
2

Corporate Social Responsibility

2.1 Business Ethics	p. 63	2.4 Human Resources: Employer – Employee Relationship	p. 82
2.1.1 Proper Business Practices	p. 63	2.4.1 Workforce Information and Organisation of Work	p. 82
2.1.2 Compliance with Law Regarding all EADS' Activities	p. 65	2.4.2 Human Resources Organisation	p. 83
2.1.3 Corporate Governance Standards	p. 67	2.4.3 Human Resources Policies and performances	p. 84
2.2 Sustainable Growth	p. 69	2.5 Corporate Citizenship	p. 92
2.2.1 Product Quality and Customer Satisfaction	p. 69	2.5.1 Maintaining an Open Dialogue with EADS' Stakeholders	p. 92
2.2.2 Sustaining and Protecting Innovation	p. 71	2.5.2 Encompassing Community Interests in EADS' Global Strategy	p. 93
2.2.3 Supplier Management: Fostering a Mutually Beneficial Relationship with EADS' Suppliers	p. 74		
2.3 Environmental Care	p. 78		
2.3.1 Policy	p. 78		
2.3.2 Organisation	p. 78		
2.3.3 Performance and Best Practices	p. 79		

EADS is a global aerospace and defence company driven by the ambition to set the standard for its industry. Setting the benchmark in the sector implies long-term value creation and recognition of the Group's corporate social and ethical responsibility. As such, Group strategy envisages a sustainable balance between economic performance, consideration of stakeholders' interests and respect for the environment.

EADS' corporate social responsibility ("CSR") approach is based on the Group's nature, strategy and activities. For example, its long-term vision is driven by product specificities, such as their average lifecycle of over 30 years. Furthermore, the EADS Group has been created from the integration of existing businesses. The Corporate functions are there to determine guidelines and to give support to the BUs that are responsible for the day to day business. They also ensure dialogue with their direct stakeholders.

As a defence company, EADS Group specifically acknowledges its responsibility in selling defence products and providing services to nations that contribute to their security during peace time. EADS delivers products and integrated solutions pursuant to customer specification. These products have to comply with the applicable laws put in place by the responsible government (arms export laws, embargo rules and Ottawa agreements, anticorruption policy).

In 2004, EADS undertook to work towards demonstrating its corporate social responsibility in the conduct of its day-to-day business. In order to achieve this vision, EADS has established a CSR policy that identifies areas in which the whole Group aims continually to improve.

EADS' vision is in line with internationally recognized frameworks such as the Universal Declaration of Human Rights, International Labour Organization's Declaration and OECD Convention. EADS, as a signatory of the United Nations Global Compact, is committed to promoting, within its sphere of influence, the application of fundamental values regarding Human Rights, Labour, Environment and Anticorruption. EADS is willing to report on the Group's success in implementing its sustainable development strategy.

The EADS CSR policy embraces its way forward on key CSR items which are common for the entire Group. These relate as far as possible to existing best practices, as well as to the EADS code of ethics (the "**Code of Ethics**") which is designed to give guidance for operational managers and employees.

EADS realises that in addition to the implementation of good practices regarding CSR within its businesses, reporting on these practices is becoming more and more important for its stakeholders. EADS therefore started to report on its activities in the field of CSR in the Annual Report 2002. In the 2002 and 2003 reports mainly qualitative information was included, due to the fact that CSR practices are mostly carried out within the BUs and their respective sites and up to this point no centralized reporting procedure had been implemented. The 2002 report sets out the existing practices at Group level, whereas the 2003 report already contained a first qualitative analysis of the existing best practices amongst EADS' BUs.

In early 2004, EADS' top management decided to launch an extensive project in order gradually to provide more detailed and quantitative reporting on CSR at Group level, and to ensure that existing best practices in certain BUs were communicated within the Group.

In its annual report 2004, EADS published its first detailed CSR reporting, including EADS CSR policies and organisations. A number of quantitative and qualitative Key Performance Indicators ("**KPI**"), based upon the Global Reporting Initiative ("**GRI**"), the Global Compact principles and the French Nouvelles Régulations Économiques and tailored to EADS' business were defined for the 2004 report. These KPIs were not included in full in the 2004 report, as EADS chose an incremental approach, which envisaged adding KPIs every year to EADS' publications, as data became available and its quality could be controlled. This 2005 report thus incorporates additional KPIs.

EADS CSR policies

EADS policies have been designed to support and implement EADS' long-term vision and strategy in terms of CSR and are supported by an internal control system in areas such

as compliance with OECD rules, export restrictions, IP protection, research and development etc. (See "Part 1 / 2.1.5 Internal Control and Risk Management Systems"). They give guidance for day-to-day business and are in accordance with EADS' underlying values.

CSR Policies on Domains Identified as Most Relevant for EADS

CSR Domains	Specific Policy Items
Business Ethics	Proper business practices Compliance with the laws regulating all EADS' activities Corporate Governance standards
Sustainable Growth	Product quality and customer satisfaction Sustaining and protecting innovation Fostering a mutually beneficial relationship with EADS' suppliers
Environmental Care	Minimizing environmental impacts of EADS' activities Taking into account environmental impacts of EADS' products throughout their lifecycle
Employer-Employee Relationship	Providing a safe workplace for EADS' employees and subcontractors Caring for EADS employees and know-how Ensuring equal opportunity for all EADS employees Ensuring efficient management of skills and know-how Promoting a proactive dialogue with EADS' employees
Corporate Citizenship	Maintaining an open dialogue with EADS' stakeholders Encompassing community interests in EADS' global strategy

The policies and related practices are set out in more detail below.

EADS Code of Ethics

At the time of the creation of EADS, the Code of Ethics was established and communicated to the employees of the Group. This Code of Ethics aimed at emphasizing values that were key success factors for achieving an efficient integration of different companies into one group. In 2005, more than four years after the creation of EADS, in light of its establishment as a market leader in many of its businesses, and considering the evolving legal environment relating to business ethics, EADS updated the Code of Ethics in order to reflect practices recommended by various codes and laws and to align with best practice.

The enhanced EADS Code of Ethics sets out in one single, comprehensive document the EADS Group business guidelines related to the ethical standards that the Group adheres to.

The Code of Ethics serves as a core EADS business guideline in an architecture of documents in which the code also refers to pre-existing, detailed policies as laid out in the EADS Corporate Handbook as well as division or BU specific

policies and processes. It is based on EADS' underlying values and fully in line with international recognised standards as laid out in charters, declarations or guidelines, such as the Universal declaration of Human Rights.

The Code of Ethics covers the full scope of EADS' CSR policies, addressing in the five chapters the principal lines of ethical behaviour:

- "Creating a positive working climate" describes EADS' principles in terms of, e.g. dialogue and representation, equal opportunities policy, and management of HR development;
- "Doing business ethically" discusses issues such as conflicts of interest, export control and contracting with governments, as well as the hiring of government officials;
- "Fostering sustainable growth" deals with proper use of information and intellectual property rights, as well as relationships with suppliers;
- "Respecting the environment" covers developing environmentally sound processes and products;

Corporate Social Responsibility

- “Living in our communities” describes the ways in which EADS contributes to the life and development of communities where it operates.

The Code of Ethics, therefore, gives guidance to all employees about appropriate conduct in their professional environment.

These principles will be monitored, in particular through entrusting an EADS Ethics Committee with compliance responsibility in ethics matters.

The Code of Ethics describes the missions of the Ethics Committee set up by the EADS Board of Directors. In particular, the Ethics Committee will offer guidance to the EADS Chairmen, the Board of Directors and its Committees, the CEOs, COOs and Executive Committee, as

well as management at large regarding all ethical questions. The Committee will submit at least annually a report to the EADS Board of Directors with respect to each year’s activities. It will also implement appropriate coordination with the compliance functions of EADS and its divisions.

In 2006, all employees will be sensitised through a systematic information campaign, aimed at raising the awareness of the importance of ethical business conduct and emphasizing underlying values. The text of the enhanced EADS Code of Ethics is available on the Internet at www.eads.com.

2.1 Business Ethics

2.1.1 Proper Business Practices

Doing international business requires being especially vigilant so as to ensure that all companies belonging to the EADS Group always comply with all applicable laws and regulations relating to international sales, as well as with very high business ethics and integrity standards. EADS aims at setting standards to govern its business ethics and integrity policies which often go beyond applicable laws and regulations.

To achieve this aim, EADS International has been implementing a comprehensive set of rules and processes since 2000 aiming at ensuring compliance with such laws, regulations and business ethics and integrity standards.

2.1.1.1 Policy

- “ – EADS is active in sectors which are strictly ruled by national and international regulations. EADS is committed to absolute compliance with applicable regulations wherever its entities operate.
- Fighting against corruption and economic crime in foreign trade has become a major challenge for all international companies. In order to meet this challenge, EADS is fully committed to complying with applicable national and international legislation, including the OECD Convention of November 1997, as incorporated into the legislation of 35 countries. EADS’ International Compliance Program (also known as the “Foreign Trade Rules”) is a corporate policy, applicable to all international operations of EADS and its affiliated companies, intended to detect and prevent bribery and unfair dealing.
- EADS is often involved in proposals, bid preparations or contract negotiations with governmental authorities because of the nature of its products and services. The Group’s policy is to compete fairly and legally for all business opportunities as well as to conduct negotiations and perform contracts when awarded in compliance with all applicable requirements, specifications and contractual obligations. ”

2.1.1.2 Organisation

EADS has implemented a detailed corporate policy, the *Foreign Trade Rules*, which applies to all international operations of the Group entities, and which is intended to detect and prevent bribery and unfair dealing in international sales. This policy has been published in EADS’ Corporate Handbook, which is available to all employees through the company intranet.

The policy entails effective control of international operations, through the conduct of appropriate due diligence of business partners, regular audit and reporting mechanisms and enhanced training sessions within all BUs. It also sets out appropriate guidelines regarding the acceptance of gifts and hospitality.

The main pillars of the Foreign Trade Rules are the following:

- Transparency in the selection of all business partners. All business partners engaged by an EADS company have undergone a strict engagement procedure, based on (i) a due diligence aimed at confirming that the prospective business partner is reputable and qualified to work for EADS, (ii) internationally recognized standards (location, credentials, ethical track record, etc.) and (iii) a commitment to abide by the Group policies prohibiting corruption and payment of bribes;
- “Appropriate remuneration for legitimate services”. EADS is very keen to ensure that all payments due and payable to any business partner are justified by legitimate services rendered and do not exceed sound market practices; and
- Monitoring of the contractual relationships with such business partners (and the related payments) until satisfaction of all contractual duties.

