



Supply chain Progress towards  
Aeronautical Community Excellence

# PRACTICE COMPLIANCE CODE

*Strictly Confidential*

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# I. Benchmark Service



Process steps	Implementation by participants	Reference documents
<div style="border: 1px solid black; padding: 5px; text-align: center;">                     Operating Manager appoints Benchmark Provider                 </div>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> shall ensure the independence of the Benchmark Provider from SPACE Members and Associates.</li> <li>• <b>Benchmark Provider</b> guarantees the absence of conflict of interests.</li> </ul>	See Article X of the contract concluded between SPACE and Benchmark Provider
<div style="border: 1px solid black; padding: 5px; text-align: center;">                     Benchmark Provider provides sub-tier suppliers with a questionnaire based on performance indicators                 </div>	<ul style="list-style-type: none"> <li>• <b>Executive Committee and Operating Manager</b> define performance indicators.</li> <li>• <b>Operating Manager</b> shall be the only link between the Benchmark Provider and SPACE.</li> <li>• <b>Sub-tier suppliers</b> are at liberty to choose whether or not to complete the questionnaire.</li> <li>• <b>Benchmark Provider</b> shall not divulge the identity of any sub-tier supplier refusing to participate in the Benchmark.</li> </ul>	
<div style="border: 1px solid black; padding: 5px; text-align: center;">                     Sub-tier suppliers fill in the questionnaire and return it to Benchmark Provider                 </div>	<ul style="list-style-type: none"> <li>• <b>Benchmark Provider</b> shall be bound by an absolute obligation of confidentiality with respect to the Sensitive Information received either during or after the mission.</li> </ul>	
<div style="border: 1px solid black; padding: 5px; text-align: center;">                     Benchmark Provider collects all data and prepares three types of reports                 </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center; width: 30%;"> <b>Global Anonymous Report</b> is made available to all Members                     </div> <div style="border: 1px solid black; padding: 5px; text-align: center; width: 30%;"> <b>Personalized Semi-Anonymous Reports</b> are provided to each concerned sub-tier supplier                     </div> <div style="border: 1px solid black; padding: 5px; text-align: center; width: 30%;"> <b>A Detailed Report</b> may be provided to Operating Manager                     </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">1</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">2</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">3</div> </div>	<ol style="list-style-type: none"> <li>1. <b>Operating Manager</b> makes the Global Anonymous Report available to all Members.</li> <li>2. <b>Benchmark Provider</b> shall under no circumstances communicate the Semi-Anonymous Reports to any other Participant.</li> <li>3. <b>Benchmark Provider and Operating Manager</b> shall ensure that the Detailed Reports remain confidential, both during and after their respective missions with SPACE.</li> </ol>	See Article X of the contract concluded between SPACE and Benchmark Provider, Article Y of the Operating Manager's employment contract

## II. Referral Service (external consultants)



Process steps	Implementation by participants	Reference documents
<div data-bbox="288 651 728 743" style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">                     Operating Manager selects External Consultants                 </div> <div style="text-align: center;">↓</div>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> defines a list of objective criteria for accreditation of External Consultants (experience, competence, specific expertise...).</li> <li>• <b>Compliance Officer</b> validates the list of criteria, further to a deliberation of the Executive Committee.</li> <li>• <b>Operating Manager</b> selects External Consultants on this basis.</li> </ul>	
<div data-bbox="288 970 728 1070" style="border: 1px solid black; padding: 5px;">                     The list is made available to all Members, and any use is purely voluntary                 </div>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> makes the list available on SPACE website.</li> <li>• Any relationship between a sub-tier supplier and an External Consultant is outside the scope of SPACE.</li> <li>• The conditions of such missions are freely negotiated and the cost of the missions are borne by the sub-tier supplier.</li> <li>• SPACE disclaims any possible liability resulting from the publication of the list.</li> </ul>	

### III. Improvement Services

1st Step: Preparation of draft List of Improvement Services (*LIS*) by Operating Manager



