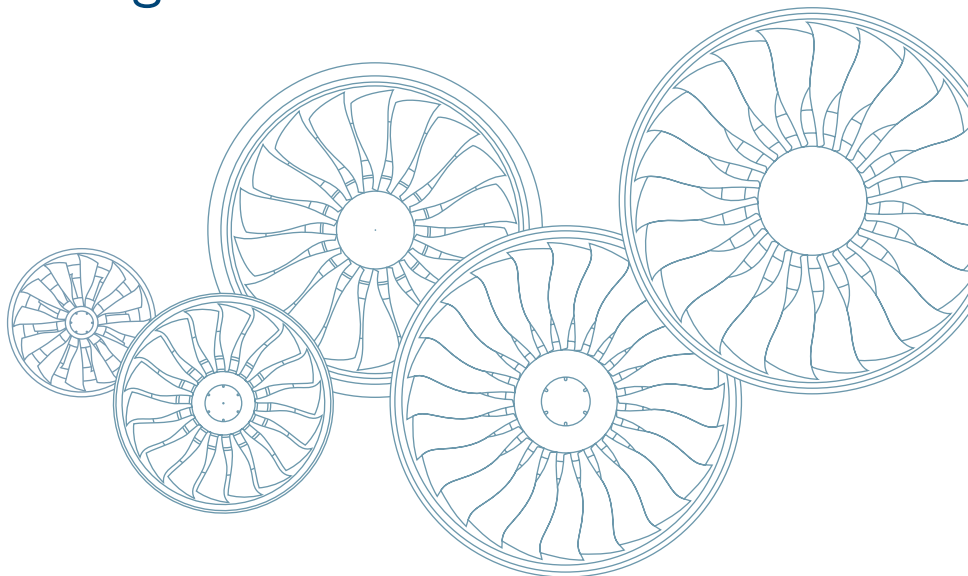


United Nations Global Compact Communication on Progress 2013 – 2014



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Cover photo: GP7000
MTU supplies the low-pressure turbine for the GP7000, the engine that powers the Airbus A380. This plane has an average fuel consumption of less than three liters per hundred passenger kilometers. With its high level of efficiency, our low-pressure turbine contributes significantly to the A380's fuel efficiency. With its four GP7000 engines, the mammoth A380 also meets the most stringent ICAO Chapter 4 noise standard.

Geared Turbofan™ is a trademark application of Pratt & Whitney.

1 Statement of continued support

Dear readers,

MTU Aero Engines AG views climate change as one of the greatest global challenges facing society, politics and the economy. This was the catalyst for drafting Clean Air Engines, our ambitious product and climate objectives, which applies to all future engines until 2050. As part of our climate strategy, we promote the use of environmentally friendly technologies in aviation; as one of the world's leading high-tech companies in the engine industry, we feel this is one of our responsibilities. MTU's products are extremely reliable, meet the highest technical requirements and set standards in terms of eco-efficiency. A key contribution is the Geared Turbofan engine family, which will enter into service from 2015. These aircraft engines are characterized by their unprecedentedly low environmental impact—offering significant in-flight reductions in CO2 emissions and other pollutants as well as engine noise.



Reiner Winkler

We are particularly strong when it comes to product responsibility, and this is where we can help most to keep air traffic sustainable. But that's not the only way MTU stands out. During the reporting year, our comprehensive commitment to corporate responsibility was awarded Prime Status by oekom research, an independent and leading global rating company in the field of sustainable investment. We also intensified dialog with our stakeholders to obtain further feedback. Since the end of 2013, we have asked our target groups in an online survey about their beliefs and opinions on Corporate Responsibility at MTU.

We want to continue improving our economic, social and environmental performance in the future. We have already taken one important step towards sustainable supplier management during this reporting period by establishing a Code of Conduct for Suppliers as a standard part of our contracts with suppliers. From now on, cooperation with our 4,500 partners worldwide will be defined by binding work, social and environmental standards, which are oriented on the principles set out in the UN Global Compact.

This is our third UN Global Compact Communication on Progress. The aim is to document how we are implementing the ten principles, what progress we have already achieved in this and where we still need to take action. For the first time, we have expanded the report's focus to include all of Europe. MTU Aero Engines is committed to continuing to support and promote the implementation of the principles of the UN Global Compact.

Yours sincerely,

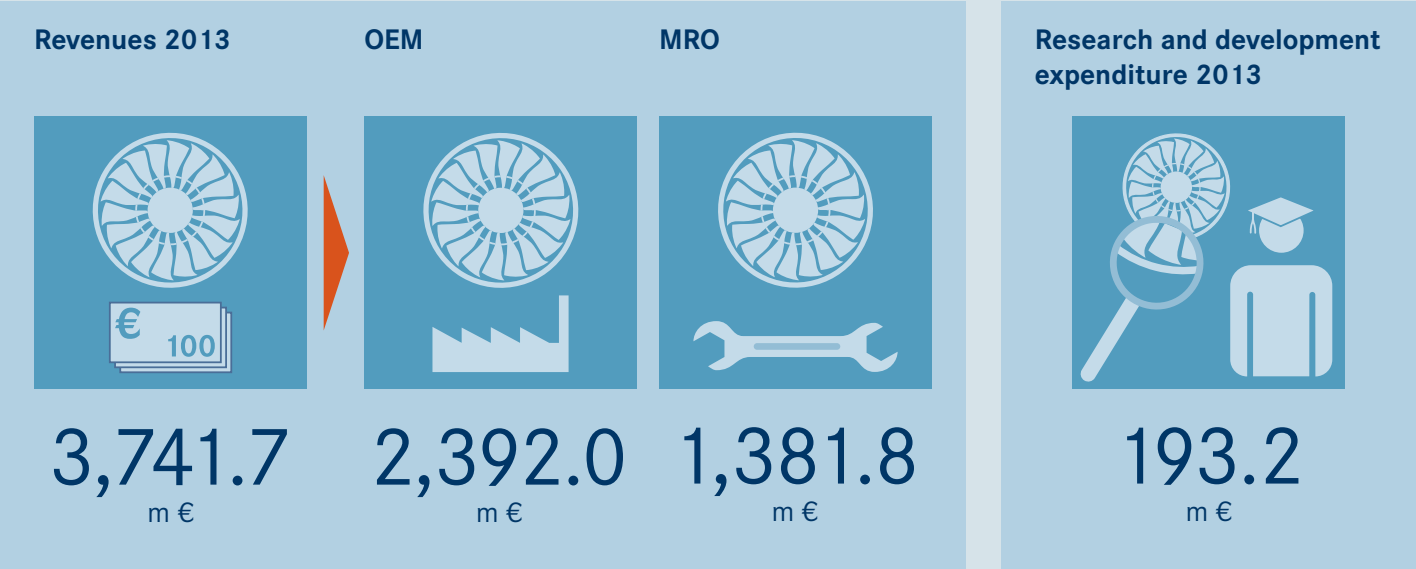
A handwritten signature in blue ink that reads "Reiner Winkler". The signature is fluid and stylized, with a long horizontal stroke at the end.

Reiner Winkler
CEO MTU Aero Engines

MTU Aero Engines

Our role in the aviation industry

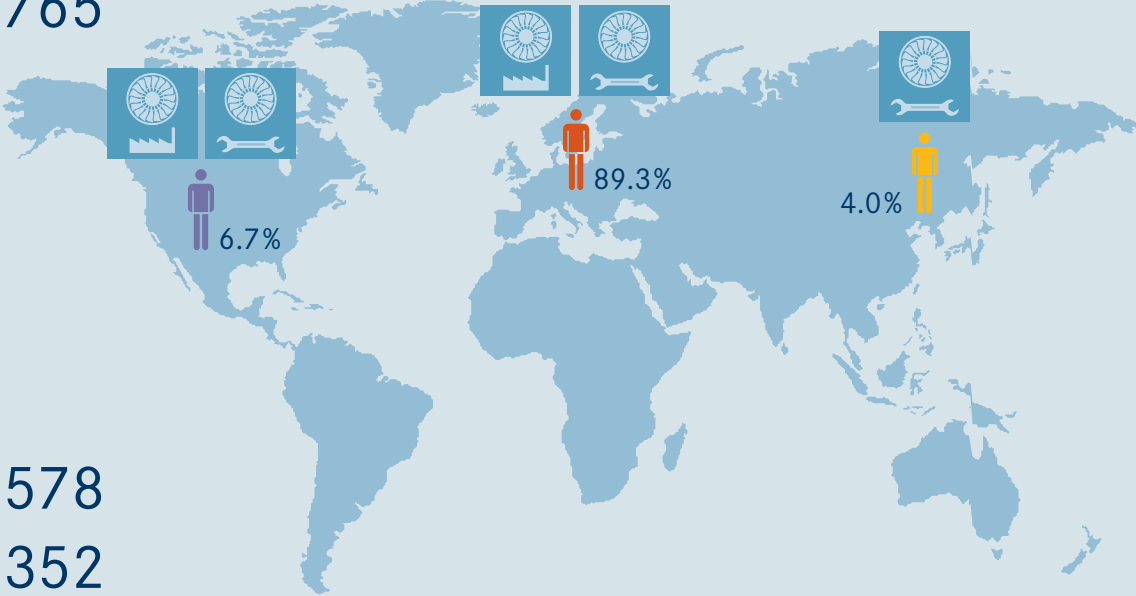
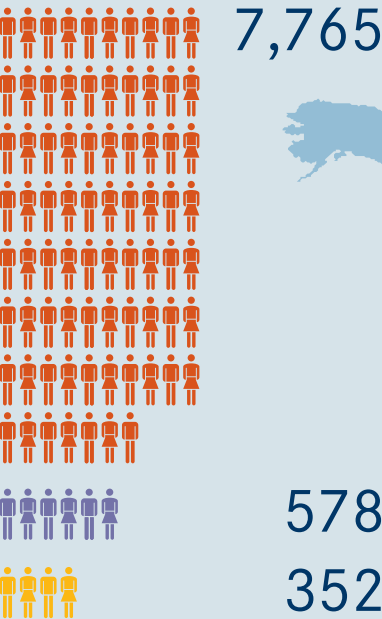
MTU Aero Engines is Germany’s leading engine manufacturer and a technology leader in low-pressure turbines, high-pressure compressors, repair techniques and manufacturing processes. The company is a key-partner in all national und international technology programs of note, and cooperates with the top names in the industry.



OEM (Original Equipment Manufacturing) covers new commercial engines, incl. spare parts, and the whole of the military sector.

MRO (Maintenance, Repair & Overhaul) comprises all commercial maintenance activities for aircraft engines and industrial gas turbines.

