

# MBDA Germany

## Procurement Policy

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**1 Preamble and Purpose of the Policy**

MBDA Germany (hereafter also referred to as ‘MBDA-GE’) commits itself to deliver outstanding products and services to its current and future customers along the entire product life cycle. Therefore, MBDA-GE sets high standards not only for its own business, but also for each stakeholder within the entire Supply Chain.

In alignment with MBDA-GE’s strategic procurement goals, we aim to purchase high quality products and services at best prices within requested delivery times. Additionally, there are legal, ethical, procedural and environmental requirements we and therefore also our suppliers have to meet.

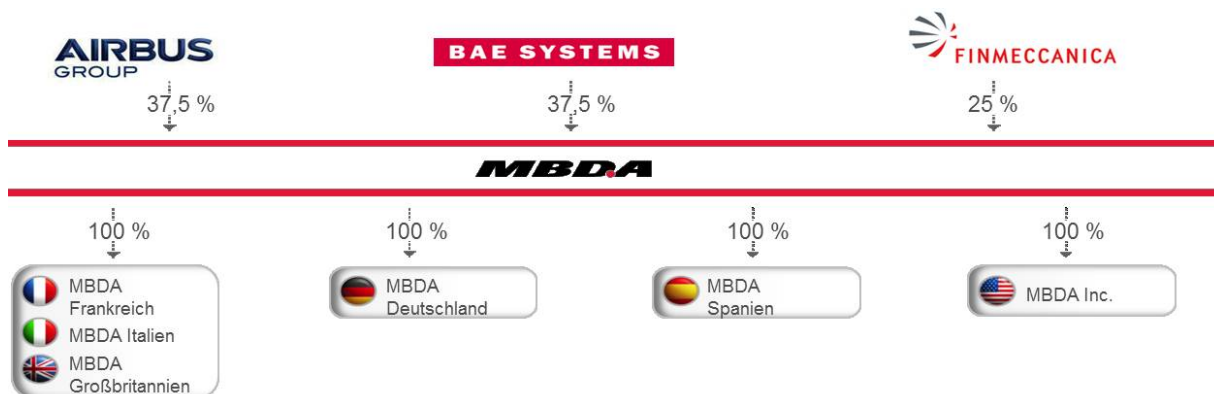
This Procurement Policy is intended to inform current and potential suppliers about the business environment and requirements to be met as prerequisite for partnering with MBDA-GE.

We encourage you to keep in mind this procurement policy and to contact MBDA-GE Procurement Office in case you require any clarification or further information.

**2 Introduction of MBDA**

**2.1 MBDA Group**

MBDA, a world leader in missiles and missile systems, is a multi-national group with over 10,000 employees in France, the United Kingdom, Italy, Germany, Spain and the United States. MBDA has three major aeronautical and defence shareholders - Airbus Group, BAE Systems and Finmeccanica - and is the first truly integrated European defence company.



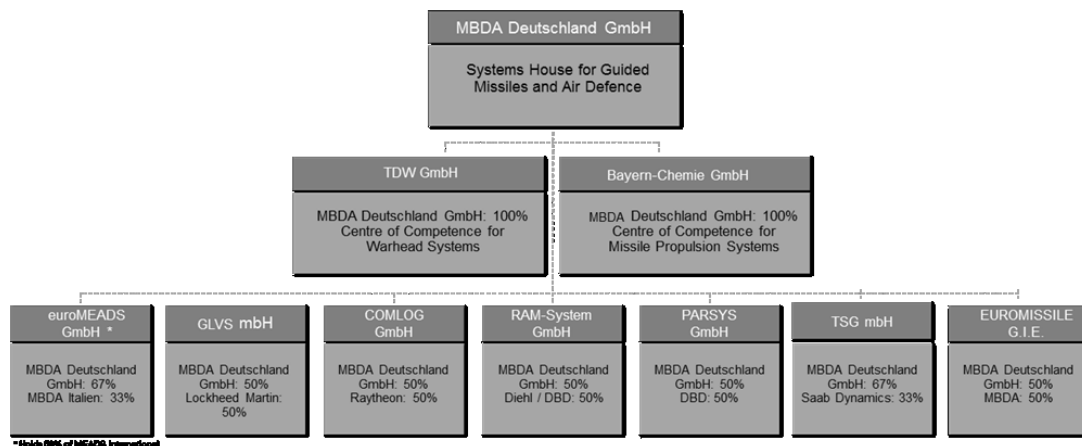
With a significant presence in five European countries and within the USA, in 2014 MBDA achieved a turnover of 2.4 billion euros with an order book of 12.6 billion euros. With more than 90 armed forces customers in the world, MBDA is a world leader in missiles and missile systems.

