Corporate governance

Conducting business responsibly

We bear responsibility for our activities, not only in economic terms but also in environmental and social terms. That is why sustainability is our guiding principle. Our sustainability strategy and our sustainability management support us in this. Meanwhile, our comprehensive compliance system guarantees ethics and integrity in the company. Respect for human rights is fundamental to what we do.

500 employees trained on compliance

Zero tolerance approach to violations

→ Sustainability strategy and organization
→ Global Development Goals
→ Material topics
→ Stakeholder dialogue
→ Compliance
→ Human rights
Our responsibility

Sustainability strategy and organization

Aviation is changing. It must become cleaner, quieter and thus more sustainable. As an engine manufacturer and key player in the sector, we want to actively drive these changes. We think of sustainability primarily in terms of developing innovative propulsion solutions for better climate action. Our mission is to achieve emissions-free flying. But our focus also extends beyond products. As a manufacturing company and employer of nearly 11,000 people, we act responsibly in all key areas.

Ten years ago, we adopted our vision of “We shape the future of aviation” and it is more relevant now than ever. Shouldering responsibility is simply part of our corporate identity. This sense of responsibility is reflected in every area of our business and extends to the entire value chain. Climate action is a key concern. It is a challenge for our business, but also an incentive to focus our innovative strength on sustainable solutions. In 2019, sustainability as a strategic goal was enshrined in our corporate objectives and is part of our corporate strategy.

Air travel should remain attractive, including to future generations. What’s more, aviation is essential for a reliable, global flow of commodities. This calls for sustainable propulsion concepts that meet the high safety standards of aviation, improving energy and emissions footprints and reducing aircraft noise. We follow our technology roadmap to help us achieve our long-term goal of emissions-free aviation. In doing so, we want to help achieve the goal of limiting global warming to less than two degrees Celsius by 2050, as set out in the Paris Agreement, and pave the way for the decarbonization of the industry. We firmly believe that taking a sustainable approach to our business will allow us to remain competitive and successful in the long term. In this way, we can ensure that our products create value for our customers by helping airlines to offer passenger flights that are less harmful to the environment and climate.
Air travel should remain attractive, including to future generations. We work on sustainable propulsion concepts follow our technology roadmap to help us achieve our long-term goal of emissions-free aviation.

That is why product stewardship is the cornerstone of our sustainability strategy, which addresses the key topics of product quality, flight safety, fuel efficiency, CO₂ emissions, noise emissions and innovations. We take a comprehensive approach to sustainability that extends to compliance, environmental protection at our locations, employee concerns, the supply chain, and corporate citizenship. In total, we have defined 24 strategic focus topics → Key topics. In addition to long-term solutions, we also want to make quick-impact improvements.

Our contribution to the SDGs

We support the Sustainable Development Goals (SDGs) set by the United Nations. Of the 17 goals for 2030, eight are particularly important to us because we can directly help achieve them. Our greatest impact on achieving the SDGs is through eco-efficient engines and environmental protection in production. The following goals are relevant to us:

→ Learn more about our contribution to the SDGs
Our company is steeped in tradition and has a strong foundation of values

The Executive Board conducts our business activities with responsibility toward our employees and toward society as well. The German Corporate Governance Code sets out clear rules for good corporate leadership that we at MTU have been following for many years. MTU CEO Reiner Winkler is a member of the government commission that established and develops these rules. A key tool we use for embedding sustainability within and throughout MTU is our Code of Conduct. It defines clear standards for working with and regulating our behavior toward stakeholders such as customers, suppliers, authorities and business partners. Our Code of Conduct is binding for all employees, managers and members of the Executive Board. It was developed and rolled out jointly by the Executive Board and the Group works council. Following the Code is a top priority and all stakeholders have access to a system through which to report breaches. We investigate all reports and leads and take disciplinary action should a breach be proven. The Code of Conduct is scheduled for review in 2020. → Compliance

Key topics of the Code of Conduct

| Human rights, labor and social standards | Conflicts of interest |
| Antitrust law | Insider trading |
| Corruption and bribery | Employee training |
| Environmental protection, occupational safety, and health | International trade and customs |

→ MTU Code of Conduct

In addition, the MTU Principles outline the core values—such as fairness, respect and appreciation—that govern our actions. One of these Principles neatly summarizes our commitment to sustainability: “MTU takes a proactive approach to its responsibility toward the environment and society.” By following core leadership values (we transform, we empower, we create trust), we are creating a leadership culture based on trust and support that promotes sustainable and innovative thinking.
Achieving more together: The UN Global Compact

10,833 companies from 156 countries have entered the UN Global Compact. One of them is MTU. They undertake to work continuously on improving the social and ecological impact of globalization.

We see the ten principles of the UN Global Compact (UNGC), which we joined in 2011, as a guide to responsible corporate governance. As a signatory, we are committed to respecting human rights, ensuring fair working conditions, protecting the environment and preventing corruption. We strive to continuously improve the way in which we implement these principles across the company. And through our Code of Conduct we transfer these principles to the supply chain. This Sustainability Report also serves to outline progress made in accordance with the UNGC.