Total number of employees 8,695



- Europe: MTU Aero Engines, MTU Maintenance Hannover, MTU Maintenance Berlin-Brandenburg, MTU Aero Engines Polska
- North America: MTU Maintenance Canada, MTU Aero Engines North America, Vericor Power Systems
- Asia: MTU Maintenance Zhuhai 50 percent (50/50 Joint Venture)

2 Corporate Responsibility at MTU Aero Engines

MTU at a glance

In the aviation industry, three simple letters stand for top-notch engine technology: MTU. With a workforce of more than 8,600 people worldwide Germany's leading engine manufacturer, the country's only independent engine builder, has been providing propulsion systems to power aircraft for almost 80 years and has become an established global player. MTU Aero Engines engages in the development, manufacture and support of commercial and military aircraft engines and industrial gas turbines.

The company makes products in all thrust and power categories and on all major engine components and subsystems, such as compressors and turbines.

Technologically, MTU commands full engine systems integration capabilities, being a leader in the major engine areas and excelling especially in low-pressure turbines and high-pressure compressors, as well as manufacturing and repair techniques.



Together with other manufacturers, MTU co-operates on novel propulsion systems, its partners being the big players in the industry. In the commercial area, MTU is the world's largest independent provider of engine maintenance services. In the military arena, MTU is Germany's leading industrial company for practically all engines flown by the country's military.



Eco-efficient engines sporting MTU technology (clockwise from top left): Boeing 787, Airbus A380, CSeries and Airbus A320neo.

Corporate Responsibility Management

MTU Aero Engines has had a management system in place for the company-wide development and implementation of corporate responsibility (CR) since 2009. CR management includes directing sustainability activities and goals as well as guiding overall CR strategy. The CR steering committee responsible for the sustainability strategy is made up of the Corporate Communications and Public Affairs and Corporate Quality departmental directors and reports directly to the board of management; the board then makes decisions about the sustainability strategy. A centralized CR coordination team, under the auspices of the Corporate Communications department, directs the sustainability strategy's implementation in CR activity areas and is responsible for reporting. Meanwhile, the CR divisional coordinators in the various business areas have an important role, namely in implementing CR activities in their department or location and to play a major part in designing and developing the company's CR strategy. They are also responsible for measuring the success of the defined goals within their areas.

MTU's CR management system



Relevant data and information regarding MTU's commitment to sustainability and its achieved progress are collected by the CR specialist coordinators and are brought together by the centralized CR coordination team. An integrated database for combining, verifying and evaluating key CR data and information is an important tool for this process. The CR corporate bodies meet regularly to exchange information and to agree on measures to implement.



MTU appears at major industry events such as the Berlin Air Show ILA 2014.



We use career events to get in contact with our potential junior staff.

MTU reports regularly on sustainability topics both internally and externally in order to create transparency and to strengthen awareness of corporate responsibility among employees, customers, partners, suppliers and shareholders. A major aspect of CR communications is the sustainability report, which follows the internationally recognized standard, the Global Reporting Initiative GRI. MTU plans to gradually expand the degree of reporting; we achieved pan-European coverage in 2014. The next sustainability report will be published in summer 2015 and will integrate the next UN Global Compact communication on progress. MTU is preparing for the G4, a new reporting standard, in order to continue ensuring transparency and comparability in reporting.

MTU involves its stakeholders in an effort to achieve sustainability in our business. We have extended our reporting period to accommodate dialog with them and, for the first time, organized an online stakeholder survey to ask stakeholders for their perceptions and opinions of corporate responsibility at MTU. Representatives from all relevant MTU stakeholder groups rated the sustainability topics and achievements as well as the sustainability report itself.

For more information about dialog with stakeholders consult pp. 18-19 of the Sustainability Report 2012, available online at www.mtu.de.

Furthermore, we also actively provide more information online relating to our compliance activities, how the company is organized in this regard, and regulations covering conflicts of interest or insider trading.



Compliance at MTU: www.mtu.de

MTU received an important assessment of its commitment to sustainability at the end of 2013 from oekom research AG, one of the world's leading rating agencies in the sustainability investment segment. With a C+ rating, MTU has achieved prime status, which demonstrates that the company has met the minimum standards set by oekom research. The analysts evaluate the company's ecological and social achievements based on more than 100 selected sustainability criteria related to the aviation industry.

We are always open to external assessment of our sustainability achievements. In May 2014, MTU was rated by imug Beratungsgesellschaft für sozial-ökologische Innovationen, a German consulting firm that advises investors in sustainable investment decision making.

This year, MTU will undergo renewed assessment by Transparency International, a global non-governmental civil society coalition against corruption. MTU achieved a good result after Transparency International's initial examination in 2012.

Find out more in Chapter 6, Anti-corruption.



Issues can be raised with and questions put to MTU at the annual general meeting.

MTU's social responsibility

Our role as a fair and responsible employer

MTU respects the internationally proclaimed human rights set out in the United Nations' Universal Declaration of Human Rights and ensures that they are safeguarded within the company. MTU is committed to respecting the individuality and dignity of all, upholding equality of opportunity in recruitment and preventing discrimination.



8,695 employees
worldwide operate under
the binding Code of
Conduct



Some 4,500 suppliers
worldwide operate under
the Code of Conduct for
Suppliers



Zero complaints
received during the
reporting period regarding
human rights violations
by MTU

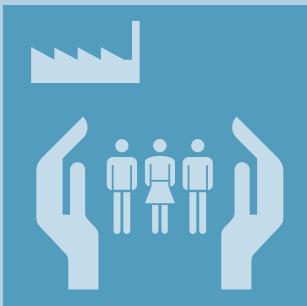
Occupational safety



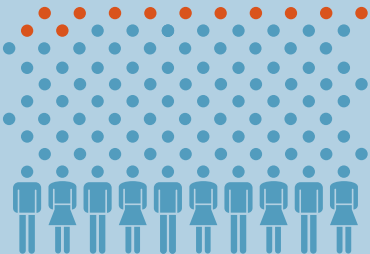
2010
 **4.70***

2013
 **1.45***

*Average of accidents at European
locations per 1,000 employees



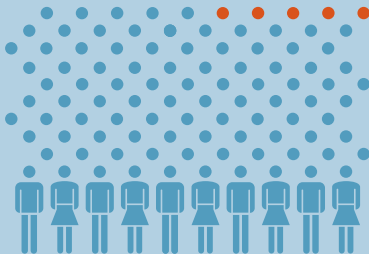
Percentage of the total work-
force covered by OHSAS 18001
health and safety management:



87.8%



Health rate at European loca-
tions in 2013 as an annual
average:



95.5%

3 Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Internationally recognized human rights form the basis of our actions at MTU. In our social and work standards, we acknowledge the principles set out in the United Nations' Universal Declaration of Human Rights and the core labor standards adopted by the International Labour Organization (ILO). MTU Aero Engines respects the protection of human rights and ensures it is not complicit in human rights abuses. Dignity and the right to equal opportunity for each individual employee, regardless of gender, ethnic origin, age, religion, sexual orientation or physical impairment, are of the highest priority. Employee recruitment and promotion is based solely on individual competence, skills and experience. We promote diversity within the company.

Further details are provided in Chapter 4, Labor.

Our commitments and management systems

- The ten principles of the UN Global Compact
- A Code of Conduct that applies in all areas of the company
- The MTU Principles, with the focus for 2013 on continuous improvement and actively driving change
- A Code of Conduct for Suppliers
- Occupational and health safety in accordance with OHSAS 18001

Code of Conduct for employees

Long-term business relationships shape and guide our business. As a cutting-edge technology leader and an important global player in the industry, we enjoy the trust of our employees, partners, customers, suppliers and shareholders. This means legal conformity as well as responsible and exemplary behavior are part of our self-image. Company-wide, a binding Code of Conduct for all MTU employees and board members summarizes our guiding principles and rules for internal cooperation and behavior towards external partners. This guarantees unified business behavior across national borders and locations, characterized by the protection of human rights, compliance with applicable labor laws, fair working conditions, a safe and healthy work environment,



A binding Code of Conduct enforces our ethical principles for all employees throughout the company.

prevention of corruption and adequate staff training. Our Code of Conduct corresponds with the ten principles of the UN Global Compact and is supported by a positive company culture that values responsibility, mutual respect, diversity, fairness and regulations, as formulated in the MTU Principles.



The Code of Conduct is available online at www.mtu.de.

These overarching ethical principles govern successful labor relations for more than 8,600 employees worldwide: As in previous years, MTU received no complaints regarding human rights infringements during the reporting period. Formal mechanism defined in internal regulations and process descriptions are in place to ensure that evidence of discrimination, human rights abuses or illegal activities can be reported. These include a confidential ombudsman as contact person for both employees and external parties. Any violations of the Code of Conduct or applicable laws will be pursued and punished accordingly. All employees received training when the Code of Conduct was introduced in 2007. Since then, we have provided regular compliance training and informational meetings for new employees about these key standards.

Supplier management

MTU has expanded its strategy of sustainable business to the supply chain. In early 2014, a binding Code of Conduct for Suppliers went into effect. Under the auspices of the responsible CR coordinator, the purchasing department and the legal department have drawn up appropriate guidelines that will now be included in our contracts with all the MTU Group's suppliers. In total, the company works with around 4,500 suppliers worldwide. Among the criteria to be fulfilled as part of the Code of Conduct for Suppliers, and in compliance with the ten principles of the UN Global Compact, are respect for human rights, the avoidance of forced or child labor, the fight against corruption and protection of the environment.



The Code of Conduct for Suppliers is available on the website at www.mtu.de.

MTU is committed to using socially responsible raw materials in its value chain. This includes ensuring the traceability of conflict minerals, such as tantalum, gold, tin and tungsten. Many of these are mined in the Democratic Republic of Congo or neighboring states. Tantalum, tin and tungsten can be found in some MTU engine components. Since the adoption of the Dodd-Frank Act in the U.S.A. in 2010, American companies listed on the stock exchange are required by Section 1502 to disclose the origin of conflict materials and to acquire them only from mines or master alloy producers that are found on the Compliant Smelter List ([available at http://www.conflictreesourcing.org/](http://www.conflictreesourcing.org/)). The goal of this regulation is to avoid financing armed groups in the Democratic Republic of Congo or in neighboring states via the extraction and trading of raw materials. U.S. partners have passed on this requirement to MTU as a supplier of engine components and parts. In turn, MTU has identified the suppliers that provide it with components containing conflict minerals. These suppliers will now be required by MTU to present all necessary information about the origin of conflict minerals. MTU has also adjusted its procurement guidelines accordingly.



