

2012 REPORT

Corporate Responsibility

Loyalty **Ethics** Responsiveness
 Conformity Collegiality **COMPLIANCE**
 Diversity **Transparency** Expertise
EXCELLENCE **Trust**
 Respect for the commitments
 ETHICS Sharing **Values** Loyalty
 Control **LISTENING** Expertise
 Trust **Integrity**
 Commitment **ARBITRATION** Rigour
 Leadership **Responsibility**

contents

The 2012 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 Thales's dedicated corporate responsibility internet portal:

sustainability.thalesgroup.com

Additional information as well as the latest news and data concerning ethics and corporate responsibility can also be found on this site.

The Thales Annual Report (registration document) presenting the Group and its financial data, as well as social and environmental data in compliance with Decree no. 2012-557 of 24 April 2012, can be downloaded from:
www.thalesgroup.com/Group/Investors/

- 03** FOREWORD BY THE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
- 05** PRINCIPLES OF RESPONSIBILITY
- 07** WORKING TOGETHER FOR A SAFER WORLD
- 17** ETHICS AND CORPORATE RESPONSIBILITY:
UNDERSTANDING RISKS AND SHARING OPPORTUNITIES
- 27** CUSTOMERS AND SUPPLIERS:
INTEGRITY AS A STRATEGIC IMPERATIVE
- 47** FINANCIAL PARTNERS:
TRANSPARENCY AND STRATEGIC DIALOGUE
- 53** THALES'S COMMITMENTS TO SOCIAL RESPONSIBILITY
- 67** AN ADVANCED TECHNOLOGY COMPANY
WITH THE 'GREEN TOUCH'
- 81** ENGAGING WITH THE COMMUNITY



► We believe that **corporate responsibility** is a **strategic imperative** and a source of innovation that gives Thales a key competitive advantage and actively contributes to the **performance** of the company ◀

► A **strategic vision** based on a **culture of integrity** is now a **standard** for all our partners ◀

Foreword by the Chairman & CEO

For more than a century, Thales has played a role in protecting people, property and information, developing a unique positioning that gives us a particular responsibility to our stakeholders and to society at large.

To assume this responsibility, the Group has put in place a proactive and stringent policy of corporate social responsibility and attaches the utmost importance to ethical business practices with respect to customers, suppliers, employees, shareholders, financial markets, the environment and civil society.

Beyond compliance, which is a necessary part of a responsible risk management policy, and given the complexity of the Group's businesses, increasing regulatory pressure and the need for greater transparency, we believe that corporate responsibility is a strategic imperative and a source of innovation that gives Thales a key competitive advantage and actively contributes to the performance of the company. This policy applies wherever Thales does business, both in Western countries, where the current economic environment is difficult, and in the emerging markets, which offer significant potential for growth.

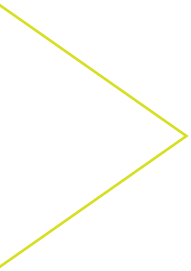
While Thales's strengths lie in its technological excellence, the talent of its people and their ability to meet the needs of customers around the world, a strategic vision based on a culture of integrity is now a standard for all our partners and is therefore considered critical to the company's long-term success.

Thales's approach hinges on the concepts of collective intelligence and mutual trust and respect, supported by a shared vision of the challenges and risks involved, and on effective information and reporting systems enabling the Group to provide the innovative responses its stakeholders demand.

This report illustrates Thales's engagement and the measures in place to achieve these goals. Driven by a common vision of our business and its role in society, and by a commitment to irreproachable ethical conduct, each Thales employee is contributing directly to the long-term performance and sustainability of the company. I thank them for their commitment.



Jean-Bernard Lévy



► Driven by a common vision of our business and its role in society, and by a commitment to **irreproachable ethical conduct**, each Thales employee is contributing directly to the **long-term performance** and **sustainability** of the company ◀

Jean-Bernard Lévy, Chairman & CEO of Thales

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 11,100 organisations around the world, including 7,300 companies, have joined the Global Compact. Thales signed up to the Global Compact in 2003 and has adopted its ten principles.