Those policies and procedures normally apply to all operations directly or indirectly relating to foreign trade.

Corporate Social Responsibility

2.1 Business Ethics

The Group's business partners must respect these policies and procedures, and any failure to do so may lead to early termination of the contract in place.

Furthermore, EADS conducts regular audits of implementation of all related agreements entered into by BUs to verify that Group policies and procedures are properly implemented and the BUs are instructed to report on a yearly basis on the implementation of such policies and procedures. This is especially the case concerning the payments made to the business partners, which must at all times be fully justifiable.

Since October 2002, EADS has set up a network of International Compliance Officers ("ICOs") representing each BU. ICOs are responsible for ensuring the correct application of the policies and procedures within the Group. They are also in charge of nominating appropriate correspondents in foreign subsidiaries with a view to properly cascading the compliance duties in all operating countries.

EADS has also developed regular contacts with international bodies such as the OECD, the International Chamber of Commerce ("ICC") and the European Union ("GRECO") and peer companies with a view to setting and promoting integrity standards in the aerospace and defence sector. In this respect, EADS is pursuing a business dialogue with the European Aerospace & Defence Industries Association of Europe ("ASD") and its members, (such as CIDEF and Groupement des Industries Françaises Aéronautiques et Spatiales ("GIFAS") in France, BDI in Germany, AFARMADE in Spain or Society of British Aerospace Companies ("SBAC") in the U.K.), and also with major European aerospace and defence companies, in order to launch a platform of principles aiming at setting high standards, exchanging best practices, promoting training and compliance programmes, and more generally generating common European industry positions on ethics and anti-corruption issues.

This platform would be open to all international aerospace and defence companies and associations, especially those belonging to OECD countries (e.g., United States), but also non-OECD countries at a later stage. As a matter of fact, EADS views such an international initiative as a perfect opportunity to enhance the level playing field which the OECD convention, and thereafter the UN Convention signed in Merida in December 2003, have started to establish.

EADS is also maintaining a relationship with the ICC anti-corruption Commission and the French Corruption Monitoring Council (*Service central de prévention de la corruption*), which signed a convention with EADS in 2003.

2.1.1.3 Performance and Best Practices

In December 2005, EADS amended the **Foreign Trade Rules**. The Foreign Trade Rules amendments resulted in particular from advice received from reputable international experts in business ethics and anticorruption laws and practices. The main objective of these amendments was to adapt the Foreign Trade Rules to the evolution of the Group, and to disseminate the identified best practices across the Group as a whole.

EADS conducts regular **investigations and audits** to detect and spread Group best practices in international business ethics.

In addition, the Group has developed a comprehensive **training policy** so as to disseminate an "awareness" culture within all BUs. All employees dealing with international business attend such training sessions. In 2005, around 42 training sessions took place across EADS, sometimes with the attendance of third parties (prosecutors, representatives of international bodies, lawyers, etc.), in order to communicate and explain the Group's corporate values and policies to all concerned. This represents a very significant increase compared to 2004, which tends to demonstrate that the dissemination of a compliance culture is a key element of EADS' management system.

The Group issued a leaflet "*EADS International Business Ethics Policy For Consultant Agreements: Transparency & Substantiation*" in January 2004, which is given to all prospective international marketing consultants. This leaflet summarises Group policies and procedures regarding selection of international business partners. Such international business partners are also invited to attend specific training sessions when deemed appropriate.

The Group's ICOs meet periodically to share concerns and best practices. An annual **ICO Conference** has been organised since 2003 involving more than 100 people involved in foreign trade business and operations. The ICO Conference of December 2005 was held in Paris with 114

participants from 22 BUs. Senior Executives presented and discussed issues focusing on business ethics at large.

EADS also releases Group-wide internal bulletins on a regular basis named **ICO information letters**. These focus on the evolution of the regulatory environment for foreign trade and highlight information reported by international media regarding the fight against corruption and economic crime worldwide. These bulletins are intended to complete and update the information given to EADS employees during the training sessions.

In relation with its international businesses, EADS uses third parties, such as consultants and international business partners in order to provide appropriate assistance and

expertise to BUs on current or potential business for EADS and/or promote EADS products or services in various countries. The contractual arrangements for such services are governed by internal rules and policies that describe the entire contractual process, from the selection of the partner to the implementation and execution of the agreed service. In order to ensure that the rules are understood and strictly applied, consultant and service providers agreement are audited. The purpose of these audits is to check the substantiation of the contractual duties delivered by the third party in exchange of its remuneration. The table below presents information concerning the percentage of consultant files audited in each of the past three years. None of the audits have revealed any material deficiencies.

	2005	2004	2003
Consultant files audited	96%	93.10%	Not available
Number of ICO information letters issued	3	3	2
Number of training sessions held by ICO	52	20	12

Scope: EADS

2.1.2 Compliance with Law Regarding all EADS' Activities

Compliance and verification of compliance with all the laws and regulations of the countries where the Group does business is a must at EADS. Rapid changes in the industry and the overall global environment constantly present new legal or regulatory requirements and ethical standards which call for robust internal controls in the field of legal compliance.

Against this background, the Group monitors overall compliance with all laws relating to its business activities in addition to having a special focus on compliance with export control regulations.

companies comply with all import and export control regulations that govern the exports and imports of commodities, technical data and technical support.

- EADS always obtains export licenses and other government approvals prior to exporting products and technology controlled by governments or the EU.
- EADS screens new customers and suppliers to ensure that they do not do banned business. ”

The overall compliance with the Law programme

Amongst the various areas of the law which require constant monitoring, it is worth mentioning a few examples that are of particular importance to EADS although the list is only indicative. Examples of this permanent monitoring process are: compliance with the laws and regulations governing competition, protection of the environment, public sector procurement and accounting and financial reporting.

2.1.2.1 Policy (law and export control)

- “ - EADS is committed to complying with antitrust and competition as well as humanitarian law, when applicable, in all of its activities and throughout the Group.
- EADS is also committed to complying with all applicable legislation relating to foreign trade. EADS Group

Compliance with Corporate Governance standards is another area of focus. Governance practices are developed and monitored to fulfil the Board's responsibility towards customers, shareholders and employees to oversee the work of the management in the conduct of the Company's business, and to serve the long-term interest of stakeholders.

Compliance with Export Control Laws and Regulations

Because of the particular nature of the industries that it is active in, EADS has put a special focus on the overall area of compliance with export controls regulations both in its commercial aviation businesses and as a company dealing with defence and dual-use products as well. Being a high-technology company both in the civil and in the defence environment means, for example, that EADS' know-how in the form of products or services and all relating technical data is subject to a wide range of export controls laws and regulations. Keeping the Company's status of "reliable importer/exporter" is the constant ambition of Company's export control specialists and employees; thus EADS strictly follows highly regulated processes to control the final destination of its products and technologies.

As each of the countries from which EADS exports defence products has specific laws and regulations on arms export control, the organisation of compliance is tailored to the related countries within EADS. BUs have appointed Export control officers and allowed dedicated resources to implement export control compliance procedures as close as possible to people working with export controlled products (commodities, software, technical data...).

National Export control officers were appointed at EADS Group level. Depending on the country from which exports take place, either the country Export control officer is legally responsible for compliance and thus has a strong centralisation and decisional role or the final responsibility lies in the hand of each of the legal entities and its local Export control officer. In this later case, the national Export control officer ensures coordination and provides the Headquarters and the BUs with expertise and advice.

The national Export control officers organise regularly within their respective countries meetings and conferences with their export control officers' national network, to share knowledge and expertise on compliance requirements

and procedures. Training is also provided to export control staff as well as to other relevant functions as marketing and procurement, creating awareness for the importance of export control issues. The EADS' national export officers decided in January 2006 to go further in strengthening the Group compliance processes by proposing a detailed EADS Group export control policy.

The same applies to import regulations as EADS is a major importer as well and has a continued globalization approach.

In parallel to import/export aspects, there are also specific requirements dealing with access to and dissemination of restricted or classified information whether it is for national security reasons or other customer driven requirements especially in the field of defence, which are strictly followed by EADS, based on Group specific policies.

Separate policies are enacted in order to protect EADS data and overall Company proprietary and confidential information.

2.1.2.2 Organisation

From an organisational standpoint, EADS Legal Affairs, in coordination with the Divisions' and BUs' legal departments, is responsible for designing, implementing and overseeing the policies and processes aimed at ensuring that EADS' activities comply with all applicable laws and regulations. Teamwork amongst all the legal players and export control professionals in the Company is aimed at ensuring consistent and comprehensive legal processes in compliance with national requirements. Corporate Legal Affairs is also responsible for overseeing all litigation affecting the Group, as well as for the legal safeguarding of the Group's assets, including intellectual property.

Extended networks of professionals (export control, intellectual property...) located close to operational players drives the export control activities. These professionals are capable of handling the requirements of the many jurisdictions that are relevant to EADS, not only in its "home countries" but abroad as well.

The Corporate Secretary with the support of Legal Affairs departments also play an essential role in the setting up and administration of (i) EADS Corporate Governance procedures and (ii) legal documentation underlying delegation of powers

and responsibilities and defining the EADS management and the internal control environment.

Finally, all those activities are audited by the Internal Audit department which consists of a team of dedicated professionals who are familiar with the requirements and challenges of the Company’s international business.

2.1.2.3 Performance and Best Practices

Although each EADS BU and location faces different compliance challenges, they are extremely vigilant in monitoring legal risks. They constantly ensure that regulations are applied and track any infringement risks so as to prevent them. This is based on three basic processes:

- **Preventing compliance risk** is key to the overall EADS approach. Such a preventive approach is based on the addition of Company policies and deep cultural values

supported by solid infrastructure for compliance, training initiatives and general employee awareness actions as well.

- **Identification of compliance risks** results from systematic monitoring of key compliance risks in each of the BUs.
- Whatever the source of the compliance risk may be, **EADS takes responsibility** for finding the facts and analyzing the applicable laws; measures are then taken to deal with the situation in a proactive manner.

Sharing of information, especially within the CSR network and the community of legal professionals is designed to help the Company learn from mistakes, if any, thus using its experience to continue raising the bar in its compliance processes.

	2005	2004
Court decisions regarding cases pertaining to antitrust and monopoly regulations	None	None
Descriptions of policy, procedures/management systems, and compliance mechanisms for preventing anticompetitive behaviour	i) EADS Code of Ethics including but not limited to all relevant provisions of Code of Ethics relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.	i) EADS Code of Ethics including but not limited to all relevant provisions of Code of Ethics relating to compliance with competition law; and ii) Regular legal risk analysis as issues come up.

Scope: EADS.