We take direction from the following standards and guidelines on sustainability topics:

- UN Universal Declaration of Human Rights
- Principles of the UN Global Compact
- The UN's 2030 Agenda and Sustainable Development Goals (SDGs)
- Core labor standards of the International Labor Organization (ILO)
- German Corporate Governance Code

Driving sustainability forward within the company – our management

We have integrated sustainability into organizational structures and established sustainability management throughout the MTU Group. A Corporate Responsibility (CR) Board is responsible for the implementation of CR management on behalf of the Executive Board. Through the CR management system, we monitor our sustainability strategy, performance and goals. The CR Board acts as the system’s decision-making authority, drawing its members from the tier-1 senior management team. It is responsible for driving the topic of sustainability forward at MTU. The CR Board meets on a regular basis and as required. In the financial year 2019, for instance, the Board convened for a special session on human rights, which play a larger role in MTU’s sustainability strategy in response to the latest Materiality analysis. The CR Board is in charge of CR activities at MTU and implements relevant actions and initiatives. It reports regularly to the Executive and Supervisory Boards. If needed, representatives from further operational functions are invited to the meetings. A central CR coordination team manages Group-wide sustainability activities, overall CR management, communication with stakeholders about CR topics, and reporting on CR issues. It also works with an interdisciplinary CR team to continuously develop CR management.
An important role in the operational implementation of the strategy is played by the CR coordinators: They work with experts in their disciplines to develop goals and measures, implement them, and take responsibility for monitoring their progress. In collaboration with the managers and experts in their business areas, the divisional coordinators are heavily involved in shaping the strategic focus of their respective CR goals and developing these goals over time. CR management officers at the sites support the CR divisional coordinators and the overall CR coordination team. By implementing this organizational structure, we ensure that sustainability is embedded throughout the entire company in all relevant topics.

CR management at MTU

We have a CR management system in place to steer our sustainability strategy. The CR Board makes the decisions, a central CR coordination team manages Group-wide sustainability activities and overall CR management, and the CR divisional coordinators work to develop and implement goals and measures in their disciplines.

Risk management

We integrate sustainability risks into our internal control system, and map and evaluate them using defined processes. MTU has established a Group-wide integrated risk management and control system, based on the leading international COSO II ERM Framework standard, with which it manages risks and opportunities for its business. The system also takes into account non-financial risks. For the topic of compliance, MTU has established a separate risk assessment and a separate reporting line, which the Compliance Officer coordinates.

Building on these processes, the company conducts a quarterly risk survey on sustainability topics of high materiality. In consultation with their upper management, the CR divisional coordinators conduct the survey according to standardized criteria and use a scale similar to the one for risk management. The results of the risk assessment are reviewed quarterly by the CR Board. If necessary, the Board passes the report on to the risk management team and, if appropriate, to the Executive Board.

The risk assessment for financial year 2019 identified no significant risks in relation to the top issues of our CR strategy. Material risks are those that are very likely and have a severe negative impact.
MTU’s position on the TCFD recommendations

Founded by the Financial Stability Board, the Task Force on Climate-related Financial Disclosures (TCFD) has published recommendations for achieving transparent corporate reporting on climate-related risks and opportunities. The core elements of these recommendations are governance, strategy, risk management, metrics and targets. Through our product solutions and resource-conserving production, we are working hard to tackle the challenges of climate change and to continuously lower CO₂ emissions. We already report extensively on climate-related topics in our Sustainability Report and also disclose our performance and progress in the CDP ratings. We advocate companies releasing transparent, relevant sustainability information and are currently exploring how we can implement TCFD recommendations.

Outlook

Society expects industry to come up with solutions for a more livable future. We are aware of our role and responsibility in this transformation process and want our contribution to making flight an ecologically viable option also for future generations to extend beyond excellent products and services. This is what drives us to invest in our sustainability efforts and refine our strategy. In the process, we want to set more medium- to long-term goals in all areas, further underline the significance of sustainability within the company and rework our risk management.

GRI: 103-2, 103-3

UNGC: 1-10
Global goals for sustainable development

At a United Nations summit held in September 2015, the international community of states adopted the 2030 Agenda for Sustainable Development, thus making it clear that the current global challenges can be effectively addressed in a joint effort only. The agenda aims to make sure that economic progress goes hand in hand with social justice and ecological responsibility. Industry is also called upon to do its bit and make contributions towards achieving the 2030 Agenda goals. MTU lives up to this responsibility.
Our contribution to the Sustainable Development Goals

At the core of the 2030 agenda are 17 goals for sustainable development, or SDGs for short. These goals embrace the three dimensions of sustainability—economy, environment and society—in equal measure. We support the implementation of the SDGs and have identified eight goals to which we can contribute and which are therefore relevant for MTU:

The following examples and projects show the specific action we take to promote individual SDGs. They are intended to reflect the range of topics and activities with which we encourage sustainability in the company, in the supply chain or as part of our commitment to corporate social responsibility.
SDG 4: Quality education

**Offering good educational opportunities:** To enable lifelong learning, we have created digital learning worlds at MTU that provide an appealing environment, available in several languages, for our employees to flexibly build on their knowledge. We also provide high-quality training for our youngest employees: our apprentices. We offer training for ten different career paths as well as practical courses of study in collaboration with selected vocational academies. And our training is second to none: last year, our top training was recognized with an award from the Chamber of Commerce and Industry (IHK). More information about our commitment to education under → Employee development

Other ways we support SDG 4:  
→ Corporate social responsibility

---

SDG 5: Gender equality

**Promoting diversity & inclusion:** Chief Technical Officer Lars Wagner has assumed patronage of our new Network of Engine Women (NEW), which we established in Munich in 2019. NEW is all about new suggestions, new impetus, new routes and new perspectives. The idea behind it is to tap deeper into the benefits of diversity by exploring innovation, creativity and corporate culture. More information about our commitment to diversity under → Diversity and inclusion

Other ways we support SDG 5:  
→ Human rights  
→ Corporate social responsibility
SDG 8: Decent work and economic growth

