order to remain the helicopter industry leader. This is a good example of the way in which we are seeking to make use of our employees' spirit of innovation, a spirit which our employee engagement surveys has clearly shown.

INNOVATIVE, ECO-EFFICIENT AND SAFE PRODUCTS

As a leading aerospace & defence group, EADS has a responsibility to develop the best technology worldwide to advance mobility and security.

The Group is focusing its research and development on creating the technologies and products that will promote eco-efficiency and ensure national security.

WHAT OUR INNOVATIONS COVER

EADS' position as one of the world's largest aircraft manufacturers (including helicopters), a major defence company and one of the biggest space companies means we are at the heart of today's corporate responsibility debate. We are, therefore, involved in critical issues such as sustainable mobility, the security of nation states and, more broadly, evolution to a "green economy."

What this means is that EADS' future growth depends on developing products that are eco-efficient and counter evolving security threats. Our growing portfolio of technologies and products is creating the solutions needed. EADS is playing a central part in aviation's drive to reduce aircraft emissions, is developing a new generation of smarter security products and is leveraging its technologies to help monitor and mitigate climate change.

Reflecting society's need to develop new solutions to meet its environmental and security challenges, EADS' research and development funding is increasing. In 2011, it stood at 6.4% of revenues. Additionally, the Group's spending on early-stage research is being protected, in spite of the spending downturn in institutional defence, space and security markets.

SUSTAINABLE MOBILITY

Across EADS, we make approximately 50% of the world's commercial aircraft with 100 or more seats and are the world's largest helicopter manufacturer. Through research, technology and product innovation, we are leading the aviation sector to a more sustainable future, creating the solutions that will reduce its environmental impact. By developing new, eco-efficient EADS products and promoting the sustainability of aviation as a whole, we are safeguarding our own profitable growth.

SECURITY AND STABILITY

Our defence and security businesses develop products and solutions ranging from modern unmanned aerial systems (UASs) to cyber security services. At a time when the nature of threats to nations is fast evolving, when terrorism, maritime piracy and cyber security attacks are often more immediate concerns than war, with blurring boundaries between defence and security, we are working hard to develop new solutions. We are developing the new technologies and products required to respond effectively, including the large complex systems which allow different response services and platforms to work in concert.

BEYOND AEROSPACE

EADS is an aerospace & defence group that possesses one of the biggest portfolios of advanced products and patented technologies. Many of these have applications in other sectors that are related to sustainability. EADS-sourced satellites for earth observation help monitor climate change, our advanced materials have applications in wind turbine blades and our composite materials reduce the weight of aircraft and car bodies alike. These applications will contribute to future profitable growth.

Below we describe in detail the processes and strategies that the Group uses to foster a culture of innovation and support the three main domains covered.



IDENTIFYING PRODUCT AND TECHNOLOGY GOALS

In order to identify the technologies and products that EADS will need tomorrow, the Group has a clear strategic planning process. This process defines EADS' long-term strategic and product goals, identifying the technologies that we will need to support them. The strategic planning process develops and consolidates Group strategy, and monitors its implementation. Group strategy's objective is to develop a sustainable and profitable business, and to maximise the return of long lifecycle investments.

The strategic planning process does the following:

- ⊙ Provides a standard/framework for corporate headquarters and business entities to plan, agree and monitor strategies on an annual basis. This framework ensures consistency between strategic and operational planning;
- ⊙ Coordinates Corporate Headquarters', Divisions' and business entities' strategies and objectives for the next ten years and beyond, aligning them to the Group's overall Vision 2020 objectives and targets;
- ⊙ Facilitates resource allocation for the defined long-term Group strategic objectives;
- ⊙ Provides a framework for major organic and M&A investment decisions.

The strategy process follows a yearly cycle, with our Divisions and Group Functions at corporate headquarters drawing up their own strategic plans.



EADS' CEO is closely involved in the strategy process, reviewing strategic plans during business discussions, either approving them or requesting amendments. As part of the strategy process, the Strategic Cockpit management tracking tool is prepared twice a year (July and December) for planning purposes and for monitoring implementation of the Group's Vision 2020 strategy for the next decade. Score cards are prepared at Group and Division levels to monitor progress. Strategy implementation status reports are presented to the Board of Directors.

STRATEGIC PLANNING PROCESS



CREATING A CULTURE OF INNOVATION

EADS is fostering an innovative technology culture. Both within the Group and through supporting our partners such as universities, we aim to incubate the technologies we need for future product development. Our long-term product cycles require us to identify technologies many years in advance and progress them to maturity. We focus especially on technologies enabling new products and services, creating differentiators or improving efficiency.

Working within the Group and with external research partners such as universities, we aim to incubate technologies that will provide our customers with the products that they will want tomorrow. Many of these technologies enable our customers to do things more efficiently, so reducing their impact on the environment. Others counter emerging security threats.

Innovation Works, our corporate research network, manages and coordinates research internally and externally. Within Innovation Works there are seven Technology Competence Centres (TCCs). Externally, Innovation Works has partnerships with university research departments and specialist organisations in fields such as biofuel development. We also manage the Business Nursery, which incubates technology ventures.

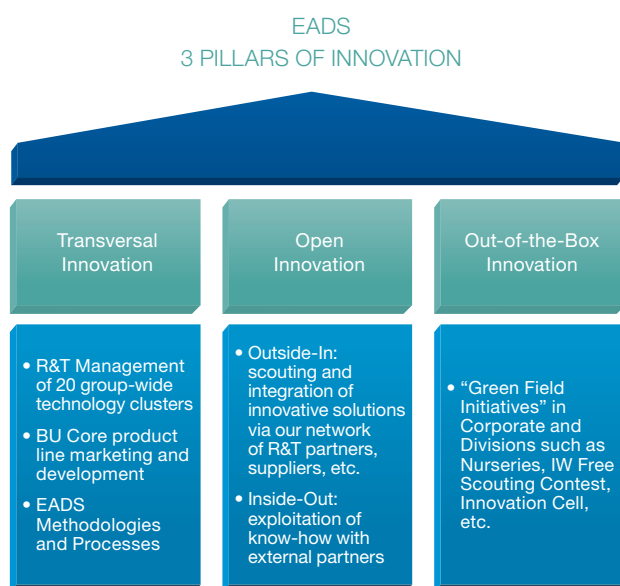


We describe our approach as having a three-pillar innovation model. “Transversal innovation” is the first pillar and oversees the 20 Group-wide technology clusters; “open innovation” is the second and manages relations with external research partners; “out-of-the-box” is the third and includes activities such as nurseries within the Divisions and innovation cells where disruptive technologies are matured into profitable businesses.

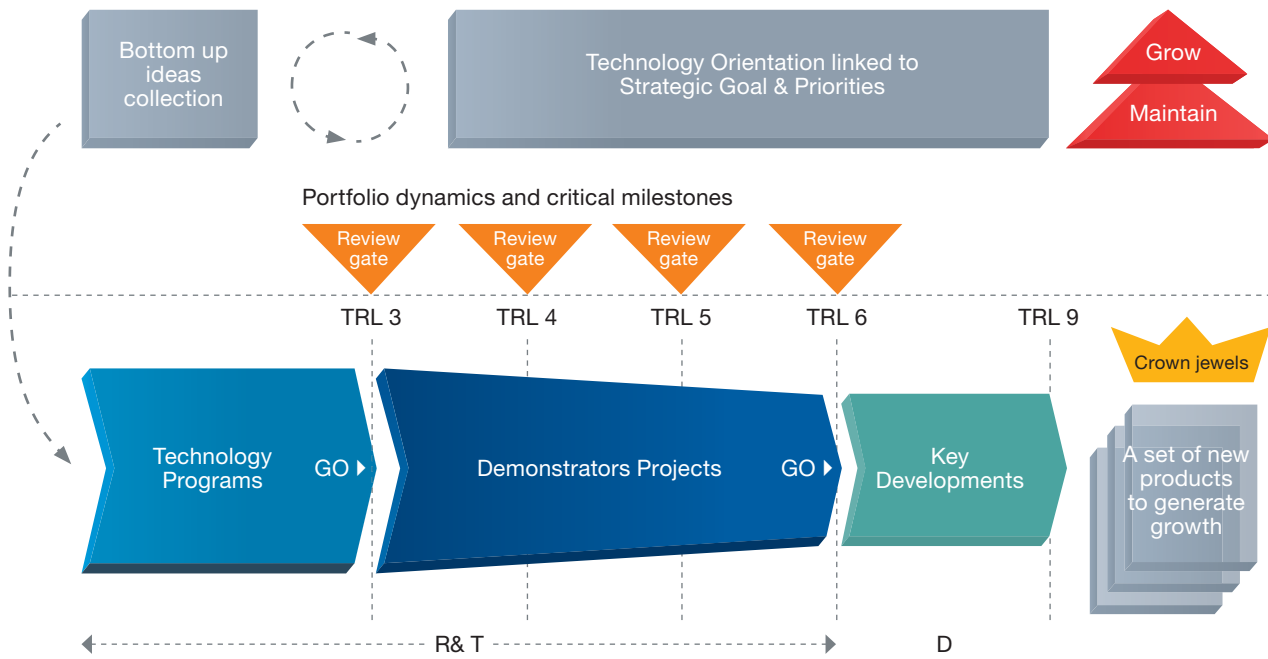
PROGRESSING TECHNOLOGY RESEARCH

Innovation Works and the Divisions work together to develop EADS’ new technologies leading to new or improved products. The Divisions have long-term product strategies that enable them to identify the technologies they will need many years in advance. Innovation Works focuses on advancing these technologies to maturity within the timeframe needed for product development.

At the earliest stages of technology readiness – called technology readiness levels (TRLs) one to three – Innovation Works collects and progresses technologies in fields that are relevant to the Group’s long-term product plans.



EADS INNOVATION WORKS IN THE GROUP INNOVATION PROCESS



TRL: Technology Readiness Level

After passing the TRL3 proof of concept gate, projects enter the demonstrator phase, where greater cooperation between Innovation Works and the Divisions is required to align technology development with a specific product requirement. Should the demonstrators prove technologically robust and likely to attain maturity in time for product development schedules, they move beyond TRL6 into product development. At this point, the Divisions take sole responsibility for incorporating new technologies into new products. TRL9 is the final level of technology readiness, at which testing is completed and full-scale production can be launched.

Also within Innovation Works, the Innovative Growth Steering Committee (Nursery) focuses on developing disruptive technologies in areas adjacent to the Divisions' core businesses and determining if they merit funding. In 2011, the Nursery organised a competition called disruptive.innovations@eads to scout for new ideas, which resulted in the submission of 49 new business concepts, intended to "enable growth" or "potentially improve EADS' position in business fields" such as security, transport or energy.

Example: Inventing and developing MiRA to save time and cost on the assembly line

In 2009, Innovation Works and Airbus set about developing a collaborative project to help automate the aircraft production process. Three years later, Airbus quality inspectors are using MiRA (Mixed Reality Application), a three-dimensional (3D) viewing device, to compare aircraft on the production line with their 3D digital mock-ups. The genesis of MiRA took it through the following process:

1. TRL1 to TRL3

From 2009 Innovation Works developed MiRA's technological foundations. This included software and hardware development and integration (camera and motion sensors).

2. TRL3 to TRL4

In 2010, Innovation Works and Airbus built a business case for MiRA, while also progressing to a more mature prototype.

3. TRL4 to TRL9

In early 2011, Airbus decided to fast track MiRA's development, in order to ensure its availability in time for A350 XWB series production at the end of 2011. Technology development was completed and a production supply chain put in place.



© 6.4% of revenues invested in self-funded R&D in 2011

MiRA is now in use on the A380 and A350 XWB production lines, being used to check the secondary structural brackets that hold systems such as hydraulics and pipes in place. On the A380, it has reduced the time needed to check tens of thousands of brackets in the fuselage from 300 hours to 60 hours. Furthermore, late discoveries of damaged, wrongly positioned or missing brackets have been reduced by 40%.

3D viewing and checking has yielded substantial cost and efficiency benefits at Airbus; it will soon be extended to other applications across EADS' Divisions such as Astrium and Eurocopter.

© 1,018 patent applications in 2011 (33,050 patents owned or pending)

EADS R&D EXPENDITURE (SELF-FUNDED)

(€bn)	2011	2010	2009
Total	3.152	2.939	2.825

INNOVATION PROGRAMMES IN 2011

Below is an at-a-glance guide to the innovation programmes that took place in the Divisions during 2011:

- © Airbus' recently established Nursery and Innovation Cell promoted an accelerating intra-Airbus dialogue about operational issues, serving as a springboard for new ideas.
- © Cassidian advanced a number of innovation programmes: Cassidian Advanced Concepts, Cassidian R&T & Innovation Department, INCA (an intranet-based idea scouting process) and the Sagitta Unmanned Aerial Vehicle project.
- © The MBDA Innovation Program, 3i, participated in the continuous-detonation wave engine research programme. Additionally, the Perseus project, an internal MBDA innovation initiative unveiled at the Paris Air Show, was successful.
- © Astrium's High Altitude Pseudo Satellite made its first flight. Other ongoing Astrium innovation programmes included the HOMER landing demonstrator; the INNOVEX-Integrated Systems Innovation; the Astrium Open Innovation Process (ACR); Astrium's Space Transportation Innovation Pipeline and New Business Board; and the Astrium ST Advanced Concepts.
- © Eurocopter continued evolving the Eurocopter X3 rotary-wing demonstrator, exceeding its target speed of 220 knots. Eurocopter also introduced a hybrid helicopter demonstrator in July and performed flight demonstrations using an electric motor and batteries.
- © Innovation Works introduced the ZEHST and VoltAir future aerospace technology concepts (see Sustainable Mobility section).

© 80% of R&T budgets for green growth at Airbus and Eurocopter

INTERVIEW WITH NICOLAS CHEVASSUS – Industrial Processes Department Head, Innovation Works



BREAKING THE RULES WITH INNOVATION WORKS

HOW DOES INNOVATION WORKS FOCUS INVENTIVE ENERGIES AT EADS?

All of our research is carried out within the framework of EADS' vision for innovations that our products need. Many of these innovations come from the Innovation Works (IW) team of about 800 scientists. We also work with academics and laboratories, both to monitor their research and to get them to perform research for EADS. Our first role is to marry invention and application to produce innovation. Then IW brings innovations to the Business Units.

“Our first role is to marry invention and application to produce innovation.”

HOW DO YOU TURN IDEAS INTO REALITY?

We work to develop the technology that the Business Units need, and then turn it over to them to embed it into products. So we develop the initial technology, which takes us up to technology readiness level three (TRL3) in the innovation process. Then we work with the Business Units to develop technology demonstrators up to TRL6. After that the Business Unit takes the technology and uses it to develop a product.

CAN YOU TELL US ABOUT YOUR SUCCESS STORIES?

