



## Aerospace & Defense

### Driving forces

The aerospace & defense industry will continue to profit from stabilizing global economic conditions and steady GDP growth. In the defense space, government spending has continued to rise after years of stagnation and key regional powers such as the US, India and Japan have ramped up military spending. The new US administration has pledged to increase the military budget and has encouraged other NATO members to do the same. However, long-term uncertainties around military spending and global conflict still remain a challenge for companies dependent on government contracts. Managing an effective workforce that balance employee numbers with skill mix, joint R&D efforts, and other industry collaborations will be key drivers of efficiency and innovation. In the civil aviation space, demand for next generation, fuel-efficient aircraft driven by an increase in global air travel will continue to boost aircraft sales. Low fuel prices have supported this, but it is clear that operational eco-efficiency is the key long-term driver for R&D on new products and customer demand. Corruption, bribery, and anti-competitive business practices remain primary areas of concern. Harsh penalties and criminal litigation against company executives continue to highlight gaps in governance systems, despite companies' efforts to improve their compliance systems. The sensitive nature of the business and the importance of this industry to national governments both serve to increase scrutiny around companies operating in this space.

### Highlighted criteria

- Economic Dimension**
  - Codes of Business Conduct
  - Compliance with Applicable Export Control Regimes
  - Supply Chain Management
- Environmental Dimension**
  - Climate Strategy
  - Environmental Policy & Management Systems
  - Operational Eco-Efficiency
  - Product Stewardship
- Social Dimension**
  - Occupational Health and Safety
  - Stakeholder Engagement

### Sustainability leaders 2018

RobecoSAM Gold Class	
Thales SA	France
RobecoSAM Bronze Class	
Embraer SA	Brazil
Leonardo SpA	Italy
Lockheed Martin Corp	United States
Rolls-Royce Holdings PLC	United Kingdom
Sustainability Yearbook Members	
BAE Systems PLC	United Kingdom

### Industry statistics

Number of companies in universe	41
Number of companies assessed by RobecoSAM in 2017	25
Assessed companies to total companies in universe (%)	61
Market capitalization of assessed companies to total market capitalization (%)	89

### Results at industry level

Dimension	Average score	Best score	Dimension weight
Economic	49	79	40%
Environmental	49	83	27%
Social	45	82	33%

### Total score