**Protecting employees:** We attach great importance to safe working conditions at our plants and subsidiaries. The importance of this concern came to the fore during the coronavirus crisis and it became a focus of our activities. We want to do our bit to contain the pandemic and ensure our employees are protected against infection through a wide range of measures. In addition, we donated over 60,000 face masks to medical and social institutions. More information under → MTU vs. virus

Other ways we support SDG 8:
→ MTU as an employer
→ Human rights
→ Occupational safety
→ Supplier management

SDG 9: Industry, innovation and infrastructure

**Collaborating locally on global goals:** We joined forces with other companies to form the Munich Business Climate Pact (Klimapakt Münchner Wirtschaft), which entered its second round in 2019. In the first round, we already succeeded in saving some 7,500 metric tons of CO₂. Now we have set ourselves a new goal and want to save another 5,000 metric tons. More information about our commitment to climate action in production under → Emissions

Other ways we support SDG 9:
→ Climate & flying
→ Aircraft noise
→ Environmental management
→ Conservation of resources
SDG 12: Responsible consumption and production

Making production sustainable – based on the example of well water: At our headquarters in Munich, we use well water for cooling to a great extent in our production processes and subsequently feed it back. As a result, we draw only small amounts from the municipal drinking water supply. To enable us to use well water, we have our own wells on our premises. Using well water contributes to climate action and protection, as it means we eliminate the need for energy-intensive cooling processes such as compressor cooling systems. More information about environmental protection at our various sites under → Conservation of resources

Other ways we support SDG 12:
→ Climate & flying
→ Aircraft noise
→ Environmental management

SDG 13: Climate action

Rethinking aircraft propulsion: Our experts are working on various conceivable propulsion concepts for the future to pave the way for more climate-compatible aviation. Their creative and innovative approaches also foresee a role for fuel cells. Because they emit only water, fuel cells enable virtually climate-neutral and pollutant-free flying. Read about how this could work under → Climate & flying

Other ways we support SDG 13:
→ Environmental management
→ Emissions
SDG 16: Peace, justice and strong institutions

**Working together for integrity:** We introduced a new reporting system in 2019 that is online, anonymous and available in several languages. iTrust enables employees and external stakeholders to submit reports and any leads they have to MTU’s Compliance Officer if they feel that individual activities and actions breach the company’s guidelines or value management. iTrust can be accessed via the MTU intranet and website. More information about our approach under → Compliance

Other ways we support SDG 16:
→ Supplier management

SDG 17: Partnerships for the goals

**Europe commits to clean aviation:** We pursue collaborative ventures in a wide range of areas in order to make a difference. Collaboration with universities and research institutions is especially important when it comes to research and development. At the Paris Air Show on June 19, 2019, we signed up to Horizon Europe, a declaration of intent by 23 European companies, universities and research institutions. This agreement provides the framework for key collaborations on climate action and has the ambitious goal of emissions-free flight. More information about our climate action activities under → Climate & flying

Other ways we support SDG 17:
→ Corporate social responsibility

More information about:
Sustainable Development Goals

SDG graph "17 goals to transform our world"
Source: UN communications materials
SDG 8 image source: Andreas Gebert, City of Munich’s Department of Labor and Economic Development
Key topics of focus

Materiality analysis

We have developed a sustainability strategy that is the cornerstone of our commitment to corporate social responsibility. As part of a systematic process, we regularly analyze important fields of action and key topics for our sustainability management and reporting. In doing so, we have an eye on both MTU business and the concerns of our stakeholders.

Our focus is on product stewardship, which addresses the key topics of quality, safety, fuel efficiency, aircraft engine CO\(_2\) and noise emissions, and innovations.

We review our sustainability strategy annually as regards the latest changes and developments. This allows us to recognize opportunities and risks for our business in good time and to honor our claim of being a company that acts in a sustainable manner. In this materiality analysis, we evaluate the individual topics using defined criteria. These criteria correspond to each topic’s significance for our business activities and how these affect society and the environment. The criteria are incorporated into the evaluation according to a defined weighting scheme. The analysis covers all our key business areas and fully consolidated locations as well as information gathered from our dialogue with stakeholders, with which we address societal expectations and requirements. → More information about Stakeholder dialogue. We present the results for the respective financial year in a materiality matrix.
The materiality analysis follows a multi-stage process: It is managed by the central CR coordination team, with analysis of the key topics performed by the CR divisional coordinators within the departments. Next comes a workshop in which the interdisciplinary CR team discuss the evaluation of the topics and their position within the materiality matrix. Acting as the ultimate decision-making body for sustainability, the CR Board then signs off on the matrix. The Executive Board and the Supervisory Board’s Audit Committee are involved in the materiality determination process. → Our CR management in detail

Results for 2019

For financial year 2019, we defined a total of 24 topics with a material economic, environmental or social impact, which we are pursuing as part of our sustainability management. Changes to the previous year mainly relate to the higher importance rating of human rights for our CR management, which henceforth extends not only to our own employees, but also to the supply chain (previously only with respect to responsible sourcing). Due to expansion at numerous locations and the increasing levels of digitalization, employee development has become more crucial to our company’s success. Group-wide, diversity & equality of opportunity were rated less of a priority in the reporting year. In addition, the aspect of discrimination is covered by human rights. Given the differing approaches to managing IT security and data protection, we have evaluated and mapped these topics separately. Due to current challenges, environmental protection in production is of increasing importance within our sustainability strategy. The same goes for responsible supply chains (responsible sourcing, OEM and MRO).
Steadily increasing shareholder value and demographic change are no longer pursued as individual topics within our sustainability strategy. Steadily increasing the value of the company is already covered by the definition of materiality and thus is the foundation for all our activities. Demographic change is no longer a separate topic because the relevant aspects, such as employee training, are already covered by other topics. Environmental and occupational safety compliance has been integrated into those topics.