There are already a number of success stories in production. Within my own field I would mention our MiRA 3D checking technology, which is bringing considerable benefits to aircraft production. Another great example is LUCIE, a non-destructive, laser-ultrasound machine that will be used to inspect large composite aerostructures. Looking to the future, in the field of propulsion energy the research that is being carried out on next-generation biofuels is proving successful.



SUSTAINABLE MOBILITY

EADS is taking a leading role in the aviation industry's drive to achieve carbon-neutral growth and then reduce emissions. We are devoting increasing resources to supporting the development of technologies and new ways of operating that will enable the sector to achieve its ambitious targets.

Air transport lies at the heart of the modern economy, supporting over 56 million jobs and US\$2.2 trillion of gross domestic product. If aviation were a country, it would rank higher than some members of the G20. Goods shipped by air are very high value commodities, often perishable or time-sensitive. They represent 0.5% of world trade shipments but over 35% by value. Yet aviation generates approximately 2-3% of all man-made carbon dioxide emissions, as well as other greenhouse gases³.

Historically, technological developments have reduced aviation's fuel burn per seat by 70% over the past 40 years, with a parallel fall in emissions of CO₂, but there is still space for improvements.

Flightpath 2050 aims to achieve the following significant cuts in emissions:

- ⊙ 75% CO₂ emissions reduction per passenger kilometre to support Air Transport Action Group (ATAG) targets;
- ⊙ 90% NOx emissions reduction;
- ⊙ 65% noise reduction.

ATAG's broader objectives are:

- ⊙ Stabilise CO₂ emissions by 2020;
- ⊙ Reduce emissions by 50% (below 2005 levels) by 2050.

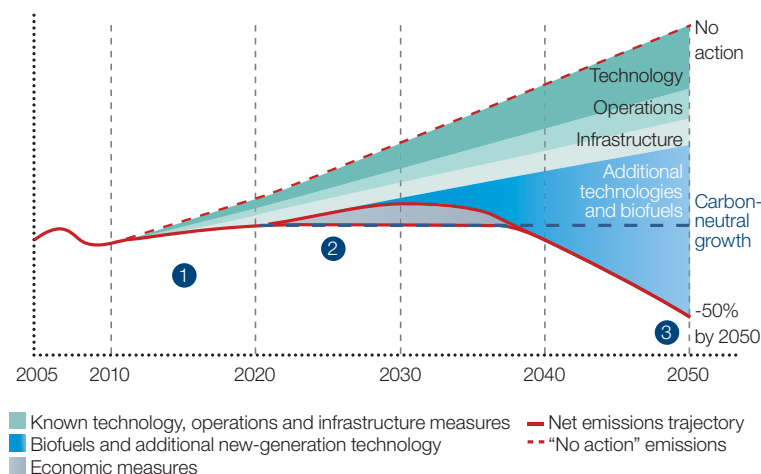
TARGETS FOR EMISSIONS CUTS

Within EADS we have set ambitious targets that are in line with both Flightpath 2050, the European Union's Vision for Aviation, and the global Air Transport Action Group (ATAG) objectives.

THE FOUR-PILLAR STRATEGY TO REACH THESE TARGETS

EADS is committed to the aviation sector's four pillar strategy for achieving ATAG objectives. The four pillars are: technology, operational practices, infrastructure and economic measures.

REDUCING CO₂ BY 50% OUT TO 2050



Source: ATAG, Emission Reduction Roadmap, 2008.

ATAG roadmap envisages the following stages:

- ① From now until 2020: 1.5% efficiency improvement per year
Replacement of older aircraft with more efficient ones.
- ② From 2020: Capping growth in emissions from aviation
From this point on, any emissions the aviation industry is unable to reduce through operational, technological or infrastructure measures are to be offset by market measures.
- ③ By 2050: Halving net emissions compared with 2005 levels
After 2020, large emissions reductions will be made possible by advanced technology and biofuels.

³ Intergovernmental Panel on Climate Change.

KNOWN TECHNOLOGIES

Demonstrating growing demand from airlines for eco-efficient aircraft, in 2011 the Airbus A320neo (new engine option) won more than 1,000 orders, approximately half of all orders for commercial aircraft. Due to enter service from 2015, the A320neo will burn up to 15% less fuel than today's A320 Family, and save up to 3,600 tonnes of CO₂ emissions per aircraft each year. Additionally, it will deliver a double-digit reduction in NOx emissions. The new sharklets designed for the A320 Family alone will lead to a 3.5% fuel saving.

The Airbus A380 double-decker, which entered service in 2007, consumes less than three litres of fuel per passenger over 100 kilometres, compared with the worldwide fleet's average of five litres. Looking forward, the new A350 XWB long-range aircraft, due to enter service in 2014, will burn 25% less fuel than its current long-range competitor, which represents 27,300 tonnes less CO₂ per aircraft each year.

ADDITIONAL TECHNOLOGIES

EADS' Divisions are key participants in the European Union-funded Clean Sky Joint Technology Initiative. This research programme aims to develop aircraft technologies in line with the Advisory Council for Aeronautics Research in Europe objective of showing by 2020 how carbon dioxide emissions can be reduced by 50% and nitrogen oxide by 80%, as well as how noise levels can be reduced by 50%, all relative to levels in 2000. In general, as much as 80% of research and technology budgets at Airbus and Eurocopter are devoted to finding ways to increase eco-efficiency and reduce pollution.

Looking even further forward, we publicised two revolutionary technology concepts in 2011 that would reduce environmental impacts. Zero Emission High Supersonic Transport (or ZEHST), would be able to fly through the stratosphere. A small technology demonstrator should be built by 2020, and the aircraft could conceivably be operational by 2050. At the 2011 edition of the Paris Air Show, Siemens AG, Diamond Aircraft and EADS successfully presented the world's first aircraft with a serial hybrid electric drive system, called VoltAir. The next development step will be to optimise the entire drive train.

SUSTAINABLE BIOFUELS

EADS aims to be a catalyst in industrialising sustainable alternative fuel production by encouraging development of regional biofuel "value chains". In 2011, Airbus and the European Union launched the Biofuel Flightpath project, aiming to promote a European alternative fuel industry able to produce two million tonnes a year by 2020. Elsewhere, Airbus is leading EADS' attempts to establish alternative fuel value chains by connecting

"In 2011, Airbus and the EU launched the Biofuel Flightpath project, aiming to promote a European alternative fuel industry."

farmers, refiners, airlines, universities and associations. So far four value chains have been established – in Brazil, Qatar, Romania and Spain – and Airbus aims to have one value chain on every continent in 2012. Furthermore, Airbus has been instrumental in obtaining certification for 50% biofuel mixes on commercial flights.

OPERATIONS

Improved operational practices, including reduced auxiliary power unit usage and cabin interior weight reduction measures will achieve further reductions in CO₂. For example, in 2011, Airbus made progress in the use of fuel cells to power aircraft backup systems and taxiing on the ground.

INFRASTRUCTURE

By affecting how high, fast and far from each other aircraft fly, and finding direct routes to destinations, modern air traffic management (ATM) will contribute to reducing greenhouse gas emissions by 10% per flight. EADS has leading roles in the Single European Sky ATM Research (SESAR) project, which is developing the technology for a new European ATM system. In 2011, Airbus established its Airbus ProSky subsidiary to help develop SESAR, as well as to interact with NextGen, the US equivalent.

ECONOMIC MEASURES

In order to encourage airlines to fly eco-efficient aircraft, governments are likely to introduce market-based measures that attach a cost to CO₂ emissions. The European Union's extension of its Emissions Trading Scheme to include the aviation industry is a first example of this. EADS supports the principle of market-based measures but believes they should be introduced on a global rather than regional basis.

In October 2011, Air France and Airbus illustrated the potential for CO₂ reductions using technology already in place today, when an A321 commercial flight from Toulouse to Paris achieved a 50% reduction in emissions by combining alternative fuels and optimised air traffic management.

SECURITY AND STABILITY

EADS products and expertise provide society with both security in everyday life and defence in an emergency situation. As one of Europe's leading defence companies, our equipment and systems help to maintain stability in our home countries and in other countries that are not judged to be "sensitive", or "restricted" by our home countries.

In today's increasingly complex world, we are tackling new kinds of threats, whether war, terrorism and crime, or piracy and hacker attacks on the internet. EADS is continuously transforming its product range, using technological innovation to keep a step ahead of changes. As such, our products enhance the security of the modern nation state.

"EADS is continually evolving its product range to tackle new kinds of threats, whether war, terrorism and crime, or piracy and hacker attacks on the internet."

The Cassidian Division is EADS' main provider of defence and security solutions such as combat and mission aircraft, radar and sensor technologies and secure communications systems.

Within other Divisions of EADS, Airbus Military provides military transport aircraft and air-to-air refuelling tankers, Eurocopter makes military helicopters, and Astrium satellite observation and communication capabilities help to anticipate conflicts and mitigate the impact of crises.

CONTRIBUTING TO NATIONAL SECURITY

Through our systems and monitoring products, EADS is helping nation states to secure their borders and to protect important events. Cassidian is making a strong contribution to national security especially in Europe, in the Middle East and in North Africa. For example, in 2009 Saudi Arabia contracted Cassidian to build an integrated security system for its 9,000 kilometres of land and sea borders. The five-year contract involves establishing a command-and-control system, surface and aerial monitoring, as well as a system of security posts. In 2011, the United Arab Emirates contracted Cassidian joint venture EMIRAJE Systems LLC to build a command and control system for its armed forces, which will help to coordinate them and to maximise their efficiency.



We are enhancing our ability to help governments monitor border areas by developing powerful new radars. In 2011, Cassidian introduced the complete product family of Spexer™ security radar, which opens up new opportunities for wide-area protection of sensitive infrastructure. In order to provide state-of-the-art maritime surveillance capabilities, we merged our Sofrelog subsidiary with Atlas Elektronik's Atlas Maritime Security to form SIGNALIS. Based in France and Germany, the new company will provide coastal surveillance solutions, employing technologies for radars, sensors, communications and data processing.

Additionally, security forces across the world are using our secure communications technology. For example, our Professional Mobile Radio (PMR) technology was used for communications at the 2011 G20 Summit in Cannes, France, protecting 20 heads of state and government. Over 12,000 civil and military police, fire fighters and armed forces used TETRA secure radio communications to ensure the summit's security. Furthermore, sports events like the Nordic Ski Championships in Oslo, Norway were secured by Cassidian PMR technology.

Security forces from Norway, Sweden, India and Thailand signed up to use TETRA technology during 2011, joining others from all over the world.



More than 300 of these aircraft are already in service. They have flown to protect major public events and to secure national airspace, as well as proving their effectiveness in conflict zones.

DEVELOPING COMPUTER SECURITY

Cassidian is building its position in cyber security, seeking to protect governments, security forces and other large organizations from the growing threat posed by computer hacking. During 2011, Cassidian brought all of its cyber security businesses together into a single business unit in order to improve its abilities to develop new solutions and to serve its customers.

A EUROFIGHTER PARTNER

EADS is a partner in the Eurofighter consortium, which is building the fleet of the most advanced multirole fighter aircraft available that already plays an important part in safeguarding Europe's security.

The majority of the fighters will be used to protect the European partner nations – Germany, Italy, Spain and the United Kingdom. The Eurofighter is also in service within the Austrian and Saudi Arabian forces. The six nations have placed firm orders for 559 aircraft between them.

INNOVATIVE UNMANNED AERIAL SYSTEMS

As asymmetric threats have become as much of a danger as large-scale, peer-to-peer conflicts, so Unmanned Aerial Systems (UASs) that are able to survey borders or conflict zones have emerged as an important innovation. Strategists anticipate that UASs will be in increasing demand. Cassidian is developing innovative, next-generation technologies in the sector. In 2011, the high-altitude long-endurance EuroHawk, a joint development with Northrop Grumman for the German armed forces, successfully performed its first ferry flight from California to Germany. The Division also acquired SurveyCopter, a French specialist in light Unmanned Aerial Vehicles, broadening our capabilities in this field and formed a joint venture with Rheinmetall international technology group.

BEYOND AEROSPACE

Through our activities in aerospace and defence, EADS has developed a large portfolio of technologies. We currently apply for more than 1,000 patents a year, which is more than any other company in our sector. Although this is not immediately apparent, our technologies have a major influence on everyday life, delivering telecommunications across the world, promoting social progress and helping to protect the environment.

Our formidable portfolio of technologies will enable innovation across many other sectors, facilitating solutions that may one day spectacularly change our daily lives. Already our satellite technologies are being applied outside their “traditional” fields, to monitor the causes and effects of climate change, and for helping with disaster relief. Other EADS technologies are being used for purposes such as enhancing the effectiveness of wind turbines.

EADS actively markets its cutting-edge technologies, many of which have applications that help the environment. EADS Technology Licensing offers technologies that improve the aerodynamics of aircraft and reduce their body weight, so cutting CO₂ emissions, and provides light and strong materials for wind turbine blades. Furthermore, it markets light-weight composite materials for car bodies that cut their body weight and emissions.

The Research & Technology strategy of EADS is driven by a combination of factors, including the need to deliver shareholder value through technology leadership and an intention to develop products that help society. Consequently, we develop products beyond aerospace & defence that aid mobility, environmental protection, safety and security.

In the text below, we describe how EADS products and technologies provide wide-ranging benefits to society.



MONITORING CLIMATE CHANGE

Satellites are proving effective tools for providing reliable data to monitor the relationships between the Earth and nature. Astrium's satellites are already playing a key role in quantifying the effect of climate change. The EADS Division is a key partner of the European Space Agency's (ESA) Living Planet programme, providing the satellites needed to monitor the 45 essential climate variables identified by the United Nations.

The Astrium-built Cryosat II satellite, launched by ESA in 2010, is already improving our understanding of the relationship between climate change and polar ice. In 2011, it provided the first precise map measuring the thickness of Arctic sea ice. This new information will aid study of the complex relationship between ice and climate.

“Our technologies influence everyday life, delivering telecommunications across the world, promoting social progress and helping to protect the environment.”

Working together with development agencies and NGOs, Astrium satellites are monitoring deforestation in order to help fight climate change. In 2011, Astrium and French development agency AFD launched a portal to provide satellite imagery of forests in the Congo Basin to organizations working to conserve the region's forests. Over 600 satellite images will now be directly available. Astrium and AFD jointly financed the project, as part of a broad initiative to protect the forests of the Congo Basin.



using space technologies. The space imaging portal was unveiled at a United Nations REDD+ (i.e. Reducing Emissions from Deforestation and forest Degradation) workshop, which brought together economists, scientists, forest management organizations and technology providers working to protect tropical forests.

CRISIS AND DISASTER RELIEF

Satellites have been applied in all stages of crisis and disaster management.

We deliver, for example, maps of floodable zones that are based on the analysis of space imagery, and our meteorological satellites are the main early warning system for hurricanes. When the crisis has struck, satellites are the first tools that are present and operational to assess damage, and guide rescue and reconstruction teams by providing timely maps of damaged areas, as well as means of communication. Because they are in space, satellites are the only infrastructures that we can count on when everything on the ground is destroyed.