2.1.3 Corporate Governance Standards

Compliance with Corporate Governance standards is an area of focus at EADS. Governance practices are developed and monitored to fulfil the Board responsibility to shareholders to oversee the work of management in the conduct of the Company’s business and to seek to serve the long-term interest of shareholders.

In 2004, the EADS Board of Directors continued to uphold the driving principle of maximizing shareholder value and conformity with applicable law and the Corporate

Governance principles in the countries relevant for the Company, while also enhancing its focus on Corporate Governance best practices.

The EADS management structure has proved efficient and well adapted to fulfilling its commitment to a sustainable and balanced relationship with stakeholders. Ensuring development of employee and supplier relationships, as well as ensuring customer satisfaction, remain a foundation of EADS’ success, operations and culture.

Corporate Social Responsibility

2.1 Business Ethics

2.1.3.1 Policy

- “ – EADS is determined to set the standard of excellence in the field of Corporate Governance. EADS is committed to meet and even exceed social, legal and statutory requirements to ensure transparent management and recording.
- EADS commits to providing 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, EADS continuously improves its Internal Control and Risk Management procedures.”

2.1.3.2 Organisation

See “Part 1 / Chapter 2 Corporate Governance”.

2.2 Sustainable Growth

EADS supplies some of today's most advanced technology in the field of aerospace and defence. EADS strives to meet the customers' requirements for competitive, cost effective and innovative technology. The Group's development

relies on its ability to deliver products and services that meet customers' requirements. Sustaining this development requires focus on the product quality, continuous innovation and the best supplier management.

2.2.1 Product Quality and Customer Satisfaction

As an industry leader in aerospace and defence, EADS is constantly striving to build upon its solid reputation for excellence in its products, processes and people. With a focus on continual improvement and on building customer confidence by improving On-Time and On-Quality Delivery ("**OTOQD**"), EADS demands that every area of its operational business challenges and improves its levels of Quality and Operational Excellence, internally and throughout the supply chain.

network of BU operational level experts to ensure that the Quality and Operational Excellence Programme ("**QOEP**") is tuned directly to the needs, priorities and maturity of each BU. He also Represents EADS in relevant Quality, Standards and Regulatory bodies at both National and International level commensurate with the status of EADS as a global aerospace and defence company.

2.2.1.1 Policy

“ – EADS is fully committed to achieving the highest levels of customer satisfaction, driving continuous improvements in the quality of its products, processes and people and deploying the most demanding Quality Management Systems.

– EADS actively seeks key customer feedback through a structured Group-wide process of Customer Reviews. ”

2.2.1.2 Organisation

The Chief Quality Officer ("**CQO**") is in charge of stimulating, coaching and supporting the BUs to implement continual improvements in operational level OTOQD performance and to maintain and improve customer confidence in EADS. In particular, he chairs an EADS Quality Council with senior level representatives from each BU to agree actions and priorities and to drive OTOQD deployment in all BUs and animates supports and drives a

2.2.1.3 Performance and Best Practices

In the second half of 2004, a major initiative was launched to deliver enhanced customer confidence and satisfaction through driving operational improvements in those industrial processes which contribute to achieving OTOQD of products and services to end customers. In 2005, this "Quality and Operational Excellence Programme" (QOEP) was deployed through EADS BUs.

This Programme acts on five key areas for improvement:

Customer Confidence

A common methodology was defined in early 2005, with a view to deploying it consistently throughout the Group. This Customer review process ("**CRp**") methodology is based on a structured series of interviews targeting the key decision makers at EADS' strategic customers. These interviews are performed by the BUs' top management.

The goal is to measure the level of customer confidence, which is more important than satisfaction in determining its loyalty. EADS aims to measure (and to improve

continuously) the relationships between the Group and each of its customers. Improvement plans result from these interviews, and the interviewer is responsible for reporting the progress of these plans to the interviewee.

In 2005, five reviews were completed (MTA, DS Spain, Eurocopter, Seca, and Socata), three reviews being in action planning phase (MTA, DS Spain and Eurocopter). Six BUs entered the Design and Review phase, mainly for Defence customers.

More complex CRPs for Defence customers were also prepared in 2005: they are conducted at national level rather than at BU level, governments' procurement activities being by nature cross BUs. The Spanish review was performed in 2005; the French review was launched in 2005 and will last until mid-2006. The German and British reviews will be launched in 2006.

Supply Chain Processes

More than 70% of EADS products are sourced from outside suppliers. If a supplier fails to deliver On Time and On Quality, so does EADS. Managing the Supply Chain through the traditional contractual relationship is no longer sufficient. Upstream visibility is needed into the internal processes of each supplier to enable a timely reaction to their deficiencies (as well as to EADS' own deficiencies which could impair a supplier's performance). In 2005, EADS deployed Supply Chain Diagnostics (two to three weeks assessments) in several BUs, in order to assess what they already identified as their weakest points in supply chain management, and derive "90 Day Action Plans".

In 2005, ten Diagnostics were conducted in seven BUs: Defence Electronics, Military Air Systems, Astrium, Defence and Communication Systems, LFK, Seca and MTA.

These assessments resulted in action plans at three BUs (one in Defence Electronics and Seca, two at MTA). Implementation started in 2005 (improvement plans are under preparation in the other BUs).

DRIVER and EADS Black Belt

Until 2005, EADS "only" expected that each manager would improve the operational performance of his / her team; EADS now equips managers with an "Improvement Methodology and Toolkit". This is the purpose of the "DRIVER"

methodology defined in 2005, along with the complete training syllabus (more than 50 training modules and 30 tools). DRIVER is specific to EADS. The corresponding training can be delivered in the format of "EADS Green Belt" (one week) or "EADS Black Belt" (four weeks). To be recognised as Qualified Improvers, EADS Black Belts must complete, on top of their training, an improvement project that can cover for six months and deliver measured benefits in terms of On Time On Quality Performance, costs savings or both.

In 2005, 97 EADS Black Belts were trained at seven sessions held within MTA, Eurocopter, Defence Electronics, Airbus, Seca, LFK and Socata. Six employees were qualified, by completing the improvement project and sixteen were EADS Green Belt trained.

Quality Gates

All EADS processes are made of steps: from bidding to delivery of demonstrators for a development process; from machining to final assembly for a manufacturing process. Each step completion must be carefully checked before passing the "product" down to the next step. Otherwise problems may be transferred to a place where they will be more difficult and costly to solve. Based on this simple observation, a methodology was already in place in some BUs, calling for an internal written contract between the two parties (upstream and downstream) at a "Gate" between two important steps of a development or a production process.

The quality gate system was further extended in 2005. While Airbus had already started the implementation of quality gate before 2005, Eurocopter implemented its quality gate in 2005.

High-Level Metrics

In order to measure the results of the improvement actions at BU level in terms of Customer Confidence and OTOQ Delivery, a set of high level metrics has been defined in 2005 and begun to be implemented.

The three generic metrics are:

- the Customer Confidence index (resulting from the Customer Review Process described previously);
- the On Time On Quality index for Development programmes; and

- the On Time On Quality index for Physical deliverables.

The use of these Metrics is under the custody of the BU heads.

In 2005, normalised HLM have been defined in five BUs (MTA, Defence Electronics, Astrium, Eurocopter and Military Air Systems) and are operational in two of them (MTA and Defence Electronics).

2.2.2 Sustaining and Protecting Innovation

2.2.2.1 Innovation Strategy

Innovation is one of the key areas EADS is focusing on as growth drivers for the future. EADS has established various programmes of cooperation with universities and scientific organisations to develop jointly new technologies, and is continuously evaluating new opportunities to extend partnerships in this area.

Policy

“EADS’ innovation strategy aims at increasing competitiveness through continuously improving quality of services and products as well as efficiency of processes. The two main pillars of EADS’ corporate strategy are the EADS Research & Technology (“R&T”) Network and the Corporate Research Centre (“CRC”).”

Organisation

Due to the specific organisation of EADS in BUs, the company’s strategy has both decentralised and centralised components. All R&D and about 80% of the R&T activities are decentralised. The responsibility of each of the BUs is to ensure the development of products and services that meet customer needs and to offer competitive solutions in line with market expectations.

The centralized efforts are represented by both the EADS R&T Network and the CRC.

The R&T Network coordinates the shared research and technology activities, which involve several BUs and the CRC. The Network is structured around technology domains, which are of common interest, such as Materials and Structures, Electronics, Navigation and Control as well as Image Processing. For each of the domains, a group of R&T experts is formed by representatives of the entities interested in shared work in that domain, thereby ensuring

an effective transversal coordination. The Network sets up a common R&T programme and facilitates the circulation of information and research results within the Group. The steering of the EADS R&T Network and the decision making process are performed in a collective way between all participants, inducing useful “bottom-up” and “top-down” exchanges between the experts and management. Additional centralised R&T coordination is accomplished by the team of the Chief technology Officer between the EADS BUs, the CRC and headquarters functions to manage relations with external stakeholders, companies, industrial organisations, research laboratories and universities for example, for joint research projects.

The CRC conducts applied research and supports the R&T Network by providing a platform for the exchange of know-how and by highlighting possible synergies throughout the Group. The CRC has two main sites in Paris and Munich and employs approximately 600 people including doctorates and university interns. It maintains research proximity centres in Toulouse, Nantes (opened in 2005) and Hamburg to support the knowledge transfer to BUs in these locations. A liaison office is operating in Moscow, which facilitates relations with Russian scientific institutes. EADS is also preparing the creation of a centre in Spain and an extension in other countries (i.e., Singapore, Qatar), through laboratories or offices to develop cooperation and to take advantage of competencies wherever they are.

The CRC and the EADS R&T community in the BUs maintains and expands established academic research partnerships with leading universities and high-tech engineering schools by employing thesis students, post-graduate interns and doctorate candidates as well as by contracting specific research projects.

See also “Part I / 1.1 Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Performance and Best Practices

Continuous innovation has been the basis of EADS' success in the past, and the Group is convinced that this will be even more important in the future. Innovation cycles are shortening and new competitors are emerging in all fields of EADS business. To be leading the markets in the future, EADS will always need to be ahead with innovative solutions.

Technological innovation programmes are managed in conjunction with the EADS R&T Network and the EADS CRC as well as through a strong network of top experts in the BUs. EADS aims to make better use of available resources by interacting even more with external scientific and applied research organisations. Such cooperation

allows EADS to leverage the resources available in these organisations, which in turn benefit from EADS' systems knowledge.