We have identified no new key topics as part of the current materiality process.
Materiality principle (GRI 103-1)

### Product stewardship

<table>
<thead>
<tr>
<th>Material topics</th>
<th>Relevance for MTU along the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upstream activities (e.g. supply chain)</td>
</tr>
<tr>
<td>Product quality and flight safety</td>
<td>significant</td>
</tr>
<tr>
<td>Innovation</td>
<td>significant</td>
</tr>
<tr>
<td>Fuel efficiency and CO₂ emission of products</td>
<td>significant</td>
</tr>
<tr>
<td>Noise emission of products*</td>
<td>significant</td>
</tr>
<tr>
<td>Exhaust emission of products</td>
<td>significant</td>
</tr>
</tbody>
</table>

### Corporate governance

<table>
<thead>
<tr>
<th>Material topics</th>
<th>Relevance for MTU along the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upstream activities (e.g. supply chain)</td>
</tr>
<tr>
<td>Trade compliance</td>
<td>significant</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>significant</td>
</tr>
<tr>
<td>Human rights</td>
<td>significant</td>
</tr>
<tr>
<td>IT security</td>
<td>significant</td>
</tr>
<tr>
<td>Data protection</td>
<td>significant</td>
</tr>
</tbody>
</table>
## Employees and society

<table>
<thead>
<tr>
<th>Material topics</th>
<th>Relevance for MTU along the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upstream activities (e.g. supply chain)</td>
</tr>
<tr>
<td>Employee development</td>
<td>significant</td>
</tr>
<tr>
<td>Occupational safety</td>
<td>significant</td>
</tr>
<tr>
<td>Diversity and equality of opportunity</td>
<td>significant</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>significant</td>
</tr>
<tr>
<td>Health management</td>
<td>significant</td>
</tr>
<tr>
<td>Stakeholder dialog</td>
<td>significant</td>
</tr>
<tr>
<td>Corporate citizenship</td>
<td>significant</td>
</tr>
</tbody>
</table>

## Value creation

<table>
<thead>
<tr>
<th>Material topics</th>
<th>Relevance for MTU along the value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upstream activities (e.g. supply chain)</td>
</tr>
<tr>
<td>CO₂ emissions at production sites</td>
<td>significant</td>
</tr>
<tr>
<td>Environmental management: water</td>
<td>significant</td>
</tr>
<tr>
<td>Environmental management: energy</td>
<td>significant</td>
</tr>
<tr>
<td>Noise abatement at production sites</td>
<td>significant</td>
</tr>
<tr>
<td>Environmental management: waste</td>
<td>significant</td>
</tr>
<tr>
<td>Responsible sourcing OEM business</td>
<td>significant</td>
</tr>
<tr>
<td>Responsible sourcing MRO business</td>
<td>significant</td>
</tr>
</tbody>
</table>

*material topic for commercial aircraft engines due to inclusion in certification specifications*
GRI: 102-46, 102-47, 103-1

UNGC: 1-10
Providing information about sustainability

**Stakeholder dialogue**

Maintaining a dialogue with our stakeholders plays a key role in our success. In terms of sustainability, this means creating transparency in our performance and progress, actively providing information about key topics, and addressing societal developments and requirements in a timely manner. This allows us to continuously improve and increase confidence and trust in our company.

We embrace dialogue with our stakeholders and make use of various opportunities and formats to this end. For example, we invite stakeholders to events at MTU such as the 40th anniversary of MTU Maintenance Hannover last year, as pictured here.

We strive to conduct a proactive, mutually supportive dialogue with our key stakeholders. We pursue this dialogue regularly, with the actual frequency determined by the need for communication and/or information. Our aim is to achieve wide societal acceptance for our business activities and to provide information about the challenges, developments and technologies relating to sustainable aviation. This stakeholder dialogue also gives us the opportunity to respond to suggestions, expectations and feedback and act on new topics in good time. It helps us evaluate how our activities and products are affecting the environment and society in general. → Materiality analysis

Stakeholders are individuals, groups or organizations that have a regular relationship with MTU. Our key stakeholders are employees, customers, business partners, suppliers and shareholders. We are also in continuous dialogue with scientists, researchers, analysts, journalists, politicians, associations, NGOs, employee representatives, neighbors and communities.
Communication with our stakeholders takes place over various channels and platforms so we can incorporate their interests and feedback. This dialogue is mostly tailored to the target group or a specific topic. We use an online survey available on our website to invite all stakeholders to discuss our sustainability strategy. In 2019, we collected and evaluated just under 250 responses, while expanding the survey to include questions about our efforts to achieve UN Sustainable Development Goals. At our locations, we pursue a direct dialogue with the general public, for instance with community representatives, neighbors and other interest groups.