MBDA is the only group capable of designing and producing missiles and missile systems that correspond to the full range of current and future operational needs of the three armed forces (land, sea and air). In total, the group offers a range of 45 missile systems and countermeasures products already in operational service and more than 15 others currently in development.

MBDA is jointly held by BAE SYSTEMS (37.5%), Airbus Group (37.5%) and FINMECCANICA (25%).

## 2.2 MBDA Germany

In 2006, MBDA Group acquired Germany's No. 1 guided missile systems house, MBDA Deutschland GmbH (formerly called LFK-Lenkflugkörpersysteme GmbH) and its subsidiaries, and with that consolidated the Group's world-leading position in the industry.

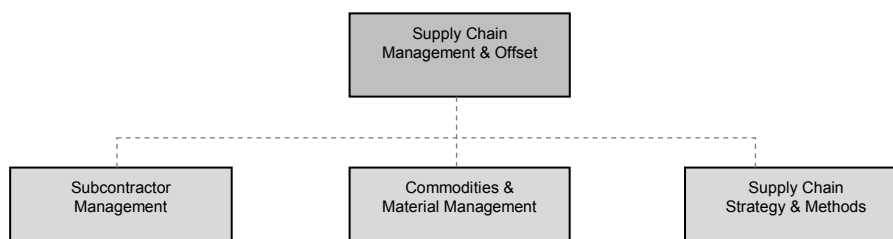


**The wholly-owned subsidiaries of MBDA-GE specialise in critical subsystems. For many years, MBDA-GE has been leveraging strong domestic and international partnerships in order to carry out complex programmes.**

Together with its associated subsidiaries, partners and subcontractors, MBDA-GE develops and produces Air Defence Systems, Stand-Off Missile Systems and Battlefield Engagement Systems.

MBDA-GE has 1,300 employees in Schrobenhausen, Ulm and Aschau, generating sales of approximately 300 million € per year.

MBDA-GE's Procurement Division is divided into three specialist departments:

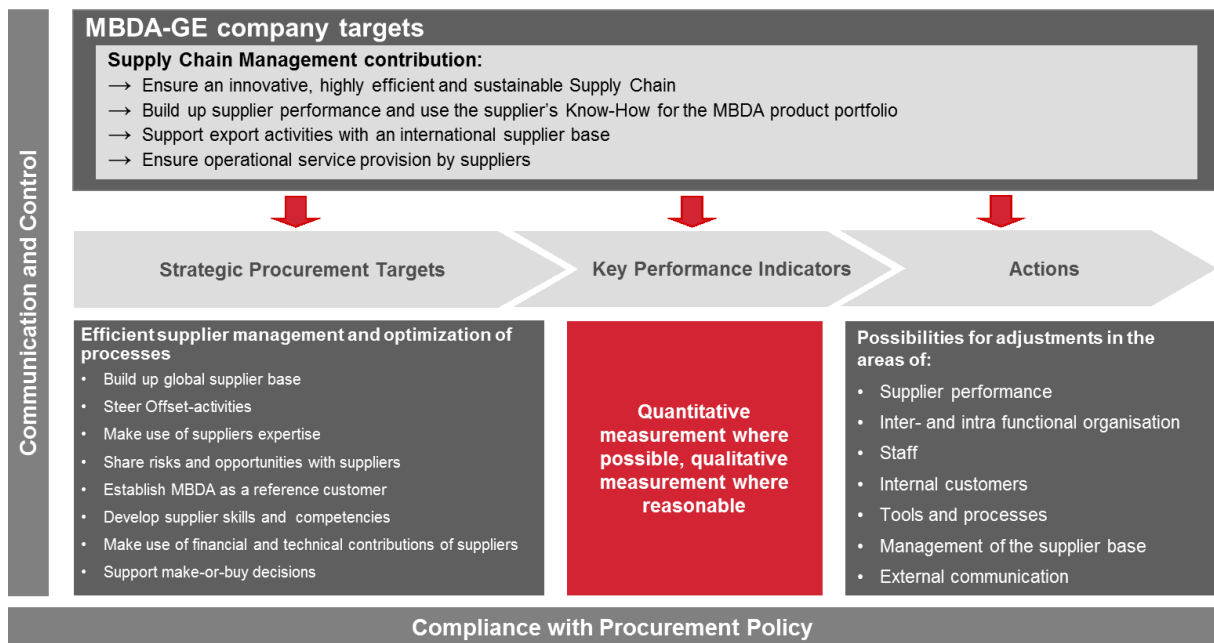


Whereas our Subcontractor Management is responsible for all activities with suppliers that provide high-value, complex, customised or strategic products and services, our Commodities department procures mainly standardized goods as well as indirect supplies and services.

With the support from Strategy & Methods, the MBDA-GE Supply Chain Management organisation is able to provide the company with products and services that are on-time, on-cost and on-quality.

**3 Procurement Strategy**

MBDA-GE's Procurement Strategy sets out a clear framework in order to support our business and overall company strategy.



We are convinced that a good business relationship is based on mutual trust and therefore we aim for long-term partnerships with the best suppliers.

**4 Procurement Principles**

**4.1 MBDA-GE Ethical Principles**

Successfully doing business and responsible behaviour in society is not a contradiction for us nor should it be for our suppliers. Fairness, transparency, accountability and sustainability are values that we expect our suppliers to adhere to as MBDA-GE does itself.

**4.2 Counterfeit Parts**

The risk of purchasing counterfeit parts is omnipresent. To obviate danger for the public the aviation industry – and with it the MBDA-GE and its suppliers – have the responsibility to ensure that all produced aviation equipment has an equivalent life expectancy to the demanded repair- and service-life.

**4.3 Commitment to Competition**

Value for money is best achieved by competition. In order to ensure competition among its suppliers, MBDA-GE continuously analyses the market and requests tenders from various companies.

#### 4.4 Industrial Co-Operation and Offset

As a global company, MBDA operates and sells its products to selected foreign governments around the world.

International Cooperation, Industrial Participation and Offset is often a requirement placed on a company by foreign governments or local champions, to provide industrial, commercial or other economic benefits to a country as compensation for the purchase of equipment or services.

The Offset obligation is classified as Direct (related to products or services sold in the commercial export contract) or Semi-direct (related to MBDA activities but not pertaining to the commercial export contract) or Indirect (outside of the field of activity of MBDA). MBDA is often looking for indigenous suppliers in countries of interest and for opportunities to support and promote our current suppliers in broadening their activities and business in countries where there is mutual benefit in meeting our obligations.

As it is often required to fulfil Offset obligations (compensation agreements) by its foreign customers, MBDA-GE strives to use business done with its suppliers as much as possible to comply with these requirements. Therefore, it is important that suppliers inform us about the workshare they can tender in MBDA-GE Offset countries on the basis of activities generated by themselves, their subsidiaries or even subcontractors.

#### 4.5 Global Sourcing

MBDA-GE procures worldwide in order to find suppliers delivering best performance in quality, experience and delivery targets. In terms of costs, we look at the Total Cost of Ownership rather than list prices.

#### 4.6 "One Face to the Supplier"

The Procurement department is involved in all activities with MBDA-GE's suppliers, thereby ensuring transparency and legal compliance.

### 5 Quality Requirements and Regulations

MBDA-GE requires all its suppliers to ensure they comply with local laws, relevant legislation and contract and commercial law in general.

On a development level, we see continuous development as a pre-requisite for all our suppliers and expect them to engage fully with us on our Supplier Capability Evaluation and Supplier Capability Development processes. Depending on the product or service procured, MBDA-GE would look for evidence of a Quality Control System and a Quality Management Certification.

## 5.1 Quality Certifications

Depending on the product or service procured, MBDA-GE may request the following key quality certifications from its suppliers:

- DIN EN 9100
- DIN EN 9120
- ISO 9001
- AQAP (Allied Quality Assurance Publications)

and additional Quality Assurance Requirements.

MBDA-GE or its customers may require audits at the supplier's premises. The supplier is expected to support all audits.