In 2012, the Global Compact recognised **Thales's** continuous progress in corporate responsibility and raised its performance level from Active to Advanced. The Group is now one of just 386 member companies worldwide to have achieved **Global Compact Advanced** level.



HUMAN RIGHTS

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	Pages 18, 21, 31, 38, 40, 43, 50, 82, 83
Principle 2	and make sure that they are not complicit in human rights abuses.	Pages 18, 21, 31, 38, 40, 43, 50

LABOUR

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Pages 18, 20, 31, 42, 49, 51, 54, 56, 57, 58
Principle 4	the elimination of all forms of forced and compulsory labour	Pages 18, 22, 31, 42, 51, 59
Principle 5	the effective abolition of child labour	Pages 18, 22, 31, 42, 51, 59
Principle 6	and the elimination of discrimination in respect of employment and occupation.	Pages 18, 22, 31, 42, 51, 59, 60, 62, 63

ENVIRONMENT

Principle 7	Businesses should support a precautionary approach to environmental challenges	Pages 18, 22, 42, 43, 51, 68, 75, 76, 77
Principle 8	undertake initiatives to promote greater environmental responsibility	Pages 18, 22, 42, 43, 51, 68, 69
Principle 9	and encourage the development and diffusion of environmentally friendly technologies.	Pages 18, 22, 42, 43, 51, 68, 69, 70, 71, 72

ANTI-CORRUPTION

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Pages 18, 19, 20, 21, 22, 24, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 42, 43, 50, 51
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Working together for a safer world

Whenever critical decisions need to be made, Thales has a role to play. In the markets that the Group serves – defence, security, space, aerospace and ground transportation – its equipment and systems help customers to make the right decisions and act accordingly.

World-class technologies and the combined expertise of 66,000 employees in 56 locally based country operations make Thales a key player in protecting citizens, infrastructure and nations.

With its global network of 25,000 high-level researchers and engineers, Thales has earned particular recognition for its long experience and 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. Army, navy 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**.

Managing complexity

Thales's role is to assist its 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 underpins Thales's 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 capabilities and technologies as well as the central **role of human** factors in critical decisions are common to all our activities, and the Group's employees need to constantly develop their skills to stay ahead in these areas.

A responsible local player

Over the decades, Thales has built up an in-depth knowledge of the markets it serves and, with operations in **56 countries**, it has developed close relationships with local customers to grasp the intricacies of their operational decision-making processes and propose the best solutions for every situation.

Across all its businesses, Thales's **66,000 employees** are guided by a proactive policy of corporate responsibility that is key to managing risks and driving performance.

Our businesses

Defence and security

Thales is a long-standing partner of defence forces worldwide, working with them to provide the best possible protection in the field and **operate more effectively** and more efficiently.

Thales designs and delivers systems for all environments: air, space, naval, land and cyberspace. These sophisticated systems detect and assess threats, manage information, support rapid command decisions and **control engagements**, through to threat neutralisation, with maximum reliability.

By making it simpler to coordinate joint and coalition operations, they help deployed forces maintain **decision**

superiority. The emergence of new types of threats, such as trafficking, terrorism, organised crime and cyberattacks, means that defence organisations alone are not fully equipped to contend with the changing risks.

This convergence between defence and security has prompted the need for new solutions and technologies that enable organisations to share existing information and communication systems while also ensuring the protection of networks and infrastructures.

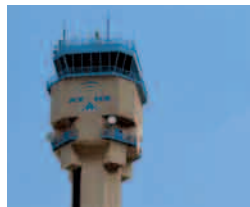
The defence and security sector, with a primarily government customer base, leverages Thales's expertise in these various fields.

GLOBAL LEADERSHIP

N°1
WORLDWIDE



Payloads for
telecommunication satellites



Air traffic management



Sonars



Security for interbank
transactions

N°2
WORLDWIDE



Rail signalling systems



In-flight entertainment and
connectivity

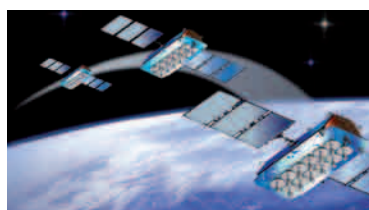


Military tactical radiocommunications

N°3
WORLDWIDE



Avionics



Civil satellites



Surface radars

Aerospace and transportation

With its expertise in the most sophisticated technologies and large-scale software-driven systems, Thales helps operators to improve the efficiency, reliability and safety of data exchange and transportation systems.

