

**GENERAL DYNAMICS**

European Land Systems

Sustainability  
Report  
2015

*Summary*

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# 1. Our Company

General Dynamics European Land Systems (GDELS) is a business unit of General Dynamics Corporation and conducts its business through European operating sites located in Spain, Germany, Austria, Switzerland and Czech Republic.

With more than 1,800 highly skilled technical employees, GDELS companies design,



manufacture and deliver wheeled, tracked, and amphibious vehicles and other combat systems such as armaments and munitions to global customers.

The Group is the combination of five entities: GDELS-Germany, GDELS-Mowag, GDELS-Santa Bárbara Sistemas, GDELS-Steyr and GDELS-Czech that were unified as a single business unit under one European parent company in 2003.

As one of the European leaders in the land combat systems sector, GDELS has focused itself on four specific divisions with the aim of producing greater synergies and coordination between its 9 plants.

The four divisions are Tracked Vehicles, Wheeled Vehicles, Bridges, and Artillery & Ammunition, plus a network of R&D centers, and logistic and customer relations activities.



## 2. Our Values

## *Our Ethos and Values*

General Dynamics' ethos is our distinguishing moral nature. Our employees are a community of people dedicated to this ethos.

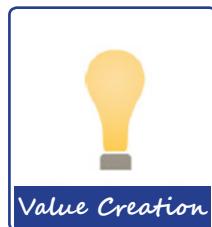
Each of us has an obligation to behave according to our values. In that way, we can

ensure that we continue to be good administrators of the investments in us by our shareholders, customers, employees and communities, now and in the future.

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Our ethos  
is rooted  
in five values

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## Our Values at Work

### **These values drive how we operate our business.**

We relentlessly pursue operating excellence by innovating, improving our processes and reducing waste. We believe in being wise administrators of capital and resources, as informed by our values.

### **These values govern how we interact with each other and our customers, partners and suppliers.**

Honesty, trust, humanity, alignment and value creation require that we be forthright about our mistakes and that we strive to correct them. We seek partners and suppliers who adhere to these values in their businesses and we hold them to that standard.

### **These values guide the way that we treat our workforce.**

We believe we have a responsibility for the health and safety of our employees. We treat

all of our employees with dignity and respect and provide them with fair compensation and equal employment opportunity. We stand behind basic universal human rights, including that employment must be voluntary. We oppose human trafficking in all forms.

### **These values determine how we connect with our communities.**

We believe that we have a responsibility to be good corporate citizens and we believe in sustainable business practices, which include supporting the environment and the communities in which we work.



## *Commitment with a Sustainable Business*

- At General Dynamics European Land Systems it is not only important to achieve good results, but also to commit to the GDELS values.
- For GDELS, Sustainable Business it is a strategic imperative and an everyday reality. Its purpose is to guarantee the quality and sustainability of all our products and business activities and applies with respect to customers, suppliers, employees, communities and environment.
- Sustainability is a reference when managing the business, inspiring our commitment to design, manufacturing and selling high tech and responsibly designed and manufactured products.
- Systematically, General Dynamics European Land Systems organizes

awareness and training programs to promote and consolidate employee engagement with our values, principles and ethical business conduct.

To this end, General Dynamics European Land Systems develop initiatives aligned with our values and commitment, and we will present in this report the main ones, focused in, and supported by, our ethics and values:

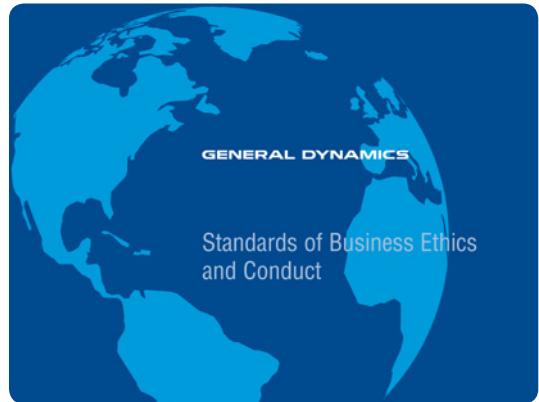
**Commitment with Employees  
Ethics Values  
Products & Supply Chain  
Environment Responsibility  
Supporting Military & Communities**



### 3. Commitment with Employees

The principles of social responsibility guide and shape General Dynamics European Land Systems actions and form the basis of the Group's approach to its people and business activities:

- All employees, no matter how intensively or scantily involved in GDELS, share the same values.
- GDELS's corporate culture is predicated on teamwork, open communication and self-imposed high standards: **Code of Conduct and Responsible Practices**
- One of GDELS's key priorities is to ensure a safe and healthy working environment for its employees by meeting legal requirements, implementing preventive actions to avoid accidents in the workplace and spread our Safety Culture.



