

2011 REPORT

Corporate Responsibility

“YOUR TASK
IS NOT TO
FORESEE THE
FUTURE BUT
TO ENABLE IT”

ANTOINE DE SAINT-EXUPÉRY

TABLE OF CONTENTS

The 2011 Corporate Responsibility report illustrates Thales's commitments and actions in a number of areas of corporate responsibility, including but not limited to the measures in place to ensure compliance.



This document can be downloaded in accessible PDF format for visually impaired and disabled readers from: sustainability.thalesgroup.com

Additional information and the latest news and data about ethics and corporate responsibility can also be found at the same address.

The Thales annual report (Registration Document) presenting the Group and its financial data can be downloaded from: www.thalesgroup.com/Group/Investors

Q

Questions to the Chairman & CEO 02

F

Foreword by the Chairman of the Ethics and Corporate Responsibility Committee 04

P

Principles of responsibility 05

A

A global leader in the quest for security 07

E

Ethics and corporate responsibility as a shared asset 15

C

Corporate responsibility in an ecosystem with customers and suppliers 25

T

Transparency and dialogue with investors 43

C

Commitments to social responsibility 49

A

Advanced technology for the environment 59

E

Engaging with the community 69



WHEN SERIOUS INTE INTENTIO NO LONG

Luc Vigneron

Chairman & Chief Executive Officer

In 2010, you said ethics and corporate responsibility were central to the strategy of change you were leading. Is that still the case?

Luc Vigneron: Absolutely. In a complex and constantly changing global environment, I consider it top priority for Thales to act within a rigorous framework and to demonstrate the strictest standards of integrity. In the strategy of change that I am leading, ethical business conduct and corporate responsibility need to be embedded in the company's decision-making processes at every level, guiding not only our major policy decisions but the choices made by individual employees on an everyday basis as they manage the complexity of the regulatory context.

You seem very determined...

LV: Indeed I am. Preventing corruption is just an example. But Thales has been fighting for change in this area for more than a decade, and we're considered a leader in the field. Today, non-compliance

with national and international laws and regulations against corruption can expose a company and its officers to criminal and civil sanctions as well as causing untold reputational damage. The slightest suspicion of corrupt practices can shatter the confidence of our investors, banking partners, customers, suppliers and employees. It can damage the company's performance. So we need more than a compliance policy – we need a robust integrity programme and the means to enforce it.

What is the difference between integrity and compliance?

LV: It's not so much about the difference between the integrity and compliance but how closely the two programmes complement each other. For Thales, enforcing compliance has involved putting in place a dedicated organisation inside the Group to ensure that all the necessary regulations and procedures are applied and to form the bedrock of an authentic policy of ethics and corporate responsibility. The integrity programme complements our

efforts to ensure compliance by helping managers develop the right reflexes. It involves providing the tools, recommendations and best practice guidelines they need to make the right decisions in every case despite the complexity of the regulatory context and the different standards and practices that exist in different parts of the world. So compliance and integrity programmes are two key instruments of our risk management policy. They both have a focus on risk prevention, and they both have a contribution to make to the long-term success and sustainability of the business.

In today's fiercely competitive global markets, how compatible is an integrity programme with a company's business interests?

LV: It's a little simplistic to suggest that the two are mutually exclusive, especially when the world is going through a major economic crisis. As far as I am concerned, our integrity policy is non-negotiable. Integrity is not a choice. When your customers are governments and major

YOU'RE ABOUT GRITY, GOODNS ARE ER ENOUGH.

industries, integrity is an absolute necessity. I have always considered that our future success hinges on the performance of the technologies we develop and the quality of the products and services we sell. The ethical standards we work to, and the business practices we choose to adopt, are also a crucial success factor – and one that Thales intends to leverage as a long-term competitive advantage in the marketplace.

Is that why you were directly involved in the G20 Summit?

LV: Yes it is. I was invited by the French employers' confederation (Medef) to be the spokesperson for the Anti-Corruption prevention working group and to speak on behalf of entrepreneurs throughout the world. I accepted because I believe the G20 countries need to put pressure on the other countries to speed up the process of ratifying the OECD Convention, and also because I believe responsible companies should get the recognition they deserve, particularly through explicit provisions in public procurement policies.

But doesn't this integrity policy make Thales less competitive than other major companies?

LV: Quite the contrary. When all the players in a given sector work together to develop a collective approach, I firmly believe they can establish global standards of ethical conduct and corporate responsibility that create a level playing field for all competitors. This is why Thales is so involved in the many committees, working groups and task forces that are addressing these issues. The business ethics initiative taken by the aerospace and defence industries on both sides of the Atlantic is a good illustration*.

Do you think your personal convictions and this sector-wide involvement are sufficient?

LV: Agreements and organisations are just a means to an end. What really matters is the will to succeed, the ability to stay focused on achieving the objective. And that really hinges on the engagement of the people on the ground. This is why we are

taking concrete steps to develop a shared sense of ethics and responsibility among all our employees. It's one of the basic goals of Thales's awareness and training policy in these areas. It's not only about building engagement but about creating collective intelligence based on mutual respect and trust. When we all have the same vision of the issues involved, and when we all share relevant information with others, we are in a better position to understand the risks and find the innovative, proactive responses that our stakeholders expect.

* See ASD and AIA initiatives, pages 29 and 31.



Bernard Rétat

Chairman of the Ethics & Corporate Responsibility Committee

In the face of increasingly stiff international competition, Thales achieved a long list of contract wins in 2011 in all areas of our business.

This continued success testifies to Thales's technological excellence and the expertise and experience of our teams around the world.

But all these new contract awards are also an endorsement of Thales's ethics and corporate responsibility policy, which has been completely reviewed and implemented throughout the Group since 2010. Thales's stringent new system has drastically reduced any risk of corruption and brought us a better appreciation of the complexities involved in areas such as export control.

To work more closely with our customers, Thales has expanded its industrial operations in a number of countries and established long-term partnerships with local players selected for their technical capabilities and their record of integrity.

These Key Industrial Partners (KIPs) undergo a strict selection and qualification procedure to ensure that they share the same high standards of ethical conduct and corporate responsibility that we expect of ourselves.

Thales's ethics and corporate responsibility policy is only effective, however, to the extent that it is clearly and unambiguously supported by management and duly understood and applied by each and every employee.

We therefore attach particular importance to employee awareness and training to maximise employee engagement with the Thales's principles and standards of ethical business conduct.

As well as the Thales *Code of Ethics*, a range of best practice guidelines and other tools are available to employees, as well as training opportunities at various points in their careers.

We have focused particular attention on staff involved in marketing and sales, project management and purchasing, and reaching members of these job families was the top priority for our ambitious Preventing Corruption training programme in 2011. This programme is mandatory for all employees involved in marketing and sales.

An ethics alert system is now in place, providing employees with a means to report ethical concerns. Indeed, Thales is one of the first companies in France to gain authorisation from CNIL, the French data protection authority, to implement this type of whistleblowing mechanism, subject to a number of specific requirements.

The Thales Ethics and Corporate Responsibility Committee is proud of the role it has played in developing and implementing these tools, and in helping to foster the culture of ethical business conduct that is so crucial to the company's success.

Of course, business ethics cannot be reduced to a set of tools and checklists. There are no set formulas and the solutions in place today are not cast in stone. Maintaining the highest standards of ethical conduct calls for a permanent quest for knowledge and betterment, an unwavering focus on our customers, suppliers, employees, shareholders and regulators, and an ability to listen to all of our stakeholders and understand what they expect of us.

The Ethics and Corporate Responsibility Committee therefore continues to communicate on a regular basis with numerous NGOs – particularly in connection with the Arms Trade Treaty, business ethics and human rights – to stay in touch with the latest developments in the area of ethics and corporate responsibility. In 2011, we also communicated more frequently with the financial community, notably with investors and analysts involved in socially responsible investment (SRI), organising around 20 one-on-one meetings with first-tier investors during the year and also taking part in several SRI conferences and roadshows.

Our industry is continuing to mobilise around these crucial issues. In 2011, the International Forum on Business Ethical Conduct (IFBEC), set up by the AeroSpace and Defence Industries Association of Europe (ASD) and the Aerospace Industries Association of America (AIA), became an institution in its own right. IFBEC brings together the major aerospace and defence companies on both sides of the Atlantic and, thanks in part to Thales's leadership and involvement, is continuing to thrive. IFBEC now has its own legal status and governance system. Its latest international conference, held in Washington DC in October 2011, attracted more than 100 representatives of major aerospace and defence companies, government bodies and NGOs, reflecting the importance of its role in sharing information and best practice and developing global standards of business ethics.

The ambitious ethics policy and organisation that Thales has developed for more than 10 years achieved a number of further successes in 2011, helping to build the Thales brand around the world and supporting our reputation as an ethical and socially responsible company.

Principles of responsibility

Launched in 2000, the United Nations Global Compact (UNGC) is both a policy platform and a practical framework for companies that are committed to sustainable business practices. It seeks to align business operations and strategies everywhere with ten universally accepted principles.

About 9,000 organisations around the world, including 6,100 companies, have joined the Global Compact. Thales signed up to the Global Compact in 2003 and has adopted its ten principles. In 2009, Thales renewed its commitment to the UNGC and its principles.



Human Rights

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	Pages 16, 19, 30, 34, 36, 39, 46, 70, 71
Principle 2	and make sure that they are not complicit in human rights abuses.	Pages 16, 19, 30, 34, 36, 39, 46

Labour Standards

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Pages 16, 18, 30, 38, 45, 47, 50, 51, 52, 53
Principle 4	the elimination of all forms of forced and compulsory labour	Pages 16, 20, 30, 38, 47, 54
Principle 5	the effective abolition of child labour	Pages 16, 20, 30, 38, 47, 54
Principle 6	and the elimination of discrimination in respect of employment and occupation.	Pages 16, 20, 30, 38, 47, 54, 55, 56, 57

Environment

Principle 7	Businesses should support a precautionary approach to environmental challenges	Pages 16, 20, 38, 39, 47, 60, 65, 66, 67
Principle 8	undertake initiatives to promote greater environmental responsibility	Pages 16, 38, 39, 47, 60, 61
Principle 9	and encourage the development and diffusion of environmentally friendly technologies.	Pages 16, 38, 39, 47, 60, 61, 62, 63, 64

Anti-Corruption

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Pages 16, 17, 18, 19, 20, 22, 26, 27, 28, 29, 30, 31, 32, 33, 38, 39, 46, 47
---------------------	--	--



A global leader in the quest for security

With operations in 56 countries and 67,000 employees, Thales is a world leader in critical information systems for the defence, security, aerospace and transportation markets.

Building on its expertise in the most sophisticated technologies and large-scale software systems, Thales is stepping up to the security challenges of its customers in an increasingly complex world. With its global network of 22,500 high-level researchers and engineers, Thales has earned particular recognition for its ability to develop and deploy dual civil and military technologies. Leveraging its international operations and spanning the entire value chain from equipment to systems and services, Thales is playing a pivotal role in making the world a safer place.

Understanding our business

Our mission

With greater mobility, growing complexity and new vulnerabilities, what does it take to make the right decisions at the right time and act accordingly?

In a world that is increasingly mobile, interconnected and interdependent, the security of people and goods, infrastructure and nations depends on leaders and organisations and their ability to decide and act in a timely fashion.

In the markets that Thales serves – defence, security, space, aerospace and ground transportation – these decisions are often of critical importance. Navy, army and air force commanders, as well as air traffic controllers, public policymakers and infrastructure operators, face these critical decisions and need full, relevant and reliable information to understand the situation and make the right choices.

The critical decision chain

Our role is to assist our customers in accomplishing their missions by providing the tools and technologies they need to

gather, process and distribute information, helping them to understand complex situations so they can decide and act in a timely fashion and obtain the best outcomes.

This understanding of the critical decision chain underpins our innovation and technological developments in areas such as large-scale software-driven systems, secure communications, sensors (radar, sonar, optical), supervision, onboard electronics, satellites and systems integration. These technologies and capabilities, and the central role of human factors in critical decision-making, are common to all our activities. The Group's employees need to constantly develop their skills to stay ahead in these areas.

A responsible local player

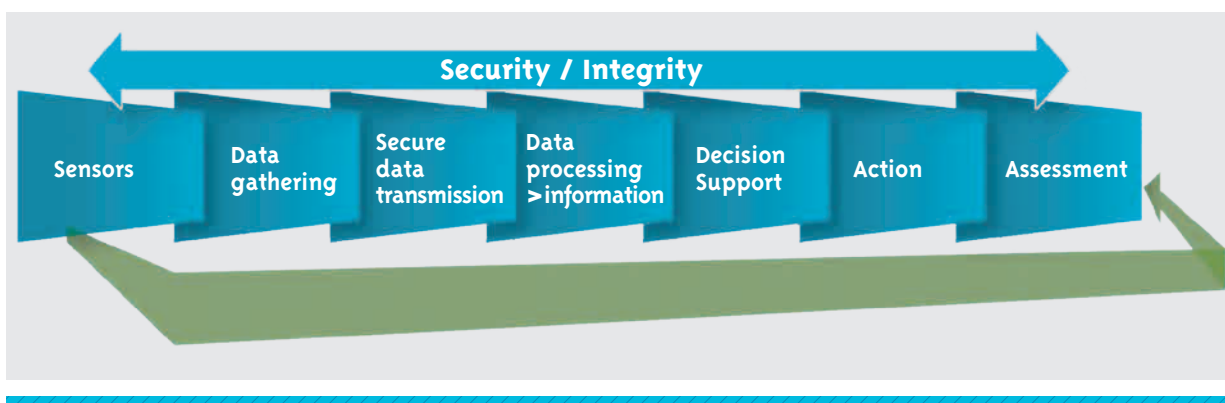
We have built up an in-depth knowledge of the markets we serve and, with operations in 56 countries, we have developed close relationships with local customers to grasp the intricacies of their operational decision-making processes and propose the best solutions for every situation.



Thales assists its customers in making critical decisions by helping them to understand complex situations so they can decide and act in a timely fashion and obtain the best outcomes.

Across all our businesses, the company's 67,000 employees are guided by a **proactive policy of corporate responsibility** that is key to managing risks and driving performance.

The critical decision chain





Our businesses

Defence and security

Governments need to respond to rapidly changing defence challenges and plan for large numbers of potential crisis situations of varying types and degrees of severity.

At the same time, with growing awareness of challenges such as terrorism, cybercrime, rising mobility, environmental risks and disaster response, sovereignty requirements now extend beyond the traditional ambit of national defence to encompass citizen

security and the protection of sensitive sites, critical infrastructure, information systems and data assets.

Thales helps national governments, local authorities and civil operators to protect their citizens, sensitive data and critical infrastructure. The company provides resilient, integrated solutions as well as interoperable equipment, systems and services, all of which are embedded within the critical decision chain and designed to evolve as needs change and as new technologies become available.

Defence		Security	
Ranking			
#1 worldwide in sonar		#1 worldwide in interbank transaction software security	
#2 worldwide in military tactical radio		#3 worldwide in hardware encryption systems	
#3 worldwide in naval electronics			
#3 worldwide in surface radar			
#4 worldwide in C4I systems			
#5 worldwide in optronics			
Strengths			
Thales provides all branches of the armed forces with a complete range of equipment, systems and services fully integrated into land, air and naval platforms to meet new demand for interoperability and C4I/STAR capabilities (Command, Control, Communications, Computers, Intelligence, Surveillance, Target Acquisition, Reconnaissance). By making it simpler to coordinate joint and coalition operations and deliver the right effect at the right time, Thales systems and solutions help deployed forces maintain decision superiority under all circumstances.		Time-honoured expertise in the defence sector underpins our ability to design, develop and deploy integrated, resilient solutions to meet national security and public safety requirements. State-of-the-art solutions from Thales protect complex infrastructure (airports, harbours, borders), sensitive data (encryption, network security management) and information systems.	



Satellites and space systems play a crucial role in modern societies, helping us to meet the major environmental and security challenges of our times, explore the universe and deploy new information and communication technologies.

Aerospace and transportation

In a world that has become increasingly reliant on the free flow of goods, data and individuals, the issue of mobility is of major economic and political importance. Aircraft manufacturers, airlines and transport system operators need to move people and goods faster and further with higher levels of safety and security and better environmental performance. Satellite technologies can help to meet these major environmental and security challenges, and they offer better access to the information and

communications technologies that play such a crucial role in modern societies.

Thales works with the major players in all of these markets to develop and deploy new solutions that help them meet their objectives costeffectively.

Space	Aerospace	Ground transportation
Ranking		
#1 in Europe commercial/civil satellites	#1 worldwide in air traffic control	#2 worldwide in rail signalling systems
#3 worldwide in commercial/civil satellites	#2 worldwide in in-flight entertainment	#1 worldwide in integrated communication and supervision systems
	#3 worldwide in avionics	
Strengths		
Thales provides commercial, institutional and military customers with end-to-end systems, satellites, payloads and ground segments for telecommunications, Earth observation, navigation and scientific research. The Group is playing a leading role on the largest civil and military space programmes, including the Iridium Next constellation, the International Space Station, Cosmo-SkyMed, Meteosat and Helios, and is also involved in exploring the planet Mars – possibly the most exciting space adventure of our time.	Thales provides both onboard electronic equipment and ground systems for air navigation and air traffic control. The company is a first-tier supplier of avionics to leading aircraft manufacturers. In air traffic management, our solutions span the entire flight-plan surveillance and security chain. Thales is playing a central role on major modernisation programmes in this sector, including Europe's future air traffic management infrastructure.	Thales has developed a structured portfolio of solutions and services dedicated to mainline and urban rail transport and urban toll road management. This positioning sets the company apart from more broad-based suppliers with offerings dominated by rolling stock, and from smaller specialised businesses, which tend to focus on a single area of expertise. In each of its market segments, Thales is a recognised specialist and leader. The company's international footprint is also exceptional, with six competence centres and fifteen integration centres on five continents.

