



**Group agreement on the harmonisation of the variable  
remuneration of Senior Managers within the EADS Group**

Between

the EADS Group on the one hand,

and

the representatives of national unions on the other hand,

## **Article 1: Purpose**

This agreement concerns employees promoted as Senior Managers (level 4) according to the procedure in force at their Division, given their potential, their performances and their job evaluation (between 717-949 points according to the Hay method or any other comparable job evaluation method). These Senior Managers are paid, in addition to their fixed remuneration, an annual variable remuneration which depends on the level of achievement of collective economic targets and individual targets.

Observing that the procedures concerning the variable remuneration of the Group's Senior Managers were very different from one Division to another and from one country to another, the Central Management of the EADS Group, representatives of national trade unions and the European Works' Council wished to negotiate this agreement in order to set up across the entire Group harmonised variable remuneration rules that are consistent with those already implemented for Executives (job evaluation greater than or equal to 950 points according to Hay method or any other comparable job evaluation method). It is therefore agreed that the provisions of this agreement will be renegotiated if the policy applicable to Executives changes significantly.

In application of the agreement of 28 September 2010 concerning the labour negotiation procedure on the European level, the principles and rules laid down hereinafter constitute the mandatory legal framework for any local negotiations that may have to be undertaken to ensure the implementation of this agreement.

## **Article 2: Theoretical annual amount of variable remuneration**

According to the structure of the employment contract, the annual theoretical amount of variable remuneration for a Senior Manager is defined either according to a percentage of 20% of the total annual target income (so-called "Bonus in" system), or according to a percentage of 25% of the annual fixed salary (so-called "Bonus out" system).

The signatory parties agree to maintain this dual calculation system, which yields identical results, in order to avoid having to change the employment contracts of the Senior Managers.

However, when the annual theoretical amount of variable remuneration in force in the Divisions and companies applying the "Bonus out" system does not reach 25%, it is adjusted to this percentage, over one or several times over a maximum period of three years starting from the signing of this agreement.

Likewise, when the annual theoretical amount of variable remuneration in the Divisions and companies using a "Bonus in" system does not reach 20%, it is adjusted to this percentage over one or several times over a maximum period of three years starting from the signing of this agreement.

The signatory parties agree that, if difficult economic circumstances arise, negotiations may be undertaken with the representatives of the personnel or the trade unions with a view to extending by mutual consent the aforementioned three-year transition period to four years for the entire Division or company in question.

The cost of alignment of the theoretical variable remuneration in the "Bonus in" (20%) and "Bonus out" (25%) systems is directly financed by the Divisions and companies for 70% and by deductions from the Senior Manager's salary policy for 30%.

The Divisions and companies concerned will consult their employee representatives or trade unions in order to define the timeframe required for this alignment and the number of deductions that will be processed.

### **Article 3: Structure of the variable remuneration**

The theoretical annual variable remuneration of Senior Managers consists of one part (40%) related to the achievement of collective economic targets set by the Management of EADS and the Division (collective part) and one part (60%) linked to the achievement of individual operational and behavioural targets negotiated with each Senior Manager during his compulsory annual interview (individual part).

### **Article 4: Collective part**

#### **Article 4.1: Structure of the collective part**

The collective part represents 40% of theoretical variable remuneration. It depends in part on the economic performance recorded by the EADS Group and in part on the economic performance recorded by the Division of the Senior Manager.

This is measured at each of these two levels using two criteria: EBIT<sup>1</sup> and the Free Cash Flow<sup>2</sup>.

EADS performance (EBIT and free cash flow) represents 30% of the theoretical collective part and that of the Division represents 70%.

EBIT and free cash flow each represent 50% of the theoretical collective part at both the EADS and Division levels.

As an exception to the principle mentioned in the first paragraph of this article, the collective part of the companies Premium Aerotec, Aerolia and EFW as well as companies that are directly part of EADS<sup>3</sup> comprises an EADS part of 30% of the total and a company part of 70%. Concerning EADS France SAS, EADS UK Ltd and the personnel at EADS Deutschland GmbH, who come under the authority of the Headquarters, the collective part is totally based on the economic performance of EADS N.V.

#### **Article 4.2: Determination of annual economic targets**

The reference EBIT and free cash flow targets for EADS and the Divisions are validated each year by the EADS Executive Committee and then by the Board of Directors.

These are communicated to Senior Managers in accordance with procedures that are identical with those defined for the Executives and at the latest before the end of the first half of the year in question.