Process steps	Implementation by participants	Reference documents
<p>1. Each year, Executive Members communicate to Operating Manager their own supplier candidate list for Improvement Services</p>	<ul style="list-style-type: none"> <li>• <b>Executive Members</b> identify sub-tier suppliers for which they intend to provide unilateral Improvement Services in the year to come, as well as the industrial objective pursued and the resources to which they commit.</li> <li>• <b>Executive Members and Operating Manager</b> must not disclose the candidate lists to any other Participant.</li> </ul>	<p>See Article X of the Operating Managers' employment contract</p>
<p>2. Operating Manager identifies duplication in the different unilateral candidates lists</p>	<ul style="list-style-type: none"> <li>• Improvement Services can only be provided to common suppliers' European industrial facilities.</li> <li>• <b>Operating Manager</b> identifies duplication in different candidate lists (i.e. suppliers appearing in the lists of at least two Executive Members).</li> </ul>	
<p>3. Operating Manager requests from sub-tier supplier its consent for implementation of the Improvement Services</p> <p style="text-align: center;">Yes</p>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> will not disclose to Executive Members the identity of those suppliers who have refused the action plan proposed and the reasons for such refusal, except with the written consent of the concerned sub-tier supplier.</li> <li>• <b>Operating Manager</b> defines for each sub-tier supplier having given its consent a draft of objectives for an Improvement Service.</li> </ul>	
<p>4. Operating Manager communicates to each Executive Members concerned draft list of Improvement Services (<i>LIS</i>) corresponding to its candidate list</p>		<p>Article Y of the Operating Managers' employment contract</p>

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### III. Improvement Service

#### 2nd Step: Diagnosis and Final List of Improvement Services (FLIS)

Process steps	Implementation by participants	Reference documents
<pre> graph TD     Start(( )) --&gt; Q5{5. Personnel to allocate still available?}     Q5 -- No --&gt; NoBox[No]     NoBox --&gt; OM[Operating Manager solicits other concerned Members]     OM --&gt; Q5     Q5 -- Yes --&gt; Step6[6. Operating Manager set up the most appropriate team with executive personnel available. First to conduct the diagnostic and then to support the implementation of the FLIS agreed with the supplier]             </pre>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> verifies the availability of the personnel separately and in full confidentiality with each Executive Member concerned.</li> <li>• <b>Executive Members</b> shall only invoke objective and verifiable justification for not allocating the resources committed in the unilateral candidate list.</li> <li>• In such a case, the <b>Operating Manager</b> will determine whether he can run the Improvement Services with other available resources from other concerned Executive Members. If it is not possible, the implementation of the Improvement Services will be delayed.</li> </ul>	
<p>6. Operating Manager set up the most appropriate team with executive personnel available. First to conduct the diagnostic and then to support the implementation of the FLIS agreed with the supplier</p>	<ul style="list-style-type: none"> <li>• The Improvement Service are integrated in the Final List Improvement Services (FLIS)</li> <li>• <b>SPACE</b> concludes a secondment contract with each Executive Member for the allocation of personnel.</li> <li>• <b>Operating Manager</b> sets up a Steering Committee chaired by the sub-tier supplier and composed of Seconded Personnel.</li> </ul>	<p>See Article X of the the standard secondment agreement between SPACE and each founding member and the standard list of obligations that will be added to employment contrat of the seconded personnel with regard to the proper execution of the secondment mission</p>
<p>7. Preparation by Operating Manager and Steering Committee of a mission statement for each Improvement Service</p> <p><b>Operating Manager</b> can add improvement actions that he/she would identify as being in the interest of the supply chain on the basis of the human resources available. In such a case he/she shall resume the procedure from Step 3.</p>	<ul style="list-style-type: none"> <li>• <b>Steering Committee</b> drafts a mission statement.</li> <li>• <b>Operating Manager</b> validates the mission statement.</li> </ul>	

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### III. Improvement Service