In 2005, the Group invested €614 million in R&T alone (€510 million in 2004) to develop technologies for future products, services and processes. On the one hand, the CRC, which focuses on applied research and long-term strategic technologies, spent €93 million of that amount on research programmes in the areas of Materials and Structures, Acoustics, Microsystems and Electronics, Systems Engineering and Information Management Techniques. On the other hand, synergy between the BUs was developed by the EADS R&T Network through 136 shared projects, representing €90 million.

	2005		2004		2003	
	In € bn	In percentage of revenues	In € bn	In percentage of revenues	In € bn	In percentage of revenues
Self-financed R&D*	2.1	6.1%	2.1	6.6%	2.2	7.3%
R&T expenses	0.61	1.8%	0.51	1.6%	0.45	1.5%

Scope: EADS.

(*) See "Part 1/1.1.3.4 Research and Development Expenses".

Advanced Technology Initiative

Activities of the Advanced Technology Initiative ("ATI"), launched in 2004, continued throughout 2005 as a cross-company drive to increase efficiency in innovation and R&T. ATI involves benchmarking and forecasting of technologies and gives answers to the questions: What is the scope of technologies inside EADS? How good is EADS at these technologies compared to the competition? What will be key technologies in the future? External expertise is included to provide perspective and vision. Based on the findings, action plans are developed to improve the global technology strategy by correcting any deficiencies and by optimising the allocation of resources. ATI involves today more than 200 technical managers, many of them being currently active in the R&T Network and in the CRC. While it is continuing in 2006, ATI has already led to recommendations for managing the technological risks and for ensuring technological leadership.

EADS Corporate Foundation for Research

Activities of the EADS Corporate Foundation for Research (Fondation d'entreprise) in France aim to improve the company's links to public research laboratories and universities by promoting multidisciplinary research in aerospace technologies, and establishing exchanges between researchers in government, private industry and higher education research institutes.

In 2005, the Foundation financed 17 doctorate and nine post-doctorate grants as well as 10 research projects.

A number of incentive activities are carried out, such as awarding the "Irène Joliot-Curie Prize for Women in Research", which rewards actions encouraging the presence of women in scientific and technical fields of study, or promoting the position of women in the research community in France, and highlighting exemplary professional contributions to public and private research.

The "AéroJeunes Day" is held every year to promote science and technology among young people. In 2005, students from several schools in France were invited to spend a day at the Paris Air Show. The "Envol Recherche" Day, the major event for the EADS Company Foundation, allows

the Foundation to showcase its different activities and to sum up the achievements of the year. The beneficiaries of grants and funding are invited to present the state of their work.

Other initiatives, including foundations, are contemplated in Germany, Spain, the U.K. and the U.S. to improve links with public research institutes and universities.

Bauhaus Luftfahrt (aviation research centre)

In 2005, EADS and the government of the German state of Bavaria joined forces with three German aerospace companies to create the aviation research centre, Bauhaus Luftfahrt, a centre for creative and interdisciplinary research activities in the field of aeronautics. Headquartered in Munich, the registered association sees itself as a think tank for a new type of visionary, unconventional aviation research. The centre will focus on systems and concepts for the future, and on evaluation of integrated systems in comprehensive, interdisciplinary research activities.

Academic partnerships

EADS regards its relationship with the academic world as a priority and is developing this with vigour by reinforcing its cooperation with academic laboratories through deeper and more targeted relationships. In 2005, the CRC France has therefore established a common structure with several French top-level academic partners. INNO'CAMPUS was inaugurated at the renowned École Normale Supérieure (ENS) de Cachan, near Paris, to intensify an existing partnership by co-locating some EADS researchers at laboratories of the ENS, by students using CRC facilities and by jointly conducted seminars and workshops in the structures simulation and structures behaviour domains. In addition, a professorship in "Advanced Computational Structural Mechanics" was established at the ENS, with financing supplied by the EADS Corporate Foundation for Research.

The TECHNO'CAMPUS was established together with Airbus and four high-tech engineering schools in Nantes: the École Centrale, École des Mines, Polytech & ICAM. The location was selected, because of the high scientific level of public research close to two Airbus production plants. TECHNO'CAMPUS is actively supported by the French state, the region of "Pays de la Loire" and the city of Nantes. It gathers students, researchers and engineers from the schools, the CRC and Airbus in joint projects to research

thermoplastic composites technologies and to develop specific non-destructive testing methods.

2.2.2.2 Protecting Innovation: Intellectual Property

Intellectual Property ("IP"), such as patents, trademarks and know-how, plays an important role in the production and protection of EADS technologies and products. The use of IP rights enables EADS to remain competitive in the market and to manufacture and sell its products freely.

Policy

- “ – One of EADS' most valuable assets is its intellectual property which includes patents, trade secrets, trademarks, copyrights and other proprietary information. It is EADS' policy to establish, protect, maintain and defend its rights in all commercially significant IP and to use those rights in responsible ways.
- EADS also respects the valid IP rights of others and will not reproduce or use software or other technology licensed from other suppliers except as permitted by the applicable license agreement or by law.”

Organisation

The general management of IP in EADS is conducted through an IP committee led by Headquarters. Executives responsible for IP at the main subsidiaries upset on this committee.

Every year, a meeting of the network of those responsible for IP at the entities of the Group is held to explain the EADS' IP strategy and policy. EADS also promotes training about IP matters. For example, there is one day about IP included in the Corporate Business Academy ("CBA") training for the experts.

Each of the subsidiary companies of the Group owns the IP which is specific to its particular business and has been generated by this subsidiary. Where IP is of common interest throughout the Group, the subsidiary that generated it may issue a license allowing its use elsewhere (respecting the interests of the other shareholders when appropriate). EADS also owns IP directly or under license agreements with its subsidiaries. EADS centralises and coordinates the

Group’s IP portfolio, participates with the subsidiaries in its management and promotes licensing of common IP between the subsidiaries. EADS controls the protection of its IP made in the strategic countries.

EADS also ensures that procedures are in place to protect the confidentiality of the Group’s IP and to ensure contractually that third party rights are protected (in the case of joint ventures). In this respect, suppliers’ contract terms and conditions are currently being strengthened and adapted when dealing with countries with weaker IP laws. The sourcing strategy is also to integrate a segmentation of parts of the contract in order to minimize the risk of industrial espionage and counterfeiting.

Performance and Best Practices

To increase the added value of the Group, the team of the EADS Chief Technology Officer promotes the sharing within the Group of all the knowledge of the BUs and the sharing of resources, skills and research means and budget to develop new knowledge, while respecting existing contractual and legal frameworks.

For example, all the contracts between BUs of the Group concerning shared R&T must have provisions allowing for the flow of knowledge (EADS R&T Network rules).

In 2005, the EADS IP portfolio was comprised of approximately 4,900 inventions (approximately 4,400 in 2004), which are covered by over 15,000 patents throughout the world.

	31st December 2005	31st December 2004
New inventions filed (some of which covered by several patents)	586	521
EADS patents portfolio	15,036	13,515

Scope: EADS.

2.2.3 Supplier Management: Fostering a Mutually Beneficial Relationship with EADS’ Suppliers

The EADS Sourcing vision is to deliver competitive advantage by winning, integrating and developing relationships with the world’s best suppliers. Its Sourcing Strategy is designed to support this vision.

– EADS is committed to long term relationships and partnerships with its suppliers, in particular in the engagement in the development of technological know-how.”

2.2.3.1 Policy

- “ – Suppliers represent a high proportion of the value of EADS’ products, and play an important part in customer satisfaction. As such, EADS endeavours to integrate them fully in its ethical way of doing business.
- Fostering a mutually beneficial relationship with suppliers, EADS’ sourcing principles require all suppliers to be responsible and to implement its standards and requirements across all levels of the supply chain.

2.2.3.2 Organisation

Sourcing Strategy

EADS Corporate Sourcing is the strategic architect of sourcing functions and provides overall orientation for all sourcing activities across the Group, in particular regarding the key elements of the Sourcing Strategy, which are Procurement Marketing and Global Sourcing, Joint Sourcing, Supplier Evaluation and Risk and Opportunity Sharing.

- **Procurement Marketing and Global Sourcing** aims to identify the best potential suppliers worldwide and

to evaluate them with regard to their capabilities and their certifications. Procurement marketing is becoming increasingly important as EADS targets new global supply markets to support Global Industrial Development;

- **Joint Sourcing activities** allow purchasing power to be leveraged across EADS. A group of Lead buyers bundles procurement volumes of selected material groups for common negotiation. The Joint Sourcing also allows all EADS BUs to use a common EADS contract per supplier;
- The EADS **Supplier Evaluation and Development** process guarantees that suppliers' performances are regularly evaluated. Suppliers can expect that the same process and the same criteria are applied by all BUs: Commercial, Logistics, Quality, Technical and Customer Support. Evaluations are shared with suppliers as a basis to discuss further improvement and development needs and plans. With regard to the high proportion of sourcing required for products and the complexity of the procured systems, equipment and structures, EADS favours long-term, mutually beneficial, reliable and stable relationships with key suppliers. Consideration for partnerships is limited to suppliers who continuously show excellence in their performance, who can demonstrate a credible long term interest and who are able to support their business interest with their own developments and investments. It is a principle for such partnerships that suppliers are involved and integrated at the early stages of development.
- Both **business risks and opportunities** should be adequately shared with suppliers. Procurement Policies of EADS BUs address all typical business risks and suggest how they should be dealt with in EADS' contractual agreements. Procurement Policies also set out the principles and guidelines for conducting business with current and prospective suppliers. These guidelines describe how partnership relations should be handled in an equitable manner in the interest of all parties concerned and how disputes should be dealt with professionally and as quickly as possible in accordance with the agreed partnership arrangements.

Sourcing network

Each EADS Division and BU has its own sourcing function. The five EADS divisions' Chief Procurement Officers compose the Chief Procurement Officers Council ("CPOC")

which is chaired by the EADS Chief Procurement Officer. This Council was created in 2005; it is responsible for implementing the EADS Sourcing Strategy.

The Procurement Directors Board (existing since 2000), which is composed of the Divisions and BUs Procurement Directors and of members of the Corporate Sourcing team remains a platform for exchange of information, experience and for diffusion of the EADS sourcing strategy.

One of the first decisions taken by the CPOC in early 2006 was to create a Sourcing CSR network, led by EADS Corporate Sourcing with the objective of formalising the EADS CSR Sourcing Policy, in compliance with the EADS Code of Ethics. The Sourcing CSR network will organise flow-down of the CSR Sourcing Policy to suppliers and organise related-supplier performance measurement.

In addition, the EADS Executive Committee decided mid 2005 to implement a new structure within the Sourcing organisation in order to support the Globalisation Development of the Group. This new structure named Global Sourcing network includes Country Sourcing Offices ("CSOs") starting with China, Russia and India. More will be created where EADS sourcing volume happens to grow.