Key figures at 31 December 2011

Order intake in 2011

Revenues in 2011

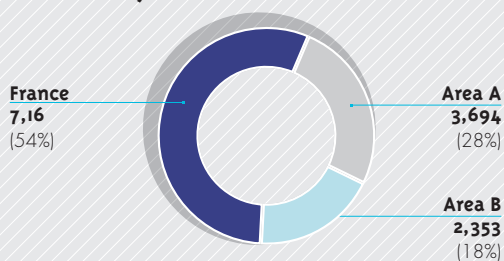
By business sector (in millions of euros)



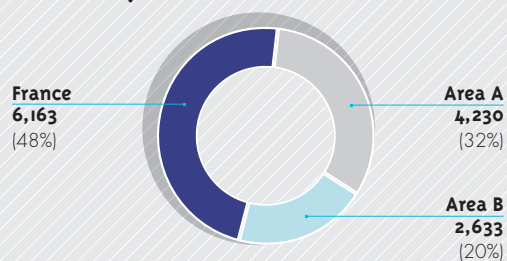
Revenues by business sector (in millions of euros)



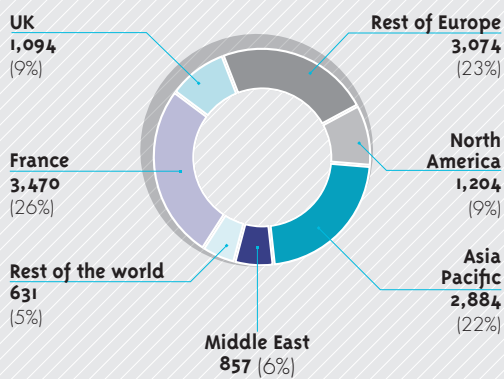
By geographic area of origin (in millions of euros)



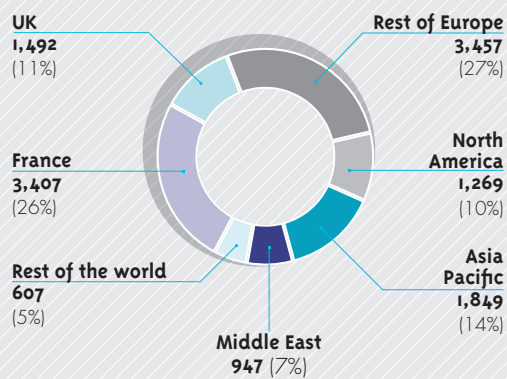
By geographic area of origin (in millions of euros)



By destination (in millions of euros)



By destination (in millions of euros)



Geographic areas of origin:

- Area A: USA, Canada, UK, Netherlands, Norway, South Korea, Australia, Northern and Central Europe and Northern Asia.
- Area B: Germany, Austria, Switzerland, Italy, Spain, Singapore, Latin America, Rest of Europe, Middle East & Africa, Western Asia, Southern Asia.

Our strategy

The three pillars of Thales's strategy are:

- Growth
- Innovation
- Performance

Growth

Most of today's **growth markets** are in Asia, Latin America and the Middle East. We intend to further expand our local industrial operations to meet the demands of local customers – most of them national governments – who want their countries to benefit directly from the skills and technologies that a company like Thales can provide.

Responsibility in action



Hervé Multon,
SVP Strategy,
Thales

"With country operations assuming more responsibilities,

Thales has adopted a new business model that structures the way we approach our markets and has a direct impact on product policy. Working with Key Industrial Partners makes us take a long, hard look at where are core strengths lie, which industrial capabilities we need to preserve and which activities can reasonably be handled by our partners as they pursue their own economic priorities and business objectives. Contributing to local economic development – in our own interests and in the interests of our customers – is also part of Thales's mission."

Europe remains Thales's historical core market. As a key player in the defence community, with a significant industrial presence in many European countries, we are playing a leading role on some of Europe's largest programmes, most of them conducted on a cooperative basis, in areas as varied as equipment and systems for land forces, aerospace, naval defence, satellites, missile systems and C4I*. This role strengthens our positions in domestic markets and adds prominence to the part we may play in any further industry consolidation.

In civil aviation, space and ground transportation, Thales is a major player on some of today's largest strategic projects. With the expansion of air traffic, growing use of satellites and plans to upgrade ground transportation infrastructure, this experience is an important asset for the future.

Innovation

To provide customers with high-tech solutions and services that meet their future requirements, Thales needs to innovate constantly. The purpose of all our innovations is to **create value for customers**, sometimes by using technology but also by finding new ways of doing business or organising ourselves, and better ways to manage our processes and combine our talents.

One of the priorities of Thales's R&D policy is to develop **technological synergies across the organisation**, particularly by leveraging our dual civil/military capabilities, so that all our markets benefit from the full potential of our expertise and experience. Key projects in areas including command and control, hypervisors, high-grade computer security and active-array radar antennas are being conducted on a multi-divisional basis for this reason.

Thales is stepping up its policy of **open innovation** with the academic community, research institutes and innovative SMEs.

We are also speeding up our investments in the resources needed to create **global product lines** in areas including tactical

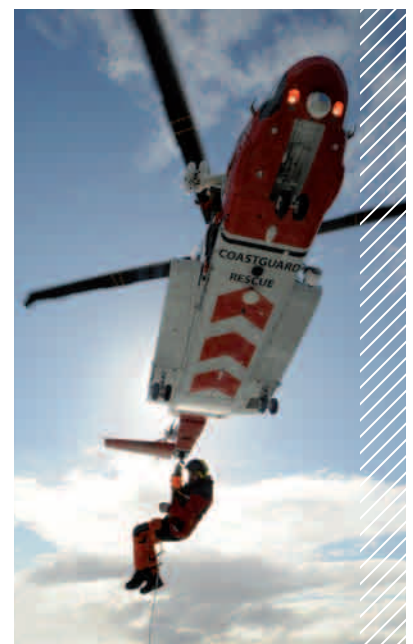
software radio, radar, sonar, optronics, maritime surveillance, cybersecurity, air traffic control and rail signalling.

Performance

Only high-tech businesses that continuously improve their operational performance, simplifying their processes and optimising the way they manage projects and risks, will have the enduring investment capacity they need to develop state-of-the-art solutions for their customers over the long term.

Setting best-in-class standards, sharing best practices and learning how to work even more cohesively as a team – these are the objectives of the Probasis performance plan for 2010-14 and our new business process baseline, the Chorus 2.0 reference system.

This comprehensive set of measures is steadily enhancing our ability to meet the commitments we make to our customers.



* C4I: Command, Control, Computers, Communications and Intelligence.



To provide customers with high-tech solutions and services that meet their future requirements, Thales needs to innovate constantly.

Thales style

Thales encompasses a rich variety of professional backgrounds and national cultures. Wherever we are and whatever our role, we are bound together by our values. They are part of a set of demanding standards of ethical conduct and corporate responsibility that we apply to every aspect of our work on a daily basis.

- **Focus on customers**, because customers are the constant priority of all Thales people. Each in our role, and collectively speaking with one voice, we strive to create sustainable satisfaction for them. By delivering top-quality service and innovative solutions, we work with our customers as partners and earn their trust.
- **Perform through teaming**, because we recognise that a team is always more effective than the sum of its parts. In all circumstances, solidarity is what enables us to create the best possible solution.
- **Innovate**, because innovation is the driving force behind everything we do. This is why we encourage the people of Thales to create competitive edge by remaining open-minded to new ideas. We dare to do things differently, to find a better way.
- **Develop our people**, because believing in their potential is a basic mark of respect. Our employees' expertise and knowledge represent our main asset. It is our priority to invest in the continued development of our people.

Building on the unique attributes of its employees and a set of shared values, Thales has developed a rigorous policy of corporate responsibility with respect to its stakeholders: customers, suppliers, employees, shareholders, the financial markets and civil society.



E Ethics and corporate responsibility as a shared asset

In 2000, Thales established a formal corporate responsibility policy with a strong focus on prevention of corruption. The policy enjoys the support of the Group's most senior management and is continuously adjusted and updated to remain relevant in an evolving and increasingly complex environment.

Today, Thales maintains a dedicated ethics and responsibility organisation and a stringent system of internal controls, continuously improves its processes and training programmes, and has procedures in place to sanction employees who violate its ethics policy.

A robust organisation



The Group-wide organisation in place to develop, implement and enforce Thales policy in these areas confirms the central role of ethics and corporate responsibility in the company's strategy.

This Ethics and Corporate Responsibility Committee is one of the Group's three governance bodies, alongside the Executive Committee and the Risk and Internal Control Committee. The Committee is responsible for staying abreast of developments in ethical standards and practices and for defining the Group's corporate responsibility policy. It met three times in 2011.

The role of the Ethics and Corporate Responsibility Department is to implement the policy defined by the Committee. The Vice President in charge of the Department reports directly to the Senior Vice President, Audit and Internal Control (who reports to the Chairman & CEO), and is also a member of the Risk and Internal Control

Committee. The Senior Vice President, Audit and Internal Control, has overall responsibility for risk management, making ethics and corporate responsibility an integral part of the Group's overall risk management system. The Ethics and Corporate Responsibility Department also maintains the *Code of Ethics*, which lays down the general practices and values underpinning the Group's operations.

An international network of 17 Ethics Officers ensure that employees in their respective units receive adequate training and information. They answer questions about compliance with the *Thales Code of Ethics*, and, most importantly, they **adapt the ethics policy to local legislation and practices**, for example with respect to gifts, hospitality and whistleblowing procedures. It is also the role of the Ethics Officers to respond to possible infringements of the *Code of Ethics* and report them to the Ethics and Corporate Responsibility Committee.

A Group-wide **Ethics Alert** system has been set up to enable every employee to obtain information and advice about the *Code*

of *Ethics* and protect their confidentiality when reporting possible infringements of the *Code of Ethics* that could engage the company's liability.

The Thales Code of Ethics

To help foster a culture of accountability, Thales has established a *Code of Ethics*, which is regularly updated and lays out the practices and behaviours that are expected of Group employees in four key areas of responsibility:

- responsibility towards, customers and suppliers,
- responsibility towards the Group's staff,
- responsibility towards shareholders and financial markets,
- responsibility towards the environment, community and company.



Published in seven languages (English, Dutch, French, German, Italian, Portuguese and Spanish), the *Code of Ethics* can be accessed by all employees on the corporate intranet and each new staff member receives a copy. Ethics Officers are responsible for ensuring that copies of the *Code of Ethics* are available in every Group unit.

Members of the Thales Group Ethics and Corporate Responsibility Committee (at 31 December 2011)

- **Chairman:** Bernard Rétat
- **General Secretary:** Dominique Lamoureux
- **Stakeholder representatives:**

Sandrine Bouttier-Stref	Environment
Didier Brugère	French institutions
Michael Seabrook	United Kingdom
Jean-Claude Climeau	Financial markets
Olivier Conrozier	International customers
Marc Darmon	Audit and internal control
Jérôme Dufour	Media / Communities
Patrick Fournié	Suppliers / Industry
Sylvie Lucot	International customers
Anne de Ravaran	Human resources
Rodney Willis	United States of America



**Dominique
Lamoureux,
VP, Ethics
and Corporate
Responsibility**

Collective intelligence as a strategic asset

Economic crisis, slower development, global warming, migratory flows, white-collar crime... For the last ten years or more, as globalisation has advanced, all the major economic players on the planet have been under pressure to work alongside governments and international organisations to make a real and tangible contribution to solving the world's problems. Corporate responsibility policies are a direct response to these new demands.

Beyond regulation

A corporate responsibility policy is a basic necessity for any company that has a commitment to sustainable growth and recognises the true role of its stakeholders. The primary policy objectives are to ensure compliance not only with a vast array of legal and regulatory requirements, but also to meet a growing number of standards, best practice guidelines and recommendations issued by international organisations and civil society, and the demands of the public at large on a range of environmental, social and societal issues.

By embracing these new responsibilities, companies clearly improve their image and reputation.

By incorporating practical prevention policies into their risk management processes, for example, they are less likely to engage in fraudulent practices and legal sanctions can be avoided.

Companies with strict corporate responsibility policies therefore deliver better overall performance. Strictly in terms of global competitiveness, however, these companies — mostly from Western nations — are at a disadvantage. In the absence of binding global rules

of corporate governance, responsible companies simply do not apply the same ground rules as less scrupulous competitors or companies with far fewer political constraints in terms of labour standards, environmental performance or human rights.

To remain competitive, responsible companies therefore need to do certain things better — not only to understand exactly what their customers expect and how their competitors are responding, but also to fully appreciate the overall business context and increase their influence in the marketplace.

And they need to develop this expertise, of course, without compromising their basic commitment to ethical business conduct.

Creating collective intelligence

The success of an economic intelligence policy of this kind hinges on collective intelligence within the company itself. Mutual trust among employees is the first prerequisite for building the kind of collective intelligence needed to fully understand the risks, to share the same vision of the opportunities and to stay motivated to pass on the relevant information to others.

Enlightened management practices founded in mutual respect are the only way to build a collective intelligence strategy that is both meaningful and successful for a company. Even competing companies can work together to build this kind of collective intelligence, with established players in a given sector sharing strategic knowledge to give themselves a competitive edge over new entrants. This approach has been adopted successfully in the aerospace and defence sector, for example, to develop common industry standards of ethical business conduct.

Even more importantly, there is an urgent need for governments and economic players to collectivise their economic and strategic intelligence.

No economic intelligence strategy will succeed without new models of public-private cooperation based on trust and authenticity.

Innovative responses call for agile minds and purposeful acts, and this is the essence of Thales's vision of corporate responsibility. Or to quote Saint-Exupéry, our task *"is not to foresee the future but to enable it"*.

Employee awareness

As well as establishing behavioural guidelines through the *Code of Ethics*, Thales organises ethics and corporate responsibility **awareness campaigns** throughout the year (intranet, corporate website, employee publications and special events). The Group also offers specific **e-learning modules and face-to-face training** opportunities to provide employees with more in-depth knowledge of Thales policy.

A training programme to encourage more ethical practices

The theme of ethics is also embedded in an increasing number of other in-house training programmes. The subject was first introduced in 2000 in training programmes on export control and prevention of corruption. Reflecting the determination to go beyond compliance and to establish ethics and responsibility as a shared corporate value, ethics training and awareness has now been introduced as a theme on a range of training programmes on topics including purchasing and programme management, and in the Passport programmes on management and marketing and sales.

In 2011, an ethics component was included in the training programme on customer support services. To deliver a consistent message, Thales has engaged two multilingual trainers specialising in ethics to conduct the same face-to-face training sessions at Thales University campuses around the world. Ethics Officers also conduct occasional training sessions or make presentations for in-country staff or specific groups of entities.



E-learning

In addition to these face-to-face training programmes, Thales offers its employees a wide range of self-paced online courses. The course catalogue can be accessed via the e-learning portal on the intranet or on the corporate website. To better match the course offerings with the needs and professional development goals of each employee, only the e-learning courses that are relevant to his or her function, job family and level of responsibility are displayed on the web portal. Online courses in areas such as management, marketing and sales, programme management and business processes, software, systems and other technologies with company-wide relevance are designed to supplement face-to-face training programmes.



More specifically, the company provides employees around the world with access to an e-learning programme designed to raise their awareness of the underlying principles of ethics and corporate responsibility. Available in French and English, the programme comprises three 30-minute modules and includes **real-life scenarios** to help employees recognise and deal with the kinds of situations they may encounter in their day-to-day work. To date, 26% of employees have taken part in the e-learning programme – the equivalent of 13,600 training hours.

Ethics workshops

In 2011, employees from a broad range of Thales job families took part in ethics workshops in Germany, France, Italy, the Netherlands and the United Kingdom. The workshops were organised with the following goals:

- gauge the degree of understanding and level of maturity of Group employees with respect to ethics issues,
- identify areas of improvement as a basis for tailored action plans designed to increase the Group's overall level of maturity on ethics-related issues.

The four-hour workshops, conducted in the official language of each country, were an opportunity for participants to express themselves freely and share their experiences of the Thales Ethics and Corporate Responsibility policy, particularly with respect to their relationships with customers and suppliers, discrimination in the workplace and environmental considerations.

The conclusions of the workshops suggest that employees have a **positive overall perception** of the Group's ethics policy and share the same aspirations for more ethical practices in the business world. Participants also felt that Thales's corporate responsibility policy should be given more visibility, and that employees should be assessed more effectively on ethics-related factors and recognised for demonstrating ethical conduct.

The workshop conclusions were submitted to the Ethics and Corporate Responsibility Committee and a two-year action plan has been launched to meet employee demands.



Intranet

Thales maintains an **ethics and corporate responsibility website** on the Group intranet, where employees can view the latest news, learn more about Thales's approach and policy and download booklets, checklists and other tools and documents. The site also offers employees a chance to learn more about the Ethics Alert system, and provides contact details for obtaining information and advice or to report any illegal practices or violations of the *Code of Ethics*.

All employees can readily download the following **guides and booklets** on the intranet:

- Thales *Code of Ethics* (seven languages available),
- business ethics conduct guides (e.g. *Gifts & Hospitality Guidelines*, *Best Practices Guide to Lobbying*),
- *reference Guide on Prevention of Corruption*,
- policy highlights (e.g. Thales corruption prevention policy),
- selected conventions and legal texts on combating bribery (e.g. OECD Convention),
- professional standards (e.g. ASD *Common Industry Standards*, ASD-AIA *Global Principles of Business Ethics*),
- e-learning modules on business ethics, including case studies in serious game format.

In addition to the *Code of Ethics*, Thales provides employees with a collection of guidelines and standards as well as face-to-face training, e-learning programmes and a dedicated site on the corporate intranet.



Processes and risk management

To enforce its corporate responsibility policy and support the sustainable development of its business activities while improving the satisfaction of customers, employees and other stakeholders, Thales has put in place a global organisation based on the principles of transparency, performance improvement and risk management.

A comprehensive risk management system

Thales develops and delivers complex systems, products and equipment for governments and major companies and organisations around the world. Due to the nature of these solutions, which are often critical for state sovereignty and/or the security of people, property and data, **strict compliance with national and international laws and regulations** is a strategic

imperative. Any instance of malpractice or malfeasance could not only expose the company to legal and financial risks but also undermine its competitive performance. Thales has had a robust organisation in place for many years to ensure that its business activities comply with all applicable laws and regulations.

In 2010, Thales also incorporated operational risks into its risk management system in order to improve business performance and raise levels of customer satisfaction. This highly original **initiative** has expanded the Thales risk management systems into a comprehensive and mature management tool that covers 18 major risks and was **recognised in 2011 by the IFACI (Institut Français de l'Audit et du Contrôle Interne)**.