3rd Step: Implementation of the FLIS and follow-ups

Process steps	Implementation by participants	Reference documents
<p style="text-align: center;">8. The Seconded Personnel carry out the mission under the leadership and liability of the sub-tier supplier's management</p>	<ul style="list-style-type: none"> <li>• <b>Seconded Personnel</b> will be bound by a strict duty of care, notably regarding confidentiality of Sensitive Information and commercial neutrality towards sub-tier suppliers (no interference in sub-tier suppliers' management). The Seconded Personnel will not report within its own company.</li> <li>• So as to allow the <b>Operating Manager</b> to optimise the resources available (in number and competence), regular meetings will be organised with the Executive Committee where the Operating Manager will be able to ask for support from Executive Members.</li> <li>• The meetings will be held on the basis of two documents prepared by the <b>Operating Manager</b>: (i) an agenda and (ii) an Improvement Services Plan (<i>ISP</i>), listing all Improvement Services envisaged. The identity of sub-tier suppliers will be anonymised in the ISP ("Supplier A", "B", "C", etc.); the identity of a given sub-tier supplier will only be disclosed to the Executive Members who have listed this sub-tier supplier in their candidate list (cf. above).</li> <li>• The meetings will only concern resources or technical issues and discussions will be reflected in minutes. In this respect, the Executive Members will not issue any instructions to the Operating Manager, but will only provide support as requested by the latter. All decisions resulting from the discussions therefrom will be solely taken by the <b>Operating Manager</b>.</li> <li>• The <b>Operating Manager</b> will provide to the Executive Committee with an appropriate level of feedback as to the general progress status of the Improvement Services, in compliance with confidentiality and Sensitive Information requirements.</li> <li>• <b>Steering Committee</b> prepares the Mission Report which is communicated to the Operating Manager only.</li> <li>• Seconded report regularly to the Operating Manager on progresses with respect to their missions.</li> </ul>	

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### III. Improvement Service

3rd Step: Implementation of the FLIS and follow-up



Process steps	Implementation by participants	Reference documents
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; margin: 5px auto; width: 80%;">                     9. Operating Manager assesses the Mission Report and writes a report indicating progresses made                 </div>	<ul style="list-style-type: none"> <li>• <b>Operating Manager</b> must not disclose the Mission Report to anyone.</li> <li>• <b>Operating Manager</b> ensures that his/her report contains no Sensitive Information.</li> </ul>	
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; margin: 5px auto; width: 80%;">                     10. The concerned Executive Members receive the Operating Manager report                 </div>	<ul style="list-style-type: none"> <li>▪ <b>Operating Manager</b> may make available his report to other Executive Members with prior consent of the sub-tier supplier, in order to demonstrate improvements made. This would also allow sub-tier suppliers to show other Members the improvements made to their processes.</li> </ul>	See Article X of the Operating Manager's employment contract
<p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; margin: 5px auto; width: 80%;">                     11. Operating Manager reports on all Improvement actions in his/her annual report                 </div>		

### III. Improvement Service

#### Emergency Procedure



Process steps	Implementation by participants	Reference documents
<p>SPACE Executive Members identify a major and imminent industrial risk related to a sub-tier supplier, which requires immediate action</p>	<ul style="list-style-type: none"> <li>• <b>Executive Members</b> identify a major and imminent industrial risk related to a sub-tier supplier, which requires immediate action and submit a request of Emergency Procedure to the Operating Manager.</li> </ul>	
<p>Operating Manager decides on the validity of the request</p>	<ul style="list-style-type: none"> <li>• The Emergency Procedure can only concern a common supplier.</li> </ul>	
<p>Operating Manager contacts the sub-tier supplier and requests the latter's consent for the Emergency Procedure</p>		
<p>Does the sub-tier supplier accept?</p>	<ul style="list-style-type: none"> <li>• NO : <b>Operating Manager</b> communicates the refusal to the Executive Members having identified the issue.</li> <li>• YES : <b>Operating Manager</b> resumes Improvement Service Procedure at Step 4.</li> </ul>	