These CSOs will take an active role in supporting fulfilment of CSR standards by EADS suppliers based in their regions.

2.2.3.3 Performances and Best Practices

Sourcing context in 2005

With two thirds of its revenues sourced from external suppliers, efficient and effective supplier relationship management is a key factor for EADS' success. For this, EADS concentrates on its major suppliers. EADS' top 50 suppliers already account for 43% of the sourcing volume and the top 250 suppliers account for 75%.

Complex systems and equipment account for 45% of EADS procurement. Structures, material and product-related services also account for 36%, while non-product related material accounts for 21%.

While EADS likes to see itself as an important customer for its key suppliers, EADS wants them to be independent and at the edge of technological development. On average, EADS suppliers make no more than 10% of their revenues from EADS.

Most of EADS' sourcing volume is provided by large companies. The remaining sourcing volume (15%) is spread across a large number of small and medium sized enterprises, as per the European Commission definition, i.e. with less than 250 employees or less than €50 million turnover.

Sourcing activities focus on the EADS home countries France, Germany, U.K. and Spain, and on the U.S. Sourcing outside the E.U. and North America is still limited. However, EADS sees its global sourcing activities increasing to better exploit opportunities and to support sales.

Most of EADS' suppliers are currently located in the E.U. (approximately 75%) and North America (23%), regions in which social, economical and environmental practices are well regulated by applicable norms and laws. EADS Sourcing contractual terms request that these suppliers shall comply at any time with laws and regulations on economical, environmental and social standards and anticipate or at least make their best endeavour to anticipate forthcoming changes in these standards.

To reinforce supply chain compliance to EADS CSR related requirements, EADS tier 1 suppliers are contractually bound to flow-down these requirements to tier 2 suppliers.

Procurement policies also reflect the principles of the UN Global Compact. As a member of the UN Global Compact, EADS has accepted responsibility to apply these principles in its supply chain and requires its suppliers to adhere to common standards in the areas of human rights, the environment and employment.

Influence of the Global Sourcing

As EADS targets to increase global sourcing volumes in countries where existing regulations do not include EADS CSR requirements, procurement contractual terms for these domains need to be written in a more extensive way. Therefore, EADS is on one side engaged in a process for embodying additional CSR requirements into procurement contracts and on the other side EADS is organising supplier CSR performance measurement.

Sourcing Contractual terms related to CSR

The decision to further develop CSR requirements is clearly taken and EADS has already reasonably pretty well addressed key elements of CSR in sourcing contracts.

The various CSR aspects are already considered through EADS Sourcing Risk and Opportunities Management ("ROM") which recommends appropriate contractual guidelines for key contractual chapters. These guidelines are published into the EADS Sourcing Information Tool which explains the principles for drafting contracts, disclaims the typical contractual clause and gives practical comments for the use of the buyer. For each domain, the requirements are contractually cascaded on to sub-tier suppliers.

For example, regarding environmental responsibility, principles for drafting contracts state that: "The purchase contract should provide that the supplier shall comply with all applicable laws, regulations, etc. as well as all commitment to which EADS has subscribed (e.g., Global Compact initiative) and end-customer requirements, in particular: (1) Suppliers are asked to support a precautionary approach to environmental challenges; (2) Undertake initiatives to promote greater environmental responsibility; and (3) Encourage the development and diffusion of environmentally friendly technology." The recommendation to the buyer also says that EADS should make sure that the supplier complies with international standards such as ISO 14000 or EMAS (Eco-Management and Audit Scheme).

Moreover, in terms of compliance with EADS Ethical commitments, it is recommended that the contract includes EADS key engagements such as the support, respect and protection of international human rights within the supplier's sphere of influence; the respect of the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the quality of working conditions such as but not limited to, appropriate level of remuneration, and protection of health and safety of the employees.

Key Performance Indicators

All figures below have been calculated using new €-\$ exchange rates. Figures for previous years have been recalculated accordingly (2005: 1.2441; 2004: 1.2438; and 2003: 1.1304).

Sourcing volume: breakdown by country for top 10 countries	2005	2004	2003
	In percentage of total sourcing volume	In percentage of total sourcing volume	In percentage of total sourcing volume
France	31%	31%	30%
Germany	22%	23%	25%
U.S.	22%	21%	21%
U.K.	12%	12%	12%
Spain	4%	4%	4%
Italy	1%	2%	2%
Netherlands	1%	1%	2%
Belgium	1%	1%	1%
Canada	1%	1%	1%
Switzerland	1%	1%	1%

The Sourcing geographic breakdown is stable and centred on Western countries.

Importance of sourcing outside of EADS	2005	2004	2003
	In percentage of revenues	In percentage of revenues	In percentage of revenues
	70%	63%	65%

The increase in value of Sourcing is mainly influenced by A380 production ramp-up which started ahead of A380 deliveries, temporarily increasing sourcing vs. sales volumes.

Purchasing breakdown by Geography	2005	2004	2003
	In percentage of total purchase	In percentage of total purchase	In percentage of total purchase
Europe	75%	77%	74%
North America	23%	21%	24%
Rest of the World*	2%	2%	2%

Scope: EADS.

(*) including < 1% in non-OECD countries.

2.3 Environmental Care

EADS' environmental policy embraces all phases of a product life cycle, from conception and design, manufacturing and product support, including environmental impact of its sites. It seeks to ensure that each of its BUs complies with the laws and regulations of each country

in which it operates, EADS being subject to numerous E.U., national, regional and local environmental laws and regulations concerning emissions into the environment, discharges to surface and sub-surface water and the disposal and treatment of waste materials.

2.3.1 Policy

“Minimizing environmental impacts of EADS’ activities

- EADS is fully conscious of its operations’ impact on the environment and therefore considers that monitoring and reducing those impacts is fundamental for its approach to CSR.
- EADS is committed to continuous improvement of its environmental impact, beyond the simple fulfilment of legal obligations. It is EADS’ subsidiaries and sites’ role to ensure compliance with the laws and regulations of the countries in which they operate. The Group encourages environmental certification of its manufacturing processes.

Taking into account environmental impacts of products along their life cycle

- Improving environmental performance of products throughout their lifecycle is of significant importance for EADS and its customers.
- EADS encourages the active consideration of environmental criteria, through implementation of Eco-Design approaches, in all phases of its products’ life cycles in order to improve the environmental performance of its products.”

2.3.2 Organisation

The management of environmental aspects of Group operations is traditionally the responsibility of the BUs and sites. Each of EADS’ businesses is strictly controlled and audited by authorities, in respect of manufacturing processes and product certification. Furthermore, customers include environmental criteria in their specifications.

The environmental reporting is currently managed by the CQO. However, an enhanced coordination at corporate level is needed. Some steps have been undertaken in order to implement a periodic follow up on the Group’s environment performance and to facilitate exchanges of best practices and dissemination of relevant European and national information

within the Group. These are based on networks that already exist from the founding companies of EADS. In order to enhance effectiveness of the environmental policy and provide visibility, EADS plans to further use dedicated networks focusing either on process or on products. This approach needs to be overall validated.

EADS is participating in environmental working groups of industry organisations such as the GIFAS in France, Bundesverband der Deutschen Luft und Raumfahrtindustrie (“**BDLI**”) in Germany and the SBAC in the U.K. For example, the Environment Committee of GIFAS is chaired by an Airbus representative. EADS and Eurocopter

also sit in this committee. In 2005, the committee defined and implemented a legal and regulatory watch system to the benefit of the profession in France.

At European level, the Environmental Committee of ASD (Aeronautic Space and Defence Industries Association of Europe) is chaired by Airbus.

On a worldwide basis, the environmental committee of ICCAIA (International Coordination Council for Aerospace Industries Association), in which ASD is the European member, is chaired by Airbus since 2004 and up to 2007.

2.3.3 Performance and Best Practices

Sites certification and registration

EADS encourages environmental certification of its industrial sites. As of 31st December 2005, 29 sites were either ISO 14001 certified or EMAS registered, representing 42% of the total workforce of EADS.

Airbus has set the goal of achieving the international environmental standard ISO 14001 certification for its complete organisation by the end of 2006. As of the end of 2005, only two European sites, Hamburg and Toulouse remained to be certified to ISO 14001, as scheduled in Airbus' implementation plan. These projects should be accomplished by April 2006, bringing the former ratio from 42% to 64%. Site compliance is only part of overall corporate certification. With this continuous improvement process, Airbus is strengthening its environmental expertise throughout all sites and functions, expanding its site-dedicated environmental network. Environmental experts are charged with reviewing and improving all environmental aspects of Airbus' operations across all functions. These experts play a decisive role in the certification process, including the "environmental analysis" of Airbus products. Launched in 2006, product certification is the other fundamental element that will lead to Airbus' overall corporate certification.

In December 2005, EADS Space Transportation also decided to target an ISO 14001 certification of its French site by the end of 2006, following successful re-certification of its German sites in 2005.

The same applies to ASTRIUM : re-certification of German and UK sites in 2005, certification of the French site (Toulouse) scheduled for April 2006.

Site and Product Oriented Environmental Management System (SPOEMS)

While classical ISO 14001 addresses only SITE-related certification, Airbus has joined forces with several other organisations (Chamber of Commerce, National Trade Associations, EADS Germany...) to set the rules for an approach to environmental certification of both SITES and PRODUCTS along their lifecycle (production sites being only one aspect of this lifecycle). This approach will help Airbus, among other organisations, to systematically assess the environmental impact of its products along their entire life, and to target improvements at the earliest design stage. SPOEMS was selected by the European Union under its "LIFE" Programme.

Recycling of waste

Powered by the ISO 14001 certifications, many local initiatives on waste recycling are taken by the BUs, going beyond the certification requirements (identification, separation, management of disposal). One example is with Astrium UK: introduction of two recycling waste streams: one for glass and one for paper.

Climate Change

EADS operations have a very low impact in terms of greenhouse gas emissions. In the main, EADS' energy use results from heating and lighting requirements (offices, administration buildings, production facilities etc).

A potential risk from climate change to EADS operations comes from the ever-increasing pressure on energy costs.

However, both from a cost and an operational efficiency viewpoint the Group recognises that it has a responsibility to reduce energy usage where possible and so EADS views this as an opportunity to make continuous improvements.

In 2005, EADS was a participating Company to the G8 **Climate Change Panel**, led by Tony Blair, for the post Kyoto Protocol actions. In this perspective, the GMES (Global Monitoring for Environment and Security) initiative anticipates the definition of a satellite-based system allowing the monitoring of global greenhouse gas emissions.