*Based in the Code and internal rules sustaining the ethics approach to business, GDELS keeps a structure of tools and resources to guarantee total compliance with its ethical culture.*

## Health & Safety

Starting in October 2014, General Dynamics European Land Systems is implementing a safety program called Plan Zero Accidents. "Zero accidents" summarizes in two words the idea that all accidents can be avoided. We want to focus our efforts on accident prevention, and reducing it to the absolute minimum.



As part of this plan, the company sites have implemented actions focused to increase prevention, and enhance safety conditions of the work environment.

This is achieved using Continuous Improvement methodology, for example:

- Total Quality Management teams, working with engineering,
- Ergonomics,
- Safety Preventive Observations,
- Actions aligned with seasonal incidence of incidents

Other methods consist of: the review of protocols for specific types of tasks, improvement of signage, implementation of mandatory use of specific PPE caps when working inside a hull or under the vehicle, mandatory stretches in specific areas, projects to reduce cables and wires in the workshops, to mention the most significant.

All of this is supported by a continuous follow up by the H&S Team in monthly calls, quarterly safety boards, periodical information to Senior Leader Team (SLT), and a communication campaign based on ideas and an innovative approach from H&S managers and also from employees.



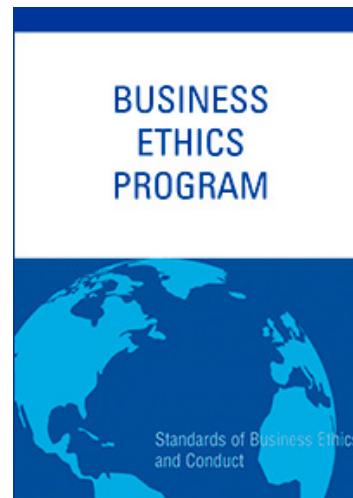


## 4. Ethic Values

## Sharing our Ethic Values

General Dynamics European Land Systems has developed specific materials to facilitate compliance, in forms of tool kits and guides for all types of needs in the organization: Gifts & Hospitalities Tool Kit, The Blue Book: Tool kit for suppliers, Business Ethics Program tri-fold, and the toolkit for managers has also been developed by GD Corporate and distributed to mid-management.

Our Company is a member of the International Forum for Business Ethical Conduct, and the Ethics & Compliance Initiative. It also participates in the Business Ethics Committee of ASD.

A graphic featuring four small images: a tank, a ship, an airplane, and a bottle of hand sanitizer. Below the images, the text reads: "Doing the Right Thing. If you are aware of accounting fraud or other financial misconduct, please speak up. Discuss it with your manager or ethics officer."  

# Speak Up.

If you don't feel comfortable reporting problems internally, call the General Dynamics Ethics Help line operated by Ethics Point, an independent company. With reports also accepted at [www.gd.ethicspoint.com](http://www.gd.ethicspoint.com).

From an outside line dial the ITFS number for your location:

Austria: 0800-291870  
Germany: 0800-991482  
Spain: 000-991486  
Switzerland: 0800-552907

24 hours a day, 7 days a week.

You do not have to give your name, and your call is not recorded. A specially-trained interviewer documents your concern and relays the information to General Dynamics for follow-up.

You may also report concerns about accounting or auditing matters directly to the Audit Committee of the Board of Directors of General Dynamics by writing to:

AUDIT COMMITTEE  
GENERAL DYNAMICS  
P.O. Box 2161  
MERRIFIELD, VIRGINIA  
22116-2161  
U.S.A.

GENERAL DYNAMICS

## Ethic Values

Together with the availability of Local Ethics Officer, the EO, Management, Legal Department, Security Department, Human Resources, employees and third parties may also access to the [www.gd.ethicspoint.com](http://www.gd.ethicspoint.com) web page, a confidential possibility to ask questions and make reports, managed by a third party. Due to the privacy laws in the UE, reports are limited to finance, fraud and corruption issues. Other complaints have to be made directly to the Ethics Officer, who has specific protocols to attend any type of issue in a confidential manner.

