

EADS is a rapidly expanding international company with global ambitions, driven by innovation and high performance standards. EADS is developing its people to drive the Group towards its goals in a demanding global business environment.

Global ambitions

In line with EADS' ambitions to have a more global presence, Human Resources (HR) management has been anticipating how to manage its expanding global workforce and benefit from its increasing diversity.

With several Divisions expanding their activities in China, a joint HR project was launched to establish a common EADS HR policy for China. Through the joint HR task force, the ECHO project, a common HR policy and practical handbook was created for the use of the HR professionals of the Divisions and Business Units expanding into the country. Additionally, a number of training programmes were organised, including an Expand Management Development programme visiting Shanghai. Action Learning Expeditions were organised to China and India for EADS top managers.

Employer image

In 2005, EADS' appeal as a place to work was recognised by a number of independent surveys. According to a survey carried out by Universum, engineering students ranked EADS as the fifth most attractive place to work in Europe (first in France and sixth in Germany). Reflecting the commitment of EADS to promoting gender diversity in engineering careers, a survey has shown that among German female engineers EADS has been improving its appeal to become the ninth best place to work - up from 21st in 2004.

Developing our people

As a leading company in a high-technology industry, EADS employs some of the most talented individuals in its sector and is ranked one of Europe's most attractive employers.

Human Resources

Human resource evolution

In 2005, the number of employees increased to 113,210 compared with 110,662 in 2004. Airbus's workforce grew from 51,959 to 54,721. EADS has been increasing its engineering and manufacturing resources to cope with the increasing development workload of new programmes such as the A350, and due to important programmes coming in to the delivery phase, such as the A380, NH90 and Tiger helicopters.

People development

Several new innovative training schemes were launched during the year, intended to develop EADS employees' full potential.

In addition to its ongoing programmes, the Corporate Business Academy has launched the Summer Academy, a customised training and learning programme, in which staff use innovative methods for learning. A new programme of strategic and personal development for senior executives, named ACHIEVE, has also been launched.

Importantly, EADS is preparing itself for changing demographics in society and its impact on working life. EADS is taking specific action to improve career opportunities for senior employees in France. This involves a formal career assessment when employees reach 45, combined with further training. The aim is to ensure that the skills and motivation of older employees last longer in their working lives.

Employee Share Ownership Plan

Employees participated in the achievements of the Group in large numbers. More than 10,000 employees purchased almost two million shares through the Employee Share Ownership Plan (ESOP), representing approximately 0.25% of the share capital. EADS employees have bought 21.52 million shares during the last six years. With EADS' share price evolution during the year, employees have profited from their collective efforts to develop EADS. To make ESOP more attractive to EADS UK employees also, a new tax savings plan called the Stock Incentive Plan (SIP) has been launched.

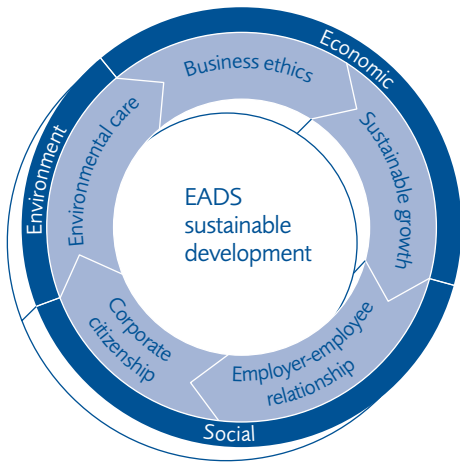
HR efficiency

EADS has launched a global e-HR programme covering all Divisions. This programme is aiming to review and simplify current processes, implement common e-HR platforms, based on common SAP software systems, and to establish in the medium term, common global shared services for pay and time. This will be a major driver in HR efficiency in EADS in the coming years. Additionally, common tools have been established for internal reporting and executive management.

In summary, EADS HR is responding to the challenges of an increasingly global organisation and a modern workforce. EADS employs some of the world's most talented engineers and managers. In order to achieve its ambitions, it must continue to attract the best and to offer opportunities for learning and career development.



Developing a model for sustainable growth



In 2005, EADS put a policy framework in place that will allow it to progress towards its goal of setting the standard for Corporate Social Responsibility (CSR) in the aerospace and defence sector. The Company formalised CSR policies to be applied consistently across EADS to achieve sustainable development by balancing economic performance with environmental and social considerations across the Group. Through Key Performance Indicators, performance and improvement can be monitored internally and reported to external audiences.

Additionally, EADS' Code of Ethics was updated to reflect both the Group's status as a market leader and current best practice with regard to business ethics.

Highlights 2005

In 2005 EADS made progress in further implementing its CSR policy in each of the policy areas.

Economic:

Business Ethics is a major focus for EADS to ensure ethical business practices and compliance with all relevant legislation in the countries where it operates. During 2005, the Group revised its foreign trade rules to increase awareness of best practice and to reinforce protection against corruption. The revisions took into account valuable input from reputable international bodies with which EADS has developed regular contacts. Through this active networking, and continued exchange with peer companies, EADS supports the industry's initiative to set and promote integrity standards in aerospace and defence.