As a further example, **ATR** also applies a “green policy” in the conception of its aircraft. ATR aircraft are recognised as the most fuel-efficient aircraft in their category thanks to their advanced engine technology and highly efficient propellers. Low levels of engine emissions are essentially the result of low fuel consumption. On routes with an operating radius of 200 nautical miles, ATR 72-500 fuel consumption per passenger is up to 15% lower than for a typical European car. The associated gaseous emissions per passengers in terms of CO (carbon monoxide) are 15 times lower than from a car and comparable to those of a train. As far as nitrous oxides are concerned, the ATR is three times less pollutant than a car and 40% less than a train. All these factors make the ATR an environmentally friendly aircraft that contributes less to the greenhouse effect than most other forms of transport.

The alignment of environmental targets (CO₂ emissions reduction) with economical targets (energy consumption reduction) drives many local initiatives such as the installation of energy efficient motor drives at **Astrium UK** or the improvement of efficiency of the satellite assembly clean rooms by Astrium in Germany. Other examples include the installation of a 98.6 Kwatt-peak of photovoltaic solar power connected to the public electricity system on the roof of a new office building at Airbus Spain.

Restriction of Hazardous Substances (RoHS) directive

An important issue addressed in 2005 concerned the product life cycle with the transition to lead-free electronics for aerospace. This was in particular driven by the European RoHS directive, which restricts the use of six hazardous

materials (Lead, hexavalent chromium, Mercury, cadmium, PBB and PBDE) in electric and electronic applications and thus leads to necessary substitutions. These substitutions are difficult for aerospace activities due to the length of the aerospace products life cycle and stringent safety certifications; the introduction of substitute substances requiring additional testing and certification. As a consequence, the European Commission has accepted that “equipment containing such targeted substances specifically designed to be installed in airplanes, boats or other means of transport are out of the scope of the RoHS Directive”. The defence products are also out of the scope of RoHS.

In 2004, EADS installed a specific network on the RoHS / Waste Electrical and Electronic Equipment (“WEEE”) issue, managed by CQO. A prior focus of EADS was on the replacement of lead. A position paper was issued in July and flowed down to the supply chain and to the engineering community. Standards are under preparation to set the rules for the global aerospace industry’s transition to lead-free production, taking into account the environmental need to ban lead soldering and the need to move to safety / reliability proven lead-free solutions.

EADS and many of its BUs (Airbus, MBDA, Defence Electronics, Space Transportation) participate to the LEAP (Lead-free Electronics in Aerospace Project) Consortium which is preparing these standards. Furthermore, EADS and Boeing have decided to team up to address this difficult transition, by jointly defining the technical solutions, the validation tests protocols and the configuration management rules that will be enforced throughout the aerospace Industry and its supply chain in the coming years.

Dedicated IT tools are starting being implemented (Defence site of ULM) to trace and manage hazardous substances, such as lead, from supply to disposal.

Plane dismantling and recycling

The life span of an aircraft is about thirty years; as a consequence, the first Airbus aircraft models are about to reach their end of life. Approximately 200 planes are expected to be withdrawn from the worldwide market each year for the next 20 years.

So far, old planes were stored in hangars or dismantled in a non-environmentally friendly way. Airbus has created a consortium to dismantle and recycle old planes, with EADS CRC, Sogerma, Sita (a waste management company) and the *Préfecture des Hautes-Pyrénées*. This €2.4 million project, called PAMELA (Process for Advanced Management of End of Life Aircraft), was approved in 2005. A special centre will be set up at Tarbes Airport, where procedures for the decommissioning and recycling of aircraft in safe and environmentally responsible conditions will be tested. The aim of this project is to demonstrate that 85 – 95% of aircraft components can

be recycled, reused and recovered. It will also enable EADS to anticipate further environmental European Regulations on waste recycling. The first dismantled aircraft will be an Airbus A300 from a Turkish company. Its dismantling will last 20 months. Pamela is also expected to create up to 100 jobs over the next few years.

Further reporting: Airbus publishes an environmental report every two years which is available on its website at www.airbus.com. Airbus's fourth environmental report will be published in June 2006.

	2005
ISO 14001 certification/EMAS registration - List of sites covered by a certificate	29
Number of sites covered by EU-ETS	11
Total CO ₂ emissions (in ton)	309,000
Total CO ₂ emissions declared under EU ETS (in ton)	153,000
Direct Energy use segmented by primary source (in MWh)	2,850,000
Volatile Organic Compound Emissions (in ton)	3,500
Total water use (in m ³)	4,100,000
Total water discharge volumes (in m ³)	2,100,000
Total hazardous waste production (in ton)	40,400
Total Non-hazardous waste production (in ton)	65,000

Scope: covering 80% of EADS staff, 2005 figures generated on available material, definitions need harmonisation between the various countries in which EADS operates. Except for the number of sites, all figures are rounded.

2.4 Human Resources: Employer – Employee Relationship

The key mission of the Group HR function is to ensure that EADS, as an integrated Group, attracts, develops and retains a world-class workforce. It also facilitates continuous integration and internationalisation of the Group and the building of a common spirit across the Group's organisational and operational structures. Continuous improvement of health and safety in the workplace is also a major priority of the EADS Group.

The implementation of HR Group policies is based on several major principles such as compliance with the equal opportunity principle, making the workplace as safe as possible, sustaining significant efforts in the field of training and maintaining a proactive social dialogue.

The global EADS standards and principles for social, ethical and legal issues are defined in the Code of Ethics and in the International framework agreement (“IFA”) signed with the European Works Council in June 2005.

2.4.1 Workforce Information and Organisation of Work

As of 31st December 2005, the EADS workforce was composed of 113,210 employees. It has globally increased by 2.3% compared to 2004, with higher rates of increase registered at Airbus and Eurocopter.

In 2005, 98% of the workforce was permanent employees. Depending on country and hierarchy level, the average working time is between 35 and 40 hours a week.

In 2005, 7,843 employees worldwide entered employment with EADS (4,952 in 2004), of which 4,018 were employed by Airbus. At the same time, 5,471 employees left EADS (4,108 in 2004).

In total, 97% of EADS' total workforce is located in Europe on more than 80 industrial sites.

Workforce by Division and by Geography

The tables below set out the number of EADS employees by business sector and by geographic region. Employees of companies accounted for by the proportionate method (such as ATR, MBDA, LFK) are included in the tables on the same proportionate basis.

The figures for 2004 and 2003 have been adjusted in order to reflect the new organisational structure which occurred in 2005; “Other businesses” includes EADS Sogerma, EADS Socata and ATR.

EADS Employees by Division	31st December 2005	31st December 2004	31st December 2003
Airbus	54,721	51,959	49,520
Defence and Security Systems	23,237	24,268	24,844
Eurocopter	12,755	11,850	11,543
Military Transport Aircraft	3,976	3,856	3,428
Space	10,985	11,053	11,991
HQ, Research Centre and other businesses	7,536	7,676	7,809
Total EADS	113,210	110,662	109,135

EADS employees by geographic region	31st December 2005		31st December 2004		31st December 2003	
	Amount	In percentage	Amount	In percentage	Amount	In percentage
France	43,286	38.2%	42,807	38.7%	42,858	39.3%
Germany	41,438	36.6%	40,325	36.4%	41,103	37.7%
Spain	8,710	7.7%	8,435	7.6%	8,063	7.4%
U.K.	14,297	12.6%	14,045	12.7%	13,125	12.0%
Italy	729	0.7%	734	0.7%	682	0.6%
U.S.	1,877**	1.7%	2,166	2.0%	1,851***	1.7%
Other Countries*	2,873	2.5%	2,150	1.9%	1,453****	1.3%
Total EADS	113,210	100%	110,662	100.0%	109,135	100.0%

(*) The "Other countries" figure includes employees from 13 other countries.
 (**) This decrease is mostly due to the disposal of EADS Telecom and EADS Aeroframe services.
 (***) The figure previously reported (2,554) corresponded to Americas (U.S., Canada, Mexico, and Brazil).
 (****) The figure previously reported (750) did not include Canada, Mexico, and Brazil.

Part Time Contracts	2005	2004
	In percentage	In percentage
France	4%	3.7%
Germany	3.2%	3.2%
Spain	0.0%	0.02%
U.K.	1.4%	0.82%
U.S.	0.1%	0.0%
Other countries	NA	1.3%
Total EADS	3.2%	2.87%

2.4.2 Human Resources Organisation

EADS has developed an innovative HR management, defining a European policy while taking into account national legislation.

The Corporate HR team operates worldwide as the strategic leader in HR matters and works in close cooperation with the divisions and BUs which have the operational HR responsibility for most of the employees, except for the top Management of each BU which is under the Corporate HR operational responsibility.

The HR communities work closely together and coordinate and share best practises at functional level. Regular meetings of HR heads are organised at both European and national levels. A global HR database is now available and is being continuously developed in order to fulfil the needs of EADS integration.

At corporate level, four support departments make up the global EADS HR management: Planning and Policy, Compensation and Benefits, Corporate Business Academy ("CBA") and Management Development. They are responsible for:

- Managing HR Development for the top 200 key positions;
- Designing policies, guidelines and tools for all group wide HR processes, such as appointments, job rotation, international mobility, compensation and benefits, e-HR projects, etc.
- Organising and delivering executive education for all executives and potential future executives through the CBA and coordinating the training activities within the Group for all employees; and
- Improving the sharing of best practises within the EADS HR community.

2.4.3 Human Resources Policies and performances

2.4.3.1 Health and Safety: Providing a Safe Workplace for EADS Employees and Subcontractors

Policy

- “ – EADS considers that protection of the health and safety of employees in the work-place is key and a top priority for the Group.
- EADS is committed to maintaining safe and healthy working conditions for its employees. It is EADS BUs’ and subsidiaries’ role to implement Health and Safety policies based on evaluation, anticipation and risk management and taking into account all specificities as well as people’s needs.”

Organisation and Performances

The management of Health and Safety is essentially dealt with at site level accordingly to applicable national regulations.

However some health and safety indicators have started to be drawn up at the Division or BU level which mainly address work related accidents.

As an example of the Group performances, the incidence and severity rates of reportable accidents (work related accidents causing an absence of more than 3 days) recorded at Airbus, noticeably decreased from 2004 to 2005, while aircraft deliveries increased.

Airbus	2005	2004
Incidence rate	12.61	13.18
Severity rate	0.184	0.236

Regarding the risk of avian flu, from the last term of 2005 onwards, the health and safety coordinators by BUs and countries have been mobilized at the corporate level to follow the World Health Organisation recommendations and to deliver the necessary advices to expatriates and travelers.