MTU has expanded its strategy of sustainable business to the supply chain.

Occupational safety

MTU places high value on occupational safety and employee health, which are anchored in our business processes and reflected in the MTU Principles, in the Code of Conduct and in our corporate goals.

Compliance with national regulations on occupational safety is mandatory for all international MTU subsidiaries. The management system in which the required measures, goals and responsibilities are defined is certified externally in accordance with international standards. Major MTU production sites are validated by the standard for industrial safety management, OHSAS 18001 (Occupational Health and Safety Assessment Series). Nearly 90 percent of the workforce is covered by an OHSAS 18001 certified occupational safety management system. At each location, one person is given overall responsibility for occupational safety. Among the comprehensive measures in place relating to occupational safety are safety training, first aid training and workplace risk assessment. Each individual workplace is thoroughly checked and evaluated for any risks and hazards present both before work begins and regularly thereafter.



All certifications are documented at www.mtu.de.

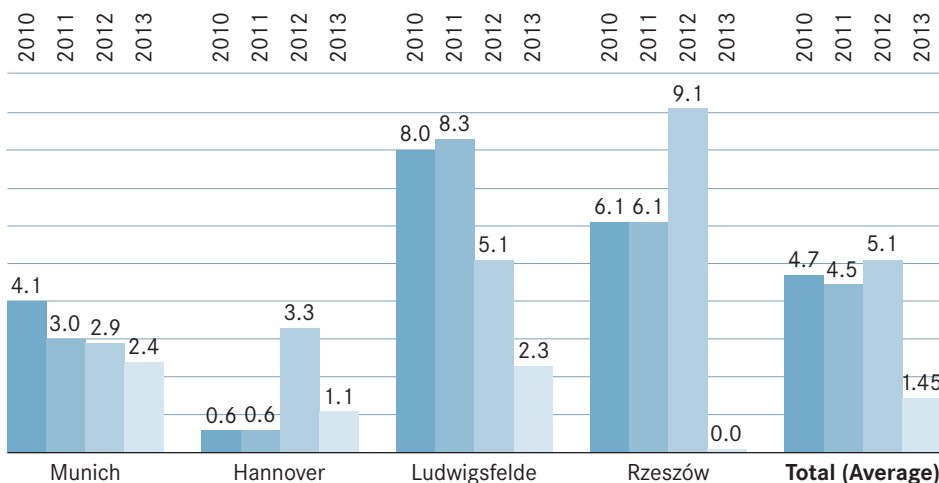
We aspire to continuously bring down the number of work-related accidents and reach a level of prevention that seeks to exclude any accident (zero accident rate vision). Our ongoing prevention work and analysis of accidents and near-misses is bringing us ever closer to this goal. This sustained objective is reflected in MTU's work safety figures, which indicate a comparatively low level of accidents. For 2013, the average accident rate was less than two per 1,000 employees at our European sites. Out of a total of 8,695 employees worldwide, 7,765 were working at the four locations of Munich, Hannover, Ludwigsfelde and Rzeszów at the end of 2013.



MTU places high value on occupational safety and employee health.



Accidents at European locations per 1,000 employees
(End-of-year figures)



Health management

Healthy employees are an important prerequisite for maintaining our company's economic performance. MTU is taking a step-by-step approach to developing holistic and sustainable health management. As the company's largest site, Munich takes on a pioneering role in this regard, but all locations outside of Germany will be included in the medium term. A cross-learning network has already taken its first steps toward tailoring measures and establishing uniform standards across all MTU locations.

The key societal challenge of changing demographics also affects MTU. A large proportion of the company workforce (83.7 percent) works in Germany, where the average employee age, now over 44, increased by 2.1 percent in the past five years. Yet the longer employees work for MTU, the more valuable their many years of professional experience and related expertise are to our highly specialized business. This is why we want to identify strategic areas of action within the context of health management and develop strategic areas of action for maintaining effectiveness and employability. Managers are to be supported in their special responsibility in health matters through measures which raise awareness and transfer knowledge and skills.

Special preventive healthcare offers and a variety of activities for promoting a healthy lifestyle are already integrated into the health management program. We see a constant quality of health despite an ever aging workforce as vindication of these efforts. Health services cover occupational and emergency medicine as well as general preventive medicine. Counselling services offer employees

support with work and performance-related issues, and answer questions on matters such as mental health. Among the additional services offered by MTU are an on-site health club or agreements with gyms, physiotherapy, healthy food options in the company restaurant, tips on ergonomics in the workplace and area-specific Health Days.

In 2013, we expanded the range of MTU departmental Health Days. The new structure is designed to ensure more sustainability, with the three-step modular concept (awareness, deepening of knowledge, self-reflection) stretching over three years. The Health Days program offers lectures from experts and activities in tune with the individual needs of each department on topics such as nutrition, exercise, stress or relaxation.

The back coach and extended risk assessment pilot projects will be continued in this reporting period and rolled out at other sites. A back coach observes work situations and analyzes employees' movements and posture in the workplace to help them identify daily activities that overtax the joints or result in poor posture. Together with the employee, the physiotherapist then develops methods to prevent these unhealthy practices and to encourage healthier behavior. Starting in fall 2013, training in ergonomic seating positions was introduced covering a large area as a complement to the back coach project.

Extended risk assessment evaluates physical and psychological risk factors in the workplace. Here, too, managers work with their staff to develop and implement appropriate strategies for improving workplace health and minimizing possible negative factors.

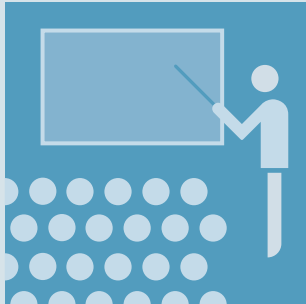


MTU's health promotion comprises numerous initiatives including company physicians.

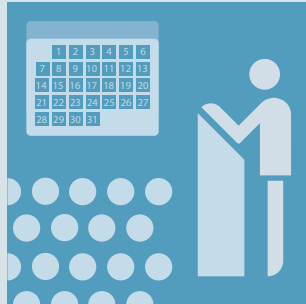
An attractive employer

Our role in creating fair working conditions

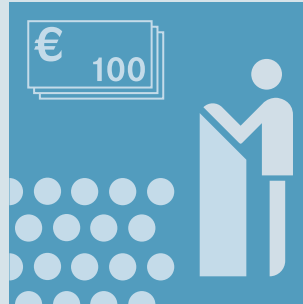
Building on legally binding employment contracts, we provide secure and attractive employment, above average and performance-related compensation, combined with numerous work options that help our employees balance their professional and family commitments. We also provide the requisite technical training for safeguarding the company's store of valuable know-how. Diversity and equal opportunity are given high priority—especially when it comes to recruiting more women—and we actively support the necessary conditions through various measures.



5.2%
percentage of apprentices
2013*



2.8
Training days per employee
2013**

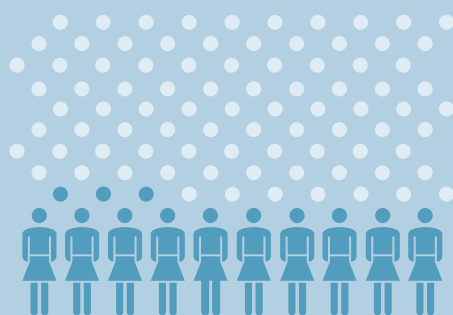


3.4 m €
Training costs 2013**

* across Germany
** across Europe

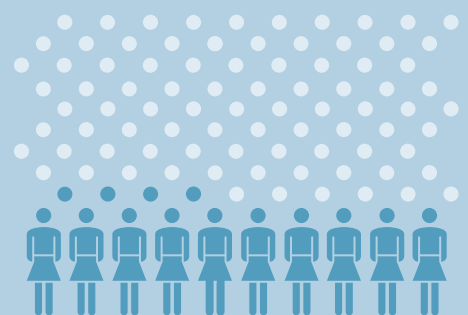
Percentage of
female employees*

2010



13.0%

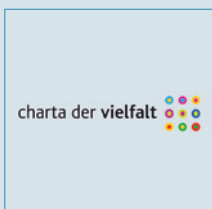
2013



13.9%

* across Germany

Our commitments



External recognition



4 Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Working at MTU

As a conscientious employer, we provide fair, socially responsible terms of employment and foster a workplace atmosphere that is based on mutual respect and appreciation and excludes all forms of discrimination. MTU creates fair working conditions for its employees throughout the organization. We are committed to respecting employees' rights and safeguarding the freedom of association of our employees. When drafting employment contracts, we observe statutory requirements as well as internal company agreements. We place our trust in long-term, secure employment relationships as a means of securing our technological leadership and retaining the associated expertise.

Our commitment to fair working conditions includes strict opposition to forced or child labor in any form along with the safeguarding of human rights. We have enshrined these employment and social standards in binding form for the entire organization in the MTU Code of Conduct. Employment contracts are concluded with employees on a voluntary basis. A company-wide guideline on cooperative and fair conduct prohibits bullying, sexual harassment and discrimination. In the guideline, MTU also undertakes to punish violations with appropriate measures. Defined processes have been established to deal with reported breaches of the Code of Conduct and internal guidelines. Employees at any MTU site who suspect illegal conduct can report their concerns to an ombudsman, who can be contacted confidentially by e-mail at any time.

In Germany, moreover, the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz) applies, which prohibits employment discrimination. MTU continued its successful streak in 2013 with zero complaints under the General Act on Equal Treatment at MTU's German sites. Neither were any cases of discrimination reported at our Polish subsidiary MTU Aero Engines Polska during the reporting period.



It is precisely the expertise and commitment of our employees that helps shape MTU's success.

As a condition for cooperation with suppliers, we lay down comparable social and employment standards, which are based on the UN Global Compact principles and the International Labour Organization's (ILO's) core labor standards and include observation of the principles set out in the UN's Universal Declaration of Human Rights. By means of this binding Code of Conduct for Suppliers, we require our business partners to observe these standards in their sphere of responsibility.

MTU takes occupational health and safety very seriously. For each of the company's European sites, an occupational safety officer is appointed. In addition, as part of our integrated management system, the occupational health and safety at our German sites is certified to OHSAS 18001.

For more on occupational health and safety at MTU, see Chapter 1, Human Rights.

Dialog with employee representatives

In Germany, labor agreements negotiated with employee representatives supplement the statutory foundations in defining working conditions. These collective agreements apply to the entire MTU workforce in Germany, with the exception of the Board of Management and the top two tiers of senior management. They have their own representative body. In 2013, 98.4 percent of employees in Germany were covered by collective agreements. In accordance with the German Works Constitution Act (Betriebsverfassungsgesetz), each of MTU's sites in Germany also has a works council. In addition, the Board of Management maintains regular, open and trust-based dialog with the Group Works Council. At the Rzeszów site in Poland elected employee representatives look after the interests of the workforce in dealings with management. The applicable employee rights form the basis of employment contracts.