#### **Article 4.3: Evaluation of the economic part of the variable remuneration**

According to EADS' and the Division's performances related to EBIT and the free cash flow, the total collective part can vary from 0 to 200% of its theoretical amount.

Senior Managers on the one hand and employee representatives on the other hand are informed of the amount of the collective part after the publication of the financial statements for EADS and the Divisions.

### **Article 5: Individual part**

The theoretical individual part represents 60% of the theoretical variable remuneration. It depends on the level of achievement of operational targets and behavioural targets (qualitative targets and personal development objectives) defined during the compulsory annual interview

<sup>1</sup> EBIT: earnings before interest, taxes, pre-goodwill impairment and exceptionals

<sup>2</sup> Free Cash Flow: amount generated by the balance from operating activities added to the balance from investment and divestiture activities

<sup>3</sup> List of companies not directly part of the Divisions can be found in Appendix 1

between the Senior Manager and his direct manager. These targets are recorded in the electronic "Performance & Development" tool or, failing this, in a specific written document.

If necessary, these targets can be adjusted during the mid-year interview between the Senior Manager and his direct manager.

#### Article 5.1: Defining individual annual targets

The system used for the individual evaluation of Senior Managers is based on setting operational and behavioural targets during an annual interview conducted between the Senior Manager and his/her direct manager. The total number of these individual targets cannot exceed ten, including the behavioural targets and, in any case, the relative value of the behavioural targets must not exceed 40% of the total value of the individual targets.

##### 5.1.1. Operational targets (What)

- Operational targets are defined precisely, in such a way as to permit objective evaluation as to whether they have been achieved or not: they must be specific, measurable, agreed by the senior manager, realistic and time bound.
- To this end, after the Senior Manager and his/her direct manager have had their discussions during the annual interview, these operational targets are recorded in writing and validated by the Senior Manager and his/her direct manager in the minutes of the annual interview (Performance & Development e-procedure or on paper).
- Each operational target is assigned a relative value as compared with the total individual evaluation, according to its complexity and its importance for the operation of the company. This relative value is discussed between the Senior Manager and his/her direct manager during the annual interview; it is then recorded in writing in the minutes of the annual interview (electronic "Performance & Development" tool or failing this, specific written document).

##### 5.1.2. Behavioural targets (How)

- The purpose of behavioural targets is to highlight and assess the manner in which the senior manager's operational targets are achieved. They aim to permit improved professional practice and also contribute to the senior manager's personal development.
- Behavioural targets must comply with the applicable national legislations. They must be in compliance with the principles and values of the EADS Group<sup>4</sup> and should notably emphasise team spirit, social dialogue, personal development and employee wellbeing.
- Behavioural targets are directly linked to the Senior Manager's professional activity and to his/her tasks. They must be described precisely so that the Senior Manager clearly understands what is expected from him/her, the link with his/her operational targets and the way in which he/she will be evaluated.
- As with operational targets, behavioural targets are set during the annual interview between the Senior Manager and his/her direct manager, then recorded in writing in the minutes of the interview (electronic "Performance & Development" tool or failing this, specific written document).
- A list defining the reference behavioural targets is drawn up by each Division to facilitate the annual interviews. The behavioural targets set during the annual interview between the Senior Manager and his/her direct manager must, however, be adapted to the specific tasks he/she is to fulfil. The reference list of behavioural targets is presented to the employee representatives or trade unions for information and consultation.

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<sup>4</sup> EADS principles, values and behaviours (blue book – 1.3)

### 5.1.3. Disagreement

In case of disagreement on setting operational or behavioural targets, the Senior Manager may bring the dispute before the manager with authority over his/her own direct manager with whom the annual interview was carried out, in application of the rules in force in each country.

### Article 5.2: Evaluation of the individual part

Evaluating individual operational and behavioural targets is an important element in the EADS Group's Human Resources policy. It aims to strengthen the motivation and commitment of Senior Managers. In this respect, it makes a significant contribution to the operational effectiveness of the Group and its subsidiaries. Due to its great importance therefore, the system used for individual evaluation must be defined precisely so that it fully responds to the purpose for which it is designed and permits the transparency without which it could not be credible.

The process of evaluating Senior Managers' individual annual targets is based on the two fundamental principles of fairness and transparency:

- Fairness presupposes that the evaluation of the Senior Manager's individual performance is carried out based on concrete, relevant and quantifiable elements directly linked to the achievement of his/her professional tasks. It also demands dialogue between the Senior Manager and his/her direct manager concerning the means and conditions involved in achieving the annual targets.