Building on the systems developed for government customers, Thales has implemented innovative technological solutions to improve the safety and **security of passengers and transportation infrastructure**:

- in ground transportation: operational control centres for rail networks, ticketing systems and urban and mainline network signalling

- in aviation and air traffic management: Thales is the leading supplier of avionics and cabin systems for the major manufacturers and is developing flight simulators for military aircraft, civil and military helicopters, etc.

- in navigation systems (Egnos and Galileo)

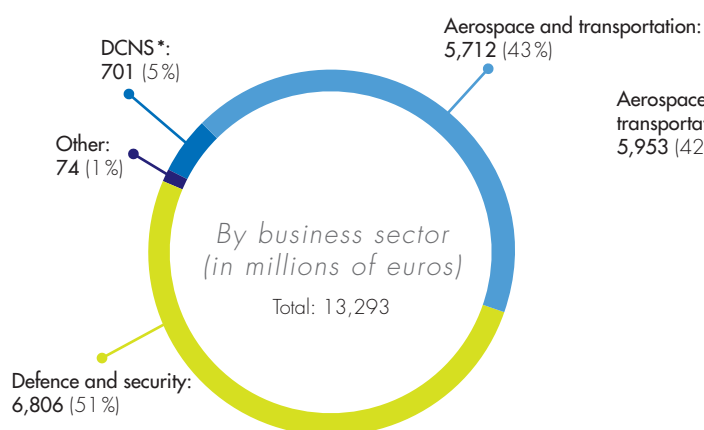
Lastly, Thales is a major player in the space sector, both in telecommunications (civil, military and dual programmes) and in Earth observation.

The aerospace and transportation segment, with a primarily non-governmental customer base, brings together Thales's expertise in these various domains.

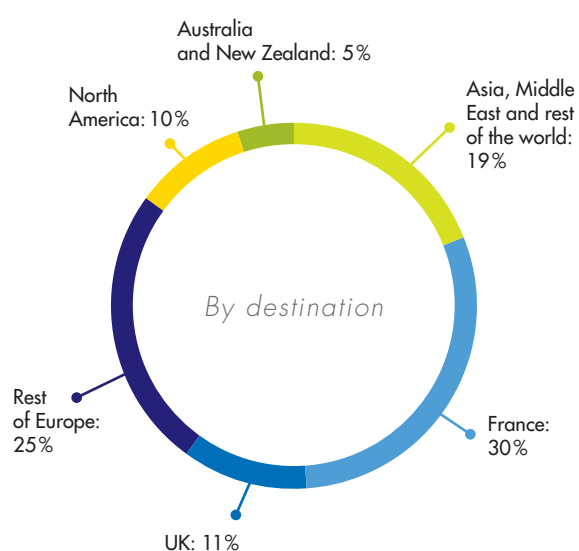
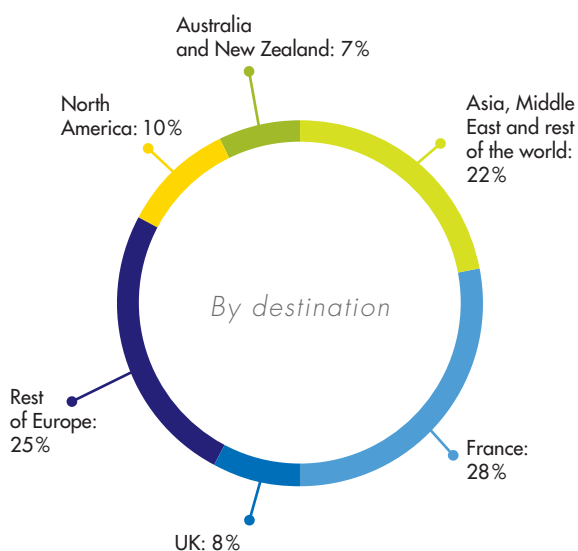
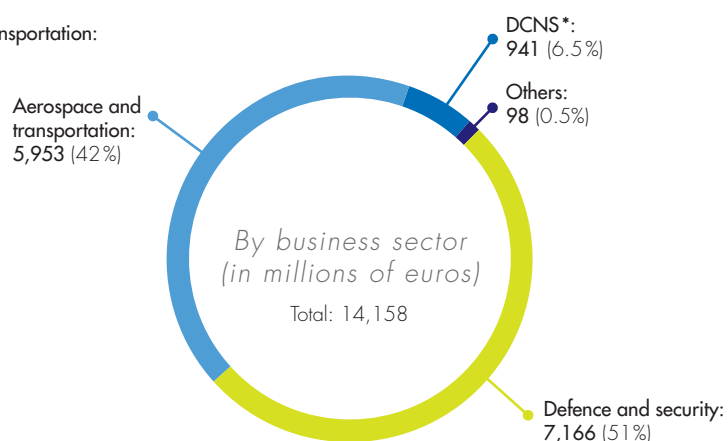
SPACE	AEROSPACE	GROUND TRANSPORTATION
RANKING		
N°1 in Europe in commercial/civil satellites	N°1 worldwide in air traffic control	N°1 worldwide in integrated communication and supervision systems
N°3 worldwide in commercial/civil satellites	N°2 worldwide in in-flight entertainment	N°2 worldwide in rail signalling systems
	N°3 worldwide in avionics	
STRENGTHS		
Thales provides commercial, institutional and military customers with end-to-end systems, satellites, payloads, equipment 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 telecom constellation, the International Space Station, the Cosmo-SkyMed observation system, 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 Group is a first-tier supplier of avionics to the leading aircraft manufacturers. In air traffic management, Thales's solutions span the entire flight-plan surveillance and security chain. The Group 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 Group 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 Group's international footprint is also exceptional, with six competence centres and fifteen integration centres on five continents.