2.4.3.2 Caring for EADS Employees and EADS Know How Policy

- “ – Given the specific nature of the facilities of the EADS Group which are used for many activities relating to national defence and sensitive civil markets, the conditions governing access to and movements inside the plants and facilities are specified in ministerial orders and are based on two main principles:
 - Access to a plant is subject to prior authorisation by the company; and
 - Entry into restricted and sensitive areas is regulated in accordance with national and company regulations.”

Organisation and Performance

EADS has set up a security policy to improve the security of its employees and to protect EADS expertise. A Security Committee has been set up. It is formed of Security leaders in each country who supervise local security officer at BU and plant level, and deal with national security authorities and European security organisations.

The network of security managers is there to ensure information exchange and sharing of best practices. Working groups are created to facilitate constant adaptation of security measures to actual threats. Access to EADS facilities is subject to prior authorisation, and entry into restricted and sensitive areas is regulated in accordance with national and company regulations.

A global security action initiated in 2005 is being developed concerning the safety of EADS employees in high risk countries and the security of EADS offices abroad.

In terms of IT security, appropriate steps were taken to audit processes and improve the level of awareness of EADS employees to the security of the information systems. Given the sensitive nature of the Group’s business, employees are able to work in compliance with group security policies wherever and whenever business needs their attention in implementing, for instance, secured nomad IT solutions facilitating mobility and business reactivity with confidence.

2.4.3.3 Diversity: Commitment to Ensure Equal Opportunity for all EADS Employees

Policy

- “ – EADS commits to offering equal opportunities for all its employees and to refraining from any discrimination against its employees based on gender, race, religion, nationality, political opinion, sexual orientation, social origins, age and handicap with regard to its personnel.
- EADS commits to developing access for women to all of its activities and shall ensure fair professional development as well as equal remuneration for men and women employees for skill and work of equivalent value.”

Performance and Best Practices

EADS has always promoted diversity through its existing culture of cross-border collaboration.

EADS principles regarding respecting and promoting diversity are listed in the Group Code of Ethics as well as in the “International Framework Agreement” signed with the European Works Council.

The following examples illustrate the implementation of these principles:

Nationalities

EADS counts more than 15 nationalities among its employees worldwide.

Gender Diversity

The percentage of women employed in 2005 in the Group is about 15%. It increased slightly in 2005 compared to 2004, the increase in the percentage of women was registered in the divisions where the rates were the lowest.

As of 31st December 2005, 12% of EADS executives and senior managers were women.

Women at EADS	31st December 2005	31st December 2004
	In percentage	In percentage
Airbus	12.7%	12.4%
Defence and Security Systems	18.7%	18.9%
Eurocopter	12.6%	12.3%
Military Transport Aircraft	12.6%	12.1%
Space	19.2%	19.4%
HQ, Research Centre and other businesses	15.7%	15.4%
Total EADS	15%	14.8%

EADS has committed to a long-term plan for the promotion of women in aerospace and has set two priorities: at least 20% of its annual recruitment will be women, and it will have active communication within universities and schools in order to convince female students through lively role models and concrete examples that the aerospace industry, and more specifically EADS, is an attractive employer for women.

From 1st January 2004, BUs have been asked every quarter to report on their success in recruiting women. The CBA has also defined training objectives to be consistent with the recruitment target.

In 2005, the recruitment of women was 20.5% of total recruitment (18.8% in 2004), and so reached the Group's

target. The Defence & Security Systems and Eurocopter divisions as well as EADS research centre are leading the way in this field.

Since 2004, EADS has been engaged in a partnership with the **FEMTEC** university career center for women Berlin GmbH in Germany.

Working in cooperation with well-known companies, the aim of this cooperation between FEMTEC and industrial companies is to promote engineering studies among young girls and women, and to help high potential and specialized female students enter the aerospace industry. EADS takes an active part in career advice workshops designed for FEMTEC students as well as in conference days.

In France, EADS sponsored the **Irène Joliot-Curie prize** for the second time in 2005 (See “2.2.2 Sustaining and Protecting Innovation – Innovation Chapter”).

Furthermore, EADS is an active member of the **WIST** (Women Initiative in Science and technology), a programme funded by the European Commission and aimed at exploring the partnerships between private and public research, as well as the links between diversity and business performance.

Airbus also agreed on a partnership with the Academy of Toulouse to facilitate contacts between female professionals and students, to provide information to students, teachers and career advisors on technological advances and new skills, and to participate in relevant events.

Other initiatives include, in Germany, the organisation of a “**girls’ day**” which is an open day for girls at German EADS locations to allow them to find out more about the engineering profession, and in France participation in the “**they move**” (“*Elles bougent*”) initiative. Led by major French engineering universities (ENSAM, ESTACA) together with key players from the transportation industry (EADS, PSA, Dassault, SNCF...), this project aims at raising young women’s awareness of technical studies, as well as interesting them in complex technologies through regular contacts with female engineers currently working in the member companies, plant visits, conferences...

Finally, in keeping with this overall strategy, a meeting with participants of the **IIWE** (International Institute for Women in Engineering) took place in July 2005 at the EADS Paris headquarters, the EADS ST plant in les Mureaux and at Eurocopter in la Courneuve. 80 young women took part in workshops on diversity and scientific vocations.

EADS was also a strategic partner to the first “**Women’s forum for the economy and society**”. This forum, which took place in October 2005, was created to promote the vision, influence and impact of women on all the major economic and social issues. It gives women an opportunity to express their views, ideas and solutions. It aims at defining directions for progress in the world of tomorrow.

The implementation in France of the agreement signed with trade unions, which was signed in 2004 (“*Accord sur l’égalité et la mixité professionnelle*”), is monitored by each EADS company, and also at Group level, using a defined set of common indicators to evaluate results and track progress with an action plan covering the 2004 / 2006 period. This action plan is to be re-negotiated every three years.

Finally, in 2005, EADS France and Airbus, Astrium, Eurocopter, Matra Electronique, and EADS Space Transportation received the “Label Egalité” from the French Ministry of professional equality. This label is awarded to companies that can show a pro-active policy regarding women employment and development.

Age diversity

A group agreement covering EADS entities in France signed with trade union organisations in 2005 aims at banning all career development based on age criteria.

Being concerned with the lengthening of working life, the other European components of the EADS Group are also working on this issue of second half of career development.

Number of employees per age group	31st December 2005	31st December 2004
18-25	7,179	6,812
26-35	27,303	26,081
36-45	37,127	37,544
46-55	35,358	34,565
56-65	11,229	10,984
Total EADS	118,196	115,986

Consolidated companies are counted 100%.

Average age of employees	31st December 2005	31st December 2004
France	41.4	41.6
Germany	42.2	42.1
Spain	42.4	42.9
U.K.	41.9	41.7
U.S.	43.9	42.4
Other Countries	40.8	39.5
Total EADS	41.9	41.9

2.4.3.4 Career Development: Efficient Management of Skills and Know-How

Policy

- “ – EADS ensures that working time, including overtime, is regulated so as to support a healthy balance between employees’ work and their private life.
- EADS strives to develop the skills and know-how of its employees, for their individual benefit as well as for its collective success. The EADS personnel development policy aims at:
- Supporting training to enhance performance and quality of work;
 - Encouraging cross-border and cross functional teamwork, in the frame of intra-Group mobility;
 - Assessing and recognising individual technical expertise via a global scheme developed throughout the Group; and
 - Associating personnel to the performances of the Group and its subsidiaries through a success sharing scheme.”

Performance and Best Practices

Astrium and Eurocopter have implemented knowledge transfer programmes, which seek to ensure knowledge transfer on the occasion of employees’ retirement.

Recruitment and retaining of talent

EADS strongly believes that developing close contacts with target universities and their students will contribute to the students’ growth and will efficiently brand the group among potential future recruits.

EADS demonstrates its commitment in many different ways: by sitting on boards, advising on classroom content, preparing case studies, giving technical lectures or on-campus conferences, arranging plant visits, maintaining a presence at career fairs, or by enhancing cooperation in common research areas.

For instance: EADS attends more than **40 recruitment events** per year such as the Bonding student fairs in Germany, the Polytechnique, Centrale and Supaero career fairs in France, as well as the MIT or Berkeley fairs in the U.S. to name but a few. Dedicated branding and recruitment meetings are also held during major air shows such as ILA or Paris Air Show, thus promoting EADS’ employer brand among real aerospace fans and attracting talented candidates.

Corporate Social Responsibility

2.4 Human Resources: Employer - Employee Relationship

In addition to increasing on-site presence among students directly at universities, EADS also organises more than **60 factory tours** at most of its BUs.

Such partnerships also demonstrate EADS' long-term commitment to building and maintaining a lasting relationship with a key universities or networks such as Pegasus (Partnership of a European Group of Aeronautics and Space Universities).

Specific recruitment and **development programmes** have also been created internally to contribute to the ongoing development of EADS' workforce. In addition to the Corporate Young Manager Programme, which is available for young graduates, EADS Development Programmes (Financial Management Development Programme and Advanced Marketing and Sales Programme) are offered to young professionals who are interested in key fields such as sales and finance.

In addition, with more than 5,000 **internships** offered each year in Europe EADS provides students with valuable technical and personal experience as well as with the unique opportunity to have a closer look at the industrial world. Most of EADS' internships concern students in the fields of aviation and space technology, electronics, information technology, finance, or management.

In order to enhance the personal skills and abilities of its former trainees, EADS developed the **Juniors programme** to follow-up all EADS interns, and thus retain and recruit highly motivated interns.

A variety of other opportunities (depending on national regulations and policies), including vocational training and scholarships programmes, are also offered to students.

Development and training

Personnel development starts at EADS on the first day of recruitment. From then on, several formal or informal meetings are organised at BU or corporate level, for example the Welcome Event.

Contributing to the induction and motivation of newly recruited employees, EADS performs one "**EADS welcome event**" each year, welcoming around 400 newcomers from all entities. Hosted by the CEOs, these events enable EADS employees to discover the diversity of the Group, to fully experience its global dimension from the moment they arrive and to initiate their own network.

Recognising the development of **technical expertise** as a major asset, EADS has developed a specific policy for engineering experts, who are key to EADS maintaining its competitive advantage through R&T developments.

Aiming at creating attractive career paths for engineering experts, the policy also includes development programmes customised for the specific requirements of technical experts.

Personal development also includes **training**. EADS' expenses amount to approximately 4% of its payroll (over €150 million) in training per year. EADS trains more than 70,000 employees every year for a total of 2.5 million hours.