EADS, through Astrium, is one of the founding members of the International Charter on Space and Major Disasters, which is based on voluntary contributions, by all parties, of earth observation satellite data to supply states or communities affected by a crisis or natural disaster.

ADVANCED MATERIALS FOR “GREEN ENERGY”

Based on a heritage of more than 40 years of composite design and manufacturing for space launchers and satellites, EADS Astrium has found a way to enable wind turbine-blade manufacturers to benefit from this advanced know-how.

The technology mastered by space engineers makes it possible to join together composite parts, even when mechanical loads are as huge as they are in space launchers and similarly in the very large blades of wind turbines. This technology opens new routes for blade manufacturers, which can now be prepared in several parts and assembled in the field. This allows the design of much larger blades (from 30-40 meters now up to 80 meters in length), making wind turbines with capacities over 100 MW economically feasible, which can be especially valuable for offshore operations.

These blades can be efficiently produced, and will also benefit from the advanced and non-destructive testing methodologies developed in the military and space environment, so providing an exceptionally high level of reliability for the whole process. Other EADS Divisions provide technologies such as protective coatings and lightning protection for turbine blades.

LICENSING OUR TECHNOLOGIES

We are actively seeking to market EADS technologies that deliver “green” benefits. Our Technology Licensing Initiative seeks to market proven technologies from across our aeronautics, space, communications, advanced materials and other areas. In total, EADS has more than 30,000 patents approved or pending approval. Many of these have “green” applications, for example by enhancing strength-to-weight ratios.

“In total, EADS has more than 30,000 patents approved or pending approval.”

A black and white photograph showing two technicians working on a large, curved aircraft engine component. One technician is standing and reaching into the component, while the other is perched on a ledge, also working on the same part. The component has various mechanical details and wiring visible.

02.

CLEAN PROCESSES AND OPERATIONS

3 QUESTIONS FOR GÜNTHER BUTSCHEK

— Head of Operations, Airbus

HOW ARE YOU EMBEDDING “ECO-EFFICIENCY” INTO YOUR APPROACH TO INDUSTRIAL PROCESSES AND OPERATIONS, AND WHAT ARE THE MAIN CHALLENGES YOU FACE?

We are improving the environmental performance of our processes and operations, not only to comply with regulations but also to create economic value. In line with our eco-efficiency philosophy of “creating more value with less environmental impact” we have ambitious environmental targets. We are currently introducing systematic methods, some making use of new technologies, to achieve this throughout the lifecycle of the products we manufacture. Doing so both reduces waste and saves money. Showing our commitment to improving our environmental performance in operations, we are planning exactly how we will achieve our strategic vision for reducing waste. During 2011, for example, Airbus took the important step of drawing up its Blue5 roadmap, which outlines a clear path for meeting Vision 2020 goals, cutting energy consumption, CO₂ emissions, waste production, water consumption and emissions of volatile organic compounds.

WHAT HAS EADS ACHIEVED SO FAR?

I am pleased with the level of coverage of the environmental management system across Airbus, and I hear this applies to the whole Group. We have introduced the system at 90 sites, covering the work places of 90% of our employees. Airbus has an environmental management system across all of its European and North American sites, as well as the campus in Beijing and final assembly line in Tianjin – it is the only aircraft manufacturer worldwide with such comprehensive coverage. This illustrates an important way in which we are turning eco-efficiency into a company culture.



WHAT REMAINS TO BE DONE?

A lot remains to be done to meet our Vision 2020 goals but we are on the right track and are devoting more and more energy to the task. The newly formed EADS Corporate Environmental Affairs department will help to coordinate our approach to environmental issues across the Group. As we seek to reach our objectives, we are optimising existing processes and introducing new processes to reduce waste. We also lead industry initiatives such as the International Aerospace Environmental Group, which is developing consensus standards for addressing environmental concerns and providing a forum for debating common industry approaches.

CLEAN PROCESSES AND OPERATIONS

EADS is focusing on embedding eco-efficiency into its business model and its company culture, not only to improve the environmental performance of our operations but also to create economic value. Ambitious environmental targets have been set for 2020, with specific actions and key performance indicators.

In order to achieve the eco-efficiency goals of our Vision 2020 strategy, we have placed environmental issues at the heart of our decision-making process. We are anticipating the environmental challenges we will face in the coming years, seeking to foster greater awareness of “green” issues and to minimise the impact of our processes and operations on the environment.

Our approach to eco-efficiency considers the entire lifecycle of our products — from design, to supply-chain, to manufacturing, operations and end-of-life (dismantling and recycling). We are also planning and implementing systematic ways to value the environmental savings across sites worldwide.

“Promoting eco-efficiency, innovation and quality as key elements of competitiveness is one of the Group’s 10 top priorities.”



EADS believes reducing the environmental impact of its operations is a priority. In 2011, the Board approved “promote eco-efficiency, innovation and quality as key elements of competitiveness” as one of the Group’s 10 top priorities.

VISION 2020 TARGETS

Through the initiatives currently being pursued, we aim to achieve the ambitious environmental goals for industrial operations embedded in our long-term Vision 2020 strategy. These are as follows⁴:

- ⊙ 80% reduction in water discharge;
- ⊙ 50% reduction in CO₂ and VOC (volatile organic compounds) emissions, in waste production and in water consumption;
- ⊙ 30% reduction in energy consumption;
- ⊙ 20% of energy from renewable sources.

The Vision 2020 targets for industrial operations set specific goals for all of our Divisions, each of which has plans for achieving them. Notably, in 2011 Airbus launched Blue5, an industrial roadmap for meeting these targets.

During the year, we also analysed environmental performance at EADS over 2008-2010 against Vision 2020’s five parameters, to understand our ability to meet these targets in spite of our growth.

MONITORING AND REDUCING THE IMPACT OF INDUSTRIAL OPERATIONS

EADS’ ENVIRONMENTAL POLICY

EADS’ Environmental Policy (see www.eads.com) both defines and directs the way in which we are embedding eco-efficiency throughout the Group for products, industrial operations and services.

⁴ Baseline 2006.



The EADS Environmental Network, which includes representatives from each Division, Business Unit and entity, oversees the policy's implementation. The network promotes cross organisational sharing of best practices, monitors achievements, identifies opportunities and risks, and anticipates emerging regulatory frameworks.

COORDINATING ENVIRONMENTAL ISSUES

Our Corporate Environmental Affairs department, created in 2011, helps the Divisions to achieve their objectives and coordinates the Group's approach to environmental issues. Within the department, one team identifies trends that may evolve into regulations, supports the implementation of regulatory monitoring tools and services, and coordinates lobbying activities. A second team is dedicated to performance, environmental reporting, best-practice sharing, and internal and external communication.

ENVIRONMENTAL MANAGEMENT SYSTEM

ISO 14001 certification⁵ and EMAS⁶ registration are key tools for driving environmental improvements. They also ensure that the Group complies with all applicable environmental legislation and regulations.

Almost all of our sites have achieved certification for their environmental management systems. At the 2011 yearend, 90 sites were covered and 90% of EADS employees worked at certified sites, with the remaining sites being mainly offices. Airbus has ISO 14001 certification covering all of its European and North American sites, and all of its activities throughout the lifecycle of its products, making it the only aerospace manufacturing company with such wide coverage.

ENVIRONMENTAL REPORTING

Guidelines for environmental reporting across the Group comply with Global Reporting Initiative requirements. A specialised accounting software tool enables us to provide comprehensive information, including Group-wide key performance indicators (KPIs), to all legitimate stakeholders.

Reporting has recently been extended to a larger number of sites, and the documentation that forms the basis for environmental reporting has been reviewed to ensure approval at local level.

Within Airbus, audits have been carried out on scopes 1 and 2 of the Greenhouse Gas (GHG) Protocol, relating to direct emissions and energy, respectively. These audits identify risks and opportunities for cutting GHG emissions and relevant carbon dependencies. Furthermore, across EADS we have estimated the amount of carbon within the supply chain as part of GHG Scope 3 road testing.

⁵ International Organisation for Standardisation (ISO) requirements for environmental management systems.

⁶ EU Eco-Management and Audit Scheme (EMAS).

ACTIONS TO REDUCE OUR FOOTPRINT

All four Divisions are enhancing the environmental efficiency of their facilities. Furthermore, the Future EADS project, which aims to increase Group synergies and efficiencies, has driven energy saving measures.

A continual quest for greater environmental efficiency is now part of our culture, as Astrium showed in 2011 when its Space Transportation Business Unit set up a multi-functional working group to make environmental performance a key factor to consider when investing in new production facilities.

The following paragraphs describe some of the specific initiatives being taken.

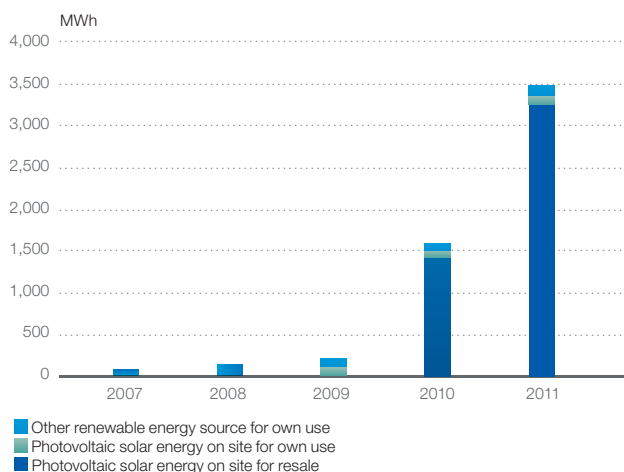
CUTTING ENERGY USE AND EMISSIONS

The Future EADS energy saving campaign covers 60 sites and has specific targets for energy saving through measures such as low-energy lighting, improved insulation, voltage management and energy-efficient heating/cooling. Additionally, it aims to increase the amount of energy produced from renewable sources to 20%.

New facilities at Airbus and Eurocopter illustrate the improvements being made. The Airbus UK Broughton North Factory, opened in 2011, received a Building and Research Establishment Environmental Assessment Method (BREEAM) award with an “Excellent” rating. The factory’s photovoltaic panels, ground source heat pumps, insulation and solar water heating all reduce CO₂ emissions. Eurocopter’s new integrated development centre at Donauwörth, Germany, to open in 2012, has a similarly innovative and environmentally-friendly construction.

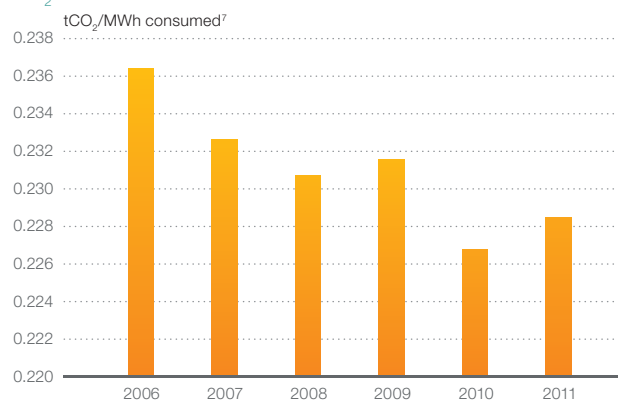
Eurocopter has ambitious targets for emissions reductions across its supply chain. Eurocopter and its partners work together on the CORINE project, which aims to improve the environmental performance of the materials and processes used in the design and manufacturing of helicopters. It will allow choosing the best eco-friendly technologies depending on both characteristics requested for high performance products and environmental criteria. Eurocopter Germany made also a joint commitment in 2011 with logistics operators SDV and DHL to reduce CO₂ emissions in transport by 20% over the next three years (helicopter shipments, spare parts and raw materials transport).

RENEWABLE SOURCES IN EADS



Since 2007, EADS has continued to develop its renewable energy production, particularly with regards to photovoltaic sources.

CO₂/ENERGY



EADS measures its ratio of CO₂ emitted to energy consumed with the aim of reducing consumption regarding its most CO₂-intensive resources.

⁷ This ratio does not include mobile sources

In addition to carbon emissions, we are cutting other harmful emissions. Smart coatings, with low-VOC content and associated painting techniques, have reduced emissions associated with these compounds. All Divisions are substituting some critical halogenated solvents, such as trichloroethylene, in most surface treatments and coating processes.

COMPLYING WITH HAZARDOUS SUBSTANCE REGULATIONS

In 2011, EADS audited each Division's status in terms of European Union regulations for registration, evaluation, authorisation and restriction of chemicals (REACH). We have established EADS REACH Corporate Implementation Principles to help Divisions comply. We are also working to meet other regulations such as the RoHS⁸ and WEEE⁹ directives and have plans to get rid of hazardous substances such as chromates, lead and cadmium.

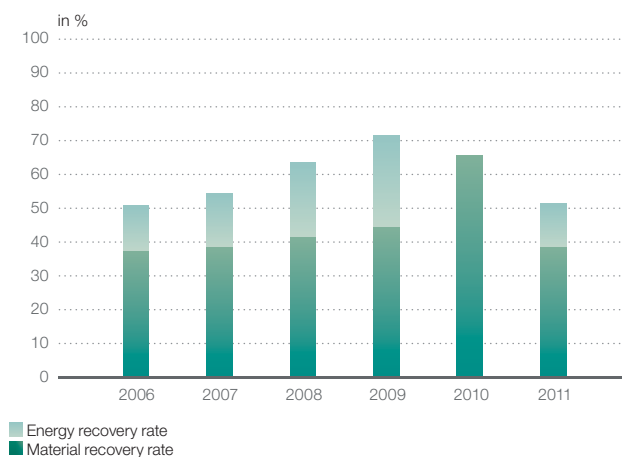
REDUCING WASTE AND WATER USAGE

Initiatives have been implemented to reduce waste, including the recycling of cured and uncured composites. At Airbus Toulouse three quarters of the waste collected and sorted is recycled or sent for materials recovery, with the rest burnt to generate energy.



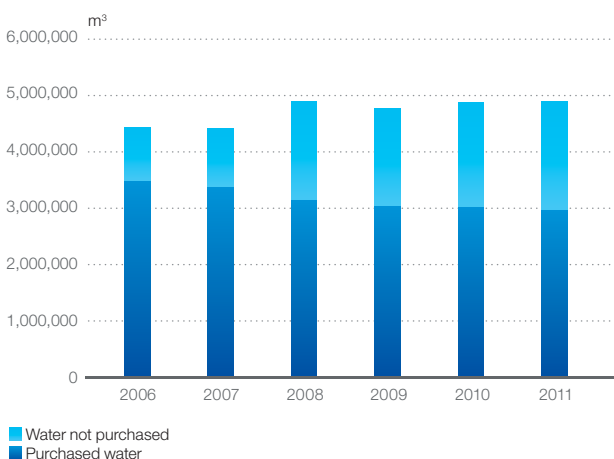
We are also developing technologies and processes to reduce water consumption and discharges. For example, the Airbus Hamburg site sources 30% of its water directly from the Elbe river, which saves some 80,000 cubic metres of drinking water a year, equivalent to the annual water consumption of 450 households and about €77,000 in 2010.