Our next employee survey at German sites is planned for 2015. The survey is an important means of getting valuable feedback from employees on MTU as an employer and as a company.

Remuneration and benefits

The right to appropriate remuneration is one of the pillars of MTU's social policy and is enshrined accordingly in the Code of Conduct. Fair and appropriate remuneration is ensured by a standardized, transparent and consistent compensation structure. Compensation for senior managers is tied to the company's long-term performance. MTU enables its employees to participate in the company's success through various profit-sharing programs, which are available to the workforce as a whole and defined in special rules for each employment group (interns, degree candidates and other students on work experience are excluded). For example, an employee stock option program in place at the Munich, Hannover and Ludwigsfelde sites achieved a take-up rate of 18.5 percent in 2013. In addition, there is a consistent methodology for evaluating performance at all levels of the hierarchy. The performance criteria are based on company, center or department objectives and measure how the employees contribute to reaching these goals. All MTU employees throughout Europe regularly receive an evaluation of their performance and prospects within the context of a development plan. To this end, management is required to conduct an interview with every single employee once a year about their training and career development.



MTU provides fair and appropriate remuneration through a standardized, transparent and consistent compensation structure.

Top employer

Once again, MTU performed very well in the Top Employer Germany evaluation for 2014, particularly in the Secondary Benefits & Work-Life Balance category. But that's not all: the MTU site in Rzeszów took part in the evaluation for the first time and achieved Top Employer title as well. This acknowledges MTU Aero Engines Polska as one of the 39 best companies to work for in Poland. In particular, top marks in such categories as Secondary Benefits & Work-Life Balance and Corporate Culture confirm the very attractive range of additional benefits available to employees at the site, such as a health service and flexible work models to help employees attain a better balance between working and family life.

MTU Maintenance Canada in Vancouver also ranks among the best. In 2013, it was chosen as a Top Employer in the Canadian province of British Columbia. An employee survey formed part of the application process.

MTU received further positive feedback from its employees in a study carried out by Focus, a German weekly news magazine, and the XING professional networking platform. Employees at all hierarchy levels were asked to rate companies in terms of working environment, career perspectives, salary and leadership culture. The results put MTU at 19th place among Germany's best employers, while in the sector-specific ranking MTU took fourth place.

Audits and certifications

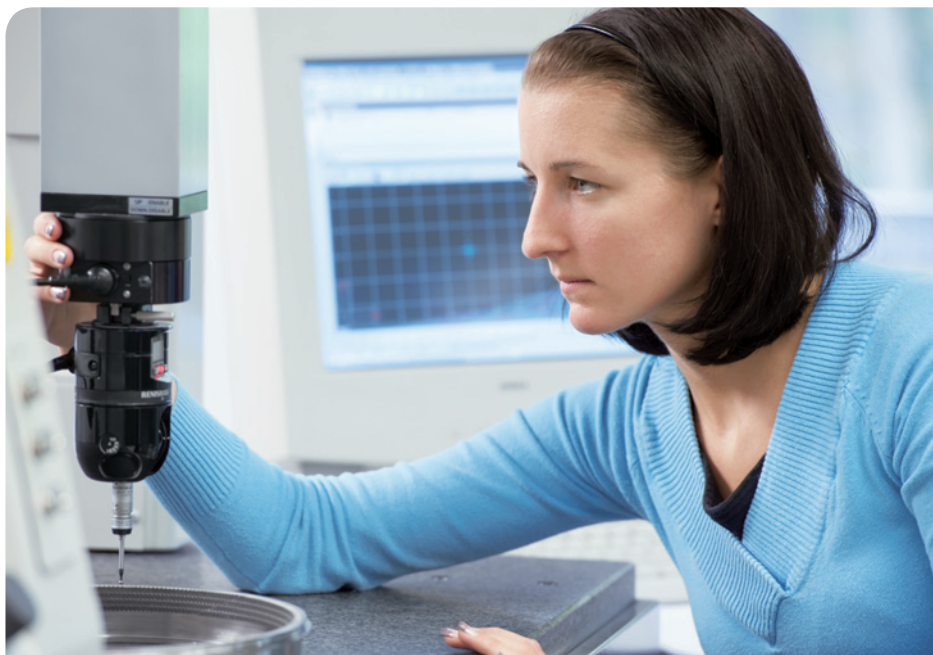
- Top employer in Germany
- Top employer in Poland
- Top employer in British Columbia (Canada)
- trendence Graduate Barometer
- Universum ranking
- Chief Learning Officer



For more on MTU awards and certifications, see the Career section at www.mtu.de.

Diversity and equal opportunities

MTU is committed to diversity and equal opportunities in the company and works to establish the requisite structures and environment via a variety of measures. For us, there is no better expression of diversity than employees of different generations, genders, cultures and countries all working side by side, not to mention integrating people with disabilities. Diverse teams are more productive, creative and innovative. A diverse workforce enhances MTU's capacity for innovation and makes a decisive contribution to the company's future. This is why we want to further promote diversity in the make-up of our workforce and appreciation of the benefits of diversity within the company.



It is important for technology companies like MTU to recognize and make the most of employee potential.

Since 2010, we have been a signatory to the Charter of Diversity, a joint initiative between the German federal government and German business. This commits us to providing a working environment free from prejudice and with diverse opportunities for employees. MTU's Code of Conduct also explicitly commits the company to equality of opportunity and equal treatment for employees. In addition, we have enshrined the topic of diversity in the MTU Principles, where we set ourselves the goal of enhancing our innovative capability by means of having a workforce that includes different cultures and age groups and a broad base of specialist expertise. It is important for technology companies like MTU to recognize and make the most of employee potential. As part of our occupational reintegration management, we help employees to return to the workplace after an extended absence.

Managers have a particular responsibility on account of the major role they play in this process. Effective changes cannot be achieved by means of rules and targets alone; managers must support diversity in their area of responsibility and contribute toward incorporating diversity into everyday working life at MTU by creating a suitable working environment.

Our commitments

- Charter of Diversity
- UN Global Compact
- Munich Memorandum for Women in Management

Internationalization

For MTU, internationality is an expression of diversity and is typical for our engine business, which is strongly characterized by transnational cooperation at all stages, including development, manufacture and maintenance. We are working to intensify internationalization at MTU through various measures.

These include the following international development programs:

- International Leadership Program
- International Building on Talent
- Health management at all MTU sites

On top of this, we have developed a concept that will pool and systemize exchange processes between MTU sites in a company-wide rotation program. To further encourage networking and sharing of expert know-how throughout the company, MTU is planning employee exchanges of between three and twelve months in duration. In addition, MTU wants to systemize its health management for all MTU sites (see Chapter 2, Human Rights).

Gender diversity

The value of equal opportunity is something we consider to be self-evident. Remuneration levels and promotion prospects are determined solely by the job to be performed; qualifications are the deciding factor, not gender. This was confirmed by an internal screening we carried out. In order to better unlock talent and innovation potential, we have specific policies that facilitate women in technical and management roles and encourage the hiring of new female employees. At the end of 2013, women made up 13.9 percent of the total German workforce, which represents an improvement over 2012, when the same figure was 13.7

percent. When it comes to the hiring of young employees, the figures make for even better reading, with the proportion of women surpassing the 20 percent mark over the past few years. As for management positions, 7.9 percent were occupied by women at the end of 2013. Many measures were initiated as part of MTU's career program for women, which will bear fruit over the long term. The main focus is on attracting more female talent to the company and giving female employees better support throughout their careers. MTU has undertaken to significantly increase the proportion of female employees at the company, including at management level. With our targeted employer branding strategy and the continuation of our measures and programs, we are committed to bringing about long-term change.

Our programs and initiatives promoting the advancement of women

- Munich Memorandum for Women in Management
- Cross-Mentoring Munich (a program organized by the city of Munich)
- The MTU 'Studienstiftung' foundation to help young women studying for engineering and scientific careers
- Girls' Day
- Research Camp for Girls
- Engineer on High Heels

At MTU's site in the southern Polish city of Rzeszów, MTU Aero Engines Polska launched the "Engineer on High Heels" initiative in 2013. Kicking off the initiative was an event aimed at female students at the academic high school in Rzeszów, who were given an insight into technical professions at the company. The event, which is a part of the European "Innovative Economy" project, will take place in 2015 again.



MTU has specific policies that facilitate women in technical and management roles.



MTU has already achieved a high level of work-life balance for its employees.

Work-life balance

MTU has a variety of offers designed to help its employees achieve a healthy work-life balance and is increasingly focused on responding to their different life phases and particular needs. These offers include:

- Flexible working hours and flextime accounts
- Part-time employment in over 50 models
- Education leave (new from 2013)
- Working from home
- Sabbaticals
- Part-time work for older employees
- Job-sharing
- Services that assist families (e.g. daycare—such as the “Sommerkinder” initiative that offers company-sponsored daycare during the summer vacation—nursing services, and credit counseling)

These offers are subject to regular monitoring and we are constantly expanding and developing them. For instance, we launched a new education leave measure during the reporting period, which is designed to support MTU employees in their individual professional development path or career reorientation goals. The part-time model for education leave is flexible and can be used for up to 36 months—and in exceptional cases, for even longer.

MTU has already achieved a high level of work-life-balance for its employees. Our repeated “Top Employer Germany” ranking and our “Work and Family” audit certification further strengthen our resolve. For the future, we have undertaken to drive ahead with further measures to help our employees achieve a good work-life-balance and are working on a pilot agreement to facilitate mobile working for selected job categories in Munich. This will create an important basis for greater autonomy and personal responsibility within MTU’s working environment.

Education and training

Investing in our future workforce is also a big priority at MTU. Traditionally, apprentices have always made up a large percentage of our workforce, and we view this as an important investment toward securing the company’s future. At our German sites, apprentices made up 5.2 percent of the total workforce in 2013. We place great value on giving apprentices a well-grounded education that includes methodological, social and environmental aspects and communicates the company’s values in addition to technical qualifications. Apprenticeships are thus designed to help develop apprentices as rounded individuals in line with MTU’s corporate culture.

MTU is actively involved in numerous educational projects and initiatives aimed at getting young people excited about technology and aviation:

- Training Night
- Science Exhibition in Hannover (IdeenExpo Hannover)
- Nature and Technology Days
- Long Night of Museums
- Work placements for high school students, discovery weeks

We place special emphasis on encouraging new generations of female talent, including measures aimed at schoolchildren and students (Girls’ Day, Research Camp for Girls).