The described organization has permitted the company to attend an average of 30 requests for advice / reports per 1,000 employees since implementation.

ATTENTION: This webpage is hosted on EthicsPoint's secure servers and is not part of the General Dynamics Corporation website or intranet.

**GENERAL DYNAMICS**  
Ethics Helpline

FREQUENTLY ASKED QUESTIONS    STANDARDS OF BUSINESS ETHICS AND CONDUCT (BLUE BOOK)    ADDITIONAL RESOURCES

For individuals in the European Union and Switzerland, the Helpline only allows you to report concerns related to Financial, Auditing, Accounting, Banking, Bribery or Corruption allegations. If your concern pertains to other types of non-compliance issues, you are encouraged to report them to local management.



**WELCOME TO THE GENERAL DYNAMICS ETHICS HELPLINE**

General Dynamics has high ethical standards for conducting our business. If you believe someone has violated our standards, we want you to tell us so that we can investigate and, if necessary, correct any problems. If you have a question or concern about potential misconduct, there are many resources available to help you. You can talk to your supervisor, Human Resources, your Ethics Officer, or another member of management. We also encourage you to use this Helpline as a resource to ask questions, seek guidance, or report any suspected misconduct.

**ASK A QUESTION**  
Click here to ask for information or guidance about any topic related to our Standards of Business Ethics and Conduct

**REPORT A CONCERN**  
Click here to report suspected ethical misconduct, or a violation of company policy, law, or regulation

**FOLLOW UP**  
Click here if you want to use your Report Key and Password to follow up on a question or report

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## 5. Products & Supply Chain

General Dynamics European Land Systems strives to build lasting relationships with customers and suppliers based on loyalty, trust and mutual respect. In areas such as corruption prevention and export control, our policies go well beyond compliance with existing rules.

The values and philosophy of GDELS extends to GDELS's chain of suppliers, which have grown hand in hand with the company:

Suppliers are based in a close proximity to the Group's facilities in Spain, Switzerland, Germany and Austria. Those remaining are based in various global markets. Group's suppliers are bound by the ethical, social and environmental responsibility values that define GDELS.

- Tool Kit for Suppliers.
- Conflict Minerals Policy.
- Compliance with international anti-bribery laws.
- Compliance with Environment regulations.
- Compliance with REACH Regulations.



## *Conflict Minerals Policy*

General Dynamics Business Units are required by General Dynamics Corporate to file a Conflict Mineral annual report in accordance with the Securities and Exchange Commission (SEC) Section 1502 Rules. The intent of Section 1502 is to encourage transparency on the presence and origin of conflict minerals in the supply chains.



To comply with such a requirement, GDELS created a Team, formed by SCM Managers, Legal an EHS & Ethics which works to fulfill the required duties.

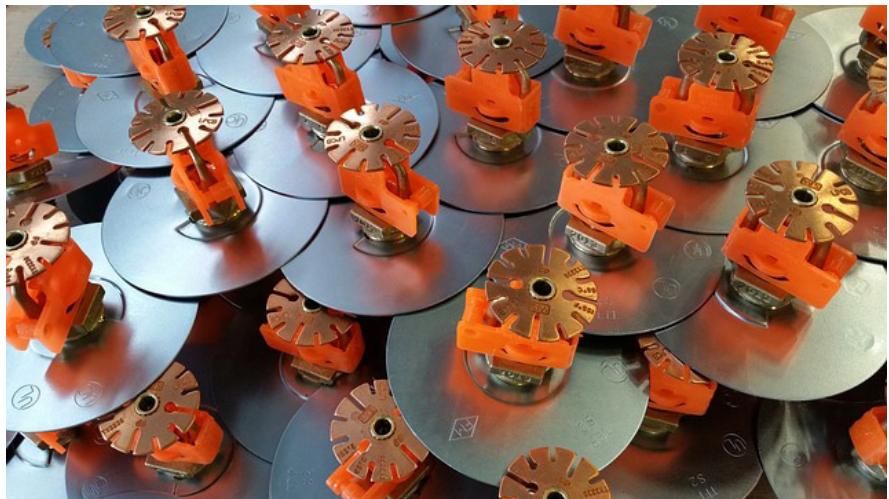
In conducting a Reasonable Country of Origin Inquiry, General Dynamics European Land Systems sent Conflict Minerals inquires to 1,486 suppliers in 2013 and to 1,122 suppliers in 2014. The company also has created internal rules and recommendations in order to stay aligned with requirements and traceability of RCOI and Due Diligence.