## 5.2 Export Control Regulations

As MBDA-GE is a defence company, we and our suppliers are obliged to comply with national and international export control regulations, in particular with the US International Traffic in Arms Regulations (ITAR).

Every supplier is required to support MBDA-GE and its customers in fulfilling all export control requirements, e.g. by providing all relevant export control information and documentation. Therefore, the supplier receives an export control questionnaire for materials intended to be supplied to us.

## 5.3 Environmental Regulations

MBDA-GE is committed to protect the environment and therefore requires that suppliers work in a way such that the impact on the environment and consumption of resources is minimised.

All suppliers are obliged to comply with the European REACH regulation and provide MBDA-GE with the relevant required information.

Suppliers should have or be in the process of developing an Environmental Management System in accordance with the requirements of ISO 14001.

# 6 Procurement Practices

## 6.1 Supplier Selection

If necessary, MBDA-GE issues a Request for Information (RFI) to potential suppliers. Responses are analysed and tested with regard to our requirements. Based on the results, qualified suppliers are asked to respond to a Request for Proposal (RFP), which will finally be negotiated with the selected candidate.

Suppliers have to fulfil certain criteria in order to be selected as provider for goods or services. The most important criteria for the supplier selection are:

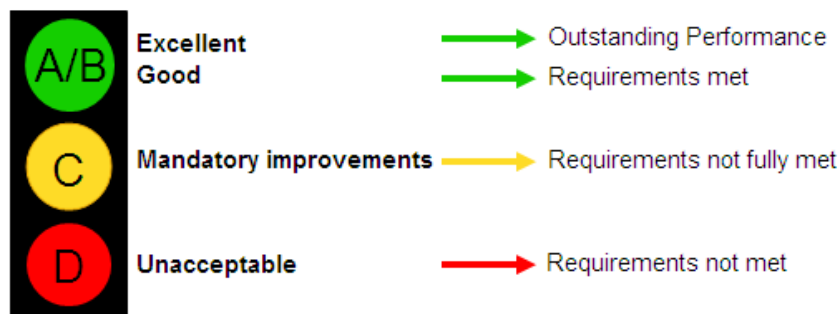
- Product portfolio, variety, technology and information provided by the supplier through Request for Information or supplier questionnaire
- Capability of the supplier to fulfil expectations regarding quality, cost, technology, logistics, customer service and business behaviour

- Relevant certifications and legal obligations, such as:
  - EN ISO 9001
  - DIN EN 9100
  - AQAP
  - REACH
  - RoHS
  - ITAR / EAR
  - Counterfeit Material
  - Conflict Minerals
  - Ethics
  - AEO
- Experiences on Shareholder or Group level
- The supplier's ability to support us in our offset obligations
- Social and environmental governance
- Willingness of the supplier to accept our Terms and Conditions of Purchase.

## 6.2 Supplier Evaluation and Development

MBDA-GE evaluates suppliers on various criteria. Based on the results, MBDA-GE sets up action plans where necessary in order to develop strengths and eliminate weaknesses. It is a systematic and long-term approach to drive supplier performance towards excellence.

Depending of the impact of a supplier for our business a Basic or Extended SED is conducted.