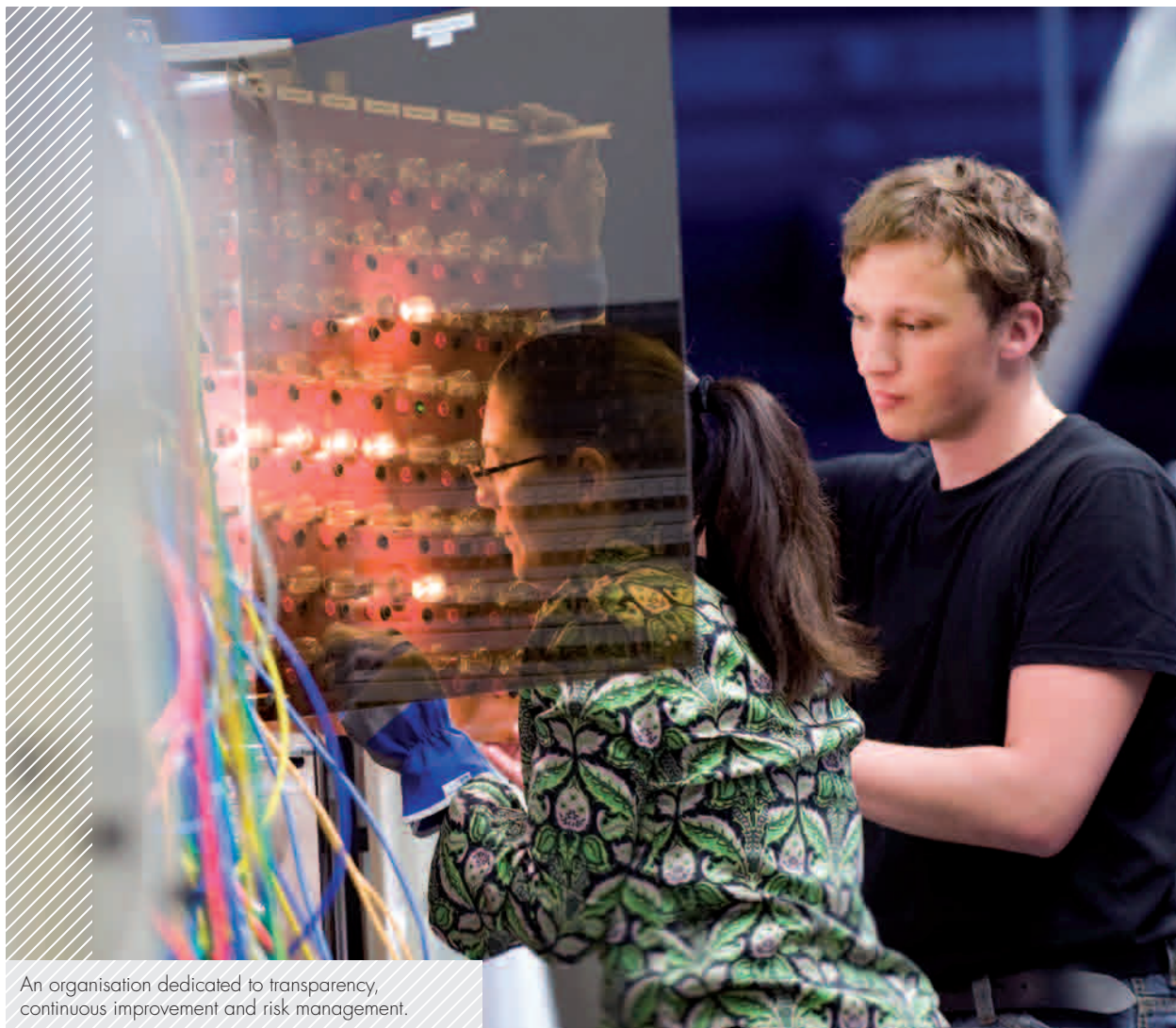
Managed by the Thales Audit and Internal Control Department, this system is based on **a multidimensional organisation**:

- A **Risk & Internal Control Committee**, reporting to the Group's Executive Committee (at least four members of which sit on the risk committee at any time), approves the principles of governance (objectives, alert thresholds, etc.) for each of the 18 types of risks identified and monitored at Group level.
- **Senior managers of each subsidiary**, who have assumed responsibility, since 2011, for the maturity of the system in place to manage corporate risk, and formally express this responsibility by issuing a yearly attestation letter. In addition, 10 entities have created their own risk committees to ensure the full and transparent application of the system: Thales UK, Thales Deutschland and, in France, Thales Communications & Security, Thales Services, Thales Avionique, Thales Systèmes Aéroportés and Thales Alenia Space.

18 major risks under strict control

Operational risks	Legal risks	Financial risks
<ul style="list-style-type: none"> - Major downtime of a site - Major failure of a project - Break in supply chain - Harm caused to people - Damage to the environment - Failure of a Thales solution in operational service - Lack of key skills or resources 	<ul style="list-style-type: none"> - Company law - Delegation of responsibilities - Bribery and corruption - Infringement of export control regulations - Breach of confidentiality - Misuse of intellectual property - Breach of competition law 	<ul style="list-style-type: none"> - Currency exchange rates and hedging - Liquidity and debt - Anomaly in financial reporting - Taxation

Note: An expert has been designated for each of these risks. Anyone involved in risk management can contact the relevant expert whenever necessary.



An organisation dedicated to transparency, continuous improvement and risk management.

An award-winning risk management system



Left to right:
Bruno Biguet (Risk & Internal Control Director),
Marc Darmon (SVP, Audit & Internal Control)
and **Luc Vigneron** (Chairman & CEO of Thales)

In 2011, the French standards body IFACI (*Institut Français de l'Audit et du Contrôle Interne*) selected Thales for two awards in recognition of its work to identify and control risks: the Thales system was awarded first prize in the 'best risk mapping' category and third prize in the 'best internal control' category.

Thales's risk mapping method is based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the IFACI in France. It makes the distinction between exogenous risks arising from the business environment, and endogenous risks arising from the company's internal processes.

The Institute's 2011 survey reviewed 100 major companies and administrations in France.

- A global network of 160 compliance officers, or risk managers, who:
 - ensure that a "risk owner" is designated for each of the major risks identified at each entity (as reported in their yearly attestation letters),
 - monitor the actions undertaken to manage risks,
 - analyse reports on risks and any instances of non-compliance detected,
 - oversee action plans,
 - remind employees of the risks involved and the need to manage them systematically.

Compliance officers are typically appointed from the legal, finance or operations departments. Profiles vary according to the type of business activities involved and the process maturity of the corresponding entity or entities.

- 40 internal auditors, including managers with significant operational experience, such as former business unit directors and programme directors, verify that the system has been correctly implemented and conduct around 150 audits each year. About 40 of these audits focus specifically on major programmes with unit values in the tens of millions of euros.

Internal audits: designed to add value, not create obstacles.



Responsibility in action



Fleur Rahou,
Internal Auditor,
Compliance
& Finance

"An internal auditor must have a sharp and enquiring mind in order to pick up on the underlying issues, and they need to be completely objective and impartial. Internal auditors have earned a very good image at Thales because, as Thales employees, we all share the same goals of innovating and controlling risks in order to win contracts and satisfy our customers while constantly building on our experience so we can do even better. That's the purpose of each audit assignment we carry out. We're committed to ensuring that our role is constructive and that our recommendations are relevant and useful. We're here to add value, not to create obstacles."

Internal audit in four phases

Phase 1: Preparation

Definition of the workplan and preliminary documentation review with the entity concerned.

Phase 2: Field work

Interviews and analysis of documents. Typically 20 to 50 people are interviewed over a period of one to two weeks by a team of two, three or four auditors. This is followed by a presentation of preliminary findings and recommendations.

Phase 3: Report

Audit report, with findings, recommendations and associated action plan, finalised in conjunction with the organisation concerned.

Phase 4: Follow-up

Follow-up provided for as long as necessary, with any delays on specific actions reported systematically to the Executive Committee.

Speaking the same language

CHORUS 2.0

The Chorus 2.0 reference system is **the Thales's business process baseline**. It is designed to help Thales perform better as a company and brings together all the processes and procedures that govern the way the Group operates. Chorus 2.0 is a single repository of 160 Group procedures, 700 instructions and related documents, 220 definitions of roles and 7,000 local support documents (checklists, templates, etc.), all of which are compliant with international standards and maturity

models and incorporate Thales best practices.

Some 1,500 people have helped to develop the new reference system since the project was launched in February 2010. Organised into **26 operational processes**, with clear and precise descriptions of key decision milestones, roles and rules to be applied, it structures every aspect of the Thales's activities. Available in French, English, Spanish and Italian, the reference system has been available to all 67,000 employees via a dedicated intranet portal since mid-2011.

In 2011, Chorus 2.0 was rolled out to **all entities around the world**. The priority for 2012 is to implement measurable and verifiable methods of ensuring that all

processes are applied systematically and rigorously. Chorus 2.0 will help the company to perform even better, to reduce non-quality costs, many of which are generated by failure to apply processes, and, more broadly, to implement the Group-wide risk management system.

Chorus 2.0 will also provide greater transparency and traceability at all levels of the organisation.

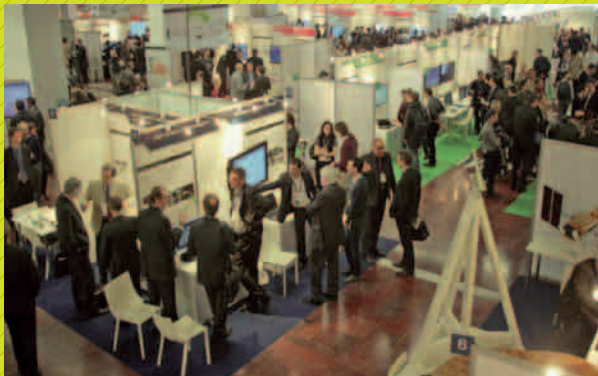
Chorus 2.0 incorporates the company's key processes

The principal processes described in Chorus 2.0:

- Bid management
- Project management
- Solution development
- Supply chain management
- Purchasing
- Service provision

Process map





C Corporate responsibility in an ecosystem with customers and suppliers

In today's global marketplace, Thales's growth is increasingly driven by emerging markets. And, according to Transparency International, the risk of corruption is greater in emerging markets than in mature ones. Successfully doing business in emerging markets thus requires a company to adapt its corruption prevention processes to new environments. To better meet the demands of customers based in these markets and to develop long-term relationships with them, and with its suppliers, Thales has adjusted its business model to strengthen its local commercial and industrial operations. Thales also adapted its risk management tools in 2011 to further consolidate its corruption prevention programme.

Corruption, an unnecessary evil

Corruption is a major risk for multinational companies, particularly those involved in public procurement contracts, and is still endemic in many countries today. For a long time, an act of bribery or corruption committed in a foreign country was deemed to be subject to the law of that country alone, and the lax legal systems of many emerging and developing countries in particular meant that corrupt practices went completely unpunished. All this changed in 1997, however, with the signing of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Today, for example, under French law and pursuant to the OECD Convention, organising a payment to a foreign "facilitator" could expose a corporate

officer to a fine of up to €150,000 and a prison sentence of up to 10 years.

Consequently, companies that export or have operations overseas must incorporate the risk of bribery and corruption into their management methods and development strategies.

Understanding, analysing and mitigating these risks is the responsibility of a company's chief executive. When Luc Vigneron was appointed Chairman & CEO of Thales in May 2009, he reaffirmed the principle of "zero tolerance" for all forms of bribery and corruption, in line with Group policy and the various measures in place since 2000.

This firm position on corruption prevention has brought Thales international recognition as a responsible company with a commitment to continuous improvement. It

has also earned the company a role in the Anti-Corruption Working Group, one of the 12 themes of **the B20** held at Cannes in November 2011, which provides a forum for the world's largest companies to discuss global issues within the framework of the G20. Thales Chairman & CEO Luc Vigneron presented the Working Group's recommendations at the last G20 Summit, which has made the fight against corruption one of its major themes.

The G20's **multi-year Anti-Corruption Action Plan**, launched in response to international pressure at the Seoul Summit in 2010, has begun to deliver results: recognising corruption as a major problem, Brazil, China, India, Indonesia and Russia adopted a range of measures in 2011 to step up the fight against corruption, particularly involving foreign public officials.

Thales at the B20 Summit in Cannes



Now an integral part of the G20 Summit, the B20 Summit provides a framework for the international business community to express its views on major global issues. More specifically, it provides an opportunity for business leaders and business organisations to make recommendations and commitments with respect to the challenges of a globalised economy. For the 2011 Summit, the presidents

of the business confederations of the G20 countries, as well as 120 leaders of global companies, worked together for several months on 12 major topics. Luc Vigneron, Chairman & CEO of Thales, was part of the working group on Anti-Corruption, which made four main recommendations to the G20:

- The fight against corruption is a critical issue that needs to be addressed by the G20 beyond the Cannes Summit.
- Efforts should now focus on fighting "passive" corruption (extortion, solicitation, etc.), and there is a need for all major exporting countries, but also importing countries, to ratify the major international anti-bribery conventions including the OECD Convention.
- "Responsible" companies should be recognised as such, encouraged and accorded special privileges in public procurement programmes; and sectoral projects like the initiative by the AeroSpace and Defence Industries Association of Europe (ASD), should be developed.
- Companies need to support governments in establishing best practices.



Zero tolerance for all forms of bribery and corruption.

Also in 2011, the Arab Spring movement forced from power the leaders of various countries where bribery, corruption and the misappropriation of public funds had become a major source of exasperation for the populace. In 2012, bribery and corruption – long considered to be a necessary evil – should continue to retreat as public indignation persists, as the public and private sectors find more effective ways of working together, and as companies continue to take a proactive stance on these issues. The next G20 summit, which will take place in Mexico, will measure progress in the fight against corruption and step up its pressure on those countries that continue to operate outside this framework.

Winning markets with integrity

To contain risks of corruption and meet customers' expectations more closely, Thales has strengthened its local management teams in entities around the world and introduced a dedicated international organisation to assure the integrity of the partners it chooses to work with.

As part of a strategy of convergence with its customers at the industrial level, Thales has forged strategic partnerships with local industry players, known as **Key Industrial Partners**. KIPs bring the Group a competitive advantage, as well as reducing corruption risks, in most of the countries involved so far. At the same time, the system enables customers – most of them national governments – to gain access to the talent and technologies that a company like Thales can provide.

Despite the benefits of establishing industrial partnerships, KIPs can also bring reputational, legal, financial or industrial risks to Thales if they are not carefully selected and managed. These risks are especially significant in countries that have

Key Industrial Partners (KIPs): a rigorous qualification process

Key Industrial Partners are qualified in a three-stage process managed by the Group's regional holding companies*:

1- Internal/external ethics evaluation

Verification of the partner's reputation, ethical history, credentials, financial data, etc.) by an outside consultant (ADIT, France's leading strategic analysis agency, set up by the French State in 1992), with additional input based on internal investigations.

2- Operational assessment

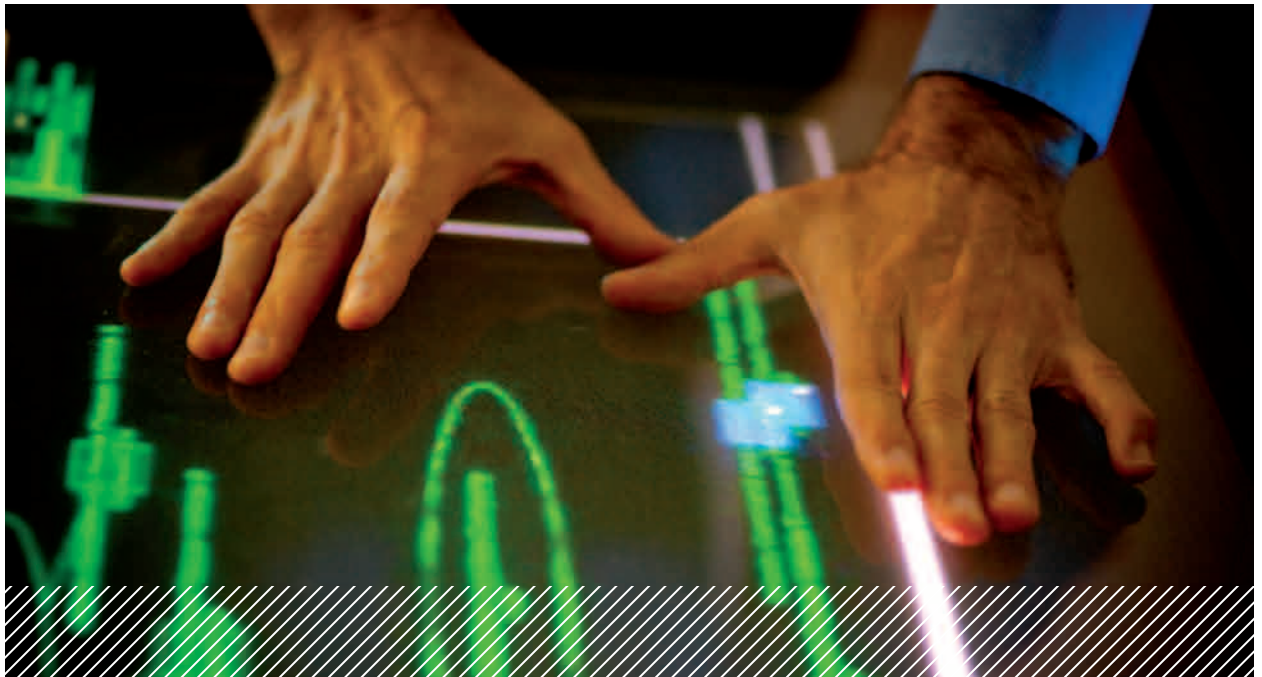
Questionnaire, followed by on-site visits to check the credibility of survey responses.

3- Analysis

The KIP Manager in each region consults legal, financial and operational teams to produce a report that determines the outcomes of the qualification process for each company based on input from all parties involved.

The KIP Manager then submits a recommendation to the director of the corresponding regional holding company, highlighting any potential risk factors (e.g. ownership structure, legal problems, conflicts of interest). Companies obtain qualification for three years provided that all these risk factors have been addressed effectively. Partners are qualified by segment, according to the classification used by the Group's purchasing organisation (e.g. installation services, logistics, civil works), and an ethics clause is included systematically in their contracts (*Purchasing and Corporate Responsibility Charter*).

* Scope of Thales regional holding companies:
Europe, Africa, Latin America,
Central Asia and Middle East,
Asia.



not achieved an adequate level of maturity regarding the prevention of corruption of public officials or private parties. Thales has put in place a **strict process** to identify, select and qualify these partners. An instruction was published to this effect in October 2010 and is now part of the Chorus 2.0 reference system. The document, entitled *Instruction to Qualify, Select and Manage Key Industrial Partners*, outlines a strict and comprehensive qualification process that includes legal due diligence, operational and technical assessments, and recommended management procedures.

Identifying potential KIPs calls for careful **strategic planning**. These partners need to offer real opportunities for market access, but at the same time they need to provide the best possible assurances with respect to the selection criteria defined by Thales.

At the end of 2011, 190 KIPs had been identified in 75 countries, and 112 had been qualified for an initial period of three years. The qualification process is ongoing for the others. Through this innovative partnership strategy, Thales now has a **worldwide base of key partners** that has been developed systematically and in accordance with a strict and highly structured qualification process. Further competitiveness gains in the coming years are partly contingent on the Group's ability to transfer more local workshare to local industries while safeguarding its core capabilities.

Under exceptional circumstances, Thales also employs the services of Business Advisers to round out the local marketing and sales support organisations. A Business Adviser can be any individual or legal entity acting as a consultant, expert, lobbyist, sponsor, representative, introducing broker or third party that provides in-depth knowledge of the markets and thereby contributes to Thales's business growth and development.

Because Business Advisers operate in close proximity to existing or potential customers, conflicts of interest and perceptions of corruption are possible. To mitigate these risks, Thales has established a **dedicated procedure** and published a new guideline for employing Business Advisers. This document, entitled *Instruction for Appointing and Managing Business Advisers*, describes how to identify, select, appoint and pay these advisers and expressly prohibits the payment of "success fees".

As part of Thales's risk-based approach, only duly designated, empowered and experienced entities have prerogatives over the selection and payment of Business Advisers. The stringent selection process includes the submission of company registrations and all other official documents, including annual reports, and all the information submitted is **systematically double-checked** by a third party. Any risk factor identified is referred to top management for further scrutiny and decision. As in the KIP procedure described above, this instruction includes strict definitions of "show stoppers" and other risk factors.

Responsibility in action



Kumiko Wada,
Director, Defense
and Aerospace
Domain,
Thales Japan

"The Corporate Responsibility policy has brought us closer to head office! We have seen a marked increase in internal controls over the last few years to check that we are compliant with local and international regulations on export control and ethical business conduct, and in particular to examine our use of Business Advisers. We are all very aware of the issues.