For more on this subject, see the Gender Diversity section in this chapter.



We provide apprentices with well-grounded education that includes methodological, social and environmental aspects.

MTU climate strategy

Our role in creating a low-carbon aviation industry

Climate change is one of the greatest global challenges of our era. It is generally accepted that CO₂ emissions caused by human activity are largely responsible for global warming, and that the increasing mobility of the human population is a contributing factor. MTU wants to design engine components that in the medium term will help the aviation industry to stabilize its CO₂ emissions and in the long term even reduce them.

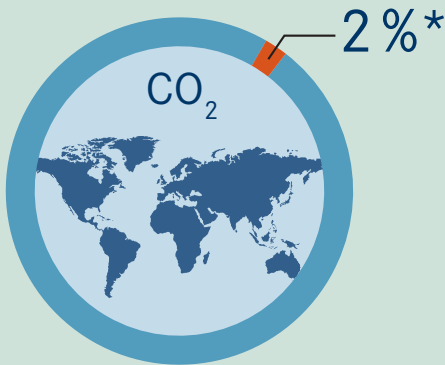


“As a responsible engine manufacturer, MTU takes a proactive approach to dealing with economic, environmental and societal issues. Our climate strategy consists of implementing improvements that will enable us to reduce the carbon footprint of aircraft engines and

associated greenhouse-gas emissions. Our aim is to manufacture sustainable products that will help to create a more eco-efficient aircraft industry.”

Dr. Rainer Martens,
Chief Operating Officer, MTU Aero Engines

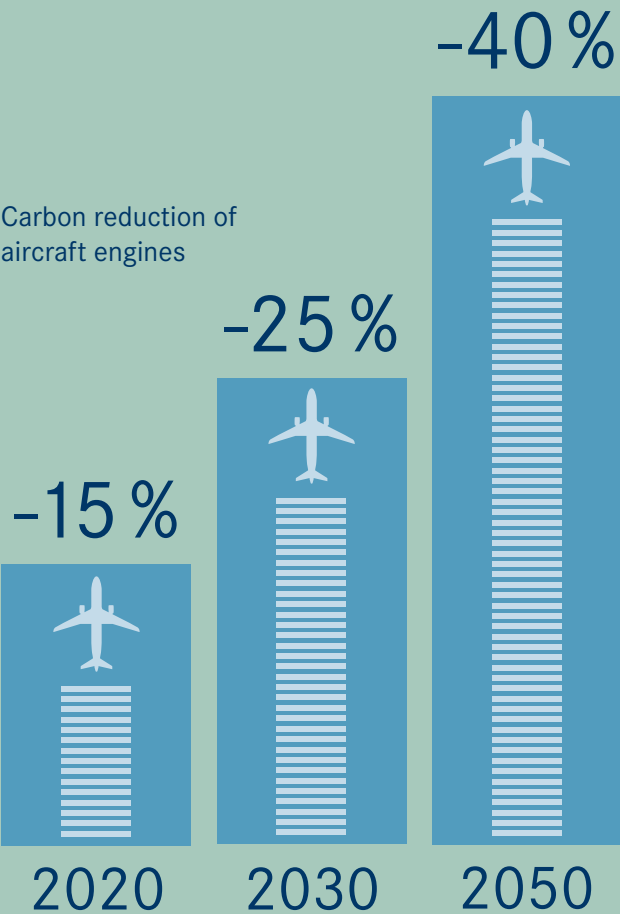
About 2% of all human-induced CO₂ emissions stem from air travel



*According to the IPCC

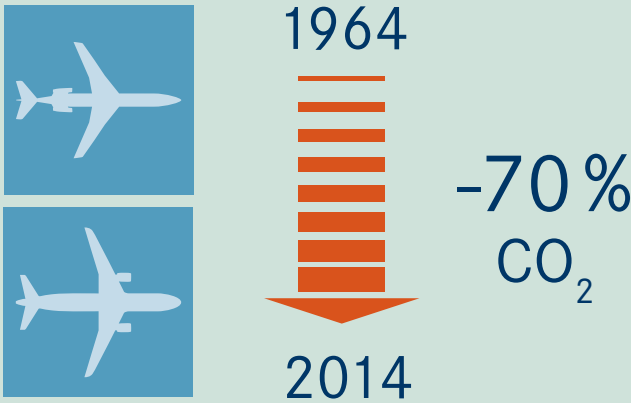
Our goals for a Clean Air Engine*

Carbon reduction of aircraft engines

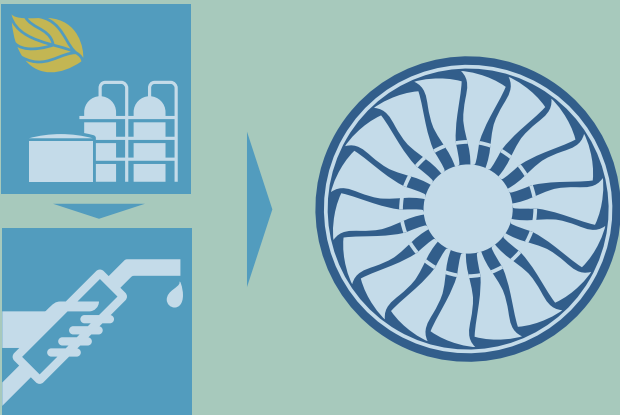


* We have set these goals in our technology roadmap Clean Air Engine (Claire). They are in line with the targets of the Strategic Research and Innovation Agenda (SRIA) by the European aviation industry and the research community.

A 70% reduction per seat kilometer of CO₂ emissions caused by air travel was achieved in the last 50 years (40% of which is attributable to modern turbofan engines with higher bypass ratios)



MTU is committed to the goal of introducing sustainable fuels for aviation



5 Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Integrated environmental protection

Protecting the environment is something we value greatly at MTU. Not only is environmental protection explicitly enshrined in our Code of Conduct and the MTU Principles, it is also a permanent feature of our annual corporate goals and the object of a dedicated program of environmental measures. We view our environmental responsibility as encompassing in equal measure both our products and their development, manufacture and maintenance, and this broad understanding of our environmental responsibility informs our business decisions. The biggest contribution we can make to environmental protection is by means of ecologically efficient products. We are actively pursuing the use of environmentally friendly aviation technologies as part of our climate strategy.

For more information, see the [MTU Climate Strategy](#) section in this chapter, pp. 20-23.

The environmental impact of air traffic includes aircraft noise as well.

For more information, see the section [Aircraft noise](#) in this chapter, pp. 24-25.

Equal importance is attached to cleaner production. The targets we have set ourselves in manufacturing and maintenance activities aim at minimizing pollution from emissions, harmful substances or noise arising from our processes. We take great care to conserve resources such as water and raw materials, and use energy sparingly: energy-efficient produc-



We make our biggest contribution to environmental protection with our eco-efficient products.

tion is a top priority. Although production volume at MTU continues to rise, our consumption of energy remains constant or is rising at a considerably slower rate. Our consistent reuse of waste materials has for many years resulted in high recycling ratios at our production sites. We intend to maintain the standards already achieved in the years ahead, even as production volumes climb. Levels of airborne pollutants released by our plants and test rigs are within the limits described in the relevant permits, as confirmed by documented mandatory measurements.

For more on this subject, see the [Eco-friendly manufacturing](#) section in this chapter, pp. 26-29.

MTU Climate Strategy

Climate change is one of the greatest global challenges of our era. It is generally accepted that CO₂ emissions caused by human activity are largely responsible for global warming, and that the increasing mobility of the human population is a contributing factor. According to the Intergovernmental Panel on Climate Change (IPCC), global air traffic accounts for approximately two percent of all man-made CO₂ emissions. Industry analysts predict that the aviation sector will grow by five percent each year until at least 2020. In response, the aviation industry has set specific targets to reduce its impact on climate.

MTU aims to meet this goal by designing engine components that in the medium term will help the aviation industry to stabilize its CO₂ emissions and in the long term even reduce them. Our responsibility to protect the planet is anchored in our MTU Principles, in which we state our commitment to reduce emissions and limit consumption of natural resources and energy. These principles apply in equal measure to our production processes and the resulting products.

Our climate strategy will enable us to gain a decisive edge over our competitors, because engines with a lower carbon footprint inevitably consume less fuel and thus help to reduce the customer's operating costs. More-over, this strategy will help us to meet the emissions requirements defined by aviation authorities.

Impact of aviation on climate

A special report ("Aviation and the Global Atmosphere") by the IPCC indicates that aviation contributes to climate change through carbon


dioxide (CO₂) and nitrogen oxide (NO_x) emissions and through the formation of cirrus clouds.


Of these, the greatest impact on climate change is produced by CO₂ emissions; it has already been possible to reduce these by 70 percent per passenger-kilometer over the past 50 years. Modern turbofan engines with their higher bypass and overall pressure ratios have played a significant role in this respect—they alone have reduced CO₂ emissions by more than 40 percent. Pollutants such as NO_x, CO, unburned hydrocarbons and soot are produced when kerosene is burned in the combustor. New combustor designs can further reduce the quantity of these waste products. Another way in which climate change is influenced by aviation is through the creation of contrails, which if they persist may give rise to cirrus clouds. Flight altitude is one of the crucial causal factors in this case. This means that the creation of contrails and cirrus clouds can be avoided or at least significantly reduced by modifying flight routes or flying at a lower altitude.

The main leverage point for MTU is that of reducing CO₂ emissions, because the company's standard product portfolio doesn't include combustors.

Climate protection goals

The European aviation industry and research community have formulated ambitious goals for the future. This voluntary commitment is laid down in the new Strategic Research and Innovation Agenda (SRIA), which incorporates the earlier ACARE 2020 and Flightpath 2050 targets.

 CO₂ emissions and fuel burn targets	SRIA 2020	SRIA 2035	SRIA 2050
Air traffic per passenger-kilometer	-43 %	-60 %	-75 %
of which airframe	-20 %	-30 %	-68 %
of which propulsion system	-20 %	-30 %	
of which air traffic management	-7 %	-12 %	-12 %
of which operation	-4 %	-7 %	-12 %

 NO_x emissions targets	Vision 2020	SRIA 2035	SRIA 2050
Air traffic per passenger-kilometer	-80 %	-84 %	-90 %
Margin rel. to ICAO CAEP6 requirement	-60 %	-65 %	-75 %

(as against the year 2000 in each case)

In 2009, the International Air Transport Association (IATA), the world's leading airline representative body, formulated the following long-term targets for the global aviation fleet:

- Efficiency to be improved by 1.5 percent per annum between 2009 and 2020
- CO₂-neutral growth to be achieved by 2020
- Total CO₂ emissions from aircraft to be halved by 2050 (baseline 2005)

These targets relate to emissions by the entire global aviation fleet and make allowance for its expected growth. To date, no other sector of the transportation industry has taken on such a wide-ranging voluntary commitment to mitigate climate change. The required improvements, which are far from minor, will necessitate innovations in the fields of aircraft and engine design and air traffic management, and also demand the cooperation of the airlines.