WASTE RECOVERY RATE



EADS is committed to optimizing its levels of recovered waste.

WATER USE



EADS measures and works to reduce water consumption linked to its various activities.

⁸ Restriction of Hazardous Substances Directive.

⁹ Waste Electrical and Electronic Equipment Directive.



03.

DEVELOPING AND ENGAGING OUR PEOPLE

3 QUESTIONS FOR SIR JOHN PARKER

— Director, Chairman of the Remuneration and Nomination committee

AS CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE, WHAT IS YOUR APPROACH TO CORPORATE RESPONSIBILITY AND SUSTAINABILITY?

In the recent past our main focus in the Remuneration and Nomination Committee has been on the governance that sets a framework for succession planning. We have focused on helping to select the right people for EADS' top management positions. These people will shape the Group's future, building on the solid foundations established by their predecessors, to fulfil our exceptional potential. At Board level we have also devoted attention to how skills and talents are fostered and developed throughout EADS. We need to plan for the future, to make sure that we have the right processes in place to develop and recruit the key skills we will need, not just for next year but for the next 10 years and beyond. I know the Executive Committee is working hard to make sure these competencies are in place.

WHAT HAS THE BOARD DONE TO PROMOTE THE TYPES OF BEHAVIOURS THAT YOU CONSIDER TO BE IN LINE WITH RESPONSIBILITY AND SUSTAINABILITY?

Firstly, I would highlight how we have redesigned remuneration policy. We have reinforced the process for setting collective financial targets to strengthen the alignment between both the long-term strategic goals set forth under Vision 2020 and our mid- to short-term financial objectives. We have also adjusted the individual targets used for assessing annual variable remuneration to foster teamwork within the Group, which will be central to individual performance. Secondly, I would mention the steps being taken to improve engagement. While we are justifiably proud that EADS is one of Europe's most admired employers, the series of engagement surveys that management started to carry out two years ago revealed both strengths and weaknesses in our employees' motivation.



We are doing a lot to improve, promoting empowerment and direct communication and dialogue between managers and employees, as well as encouraging personal development, well-being, career evolution and performance.

WHAT ARE THE PRIORITIES FOR DEVELOPING THE EADS WORKFORCE?

One area in which we are making slow progress, where much remains to be done, is diversity. EADS is committed to having a diverse workforce, offering equal opportunities to all regardless of gender, race or any other type of difference. We believe promoting diversity is not only a matter of moral principle, but also a way of accessing the widest pool of talent at a time when some specialist skills are becoming scarce and our business is becoming increasingly global. EADS took an important step in 2011 with the creation of a Diversity Board. So we are working on this, but getting optimal levels of diversity in the workforce will not happen overnight; it's a long journey.

DEVELOPING AND ENGAGING OUR PEOPLE

Highly skilled and motivated people are the key to EADS' long-term success and competitiveness. We are committed to making EADS a global employer of choice, developing a world-class workforce, promoting diversity and engaging our employees. In this way, we intend to gain the skills we need.

The 133,115 people at EADS are our greatest asset. The exceptional skills of our workforce – from engineers, to technicians, to managers – enable us to create the world-leading products that define our unique place in the global economy.

For this reason, we are working to make EADS a global employer of choice, to develop a world-class workforce that fits our business requirements, to manage and promote diversity and to make EADS an engaging and innovative place to work.

“The exceptional skills of our workforce enable EADS to create world-leading products.”

Our long-term approach to human resources makes us a unique employer and we think this is a major strength. Together with employee representatives, we have created the flexibility needed to adapt to both cyclical downturns and longer-term challenges to our competitiveness, without reducing the size of our workforce. In an industry with long product cycles, where critical skills are in short supply, this sustainable approach to social dialogue is a differentiating advantage.

As EADS grows and evolves, we will need to compete for more skilled people, often in different parts of the world. We are therefore seeking to plan the skills we will need. Across the Group, we have mapped the competencies of most of EADS' workforce and have put in place processes for identifying the skills we will need in future. Through recruitment, mobility and development, we aim to possess the skills needed to achieve our medium and long-term objectives.

For both ethical and economic reasons, we are acting to enhance the diversity of our workforce. We are promoting an inclusive culture and see diversity as a real lever for performance, innovation and engagement. This allows us also to hire from the biggest possible pool of potential employees, so helping us to find the best available recruits. We have processes and targets to increase diversity with a particular focus on gender, knowing that the aerospace & defence industry has historically been dominated by men.

NUMBER OF EMPLOYEES (END OF YEAR)

	2011	2010	2009
Total	133,115	121,691	119,506





Acknowledging the importance of employee motivation, we have introduced an engagement programme over the past three years that aims to achieve this by measures such as enhancing managers' people skills, reducing bureaucracy and increasing individual responsibility. In 2011, a related initiative, called the "My life at EADS" initiative, took our engagement programme a significant step forward. This aims to foster a better working environment through improvements in health and safety, stress prevention, childcare solutions and flexible working arrangements.

Our employees have made it possible to develop EADS' world-class product range that is attracting substantial growth in orders from our customers. As a result, our people have stable and motivating careers and we are taking on new employees. In 2011, we hired an additional 8,000 people in Europe and across our global operations. In 2012, EADS will make over 5,000 permanent recruitments in home countries. EADS will also welcome in its Divisions more than 4,000 internships in 2012.

AT THE HEART OF OUR STRATEGY

Building a motivated, diverse workforce with the skills that we need has become an increasingly important strategic goal in recent years. Our Vision 2020 strategy explicitly aims to increase the proportion of the workforce employed outside Europe, while also growing diversity and mobility within the Group. Looking forward to 2012, fostering engagement, people skills and gender diversity is one of the EADS top ten priorities for the year.

Diversity is an example of an area where we have targets for improvement; among them are:

- © 20% of employees outside Europe by 2020
- © 20% of management to be women by 2020.

EADS, A GLOBAL LEADER WITH EUROPEAN ROOTS

133,115

GLOBAL

122,555

EUROPE

	2011
France	48,394
Germany	47,051
Spain	10,701
United-Kingdom	13,467
Others	2,942



6,136

NORTH AMERICA



1,432

AFRICA / MIDDLE EAST



626

SOUTH AMERICA



2,366

ASIA / OCEANIA



CAREER MANAGEMENT

EADS provides a structured environment for its employees to develop their careers, seeking to encourage personal development and career evolution. We also work closely with universities to encourage young people to take qualifications related to industry, so that we can recruit from the biggest possible pool of people with industrial skills.

Working across the Group, EADS Human Resources are seeking to enhance career management. We are seeking to recruit the best graduates in engineering and all other skills that we need, and then to make sure that these individuals develop to the best of their abilities. In order to achieve this, we are continually refining and improving our career management processes.

“We offer employees a wide range of career opportunities across EADS Divisions and countries.”



RECRUITING QUALIFIED PEOPLE

Recruitment is a challenge for EADS, especially for engineers in order to meet the needs of our programmes, and these skilled individuals are in short supply. We are cooperating with universities in our home countries and overseas to attract engineering students and facilitate technological cooperation. Our expert engineers and technicians are helping universities to design courses, and some of our experts sit on college boards. This gives us the opportunity to promote our industry needs in the education of the best talent worldwide, and also assists our international growth.

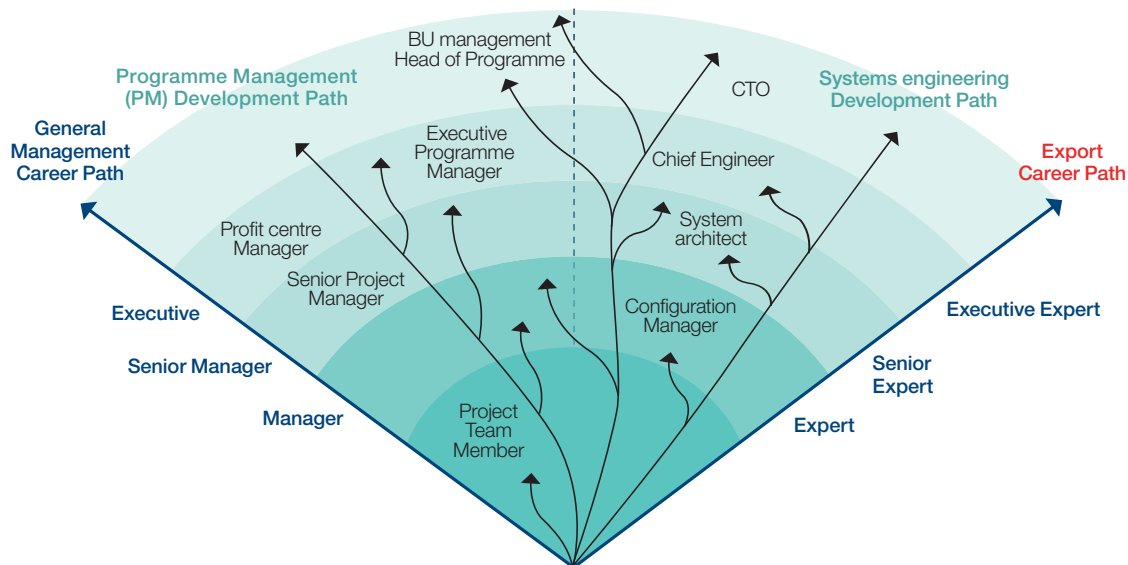
Within Europe, EADS is one of the most recognised employers of engineering graduates. Surveys of engineering students continually rate EADS highly and we win awards in all of our European home countries. The Group and its Divisions received the “Randstad” award in Germany, France and Spain in 2011. Research institutes Trendence and Universum ranked EADS as most preferred employer for engineers in France and among the top three in Europe. Additionally, in the UK, Airbus was nominated as one of the top three graduate recruiters.

During recruitment, we have a policy of hiring from a fully diverse range of people.

NUMBER OF EMPLOYEES RECRUITED

	2011	2010	2009
Men	6,512	3,918	4,299
Women	1,726	1,129	1,364
Total	8,238	5,047	5,633

EADS CAREER PATHS



OFFERING REWARDING CAREERS

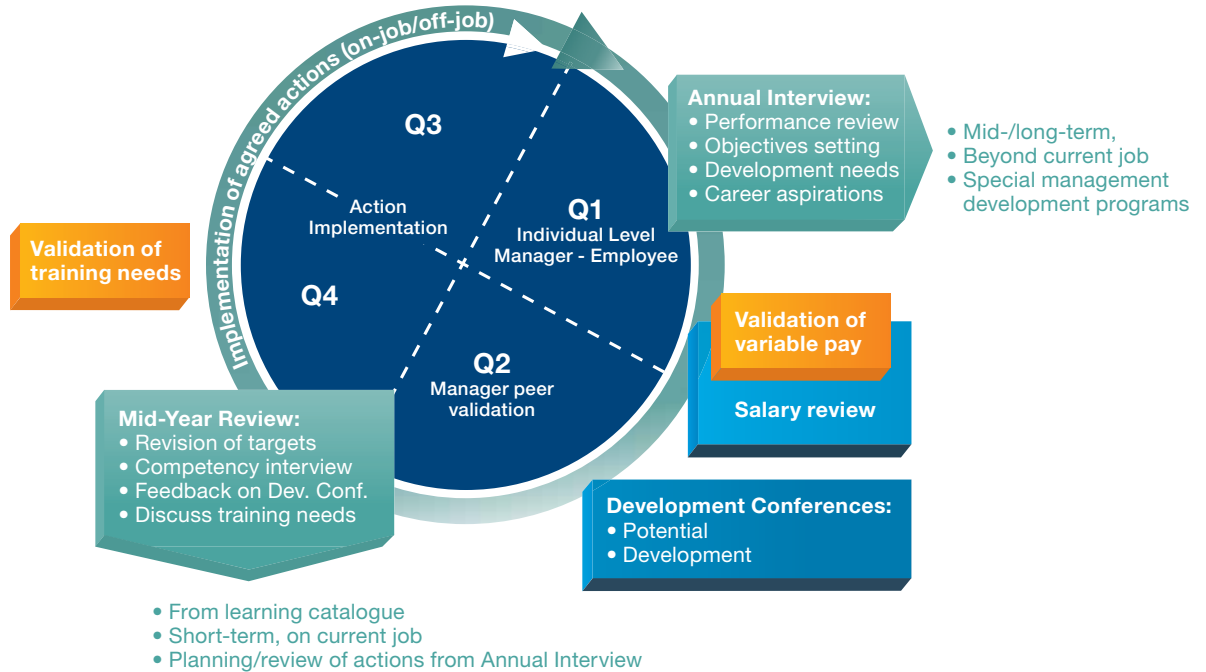
Once recruited, we offer our employees a wide range of career opportunities across EADS Divisions and countries. Competency development and mobility are strongly encouraged and supported so that our employees can develop their full potential throughout their careers.

In order to develop the skills that EADS needs, career paths, supported by certified training courses, have been set up for programme managers and systems engineers. EADS staff designated as Experts are offered rewarding career structures in specific technical domains requiring high level of expertise. They are a valued resource, which is carefully managed, playing an important part in issues such as product development and innovation.

EXPERT POLICY

EADS has developed its Expert policy in order to manage the essential technical competencies it needs in aerospace & defence engineering. To start with, we seek to attract the best engineering graduates. We then seek to develop Experts through career management activities, including attractive compensation and benefits. Finally, we act to retain Experts. Our Experts have high-level technical skills that they contribute to developing knowledge in their fields of expertise. They secure the Group's know-how by mastering intellectual property issues. And, they pass on their expertise to younger colleagues. Experts receive training to develop their skills. They are rewarded by compensation packages in line with managerial compensation levels. In the broadest terms, the Expert policy not only helps EADS to develop its engineering competencies, but also helps to maintain Europe's independent engineering competencies.

THE ANNUAL HR CYCLE



MANAGING CAREER AND PERFORMANCE

Notable achievements for 2011 included the establishment of the Mid-Year Review in the Annual HR Cycle. This gives employees and managers a further opportunity to revise targets, exchange feedback, assess competencies and discuss training needs. From 2012, mid-year reviews will take place in all EADS Divisions.

The Annual HR Cycle is our key process for managing employees' careers and performance. It provides a regular channel for open communication between employees and their managers. The principles of the Annual HR Cycle process are that all employees have at least two structured discussions with their managers each year – one annual and one mid-year interview. All employees discuss their annual objectives with their managers, giving and receiving open and transparent feedback on performance, development needs and career aspirations. They agree and plan mobility and training needs, as well as competency development; HR supports and monitors the implementation of those agreed actions.

The cycle allows EADS' Group objectives, and those of our Divisions, to be broken down into actionable objectives and assigned at employee level. Our missions, values and leadership behaviours are made known to employees. Managers and employees are provided with all the appropriate HR support, processes, policies and tools.