We know which processes need to be applied, and we can access them all through Chorus 2.0 on the intranet. It really makes us feel part of the Thales strategy and creates value for our customers at the same time."

Responsibility in action



Thomaz d'Agostini Aquino, Director, Transportation Systems / Key Account Manager, Thales International Brasil

"The function of Key Account Manager was created so that Thales can work more closely with its customers in an ethical business perspective. Ethical conduct means more than just complying with rules – it includes applying the principles of business integrity and irreproachable business practices, and upholding the Thales values we all share. The framework that the Group

has put in place allows us to adapt to local cultures, customers and contexts while still adhering to Thales policy on ethical business conduct. This policy is being very well received by customers. In fact, more and more often, customers are requiring us to make assurances about ethical and corporate responsibility as soon as we respond to a request for proposals. There is a real transformation taking place, not only here in Brazil, but in every other part of the world I have worked in."

These two instructions are an integral part of the Chorus 2.0 Group-wide reference system, which is applicable throughout the organisation, underscoring the material nature of the Group's corruption prevention policy and helping to drive a process of continuous improvement that has been in place for more than 10 years. The instructions provide a clear definition of the roles and responsibilities of Thales entities and managers to ensure the strict separation of powers.

Rounding out the organisation, a worldwide network of some 250 **Key Account Managers** (KAMs) forge long-term customer relationships and act as a single point of contact for customers from the bid phase through to project completion. The Key Account Manager also serves as the customer's ambassador within Thales to ensure that individual customer requirements are fully understood.

A proactive role in developing standards, regulations and best practices

The proliferation of international conventions since the late 1990s has gone hand in hand with a series of initiatives originating within society, or launched by international organisations or business groups. More recently, industry associations have invited companies to commit publicly, either

individually or collectively, to rejecting all forms of bribery and corruption.

By partnering with the United Nations, Transparency International, the AeroSpace and Defence Industries Association of Europe (ASD) and other organisations, Thales stays abreast of regulatory and normative changes, shares best practices with other industry players and anticipates future developments.

Through these working groups and task forces, **Thales has led or contributed to the development of common industry-wide standards and guidelines such as the OECD's Best Practices Guidance** and the Global Principles of Business Ethics signed by the ASD and the Aerospace Industries Association of America (AIA).



A worldwide network of some 250 Key Account Managers forge long-term relationships with customers.



Initiatives by civil society

Transparency International

Founded in 1993, Transparency International is the global civil society organisation leading the fight against corruption through a powerful worldwide coalition of experts. As well as providing information and awareness tools such as the Corruption Perception Index and the Transparency International Annual Report, the organisation makes practical recommendations to prevent the risk of corruption.

Thales works closely with Transparency International and is a member of the Defence Against Corruption programme, which is led by the organisation's UK chapter.

Initiatives by international organisations

United Nations Global Compact

Thales has been a member and supporter of the United Nations Global Compact since 2003 and has adopted its 10 principles in the areas of human rights, labour, the environment and anti-Corruption. Each year, Thales voluntarily reports to the organisation on its progress (actions undertaken, performance indicators, etc.)

and actively promotes these principles in its sphere of influence.

Thales is an active member of the UN Global Compact Working Group on the 10th Principle



(against corruption), whose core objectives are to:

- develop guidelines to help companies extend anti-Corruption measures to their supply chains (auditing, selecting and training suppliers, encouraging them to improve their anti-Corruption measures),
- provide tools to help SMEs develop robust anti-Corruption programmes.

In 2010, the Working Group officially launched its Guide for Customers and Suppliers during the Leaders Summit held at the United Nations in New York.

Thales was credited in the UN Global Compact's 2008 annual review and in the Global Compact for Development report in 2010 for its efforts to extend its corruption prevention policy to its suppliers and subcontractors.

Organisation for Economic Co-operation and Development

Thales collaborates with the OECD, particularly through the organisation's Business and Industry Advisory Committee (BIAC), on issues relating to public procurement and the implementation of the OECD Anti-Bribery Convention.

Thales worked with the OECD to develop the addendum to the convention, known as Annex II (or Best Practices Guidance on Internal Controls, Ethics and Compliance), aimed at helping companies, especially SMEs, establish measures for preventing and detecting the bribery of foreign public officials in their international business transactions. It also includes guidelines for international organisations and professional associations that provide assistance to companies in these efforts.

Although not legally binding, this document can help companies establish effective internal controls and compliance programmes for preventing and detecting the bribery of foreign public officials, and thus support companies in their efforts to comply with existing legislation such as the **UK Bribery Act**, which came into force on 1 July 2011. The key new measure of the Bribery Act establishes the criminal liability of companies that fail to prevent bribery. The second important feature is its extraterritorial reach. For several years, Thales's anti-Corruption procedures have been in compliance with the new provisions introduced by the Bribery Act.

Thales has also been closely associated with the OECD's work on facilitation payments, which are authorised in some national legal systems but are controversial and should be eliminated from trade practices.

Initiatives by business groups and industry associations

International Chamber of Commerce

Thales is a long-time member of the International Chamber of Commerce's Anti-Corruption Task Force. The Group actively participated in the development of RESIST (Resisting Extortion and Solicitation in International Transactions), which is designed to help employees of exporting companies to respond appropriately to a variety of solicitations. Launched in 2009, the RESIST initiative was spearheaded by the International Chamber of Commerce, Transparency International, the UN Global Compact and the World Economic Forum.

The RESIST training toolkit complements companies' existing compliance, anti-bribery and corruption prevention programmes, and focuses on solicitations from public officials and foreign customers. RESIST provides 22 real-life scenarios from a range of business processes and proposes mechanisms for anticipating and coping with solicitations from a business partner or public authority.

The scenarios are based on the best practices and experiences of multinational companies, including Thales, and are divided into two categories:

- solicitation in the context of the procurement process (7 scenarios),
- solicitation in the context of the implementation process and daily operations (15 scenarios).



The AeroSpace and Defence Industries Association of Europe (ASD) and the Aerospace Industries Association of America (AIA)

Thales is committed to **sharing** its experience and best practices with industry partners to develop sector-wide guidelines, recommendations and common standards that help to establish a level playing field.

Thales is a founding member of the ASD's Business Ethics Task Force. In 2007, after comparing the existing corporate responsibility policies and procedures, the task force published a set of guidelines known as the Common Industry Standards. These guidelines address broad matters of business integrity as well as issues specific to the aerospace and defence sector. The document has been signed by the ASD's 30 member trade associations and by more than 400 companies in Europe. In 2010, the task force was upgraded to a permanent body called the Business Ethics Committee, which is chaired by Thales and reports to the ASD Board.



Following the establishment of the *Common Industry Standards*, the ASD and its US counterpart, the AIA, teamed up to develop a set of worldwide standards. The two industry associations signed the *Global Principles of Business Ethics* document in 2009. These non-binding principles

demonstrate the **industry's commitment to ethical business conduct** and aim to help companies to develop a competitive advantage over those that fail to apply the same criteria of integrity to their business practices.



Developed under Thales's leadership, the Global Principles currently address four issues:

- zero tolerance for corruption,
- use of advisers,
- managing conflicts of interest,
- respecting proprietary information.

International Forum on Business Ethical Conduct (IFBEC)



To pursue the development of these principles and extend them to other countries, the ASD and AIA held the first International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC) in 2010 on order to encourage continuing dialogue between industry players as well as with their customers and civil society. **Thales** is a founding member of the forum and **co-chaired the first edition**, which brought together representatives of major global aerospace and defence companies and national business associations as well as leaders of organisations including the OECD, NATO, the US Air Force, the European Defence Agency and Transparency International.

At the initiative of 15 major European and American aerospace and defence companies, IFBEC created a formal governance body and a permanent task force during its annual conference in Washington DC in October 2011. IFBEC pursues two key objectives: to promote and foster the development of global, industry-wide ethical standards for companies that are active in the aerospace and defence business sector, and to organise regular forums for industry and relevant stakeholders to exchange information and best practices concerning ethical business challenges, practices and opportunities worldwide.

Members of the International Forum on Business Ethical Conduct (IFBEC) Task Force

- BAE Systems Plc.
- BAE Systems, Inc.
- The Boeing Company
- EADS
- Finmeccanica
- General Dynamics
- L-3 Communications Corporation
- Lockheed Martin Corporation
- Meggitt Plc.
- Northrop Grumman Corporation
- Raytheon Company
- Rolls-Royce Plc.
- Saab
- Safran
- Thales

All these companies are members of the AeroSpace and Defence Industries Association of Europe (ASD) and/or the Aerospace Industries Association of America (AIA).

More information:
www.ifbec.info

A comprehensive internal corruption prevention programme

The new business model adopted by Thales in 2010 is designed to expand the Group's international footprint by developing long-term partnerships in target countries centred around Key Industrial Partners (KIPs) and working together to strengthen the capabilities of local Thales entities.

Thales is especially vigilant about corruption, which has been identified in Thales's global risk management system as one of 18 major risks facing the company.

Particular attention is paid to **operational purchasing processes**, which have been revised to address supply chain risks more effectively. Thales's bid and project

management processes, which are part of the Chorus 2.0 reference system and are therefore accessible to all Group employees, now include specific corruption risk qualification and reduction mechanisms.

Ethical conduct is an important area of focus in the Group's employee awareness and training programme. Regularly updated "Behaviour Guides" are widely available to employees and support the operational tools, policies and procedures applicable throughout the organisation.

Since 2000, Thales has organised a four-hour live training programme on the prevention of corruption in international business. The programme is mainly designed for purchasers, marketing and sales professionals, bid managers and project managers, and has been completed by 4,000 employees around the world since 2008. A total of 1,300 employees took part in 2011.

A sub-module on ethical conduct has also been incorporated into numerous other Thales University training programmes, reflecting the Group's determination to go beyond compliance to make the principles of corporate responsibility an integral part of its core values.

Through this **comprehensive programme**, Thales is continuing to establish its role as an ethical player and is making an active contribution to the virtuous circle of sustainability as enshrined in the principles of the UN Global Compact.

Active and passive corruption

The World Bank estimates that illegal funds derived from corruption amount to between \$1 trillion and \$1.6 trillion a year, with bribery linked to public procurement accounting for about \$200 billion. Despite the stringent enforcement mechanisms imposed on companies in Western countries, and the strict sanctions applied by national authorities, corruption remains endemic. There is a simple reason for this: international conventions and regulations cover "active" corruption only, while little is done to combat extortion, solicitation or other forms of "passive" corruption. In some negotiations, refusing a government's demands to pay a bribe or a kick-back quite simply

means losing out on the business. In other cases, extortion schemes are so cleverly organised – kicking in after the contract is signed, for example, or buried within legitimate payments – that companies operating in places with weaker governance find themselves forced to abandon a project halfway through, or to waive payments owing to them with no recourse whatsoever. Rejecting solicitations penalises companies twice over: not only do they lose out on a contract, they also lose their competitive edge over rivals who fail to comply with the principles of international anti-Corruption conventions. The major players in the aerospace and defence sector are particularly vulnerable to extortion and have embarked on a concerted effort to drive out improper business practices through the industry-wide initiatives launched by the ASD and AIA and pursued through IFBEC.

Confronted with the same risks and challenges, these companies are working together to develop and harmonise standards of integrity across the sector so that competitors can trust each other, apply the letter of the law and build a united front against solicitation and extortion.

Active corruption

When a company offers or pays an illicit commission or undue advantage to a public official.

Passive corruption

When an illicit commission or undue advantage is requested or received by a public official.

Guidance for individual actions

Thales's ethical principles are based on individual responsibility: every employee must act fairly and responsibly, and seek out advice from colleagues without hesitation when necessary.

Lobbying

Thales produced a *Best practices guide to lobbying* in May 2011, designed to provide employees in relevant job families — particularly marketing and sales, bid and project management, services and support, purchasing, finance and communications — with information and recommendations about lobbying activities.

Thales defines lobbying as the provision of relevant information, in complete transparency, to assist public officials in their decision-making processes. In practical terms, this means making public officials aware of Thales's technical expertise and credentials in ways that support the company's growth and development.

This *Best practices guide to lobbying* is designed to enable employees to assess the risks associated with any lobbying activities that could involve side negotiations or closed-door discussions, for example, and that could therefore be perceived as an attempt to exert undue influence over decision-makers.

The aim is to help employees to develop the right reflexes with respect to lobbying, make them aware of the stakes involved, and help them to make the right choices in their day-to-day activities so that they can avoid crossing the poorly defined line between legitimate promotion and influence peddling or corruption.



Gifts and hospitality

At the end of 2009, Thales published a *Gifts and Hospitality Guidelines* to provide employees in all job families and countries with specific details about these questions. The guide is based on the same principles as the Code of Ethics and is intended as a practical management tool that is applicable to all companies controlled by the Thales Group. The document includes decision support tools such as diagrams and checklists and a description of the "4Rs rule" (Regulations, Reasonable, Responsible and Record) that Thales applies to gifts and hospitality.

Supplements to the guide cover national legislation, case law, tax requirements and country-specific cultural considerations in various countries. Supplements were added for the United Kingdom in 2009, Germany and France in 2010, and Spain, Hong Kong and Poland in 2011.



Complying with export control regulations

A stringent framework

Thales manufactures systems and equipment for civil and military applications in democratic countries with strong governance and strict control of manufacturing processes and technologies.

As signatories of international laws and conventions regulating the production, sale, export, re-export and import of defence or “dual-use” components, equipment and technologies, these countries impose strict anti-Corruption and export control laws on all companies, particularly those in the defence sector.

These regulations take into account national sovereignty and security imperatives, as well as international arms control, disarmament and non-proliferation agreements.

In 2011, defence and security activities accounted for more than half of Thales’s revenues, and exports represented close to 40% of total sales.

Many of the Group’s business activities are dependent on **strict compliance** with export regulations in various countries. Failure to comply could lead, at the very least, to damaging delays in deliveries, frequently accompanied by financial penalties, and in the most serious cases a

range of severe sanctions such as prohibitively large fines, prison sentences for company directors, or even a temporary or permanent ban on imports or exports.

In addition, a significant proportion of Thales’s products and solutions rely on items that are bought in from outside suppliers. The Group must therefore remain constantly aware of the export constraints on **purchased items**, particularly those from Japan, to ensure that the items are not subject to the prohibition on use for military purposes, and the United States, where the Group purchases well over €1 billion of goods that may be subject to extra-territorial export control regulations.

EU Common Position on arms exports

In late 2008, the members of the European Union adopted a common position on arms exports containing a set of criteria that member states agree to apply when issuing export licences for military technology and equipment:

- respect for the international obligations of member states,
- internal situation in the country of final destination,
- preservation of regional peace, security and stability,
- national security of member states, and of friendly and allied countries,
- behaviour of the buyer country with regard to the international community, in particular its attitude to terrorism,

- existence of a risk that the military technology or equipment will be diverted within the buyer country or re-exported under undesirable conditions,
- compatibility of the exports of military technology or equipment with the technical and economic capacity of the recipient country.

In France, the official list of defence and defence-related equipment is set out in the Decree of 17 June 2009. All EU member states have adopted equivalent legislation.

Thales makes the case for modernising export controls

For several decades, countries have passed export control legislation as a means to protect their national security and help fight against the proliferation of weapons of mass destruction. Many different control mechanisms co-exist, some of them multilateral, others extra-territorial. With the globalisation of production and the emergence of new threats, there is a risk that such national laws will become less effective and less relevant.

There is thus a need to develop a new international legal framework that takes into account the increasingly global dimension of companies' operations, while at the same time helping to combat new threats such as asymmetric warfare – which includes terrorism – and cybercrime.

For a number of years, Thales has pressed the case for the modernisation of export control provisions, in particular through the development of a "**Certified Enterprise**" standard for companies that manufacture and sell sensitive goods, and the creation of a "**general licence**" for exchanges among democratic countries.

These ideas were partially incorporated into the European Directive on intra-EU transfers of defence-related products, adopted in May 2009. The key provisions of the Directive are as follows:

- a general transfer licence authorising any company resident in an EU member state to conduct transfers of specified defence-related products,
- a global transfer licence authorising an individual supplier to transfer defence-related products to recipients in one or more other EU member states,
- an individual transfer licence authorising a supplier to conduct one transfer of specified products to one recipient in another EU member state,
- certification of recipients of transfers, issued for a limited period (three years),
- a re-export control mechanism,
- a system of sanctions to ensure strict compliance with the new provisions.

A rigorous internal regime

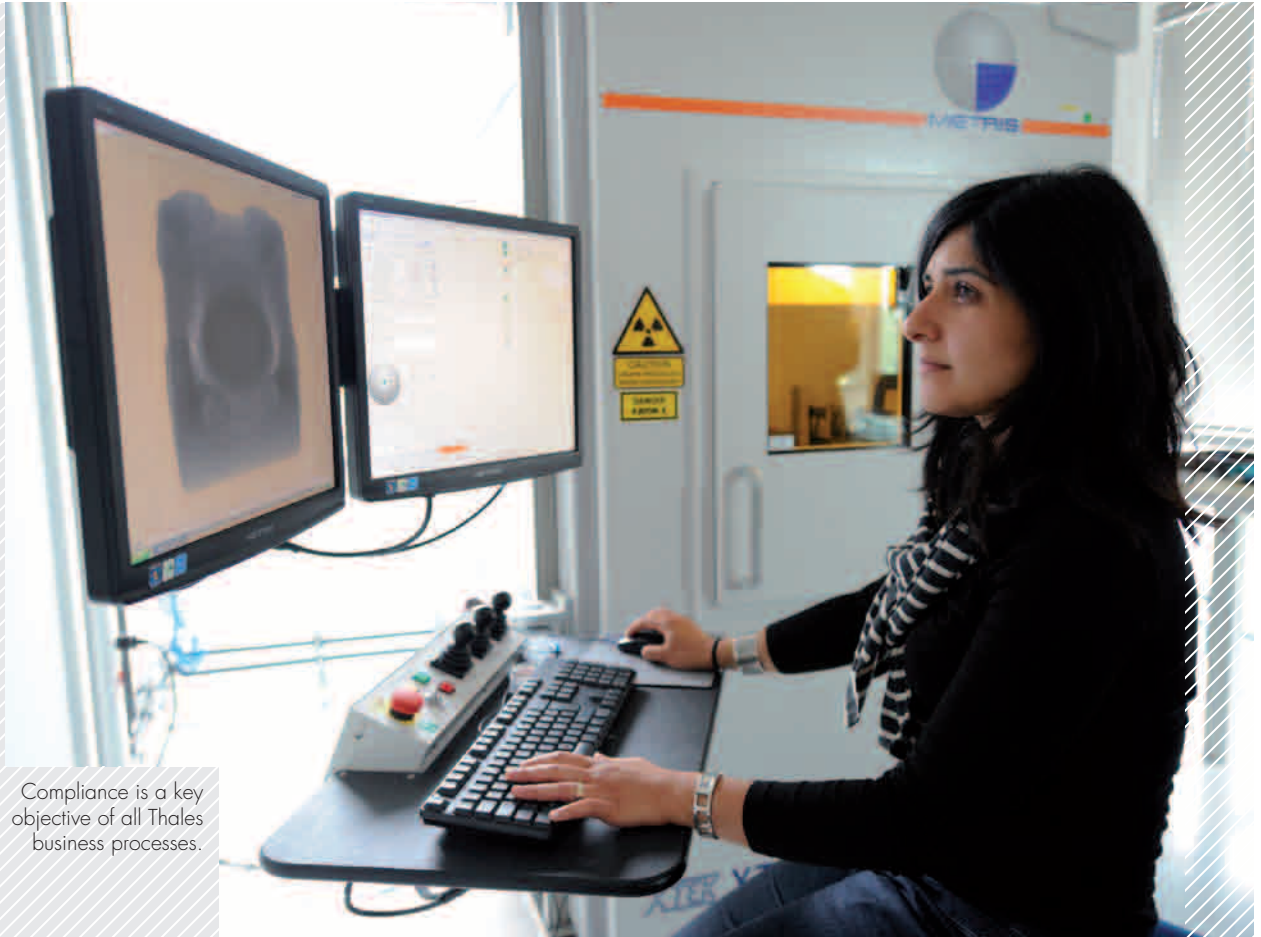
Strict compliance with export control regimes is critical to Thales's continued success and the preservation of the Group's corporate assets. In the light of its vital importance for the Group, export control policy is defined at corporate level by the Group's Export Control Department, and deployed in all business units worldwide.