Key figures at 31 December 2012

ORDER INTAKE IN 2012



REVENUES IN 2012



* DCNS is proportionately consolidated at 35%.

Our strategy



Thales's strategy is based on recognised strengths: dual civil/defence capabilities, an involvement in several highly complementary markets, and an exceptional international footprint. The three planks of this strategy are:

- Growth
- Innovation
- Performance

Growth

Most of today's growth markets are in **Asia, Latin America and the Middle East**, which are investing in infrastructure, transportation systems and defence. Thales intends to further expand its local industrial operations in these markets 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 group like Thales can provide.

THALES AT THE HEART OF INNOVATION ECOSYSTEMS

► At Thales, we define innovation as anything that breaks with the past and creates value, in terms of processes, organisational models, technical solutions or the way we do business. Innovation may change the business, or it may spawn new generations of products, but it always needs to be visible in the marketplace. Because you can't just decide to be an innovator – you need to be recognised as one by your customers and competitors.

In the past, companies could rely on their own strengths alone, but things have changed. Today, everyone recognises that the best way to create the momentum for innovation, the best way to drive improvements in efficiency and competitive performance, is to have access to a broader base of knowledge and skills and to leverage the power of collaboration. This is the principle behind Thales's concept of open innovation, which revolves around partnerships with academic researchers, small businesses and other industry players. From the earliest stages of our research, we bring in partners with talents and expertise that complement our own.



Marko Erman,
Senior Vice President
Chief Technical Officer

Developing new concepts isn't enough. Thales also commits significant resources to developing those concepts into real-life applications, investing the equivalent of 20% of our revenues in R&D. ◀

Europe remains Thales's historical core market. As a key player in the defence community, with a significant industrial presence in many European countries, Thales is 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 (command, control, computers, communication and intelligence).

This role strengthens Thales's positions in domestic markets and adds prominence to the part the Group may play in any further industry consolidation.

Air traffic growth, aircraft fleet expansion, urbanisation and new ground transportation infrastructure – in civil aviation, space and ground transportation, Thales is a major player on some of today's largest strategic projects.

Thales has developed highly specialised and recognised expertise in integrated systems, intelligence, networks and cybersecurity, which are central to the operational priorities of defence and security organisations around the world.

These positions are an important asset for Thales and provide a firm foundation for future growth in all core areas of its business.

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.