Additionally, the Annual HR Cycle serves to ensure remuneration is consistent and fair, reflecting an individual's responsibilities, skills and personal achievements.



COMPETENCY MANAGEMENT

EADS is concentrating on managing employee competencies through training and development. By doing so, we are building the skills base needed for the future, and helping our employees to achieve their full potential.

EADS strives to develop the skills and know-how of employees, both for their individual benefit and for our collective success. Aerospace & defence is an industry with exceptionally long product cycles, where specific types of skills, such as some forms of engineering and project management, are expected to be in short supply. Consequently, we can identify the skills we need many years in advance. While valuing all employees, the Group identifies the strategic core competencies it will need for future programmes many years in the future, planning recruitment and career development accordingly.

“The Group identifies the strategic core competencies it will need for its programmes many years in the future.”

EADS Competency Management (ECM) is a global solution, with processes and tools, to manage individual and collective competencies from a qualitative and quantitative point of view.

Our three main objectives are as follows:

- ⑦ Anticipate the demand and supply of competencies;
- ⑦ Identify, secure and develop key competencies;
- ⑦ Anticipate workforce evolution to staff our programmes better.

ANTICIPATING SKILLS GAPS

We are mapping the competencies of our employees as they are today. In parallel, we are forecasting the competencies required in 5 to 10 years and we are then assessing the gap. This ongoing exercise allows the Group to anticipate any skills gaps and to act to fill them.

In 2011, EADS has launched an HR competency strategy initiative involving engineering, strategy and HR across all Divisions. The aim was to identify our long-term strategic competencies that are key differentiators for EADS in its international competitive environment.

BUILDING COMPETENCIES FOR THE FUTURE

In order to build the Group's strength in core competencies, Human Resources management is introducing new career paths to encourage employees to develop these critical skills. Training budgets for core competencies are at least 30% of our total training expenditure, and certification is being sought for training programmes. For example, we have recently developed qualifications for programme management and systems engineering.

Complementing the competency management initiative, EADS has a jobs catalogue, which helps the process of recruiting, workforce planning and training. This is particularly useful for moving people between programmes to make the best of their skills. Alternatively, they may be given the opportunity to transfer between Divisions or countries, either to facilitate international expansion or to adjust to a downturn. In all, more than 80 job types have been classified across the Group.

DEVELOPING EMPLOYEES

EADS provides the training employees need both to further their careers and to develop the competencies needed for the future.

In total, EADS spends over €200 million every year on training, focusing at least 30% of this on the top 10 core competencies of each Division. Several common training programmes have been created for use across EADS Divisions, to pool resources ensuring that the best expertise and experiences are shared across the Group. The Corporate Business Academy (CBA), set up in 2000 as EADS' corporate university, is mainly focusing on leadership programmes for EADS Senior Managers and Executives. Since 2010, the EADS Shared College concept has also been established to develop the skills of people in core competency areas, such as quality, programme management, system engineering, and others.

ENHANCING ENGAGEMENT

An EADS management top priority is the lifting of employee engagement across the Group. Our drive to enhance engagement includes measures ranging from greater employee empowerment to significant improvements in working conditions.

Since 2009, EADS has run a group-wide Engagement Initiative for all employees based on a survey every 18-24 months, which highlights the strong drivers for engagement as well as areas for improvement.

The main focus of action after the first survey in 2009 was recognition for employees, reinforcement of leadership basics, better communication, improving trust, empowerment and proximity of managers, as well as HR support for employees, and last but not least the reinforcement of innovation.

“With ‘My life at EADS’, we aim to create a better working environment.”

Participation has increased significantly, from 69% in the first survey to 81% in the second, conducted at the end of 2010, showing that employees are taking this process seriously. The results of this second survey showed a positive trend: EADS improved overall in the areas of recognition, caring about employee development and progress, and internal communication.

The continuation of empowerment initiatives resulted in reducing bureaucracy and speeding up / simplifying processes.

However, more initiatives have been implemented across the Group, as listed below:

- ◎ All units invested in two annual discussions between managers and subordinates: the Annual Interview and Mid-Year Review.
- ◎ Best practices were shared across the Group through engagement forums, with documentation distributed to all managers.
- ◎ Leadership training programmes BEST/INSPIRE were further deployed at all management levels (more than 5,000 managers have been trained since 2009 and more than 1,000 are expected to be trained in 2012).
- ◎ Team-level action plans and follow-ups were made a priority for all Divisions.
- ◎ Additionally, the number of HR Business Partners, ensuring proximity support to employees, has been increased and will reach one for every 200 employees in 2012, a 34% rise in comparison with 2010.





“The third engagement survey is taking place during the first semester 2012.”

MY LIFE AT EADS

In 2011, we introduced a major new initiative, called My life at EADS, to improve the general well-being of EADS employees. We aim to create a better working environment through improvements in four areas: health & safety, stress prevention, childcare solutions/facilities and flexible working arrangements. In September 2011, the initiative was presented to the European Works Council, along with a high-level action plan. The plan has since been cascaded throughout the Group.

The new initiative will build on best practices already in place at Division and Business Unit level. In late 2011, seven best practices were recognised (they are listed below) and will now be promoted across the Group, together with the next ones to come.

From 2012 further concrete actions will be deployed at divisional and site levels, in coordination with employee representatives. For example, the EADS and Astrium sites in Ottobrunn, Munich, will open childcare facilities in 2012 with nearly 100 places.

2011'S SEVEN BEST PRACTICES

Health, safety & environmental protection

- A certified Health, Safety & Environmental Protection Management System set up by Cassidian Germany.

Proactive occupational healthcare management

- A new proactive Airbus UK approach to how sick leave is managed involves occupational healthcare, the employee, line management and technology.

Job-related stress risk assessment

- A joint Astrium, Cassidian and Airbus Spain initiative to make the work environment a safe place from a psychosocial perspective.

Well-being at work

- An Airbus France approach to stress prevention at work, with a strong focus on collective stress prevention actions, in line with Group agreements. Airbus intends to deploy it at their sites in the other home countries.

Childcare support in Ulm

- Cassidian Germany aims to offer good childcare and related services support. Its “Wuselvilla” nursery has flexible opening hours and takes care of babies from six months old.

Cooperation with external nurseries in Marignane and La Courneuve

- Eurocopter France has worked on increasing the number of free places for employees' children at local nurseries over the past five years.

Agreement on mobile working place

- Eurocopter Germany is giving its employees the option to work from remote locations for up to two days a week.

FOSTERING DIVERSITY

EADS is committed to increasing the diversity of its workforce. This will help widen the pool of potential employees at a time when some specialist skills are becoming relatively scarce and our business is becoming increasingly global.

EADS is aiming to increase the diversity of its workforce, for both ethical and commercial reasons. We believe that promoting employment from the most diverse range of people confers a real competitive advantage, and we have a range of initiatives in place to achieve this.

We are seeking to foster an inclusive culture for male/female, age, diverse social and cultural background, as well as to welcome and support people with disabilities. We believe that

“EADS Diversity Board is drawing up plans for promoting age, ethnic and social diversity.”

the Group should reflect the nature of the population it serves worldwide, and our Vision 2020 strategy for the next decade states that diversity should become a competitive advantage and a vital part of the Group's identity.

The Group has specific targets for increasing diversity, which we are progressing towards each year. By 2020, we are seeking to employ 20% of the workforce outside Europe, and for 20% of management to be women. We are monitoring the number of non-European and female employees closely, as we are the age profile of the workforce.

The EADS Diversity Board was launched in 2011 to promote all kinds of diversity within the workforce. The Board aims to look beyond existing diversity initiatives and to find further ways of promoting diversity across the whole Group.

OPPORTUNITIES FOR WOMEN

With a background in aerospace & defence engineering, EADS' workforce has historically been mainly composed of men. The Group now provides women improved access to the full range of activities, offering fair professional development, as well as equal remuneration for male and female employees performing work of equal skill and value.

We are determined to increase the number of women we recruit. The percentage of women in the workforce was 16.8% in 2010. This number has risen in recent years and the percentage of female recruits reached 21.0% in 2011.

Moreover, in 2011, the new GROW programme was launched to prepare talented women in the early-to-mid level stages of their careers for senior management positions. The programme, organised by the EADS Corporate Business Academy, offers a forum for women to openly exchange ideas, build confidence and develop a support network. It aims to help promising women fulfil their potential and reach top management positions.

AGE, ETHNIC AND SOCIAL DIVERSITY

EADS Diversity Board is also drawing up plans for promoting age, ethnic and social diversity, and identifying best practices. All EADS Divisions are strengthening support for disabled people and several related social agreements have already been signed. Among other measures, those agreements aid recruitment and continued employment of disabled people, and foster partnerships with agencies working with the disabled. In Spain, a majority of EADS Divisions signed also the related Family plan.

At Group level, EADS has signed several agreements in France with the unions promoting age diversity. In France, agreements related to the elderly were signed in 2005 and 2009, and a further agreement was signed in 2010 promoting recruitment of young people from deprived areas.

EADS promotes all diversities. Airbus for instance is implementing the Equality Act with “Dignity at Work Program” in the United Kingdom and diversity charters in Germany and Spain. EADS already has a wide cultural diversity, with more than 130 nationalities represented and more than 20 languages spoken within the workforce.

PROPORTION OF WOMEN IN THE EADS ACTIVE WORKFORCE

(in %)	2011	2010	2009
Total	17.0	16.8	16.5

SOCIAL DIALOGUE

EADS believes that a high quality of social dialogue is key to its prosperity. Through the constructive representation of our personnel across all Business Units, we maintain a proper balance between the interests of employees and the economic interests of the Group.

The cooperative nature of our social dialogue improves the sustainability of our business model, and is particularly helpful in a business such as ours, which has exceptionally long product cycles. Working with our employee representatives, we take a long-term view of the competencies we need and manage any fluctuations in workload carefully.

ROLE OF THE EUROPEAN WORKS COUNCIL

The European Works Council (EWC), established at EADS' inception in 2000, is the main forum for dialogue with unions and employee representatives in the four home countries of France, Germany, Spain and the UK. The EWC meets twice a year to be informed and consulted about the Group's prospects and planned evolution. It also has an economic committee that meets four times a year to discuss economic matters. European sub-committees have been set up in each of the four Divisions.

Since 2005, the EWC's influence has extended beyond the home countries, following the signing of an International Framework Agreement committing EADS to common social principles and standards throughout operations worldwide. The principles contained in the agreement are aligned with the general rules of the International Labour Organisation conventions, the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises and the UN Global Compact. They are also in line with the EADS Code of Ethics.

The agreement commits EADS to providing equal employment opportunities and not discriminating against any specific groups, to good working conditions and environmental protection. It condemns child labour, recognises the principles of freedom of association and the protection of trade unions' rights.

WORKING TOGETHER

EADS management and the EWC have a strong history of cooperation. In 2011, the My life at EADS initiative to enhance employee motivation was introduced after the EWC agreed a high-level action plan. The EWC has also been informed and consulted on a series of improvement programmes over the past five years that have introduced leaner working practices, reduced the cost base and increased flexibility. These have played an important part in increasing EADS' competitiveness, and have been especially valuable given the challenges presented by a strong euro and economic weakness.

At Airbus, for example, agreement with employee representatives and the unions prepared the way for the major efficiency improvement programme known as Power 8, which helped to maintain the aircraft manufacturer's competitiveness at a time when it has been undermined by the strength of the euro. Between 2006 and the end of 2009, Power 8 reduced Airbus' annual overhead costs by about € 2 billion, without the need for any compulsory redundancies.

“Working with our employee representatives, we take a long-term view of the competencies we need.”



04.

STRONG SUPPLIER PARTNERSHIPS

3 QUESTIONS FOR KLAUS RICHTER

— Head of EADS Procurement

IN WHAT WAYS ARE EADS' RELATIONSHIPS WITH SUPPLIERS RESPONSIBLE AND SUSTAINABLE?

As far as sustainability is concerned, the collaborative nature of our business model means that we inevitably have long-term, close partnerships with our main suppliers. We often work with suppliers to develop a product, which means they invest time and money, and that we effectively become partners with a shared interest in that product's success. In the past few years, our relationships with major suppliers have become even closer as we have given them larger work packages. So we naturally look into how we can improve our ways of working with suppliers. From the narrower perspective of responsibility, we are seeking to cascade our CR&S principles into the supply chain by communicating the EADS Supplier Code of Conduct, which states that suppliers should comply with ethical and environmental standards.

HOW DO YOU DO THIS?

Across the Group, we have introduced a range of processes and common forums to monitor the performance of suppliers and also to seek their suggestions regarding how EADS can improve our working relationships. For instance, our Supply Chain & Quality Improvement Program has focused on processes and product controls, leading to major achievements in industrial performance throughout the supply chain. Similarly, EADS is a leading member of the SPACE™ association, through which Europe's prime contractors have supported suppliers by working on more than 35 industrial improvement projects and training more than 200 experts in industrial processes over the past five years.



Where suppliers run into difficulties we try to help them to implement a range of measures including “lean” techniques and training. The past few years’ tough economic conditions have strained some smaller suppliers’ finances and access to funds, so we are keeping a watchful eye and help where we can. One routine way we are helping is by creating a confirmed order horizon, so improving our suppliers’ access to funding.

WHAT REMAINS TO BE DONE?

EADS is a large Group with four Divisions, each containing several Business Units. Some of our Divisions have developed best-practice solutions for managing supplier relationships. Airbus, for example, has focused on working far more closely with its suppliers on its new aircraft programmes. Looking forward, we plan to help the whole Group learn from best practices such as these.

STRONG SUPPLIER PARTNERSHIPS

EADS is forming increasingly close partnerships with suppliers. As we give our suppliers larger work packages, so we are finding better ways of working together through productive collaboration.

As a growing aerospace & defence group with a range of new products, we are striving to make our partnerships with a small number of major strategic suppliers as effective as possible. We select our suppliers carefully and then work together to develop and manufacture complex product programmes. Because our programmes have long product cycles, our supplier relationships tend to last for many years.

Supplier performance is critically important for our own performance. Illustrating the significance of our supply chain relationships, our procurement spending is equivalent to approximately two thirds of Group sales. This means that a substantial amount of the value in our products is created by suppliers.

Once we have selected our major suppliers, we monitor them on an ongoing basis so that we can anticipate and understand any deterioration in their work. Should this occur, we have a range of measures that we can use to help. Similarly, we ask them whether there are any EADS practices that could improve.

EADS also has processes for embedding its corporate responsibility and sustainability principles in the supply chain. Our policy for suppliers is detailed in the Supplier Code of Conduct – Growing Together.

SYSTEMATICALLY ENHANCING SUPPLIER PARTNERSHIPS

Across the Group, we have structured an approach to forming productive relationships with suppliers. Our Sourcing Function implements common approaches and champions best practices for all Divisions and Business Units, allowing them to learn from each other.

The following pages describe the common practices and processes we are putting in place at a time when management of the supply chain is becoming increasingly important for the Group, and when our supply chain is becoming ever more international.