Alongside corruption, export control violations have been identified in Thales's comprehensive risk management system as one of the major risks facing the company.

Thales has a Group-wide export control compliance organisation that has been progressively developed over a number of years. The corporate team coordinates a **global network of 250 export control officers**, while entities in exporting countries maintain their own national export control organisations to provide expertise at local level. These local entities work closely with the corporate team to ensure **consistent implementation** of Group policy and



Guaranteed compliance with export control regulations.



Compliance is a key objective of all Thales business processes.

procedures. The Group has also appointed an in-house specialist in US export controls to provide Thales companies with practical advice on interpreting the US regime.

The Group's **Export Control Compliance Committee**, made up of export control officers from major exporting entities, national representatives from thirteen countries, and key corporate stakeholders from Purchasing, Internal Audit and Corporate Responsibility, meets every quarter to review progress against the objectives of the Group's compliance improvement programme, approve proposals for further improvements, share best practice and address any other issues of common concern.

Thales has developed an annual **self-assessment questionnaire** to identify the business units with the greatest potential exposure to the risk of breaching export controls. The questionnaire – part of the

Thales compliance programme – enables the Group to classify entities on the basis of their level of risk (high, low or very low), and allocate resources accordingly. It also makes it possible to track compliance measures and performance on a year-on-year basis.

Regular export control audits are carried out by the Audit and Internal Control Department to verify the existence and efficacy of appropriate control measures. Where applicable, external audits are also conducted to verify implementation of the various internal procedures.

Annual self-assessments, coupled with the results of internal audits, enhance the visibility of the control measures deployed. Progress is tracked by export control officers at both corporate and local level.

A high level of maturity

Thales advocates **full transparency** towards the regulatory authorities in the event of export controls being violated in spite of its rigorous compliance programme. Although this approach might be considered counter-intuitive in view of the risk of fines and other potential sanctions, it demonstrates a real determination on the part of Thales to improve its compliance performance and learn from past experience. It is also an approach that is strongly recommended by the US authorities, who have stated that voluntary self-disclosure, provided there are no aggravating circumstances, is likely to mitigate any sanctions arising from accidental export control breaches. None of the 30 voluntary self-disclosures made to the US authorities since January 2008 has so far resulted in a fine or other sanction being imposed.

Export compliance is now **firmly embedded in Thales's business processes**, reflecting an increasing awareness of the benefits of this integrated approach and a high level of process maturity. Chorus 2.0 provides entities with regularly updated information and documents, such as the *Standard of Export Compliance*, which is based on **ten areas of best practice** and sets out mandatory behaviours required of Thales employees worldwide. Guides to the regulations applicable in key countries of operation are also available, while specific documents on 32 "sensitive" countries list all the constraints, embargoes and export restrictions involved and include a set of quality-of-life indicators encompassing human rights, level of development, financial reliability, etc.

This detailed set of responses goes well beyond export control in the strict sense of the term, illustrating Thales's **commitment to continuous process improvement**. The Group also submits an annual progress report to the UN Global Compact describing the actions that have been implemented to improve compliance with the Global Compact's principles in the areas of human rights, labour, the environment and the fight against corruption.

e-learning module on US export controls

An e-learning module on compliance with US export controls – ITAR regulations for defence equipment, EAR for dual-use goods, and customs procedures – has been available to all employees worldwide since 2009. Participants who achieve a pass score in the quiz at the end of the module can print out a certificate as evidence that the training has been successfully completed.

The legislative framework in France

Thales manufactures, purchases and sells civil, military and "dual-use" components, systems and equipment. Exports of goods in these categories are subject to specific rules: civil goods are covered by customs regulations, while defence equipment, sensitive technologies and dual-use goods have to comply with export controls.

The legislative and regulatory framework in France is based on the principle that all exports of defence equipment are prohibited without a special licence. The Prime Minister, advised by the interministerial commission on defence exports (CIEEMG), is responsible for the approval of export licences. CIEEMG is a joint commission of the ministries of foreign affairs, defence and industry, and is chaired by the Secretary General for National Defence.

The joint commission issues directives, which are approved by the political authorities and cover specific topics such as embargoes, conflict zones or human rights violations as well as more general issues.

Defence equipment exports are subject to a two-stage approval process:

- All negotiations, sales, orders and contract signings require the prior approval of the Secretary General for National Defence acting on behalf of the Prime Minister.
- Actual equipment exports are only authorised once a defence equipment export licence (AEMG) has been granted by the Director-General of Customs.

As in other European Union member states, an EU regulation provides the legal basis for exports of dual-use goods, which are not prohibited in principle but are subject to controls and generally require a licence.

The list of dual-use goods and technologies subject to controls is regularly updated to take into account evolving technologies and their availability on the international market.

Extending ethics to the supply chain

Thales develops and manufactures integrated solutions comprising subassemblies, subsystems or complete systems, many of which are purchased from external suppliers. **As a result, suppliers make an active contribution to Thales's added value** and customer satisfaction. As part of its efforts to forge equitable, long-term relationships with suppliers, the Group has put in place a series of measures aimed at promoting responsible practices and behaviours throughout the supply chain.

Responsible purchasing

The Group spends the equivalent of around 50% of its revenues on purchasing and therefore needs to deploy rigorously managed purchasing processes.

In 2011, the Group restructured its purchasing function in order to boost supply chain productivity and control purchasing costs in bids and projects, reduce non-quality costs and make purchasing generally more responsible, efficient and effective.

Training and awareness

In 2011, Thales strengthened the ethical and environmental components of the Passport training programme in Purchasing delivered by Thales University. Purchase Contract Management training covers all aspects of corporate responsibility, and a dedicated Purchasing portal on the company intranet keeps employees abreast of the latest issues, developments and procedures that concern the purchasing function.

The Group's 1,300 purchasing staff around the world are now assigned

specifically to products, bids or projects, or to "purchasing families" such as IT and telecoms, power generation and conversion, etc. In the latter case, identifying the most appropriate suppliers and partners is a key task for purchasers. Product, bid and project purchasers are required to act as purchasing project managers, challenging requirements and defining purchasing strategies with specifiers and purchasing family specialists.

During the supplier assessment and selection process – integrated into Chorus 2.0 – Thales not only takes into account the quality and "ownership cost" of proposals, but also reviews **each supplier's corporate responsibility policy**. As a signatory to the United Nations Global Compact, the world's largest corporate responsibility initiative, the Group requires its suppliers to adhere to the principles of corporate citizenship in respect of the following areas:

- labour standards,
- corporate governance,
- the environment,
- business ethics,
- export controls.

Responsibility in action



Alain Monjaux,
Director, Corporate
purchasing - Supplier
relationship
management

"Our suppliers are increasingly engaged with the ethics and corporate responsibility principles that are so central to Thales's strategy.

Almost 1,500 suppliers have already signed the Purchasing and Corporate Responsibility Charter, and the process will be taken a stage further in 2012 with the integration of the selection process for new suppliers into our Chorus 2.0 global reference system. In order to qualify, new suppliers will be required to sign up to the

charter. If they don't, they won't be able to work with us. We believe that sharing our commitment to ethics and corporate responsibility will have a beneficial effect on our suppliers' own supply chains, helping to create a virtuous circle that boosts corporate social responsibility across the board."

All suppliers are required to sign *Thales's Purchasing and Corporate Responsibility Charter* and answer a detailed questionnaire. The questionnaire is designed to assess suppliers' commitment and performance in key areas of corporate responsibility, and helps identify related risks. It also aims to help suppliers align their policies and internal processes with the set of principles that Thales has adopted.

Thales credited by the UN Global Compact

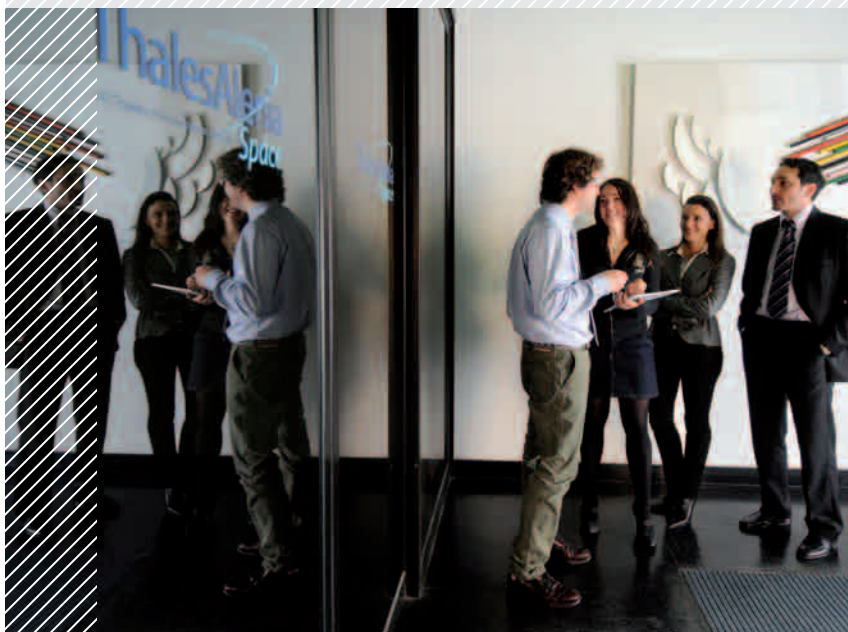


The United Nations Global Compact has recognised Thales's *Purchasing and Corporate*

Responsibility Charter for suppliers and subcontractors for its positive contribution to the achievement of the Millennium Development Goals.

The Charter requires Thales's suppliers to subscribe to the Group's corporate responsibility policy and adhere to the principles of its *Code of Ethics* and those of the Global Compact and the OECD.

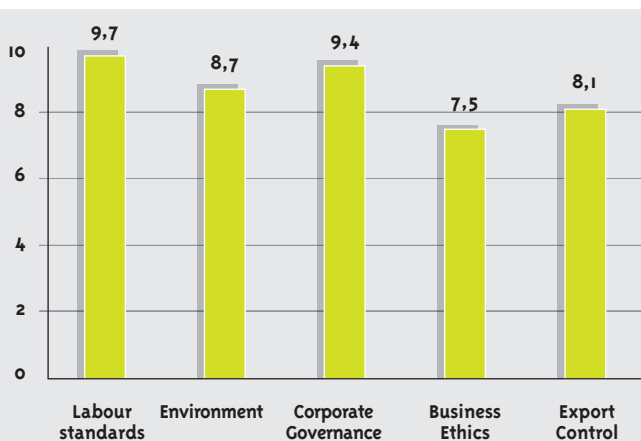
By the end of 2011, almost 1,500 suppliers had signed up to *Thales's Purchasing and Corporate Responsibility Charter*.



By the end of 2011, almost 1,500 Thales suppliers had signed up to the Charter and completed the assessment questionnaire. This figure represents 49% of the target.

On this basis, Thales's suppliers achieve an overall score of 9.2 out of 10 for their environmental, social and governance (ESG) performance.

Suppliers' ESG performance



1,476 suppliers have signed the *Purchasing and Corporate Responsibility Charter* and completed the questionnaire. Average supplier performance is 9.2 out of 10.

A separate questionnaire relating to the environment is now also part of the procurement process. The questionnaire is designed to measure the maturity of suppliers' environmental management practices, and encourage them to embark on a continuous improvement process. Purchasing managers take environmental factors into account in supplier selection processes. Completed self-assessments are checked during supplier audits, which may lead to mandatory improvement plans or even supplier disqualification in the event of failure to comply with Thales criteria.

Thales has set a target of assessing the maturity of the environmental management systems of at least 500 of its main suppliers by the end of 2012.

Supplier Online

The Group selects its suppliers according to clear and transparent procedures. All suppliers can access information — including the Thales purchasing policy, supplier selection process, technical data and details of requests for proposals — on its Supplier Online web portal.

SMEs: a vital link in the supply chain

In France, some 3,000 small and medium-sized enterprises (SMEs) account for more than one-third of all Group purchasing. As part of its efforts to forge equitable, lasting relationships with SMEs around the world, the Group is developing a special policy for SMEs, designed to encourage innovation, foster growth and boost performance.

In 2006, Thales was among the first companies in France to sign the **Pacte PME (SME Pact)**, which aims to promote synergies between innovative SMEs and major customers. By signing the pact, major industrial firms undertake to direct a certain percentage of their purchasing spend to SMEs, thereby fostering innovation and helping today's best SMEs to grow into the "mid-cap" companies they believe the French economy needs. In 2011, **Thales also approved the Pacte Export**, which it had previously helped to develop as part of Pacte PME International, an initiative set up to enable major groups to provide support for SMEs at international level. An initial support plan received the approval of the relevant departments of the French Ministry for the Economy, Finance and Industry in 2011.

Thales is one of about twenty large companies that signed a charter in 2010 to define best practice in their relationships with SMEs, setting out ten key principles for responsible purchasing. The charter aims to help create balanced customer-supplier relationships based on mutual trust and recognition of respective rights and responsibilities. By signing up to the charter, Thales agrees to work towards the following goals:

- create lasting relationships with SMEs,
- facilitate cooperation with strategic suppliers,
- consider the total cost of a purchase (including logistics costs, resupply risks, and image/quality issues), and not merely the apparent price, when selecting a supplier,
- take environmental factors into account,
- consider the company's roles and responsibilities in the regional economy,
- ensure that purchasers are fair, ethical, objective and professional.



Thales is taking steps to develop equitable, lasting relationships with SMEs around the world.

In accordance with the charter, Thales has appointed an SME liaison officer to act as an internal mediator in the event of disputes referred by suppliers.

The Group's support for SMEs is also intended to drive innovation. **Thales has long-standing relationships with a number of innovative SMEs, many of which are considered strategic partners**, with expertise that is deemed critical to the firm's value proposition. The Group is also engaged in an ongoing effort to identify further SMEs with the potential to offer new products and services. France's high-tech clusters, for example, offer excellent opportunities for the Group to develop partnerships with innovative suppliers. **Thales is actively involved in several of these regional, national and international clusters**, including:

- Aerospace Valley
- ASTech Paris
- Cap Digital Paris
- Mer PACA and Mer Bretagne
- Pegase
- System@tic Paris

It is in Thales's interest to ensure that SME partners remain financially healthy, retain their capacity for innovation and pursue their corporate development. In France, for instance, Thales supports innovative suppliers by providing them with information on government aid (such as financial support, tax credits, etc.) and helping them with the associated application procedures. Thales has also formed a **partnership with OSEO, a French government agency** that provides assistance and financial support to small businesses. Under this arrangement, SMEs in the aerospace sector can receive loans to fund R&D work, with OSEO advancing 40% of the total and Thales providing the remaining 60%.

Positive feedback from national ombudsman

Jean-Claude Volot, France's national mediator for inter-company relations and subcontracting, visited Thales on 18 March 2011.

At the end of his visit, he stressed that Thales was the only group so far to have included a clause in its general purchasing terms and conditions specifying that disputes will be referred to mediation before legal proceedings are initiated.

This positive feedback encourages Thales to continue to work even more closely with suppliers as part of a sustainable ecosystem.

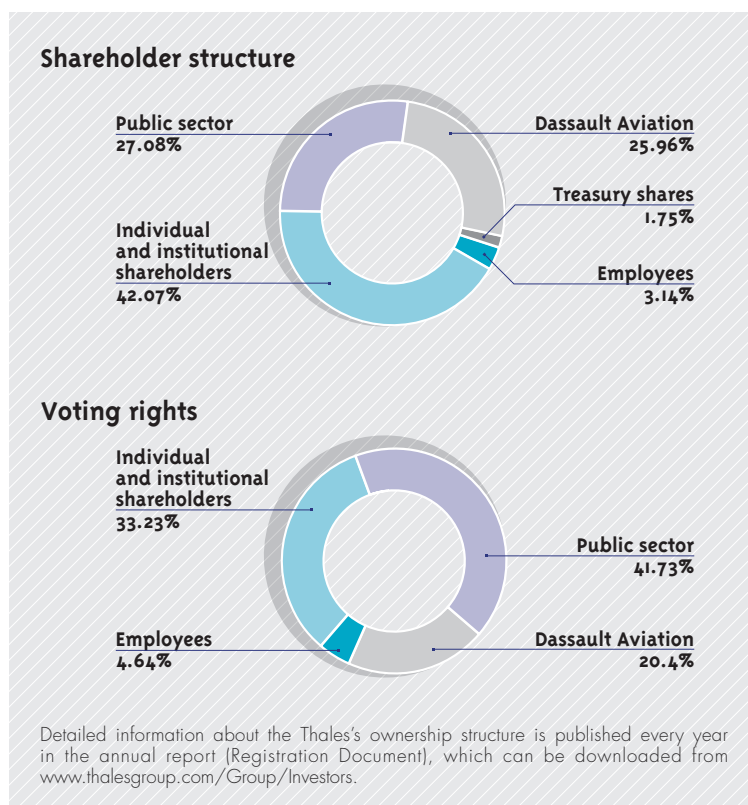


T Transparency and dialogue with investors

Thales is committed to providing all shareholders with full, clear information on a regular basis. The Group maintains constant contact with the financial community to provide a clearer understanding of the Thales corporate strategy, financial policy, and environmental, social and governance priorities.

Capital and corporate governance

Thales shareholders (at 31 December 2011)



Board of Directors

The Thales Board of Directors is made up of 16 directors, of whom 14 are appointed by the annual general meeting and two are elected by the employees of the Group's French companies. Three of the four outside directors have been declared independent directors as defined by the AFEP-MEDEF code of corporate governance. Thales's

major shareholders are committed to appointing directors whose experience is both diverse and relevant to the Group's business.

The Board of Directors has set up **three committees** that meet regularly to review specific topics: an Audit & Accounts Committee, an Appointments & Remuneration Committee and a Strategy Committee.