## IV. Sanctions



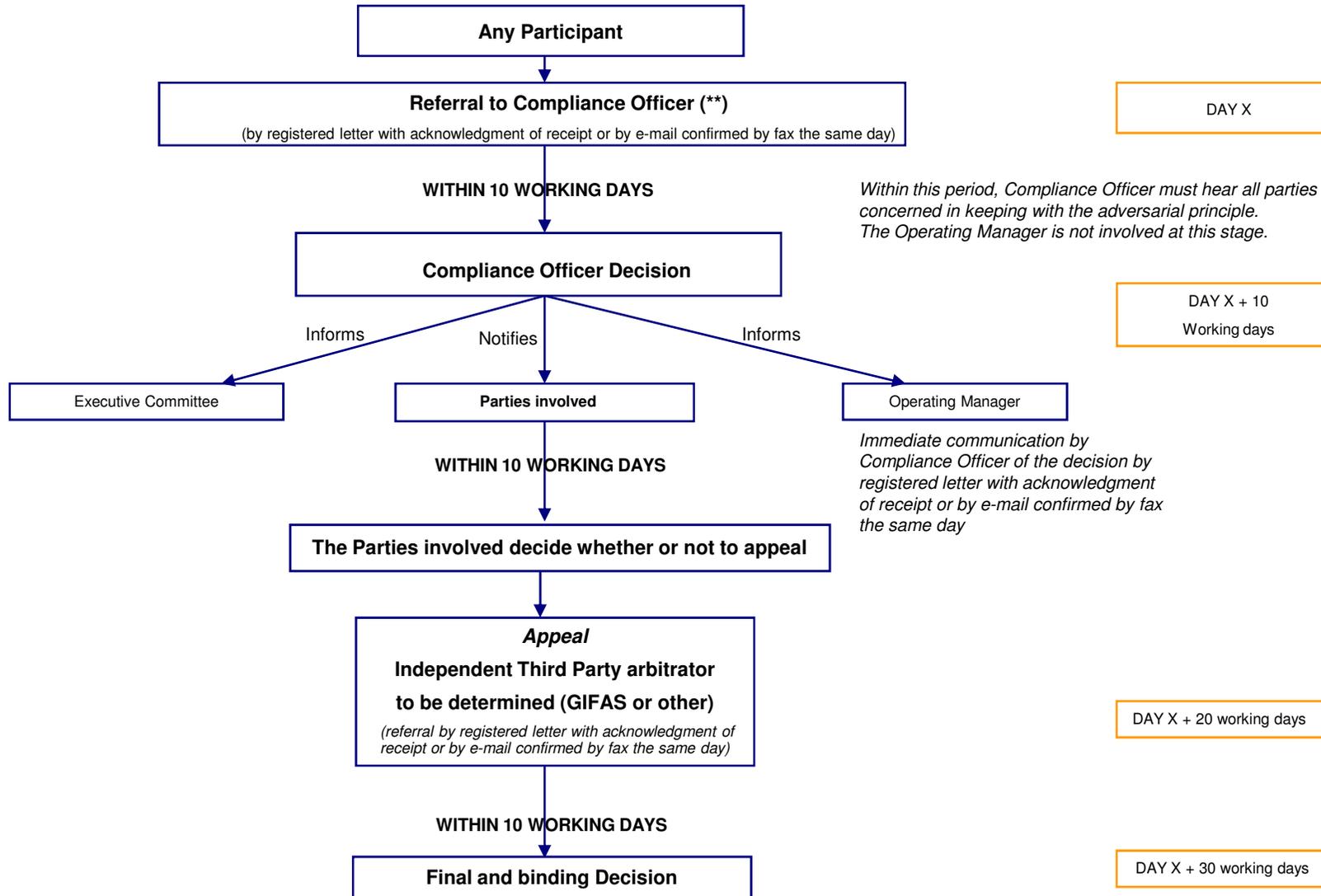
Participants	Obligations (none exhaustive)	Possible sanctions	Reference documents
Associate Members	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> <li>• Implement internal sanctions for non-compliance with the Code by employees</li> <li>• Ensure compliance by Representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Warning</li> <li>• Suspension of rights and powers as Associate Members</li> <li>• Exclusion of SPACE</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulations</li> </ul>
Benchmark provider	<ul style="list-style-type: none"> <li>• Ensuring absence of conflict of interest</li> <li>• Non-Disclosure of any Sensitive Information</li> </ul>	<ul style="list-style-type: none"> <li>• Termination for fault of contract</li> <li>• Termination for fault of contract, Damages</li> </ul>	<ul style="list-style-type: none"> <li>• Service contract</li> </ul>
Compliance Officer	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> </ul>	<ul style="list-style-type: none"> <li>• Immediate and automatic termination for fault of contract</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulations</li> <li>• Service contract</li> </ul>
Executive Members	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> <li>• Implement internal sanctions for non-compliance with the Code by employees</li> <li>• Ensure compliance by Representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Warning</li> <li>• Suspension of rights and powers as Executive Members</li> <li>• Exclusion of SPACE</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulations</li> </ul>