This section also shows how by promoting responsible sourcing principles in supplier selection processes, we are encouraging suppliers to support the UN Global Compact's principles.

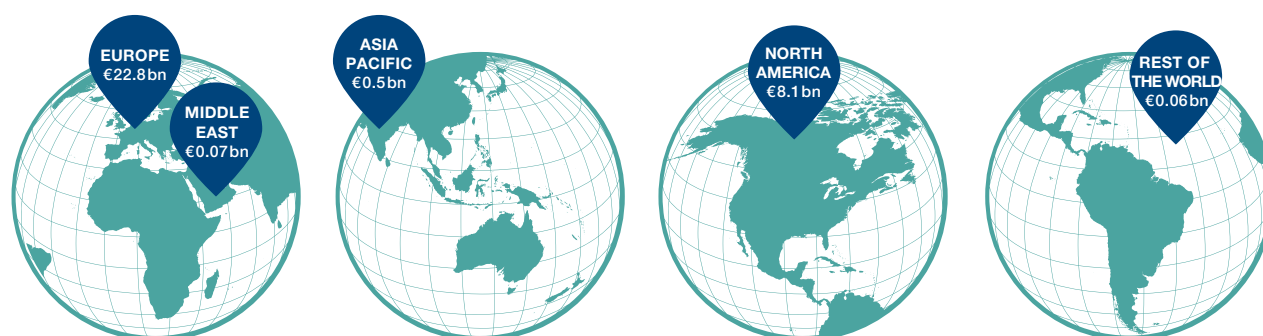
MUTUALLY BENEFICIAL RELATIONSHIPS

EADS' suppliers play a critical role in the success of our product development and delivery. Supplier performance influences the quality of EADS' products and whether they are delivered on time. We devote considerable care and attention, therefore, to managing our long-term business supplier relationships.

In line with the Group's Vision 2020 strategy for the next decade, some of our major programmes are relying more on the expertise of our key suppliers to help with designing and developing products. As EADS focuses on its core capabilities of design, assembly and marketing, a smaller number of main suppliers are assuming an increasing share of our programmes' business risks in return for greater opportunities.

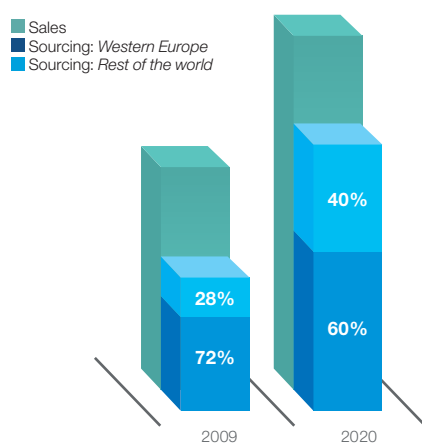
Our evolving model of allocating substantial work packages to a small number of risk-sharing partners is at its most advanced on the new Airbus A350 XWB long-range aircraft programme. Due to enter service in 2014, the A350 XWB's success depends partly on the performance of its major suppliers. Under its "extended enterprise" approach, Airbus is devoting increasing resources to managing these critical supplier relationships. Other parts of the Group are also finding ways to improve supplier relationships.

TOWARDS AN INCREASINGLY GLOBAL SUPPLY CHAIN



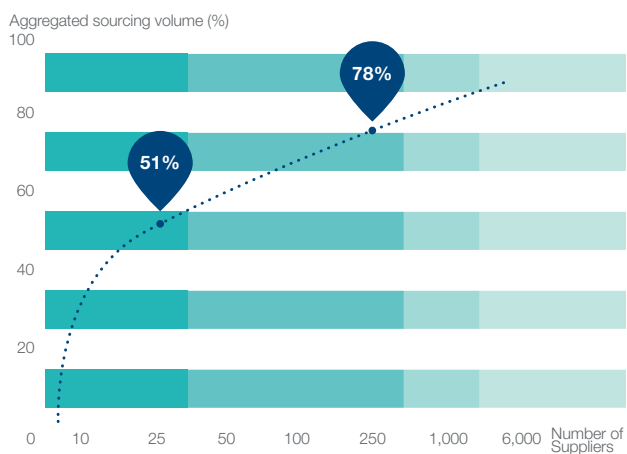
EADS' PERFORMANCE IS LARGELY DETERMINED BY THE SUPPLY CHAIN

Sourcing volume is more than two thirds of sales.



EADS' SUPPLY BASE PROFILE

Top 25 suppliers cover 50% of the sourcing volume – top 250 cover 80%.



FROM SELECTION TO DEVELOPMENT

EADS' approach to getting the best from its supply chain starts with the rigorous evaluation of potential suppliers. Once suppliers have been selected, we monitor them and help them to improve performance if necessary.

Supplier selection is extremely thorough, with input from various competence centres such as engineering, quality and finance. In order to be selected, suppliers should show continuous excellence in performance, demonstrate a credible long-term interest and have the resources to finance product development.

We evaluate supplier performance on an ongoing basis, aiming both to maintain high standards of performance and to sustain stable relationships. There are annual reviews, and suppliers are ranked on common criteria, ranging across commercial, logistic, quality, technical and customer support factors. In order to help them improve, we share our evaluations with suppliers. In 2011, the results of these supplier rankings were distributed across the Group in flyers. These rankings provided transparency into supplier performance, enabling EADS to have a common assessment of suppliers, so making sure that all Divisions and Business Units were aware of their strengths and weaknesses.

As with all other areas of supply chain management, we are working to introduce common approaches to supplier evaluation. At Airbus, a new "Manage supplier audits and assessment process" was introduced early in 2011 in order to bring a coordinated approach to supplier audits. This will benefit suppliers by cutting down on the number of Airbus audit visits, while also saving Airbus money.

Other ways to mitigate risk in the supply chain include reviews of supplier maturity just as a programme is ramping up. This helps to avoid difficulties with supplier performance due to lack of capacity or other issues. Eurocopter implemented a supplier maturity review in 2011 for its new EC175 civil helicopter.

Several forums exist for communicating with our suppliers, giving them an outlook on sales campaigns and production schedules, as well as for working on process improvement. Across the Group, the EADS Procurement Networks share high-level best practices with our major suppliers. At EADS level, Aerostructures and Systems & Equipment boards have been introduced to increase coordination and to improve supply chain performance.

"Across the Group, the EADS Procurement Networks share high-level best practices with our major suppliers."

If needed, EADS helps suppliers to improve their performance. Airbus has been sending experts in lean techniques to suppliers for some time, and has been rewarded by improvements. Eurocopter is now beginning to do so. Demonstrating the extent of cooperation between EADS and suppliers, we are providing growing levels of training for our suppliers' employees in areas of critical skills, such as engineering development and strategic procurement.

We are also working to help suppliers improve performance in aftermarket service and customer satisfaction. Airbus' customer service department has launched a "supplier support rating" (based on price, quality of repair and responsiveness). The department is rating its top 40 suppliers, giving awards to the top 10.

But we are also striving to improve the way we manage the supply chain within EADS. Astrium's procurement organisations enhanced the ways they work with suppliers, following a survey canvassing suppliers' opinions performed in late 2010. Astrium aims to have the best possible relationships with suppliers, believing this to be an important competitive advantage.

Outside Europe, we are establishing sourcing offices in strategic countries. These offices enable us to establish new supplier relationships and to monitor them on an ongoing basis. Existing offices in China and India were expanded during 2011, while new offices were opened in Brazil and the United States. As part of our long-term plans for global growth and in order to increase dollar-based procurement, EADS is aiming to develop its supply chain outside Europe.

FOSTERING A COMMON APPROACH

EADS coordinates the way it manages supply chain relationships across the Group. The Chief Procurement Officers Council, which brings together procurement officers from the Divisions, decides what initiatives should be implemented across the Group. The Corporate Sourcing Function staff provides the guidance, support and transparency for these initiatives.

A Lead Buyer Network manages procurement of the Group's most critical materials, such as aluminium, titanium, composites, electronics and standard parts, which account for approximately 9% of EADS' annual supply chain budget. Commodity strategies for Materials and Parts were implemented in 2011, to support both the ramp-up of our programmes and globalisation of our supply chain.

Procurement of all supplies which are not directly product-related is managed centrally for the whole Group through the shared services unit EADS General Procurement (EGP). With an annual budget of approximately €8 billion, EGP became fully operational in 2010.

Procurement staff are also responsible for making sure that suppliers respect CR&S principles.

CASCADING CR&S PRINCIPLES INTO THE SUPPLY CHAIN

Having such extensive supplier relationships, we are seeking to flow sound CR&S principles down into the supply chain and to improve management of CR&S risks associated with our suppliers. EADS' CR&S principles are fully integrated in the assessments of potential suppliers, as well as the supplier selection and contracting process.

As a participant in the UN Global Compact, which encourages businesses to adopt responsible practices and report on their progress, EADS is committed to apply the Compact's principles to its supply chain. As such, we formally require our suppliers to comply with common standards in the areas of human rights, labour, the environment and anti-corruption.

EADS summarises its CR&S expectations in the EADS Supplier Code of Conduct – Growing Together. This requests that suppliers comply with standards in the areas of organisational governance, fair operating practices, human rights and labour practices, and promoting a culture of respect.

TOOLS FOR EMBEDDING CR&S


The Procurement Compliance Officers coordinate measures to promote CR&S and compliance in the supply chain. The officers' role includes conducting risk analyses, defining and implementing guidelines, monitoring procurement compliance, investigating non-compliance and sharing best practices.

Our Sourcing CR&S Network ensures that CR&S objectives are inserted into management processes and associated documentation. We use a variety of tools for embedding CR&S into the supply chain, including: the supplier code, a supplier evaluation questionnaire and contractual clauses to ensure supplier compliance with EADS policies. Additionally, the Group publishes recommended environmental requirements for suppliers.

Contractual guidelines cover a number of key areas. For environmental responsibility, the guidelines suggest that contracts require suppliers to comply with all applicable laws and regulations, as well as EADS commitments (especially the UN Global Compact) and end-customer requirements. The guidelines also recommend that contracts include EADS commitments in the spheres of human rights, collective pay bargaining, forced labour and the quality of working conditions.

Within the Divisions, there are further initiatives for promoting CR&S within divisional supply chains. At Airbus, for example, suppliers have attended a variety of communications events to raise their awareness about environmental issues, and also have online access to the company's environmental requirements. Astrium considers CR&S standards as a matter of course when pre-selecting suppliers.

“EADS' CR&S principles are fully integrated in the assessments of potential suppliers, as well as the supplier selection and contracting process.”



05.

ACTIVE CORPORATE CITIZENSHIP

3 QUESTIONS FOR PIERRE DE BAUSSET

— Corporate Secretary

WHAT IS THE EADS APPROACH TO CORPORATE CITIZENSHIP?

EADS seeks to be a long-term partner and investor in the countries where we do business around the world. We are proud to provide highly skilled employment, not only in Europe but also in the other regions where we do business. In this way we boost the prosperity of local economies and make them more competitive. In the past ten years of growth in Europe and elsewhere, EADS has created thousands of highly skilled jobs. In 2011 we recruited approximately 8,000 employees in Europe and in the other countries where we are expanding.

DOES EADS ACT IN ITS COMMUNITIES THROUGH OTHER MEANS?

Yes, we also contribute to local communities in Europe through foundations supporting scientific research. One of them has backed a total of 110 scientific and technological research projects in France, including 45 laboratories or centres of research. Additionally, the foundations have sponsored prizes, most notably the Irène Joliot-Curie Prize for women scientists, and they have helped to educate scientifically gifted young children and to pursue the education of children from deprived areas. Finally, we leverage our aerospace & defence industry-specific capabilities to provide humanitarian help, for example through freight flights to disaster areas.



WHAT LIES AHEAD FOR CORPORATE CITIZENSHIP?

As EADS continues to expand, we will remain a source of greatly needed industrial jobs in Europe, and we will create skilled positions overseas. We are committed to enhancing our technology base, and to training and developing our employees. As we grow in the future, so we will create the kinds of jobs that give our employees rewarding careers, as well as boosting the economies where we are present. As for our charitable activities, we are continually refining our approach, aiming to associate our employees and to achieve the greatest possible benefits where we channel donations and resources.

CONTRIBUTION TO HOST COUNTRIES

In line with our aim of becoming a truly global industrial company, we are expanding in countries outside our European home markets, creating high-value jobs, training local employees, sourcing products locally and contributing to the strength of their economies and societies.

The strategic goals of EADS for 2020 envisage broadening our industrial footprint outside Europe. We aim to expand our business in North America and set strong foundations in emerging countries through investment, partnerships, sourcing and recruitment.

The Group's strategy is to become part of the local economies in the countries where we have large customers, recognising our responsibility to support development of skills and competencies, while also contributing more broadly to the economic fabric of these countries.

In the field of scientific research, EADS has been forming symbiotic partnerships with local scientific communities in countries outside Europe for many years. EADS funds research, while gaining from the specialist expertise within the country.

“The Group's strategy is to become part of local economies, and to support the development of skills.”

CREATING LOCAL JOBS

In 2011, the Group recruited approximately 8,000 employees and created another 4,500 temporary posts such as interns, trainees and PhDs. The Group also expanded outside Europe, and more than 7% of the workforce now works outside the home countries.

The Divisions are hiring people all over the world, as the Group steps up its internationalisation strategy. High-profile examples of EADS operations providing skilled jobs are Eurocopter's Brazilian helicopter subsidiary Helibras, the Airbus final assembly line in Tianjin, China, Astrium's satellite manufacturing joint venture in India and Cassidian's engineering centre, also in India.

In line with physical expansion for EADS outside Europe, so the supply chain is expanding. In 2011, 30% of the Group's external sourcing volume was procured from countries outside Europe. A common framework was introduced in 2011 to make sure that

the Group as a whole remains on course to reach this target, while taking into account constraints within specific businesses.

Country sourcing offices were opened in the United States and Brazil during 2011, adding to those already established in China and India. As emerging markets create their own aerospace industries, the potential for sourcing higher-value items is growing. Sourcing in these countries is being extended beyond raw materials to general procurement, as well as aerostructures, systems and equipment.

SUPPORTING SCIENTIFIC RESEARCH

The EADS Innovation Works centre of expertise for long-term research sponsors a growing number of academic research chairs and projects worldwide, developing technology for the benefit of both EADS and local countries. From a total of more than 350 chairs and projects at the end of 2011, over 150 were based outside the Group's home countries of France, Germany, Spain and the UK.

The greatest numbers of these were in the US and Russia – taking advantage of the long traditions of technology development in these countries. Yet there were also significant numbers of projects in Canada, China, India, Japan and South Africa. Further, a new research partnership was introduced in Malaysia during the year.

These projects introduce high-value technologies to the local economies in disciplines as diverse as biofuels, composite manufacturing, high-performance computing and secure communications. In doing so, they help these economies to gain acceptance in the emerging global aerospace & defence supply chain. Strategically, EADS is committed to grow the number of research and technology partnerships based outside Europe.