Some 22,500 Thales employees, over 70% of them engineers, are involved in the Group's technical operations, from research to engineering. In 2012, Thales spent almost **€2.5 billion** on R&D alone, which is vital for its competitiveness, including €700 million self-funded by the Group, representing around 28% of the total.

A significant part of this budget is devoted to advanced pre-product research to develop new technologies, new system and product concepts and new engineering tools and methods for critical information systems.

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 the Group's expertise and experience. For this reason, key projects involving multiple Global Business Units are being conducted in areas including command and control, hypervisors, high-grade computer security and active-array radar antennas.

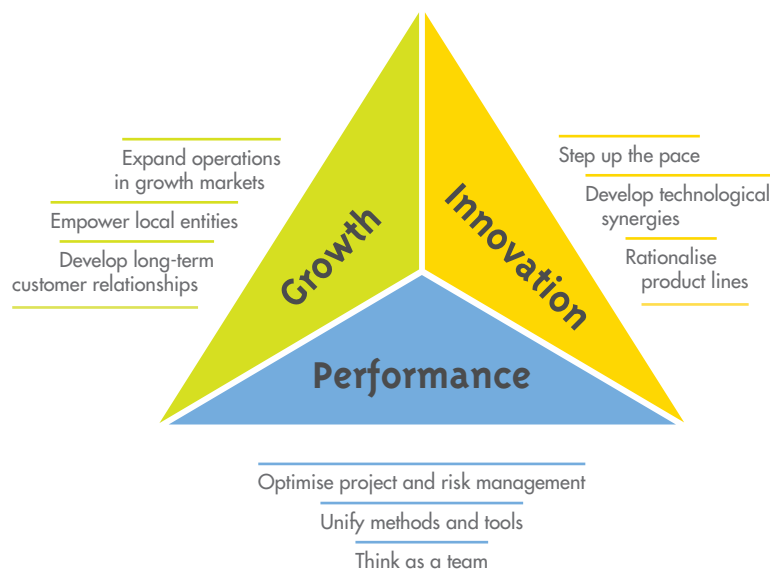
Thales is stepping up its policy of open innovation with the academic community, research institutes and innovative SMEs.

The Group is also speeding up its 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 by unifying methods and tools – these are the objectives that Thales has set in order to enhance its ability to meet its commitments to customers.





► **Integrated systems**, intelligence, networks and cybersecurity are central to the **operational priorities** of defence and security organisations around the world ◀

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. There are opportunities for innovation in every aspect of our work, opportunities to create a competitive edge by remaining open 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 primary asset. Investing in the continued development of our people is top priority.

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, financial markets and civil society.





Ethics and corporate responsibility: understanding risks and sharing opportunities

Business ethics and the prevention of corruption lie at the heart of Thales's corporate responsibility policy. Backed by a strong commitment from management, this policy is helping to drive improvement and innovation at Thales and contributes to the Group's economic performance in the short, medium and long term.

The Group has had a structured process in place since 2000, designed to inform, train and empower all personnel so that they understand risks and are able to share opportunities.

Employees help drive continuous improvements in Thales's business practices by acting as key players and ambassadors within an integrity policy that is clearly understood and consistently applied thanks to a dedicated organisation, a stringent internal control policy, sanctions for infringements of ethical standards, and continuous adjustment of Group processes to keep pace with changes in the external environment.



A robust organisation

Thales has put in place a robust organisation for the purpose of developing, implementing and monitoring a consistent set of ethical standards, particularly in terms of corruption prevention, and embedding a culture of corporate responsibility within the organisation worldwide.

Thales created an **Ethics and Corporate Responsibility Committee** in 2001 confirming that ethics and corporate responsibility are central pillars of the Group's corporate strategy. This Committee is one of the three mainstays of corporate governance within Thales, alongside the Executive Committee and the Risks and Internal Control Committee. The Ethics and Corporate Responsibility Committee defines the Group's ethics policy, and makes sure that it is updated to reflect changes in the legal environment, in applicable standards, and in the expectations of stakeholders.

The **Ethics and Corporate Responsibility Department** implements the policy defined by the Committee at Group General Management level. 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.