Progressing towards setting the standard

EADS is putting a framework in place that will allow it to realise and measure progress in Corporate Social Responsibility.

Corporate Social Responsibility

EADS' long-term Sustainable Growth relies on the Group's ability to deliver products and services that perform. This requires a continuous focus on customer satisfaction and product quality, permanent innovation and expert management of suppliers. To this end, the Quality and Operational Excellence Programme (QOEP) was increasingly deployed throughout Business Units. To increase the potential for innovation, the Corporate Research Centre signed new partnerships with academic partners and launched a think tank for a new type of visionary aviation research.

Environment:

Environmental Care is of particular interest to EADS because it sells products with long lifecycles. The Group prioritises minimising the environmental impact of its activities, ensuring that each Business Unit complies with the laws and regulations of each country in which it operates. In 2005, EADS formed a dedicated network to meet the challenges of the EU Restriction of Hazardous Substances (RoHS) directive, which limits the use of specific hazardous materials. Other initiatives have been deployed across the Group. For example, Airbus will soon achieve the full ISO 14001 certification for all its European sites. Across EADS, nine more sites were covered by an ISO certification or an EMAS registration at the end of 2005 compared with end 2004 (+45%).

Social:

In the area of Employer-Employee Relationship, the Group emphasises its determination to respect social rights wherever it operates. In June, EADS and the European Works Council, in association with the European and the International Metalworkers' Federation, signed an international agreement providing a framework for respect of social rights wherever the Group operates. This reaffirms their collective belief in CSR and the will to respect common principles and standards laid down by international conventions and guidelines while growing EADS' economic success worldwide. EADS also furthered its long-term plan for bringing women into aerospace, exceeding its annual 20% target for female recruits by 0.5%.

Regarding Corporate Citizenship, EADS believes it is important to contribute to the cultural, educational and social well-being of the countries where it operates. This involves a wide range of activities, but in 2005 the disaster relief efforts following the Asian tsunami, Pakistani earthquake and US hurricane were most notable. In Asia, an Airbus Beluga jetliner flew in relief supplies, several Eurocopter helicopters flew rescue missions and a mobile rescue station was established on the coast of Indonesia. In Pakistan, the Group flew in 95 tons of relief supplies following the earthquake and offered its help in evacuating the injured by air. Finally, in the United States, EADS flew in 23 tons of relief supplies, as well as helicopter rescue missions.

'Defence industry operates in a strictly controlled environment'

An interview with John Harrison, General Counsel, Defence & Security Systems

Can EADS be socially responsible while owning a defence business?

I think the very concept of participating in the defence industry is in itself socially responsible. Why? Because we are not only a player in the global economy but also support governments and international organisations such as NATO which ultimately defend and underpin our freedoms and all of the advantages of a free society that we currently enjoy. On a less philosophical level, the defence industry operates in a strictly controlled legal and regulatory environment.

How do you ensure that export controls are respected?

To make sure that we comply with the vast array of export control legislation is a complex business and one of my jobs is to break down that complexity. We have to identify where a product is affected by a legal provision, which is a minimum requirement for us, completed by application of company rules which often go beyond legislation. The export control people are technically astute and work at our sites, not in ivory towers.

We take the advice of experts to tell us whether parts can be used for both civil and military purposes, so that we can ensure we comply with export restrictions.

Not only do we follow the law but also we have discussions with relevant authorities. It is difficult to do more.

How do you guard against corruption?

As a company we do not tolerate bribery. We have detailed internal policies and procedures which deal precisely with this point, offering guidance on hospitality for example. But just having rules is not enough. We enforce them rigorously. Each EADS employee and partner is responsible for respecting the rules. Additionally, we have a department that oversees compliance and advises employees as to what is permissible.



Corporate Social Responsibility



For more detailed information please refer to: **Business, Legal and Corporate Responsibility 2005 (3)** (available on request)

Values

EADS' updated set of values was drawn up in 2005.

Reliability We deliver on our promises to customers, employees and shareholders. We recognise our responsibilities towards all our stakeholders. We manage our risks and are accountable for what we do.

Innovation We share a common creative spirit and an enthusiasm for innovation. We develop the most advanced projects with a pioneering spirit. We value entrepreneurship and courage as a source of breakthrough ideas and future success.

Excellence We set ambitious targets and seek continuous improvement. We are committed to achieving best-in-class performance and profitability. We create value for our shareholders and all other stakeholders.

Customer satisfaction We are market driven. We listen to our customers in order to provide them with the best solutions which anticipate and meet their needs. Customer satisfaction is the key for our long-term success.

Honesty We act in accordance with our values and commitments. We are committed to complying with all applicable laws and regulations as well as respecting high standards of honesty and integrity. We provide transparent information to our stakeholders.

Diversity We believe our people are key drivers for our future success. We are an international company with a shared culture of diversity and openness. We value both individual contribution and teamwork.