Thales applies all the recommendations of the AFEP-MEDEF code of corporate governance, with the exception of the following:

- The proportion of independent directors on the Board of Directors (at least one-third is recommended for companies with controlling shareholders) and on the various governance committees, because of the shareholders' agreement between the public sector (TSA and Sofivision, which are wholly owned by the French State) and the industrial partner (Dassault Aviation), and the strict criteria of independence that have been adopted by the company. The Thales Board of Directors currently includes three independent directors (19% of the Board).
- Directors' terms of office (six years), which is longer than the maximum term recommended by the AFEP-MEDEF code. Given the length of its business cycles, Thales considers that the recommended term of four years is too short, and that the existing arrangement, under which one-third of its directors are replaced every two years, is preferable to any reduction in the statutory terms of office of Thales directors.

As laid down in the Board's internal rules, the statutory auditors receive the same information as the directors and are invited to attend Board meetings.

Five directors reach their term limits in 2012. Three of the directors appointed to replace them will be **women**, making a total of four women on the Board of Directors. With this decision, the Group will be ahead of the timeline recommended by the AFEP-MEDEF code and French legislation with respect to gender balance on the boards of directors and supervisory committees of listed companies and public enterprises.

The Board of Directors met 10 times in 2011. The average director attendance rate was higher than 90%.

Employee share ownership: an integral part of corporate governance

Since privatisation in 1998, Thales has proposed several share purchase offers (in 1998, 2000, 2002, 2004 and 2008) to its employees. A further share purchase offer was organised in June 2011.

As of 31 December 2011, employees owned 3.14% of the company's share capital.

Employee share ownership is primarily structured through **company investment funds** managed by a joint supervisory board. The supervisory board includes members elected by employees as well as representatives of Thales management. **Employee shareholders are represented on the Thales Board of Directors** by a director nominated by the joint supervisory board for election by the annual general meeting of shareholders. This director is also a member of the Strategy Committee of the Thales Board of Directors.



A representative of employee shareholders is a member of the Thales Board of Directors.

Long before it became a legal requirement, Thales was one of the few major companies in France to have a representative of employee shareholders on its Board of Directors.

Several **shareholder associations** have been formed to help promote employee share ownership in 17 Thales countries throughout Europe, North America and Asia-Pacific. The employee shareholder associations are members of FAST (Federation of Associations of Staff Shareholders of Thales).

Board of Directors (at 31 December 2011)

Public sector (French State)	Industrial partner (Dassault Aviation)	External directors	Representative of employee shareholders	Elected by employees
Luc Vigneron, Chairman & Chief Executive Officer	Charles Edelstenne	Yannick d'Escatha	Philippe Lépinay	Dominique Floch
Olivier Bourges	Loïc Segalen	Roger Freeman		Martine Saunier
Didier Lombard	Amaury de Sèze	Stève Gentili		
Bruno Parent	Éric Trappier	Pierre Mutz		
TSA, represented by Bernard Rétat				

Regular exchanges with the financial and extra-financial communities

Investors and financial analysts are increasingly taking non-financial factors into account in the valuation of a company. Ethical factors and environmental, social and governance (ESG) issues are now taken into consideration to identify and analyse risks that could potentially impact a company and its financial performance.

This also makes it possible for investors to choose companies whose practices are compatible with their own values, and to avoid investing in sectors of activity or individual companies that are known to have violated international conventions on human rights, environmental protection, etc.

Over the last ten years, it has become increasingly common in Northern Europe and France for investors to take extra-financial factors into consideration in their investment decisions, and the trend is now more and more widespread, particularly in English-speaking countries.

Thales regularly organises one-on-one meetings with investors as well as Corporate Responsibility Investor Days, and takes part in specialised conferences organised by brokers, to provide members of the socially responsible investor (SRI) community with details about its corporate responsibility policy, including environmental, social and governance issues, business ethics, corruption prevention and export control.

These meetings complement the Group's programme of financial communication and are designed to help investors and analysts better understand Thales's ethics and corporate responsibility policy, how it is implemented within the organisation and the impact it is having on Thales's competitive performance and value creation potential.

More broadly, Thales is engaged in an ongoing dialogue with **financial analysts**

and **institutional investors**, particularly when it publishes its quarterly, half-yearly and annual financial statements, or conducts major financial or strategic operations, to provide them with insight into Thales's business activities and strategy. Additionally, comprehensive financial information is published on the Thales corporate website at www.thalesgroup.com.



Responsibility in action



Guillaume Simonnet,
Head of Treasury & Trade Finance,
Thales UK

"The financial crisis has forced most banks to drastically reduce their balance sheets.

In addition, as new European and international regulations have come into force — the best known being Basel III — banks' capital requirements have increased substantially.

As a result, banks have become much more conservative with respect to underlying risks in trade finance operations. They have also adopted much more realistic pricing, thereby pushing up costs to customers. This means we need a broader base of financial partners, particularly for major export contracts. To meet our trade finance needs today, we have to call on new players, many of whom are very sensitive to the reputational risks underlying defence contracts. We can secure their support more effectively if we can demonstrate rigorous business practices and show them the proactive measures we are taking to promote ethical conduct across our sector of industry."

Internal control and compliance

The Thales internal control process is designed to provide reasonable assurances that the Group’s objectives will be achieved, by demonstrating:

- the effectiveness and efficiency of the internal processes in place,
- the ability of the internal accounting and financial controls in place to ensure the reliability of information distributed and used internally for management and monitoring purposes, to the extent that this information contributes to accounting and financial disclosures,
- compliance with regulatory requirements (legal compliance).

While the internal control system contributes to the achievement of the Group’s objectives, it does not provide an absolute guarantee because of the limitations inherent in any internal control system, whereby a certain level of risk may be accepted on the basis of a systematic cost/benefit analysis, and because of external uncertainties.

Strict compliance with all applicable laws, regulations or international treaties is critical to Thales’s ability to conduct its business today and in the future.

Compliance risk is covered by the overall Thales risk management system, as non-compliance with regulations could expose Thales and its officers to large fines, criminal or civil sanctions, sales and legal restrictions and reputational damage.

The Chief Executives of Thales subsidiaries are responsible for defining, implementing and maintaining a satisfactory risk management and internal control system that encompasses the prevention of legal non-compliance.

To help them cope with the complex and constantly evolving legal and regulatory framework, Thales has appointed a Compliance Officer in each entity. The main roles of the Group’s 150 Compliance Officers are as follows:

- remind staff of the broad range of legal risks and the need to manage them,
 - monitor compliance efforts and consolidate reports on risks and any instances of non-compliance that may be detected,
 - oversee action plans.
- All Thales employee are required to act in strict accordance with applicable laws and are therefore individually responsible for ensuring compliance. An e-learning programme for non-legal experts is available throughout the Group, outlining the main legal risks and how to avoid them.

Thales’s environmental, social and governance standards

Environmental	Social	Governance
Proactive policy	Leadership in transnational HR policy	Rigorous governance and transparency standards
A comprehensive approach to environmental risk management deployed at three levels: business line, process and product design.	Pioneering Europe-wide labour agreements to promote professional development and more transparent employee relations.	Government commissioner and external auditors attend Board meetings.
Participation in research and development programmes to support environmental monitoring and management and clean technologies.	Constant dialogue and constructive relationships with employee representatives.	Proactive risk assessment and deployment of an appropriate internal control and compliance programme.

Thales is included in the ASPI Eurozone® (Advanced Sustainable Performance Indices) index. This index is composed of the 120 listed Eurozone companies that perform best in social and environmental terms. The stocks are selected on the basis of analyses by Vigeo, a French corporate responsibility rating agency.



C Commitments to social responsibility

The Group's human resources and employee relations policy embodies a long-term commitment to social responsibility.

With its recognised technological expertise, growing international footprint, rich array of skills and a track record of innovation and success, Thales is in a strong position to meet the challenges of a rapidly changing world.

Recruiting and retaining the best talent is vital to sustaining this leadership, and constantly developing employees' skills and capabilities is a core management commitment at every level of the organisation.

Responsible social policy

Thales's commitment to the principles of social responsibility underpins the Group's **approach** to human resource management and business conduct.

The Group's social policy complies with the **principles** set forth in the Thales Code of Ethics:

- Each employee is treated with fairness and respect, and diversity is encouraged.
- Gender equality is a priority and targeted measures are in place to promote it.
- Thales is committed to providing and maintaining a safe and healthy working environment for all employees.
- Open dialogue with employees and their representatives is a critical component of the overall business success of the Group.

Thales joined the United Nations Global Compact in 2003 and adopted its ten principles, in particular those related of human rights and labour practices which are based on the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These principles are implemented through a series of agreements and best practice guidelines to ensure that our business activities are conducted in a responsible way.

Data on employment, working conditions, labour agreements, labour practices and human rights is provided by the human resources departments in each country.

The Group introduced **a new human resources reporting tool** in 2011 called e-Social Responsibility Reporting, enabling HR directors in each country to provide data on the basis of a standard set of qualitative and quantitative indicators. These indicators are based largely on the recommendations of the Global Reporting Initiative (GRI) but also on indicators negotiated with management and employee representatives at national and European levels, which require highly specific data input.

This modern reporting tool also makes it possible to gather information required as part of human resources risk prevention

measures and for European and country reports on gender equality.

These new resources, together with the stipulation that HR directors of each country must validate all data submitted, have significantly improved the reliability of the information provided by local entities.

The annual Social Report, which is published on the corporate website (www.thalesgroup.com/Group/Careers or sustainability.thalesgroup.com), is a more comprehensive report than the present document, providing detailed descriptions of all the new measures introduced by Thales in the area of employee relations. Social reporting now includes figures and gender breakdowns for all countries. For each indicator, the percentage of employees covered is also provided.

Towards recognition as a top employer

The breakdown of our 66,979 employees by geographic area and occupational category illustrates the **fundamental premises** that steer the Group's human resources policy:

- an expanding global footprint, with 32,261 employees, or 48% of the total workforce, based outside France at end-2011,
- a highly skilled workforce, with 73% employed either as engineers, experts or managers,
- a significant proportion of women (22%) in the global workforce,
- a preponderance of full-time positions (94%) and permanent positions (98%).

Loïc Mahé, SVP Human Resources & Communication,
with the HR Legal/Ethics team in charge of social reporting.



Anticipating tomorrow's opportunities and challenges

With its recognised technological expertise, growing international footprint, rich array of skills and long track record of innovation and success in all areas of business, Thales is in a strong position to meet the challenges of a rapidly changing world.

Thales recognises that **recruiting and retaining the best talent is vital** to sustaining its world leadership. By adjusting employment policy to a changing labour market – and despite the slowdown in certain segments – the Group hired 5,342 new employees in 2011.

The **Key Skills Management** system implemented worldwide for all fifteen job families ensures that employee skills are closely aligned with the needs of the business. This system enables Thales to deliver a precise response to any technical issues arising on programmes or to deploy new teams in order to secure bids and projects. By the same token, this approach makes it possible to support employees in their day-to-day activities and in their long-term career and skills development plans. A total of 20,000 employees have already listed their skills in the Key Skills Management system.



A proactive skills management policy.

Constructive dialogue to achieve shared goals

Thales has always maintained constructive dialogue with employee representatives in a spirit of trust and openness.

Three **pioneering European agreements**, affecting around 54,000 employees in 11 European countries, are particularly noteworthy:

- In 1993, a **European Works Council** was established by an agreement. Representatives from Thales's 11 main countries of operation in Europe sit on the Council, whose responsibilities have been progressively extended by additional clauses incorporated in 2002 and 2007.
- **IDEA**: (Improving professional Development through Effective Anticipation), signed in 2009, is considered to be a particularly innovative agreement. It was the first Europe-wide agreement based on sharing existing best practices, and encompasses all the Group's countries of operation in Europe. In addition to establishing broad principles, IDEA sets out specific goals for improving professional development and includes a set of thirty corresponding measures.



- **TALK**: (Transparent annual Activity discussion for mutual Listening and developing professional Knowledge) is a Europe-wide agreement that establishes a clear framework and practical guidelines to ensure that all Annual Activity Discussions are conducted according to the highest standards of openness, mutual respect and understanding.



Constructive dialogue is an integral part of Thales's social policy, which seeks above all to promote the professional development

of all employees. Over 80% of Thales employees around the world are currently covered by a collective agreement, including the Europe-wide agreements detailed above.

Anticipating changes in job families

The IDEA agreement established an **annual forward-planning process** to identify trends in employment and job requirements. Management and employee representatives sit on national and European Anticipation Committees to review evolving needs and appropriate responses in each country.

The IDEA agreement specifies the measures to be taken at national level and is based on the following framework:

- Each year, a presentation of overall trends in each job family, as well as the challenges facing the company as a whole, is made to employee representative bodies in each country.
- Prior to the annual Professional Development Discussions, employees and managers receive relevant information regarding changes in their job family.
- Collective action plans are established for each entity, taking into account the needs and specific features of the company, along with trends in each job family.

To support implementation of these European agreements and promote social dialogue through an effective Europe-wide **network of employee representatives**, Thales held a number of major transnational events in 2009, 2010 and 2011. These were attended by over 100 employee representatives, Thales managers and HR managers from all of the European countries covered by the agreement.

Sustained training for employee fulfilment

Thales believes that professional fulfilment comes from **constantly maintaining and improving the skills of each of its employees**.

To ensure that all employees achieve their full potential, in 1988 the Group founded Thales University, which has since become the cornerstone of company training policy.

Today, **Thales University** operates in nine countries: Australia, France, Germany, Italy, the Netherlands, Singapore, the United Arab Emirates, the United Kingdom and the United States. Its principal role is to support the professional development of Thales employees in each country, while building a shared corporate culture to strengthen engagement with the Group's core values. Each year, Thales University updates its core training programmes in line with the Group's changing operational requirements and employees' expectations.

The Europe-wide IDEA agreement includes a significant training component:

- All countries are required to ensure that collective training plans take into account forward-looking analyses of technological developments and innovations, as well as employment trends and the needs of employees and the company.
- A network of training advisors has been developed throughout Europe, with each employee assigned a personal advisor.
- Each employee has access to a relevant training programme at least once every three years.

In 2011, 45,710 employees (74% of women and 72% of men in the company) completed at least one training programme.



Thales believes that individual employees should take an active part in their own professional development.

Professional development

Developing our people is one of Thales's core values. The Group is committed to maintaining employee motivation through open and honest dialogue, and enabling each member of the workforce to **build a career path in line with their aspirations**.

Thales believes that each of its employees, at every level of responsibility and in every job family, is entitled to a fulfilling career. Professionals, experts and managers are recognised equally by Thales, and employees can access the highest levels of responsibility no matter which path they choose to take.

Thales's global HR policy is based on the principle that individual employees are responsible for driving their own professional development.

As part of this policy, the **Professional Development Discussion (PDD)** has now

become standard practice for all Thales employees in Europe thanks to the IDEA agreement. In 2011, annual discussions were conducted for more than 86% of all staff in Europe and for 82% of employees worldwide.

Annual Professional Development Discussions are a key stage in the process of professional development. They give employees the opportunity to:

- review career progress in their current job,
- evaluate career options,
- identify the skills that they have acquired or need to develop,
- clarify career aspirations,
- consider the best ways to achieve them (training, practical experience).

Promoting well-being, safety and quality of life for all Thales employees

One of Thales's highest priorities is to provide a safe and healthy workplace by implementing statutory provisions, monitoring procedures, preventing health risks and occupational hazards and providing personnel training. A number of new measures were introduced in 2011 to support these efforts.

The Group's Human Resources and Operations and Environment Departments work together to address a broad spectrum of health and safety issues. Workplace risk prevention policy has been revised and a **new organisation** has been put in place in all countries over the last two years.

Human Resources is now responsible for managing health and safety (H&S) related

risks, which involves defining H&S policy in each country in line with local legislation and regulations. The Operations and Environment department focuses more on environmental health and safety issues with regard to specific installations and activities.

Thales has also appointed a Risk Sponsor to oversee the prevention of human damages risks. This involves closely monitoring and reporting on any risks liable to affect Thales employees around the world, including discrimination, moral or sexual harassment, health hazards, workplace risks and psychosocial risks.

Formal procedures are in place for anticipating and managing major health risks at the national and/or international level.

A **Health Monitoring Unit** was set up in 2011 to monitor health risks at national and international levels. On the basis of information provided by the Thales medical advisor and medical coordination team, Human Resources liaises with the health and safety unit to determine whether a situation warrants the deployment of a crisis management unit or specific procedures for employees on assignment overseas.

In addition, **specific procedures are in place for managing missions in countries with major health risks**. These include issuing a preliminary statement prior to travel, providing health and safety instructions and guidelines, and, in certain cases, cancelling assignments when risks are deemed to be too high. This procedure

has been applied for all assignments in Japan since the earthquake in March 2011. It ensures that employees are aware of any health issues regarding their assigned location so that they can play a more active role in risk prevention.

The agreement on **quality of life in the workplace** signed on 2 July 2009 sets out a general framework for Group-wide health and safety policy and establishes a system for identifying and preventing workplace hazards and risks. Workplace H&S experts play a central role in the system, which focuses on risk prevention. In particular, the agreement seeks to minimise psychosocial risks through collective action and increased vigilance with respect to the well-being of individual employees. A central Quality of Life committee oversees and supports all of these measures.

On 23 September 2011, a Quality of Life at Work Convention drew a large part of the occupational health stakeholders, social partners and Group HR Manager.



Providing a safe and healthy workplace for employees is one of Thales's top priorities.

Promoting gender equality and work-life balance

In a high-tech company with engineers making up the majority of the workforce, gender diversity represents a significant challenge. Thales is rising to this challenge through constructive social dialogue and a strong commitment to specific objectives aimed at promoting more active involvement by women in the company's development.

Figures from the end of 2011 show that **the Group is making headway in this area**. Women today account for 22% of the global workforce (22% in Europe and 23% in France). Efforts to increase the number of women in the workforce led to the recruitment of 1,367 women (26% of new hires) worldwide in 2011 (26% in Europe, up from 25% in 2010).

Most of the women who work at Thales occupy qualified full-time jobs, with 97% on permanent contracts and 58% employed as engineers, experts or managers.

A **company-wide agreement** signed with all trade union organisations in 2004 set out the principles and methods for promoting gender equality. Since then, individual legal entities in France have negotiated about 20 three-year action plans.

The Europe-wide IDEA agreement (Improving professional Development through Effective Anticipation), signed by Thales with the European Metalworkers Federation (EMF) in 2009, includes a raft of measures for promoting gender equality in the workplace. These include a commitment from each country that signed the agreement to produce an annual report assessing gender equality against a number of key indicators and to initiate improvement actions if necessary. The IDEA agreement includes a number of commitments on equal opportunities in areas including recruitment, career development and work-life balance.

In 2011, **substantive efforts were made to ensure gender-balanced recruitment**, especially in technical and scientific job families. In France and the Netherlands, the Group has organised schools outreach and communication programmes to encourage girls to study science and technology. Measures are also being taken to ensure that the percentage of women hired by Thales companies matches the percentage of women graduating from target business and engineering schools. In Spain, a business plan has been developed specifically to address equality issues in the workplace, with women now accounting for 42% of new hires, compared with 36% in the United States, 35% in Singapore, 28% in Germany and 27% in France.