A total of 18 **Ethics Officers** are responsible for deploying the Code of Ethics and its principles into Thales units worldwide. They ensure that employees in their respective units receive adequate training and information; they answer questions about compliance with the Thales Code of Ethics; and they deploy the ethics policy in the light of local legislation and norms. It is also the role of the Ethics Officers to report possible infringements of the Code of Ethics to the Ethics and Corporate Responsibility Committee.

MEMBERS OF THE ETHICS & CORPORATE RESPONSIBILITY COMMITTEE (at 31 december 2012)

- Chairman: Stanislas Guérin
- General Secretary: Dominique Lamoureux
- Stakeholder representatives:

Sandrine Bouttier-Stref	Environment
Didier Brugère	French institutions
Jean-Claude Climeau	Financial markets
Olivier Conrozier	International customers
Jérôme Dufour	Media/Communities
Patrick Fournié	Suppliers/Industry
Sylvie Lucot	International customers
Anne de Ravaran	Human resources
Michael Seabrook	United Kingdom
Andria Wyman-Clarke	United States

The Ethics Officers' convention, held in late November 2012, hosted interesting discussions on corporate responsibility challenges, completed actions and future initiatives, as well as providing a platform for feedback from operations in the field at a day-to-day level. The main issues fed back were as follows:

- employees' recognition of the importance of the Group's ethics policy;
- the need to focus more effectively on mechanisms and actions relating to ethical issues other than corruption risk prevention.

An action plan is being drawn up to respond to the issues raised.



► **Power and responsibility are inseparable.** The way in which a company operates, whether it acts in conformity with the rules or not, has repercussions on society and in the lives of many thousands of people... Consequently, **companies** in the way they function and through their activities, **can make a positive contribution to society** ◀ **Georg Kell**, Executive Director, United Nations Global Compact

IMPROVING PERFORMANCE THROUGH INTEGRITY: A NEW CHALLENGE FOR THE GROUP

► Western companies active in today's major international markets are subject to stringent regulatory and legal constraints, notably in terms of compliance and integrity. Although the majority of companies conform scrupulously to the regulations, some of the many firms active at international level are not subject to the same obligations, or simply disregard them, giving them a significant competitive advantage.

It is therefore vital for responsible companies to strengthen their leadership in export markets in order to maintain their presence there. To achieve this, they need to do certain things better, in order to fully appreciate the business context and understand exactly what their customers expect and how their competitors are responding.

Faced with major disruptions in the business environment and serious threats to their competitiveness, companies have to make the transition from economic intelligence to strategic intelligence. Simply gathering information or protecting sensitive data is no longer sufficient; companies now have to become more agile, more innovative and better able to acquire the new skills needed to exert their influence and manage the international environment.

Companies are also subject to numerous standards, best practice guidelines and recommendations ("soft laws") issued by international and non-governmental organisations, as well as the demands of the public at large. The



exponential increase in such pressures and requirements has had a profound influence on corporate governance. Companies now have a legitimate role to play in proactively creating standards and regulations in partnership with institutional stakeholders at national and international level. In fact, this role is vital.

As a result, industry needs to engage in intelligent and responsible dialogue with the new standard setters to ensure that they have an active presence in the "marketplace of ideas".

Government also has a major role to play in supporting the necessary changes in business practices and cultures. In the current world economic climate, governments need to rapidly implement effective measures to enable companies to access strategic intelligence.

To achieve this, governments and economic players urgently need to collectivise their economic and strategic intelligence in an atmosphere of genuine trust and mutual confidence. ◀

Dominique Lamoureux

VP, Ethics and Corporate Responsibility
Chairman of the Business Intelligence Committee
of the French Employers' Organisation (MEDEF)

A Guide describing the scope of Thales's global **Ethics Alert Facility** approved by CNIL in 2011, and accessible to all employees via the intranet, was published in 2012.