Finally, fairness means that the evaluation of the individual performance of each Senior Manager must be consistent with that of his/her other colleague Senior Managers.

- Transparency demands that the process and rules used for individual performance evaluation are clearly understood by each Senior Manager.

### 5.2.1. The individual evaluation procedure

In the light of the principles mentioned above, the procedure used for evaluating individual annual performance can be broken down into 3 distinct phases:

- **Step 1: preliminary evaluation**  
During the compulsory annual interview, the Senior Manager and his/her direct manager assess the extent to which the annual operational and behavioural targets have been achieved, as they were defined and recorded during the previous annual interview. The purpose of this discussion is to enable the direct manager to establish a preliminary evaluation of the Senior Manager's performance. In a concern for transparency, the Senior Manager is informed of this preliminary evaluation but it is clearly explained that it is not definitive because, at this stage, its consistency has not yet been verified at the collective level. The Senior Manager and his/her direct manager each have the documents they need for the interview: the individual performance evaluation scale<sup>5</sup> in force in the Group for the senior manager and the theoretical model for the distribution of individual performances<sup>6</sup> for his/her direct manager. This theoretical model of distribution is only a decision making help; the individual performance evaluation is the key element.
- **Step 2: consistency at collective level**  
Following this preliminary evaluation step, a meeting is organised in each function or department (according to the size of the function concerned) in order to check the consistency of each individual evaluation from a collective standpoint and consequently to validate or adjust the latter. This meeting which is chaired by the manager of the function (or of the department) with the support of the Human Resources Department includes all of the direct managers concerned. Based on the common theoretical model of individual performances distribution that is valid for the entire EADS Group, they

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<sup>5</sup> Appendix 2

<sup>6</sup> Appendix 3

ensure collective consistency and fair evaluation amongst the teams, departments and functions.

When necessary, in order to preserve collective fairness, the direct manager modifies and adapts the preliminary evaluation that he/she prepared.

- **Step 3: informing the Senior Manager**  
The direct manager informs his/her Senior Manager about his/her final evaluation at the time the annual variable remuneration notification is handed over. Information is then communicated that supports the evaluation.  
The reasoned evaluation is transcribed into the "Performance & Development" tool or into written form; the employee has access to it and can consult it.

The evaluation of the individual targets for Senior Managers can vary from 0% to 200% of the theoretical amount according to the level of achievement reached. Except in the case of exceptional reasons duly established during the exceptional procedure laid down below, however, Senior Managers are guaranteed a minimum amount of 50% for the individual part in their variable remuneration.

If necessary, on the occasion of the mid-year interview, the direct manager has to draw the Senior Manager's attention to his own professional weaknesses and some improvement actions, with a view to avoiding an unfavourable yearly evaluation.

#### 5.2.2. Disagreement

If there is a disagreement on the evaluation of his/her individual targets, the Senior Manager may bring the dispute before the Manager who has authority over his/her own direct Manager, in compliance with the national rules in force in each country.

#### 5.2.3 Exceptional procedure in the case of an evaluation less than 50%

When the direct manager feels that the results of the Senior Manager warrant an amount of the individual part that is less than 50%, he/she must comply with the exceptional procedure hereinafter:

An explanatory meeting is organised between the Senior Manager concerned and his/her direct manager. It is chaired by a manager of a higher level than the latter and who is not directly involved in the decision. The Chairman is assisted by a representative from the Human Resources department, in charge of drawing up the minutes for the meeting. If the senior manager so wishes, he/she can be accompanied during this meeting by a personnel representative of his/her choice, in accordance with national legislation.

During this meeting, the Senior Manager provides all of the information that can explain the level of his/her results and discusses this with his direct manager.

At the end of the meeting, the chairman makes the final ruling: he/she can either confirm the evaluation below 50% if he/she feels that the circumstances so warrant, or decide another evaluation in terms of conciliation.

Regardless of the outcome of the procedure, a written report signed by all parties who attended the meeting is drawn up. This must mention the contents of an individual improvement plan for the Senior Manager.