EADS created the **CBA** in 2000 as its Corporate University to develop the current executives and prepare the next generation of executives, as well as optimising the global investment in training within EADS. CBA was recognised as the most innovative Corporate University in the world by its peers. CBA has developed and run several activities in Asia and the United States in 2005 in order to cope with the new expertise requested at Group level.

In 2005, the Centre for Executive Education of EADS, in Villepreux close to Bordeaux has hosted more than 1,000 guests for its first year. This centre has been designed to provide facilities to the whole Group for top management meetings, training sessions and executive seminars.

At EADS, training is considered a joint responsibility. Employees are expected to be proactive in their personal development, and line managers must identify training needs.

Training	2005	2004
Hours of training per year	2,500,000*	1,200,000
Average hours of training/employee	23	11,8
Number of trained people	75,000	65,000
Training expenses in % of wages	~3%**	~3%**

(*) Hours have been recorded according to the various definitions of training per country.

(**) Estimate EADS Group.

Average length of service	2005	2004
	In years	In years
Airbus	13.4	13.6
Military Transport Aircraft	20.8	21.5
Eurocopter	14.2	15.1
Defence and Security Systems	16.7	16.5
Space	15	14.9
HQ, Research Centre and other businesses	13.3	13
Total EADS	14.6	14.7

Breakdown of employees per qualification	2005	2004
	In percentage	In percentage
University (4 years and more)	24	23.9
University (up to 3 years)	18.9	19.1
Higher vocational school	11.3	9.5
Vocational school	41.5	41.4
General school	4.3	6.1

Mobility

EADS employees are also offered a wide range of mobility opportunities. Mobility at EADS means mobility across functions, BUs and divisions in its four home countries, France, Germany, Spain and the U.K., as well as appointments to regions such as America or Asia.

As of 31st December 2005, EADS had 1,800 expatriate employees, 75% of them working in one of the European countries.

Remuneration

The total wage bill amounted to €8.46 billion in 2005 (€7.9 billion in 2004), including employee and salary cost, success and profit sharing, restructuring cost, pensions and other costs.

Success Sharing Practices

EADS' reward schemes policy is strongly linked to the achievement of individual and Company objectives, both for each division and for the overall Group. For the sixth year in 2005, a stock option plan has been established for the

senior management of the group (See “Part 1 / 2.3.3 Options Granted to Employees”) and employees were offered shares at favourable conditions at the time of the public offering and listing of EADS (See “Part 1 / 2.3.2 Employee Share Offering”).

For the first time in 2005, the success sharing schemes which are now implemented in EADS in France, Germany, Spain, the U.K. follow one set of common rules of the Group, ensuring a consistent application in these four countries.

2.4.3.5 Employee Relations: A Proactive Dialogue

Policy

- “ – EADS emphasises its belief that a continuous and high quality social dialogue is key to the Group. In particular, the European Works Council (“EWC”) facilitates a proactive and fluid dialogue with employee representatives.
- EADS ensures that the representation of personnel is conducted throughout all its BUs in a constructive atmosphere. This maintains a proper balance between the interests of employees and the economic interests of the Group.”

Performance and Best Practices

European Works Council

On 23rd October 2000, at an early stage of the formation of EADS, the management and employee representatives from the unions and works council operating within EADS in France, Germany, Spain and U.K. signed an agreement for the establishment of the EWC.

- The EWC meets twice a year for information and consultation on evolution of the business and the prospects of the Group.
- The EWC also comprises an economic committee which meets four times a year and focuses on economic matters.

- European sub-committees have also been set up in various BUs such as Airbus, Eurocopter, EADS SPACE and EADS DS and replicate the EADS EWC model.
- National committees in France, Germany, and Spain enable dialogue on national matters, under the subsidiarity principle.

International Framework Agreement

Placed in the context of globalization of EADS activities and as an illustration of the continuous dialogue principle the EADS Group and the Group’s European Works Council concluded in June 2005 an International Framework Agreement. By this agreement, the signatories expressed their attachment to common principles and social standards which they recognise as fundamental, and which they intend to promote worldwide, in the countries where EADS activities are implemented. EADS and the Group’s European Works Council so expressed their strong belief that Corporate Social Responsibility is a key to long-term success.

The European Metalworkers’ Federation (EMF) and the International Metalworkers’ Federation (IMF) associate themselves with these principles and are, accordingly, co-signatories of the agreement.

The principles contained in the International Framework Agreement are aligned with the general rules of ILO conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which EADS signed in October 2003, and they are in compliance with the Code of Ethics.

They cover the fields of equal opportunities and non-discrimination in respect of employment, of working conditions and environmental protection, condemn recourse to child labour, recognise the principles of freedom of association and the protection of trade unions’ rights.

EADS expects all its suppliers to recognise and apply the principles of this framework agreement.

Overview of collective agreements signed with Unions since 2000

- EADS Group Agreements were concluded on the following matters:
 - Establishment of a European Works Council ⁽¹⁾;
 - Linking personnel to the business performance of the Group ⁽²⁾;
 - International Framework Agreement.
- In Germany, Tariff Agreements were concluded in relation to such matters as holiday pay, Christmas bonus, sick pay, and early retirement, as well as agreements with the works council on success sharing, insurance package, company pension, early retirement deferred compensation, suggestion scheme, family and work life balance, disabled people.
- In France, Group Agreements were concluded in relation to such matters as employment issues, union's rights and social dialogue, pre-retirement, management of second half of career, health cost coverage, French national committee and unions coordinators, professional equality and diversity, working time.
- In Spain, a collective bargaining agreement includes social benefits such as aid to children of employees, collective transport, retirement, life insurance, loans, prize at retirement, canteens, aids to worker association.

It has to be noted that collective agreements can be signed at the BU level on matters directly related to their specific social perimeters.

(1) Agreement for the establishment of a European Works Council and its sub Committees for information and consultation of the workforce between EADS NV and its Employees Representatives dated 23rd October 2000.

(2) Group Agreement on implementation of a success sharing scheme within EADS- NV Group between Head of EADS NV HR and the EADS NV European Worker Council dated 29th June 2004.

2.5 Corporate Citizenship

2.5.1 Maintaining an Open Dialogue with EADS' Stakeholders

2.5.1.1 Policy

“As one of the largest European companies, EADS is aware of its duties and is willing to develop its contribution to the cultural, educational and social background in the countries where EADS operates. In particular, EADS aims at reinforcing project partnerships with universities and research centres, through, for example, the EADS Research Foundation.

EADS shall do its best to maintain an open dialogue with its stakeholders and to provide clear answers to requests for clarifications within the limits of its obligations.”

2.5.1.2 Organisation

EADS' contributions come in different forms; they include sponsorships, donations, or partnerships. Wherever it is located, EADS contributes to a range of activities, conferences or institutions, which address social, educational, cultural or sport issues. In most cases, such activities are initiated by EADS local entities which are also in daily contact with the relevant stakeholders.

However, EADS has implemented a donation guidelines (under the responsibility of EADS Corporate Secretary) as well as sponsoring guidelines (under the responsibility of EADS Corporate Communications) which set out criteria for granting sponsoring/donation to projects while leaving certain independence to the BUs.

The guidelines also provide certain thresholds above which such activity has to be reported to the Corporate Secretary or Corporate Communications as applicable and approved at the level of the CEOs.

2.5.1.3 Performance and Best Practices

In 2005, EADS contributed more than €2 million to social, cultural, sport or educational projects.

EADS contributes to humanitarian activities by donating and giving material or providing air transportation capacities when necessary. EADS has a long-term partnership with “Aviation sans Frontières” in France, Germany and Spain, a humanitarian organisation which provides air transport for, in particular, seriously ill children.

Through its support for “Wings of Help”, EADS brought some 95 tons of relief supplies to the afflicted region of Pakistan following a devastating earthquake. EADS offered its help in boosting the airlift capability so that the injured could be evacuated.

In 2005, the EADS Group actively participated in the global relief support following the Hurricane Katrina along the Gulf Coast. This humanitarian support was the result of a cooperative effort involving EADS, its companies the U.S. and European governments, and employees around the world.

In total, EADS, its subsidiaries and the Group employees donated nearly \$2 million for the victims battered by Hurricanes Katrina and Rita along the Gulf Coast in August and September 2005, and responded actively to the urgent needs by providing air transportation capacities.

Immediately after the passage of the hurricane Katrina, Eurocopter helicopters EC 120 and EC 135, rescued stranded victims and transported medical personnel, and delivered supplies along the Gulf Coast. The Eurocopter HH-65 Dolphin helicopter rescued some 4,400 victims during approximately 1,480 hours of operational mission.

Within days of the disaster, Airbus sent its A300-600ST Beluga from Europe to the United States to transport 23 tons of blanket, cots, tents and other material donated by the French and the British governments and to carry to Mississippi a 12-ton EADS-built mobile rescue station supplied by the German Army and government. Approximately 150 patients a day were treated in the EADS TransHospital location.

2.5.2 Encompassing Community Interests in EADS' Global Strategy

2.5.2.1 Policy

- “ – EADS is proud of selling its products and providing its services to an increasing number of countries, thanks to the trust placed by international customers in its global reputation.*
- EADS is conscious of its responsibility as a global company in the spreading of sound international business practices that foster the expansion of a balanced and fair globalisation benefiting all countries.*
 - EADS encourages industrial cooperation with local industries whenever possible in order to support the development of skills and competencies.*
 - EADS supports local initiatives dedicated to the promotion of corporate social responsibility-oriented projects.”*

2.5.2.2 Organisation

In 2005, EADS put in place a new organisation in order to design, coordinate and implement the international industrial development of EADS. This followed the conclusions of the GIS (Global Industrial Strategy) study which had been launched in 2004.

The EADS Executive Committee has created as of November 2005 a new corporate function, GID (Global Industrial Development), focusing on the implementation of the

Group's global industrial footprint. This will complement the EADS International function, which continues to lead the marketing process and to develop the regional strategies.

The main missions of the newly created GID function are to be EADS' industrial architect in the countries where it is expanding and to drive the global industrial expansion, which includes not only manufacturing projects but also engineering, R&T and services initiatives, as well as structural partnerships. Countries within GID's scope include all countries outside home countries (France, Germany, Spain, U.K.).

GID will act as a driving force to nurture new projects and to support BUs. It will also act as a moderator to orchestrate actions across the Group and the countries, and to preserve all EADS stakeholders' long-term interests (shareholders, customers, suppliers, employees). In particular, GID will promote the Group Corporate Social Responsibility in countries where EADS is present.

2.5.2.3 Performance and Best Practices

EADS shall report in a timely fashion on the definition of industrial action plans in targeted countries, and on the implementation of industrial projects in these countries.