In 2019, key sustainability topics we addressed in our stakeholder dialogue included climate action and environmental protection in the aviation industry—in particular CO₂ emissions from products and production—sustainable aviation fuels (SAFs), human rights (especially in the supply chain), sustainable finance as well as social topics such as diversity. We are also stepping up our use of social media channels to communicate about sustainability topics and we now post on Twitter and Instagram in addition to Facebook, LinkedIn and Xing. MTU currently has some 55,000 followers, and this figure continues to rise. In the reporting year, we also held a Sky Lounge on “sustainable flight” with representatives from politics, industry and associations and plan to do so again in 2020.
## Our stakeholder groups and dialogue platforms

### Employees

<table>
<thead>
<tr>
<th>Topics</th>
<th>Forms of dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Health and safety</td>
<td>- Internal media</td>
</tr>
<tr>
<td>- Career and advanced training opportunities</td>
<td>- Employee surveys</td>
</tr>
<tr>
<td>- Compensation and benefits</td>
<td>- HR services</td>
</tr>
<tr>
<td>- Work-life balance</td>
<td>- Dialog and information events</td>
</tr>
<tr>
<td>- Diversity and equality of opportunity</td>
<td>- Company suggestion scheme</td>
</tr>
<tr>
<td>- Co-determination</td>
<td></td>
</tr>
</tbody>
</table>

### Business partners and customers

<table>
<thead>
<tr>
<th>Topics</th>
<th>Forms of dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Product quality and safety</td>
<td>- Voice of the customer</td>
</tr>
<tr>
<td>- Sustainable technologies</td>
<td>- Trade fairs</td>
</tr>
<tr>
<td>- Product fuel efficiency</td>
<td>- Corporate communications media channels</td>
</tr>
<tr>
<td>- Human rights</td>
<td></td>
</tr>
<tr>
<td>- Compliance</td>
<td></td>
</tr>
</tbody>
</table>

### Suppliers

<table>
<thead>
<tr>
<th>Topics</th>
<th>Forms of dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Product quality and safety</td>
<td>- Supplier portal</td>
</tr>
<tr>
<td>- Environmental protection</td>
<td>- Audits</td>
</tr>
<tr>
<td>- Responsible sourcing</td>
<td>- Supplier surveys</td>
</tr>
<tr>
<td>- Compliance with MTU standards</td>
<td>- Supplier Days</td>
</tr>
</tbody>
</table>

### Capital market

<table>
<thead>
<tr>
<th>Topics</th>
<th>Forms of dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Product innovation/eco-efficiency</td>
<td>- Annual General Meeting</td>
</tr>
<tr>
<td>- Responsible corporate governance</td>
<td>- Conferences and roadshows</td>
</tr>
<tr>
<td>- Human rights</td>
<td>- Investor discussions</td>
</tr>
<tr>
<td>- Compliance</td>
<td>- Trade fairs</td>
</tr>
</tbody>
</table>
Science and research

**Topics**
- Developing new technologies
- Promoting research and teaching
- Networking between industry and research
- Study of engineering and scientific disciplines
- Recruiting

**Forms of dialogue**
- Joint research projects
- Work in MTU centers of excellence
- Trade fairs
- Visits from university student groups
- Presentations/discussions at universities

Media

**Topics**
- Innovation and technologies
- Aviation sector/eco-efficiency
- MTU as an employer
- Financial issues
- Site development
- Compliance

**Forms of dialogue**
- Press releases
- Press conferences and briefings
- Plant tours
- Internet / social media
- Trade fairs

Region

**Topics**
- Social commitment
- Climate protection
- MTU as an employer
- Site development
- Compliance

**Forms of dialogue**
- Museum open house days
- Community partnerships
- Internet / social media
- Plant tours

Politics, public agencies

**Topics**
- Developing and promoting technology
- Climate protection, eco-efficiency
- Political frameworks and regulations

**Forms of dialogue**
- Parliamentary evening
- Plant visits
- Trade fairs
Political dialogue

MTU takes no party political position as a matter of principle. We purposely cultivate relationships with parties and factions on certain topics, as aviation is affected to no small degree by political decision-making, especially at the national and European levels. Our key points of contact include elected representatives and decision-makers from ministries at the state, federal and EU levels as well as from subordinate authorities and the German Armed Forces. To ensure transparency and adherence to external and internal regulations, the company’s political dialogue is managed centrally by the Group Representation Office of the Corporate Communications department. Topics of discussion with political decision-makers included innovation, technology development and funding, eco-efficiency in 2019, focusing on climate and flight as well as SAFs, the relevance of air traffic to society, site development, economic and labor market policy, and export of goods. We pursue our industry-specific interests through memberships in various professional associations. → Overview of our memberships in the GRI index under Organizational profile

We do not make any financial or in-kind donations to political parties. All interactions in the political arena are carried out in compliance with the applicable legal and regulatory requirements and with our Code of Conduct, and must be granted central approval. Mandatory requirements are stipulated in our compliance management system and Code of Conduct, including those relating to donations, sponsorship, customer events, in-house events, hospitality and corporate gifts. Compliance with these rules and regulations is the responsibility of the relevant manager in each case and is ensured by means of an internal monitoring system. → Donations & sponsorship, → Compliance


UNGC: 10
Compliance

We act with integrity in our working and business relationships. The key basis for this is a Group-wide Code of Conduct that provides all of us with binding guidelines for our behavior in the company, toward our business partners, our customers, and in society. For us, compliance means adhering to the law and our internal regulations, such as our Code of Conduct. In doing so, we pursue a zero-tolerance approach to violations should they occur.

MTU’s long-term commercial success is founded on responsible actions carried out in full compliance with all applicable laws. Our Code of Conduct and internal guidelines contain clear requirements for employees and provide an authoritative point of orientation.