Clean Air Engine 2050

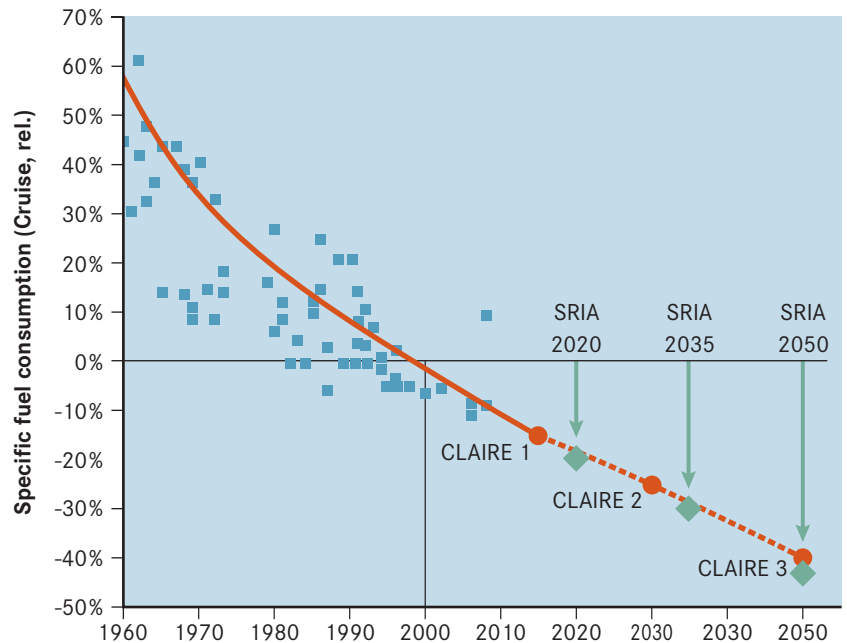
We measure our performance on the basis of the European SRIA agenda, which matches the IATA requirements to a large extent and forms a binding part of our climate strategy. In our product development department, we have brought together all R&D activities for sustainable propulsion systems and new technologies under the joint management of the Clean Air Engine (Claire) project. Through its Clean Air Engine concept, MTU aims to achieve several ambitious goals in respect of future passenger aircraft, including that of reducing CO₂ emissions by 40 percent by 2050 relative to 2000.

In the first stage, through the use of a geared turbofan engine designed in partnership with Pratt & Whitney and due to enter series production in 2015, the aim is to reduce fuel consumption and hence CO₂ emissions by as much as 15 percent. In the next stage, conceptual design studies based on a geared-turbofan



Specific fuel consumption

- Engines in service
- MTU's Claire program
- ◆ SRIA targets



engine configuration will enable further improvements to be made during the period up to 2030, for instance by increasing the bypass ratio. Moreover, the core engine's thermal efficiency could be further improved by increasing the overall pressure ratio and temperatures. The ultimate aim is to achieve a reduction in fuel consumption and CO₂ emissions of 25 percent.

In the third and final stage of the project, revolutionary new features such as integrated and distributed fans will be introduced in order to increase propulsive efficiency, coupled with the use of heat exchangers to recuperate waste heat. In this way, it could be possible to boost CO₂ savings to 40 percent by 2050.



An A320neo powered by PW1000G engines will emit around 3,300 tons less CO₂ every year.

Alternative fuels

Alternative fuels with a positive net carbon footprint derived from sustainable resources constitute another important approach in efforts to reduce aviation-induced CO₂ emissions. At the moment, two second-generation biofuels are authorized for use as substitutes for kerosene. But what counts is the overall CO₂ balance, which depends on the type of biomass and the manufacturing processes used to produce the fuel. Above all, the crops involved must not be in competition with food production or compromise the diversity of natural vegetation. Such problems can be overcome by selecting suitable plant species. Moreover, alternative aviation fuels must guarantee the same reliable performance as conventional fuels, namely a very high gravimetric and volumetric energy density, a low freezing point and a high flashpoint.

MTU supports efforts to spread the use of biofuels as an alternative to kerosene in numerous ways: by commissioning studies at the Bauhaus Luftfahrt, by taking part in engine and combustor tests, and as a founding member of the non-profit association Aviation Initiative for Renewable Energy in Germany (aireg e.V.). This association, whose members include airlines, manufacturers and research organizations, brings together all relevant activities and sources of technical knowledge in Germany. As a partner in the burnFAIR research project, we provided support that enabled Lufthansa to launch its first use of biofuels in scheduled flights. MTU's propulsion system specialists analyzed the engines' behavior during test flights and confirmed the fuel's conformance with requirements.



MTU has supported Lufthansa in carrying out a practical experiment for introducing sustainable fuels in aviation.

Research activities

As an integral part of our research activities, we compile regular interim reports in which we compare the progress we have achieved with our objectives and measure our goal attainment. Long-term technology development programs are conducted ahead of product development, mainly within the framework of national or EU research projects. In addition, we have built up a nationwide network of research partners in which we cooperate with selected universities in subject areas of special interest. In the review period, ENOVAL, a new European research project was launched; it is led by MTU and will run for four years. Its objective is to reduce CO₂ emissions by five percent by developing new technologies for the low pressure system in aero engines. Moreover, in July, the Clean Sky 2 program was launched as an extension to the current Clean Sky initiative. MTU is one of the founding members of Clean Sky 2. In various research and demonstration projects over the next eight years, the program will provide the technological basis for the development of the next generation of greener and more cost-efficient aircraft.

During the reporting period, MTU participated in the following major EU research programs:

- Clean Sky, Clean Sky 2
- ENOVAL
- LEMCOTEC
- E-BREAK

More information on MTU's technology programs and research partnerships can be found on our website www.mtu.de.



Through the use of the geared turbofan engine, fuel consumption and hence CO₂ emissions will be reduced by as much as 15 percent.



We also want to improve the CO₂ balance of aircraft engines during the production phase.

Production

To operate our production sites around the world, we consume raw materials and electricity and use various resources to generate energy. Our long-term goal is to maximize energy efficiency and minimize the consumption of natural resources. We have already taken steps to reduce greenhouse-gas emissions at our Munich location by launching the Clean Air Industrial Site (CLAIR-IS) program, through which we aim to slash CO₂ emissions by 25 percent by the year 2020 (baseline 1990). As the largest site in our manufacturing network, it accounts for around 66.5 percent of the group's gross profit (2013).

The measures currently in place have already enabled us to reduce MTU's total carbon footprint by an amount in the order of 23,000 metric tons of CO₂ per year (averaged over the past three years). This corresponds to an average annual reduction of 1.5 percent. Moreover, 35 percent of the electricity supplied to our Munich production site is generated from renewable sources, and is thus carbon-neutral.

The individual measures we have implemented to improve the energy efficiency of our production site are as follows:

- making greater use of well water as a coolant in production processes
- modernizing the district heating network
- improving insulation for buildings
- deploying building automation systems
- using renewable fuels (vegetable oil powered cogeneration plant)
- using a more energy-efficient compressed air supply
- installing more energy-efficient lighting systems

Through this climate strategy we wish to play an active role in efforts to reduce the carbon footprint of the aviation industry. In terms of the products we make, we are close to reaching this goal, given that by far the highest share of CO₂ emissions from aircraft engines arises during the in-service phase of the product lifecycle, which can last for several decades. But we also intend to go a step further and take appropriate measures to improve the CO₂ balance of aircraft engines during the production phase.



The new MTU blisk production facility has a particularly energy-efficient design.

Aircraft noise

The environmental impact of air traffic includes aircraft noise. Engines produce the most noise during take-off. But also the aircraft itself is a perceptible source of noise caused by vortex effects of the air flowing over the fuselage, wings and landing gear. The main sources of engine noise are the fan and airflow. To obtain approval, aircraft and engines must demonstrate compliance with the noise requirements prescribed by the International Civil Aviation Organization (ICAO). Moreover, the landing and take-off fees charged by the majority of airports worldwide are indexed according to noise levels. The operation of noisy aircraft is increasingly restricted.

Since the 1960s, the introduction of engines with increasingly high bypass ratios has led to drastic reductions in the level of aircraft noise. Engines built using MTU components are among the quietest available on the market, with noise levels that lie significantly below the authorized limits. Examples include the V2500 for the A320 family and the GP7000 for the A380, both of which represented significant technological advances at the time they were launched.

Even greater improvements are possible with the new geared turbofan engine design. The large, slow-rotating fan reduces engine noise to a significant extent. Our high-speed, low-pressure turbine rotates at three times the speed of conventional turbines, and as a result generates none of the low-frequency harmon-

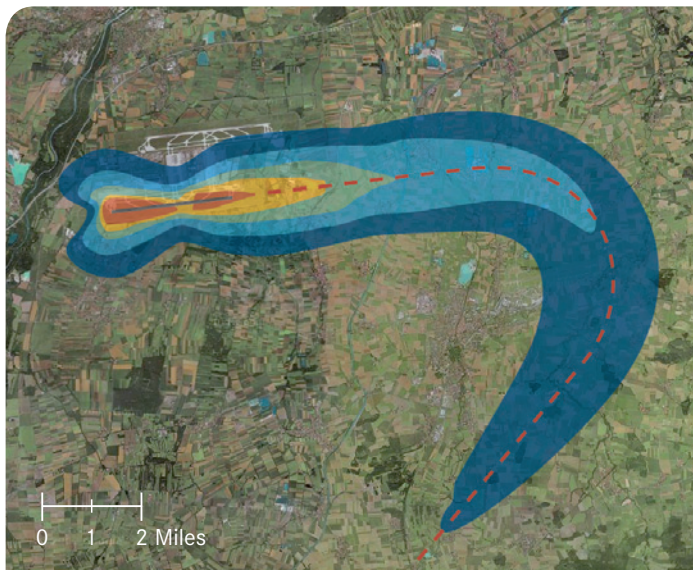


Engines built using MTU components such as the V2500 for the A320 family are among the quietest available on the market.