Several country operations have taken concrete steps to ensure **equal pay** for men and women. In France, a specific budget equivalent to 0.1% of total payroll has been set aside since 2006 to rectify unwarranted discrepancies in remuneration between men and women. In 2011, 1,221 women benefited from the policy and were awarded an average individual pay increase of 2.33% to close the gap in salaries with their male counterparts.

With regard to **career development**, annual People Reviews in France also pay particular attention to equal opportunities for women. In France, innovative coaching and co-development initiatives have been launched with Thales University to encourage the promotion of women within the company. In a further effort to improve the gender balance, several Thales companies in France have signed up to the Women's Initiative Network (WIN), which provides a dedicated forum for female employees to share their experiences and voice their opinions.

Helping employees to achieve a **healthy work-life balance** is another key objective for the Group in Europe. By signing the



A strong commitment to specific equality objectives.

French Parenthood Charter on 20 November 2008, alongside 37 other companies and organisations, Thales reasserted its determination to help employees improve their work-life balance. Further reflecting this commitment, Thales signed an agreement with Crèche Attitude in 2006 enabling French companies to reserve places for their employees at inter-company childcare facilities. The agreement was renewed in 2010. Over 120 children of employees at about a dozen Group companies in France currently attend one of the ten or so nurseries involved, which are all located close to their parents' places of work. Additional childcare places are expected to become available in 2012.

In Germany, the Baby 1st and Homecare programmes help employees strike a better

work-life balance, while in France and Spain some Group companies contribute to childcare costs incurred when employees are required to stay away from home to attend training courses. The aim is to encourage more women to take part in training programmes.

Training courses for managers, especially in Europe, encourage participants to help their teams achieve an optimum balance between work and their personal lives.

Thales takes the challenge of gender equality very seriously and is committed for the long term. Concrete measures stemming from the European IDEA agreement (outlined above) are being actively pursued. In France, the Group has initiated fresh negotiations with employee representatives to improve on current initiatives and develop new measures to support recruitment and career prospects for women.

Diversity and non-discrimination

As an international group, Thales remains committed to its multicultural workforce because it considers that **cultural diversity is a source of creativity**, strength and innovation and a critical factor in its long-term success.

Promoting the employment of people with disabilities

In all countries of operation, Thales companies are required to comply with local legislation, regulations and guidelines on equal employment opportunities for people with disabilities.

Some countries (United States, United Kingdom, Netherlands) explicitly prohibit all forms of discrimination, while others (China, Germany, Austria, Spain, Italy)

have taken the principle of non-discrimination one step further and made provisions for mandatory employment quotas for people with disabilities. Employers who fail to comply with quotas face financial penalties. Other countries, such as Portugal, take a different approach and offer financial incentives for hiring people with disabilities.

Several Thales companies go beyond the legal requirements of their respective countries and actively promote employment opportunities for disabled people.

In France, Thales has long **championed the cause of disabled people** in the workplace, signing a company-wide agreement in 1992 to increase job opportunities and support their career development. This policy has been consistently maintained and led to the signing of a Group-wide agreement on 13 November 2004, which was renewed for the period 2008-11.

Thales is involved at every stage of the education process to help students with disabilities overcome learning hurdles and achieve their career goals. The company has established partnerships with primary and secondary schools to coordinate career guidance initiatives, organises company visits, mentoring programmes and conferences, and provides technical support. Thales has also **partnered** with vocational training schools, universities, business and engineering schools to help disabled students succeed in their studies.

In 2009, under the impetus of Thales, the AFNOR standards committee drew up a draft standard (published in August 2010) aimed at raising the profile of initiatives taken by companies committed to encouraging the employment of disabled people and providing guidance to organisations that wish to adopt such measures.



Cultural diversity is a source of creativity and innovation.

The number of people with disabilities employed by Thales has risen steadily since the first agreement was signed. Between December 2010 and December 2011, the proportion of employees with disabilities rose from 4.86% to 5.1%. The goal is to achieve 6%.

Also in 2011, partnerships were sealed with Université Pierre et Marie Curie (UPMC Paris), the Universities of Bordeaux and Toulouse and Université Paris Descartes to develop learning and career opportunities for young people with disabilities.

Leveraging its technological know-how, Thales has developed a number of proprietary products to help students and workers with disabilities. One of its flagship products in this respect is the Portanum software co-developed with the Montclair Institute and the CRDV rehabilitation centre for the visually impaired, which enables people with sight loss to read a presentation or view an image on a laptop computer.

Thales also developed the technology that enables people with motor disabilities to obtain a pilot's license to fly small aircraft. Through the Handi Aero Surveillance programme, pilots with motor disabilities can now fly small planes as part of forest fire prevention efforts.

Several other **innovative projects** based on Group technologies have resulted in practical solutions for people with disabilities:

- The Eyeschool learning aid provides visually impaired students with audio read-outs of course materials and interactive animations of notes written on the board by teachers.

- Guideo is an audio guidance system enabling the visually impaired to use a smartphone to find their way around buildings without assistance. The solution will be available at Thales's new facilities in Gennevilliers in 2012 as well as the ESSEC business school in Cergy.
- A smart wheelchair guidance system using artificial intelligence technologies has been developed with the Garches Foundation under a three-year partnership agreement with the ISEN engineering school.

In late 2006, Thales formed a working group with the French standards committee AFNOR to define a standard for disability-friendly employers. In 2011, Thales also worked with AFNOR to develop OK Pilot, a self-assessment tool for companies to measure compliance with the standard and define any necessary improvements.

Combating age discrimination

The signatories to the IDEA agreement have formally rejected all forms of age-based discrimination. In line with this agreement, the HR e-self-service tool does not include references to individual employees' age or date of birth. In addition, the Group organises specific career review sessions for all employees in Europe with more than 25 years' experience to help them map out the last part of their career.

Supporting employment of the over-50s in France

The various agreements signed by Thales since 2001 (the Group-wide agreement

on anticipating employment requirements, the European IDEA agreement and the agreement on quality of life in the workplace) include numerous provisions to support the employment of the over-50s.

Thales took these efforts one step further through a Group-wide agreement, signed on 18 December 2009 for the 2010-2012 period, covering the employment of the over-50s in Thales companies.

In addition to prohibiting discrimination based on age, the agreement provides guidelines for anticipating career changes, developing the skills of older employees, improving working conditions and taking individual situations into account with respect to employees in physically demanding jobs and those who may be unable to adapt to new practices. Under the agreement, Thales provides support for end-of-career planning and the transition from employment to retirement.

Under the terms of the agreement, the Group undertook to raise the number of employees over the age of 55 by 5% from 31 December 2009 levels and to increase the percentage of new employees aged 50 to 4.5% of all new hires.

Two years after the agreement on the employment of the over-50s came into effect, the indicators specified in the agreement show that it is having a beneficial effect on the employment of older staff members within Thales.



A Advanced technology for the environment

Enabling the future means stepping up to the major environmental challenges of our times and promoting access to the knowledge people need to become the responsible citizens of tomorrow. With its global strategy and operations in over 50 countries, Thales is very much a part of the local economic, social and environmental ecosystem of each country, and therefore strives to be a responsible neighbour and community member. The Group is progressively embedding an environmental dimension into every level of its business and organisation, helping to build a shared culture of authentic environmental responsibility. Thales and its employees are also engaged with local communities around the world, in particular by helping to provide learning opportunities for young people.

Further action in 2011

Responsibility towards the environment is one of Thales's core values. To engage all the players involved, Thales implements an environmental policy at all Group sites around the world.

As well as ensuring compliance with applicable regulations and anticipating future regulatory changes, the policy has five key areas of focus:

Prevention of impacts on people and the environment arising from the Group's activities:

- reducing and managing environment health impacts,
- respecting biodiversity and cultural heritage.

Incorporation of environmental factors into the design of products and services:

- limiting their environmental footprint whenever possible,
- using the environment as a driver of innovation.

Consumption of fewer natural resources:

- limiting dependence on fossil fuels,
- saving water.

Significant reduction in CO₂ emissions:

- leveraging the Group's expertise,
- reducing business travel and increasing the use of greener modes of transport.

Fostering a spirit of innovation:

- sharing expertise,
- communicating transparently,
- involving employees, suppliers and other stakeholders.

In 2011, to stress the importance of managing environmental impacts and risks, a specific process was incorporated into Chorus 2.0, the Group-wide reference system, and is now accessible to all employees. The process has two key areas of focus:

- operational sites and activities (buildings, industrial facilities, equipment, work sites),
- products and services (design, bids, projects, etc.).

Recommended practices for managing environmental impacts and risks have been issued, along with methodological guides

and the rules applicable at all levels of the organisation.

The new process has already been incorporated into purchasing, quality, real estate and legal functions, and is being deployed across every function and business line in the Group, helping to embed environmental considerations into the design and development of all Thales's products and services.



Environmental timeline

2011

Network of Product HSE* managers established, with renewed commitment to environmentally sensitive product design.

2010

Group-wide deployment of an HSE process through the Thales reference system, and inclusion of HSE factors in other baseline processes (purchasing, design, bids and projects, etc.)

2009

Environment Department reporting to Operations management.

2008

Simultaneous ISO 14001 and OHSAS 18001 certification for the entire Avionics Division.

2007

Group-wide environment policy established.

2005

First environmental objectives set in several countries of operation.

2003

United Nations Global Compact signed, first annual environment report published.

2001

Thales *Code of Ethics* issued, with environmental responsibility as a key principle.

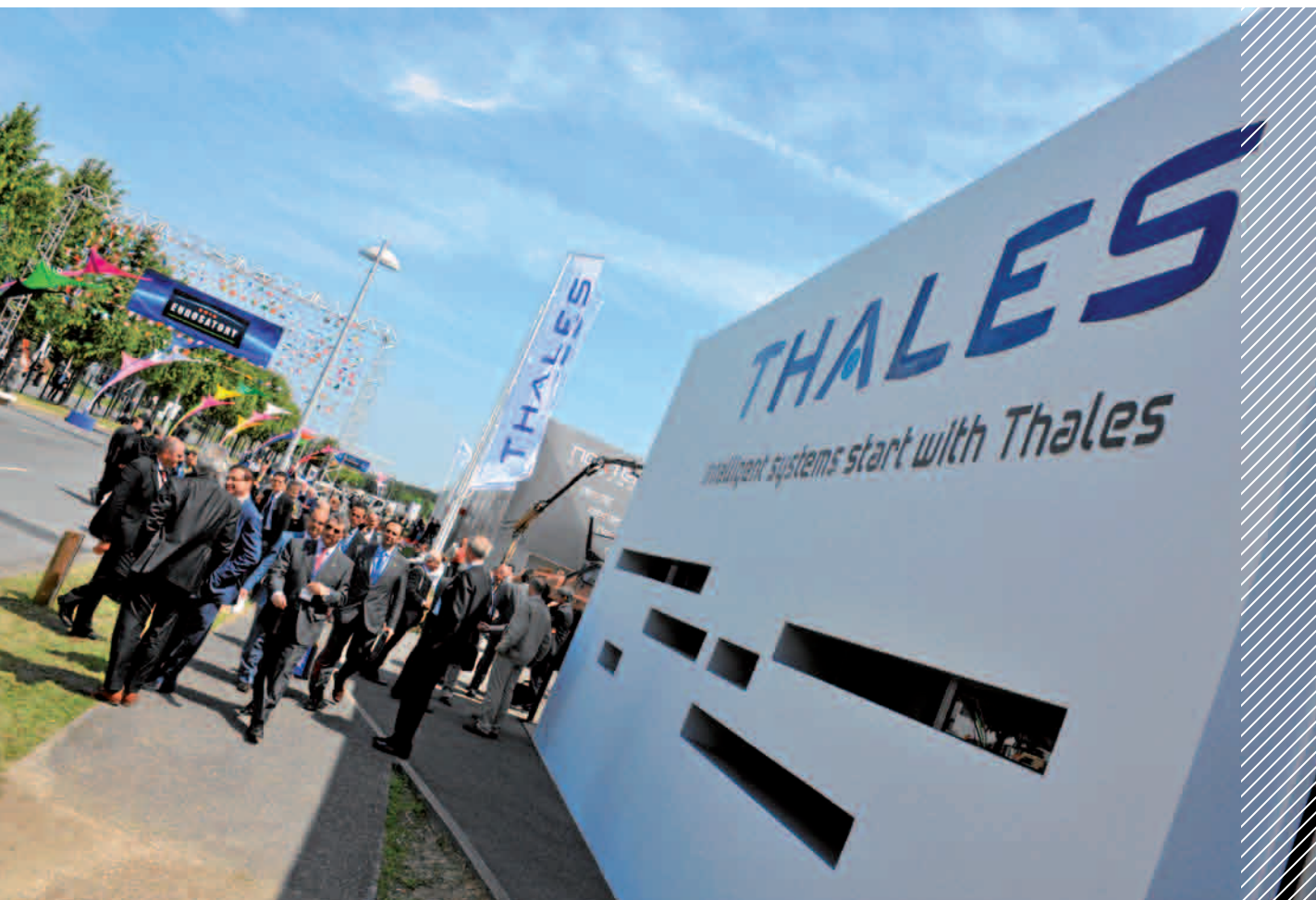
2000

First Thales site certified ISO 14001 (Hengelo, Netherlands).

1997

First master plan.

*Health, Safety, Environment.



An environmental policy deployed on all Thales sites worldwide.

Engaging employees

Thales strives to embed **an authentic culture of environmental responsibility** within its organisation worldwide, and organises employee information and awareness campaigns to support this goal.

Thales provides its employees with a range of training, awareness, communication and discussion tools **to encourage them to take a fresh look at the environment** and incorporate environmental stewardship into their work at a day-to-day level.

An online collaborative platform provides a forum for hundreds of members from around the world – working in areas such as design and communications as well as environmental management – to exchange news and information about the Group.

A series of online e-learning modules provides employees with an introduction to basic concepts of environmental risk management. The Thales training catalogue also includes modules specially designed for the different job families (purchasing, design, sales, etc.).

The *Environment Report* is available on the Thales website at sustainability.thalesgroup.com

Newsweek Green Rankings 2011

Thales was ranked the 79th greenest company in the world, and sixth greenest in France, in the American magazine *Newsweek's* 2011 Green Rankings.

The Green Rankings assess the 500 largest publicly held companies based on three separate metrics:

- an environmental impact score (based on greenhouse gas emissions, water use, waste, etc.),
- a "green policies" score,
- a "reputation survey" score.

That Eureka moment

The Group-wide suggestion box system, Eureka, ran a special environmental challenge during European waste reduction week in 2011. Employees had the opportunity to submit their ideas for helping the Group to meet its target for the reduction of non-hazardous waste. All the ideas were analysed and appropriate action is being taken.

Supporting eco-design

The Group's environment policy now includes a stronger focus on eco-design, confirming Thales's commitment, renewed in 2011, to design, produce and supply products and services that incorporate health, safety and environmental requirements, contribute to the development of environmentally friendly technologies, and participate in national and international programmes to improve understanding and protection of the environment.

The Group's reference system supports this policy by incorporating **an environmental focus into all other processes relevant to the business cycle**, from bid and project management, design, development and through-life support to disposal or recycling of products decades later.

A network of Product HSE (Health, Safety, Environment) managers has been set up to ensure implementation of the environmental management baseline.

A range of **training and communications tools** has been developed to support the network, including seminars, e-learning modules, and a brand new training programme dedicated to eco-design that is delivered by Thales University and is available to all Group employees. A module aimed at enhancing awareness of eco-design issues is also incorporated into training programmes for product designers and developers.

Responsibility in action



Michel Hinfray,
Public Contracts Manager,
Avionics and Defence Mission
Systems Divisions

"Since the discovery of huge quantities of asbestos on board the aircraft carrier Clémenceau in 2005, the French government, defence procurement agency (DGA) and armed services support departments have focused extremely closely on issues of environmental protection, which are now included in all new contracts, irrespective of their scope (design, development, manufacturing or support). Thales has addressed this issue through

a collaborative approach, analysing customer requirements for each contract on an individual basis in accordance with Group environmental policy. Customers' requirements are sometimes even stricter than the regulations, particularly in terms of determining exactly where a given substance is located, and in which piece of equipment. End-of-life dismantling of equipment and waste recycling are also a growing area of concern. In the light of these new issues, the contractual provisions in place since 2006, and the evolving regulatory context, we now systematically perform an environmental analysis of every contract to ensure that our products can be used in complete safety."

Thales is developing a further **series of tools and methods** to support the eco-design initiative, including **a global database** listing the environmental characteristics of over 300,000 components and around 3,000 chemical compounds. The database contains compliance data for regulations such as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), and is periodically updated to include the latest changes. Like all industry players, Thales is required to identify any hazardous substances in the components it uses, and to disclose this information to customers, regulatory bodies and other stakeholders.

Engaging suppliers

As part of its commitment to extending its environmental responsibility policy to the supply chain, Thales requires suppliers to sign the Group's *Purchasing and Corporate Responsibility Charter*. This is a binding document designed to help suppliers align their policies and internal processes with the set of principles that Thales has adopted. By the end of 2011, a total of 1,476 suppliers around the world had signed up (compared with 918 at the end of 2010). To help drive this initiative forward, the Group Purchasing Department has set a target for 2011-2012 of evaluating the environmental maturity of 50% of the Group's top 1,000 suppliers.

Thales technologies and the global environment

All Thales's customers around the world in all sectors face the same environmental challenges: reducing the environmental impact of their activities, preserving biodiversity, and contributing to the fight against climate change. Thanks to its technical expertise and potential for innovation, and its participation in an array of national and international programmes, Thales can help its customers meet these challenges.

determine patterns of ocean circulation, improving our understanding of this important component of the planet's climate system. The MERIS camera, meanwhile, provides high-quality images of the planet and its oceans on a daily basis, showing the continually changing face of the biosphere by recording phenomena such as plankton efflorescence and changes in vegetation cover.

As part of the European GMES (Global Monitoring for Environment and Security) programme, the European Space Agency has selected Thales Alenia Space as prime contractor for the design, development and integration of the Sentinel-3 satellite, which will provide data on sea surface topography, as well as carrying out ice, land and vegetation monitoring.

Monitoring the climate

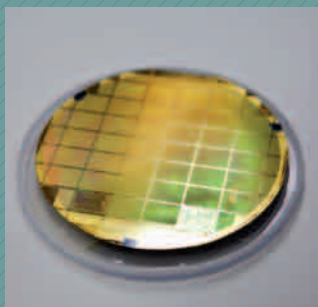
As the global climatological and environmental crisis continues to unfold, with inevitable effects on the planet and on human life, the industrial and scientific community is mobilising to provide solutions. Thales is a **key player in space-based Earth observation programmes**, providing high-resolution optical and radar imaging systems that promote a better understanding of climate change and more effective environmental monitoring.

The Poseidon altimeter, for example, uses mapping of ocean surface topography to

Thales is mobilising its technical expertise to understand climate change and address the environmental crisis.