For the success of our company and for our collaboration with our stakeholders, compliance is essential. MTU conducts its business as a fair employer, business partner and customer, and advocates transparent competition where all parties are on an equal footing. Integrity and responsible conduct are core values of our corporate culture and are embedded in the MTU Code of Conduct, which is binding for all employees, managers and members of the Executive Board. These Group-wide compliance rules include topics that are important to us, including key compliance issues such as corruption prevention or antitrust law.
Key topics of the Code of Conduct

<table>
<thead>
<tr>
<th>Human rights, labor and social standards</th>
<th>Conflicts of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-trust law</td>
<td>Insider trading</td>
</tr>
<tr>
<td>Corruption and bribery</td>
<td>Employee training</td>
</tr>
<tr>
<td>Environmental protection, occupational safety, and health</td>
<td>International trade and customs</td>
</tr>
</tbody>
</table>

The MTU Code of Conduct governs how these issues are dealt with

→ MTU Code of Conduct

Each employee must be familiar with and observe the legal requirements relating to their role, the terms of their employment contract and company regulations. Managers have a particular responsibility to uphold these requirements and regulations and to act as role models. We also expect our business partners to fully comply with all applicable laws. A separate Code of Conduct applies for suppliers. → Code of Code of Conduct for Suppliers

The MTU Principles (“We shape the future of aviation”) are an integral part of our corporate culture; they help us act in a consistent and reliable manner. As a signatory to the UN Global Compact (UNGC), we have committed ourselves to preventing corruption within our company → Principle 10 of the UNGC. In the interests of maintaining sustainable corporate leadership, we take our lead from the German Corporate Governance Code and international compliance standards, such as the Good Practice Guidance on Internal Controls, Ethics, and Compliance issued by the Organization for Economic Cooperation and Development (OECD). Our commitment to fighting corruption extends beyond the company as well; besides our status as a UNGC signatory, we are also a member of the AeroSpace and Defence Industries Association of Europe and the TRACE International anti-corruption initiative.
Anti-corruption

One focus of our compliance activities is the prevention of corruption. MTU condemns corruption of any kind as well as all other forms of white-collar crime. Our long-term success is founded on compliance with legal requirements and our own internal guidelines, which strengthens trust in MTU. In addition to the Group-wide Code of Conduct, our internal regulations concern the prevention of corruption and apply especially to customer events, donations, sponsoring and the approval process for sales consultants.

Our contribution to the SDGs

“Peace, justice and strong institutions” is SDG 16 of the UN Sustainable Development Goals (SDGs) for its 2030 Agenda. It calls for a significant decrease in all forms of corruption and bribery. With a comprehensive compliance system in place, we are actively taking steps to combat corruption and bribery, minimize the risk thereof and support fair competition. We expect our suppliers to uphold the same standards as we do. In this way, we as a company are able to contribute to sustainable development in line with SDG 16 and, with integral and transparent business practices, provide an open and progressive environment that benefits society as a whole.

Embedding compliance in the organization

MTU has a compliance system for the entire company. As the final decision-making authority, the CEO is responsible for the company’s business ethics and anti-corruption policy. The core functions responsible for ensuring ethical and correct conduct are a Compliance Board and a Compliance Officer. Both the Compliance Board, whose members are top managers from various departments, and the Compliance Officer hold Group-wide responsibility. The Compliance Officer’s duties include conducting preventive measures, investigating incidents of white-collar crime, and collaborating closely with the Compliance Board in further developing the compliance system. The Compliance Board holds regular and ad hoc meetings at the request of the Compliance Officer. The Compliance Officer provides quarterly updates to the Executive Board and the Supervisory Board’s Audit Committee, which for its part informs the plenary meetings of the Supervisory Board. The Supervisory Board’s Audit Committee oversees the Executive Board’s compliance activities.

In addition, the managing directors of the sites must ensure that all compliance-relevant provisions and regulations are adhered to within their areas of responsibility, and they must see to it that compliance is appropriately embedded in the local organization.
MTU’s compliance organization

The core functions responsible for ensuring ethical and correct conduct at the company are a Compliance Board and a Compliance Officer.

Responsible international trade

Another key compliance topic for us is observance of international trade law, also known as trade compliance. MTU has its own organizational unit dedicated to ensuring trade compliance and has also instituted requirements for thorough audits. The regulations apply to all the company’s divisions, affiliates and employees worldwide. Customs and export control laws govern which products, services and technical data we are permitted to sell or provide and to where, to whom and for what purpose. Compliance with the applicable international trade regulations is a binding requirement of the Code of Conduct. → Export control law is outlined in the non-financial statement in the Annual Report (p. 118–119)

The central international trade department is responsible for implementing regulations with process standards that are uniform throughout the company. These processes include the review of all documents, software and parts prior to shipping to make sure they are in line with export control regulations or existing authorization requirements. The international trade department has been granted cross-divisional authority to issue certain directions, which extends to the right to stop deliveries. The department head reports directly to the Chief Operating Officer in his capacity as the person in charge of MTU exports.
Data protection and IT security

In our business activities, we take care to provide comprehensive data protection. In times like these and given the increasing levels of digitalization in the world of work, such protection is becoming more and more important. We have established an appropriate management system and expect all employees to comply with data protection regulations, a claim that is underpinned by our Code of Conduct. We have appointed data protection officers or coordinators in all of our Group companies, who are instructed in all relevant regulations. The aim is to achieve uniform data protection and data security standards for the handling of personal data throughout the Group that meet the requirements both of the EU General Data Protection Regulation (GDPR) and of the national legislation applicable at each location. The Executive Board is briefed on data protection once a month.

We also intensively discuss the topic of IT security, as this is a fundamental prerequisite for our business success. MTU has an IT security management system in place and implements appropriate protective measures on a technical and organizational level to ensure its IT systems are stable and secure. This also includes an internal body of rules and regulations that we have established in line with the international ISO 27001 standard.