## **Article 6: Determining the variable remuneration for an incomplete calendar year**

### **Article 6.1: Absences**

- 6.1.1. On condition that their monthly remuneration is maintained, the variable remuneration for Senior Managers who are absent for reasons of maternity leave, occupational injury or occupational disease is not affected by these absences. Consequently, unless more favourable legal, statutory or contractual provisions they will receive the collective part observed during the financial year during which their absence occurred, and with regards to the individual part, they benefit from at least the average that was granted to them over the last three financial years preceding their absence.
- 6.1.2. Unless more favourable legal, statutory or contractual provisions, for the other causes of absence or when the employment contract begins during the course of the calendar year, the signatory parties agree to apply the following rules:
- a) when the annual employment duration of the Senior Manager at least equals to 50% of the theoretical working time:
- The collective part obtained during the year in question is paid in proportion to the time present.
- After adjustment for individual targets, the individual part is paid in accordance with the provisions in this agreement.
- b) when the annual employment duration of the Senior Manager is less than 50% of the theoretical working time:
- The collective part obtained during the year in question is paid in proportion to the time present.
- The individual part based on the theoretical amount of 100% is paid in proportion to the time present.
- c) when the Senior Manager is absent for the entire year:
- No variable remuneration, whether collective or individual, is paid.

### **Article 6.2: Intra-Group mobility**

When, during the calendar year, the Senior Manager's work contract is modified for reasons of occupational mobility, the collective part is paid in proportion to the time spent at each of the Divisions or companies on the basis of their economic criteria and their respective performances. The individual part is paid in compliance with the provisions of this agreement after discussions between the former and new direct managers.

### **Article 6.3: Termination of the work contract**

If the Senior Manager's work contract is terminated during the calendar year, whatever the reason (redundancy, resignation, retirement or death, etc.), the variable remuneration will be paid in compliance with the national, statutory or contractual rules in force.

## **Article 7: Information pertaining to the new provisions concerning the variable remuneration**

All of the Senior Managers in the Group will be informed by the Divisions of the new provisions pertaining to the structure of variable remuneration, the procedures for setting and evaluating collective economic targets and individual targets.

In addition, before initiating the annual individual target evaluation procedure, the Divisions will explain the provisions of this agreement to the direct managers.

## **Article 8: Implementation**

This agreement applies in full to the variable remuneration for the year 2012 for which payment will be made in 2013.

However, the signatories hereby agree that the following provisions will come into force for the variable remuneration for 2011 paid in 2012:

- Theoretical variable remuneration
  - The change in the theoretical amount (bonus out) from 20% to 25% or up to 20% (Bonus in) is taken into account in accordance with the schedule and the provisions defined in the Divisions
  - Guarantees that apply to the determining of variable remuneration for incomplete years (Article 6)
- Collective part
  - Change in the ceiling from 175% to 200% (Article 4.3)
- Individual part
  - Change in the ceiling from 150% to 200% (Article 5.2)

An assessment of the implementation of this agreement will be carried out in each company at national level, in compliance with legal rules, at the end of a complete cycle of application, that is to say after the month of May 2013. A consolidated assessment will be then presented to the European committees of the Divisions and to the EADS European Works Council. According to the results observed, adaptations to this agreement may be suggested.

## **Article 9: Scope of application**

The agreement applies and is mandatory in all four Divisions of the Group to all companies with more than 10 Senior Managers, of which EADS holds more than half the capital and which are located in one of the four following countries: Germany, Spain, France and the United Kingdom.

Other companies majority-owned by EADS, but employing 10 or less Senior Managers or which are located outside the four countries mentioned above, may apply the provisions of this Agreement by decision of the Division to which they belong or by EADS for companies which are directly part of the Group.

## **Article 10: Revision – Termination**

### **Article 10.1: Revision**

This agreement may be modified at any time at the request of one of the signatory parties (Management or all signatory members of the European negotiating group) with 6-months' notice. It remains applicable until a rider defining the revision is signed.

### **Article 10.2: Termination**

This agreement may be terminated by one of the signatory parties at any time (Management or all signatory members of the European negotiating group), who must simultaneously submit a new draft agreement. In this case, renegotiation must be undertaken within six months following receipt of the termination notice. The provisions of this agreement remain applicable throughout the duration of the renegotiation and, in case of failure to reach an agreement, for a period of twelve months from the statement of disagreement.

Signed at

Date

*Diffusé par*

PLANET LABOR  
EMPLOYMENT RELATIONS INTELLIGENCE

For EADS N.V.

J. ITÄVUORI

For the European Negotiating Group

Germany

DLRH KBR

France

CFDT

CFE-CGC

CFTC

CGT

FO

Spain

CC.OO

MCA-UGT

United Kingdom

UNITE the Union

For the European Works' Council

Chairman

Vice-chairman

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