These minerals mined either in the Democratic Republic of Congo (DRC) or one of nine African nations that share border with the DRC , collectively named as “3TG”, are: Tin; Tantalum, Wolframite (Tungsten) and Gold.

At the same time, we believe that it is crucial to the long-term compliance and sustainability of the systems we provide. Our products meet the most stringent health and safety standards and are designed, created and managed under eco-efficient criteria:

- Its purpose is to eliminate or regulate the consumption of substances whose use is legally restricted.
- Has been drafted to comply with the most stringent product safety legislation and is updated as these regulations evolve. Are designed to guarantee the safety of all the items sold by GDELS.

- Ongoing and updated training to employees and suppliers on specific aspects to compliance requirements.





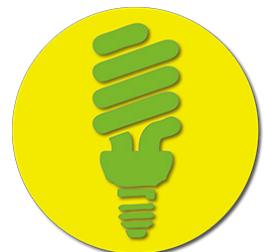
## 6. Environmental Responsibility

General Dynamics European Land Systems is acutely aware of the growing pressure on the world's limited natural resources, and for years the Group has been operating an Environmental Policy and a global environmental management system that allows us to maintain the company's pace of growth while also meeting stringent environmental standards. Specific plans developed to date guarantee that environmental approach is fully integrated into all of GDELS's operations. GDELS strives to improve environmental quality by minimizing waste and emissions, reusing and recycling, reducing the use of natural resources and promoting pollution prevention efforts.

Aligned with the Company goal of better energy management, some continuous improvement projects are permanently developed both with a cultural engagement purpose and also with an efficiency and cost reduction approach.

Aligned with European Commission and local Governments' direction on energy efficiency improvements facing year 2020, together with company commitment to Environment, General Dynamics European Land Systems implemented Continuous Improvement projects focused on energy management.

Every Site of the Business Unit works on local actions, and there is a common sharing of best practices and successful measures. Combined teams integrated by Operations, Continuous Improvement, Facilities Management and Energy specialists, together with Environment management led to impacting validated savings and important reduction of consumed mmbTUs (from 232.591 in 2013 to 159.872 in 2014). Total validated savings in 2014 represented 2.5% over total GDELS CI projects savings.



Some examples of Environment Responsibility management in GDELS are:

## *Reduction of energy use using LED lamps*

One of these projects, implemented in our facility of Vienna, deserved a recognition from the Austrian authorities, and reached a 60% reduction of energy use in the plant, by using LED lamps in a workshop.

Redefinition redefining work layout, control of rooms and workshop temperature, optimization of processes and heating devices in heat treatment facilities.

Management of CO2 emissions, increase use of natural light, implementation of automatic control of temperatures wherever possible, lean consuming actions in IT equipment.

Communication campaign about responsible use of energy, and clever use of printers.



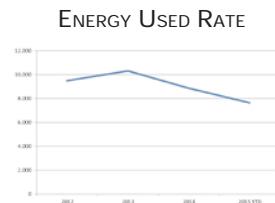
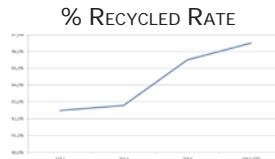
## *Analysis on specific wastes management*

GDELS-Mowag concluded investigations regarding recycling / dumping of sandblasting media /residues. Analysis and contacts with a variety of recycling partners have confirmed that GDELS-Mowag has made use of all available means to keep the environmental footprint from sandblasting to the practically feasible minimum.

The sandblasting facilities at GDELS-Mowag are fitted with an integral recycling system, internally cleaning the sand from the material residues/dust and allowing the sand to be directly reused in the sandblasting process. Consequently, the Kreuzlingen waste originating from sandblasting actually consists of the material residues/dust only, which does not contain any components significant/quantitative enough to allow economic

recycling.

GDELS agrees with its leadership and management goals and targets related to environmental performance, mostly focused in wastes and energy. Some of the main data can be seen in the graphics below:





## 7. Supporting Military & Communities

General Dynamics European Land Systems encourage and provides support for engagement with the Military and the local communities in the countries where the Group does business.

The objective is to develop close, authentic ties with the Military and other players in society, local institutions and communities.