## IV. Sanctions



Participants	Obligations (none exhaustive)	Possible sanctions	Reference documents
Operating Manager	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> <li>• No interference in sub-tier supplier Management</li> </ul>	<ul style="list-style-type: none"> <li>• Warning</li> <li>• Dismissal by SPACE according to Operating Manager's employment contract and applicable Labour Law</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulation</li> <li>• Work contract</li> </ul>
Representatives on Executive Board	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> <li>• No participation in Improvement Services</li> </ul>	<ul style="list-style-type: none"> <li>• Warning</li> <li>• Exclusion of SPACE Project</li> <li>• Appropriate sanctions by Executive Member according to applicable Labour Law</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulation</li> </ul>
Seconded Personnel	<ul style="list-style-type: none"> <li>• Non-Disclosure of any Sensitive Information unless authorized in this Code</li> <li>• No interference in sub-tier supplier management</li> </ul>	<ul style="list-style-type: none"> <li>• Warning</li> <li>• Exclusion of SPACE Project</li> <li>• In case of very serious misconduct, appropriate sanctions by Member according to employment contract with Member and applicable Labour Law</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Regulation</li> <li>• Secondment Contracts</li> </ul>

# V. Dispute Resolution Procedure



(\*) If there is a conflict of interest preventing Compliance Officer from acting in the above dispute resolution procedure (for example, if he gave an advice in the matter relating to the case), the referral will be made directly to the Independent Third Party. Consequently none of the Participants will be given the right to appeal in that particular event.

(\*\*) Associate Members retain the right to seek other ways of obtaining satisfaction than the present Dispute Resolution procedure. Executive Members will have to comply with this procedure for all matters relating to the application of the Practice Compliance Code. For all other matters, arbitration will be compulsory among Executive Members.



Executed in Paris

On **18 June 2007**

In 10 (ten) originals, including one (1) original for each Executive Members and one original for the Association.

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AIRBUS SAS

Represented by Tom Williams  
Title: Head of Programmes and  
Head of Procurement

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EATON

Represented by Bradley J. Morton  
Title: President Aerospace Operations

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EADS N.V.

Represented by Hans Mundt  
Title: CPO – Senior Vice  
President EADS

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RATIER-FIGEAC

Represented by Michel Ferey  
Title : President

---

LIEBHERR

Represented by Dr Frieder Beyer  
Title: President

---

MOOG

Represented by Warren C. Johnson  
Title: VP & GM

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THALES AVIONICS S.A.

Represented by François Quentin  
Title : SVP and DGA

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SAFRAN S.A

Represented by Yves Leclerc  
Title: EVP

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ZODIAC Aircraft Systems

Represented by Jean Pierre Brilliant  
Title : Directeur Général