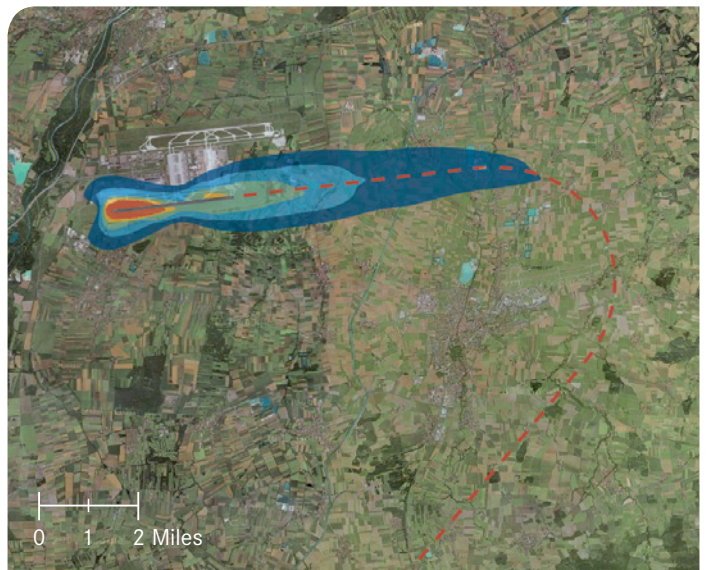
ics that are poorly absorbed by the atmosphere. The geared turbofan's noise profile is 70 percent lower than that of conventional engines, thanks in part to MTU's engineering skills, and future generations promise to be even quieter. In every project that calls for the redesign or optimization of an engine's operating characteristics, MTU integrates new technologies to mitigate noise. Our experienced acoustic engineers are involved in every phase of product design.

The cumulative noise emissions of first-generation geared turbofan engines, such as the PW1000G family, are 20 decibels lower than

Reduction of 75 dB noise contour due to new geared turbofan technology at Munich airport



Today's aircraft.



Next generation with Geared turbofan engines





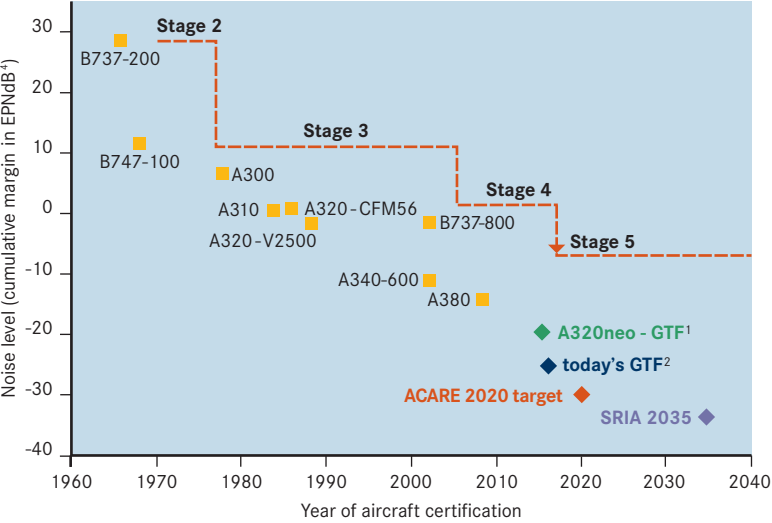
With its GP7000 engines, the A380 meets the most stringent ICAO noise standard.

the strictest standard to date, noise category 4. The target for the second stage of our Clean Air Engine program is to implement further improvements that will halve noise emissions by 2030 and even reduce them by 65 percent by 2050.

In October 2013, the EU launched its aeronautical technology program, ENOVAL, which is led by MTU Aero Engines. The research project aims to reduce engine noise by 1.3 decibels (per operation) between now and 2017 by increasing bypass and overall pressure ratios.



**Reduction of aircraft noise
(at landing and takeoff)**



¹ Existing A320 design with GTF
² All-new aircraft design with first generation GTF
³ The sum of the differences at all three measurement points between the maximum noise level according to the aircraft certificate and the maximum noise level



The aviation industry has set specific targets to reduce its impact on the environment.

Eco-friendly manufacturing

We are committed to the principle of integrated environmental protection for the manufacturing and maintenance of our products. For us, this comprises the following:

- Continuous improvements
- Precautionary approach
- Employee involvement
- Minimum possible environmental impact
- Careful compliance with statutory limit values, usually with room to spare
- Processes that use resources and energy sparingly

MTU is pursuing the goal of energy-efficient manufacturing that minimizes the generation of emissions, pollutants and noise. We are tackling the reduction of CO₂ emissions as part of our climate strategy, which includes production. For more information, see the MTU Climate Strategy section in this chapter.

When manufacturing and repairing products, we use resources such as water, raw materials and energy with care. In times of rising production volumes, MTU either maintains existing levels of energy consumption or manages to significantly limit their increase.

For waste materials, the company has a systematic recycling policy that follows the principle of a circular economy wherever possible. As a result, we have reached high recycling rates at our production sites for years. On average, this figure was approximately 83 percent at our European sites in 2013. Our goal is to maintain this high recycling level as production rates increase. We observe the statutory emissions limits for airborne pollutants when operating manufacturing plants and test rigs and document this compliance by means of regular measurements or calculations.

With regard to continuous improvements in environmental protection, we have made the following progress during the reporting period:

- CLAIR-IS: program for reduction of CO₂ emissions (25 percent by 2020 at Munich)
- Efficient use of heat energy: new logistics hall heated by waste heat from compressors (2013, Hannover)
- Energy use around 20 percent below statutory requirements under German Energy Savings Ordinance: special insulation of new logistics hall (2014, Munich)
- Use of well water for process cooling, heat recovery (-70 percent heating energy) and LED illumination in new logistics hall (2014, Munich)
- Conversion to LED illumination (since 2013; Ludwigsfelde, Hannover)
- Recycling of engine alloys in new collaboration with specialized companies (since 2013; Hannover)
- Approximately 585 liters of jet oil (Type II) saved during test runs annually (2013, Ludwigsfelde)
- Reuse of packaging materials for transporting parts (since 2013; Rzeszów)

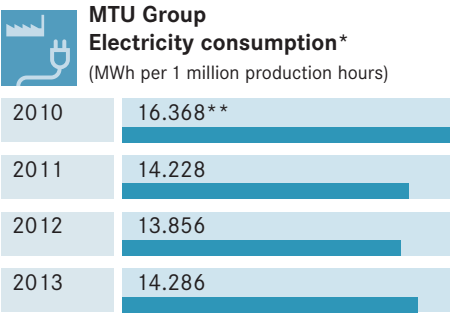
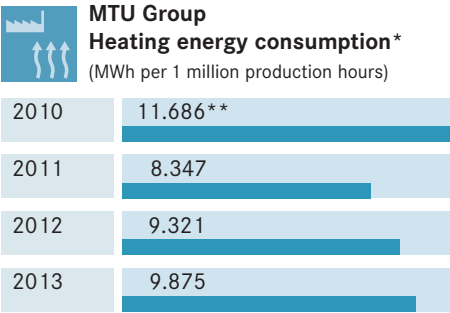
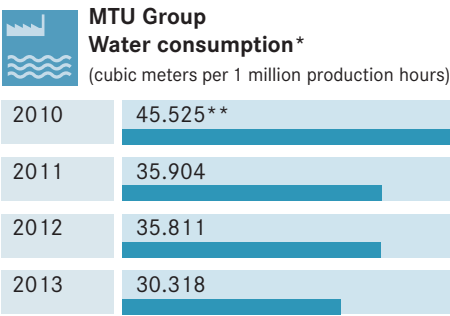
The manufacturing and repair methods used by MTU, some of which were developed in-house, are particularly efficient in their use of materials and energy. One example of this is waterstripping, which removes protective thermal coatings from engine parts without using chemicals. We have decided to harness the potential of the new additive manufacturing methods for engine production. This completely new technology involves making components directly from a powder bed via laser melting based on CAD data, which delivers



MTU is pursuing the goal of energy-efficient manufacturing that minimizes the generation of emissions, pollutants and noise.

major material savings. During the reporting period, MTU manufacturing specialists were able to initiate series production of the first components made using additive processes. We plan to widen the range of parts manufactured by additive methods in the future.

MTU is seeking to reduce its use of environmentally hazardous materials in engine manufacturing, and we have already achieved initial success. For example, we have completed the development of a chromium-free paint for engine coating, which is now standard in MTU engine parts. The company's environmental experts are currently working on finding alternative solutions to replace substances of very high concern (SVHCs) as defined by the EU's REACH Regulation. An implementation project has been launched to achieve this, the first step of which has been to record the affected components along with the corresponding tools and jigs. SVHCs are to be replaced as much as possible new applications using SVHCs will be rejected in the future.



* average for each year across all production locations
**corrected value



Levels of airborne pollutants released by our test rigs are within the limits described in the relevant permits.

Certified environmental management

Company-wide environmental protection is given top-level management priority through direct reporting to the Board of Management. A certified environmental management system, in which all processes, responsibilities and goals are defined, ensures that consistently high standards are upheld throughout the company. Internal standards corresponding to laws, ordinances, permissions and other regulations are binding for MTU's sites and in some instances exceed statutory compliance. The stringent environmental criteria apply to all divisions, processes and systems, extending from an engine's development through to production and repair. These criteria are described and regulated within documented process flows and special standards applying to the company's production units.



High standards of environmental protection are upheld throughout the company.

As part of the company's integrated environmental, quality and occupational safety management, MTU's sites in Europe have the following certifications:

Munich

- ISO 9001:2008
- EN 9100:2009
- ISO 14001:2004
- EMAS Regulation (EC) No. 1221/2009 (Eco Management Audit Scheme)
- OHSAS 18001:2007
- GQA Certificate

Hannover

- ISO 9001:2008
- EN 9100:2008
- EN 9110:2010
- ISO 14001:2004
- EMAS Regulation (EC) No. 1221/2009 (Eco Management Audit Scheme)
- OHSAS 18001:2007


Berlin

- EN 9100:2009
- ISO 9001:2008
- ISO 14001:2004
- OHSAS 18001:2007

Rzeszów

- EN 9100:2009
- ISO 9001:2008

- All certifications were successfully verified in audits during the reporting year.

 For an overview of certifications at all MTU sites, see: www.mtu.de.

Independent external auditors and environmental consultants conduct annual reviews to confirm adherence to the applicable environmental protection requirements. This monitoring is supplemented by internal inspections and audits. In its controlling and monitoring role, MTU's management carries out regular management reviews and directly steers development of the management system. The Ludwigsfelde production site near Berlin is currently evaluating the introduction of an energy management system in accordance with ISO 50001 for improving energy efficiency in manufacturing processes.