The Ethics Alert Facility allows all Group employees:

- to obtain information and advice in case of questions or doubts about the application or interpretation of the Code of Ethics;

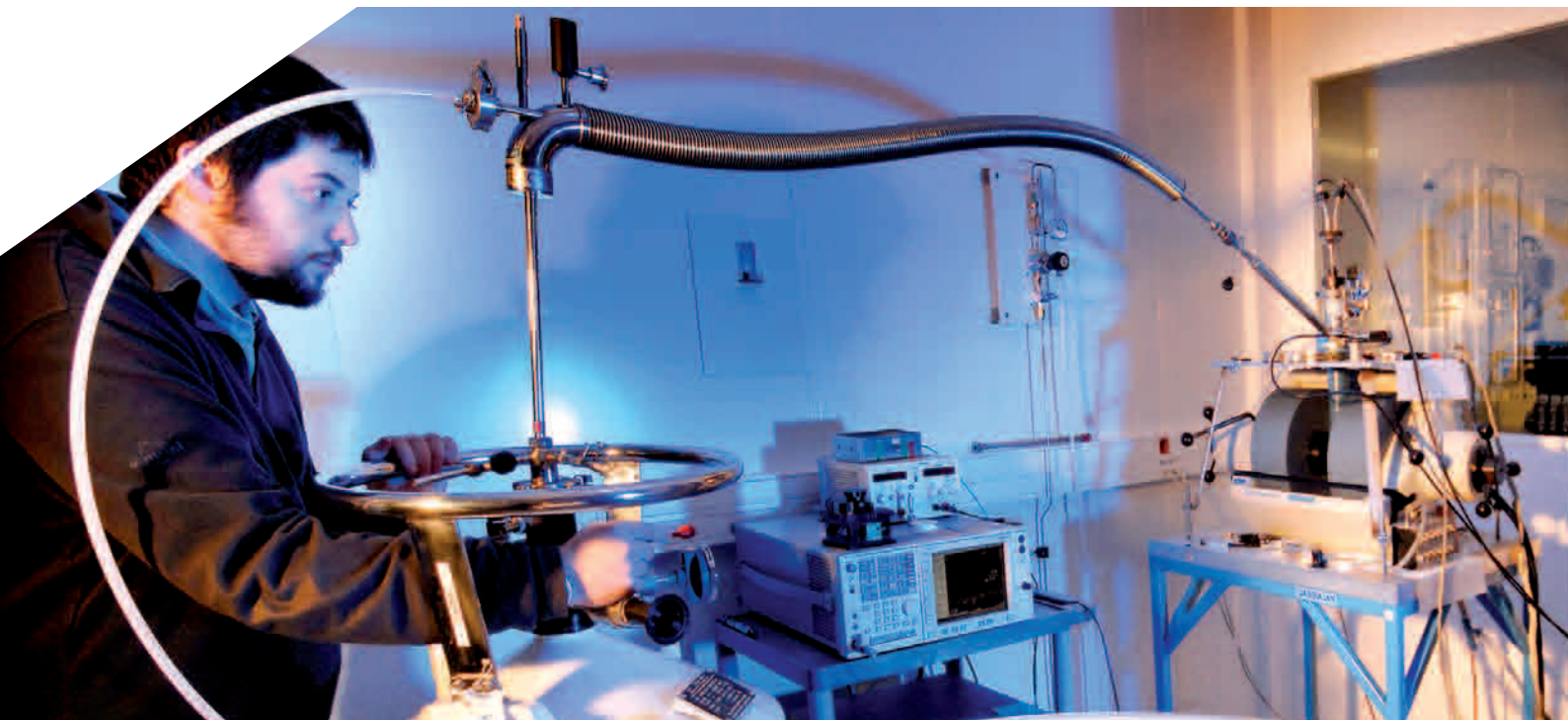
- to raise ethics-related concerns:

- with respect to accounting, financial or banking practices, corruption prevention or fair trade;
- or instances of discrimination, harassment or any non-compliance with occupational health and safety regulations,

that could affect the physical or mental health of employees and thereby significantly impact the Group's business or engage its liability.



Ensuring employee **buy-in**



As well as establishing behavioural guidelines through the *Code of Ethics*, Thales organises ethics and corporate responsibility awareness campaigns throughout the year (via the intranet, employee publications and special events). Training (e-learning or face-to-face) is also available to give employees a more in-depth understanding of the Group's ethics policy.