**Supporting Military.**

**Supporting Our Communities.**

- Community Affairs
- Technology, Engineering, and Mathematics

## Supporting the Military

General Dynamics European Land Systems-Santa Bárbara Sistemas, has entered into a project led by the Spanish Ministry of Defence to facilitate the voluntary incorporation of members of the Armed Forces to civilian jobs. The program, called SAPROMIL, provides to military personnel with the means to be integrated into the civil labor market into jobs that are more suitable to their acquired knowledge and developed capacities and skills.

General Dynamics European Land Systems weapons manufacturing facilities located in Spain have donated an important collection of historical rifles, weapons and artefacts, some of them dated in the XIX Century to the Spanish Institute of Military History, the Ministry of Defence's core arm for Cultural affairs. This donation will enhance the collections of the National Army Museums and, at the same time, improve the public

knowledge about the defense industry's contribution to the economic development and security of the country.



## Supports Local Charitable Institutions

General Dynamics European Land Systems Mowag supports WG- Mühligässli in Bottighofen, near its location of Kreuzlingen, Switzerland. This charitable institution is a supervised residential community for people who have suffered brain injuries, from strokes or as result of accidents.

The support comes in many forms. Following Company rules, when employees receive gifts which fall into the range of "acceptable" they can decide if they want to keep it or not. If they keep it, they pay 20% of the value into the ethic cash-box.

The money raised is donated voluntarily to this charitable institution to fund special needs like bikes for the use of the disabled people. If employees decide not to keep the gift, this is also donated to WG- Mühligässli.

### Supporting our Communities



## *Visits from Children of the Employees*



The Kreuzlingen, Switzerland, facility of General Dynamics European Land Systems-Mowag is proud to implement an open and accessible approach to youth and the local community. Every year all children of the employees between 10 and 13 years old have the opportunity to visit the factory to get an inside view. Around 30 children participate in this "Youth Day". At the same time, the factory gives free access to celebrate "Open Door Day" in cooperation with the local schools and trade-associations. The aim is to provide students and young people the chance to explore career opportunities and to create a bi-directional sense of belonging.



## Charity Run

An employee represented General Dynamics European Land Systems in the Army Ten-Miler (16km) charity run in Washington city center on 11 October. He ran as a member of the second GD team, which came third in the 'corporate' category placings, immediately behind the group's first team. Phebe

Novakovic, president of General Dynamics, has sent a personal letter of thanks to our colleague for his readiness to take part in the run. In it she emphasizes that we should all feel proud that he is part of the company's team.



## Donations to Food Bank of Madrid

Following internal ethical standards and Blue Book guidance, General Dynamics European Land Systems donates all complementary gifts and hospitalities received by Santa Bárbara Sistemas and GDELS HQ employees from suppliers or customers to the non-profit organization Food Bank of Madrid during the Christmas season.



## Apprentices Initiative

General Dynamics European Land Systems has partnered with the Academic Motorsports Club Zurich (AMZ) to give young students and engineers the opportunity to put their acquired theoretical knowledge into practice in a highly complex engineering environment. The Apprentice Department of GDELS facility in Switzerland collaborated in the

manufacturing of complex components for the suspension system of the AMZ-Racing Team. The cooperation has been in existence since 2012 with an approximate 100 hours of work per year. GDELS-Mowag works together with other apprentices and students from different companies and industries to improve their engineering skills.



## Take your Daughter to Work Day

General Dynamics European Land Systems-Germany regularly participate in “Take your Daughter to Work Day” organized by the federal state to boost the interest of young girls in natural scientific jobs. One day a year, different companies and universities open the doors for young girls to deliver insight in the technical professions. The girls spent one day at Kaiserslautern facility and worked on the shop floor.



## Boost the Interest of Young Girls for Technical Jobs

Germany also sponsors a mentoring program called Ada Lovelace Project: to boost the interest of young girls for technical jobs. One of the General Dynamics European Land Systems in Germany female employee visits schools and reports about job, her tasks and her experiences to help pupils find the right profession. GDELS-G participates regularly (2 times a year as a minimum) in open doors days sponsored at the universities for interested students and pupils and presents job opportunities and offers hands-on trainings for those interested. Each year, GDELS-G offers an average of 25 students or pupils hands-on training within the office or shop floor with the goal to support students in their career choice.



**GENERAL DYNAMICS**

European Land Systems

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