'Diversity adds breadth to our skills'

An interview with Thierry Baril,
Head of Human Resources, Eurocopter

What is your policy towards diversity?

We believe absolutely in diversity for both ethical and pragmatic reasons. Eurocopter is an increasingly global company at a time when all the high-technology companies are competing for the best people. Embracing diversity in terms of gender, nationality, background and so on gives us the greatest choice of people and allows us to recruit the best.

Diversity also adds breadth to our skills. If we are in India we need Indian people in order to understand the country and the way of doing business. Recruiting people from the automotive industry teaches us about series production. We want 10% of our 2006 engineering recruits to have lived or studied outside France, Germany or Spain.



What CSR challenges arise from being the EADS Division with the most international presence?

To put this into context, we have 11,000 employees in France, Germany and Spain and another 2,000 spread across our 15 international subsidiaries. In 2004, we started to lay foundations for a more global implementation of HR policies. With our global internal HR database we are now able to monitor our people worldwide and to ensure more equal opportunities. We also brought people from our subsidiaries to Europe for training for the first time, for example at the EADS Corporate Business Academy, and offered customised local career development opportunities.

What difference has the International Framework Agreement agreed with the European Works Council made?

We have had subsidiaries outside Europe for 25 to 30 years and have always maintained European social standards across these operations. The International Framework Agreement reinforces our standards, but we have always been a respected and attractive employer. Between 2002 and 2005 we doubled the headcount outside Europe but had no difficulty recruiting highly valued people.

EADS Code of Ethics

In light of its establishment as a market leader in many of its businesses and the evolving legal environment relating to business ethics, EADS updated its Code of Ethics (Code) in order to reflect practices recommended by various codes and laws, and to align with best practice.

The enhanced Code sets out in one single, comprehensive document the EADS business guidelines relating to the Group's ethical standards. The Code serves as a core EADS business guideline in an architecture of documents, and also refers to detailed policies as laid out in the EADS Corporate Handbook, and can be complemented with policies and processes specific to Divisions or Business Units. It is based on EADS' underlying values and is 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 covers the full scope of EADS' CSR policies, addressing in five chapters the principal lines of ethical behaviour. In this way the Code gives guidance to all employees about appropriate conduct in their professional environment.

EADS is committed to implementing the principles described in the Code, in particular through entrusting an Ethics Committee, appointed by the EADS Board, with compliance responsibility in ethics matters.

Outlook

In 2006, EADS will further deploy and monitor its CSR policies through a network co-ordinated at corporate level and including representatives from the Divisions/Business Units. The Group will also work towards further enhancement of reporting CSR parameters.

Another priority will be to further address the topic 'business ethics', both internally and externally. Internally, the Ethics Code will be launched through a comprehensive information campaign to raise employee awareness about the importance of ethical business conduct, linking it to underlying EADS values. Furthermore, foreign trade training and networking activities will be used to disseminate an 'awareness' culture.

Externally, EADS is pursuing a business dialogue within the European aerospace and defence industry which aims to launch a platform of principles setting high standards, exchanging best practices, promoting training and compliance programmes, and, more generally, generating common European industry positions on ethics and anti-corruption.

As EADS builds its industrial presence across the world, a particular focus will be placed on promoting CSR policies outside home markets. The procurement teams are starting to be sensitised to the CSR challenges associated with increasingly global sourcing.

EADS will continue enhancing its CSR policy and practices, creating long-term value by continuously applying the Group vision of achieving economic performance, while taking into consideration all stakeholders' interests and caring for the environment.

'We want to integrate environmental matters into our culture'

An interview with Philippe de Saint Aulaire,
Head of Environmental Affairs, Airbus

As the largest commercial aircraft, is the A380 also the largest polluter?

When the A380 enters into service, it will be the most efficient aircraft regarding CO₂ emissions. Additionally, it consumes a little less than three litres of fuel per person per 100 kilometres. By comparison, the average car in Europe consumes more than five litres per person given average load factors.

In the last 40 years, aviation fuel consumption has fallen 50%. Furthermore, the Advisory Council for Aeronautics Research in Europe has set a very challenging target of reducing consumption another 50% by 2020. We are researching how to do this, questioning the design of the aircraft and how it is operated.

What do you do with aircraft when they become obsolete?

The first Airbus aircraft are reaching the end of their lives and we believe that our customers will soon be required to dismantle them. With the so-called PAMELA (Process for Advanced Management of End of Life of Aircraft) project we are preparing to store and dismantle civil aircraft in environmentally friendly, safe and economic conditions.



What is the significance of Airbus's aim of achieving ISO 14001 certification for sites and products by the end of 2006?

We want to integrate environmental matters into our culture. The ISO 14001 environmental management system will help ensure that environmental aspects are considered in every part of Airbus and will enable us to measure our progress.

Can the environment be a source of competitive advantage?

As stakeholder pressure grows, the environment is becoming a real issue for airlines. It is also conceivable that passengers may in future select their flights depending on the environmental performance of the aircraft. So, yes, environment is on the way to becoming a significant competitive issue.