We use vegetation on top of buildings to improve their insulation.



By constantly monitoring energy consumption we can see where efficiency can be improved.

MTU involves its employees in its environmental protection endeavors and promotes environmentally aware behavior by means of information campaigns, action days and similar initiatives:

- Environmental Action Day (Hannover, annually)
- Trainee Eco Day (Munich, annually)
- Health, Safety and Environment (HSE) Days (Ludwigsfelde, annually)

In addition, employees are invited to submit their ideas for improving environmental protection through the company suggestion program. As a member of the Bavarian “Umwelt-pakt Bayern” initiative, MTU’s Munich site has committed itself to actively supporting a call for industry in the region take greater responsibility for environmental protection. Since 2010, the site has also been a member of an energy efficiency network involving the city of Munich and surrounding Upper Bavaria.

The public are regularly informed about measures, results and successes relating to environmental issues through statements issued by MTU for its Munich and Hannover sites.

MTU’s environmental protection efforts also extend to its suppliers. With the new Code of Conduct for Suppliers, which entered into force at the start of 2014, we set out requirements for cooperation with suppliers, who must:

- Observe laws and international standards
- Apply the precautionary principle in dealing with environmental problems
- Commit themselves to promoting a greater sense of responsibility
- Support the development and spread of environmentally friendly technologies

For more on the new Code of Conduct for Suppliers, see Chapter 2, Human Rights.

During the reporting year, the oekom research rating agency awarded MTU its Prime Status, which recognizes—among other distinctions—the sustainable nature of the company’s environmental achievements.

For more on the award, see Chapter 2, Corporate Responsibility Management.



State-of-the-art technology ensures energy-efficient production.



See environmental statements at:
www.mtu.de

MTU compliance culture

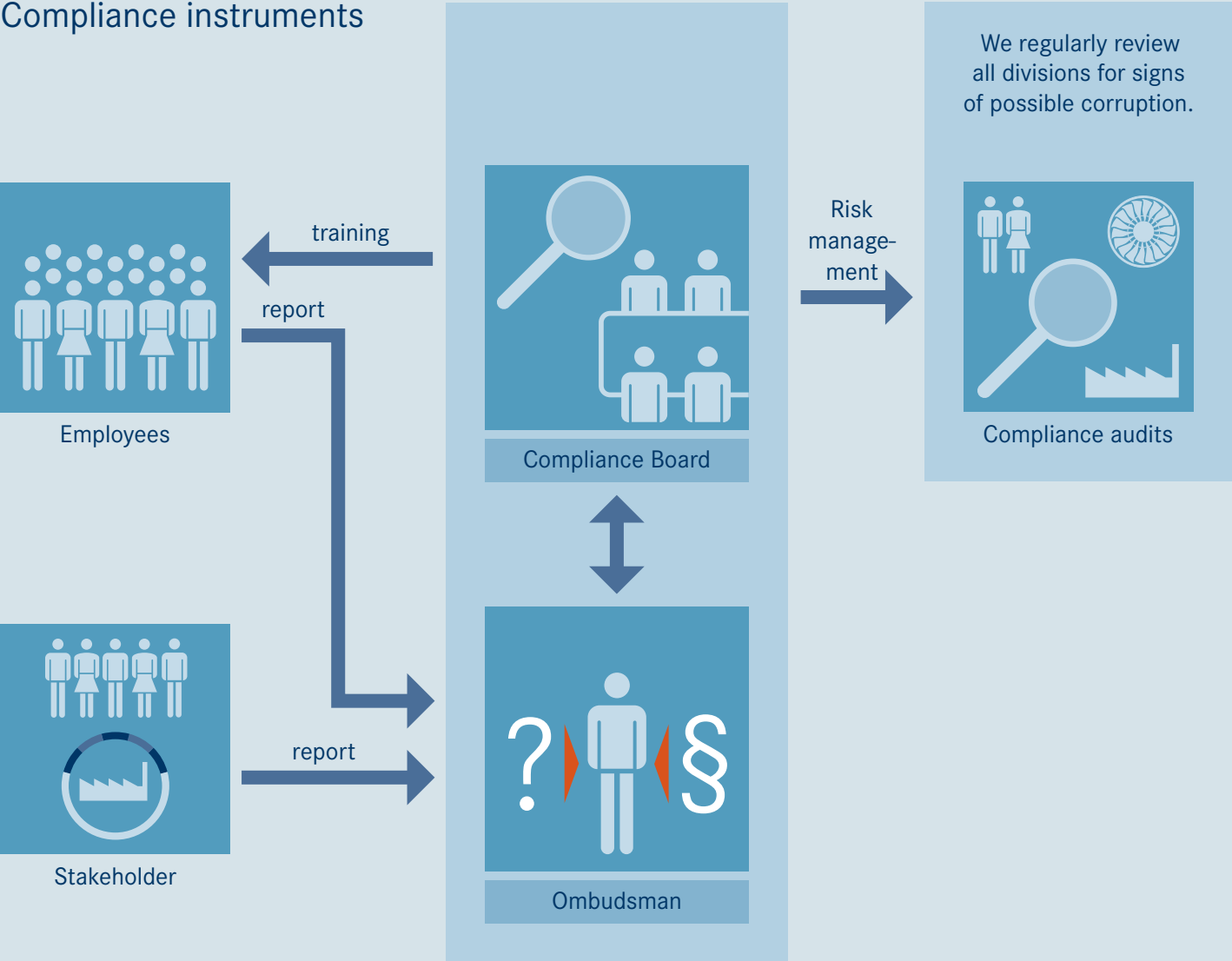
Our role in creating a fair business

MTU has set up a company-wide compliance management system, which successfully prevents corruption and other forms of improper conduct in the company and organizes regular training for employees on compliance issues.

Compliance rules and regulations



Compliance instruments



6 Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Respecting the prevailing laws and regulations is part and parcel of our corporate responsibility and forms an important basis for responsible dealings with our business partners and employees. MTU acts as a fair employer, business partner and client and advocates transparent competition where all parties are on an equal footing. Integrity and responsible behavior are important values in our corporate culture and are binding throughout the company for employees and managers by virtue of the rules set out in our Code of Conduct. These obligations also explicitly apply to board members. MTU's organization-wide Compliance Board is a key instrument for ensuring legal conformity and the implementation of internal guidelines and principles.

MTU denounces corruption, including bribery and extortion, and all other forms of white-collar crime. The binding legal framework we impose on all acting parties operating on MTU's behalf strengthens the confidence of our stakeholders. We are committed to building long-term business relationships on the foundation of good, attractive products; this stance includes not supporting any political parties through financial donations.

MTU's Code of Conduct for Suppliers obliges them to refrain from corruption in all its forms, including offering and accepting bribes and other important benefits. Since 2014, the Code of Conduct for Suppliers is now a permanent part of our supplier contracts.



MTU's two Codes of Conduct for employees and suppliers respectively can be accessed at: www.mtu.de.



A Compliance Board is a key instrument for ensuring legal conformity.

We have also expanded our dialog with stakeholders during the reporting period, as we want to strengthen our communication on compliance issues. See our website for detailed information about organizational and other measures we have undertaken in this regard.



www.mtu.de

Compliance Board

We regularly inspect all divisions for signs of possible corruption in order to ensure compliance at MTU. To this end, the company set up a superordinate Compliance Board, which is made up of the heads of the legal department, Corporate Audit and Corporate Security. The Compliance Board reports directly to the Executive Board at regular intervals. It is committed to fully clearing up reported suspicions and incidents of irregular behavior and inspects consultancy contracts for potential corruption risks before they are signed. On top of this, consultancy contracts are also assessed by TRACE, an independent organization specialized in business practice transparency and due diligence reviews of agents, intermediaries and consultants. Only once the Compliance Board has given a positive recommendation does the CEO approve the conclusion or extension of a contract. Transparency International, an independent organization that combats corruption worldwide, rated MTU's approach in its dealings with intermediaries and sales consultants on a scale from 0 to 2 and awarded it top marks. In addition, our internal auditors conduct regular compliance audits, in which they scrutinize business processes and procedures in the company for legal conformity and adherence to internal guidelines.

Another of the Compliance Board's key duties is to prevent misconduct and raise employees' awareness of what constitutes misconduct. First and foremost, this takes the form of compliance training courses for all employees, with special courses for employees and managers in positions of trust. These courses are repeated at regular intervals. In total, over 1,000 training hours have already been devoted to this issue to date. In 2013, compliance training courses were held for employees and managers in positions of trust in Germany; these courses will be held at the MTU site in Rzeszów, Poland, in 2014. In addition, compliance training is compulsory for all new employees working in areas with customer contact.

In our global whistleblower system, an ombudsman acts as a confidential point of contact to whom employees and external stakeholders can report suspicions of corruption. Once again, there were no indications of possible corruption at MTU during this reporting period. Furthermore, MTU was not the object of any significant monetary fines or criminal proceedings, nor were such proceedings pending. We will continue to pursue this goal in the future, and we view it as confirmation that our compliance management system is working.



Respecting the prevailing laws is part and parcel of our corporate responsibility.

Working alongside the central Compliance Board are group officers for individual topics, such as data protection. They are responsible for making sure that specific statutory regulations are observed and that uniform standards apply across the whole company and that these meet the relevant legal requirements.

As part of the rating process carried out by oekom research—which awarded MTU Prime Status for its overall social and environmental performance—the external analysts rated these MTU measures as “good.”

Outlook

MTU is currently being assessed by Transparency International in the context of the Defence Companies Anti-Corruption Index 2015. The final result is due in October 2014; the comparison with other companies in the form of an index should be available by April 2015. In 2012, MTU already performed well in an initial assessment.

MTU is a member of the AeroSpace and Defence Industries Association of Europe and recognizes the organization’s standards against corruption, bribery and unfair competition.

Risk management

As part of our risk management, we regularly identify and evaluate the risks and opportunities in our business, including corruption-related compliance risks in the organizational units.

[For MTU’s complete risk report, see 2013 Annual Report, p.88ff.](#)

Corporate governance

Corporate governance is all about company management and control guided by the principle of responsible-minded, long-term value creation. It is an integral part of MTU’s identity and encompasses all areas of the company. As a company with global operations, MTU observes national and international standards. In Germany, where MTU has its headquarters, the bulk of these rules are laid down in the Stock Corporation Act, the Co-Determination Act and the German Corporate Governance Code. MTU complies with all recommendations of the German Federal Ministry of Justice’s Corporate Governance Code in its version of May 13, 2013.

[For the full corporate governance report, see 2013 Annual Report, p.14ff.](#)



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