The year also saw the establishment of the new Aerospace Malaysia Innovation Centre, which began operation with support from EADS Innovation Works. The centre is focusing on three areas of research: composite aerostructures, biofuels and system engineering. The centre brings together public and private shareholders, and has a total of MYR 40 million (€9.4 million) in grants from the government of Malaysia, EADS and Rolls-Royce.

EDUCATION AND SPONSORSHIP

The EADS Group's two corporate Foundations carry out the majority of the Group's philanthropic activities across the globe, although the Divisions and national subsidiaries also have their own initiatives. Activities include scientific education and research in the Group's home countries, biodiversity conservation, youth development and humanitarian flights.

EADS CORPORATE FOUNDATION

The EADS Corporate Foundation was established in 2004 to build ties between research centres, universities and business, and to promote the spread of science. Its budget accounts for more than 6% of France's research sponsorship spending.

We supported 12 new research projects in 2011, bringing the total backed since inception to 110, including 45 laboratories or research centres. Demonstrating the success of our research projects, in 2011 the University of Montpellier's "Synthesis of Biomolecules under Microwave and Mechanochemical Activation" project, financed by the Foundation, won the French Environment and Energy Management Agency's Green News Techno Prize.

The Foundation sponsored two new chairs in the year: The Castex Chair of Cyber Strategy at the French Institute of Higher National Defence Studies, and a Chair devoted to the study and dynamic control of helicopters' complex mechanical systems in partnership with the Arts et Métiers ParisTech Centre in Aix-en-Provence and French engineering school École Centrale de Marseille.

The year was also the tenth anniversary of the Irène Joliot-Curie Prize for outstanding women scientists, which the Foundation co-sponsors. In 2011, the main prize was awarded to Anne-Marie Lagrange Head of Research for the French National Centre for Scientific Research (CNRS) at the Planetology and Astrophysics Institute of Grenoble, Joseph Fourier/CNRS University, who is regarded as one of the top astrophysicists worldwide in extra-solar planetary systems.

In the field of youth development, 22 children from the Marseilles and Paris areas were selected for support through cash grants. A total of €2 million has been budgeted for working with educational authorities to help 80 scientifically gifted children over three years from 2009 to 2012.

Finally, the fourth edition of the "Imagine the transport of the future" contest took place, with pupils from 21 secondary schools proposing new concepts.

"12 new research projects were supported in 2011, bringing the total backed since inception to 110."

AIRBUS CORPORATE FOUNDATION

The Airbus Corporate Foundation, started in 2008, seeks to "go global locally" across each of its three themes – environment, youth development, and humanitarian & community support (see next section) – by forming long-term partnerships with international organisations that have local capabilities near Airbus sites.

In 2011, the Foundation sent 32 Airbus employees to help install biogas facilities in villages in India, working with the Raleigh charity as it has done since 2010. More than 600 applications were received representing Airbus sites worldwide, and those selected came from France, Germany, Spain, the UK, China, India and the US. Forty percent of them were "blue collar" workers. The Foundation aims to turn alumni of its biodiversity program into social entrepreneurs, by encouraging them to initiate sustainable environmental community work on their return.

Within the youth development theme, the Foundation worked with the Gulf Coast Exploreum Science Center, in Alabama, during 2011 to inspire local youth to consider careers in aviation. The Exploreum offered an extensive program of interactive presentations, a summer camp, workshops and site visits.

The year also heralded a major milestone for the Foundation's youth development activities, as two pilot projects were organised to test its 'Flying Challenge' initiative. The project to be launched in 2012, will pair Engineering and Business School graduates with Airbus employee volunteers to help disengaged 13-15 year olds from "difficult" neighbourhoods to become motivated.

HUMANITARIAN RELIEF AND CHARITY WORK

The EADS Group uses aircraft, helicopters and other equipment to airlift supplies to natural disaster areas and to poverty-stricken regions of the world. Additionally, our staff all over the world are involved in a range of charitable activities, many using their own initiative to develop charitable projects.

GOODWILL AND RELIEF FLIGHTS

Over the past decade, EADS staff and equipment have been active in providing humanitarian relief in the aftermath of natural disasters including the 2010 Haiti earthquake, 2008 earthquake in China's Sichuan province and the Myanmar flooding in 2006.

The Airbus Corporate Foundation is the Group's most active provider of humanitarian relief, flying both goodwill ferry flights to support communities in need and relief flights to disaster areas.

A Humanitarian Disaster Relief Task Force reviews the benefits and risks of each flight before committing to it, looking into factors such as the added value that the expedition would bring and the security risks involved.

“The Airbus Corporate Foundation flew 6 humanitarian flights in 2011, including three to help Somalia.”

In 2011, the Foundation sought to improve its ways of working, taking into account the lessons learned in its two years of operation since 2009. As a result, the Foundation has been collaborating and coordinating with the International Federation of Red Cross and Red Crescent Societies, customer airlines and local NGOs.



The Foundation flew six humanitarian flights in 2011, including three to help Somalia. These flights tested its new partnerships for forming a more effective way of using Airbus resources, providing greater benefits and reducing risks. Since its creation in 2008, the Foundation has coordinated 25 humanitarian flights.

EMPLOYEE VOLUNTEERING

EADS employees around the world are encouraged to become involved in the Group's charitable activities, donating both money and time. They have played a part in disaster relief, collecting money for victims of the Haiti earthquake and 2004 Asian tsunami. Individual donations were matched by EADS.

Airbus employee volunteers are regularly on board to aid and assist the Foundation and the Airbus logistics teams for humanitarian flights. Over 500 employees have been involved in the Foundation's work. Airbus is fortunate to have a highly skilled and committed workforce around the globe.

Indicators and appendices

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SCOPE AND METHODOLOGY

This section summarizes our reporting protocols. The full reporting guidelines are available upon request.

Human Resources reporting protocol

REPORTING SCOPE

EADS Group's 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 proportion of the respective companies.

The scope for HR structure reporting covers about 91% of the Group's consolidated companies, including all employees of these companies, irrespective of their individual consolidation proportion. This includes employees working for EADS or its subsidiaries in France, Germany, Spain, Great Britain and internationally. In total, about 9% of the companies belonging to the EADS Group are not included in the scope, as no detailed employee data is available at EADS level. These companies were either recently acquired, or EADS is only a minority shareholder.

REPORTING TOOLS

The indicators are calculated using a SAP Business Warehouse, which is based on the EADS global SAP payroll, and interfaces to local payrolls worldwide. Precise definitions of each indicator, consistency checks and relevant testing aim to ensure the quality and consistency of reporting. The Business Warehouse is operated by the EADS Group HR Operations department.

DETAILS AND METHODOLOGY

HEADCOUNT REPORTING

The reported figures in this section include all employees of the EADS Group according to the consolidation proportion of the respective companies.

Active workforce

The reported number of employees shows the active workforce available in EADS Group on 31 December 2011. Active workforce is the official key parameter in the Group's reporting. It is defined in the EADS HR Definitions policy which was introduced in 2006. This policy is valid and binding for all full or proportionately consolidated entities within the EADS Group worldwide. It was approved by HR Directors and Finance Controlling. Active workforce includes regular employees (time-unlimited and limited contracts > 3 months duration) as well as seconded/transferred employees (within the Group). Temporary workforce, students, trainees and externals are excluded.

Permanent/limited contracts

Only limited contracts with a work contract duration more than three months are included in this figure as only those employees are part of the active workforce. Neither Mini-Jobs employees ("Geringfügige Beschäftigung"), who are earning up to € 400 a month, nor the so-called "CIFRE" ("Conventions Industrielles de Formation par la Recherche") belong to the active workforce. Employees whose contracts were transferred during the year from limited to unlimited are counted as permanent.

HR STRUCTURE REPORTING

The reported figures included in this section cover the employees of about 91% of the Group's consolidated companies, irrespective of their individual consolidation proportion.

Percentage of women

The calculation of the percentage of women within EADS is based on the number of women included in the active workforce, status 31 December 2011.

Part-time proportion

This indicator shows the percentage of employees holding a part-time contract on 31 December 2011 compared to the active headcount at this time.

Employee turnover

This indicator is defined as the percentage of people who have left the organisation during all year 2011 (number of resignations, terminations, retirement, etc.) compared to the average active headcount over the same period.

Percentage of women in management positions

The calculation of the percentage of women in management positions within EADS is based on the number of women in Senior Management or higher levels included in the active workforce, status at 31 December 2011.

Environmental reporting protocol

REPORTING SCOPE

The data here results from EADS worldwide reporting campaign, carried out by our Environmental network. EADS environmental reporting includes all the Group's consolidated companies with more than 50 employees, MBDA excluded, which represent 96% of the EADS total workforce. Among these companies, 85% had reporting contributors and tools. The reporting period goes from 1st January 2011 to 31st December 2011.

MBDA data, MBDA being an EADS subsidiary 37.5%-owned, was not included in the scope of the environmental data reporting this year; 2010 data published on page 67 does not include MBDA. However, the scope of the ISO 14001 certification includes them. Astrium UK data is based on 2010 data.

REPORTING TOOLS

Indicators used are derived from Global Reporting Initiative guidelines. Data is collected through an Environmental Management Information system called ENABLON. Precise definitions of each indicator, consistency checks and relevant testing aim to ensure the quality and consistency of reporting. The guidelines supporting the reporting process have been updated following workshops organised with reporting contributors and indicators experts, so as to be more relevant with sites' activities and management. Significant changes and external sources of calculation and conversion factors are indicated within this protocol.

EXTERNAL VERIFICATION

As part of our commitment to providing reliable information on our performance, we have asked Ernst & Young to review the reporting procedures and data for a selection of key environmental performance indicators published in this report: energy and CO₂ indicators, nonhazardous and hazardous waste produced and materials recovery rate, purchased water and total water consumption, and total water discharged. This brings the total of audited indicators to 13, as in 2010, compared to 4 in 2009. The nature of the work performed and the results of the verification are presented on pages 68-69.

DETAILS AND METHODOLOGY

ENERGY CONSUMPTION

The energy consumption of a site is the combination of fossil energy and electricity, expressed in megawatt hours.

1. Fuel consumption from owned/controlled stationary sources;
2. Fuel consumption from mobile sources managed by the site;
3. Electricity and heat/steam purchased;
4. Photovoltaic solar energy-based electricity generated by on site for own use.

Electricity/heat generated from CHP (Combined Heat Power plant) on site for own use is reported separately, primary energy used being natural gas which is reported in the energy consumption explained above.

CO₂ EMISSIONS

The CO₂ emissions result from direct (scope 1) and indirect (scope 2) emissions according to the definition provided by the GHG Protocol. They relate directly to energy consumption by the following formula: CO₂ emissions = Energy consumption x Emission factor. In scope 1 are also included CO₂eq emissions linked to use of refrigerants, calculated with the following formula: CO₂eq emissions = Refrigerant leakage amount x Global Warming Potential. These emissions are automatically calculated by the reporting tool based on energy consumption and refrigerants leakages reported and expressed in t CO₂ equivalent.

TOTAL WATER CONSUMPTION

This indicator is the sum of all water drawn into the boundaries of the reporting site from all sources (including surface, ground, rain and purchased water) for all use except watering throughout the reporting period. It includes water for industrial installations, offices, catering facilities, buildings, etc. It is expressed in m³/year.

WATER DISCHARGED

This indicator is the sum of water effluents (expressed in m³/year) discharged over the course of the reporting period to subsurface waters, surface waters, sewers that lead to rivers, oceans, lakes, wetlands, treatment facilities, and ground water:

- Through a defined discharge point (point source discharge)
- Overland in a dispersed or undefined manner (non-point source discharge), watering excluded.

Waste water removed from the site via truck is reported as a waste indicator, to comply with Waste European regulation. Water withdrawn from the environment for cooling purposes is now included in this definition, and is also reported in a new separate indicator "Total water used for cooling purposes."

WASTE PRODUCTION

The quantity of waste of a site combines hazardous and non-hazardous waste. This includes in particular all waste regularly created by production processes, and treated internally and externally. European Directive 2008/98/EC defines waste, disposal and recovery. Improvements have been made since last year in order to reinforce the reliability of waste reporting.

The scope of this indicator changed between 2010 and 2011. In 2010, exceptional waste, meaning all construction/demolition waste from buildings and installations, were included in the total scope of waste produced. In order to bring more relevancy to this indicator, exceptional waste is now excluded from the scope of total waste production, and is reported separately.

VOLATILE ORGANIC COMPOUNDS (VOC)

All organic compounds which present a vapour pressure higher than 10 Pa at 293.15°K are included in the definition adopted in this reporting for VOC (definition according to Council Directive 1999/13/EC). All exempted solvents according to US regulation (see US EPA at 40CFR PART 51-100) were included here.

EADS main VOC emission sources derive from surface treatment, cleaning, painting and coating operations through use of the following materials:

- solvents: halogenated (TCE, PER, MC), non-halogenated excluding paints and coatings;
- solvated paints and coatings: primers, wash primers, topcoats and specific coating (for structural and non-structural parts);
- Additional VOCs.

NO_x AND SO_x

NO_x and SO_x are by-products of the combustion of fossil fuels (gas or liquid fuel). These emissions are mainly responsible for acid rain, which could lead to modifications of ground and water chemical compositions and affect ecosystems. For SO_x, the level of sulphur contained in the used gas, heating oils or fuels can be employed to determine the emission level.

The emissions are calculated automatically within the ERT if no measure is done on site, with help of the energy consumption reported and the relevant emission factors.

NO_x and SO_x emissions from mobile sources are excluded.

DATA TABLES

Social performance

	GRI	KPI	2011	2010
ACTIVE WORKFORCE	LA1	Headcount reporting		
		Active Workforce (employees)✓	133,115	121,691
		Active Workforce by Region✓		
		France	48,394	45,580
		Germany	47,051	43,966
		Spain	10,701	10,498
		UK	13,467	12,813
		USA	2,829	2,692
		Other countries	10,673	6,142
		Active Workforce by Division✓		
		Airbus	69,300	62,751
		Astrium	16,623	15,340
		Cassidian	20,923	21,181
		Eurocopter	20,759	16,760
		Headquarters*	2,665	2,430
		Other Businesses	2,845	3,229
		Active Workforce by contract type✓		
		Unlimited contract	129,605	118,412
		Limited contract > 3 months	3,510	3,279
		HR Structure		
		Active Workforce by Age✓		
		<20	0.1%	0.1%
		20-29	13.3%	13.6%
		30-39	28.7%	27.9%
		40-49	28.9%	29.9%
		50-59	25.9%	25.6%
		60+	3.1%	2.9%
		Part-time proportion✓	3.5%	3.4%
		Women in Active workforce✓	17.0%	16.8%
		Women in Management positions✓	8.5%	8.4%
TURNOVER	LA 2	Employee turnover rate✓	2.9%	2.7%

All figures based on available detailed employee data as described in the HR protocol.