Our compliance management system works

We want to prevent compliance violations and ensure that business decisions are made with integrity. We do not tolerate any kind of conduct that violates laws or regulations. We respond to reports immediately and appropriately, and take disciplinary action in the event of detected violations. In such cases, MTU applies a principle of zero tolerance. In the reporting year, we did not identify or confirm any suspected instances of corruption. We also did not receive any formal complaints regarding corruption. No significant fines were levied against MTU for breaches of applicable laws, and it faced no legal action stemming from corruption or due to antitrust or anticompetitive practices. In 2019 as in previous years, we had no reportable violations regarding data protection. Similarly, there were no substantial violations of the principles underpinning the Code of Conduct.

Global reporting system

We have set up a global whistleblower system that allows employees and external stakeholders to report instances of unlawful conduct to the Compliance Officer. Tips and reports can also be submitted anonymously via a web-based electronic reporting system. If the report is found to be credible, the Compliance Officer initiates the investigative steps necessary. The ways we have established for reporting non-compliance are communicated to employees through internal media channels and explained to external stakeholders in writing or on our website. In the reporting year, an internal communication campaign informed all employees and managers at all sites across the Group about iTrust, the new reporting procedure. The reporting system is available in various languages.

We treat the identity of the whistleblower and the information they impart as strictly confidential—even if the suspicion turns out to be unfounded. This is ensured by means of an internal regulation. We wish to make it clear that whistleblowers acting in good faith shall not be penalized or disadvantaged by the company in any way. In addition, employees can confide in their superiors, the legal department or HR.
Training employees on compliance

To ensure a functional compliance culture, MTU puts a high priority on preventing possible forms of misconduct and raising awareness of compliance issues among employees. When new employees are taken on, we inform them about the Code of Conduct and require them to sign a declaration to uphold it. We also present and discuss the Code of Conduct at the introductory event for new employees at all our locations. We regularly train our employees and managers at all hierarchical levels on the Code of Conduct, corruption prevention and the compliance management system. This applies in particular to new hires. In addition, we hold compliance training as needed for employees from selected areas, such as sales. In the reporting year, we trained more than 500 employees across all MTU sites on compliance matters in both e-learning and classroom sessions. In addition, we continuously provide information about and raise awareness of special compliance issues, such as data protection, in a way suitable for each target group. The Compliance Officer and the legal department can also advise our employees and managers as needed.

Limiting risks of non-compliance

We have put various control mechanisms in place to ensure compliance throughout the company and to minimize risk. In the reporting year, we evaluated all fully consolidated sites for corruption risks; no substantial risk was found. The Compliance Officer additionally inspects all sales support consulting contracts for possible corruption risks before they are placed or renewed, 2019 included, and found no indications of corruption. Potential consultants are also subject to an assessment by an independent provider of due diligence services. The corporate audit department conducts regular compliance audits in which it checks business processes and procedures for conformity to legal requirements and adherence to internal guidelines.
Outlook

We aim to continuously improve our compliance system and always ensure that our Group regulations are up to date. To that end, once a year we evaluate whether changes or amendments are necessary. In doing so, we draw on a wide range of input, including concerns raised by our employees. Here is what we have resolved to do: We are further developing our reporting system for all Group locations and also aim to rework the Code of Conduct and the corresponding e-learning course. Furthermore, in 2020 we plan to implement a new training concept in the area of international trade law.

In addition, we will completely overhaul the MTU Group’s data protection guidelines. As a global company, we require a uniform level of data protection with a standard in place that applies across the Group worldwide.

GRI: 102-12, 102-16, 103-2, 103-3, 205-1, 205-2, 205-3, 206-1, 412-2, 418-1, 419-1

UNGC: 1, 10
Our due diligence

Human rights

We respect human rights and are committed to seeing that they are upheld within the Group and upstream along the value chain. Respect for human rights is firmly embedded in our corporate culture by means of several instruments. Beyond this commitment, we aim to prevent the violation of human rights at MTU and in the supply chain.

MTU sees it as its duty to respect the individuality and dignity of all, maintain equality of opportunity in the workplace and prevent discrimination. The protection of human rights is guaranteed by the Code of Conduct for all employees.

MTU respects the internationally proclaimed human rights set out in the United Nations’ Universal Declaration of Human Rights and enforces and protects these rights within its sphere of influence. We view the respecting of human rights as a Group-wide issue that involves many different areas, including social labor standards/law for employees and sustainable supplier management.

Society’s expectations of companies regarding human rights are rising. As shown by legal regulation (e.g. the UK Modern Slavery Act) and political initiatives such as Germany’s National Action Plan (NAP) for Business and Human Rights. We are conscious of our responsibility as a company with global operations, and aim to carry out our due diligence with regard to human rights as best we can. We pursue the goal of preventing human rights violations from occurring in our own business activities (zero-tolerance principle).
Our contribution to the SDGs

As a signatory to the UN Global Compact, we support this important international initiative that aims to uphold human rights. Human rights principles also feature in the UN’s global development goals. We want to further these SDGs as a company by respecting and promoting human rights and preventing adverse effects. We support SDG 5 on “Gender equality” and SDG 8 on “Decent work and economic growth”, and see our role in achieving these SDGs primarily in enacting a responsible employment policy for our workforce.