Innovating for the development of green technologies



For several years, Thales has been conducting research and development work on gallium nitride (GaN), a new material whose unique properties can help reduce the environmental impact of electrical and electronic equipment. A real technological breakthrough, gallium nitride offers exceptional potential for reducing energy consumption thanks to its thermal performance, and fewer components are required to deliver the same level of power. This latest promising technology is the subject of a new R&D programme being conducted by Thales Research & Technology on eco-friendly power supplies.

Transport and the environment

Road and rail transport

In today's increasingly urbanised world, creating sustainable conditions for urban mobility and inter-city travel is an important way of reducing CO₂ emissions.

Thales plays an important role by supplying transport operators with the systems they need to operate their infrastructures more efficiently while improving the service they provide to travellers.

For example, Thales deploys interconnected public transport fare collection systems that allow passengers to use different modes of transport at regional or national level with a single ticket.

Thales was the first supplier in the world to deploy technology aligned with the new European Train Control System (ETCS) rail signalling standard, and is currently the global leader in the field. The new standard will eventually form the basis of an interconnected Europe-wide rail network.

In the urban transport sector, Thales leads the field in automated train control systems based on CBTC (Communications-Based Train Control) technology, which significantly increases the number of trains that can operate on a given line, and thus helps make urban rail systems more efficient.

Thales's solutions also allow rail operators to cut their energy consumption, thereby contributing to a further reduction in the carbon footprint of rail transport.

Toll systems for trucks help regulate road traffic flows and provide revenues for vital infrastructure upgrades. From mid-2013, the French government's **Ecotaxe** toll collection scheme will apply to French and

foreign heavy goods vehicles using roads in mainland France. Similar systems are already in operation in Germany, Switzerland and Austria.

Thales is also a recognised expert in highway supervision and information systems designed to improve the driving experience. Recent contract awards in this segment include the NTIS project for the UK Highways Agency in 2011.

Global navigation satellite systems (GNSS) based on Thales technologies also help to optimise road traffic flows.

Air transport

With air traffic volumes set to expand significantly in the coming years, there is an urgent need for the air transport sector to reduce its environmental footprint.

Thales is part of the Clean Sky European research programme, a public-private partnership aimed at reducing the CO₂, nitric oxide and noise emissions of aircraft by 40%, 60% and 50% respectively between now and 2020.

As a founding member of the programme, Thales is coordinating one of the six main research topics, Systems for Green Operations, which aims to reduce aircraft energy consumption through trajectory management, notably during take-off and approaches, as well as Clean Sky's Technology Evaluator, a simulation tool that will be used to assess the environmental



impact of the programme. The Group is also taking part in the **SESAR** programme, whose objectives for 2020 are to enhance air traffic management, improve safety, and achieve a 10% reduction in related consumption and emissions by optimising vertical and horizontal trajectories.



A tree for every takeoff...

Air crews require the equivalent of an entire tree in paper documentation every time an aircraft takes off. Thales's teams in Toulouse have developed TopWings, the digital alternative to paper documentation in the cockpit. This innovative solution comprises a single system composed of hardware and software subsystems that incorporate global data such as aerial maps, allowing aircraft to exchange information with airline operations teams on the ground in real time. The solution increases operational efficiency while reducing pilot workload, cutting the amount of paper documentation required and optimising airline costs.

Smarter cities

Thales provides interoperable supervision and hypervision solutions which provide operators of transport systems, energy networks and major urban infrastructure with a real-time overview of key events and

parameters. Operators are able to optimise flows and configurations, manage equipment status and allocate resources to enhance security, boost operational efficiency, save energy and speed decision-making processes, thereby improving the quality of life of local residents.

Preserving the environment and its biodiversity

The Group is committed to reducing its environmental footprint by analysing the impact of its activities and the associated risks for people and the environment.

Alongside technical and organisational measures, Thales believes the most effective ways of delivering performance improvements are **to share best practices and support behavioural changes**.

Reducing consumption of natural resources

Thales has been developing a natural resources strategy for several years, and has introduced various programmes aimed at controlling and reducing consumption. These programmes focus on areas such as energy efficiency of buildings and industrial

processes, optimisation of water use, and best practice information campaigns for employees.

Thales has exceeded its previous target for cutting energy consumption (an 11% reduction between 2008 and 2010, measured in tonnes of oil equivalent).

The Group is continuing to focus effort on this vitally important area, targeting a further 5% reduction by the end of 2012. A 3% cut had already been achieved by the end of 2011.

Limitations on the use of fossil fuels, combined with a raft of energy saving measures and initiatives, are key factors in the Group's success in reducing its energy footprint.

Water is a fundamental resource that needs to be preserved. The programme to reduce water consumption launched in 2000 continues to deliver results, with a 26% reduction achieved at worldwide level, and 48% in France, between 2007 and 2011.



More efficient industrial processes.

Reducing waste

To meet its waste targets, Thales is reducing the quantity of waste it produces, as well as the amount sent to landfill.

In 2010, the Group exceeded its previous target for reducing per capita non-hazardous waste production (-20% between 2008 and 2010). Thales is continuing to focus effort on this area, targeting a further 10% reduction by the end of 2012. An 8% cut had already been achieved by the end of 2011.

Volumes of waste paper and packaging continued to fall in 2011 (by 10% and 9% respectively compared with 2010), while recycling of non-hazardous waste has risen from 31% in 2007 to 55% in 2011.

Particular attention is also devoted to hazardous waste, with volumes falling significantly as cleaner industrial processes are introduced.

Agricleaning: using bioproducts to clean circuit boards

Agricleaning is an experimental project to develop a new process for precision cleaning of printed circuit boards and assemblies using environmentally friendly plant-based products (bio-solvents and bio-surfactants) that generate zero discharges. The aim is to achieve cleaning performance equivalent to petrochemical solvents such as hydrofluorocarbons (HFCs) or glycol ethers, while delivering a four-fold reduction in greenhouse gas emissions (in terms of CO₂ equivalent).

Limiting discharges

In general, Thales's activities do not generate atmospheric discharges, with the exception of those linked to site operation (in particular heating). Industrial discharges to the atmosphere are collected and treated where necessary by means of air filters, gas scrubbers, etc., and regularly checked. Although the most frequent discharges involve solvents, 90% of solvent purchases concern just five sites, and 80% are purchased for the Mulwala (Australia) facility alone. Discharges from this site comply with official licenses, and the authorities do not consider that they present a hazard for the environment. However, the site has implemented a programme aimed at reducing solvent emissions, with rollout of the associated process scheduled for completion in 2012. Importantly, several sites have replaced solvents with detergents, or have eliminated solvent use altogether.

Thales's activities generate little in the way of industrial wastewater discharges. Ninety per cent of such discharges originate from just five sites. Changes in industrial processes and wastewater treatment methods have brought considerable reductions. Key measures include a policy of "zero industrial discharges", whereby 100% of industrial wastewater is treated and recycled. Some sites that are not connected to public networks discharge their industrial wastewater into surface water, after treatment, in accordance with regulations, and with the approval of local authorities.

Protecting natural sites and preserving biodiversity

Staff from Thales sites which include habitat for protected species or are located close to protected areas are provided with special training and information to ensure that they are aware of the issues involved.

When choosing locations for its sites, Thales takes into account environmental criteria including climate-related and geological risks, the impact of its activities on local communities and the environment, and land use factors. The objective is to optimise compatibility between the Group's activities and the environment.

Although the majority of the Group's sites (56%) are located in industrial areas,

activities such as pyrotechnics need special locations and large buffer zones need to be set aside because of the risks involved. These buffer zones account for almost 78% of the total area of the Group's sites.

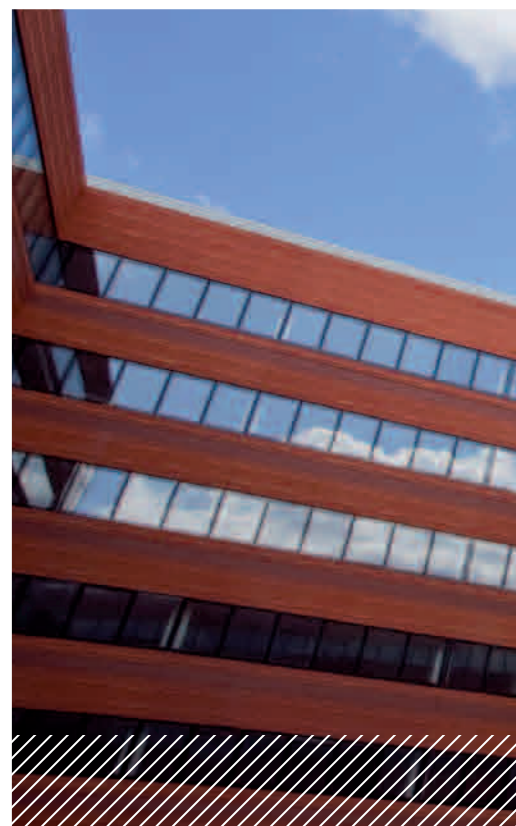
However, steps are taken to enhance their value by promoting biodiversity, for example by converting them into pasture or even arable land.

Particular attention is paid to protecting plant and animal species at a number of sites. Inventories of species are carried out, either on a volunteer basis or in partnership with the authorities or local biodiversity protection organisations. Specific features have also been introduced at some sites to preserve traditional habitats.

Promoting engagement with climate change

In addition to reducing greenhouse gas emissions from its own activities, Thales encourages its partners to take a responsible attitude to the issue.

For example, since 2009 the Group has co-chaired the Carbon working group of the French aerospace industries association (GIFAS), which provides methodological guides and organises briefing sessions to articulate the industry position, disseminate



Measuring emissions

Since Thales introduced indicators of CO₂ emissions and set emission-reduction targets several years ago, awareness of the impact of Thales's activities on climate change has grown and a number of new opportunities have been identified.

To measure its greenhouse gas emissions, Thales has developed a methodology that is consistent with its activities and is based on the Greenhouse Gas Protocol created in 1998 by the World Resources Institute and the World Business Council for Sustainable Development.

For a number of years, Thales has been taking steps to reduce its carbon footprint by cutting CO₂ emissions caused by its activities (energy consumption and the use of substances that contribute to the greenhouse effect) and by business travel. CO₂ emissions have been significantly reduced thanks to local improvement initiatives undertaken in partnership with suppliers and the "travel less, travel better" policy. Special events and communications campaigns are regularly organised to help change employee behaviours by highlighting the benefits of using alternative modes of transport.

43% reduction between 2010 and 2011 in CO₂ emissions associated with substances listed in the Kyoto protocol.

best practice, and foster a better understanding of key challenges and obligations.

Case studies by the companies involved, including Thales, have helped illustrate the approach. Thales is also engaged in partnerships with other industry players as well as research laboratories and government agencies. A new university chair in greenhouse gas emissions monitoring, inaugurated in 2011, provides a perfect example. Scientific partners supporting the professorship include the Laboratoire des Sciences du Climat et l'Environnement (LSCE), the French atomic energy commission (CEA), the University of Versailles Saint-Quentin-en-Yvelines and the French scientific research agency (CNRS), while industrial partners include Veolia Eau and Thales Alenia Space.

Environmental compatibility is a key factor in the choice of locations for Thales sites.





E Engaging with the community

In many of the Group's countries of operation, Thales companies have a prominent role in the community and are major players in the local economy and employment market. Thales staff throughout the world support their local communities in a variety of ways, particularly through youth promotion projects and educational programmes.

Acting local

Thales companies are major players in local economies and labour markets around the world, and the Group's policy in France and other countries is to develop authentic ties with local institutions and provide long-term **support to local communities**. Local subcontractors and suppliers are used wherever possible to support economic activity in the area. A Thales entity specialising in regeneration programmes (GERIS) has been in operation in France for some 20 years, supporting new employment opportunities in areas affected by industrial job losses, and making its expertise available to other companies, as well as SMEs/SMLs and local authorities, with the following aims:

- support plans to create sustainable jobs within local SMEs/SMLs,
- help to create an equivalent number of new jobs to replace jobs lost due to restructuring measures,
- provide advice, loans and grants to companies,
- help to stimulate the local economy.

Thales is investing in education. The Group has established numerous partnerships with educational establishments to promote its disciplines and areas of specialisation, encourage young people to make appropriate training choices, and stay in touch with students to share knowledge and experience.

Thales has an active policy of supporting **disabled individuals**. A number of initiatives are aimed in particular at young disabled people, such as internships and access to educational partnerships. Thales

is also committed to the development of innovative technologies that bring practical benefits to disabled employees.

Thales strives to be a responsible member of society, despite far-reaching and ever-increasing demands. The Group **supports a number of community and charity initiatives** around the world, most of them involving locally based child health and education programmes.

In 2009, the Group signed a three-year partnership with La Chaîne de l'Espoir, a non-profit organisation that provides health services to disadvantaged children in developing countries. Through this partnership, Thales is helping to finance healthcare for sick children in Afghanistan.

In 2010, six members of the French aerospace industries association GIFAS, including Thales, established HANVOL, an association to promote training and integration of young people with disabilities in the aerospace industry.

Also in **France**, the Group is a member of Fondation Villette-Entreprises, which supports corporate partnership projects with museums such as the Cité des Sciences et de l'Industrie as a way to raise interest in science and technology among the general public, and particularly among young people.

Employees in the **United Kingdom**, have been active in supporting charities for several years, promoting causes in various ways and providing significant financial support. A total of £500,000, for

example, has been donated to Marie Curie Cancer Care over a five-year period through sports events and other fund-raising projects.

Through its Charitable Trust, Thales UK continued to support Youthnet, an organisation dedicated to providing young people aged 16 to 24 with the information they need to make informed career choices. The company has a partnership with The Railway Children, a charity that provides shelter, clothes and meals to homeless children. Thales also participated in the development of the Talk, Don't Walk website, a service dedicated to dissuading children from running away from home and providing services to help families overcome relationship problems.

In the **Netherlands**, Thales sponsors a number of local charities. The company helps finance museums such as the local Museum of Technology and the Nautical Museum. Thales also supports the Opkikker Foundation, which organises activities for children suffering from life-threatening diseases. In 2011, Thales Nederland also sponsored the Veterans Day (Veterandag) event organised by the Dutch Ministry of Defence to honour the country's armed services veterans, in particular those who have been involved in the recent operations in Iraq and Afghanistan.

Thales has a multi-year partnership with Legacy, one of **Australia's** oldest charitable institutions. The charity currently looks after 115,000 widows, as well as 1,900 children and disabled dependents across

Support for disaster relief in Japan

Following the earthquake and tsunami that struck Japan in March 2011, Thales made a donation of €100,000 to the *Fondation de France*, which set up a special fund to help victims of the disaster.

The fund is targeted at three key areas: provision of direct support for Japanese charities to improve communications with relief operations on the ground; meeting the urgent needs of the most at-risk populations

(elderly and isolated people, the disabled, children and the unemployed); and post-emergency operations, for which the Japanese government has received aid from 28 countries and international organisations.

THALES

Thales strives to be a responsible member of society, supporting local community and charity initiatives around the world.

the country. Thales Australia also supports the Young Endeavour Youth Scheme, a not-for-profit organisation which provides young Australians aged 16 to 23 with an opportunity to take part in voyages at sea aboard the training ship *Young Endeavour*. This unique experience helps increase self-awareness, develop teamwork and leadership skills, and create a strong sense of community responsibility amongst members of the youth crew.

Thales USA supports a number of community organisations through monetary donations and volunteer projects. Through the Charitable Contribution Committee, Thales and its employees support several organisations such as the American Cancer Society and the American Heart Association.

Under the Thales Commitment programme, **Thales España** continued to support community organisations and charities, especially those in which its employees have a direct involvement, through monetary and material donations. Organisations supported include Theodora Foundation, Médicos sin Fronteras, Niños con cancer, África Directo, Asociación Crezer, and Solidaridad/Educación/Desarrollo (SED). In 2011, an employee

volunteering programme was set up, and obsolete computer equipment was donated to a number of organisations. Thales España also encourages work-life balance initiatives, notably by supporting employee participation in a range of sporting events. Finally, the company has set up the Aula Thales programme, aimed at familiarising pupils at schools in Madrid with Thales technologies and their impact on society.

Thales Canada supports United Way Centraide, the country's largest provider of funds for charitable organisations. Each year, United Way Centraide raises upwards of \$480 million, the majority of which is reinvested in programmes and services dedicated to improving the lives of individuals in local communities. The True Patriot Love charity, which helps wounded soldiers and their families, was also given financial support.

More information

<http://sustainability.thalesgroup.com>

or

Contact the Ethics and Corporate Responsibility Department:

email: ethics.cr@thalesgroup.com

telephone: +33 (0)1 57 77 86 49



Dominique Lamoureux

Vice President, Ethics and Corporate Responsibility
dominique.lamoureux@thalesgroup.com
+33 (0)1 57 77 82 07



Sylvain Masiéro

Director, Corporate Responsibility Development
sylvain.masiero@thalesgroup.com
+33 (0)1 57 77 85 88



Stéphane d'Aura

Ethics and Corporate Responsibility Standards Manager
stephane.daura@thalesgroup.com
+33 (0)1 57 77 83 74

Cathy Floret

Coordination / Administration /
Communication support
cathy.floret@thalesgroup.com
+33 (0)1 57 77 86 49

Régine Poidevin

Document management /
Copy desk / Back office
regine.poidevin@thalesgroup.com
+33 (0)1 57 77 86 61

Cover page and page 17 quotation: *The Wisdom of the Sands*, Antoine de Saint-Exupéry, translated from *Citadelle* by Stuart Gilbert (1950).

Photo credits: C. Audebert/Abaca Press (p. 43 r.), G. Bassignac/Abaca Press (p. 7 r., 57), S. de Bourgies/Abaca Press (p. 2), K. Brustad (p. 9 r.), J. Byron (p. 13 r.), P. Calinescu/Abaca Press (p. 55), R. Carter/Abaca Press (p. 71), C. Dautre/Abaca Press (p. 4, 43 l.), I. Galli (p. 9 l.), N. Gouhier/Abaca Press (p. 15 r., 17, 36, 46, 63, 72), M. Guerra (p. 7 l., 35, 65), T. Hierl (p. 53), Maritime Coastguard (p. 12), Master Image Programmes (p. 13 l.), Photopointcom (p. 27, 54, 61, 69 r.), Quadrimage (p. 40), E. Raz (p. 25 r.), Q. Reylinas/Quadrimage (p. 49 l., 50), D. Rory/Abaca Press (p. 15 l., 19, 28, 29, 49, 51, 69 l.), B. Rousseau (p. 8, 25 l., 30, 59), Saragoussi (p. 21), P. Stumpf/Abaca Press (p. 21), TAS/Master Image Programmes (p. 10), Thales, Thales Alenia Space (p. 22), E. Vandeville/Abaca Press (p. 39).

Thales thanks the employees who took part in the interviews and photo features.

Design and production: **MAKASAR** - Publication date: May 2012.



Printed on recycled paper.

THALES

45 rue de Villiers
92526 Neuilly-sur-Seine Cedex
France
Tel.: +33 (0)1 57 77 80 00
www.thalesgroup.com