✓ (tick mark): 2011 data audited by Ernst & Young

* Headquarters are including Headquarters, Shared Services, and Innovation Works

DATA TABLES

Environmental performance

	GRI	KPI	Unit	2011	2010
ENERGY	EN3	Total energy consumption (excluding electricity generated by CHP on site for own use)✓	MWh	3,924,915	3,977,290
		Energy consumption from stationary sources✓	MWh	1,334,796	1,436,380
		of which, natural gas consumption	MWh	1,278,451	1,378,795
		distillate fuel oil consumption (gas oil, diesel, FOD)	MWh	43,723	47,311
		heavy fuel oil consumption (residual fuel oil)	MWh	0	41
		liquefied natural gas consumption	MWh	4,922	30
		propane consumption	MWh	7,696	10,192
		biomass consumption	MWh	4	0
		other type of fuel consumption	MWh	0	12
		Energy consumption from mobile sources✓	MWh	957,489	930,780
		of which, gasoline consumption	MWh	3,317	3,569
		distillate fuel oil consumption (gas oil, diesel, FOD)	MWh	25,563	28,875
		liquefied natural gas consumption	MWh	2	1
		propane consumption	MWh	1,264	1,160
		jet fuel aircraft/kerosene consumption	MWh	923,927	892,878
		- flight tests and ferry flight	MWh	630,373	616,335
		- Beluga	MWh	293,554	276,544
		aviation gasoline consumption	MWh	3,417	4,296
	EN4	Total electricity consumption	MWh	1,632,631	1,610,131
		of which, purchased electricity consumption✓	MWh	1,490,858	1,427,474
		purchased heat/steam	MWh	141,487	182,518
		photovoltaic solar-energy generated electricity on-site for own use	MWh	145	91
		generated electricity from other renewable source on-site for own use	MWh	141	47
		Generated heat/electricity from CHP on-site for own use✓	MWh	180,772	149,768
AIR EMISSIONS	EN16	Total CO₂ emissions✓	tonnes CO ₂	1,048,901	989,551
		Total direct CO ₂ emissions (Scope 1)✓	tonnes CO ₂	593,530	559,069
		of which, CO ₂ emissions from stationary sources	tonnes CO ₂	274,547	294,696
		CO ₂ emissions from mobile sources	tonnes CO ₂	246,523	239,504
		CO ₂ emissions from fugitive sources	tonnes CO ₂	21,814	24,869
		CO ₂ emissions from processes on site	tonnes CO ₂	50,646	-
		Total indirect CO ₂ emissions (Scope 2)✓	tonnes CO ₂	455,371	430,482
	EN20	Total VOC emissions	tonnes	1,393	1,303
		Total SOx emissions	tonnes	16	16
		Total NOx emissions	tonnes	205	233
WATER	EN8	Total water consumption✓	m ³	5,022,897	4,900,320
		of which, purchased water✓	%	61.0	61.3
		abstracted ground water	%	35.7	35.9
		withdrawn surface water	%	3.3	2.6
		rainwater collected used	%	0.1	0.1
	EN21	Total water discharge✓	m ³	3,363,197	3,680,449
WASTE	EN22 EN24	Total waste production	tonnes	na	133,048
		of which, non-hazardous waste	tonnes	na	99,169
		hazardous waste	tonnes	na	33,879
		construction/demolition waste	tonnes	na	41,155
		waste going to materials recovery	tonnes	na	84,012
		waste going to energy recovery	tonnes	na	18,643
		Total waste production, excluding exceptional waste	tonnes	144,349	na
		of which, non-hazardous waste✓	tonnes	111,161	na
		hazardous waste✓	tonnes	33,188	na
		waste going to materials recovery	tonnes	55,261	na
		waste going to energy recovery	tonnes	21,772	na
		Materials recovery rate✓	%	38	63
		Energy recovery rate	%	15	14
EMS certification		Number of sites with ISO 14001/EMAS certification	unit	93	90**
		Percentage of workforce covered by ISO 14001	%	85	88.0***

Note: MBDA environmental data is not included in these figures
 ** Of which 5 sites are excluded from the reporting scope

na: not available
 *** Workforce covered by the ISO 14001 and the environmental reporting

ERNST & YOUNG'S INDEPENDENT ASSURANCE REPORT TO EADS N.V.

Independent assurance report on the review of a selection of environmental and social performance indicators for the year ended December 31, 2011

Further to your request, we have performed a limited review of a selection of environmental and social performance indicators selected by EADS ("the Indicators"¹), identified by the symbol ✓, in the Corporate Responsibility & Sustainability 2011 Report on pages 66 and 67.

These Indicators have been prepared under the responsibility of the management of EADS, in accordance with:

- ⊙ EADS environmental performance indicators reporting guidelines (EADS-CDS-011), published January 1, 2012,
- ⊙ EADS greenhouse gas emissions inventory guidelines (EADS-CDS-045), published November 30, 2010,
- ⊙ EADS HR Headcount Definition Policy, published in May, 2006, updated October 15, 2010,
- ⊙ EADS Band Definition Policy, published in July 2007, updated January 5, 2011,
- ⊙ BI Reporting Harmonized Query Definitions, published December 15, 2009, updated February 13, 2012,

hereinafter the "Reporting Criteria", which can be consulted at EADS headquarters and are summarized in chapter "Scope and Methodology" of the Corporate Responsibility & Sustainability 2011 Report.

It is our responsibility to express a conclusion on these Indicators. Our review was conducted in accordance with the International Standard on Assurance Engagement (ISAE 3000), published in December 2003. Our independence is defined by legal and regulatory texts as well as by our Professional Code of Ethics.

The conclusion expressed below relates solely to these Indicators reviewed and not to the entire sustainability information published in the 2011 report. A higher level of assurance would have required a more extensive review.

NATURE AND SCOPE OF OUR WORK

We performed the following review to obtain limited assurance that the Indicators are free of material misstatements.

- ⊙ We assessed the Reporting Criteria with respect to its reliability, understandability, neutrality, completeness and relevance.
- ⊙ We interviewed persons in charge of environmental and social reporting at corporate level to check compliance with the Reporting Criteria.
- ⊙ We assessed the risk of material misstatement, performed analytical review tests with relevant ratios and verified, on a test basis, the calculations and data consolidation.
- ⊙ As part of our environmental performance indicators review, we selected a sample of 7 sites² and subsidiaries. Sites were selected based on their activity, their materiality to the Group and their location. For these sites and units, we verified understanding and implementation of the Reporting Criteria and, on a test basis, verified the calculations and reconciled data with the supporting documentation. Our review covered the average of 27% for water indicators, 25% for waste indicators, 40% for CO₂ emissions indicators and 54% for energy indicators.
- ⊙ As part of our social performance indicators review, we verified the understanding and the application of the Reporting Criteria, performed a review of the data consolidation procedures via corporate reporting systems and verified the calculations of the final indicators at HR controlling centre at EADS Ottobrunn. We also performed the detailed tests and reconciled data with the supporting documentation over the HR data of employees based in Germany which is managed by the shared service EADS Personnel Services North. Our review covered 35% of the EADS workforce.
- ⊙ We have also reviewed the presentation of the Indicators in the 2011 Corporate Responsibility & Sustainability report.

¹ • Energy: Total energy consumption; Total fuel consumption from stationary and mobile sources; Purchased electricity consumption; Generated electricity on site (from CHP and photovoltaic; for own use and resale); • CO₂: Total direct and indirect CO₂ Emissions; • Water: Volume of purchased water; Total water consumption; Total amount of water volume discharged; • Waste: Total amount of non-hazardous and hazardous waste produced (excluding Exceptional waste); Materials recovery rate (excluding Exceptional waste); • Social indicators: Active workforce by region, division, contract type, age, part-time quota and gender; Employee turnover rate; Women of active workforce; Women in management positions.

² Airbus Broughton (UK), Aerolia Saint-Nazaire (France), Airbus Military Sevilla South (Spain), Airbus Toulouse (France), Eurocopter Donauwörth (Germany), Airbus Hamburg (Germany), EFW Dresden (Germany).

COMMENTS ABOUT THE REPORTING CRITERIA

We express the following comments on the reporting process and the Reporting Criteria:

REPORTING CRITERIA

EADS Reporting Criteria describe precisely the reporting scope, steps, indicators definitions as well as the roles and responsibilities of the participants. Environmental Reporting Criteria are distributed to the various reporting participants, and explained to them during workshops that contribute to the identification of reporting difficulties and best practices sharing. The evolution of the reporting scope for the environmental indicators could be better formalized in the next reporting campaigns. Social Reporting Criteria state clearly the definitions used for reporting and the scope inclusion rules also detailed in the section "Scope and methodology" of this report.

The definition of waste indicators has been changed in 2011. In order to increase the relevance of the reporting for the sites the exceptional waste is now reported as a separate category.

Several sites reported values long after the reporting deadline. Late reporting induced fewer internal controls which resulted in several unit errors for the Materials recovery rate (excluding Exceptional waste), and one definition understanding error for the Total amount of water volume discharged. All values were corrected and other sites checked for the same type of error.

REPORTING PROCESS

EADS reporting process is supported by dedicated computer-based reporting tools. These tools, together with a quite structured internal control process, enable the company to improve data reliability. Nevertheless, internal controls done at site level regarding the reporting of environmental indicators could be better formalized and more systematically performed. In particular, controls expected from local management over environmental indicators reported could be described in the reporting guidelines and directly integrated in the computer-based tools.

CONCLUSION

Based on our review, nothing has come to our attention that cause us to believe that the reviewed indicators have not, in all material aspects, been prepared in compliance with the Reporting Criteria.

Paris-La Défense, April 10, 2012

ERNST & YOUNG et Associés
Cleantech & Sustainability



Eric Duvaud

GRI INDEX AND GLOBAL COMPACT CORRESPONDENCE

GRI index

The following tables present the EADS sustainability report according to Global Reporting Initiative (GRI) principles. The following GRI index indicates to what extent we take the GRI indicators into account. At the same time, it shows where in the report the indicators are dealt with. For some indicators, we also refer to the Annual Report (registration document) of EADS. This report follows the GRI guidelines and should allow meeting GRI Application Level B+.

CR ISSUE (GRI Disclosure)	GRI DESCRIPTION	PAGE
1. Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization.	p. 2-3
1.2	Description of key impacts, risks, and opportunities.	p. 2-7
2. Organisational Profile		
2.1	Name of the organization.	Inside front cover (leaflet EADS at a glance)
2.2	Primary brands, products, and/or services.	Inside front cover (leaflet EADS at a glance)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Inside front cover (leaflet EADS at a glance)
2.4	Location of organization's headquarters.	Inside back cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Inside front cover (leaflet EADS at a glance)
2.6	Nature of ownership and legal form.	Inside front cover (Registration document)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Inside front cover (leaflet EADS at a glance)
2.8	Scale of the reporting organization.	p. 64-65
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Inside front cover (leaflet EADS at a glance) and p. 64-65
2.10	Awards received in the reporting period.	EADS website
3. Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	p. 64-65
3.2	Date of most recent previous report (if any).	p. 1
3.3	Reporting cycle (annual, biennial, etc.)	p. 64-65
3.4	Contact point for questions regarding the report or its contents.	Inside back cover
3.5	Process for defining report content.	p. 1
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Inside front cover (leaflet EADS at a glance) and p. 64-65
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Inside front cover (leaflet EADS at a glance) and p. 64-65
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Inside front cover (leaflet EADS at a glance) and p. 64-65
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Inside front cover (leaflet EADS at a glance) and p. 64-65
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	p. 64-65
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Inside front cover (leaflet EADS at a glance) and p. 64-65
3.12	Table identifying the location of the Standard Disclosures in the report.	p. 68-70
3.13	Policy and current practice with regard to seeking external assurance for the report.	p. 72

4 Governance, Commitments and Engagement		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Annual report and p. 12-13
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Annual report and p. 2-3
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Annual report and p. 12
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Annual report and p. 2-3, 40-51
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Annual report and p. 13
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Annual report and p. 16-19
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Annual report and p. 13
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	p. 3-7, 14-19, 25-26, 40-51, 59-72
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Annual report and p. 2-19, 72
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Annual report and p. 6, 7, 12
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	p. 22-23, 36-37
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	p. 28-29, 37, 51, 68-70
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	p.28-29, 51
4.14	List of stakeholder groups engaged by the organization.	Stakeholders are treated throughout the report
4.15	Basis for identification and selection of stakeholders with whom to engage.	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	

CR ISSUE (GRI Disclosure)	GRI DESCRIPTION	PAGE	GLOBAL COMPACT CROSS REFERENCE
Economic			
	Disclosure on Management Approach – Economic	p. 12-14 and throughout the report, and Annual report	
Market Presence			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	p. 52-57	Principle 6
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	p. 59-61	
Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	p. 52-62	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Annual report	

CR ISSUE (GRI INDICATOR)	GRI DESCRIPTION	PAGE	GLOBAL COMPACT CROSS REFERENCE
Environmental			
	Disclosure on Management Approach – Environment	p. 8-9, 23	
Materials			
EN2	Percentage of materials used that are recycled input materials.	p. 67	Principle 8, 9
Energy			
EN3	Direct energy consumption by primary energy source.	p. 67	Principle 8
EN4	Indirect energy consumption by primary source.	p. 67	Principle 8
EN5	Energy saved due to conservation and efficiency improvements.	p. 38-39	Principle 8, 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	p. 5-7, 28-29, 36-39	Principle 8, 9
Water			
EN8	Total water withdrawal by source	p. 67	Principle 8
Biodiversity			
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	p. 61	Principle 8
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	p. 67	Principle 8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	p. 28-29, 38-39	Principle 7-9
EN19	Emissions of ozone-depleting substances by weight.	p. 67	Principle 8
EN20	NOx, SOx, and other significant air emissions by type and weight.	p. 67	Principle 8
EN21	Total water discharge by quality and destination.	p. 67	Principle 8
EN22	Total weight of waste by type and disposal method.	p. 67	Principle 8
Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	p. 20-51	Principle 7-9
Social: Labor Practices and Decent Work			
	Disclosure on Management Approach – Labor Practices and Decent Work	p. 40-51	
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	p. 66	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	p. 66	Principle 6
Training and Education			
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	p. 40-49	
Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	p. 9, 12-13, 66	Principle 1, 6
Social: Human Rights			
	Disclosure on Management Approach – Human Rights	p. 40-51, 53-57	
Social: Society			
	Disclosure on Management Approach – Society	p. 59-62	
Local communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	p. 59-62	
Corruption			
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	p. 19	Principle 10
SO4	Actions taken in response to incidents of corruption.	p. 19	Principle 10
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.	p. 28-29	Principle 1-10
Social: Product Responsibility			
	Disclosure on Management Approach – Product Responsibility	p. 21-33	
Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	p. 22-27	Principle 1
Product and Service Labelling			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	p. 2-3, 21-33	

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