→ Learn more about our contribution to the SDGs

Codes of Conduct for Employees and Suppliers

MTU sees it as its duty to respect the individuality and dignity of all, maintain equality of opportunity in the workplace and prevent discrimination. The protection of human rights, the right to appropriate remuneration, as well as recognition of regulations governing employee and union representation under labor and works constitution law, are implemented Group-wide through the Code of Conduct. As an employer, we want to create fair working conditions based on legally binding employment contracts with appropriate remuneration. This includes the right to unionize and to adopt collective agreements. Compliance with the Code of Conduct and ethical principles is enshrined in the MTU Principles. In addition, MTU is bound by legal obligations that may differ from location to location; in Germany, for example, MTU must honor the General Act on Equal Treatment (AGG), which prohibits discrimination against employees and job applicants. Also in Germany, we have worked with employee representatives to enact internal guidelines on fair and cooperative conduct that are designed to prevent bullying, sexual harassment and discrimination. They stipulate a systematic process for handling complaints.

When they join the company, new employees are informed about the regulations laid down in the Code of Conduct and—in Germany—in the General Act on Equal Treatment (AGG), and they undertake to comply with these requirements. In addition, we provide regular training on the Code of Conduct at all the company’s sites and across all hierarchical levels. → More about MTU’s Code of Conduct and associated training

The Code of Conduct for Suppliers applies to upstream value creation activities. Our suppliers are obligated to uphold this Code of Conduct, which is informed by the ten principles of the UN Global Compact and the core labor standards of the International Labour Organisation (ILO). The Code requires suppliers to observe and uphold human rights and to ensure that they are not complicit in any human rights violations. In addition, it calls for compliance with labor standards regarding the freedom of association, the right to collective bargaining, the prohibition of forced and child labor, the equality of remuneration regardless of gender, and equal treatment of employees. And finally, we require our suppliers to apply the Code to their subcontractors and reserve the right to terminate any contract with a supplier using child labor to manufacture products supplied to MTU, without prior notice. → More about MTU’s Code of Conduct for Suppliers
Grievance mechanisms

Established reporting procedures are intended to ensure that we rigorously follow up on all complaints or reports of human rights infringements. Reports may be made by employees or external stakeholders to the Compliance Officer as a confidential contact point in the Group, or anonymously via the new, web-based iTrust reporting system, available in multiple languages. This applies to all human rights concerns.

Additional points of contact for employees have been set up at each location, about which we provide information on site. For example, in compliance with legal regulations such as the AGG in Germany, a trained person on site is identified as the contact point for complaints regarding discrimination. For cases of sexual harassment, female employees can go to a female contact person. In accordance with Canadian law, MTU Maintenance Canada has established an Employment Equity Committee to review complaints and reports and has also named an Employment Equity Officer to serve as a confidential point of contact. At MTU Aero Engines Polska, this function is carried out by a person elected by the employees. Employees can also report grievances to managers, the works council or the head of human resources. The Executive Board is informed about infringements committed by MTU depending on the severity of their impact. In cases of substantiated complaints, we take appropriate corrective action. → More information about the collaboration between management and the works council in the chapter on MTU as an employer

Across the entire Group, no site received a substantiated complaint in 2019 according the respective anti-discrimination legislation in effect there. Furthermore, there were no substantial violations within the MTU Group of the principles underpinning the Code of Conduct. No reports of suppliers violating the Code of Conduct regarding human rights were submitted.

Risk analysis

We have identified no business location that we must consider at significant risk of child, forced or compulsory labor, or at which the freedom of association and right to collective bargaining could be compromised. MTU considers the risk of human rights violations among its employees to be low at all its locations, as it is bound by the relevant national legislation that protects human rights and can play a direct role in upholding them.

Regarding the supply chain, we apply a concept for an annual risk analysis of all key suppliers to the sites in Germany, Poland and Canada as well as the MTU Aero Engines North America subsidiary. The concept takes into account MTU-specific product groups and the countries they are sourced from. This process incorporates the assessment of the annual Global Slavery Index compiled by the Walk Free Foundation, which evaluates countries regarding forced and child labor and legal frameworks, among others. MTU applies the concept to the OEM and MRO segments separately, since each handles procurement through its own organizational units. Throughout this process, we have identified no supplier that poses a significant risk as regards child, forced or compulsory labor, or at which the freedom of association or right to collective bargaining could be compromised. MRO also conducts a supplier evaluation twice a year for vendors used by the German sites. In the future, we will expand the evaluation to cover additional sustainability aspects as well.
Conflict minerals

We take various steps to safeguard the respect of human rights in the supply chain. This applies especially to the procurement of certain raw materials known as conflict minerals: for example, tantalum, tin, tungsten and gold, which can be found in some of our engine components. These minerals can cause problems in procurement because they are sometimes mined in Central African countries, where the profits are used to finance armed conflicts that commit human rights violations. MTU strives for a sustainable and transparent value chain that excludes the use of conflict minerals. We never directly purchase conflict minerals, but they can find their way into our production or pre-production at the various levels of our global supply chain. According to the provisions of the Dodd-Frank Act applicable to companies listed on stock exchanges in the United States, our American partners and customers require that we disclose the origin of minerals used in our components and limit our sources to certified mining companies and primary-alloy producers (Conformant smelters and refiners list). In turn, MTU demands that its relevant suppliers should specify the origin of such minerals, in order to ensure that the value chain contains only conflict-free raw materials. The general terms and conditions and contract provisions require suppliers to provide information about the source of minerals in accordance with the EICC/GeSi Conflict Minerals Reporting Template. In 2019, no infractions came to the knowledge of MTU that infringe on the principles of the Dodd-Frank Act.

Outlook

We plan to further refine our risk analysis concept for suppliers in 2020, putting the emphasis on a more differentiated evaluation of product risk.

Monitoring for NAP in Germany is scheduled to finish in 2020, and a new EU regulation on conflict minerals is due to take effect in 2021. We keep an eye on these developments in human rights law so as to properly comply with relevant requirements in a timely fashion. → More information about our supplier management


UNGC: 1-6