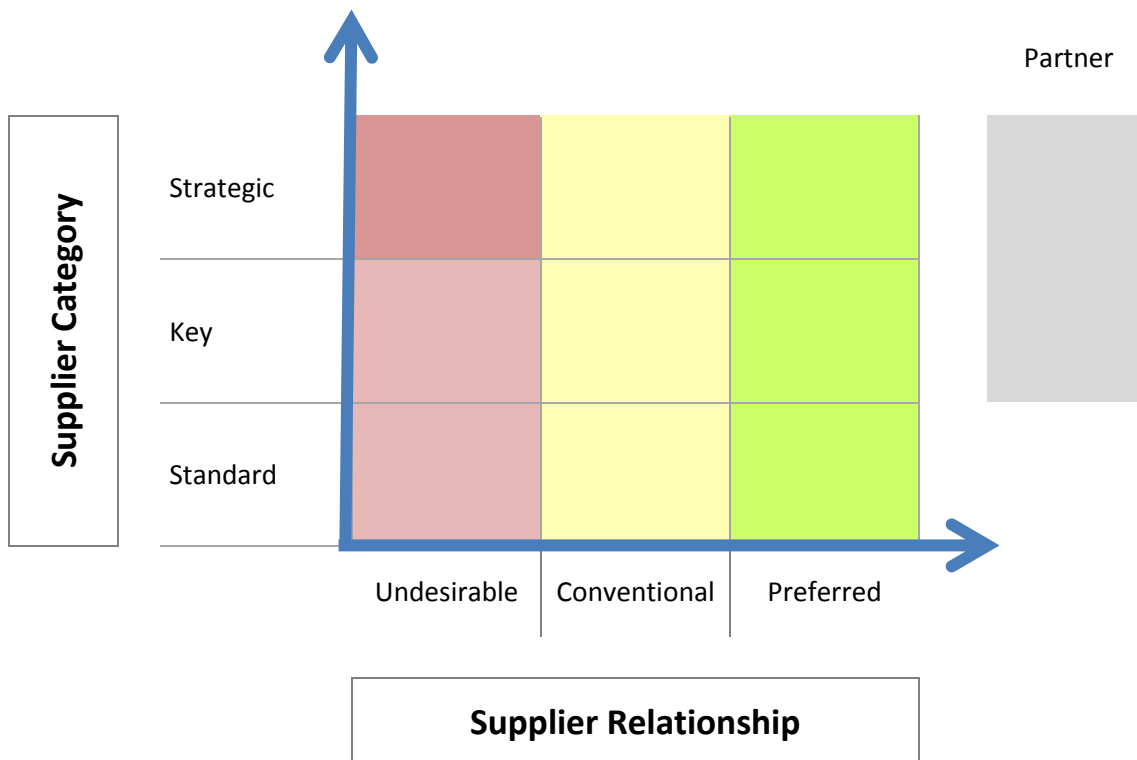


The Supplier Evaluation and Development (SED) information is also shared among the shareholders' procurement network.

**The supplier's commitment to improvement is prerequisite for future co-operations.**

### 6.3 Supplier Base Categorisation

MBDA-GE classifies its suppliers into following categories based on their impact on business:



We are seeking a trustful long-term cooperation with our suppliers. Aligned with this is the extension of business relations with our Preferred Suppliers as well as the development of Conventional and Undesirable Suppliers which does not fulfil our requirements related to “on Time”, “on Cost” and “on Quality”.



## 6.4 Preferred Suppliers

MBDA-GE's Preferred Suppliers are a small group of select suppliers who have proven their ability and willingness to deliver excellent performance. These are the suppliers MBDA-GE prefers to rely on for current and future activities.

Every two years MBDA-GE decorates the best suppliers with a Preferred Supplier Award to dignify the excellent collaboration in the past and to motivate the suppliers for a trustful future relationship.



## 6.5 Risk and Opportunity Sharing

The development and production of complex systems and products with new technologies, global co-operation and long life-cycles implicates a high risk potential. MBDA-GE therefore requires its suppliers to manage their risks in a transparent and consistent way.

Depending on their business criticality, we demand suppliers to

- Install adequate Risk Management Procedures, Processes & Structures
- Identify and track risks throughout the product or system life-cycle

Report the risk status in MBDA-GE compatible format. MBDA-GE may invite some suppliers to participate in the development and marketing of new products. Furthermore, MBDA-GE expects suppliers to be accountable for the on-time delivery, performance and quality of their products and services.

Our goal is to minimise risks and create opportunities for both MBDA-GE and the supplier.

## 6.6 e-Procurement

Minimising process costs and duration are important goals for the MBDA-GE procurement organisation. For standard products, we offer competitive suppliers to upload their electronic catalogues into the Electronic Catalogue Centre. All articles, prices and delivery conditions are negotiated prior to the catalogue upload. Once the catalogue is uploaded, MBDA-GE's employees can choose the products required and procure them via web-based interface. The supplier then receives electronic purchase orders. Both MBDA-GE and the supplier benefit from the lower cost and easy handling of automated purchase orders.

## 6.7 Protection of personal data

In some cases, MBDA-GE has to forward personal data to the suppliers. All suppliers are obligated to follow the German Federal Data Protection Law and to act according to our instructions. It is essential to handle the data conscientiously and to delete all information in case MBDA-GE advises or at the end of the business activity at the latest.

### **MBDA Contact:**

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