Training programmes with an ethical focus

A number of the Group's internal training programmes incorporate an ethics-related component. The subject was first introduced in 2000 in training programmes on export

control and prevention of corruption. To support the Group's efforts to go beyond compliance and establish ethics and responsibility as a **shared corporate value**, ethics awareness has now been incorporated into several training programmes in areas such as purchasing, project management and bid preparation, as well as into all training modules for marketing and sales functions.

To deliver a consistent message, Thales has commissioned two multilingual trainers specialised in ethics to conduct face-to-face training sessions for some 5,000 employees at Thales University campuses around the world. Ethics Officers also conduct awareness sessions and make presentations within their country of operations or group of legal entities when needed.



E-learning

In addition to face-to-face training, Thales offers its employees a wide range of online courses that can be accessed via an intranet or extranet portal. 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 (as well as German since 2012), 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, 28% of employees (a total of **18,600 people**) have taken part in the e-learning programme – the equivalent of **14,200 training hours**.

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, tools and other 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.

All employees can readily download the following guides and booklets on the intranet (other materials are also available):

- Thales Code of Ethics (available in seven languages);
- Ethical conduct guides (e.g. Gifts & Hospitality Guidelines, Guide to best practices in lobbying, Best practice guidelines for e-mail, Ethics Alert system);
- Reference guide on business ethics and prevention of corruption;
- Policy highlights (e.g. Thales prevention of corruption policy);
- Selected conventions and legal texts on combating bribery (e.g. OECD);
- Professional standards (e.g. ASD (AeroSpace & Defence Industries Association of Europe) *Common Industry Standards*, and the *Global Principles of Business Ethics* published by ASD and the Aerospace Industries Association of America (AIA);
- E-learning modules on business ethics, including real-life scenarios, in the form of "serious games".

E-MAIL



The Best practice guidelines for e-mail, published in December 2012, are designed to help employees learn more about e-mail so that they can use it more effectively on a day-to-day basis, and avoid any inconvenience associated with inappropriate use.

The guidelines provide tips for making effective use of time, managing the mass of information, avoiding a sense of urgency, avoiding email dependency, improving the quality of communication, avoiding conflicts, and protecting against malicious emails. It also sets out the legal rules for email applicable in the main countries where Thales is present.

Supporting the **initiative:** 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.



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 (Risk Sponsor) has been designated for each of these risks. Anyone involved in risk management can contact the relevant expert whenever necessary.
- Integration of these risks into the 26 processes described in the Chorus 2.0 reference system started in the final quarter of 2012, and will be completed by the end of the second quarter of 2013.

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 system into a comprehensive and mature management tool that covers 18 major risks – exogenous risks arising from the business environment, and endogenous risks arising from the company's internal processes – and was recognised by IFACI in 2011.

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, approves the principles of governance (objectives, alert thresholds, etc.) for each of the 18 types of risks identified and monitored at Group level (via quarterly meetings), and establishes the

IFACI CERTIFICATION

Thales's IFACI certification was reviewed in 2012, and renewed for a further three years on February 5th 2013. IFACI (the French Institute of Audit and Internal Control) has issued its certification as a quality label to help improve internal audit systems in organisations in France and around the world since 2005.

IFACI certification, officially recognised and promoted by the Institute of Internal Auditors (IIA) and the European Confederation of Institutes of Internal Auditing (ECIIA), provides corporate management with assurance that the internal audit function, a key component of the organisation's internal control system, is performing in line with international best practice.





responsibilities of the Risk Sponsors, who report on the risk prevention actions undertaken during the year.

- Senior managers of each subsidiary, who have assumed responsibility, since 2011, for the maturity of the system in place within their entity to manage corporate risk, and formally express this responsibility by issuing a yearly attestation letter (based on a detailed description of the scenarios, objectives and strategies associated with each risk, as well as an internal control questionnaire). These self-assessments are reviewed by the Audit and Internal Control Department as well as the Risk Sponsors to identify the optimum approach, and define the most effective support for entity action plans. Some entities

have created their own risk committees to ensure the full and transparent application of the system: Thales UK, Thales Germany and, in France, Thales Communications & Security, Thales Services, Thales Avionique, Thales Systèmes Aéroportés, and Thales Alenia Space.

- A network of **150 Compliance Officers**, tasked with:
 - ensuring that a "risk owner", or the Risk Sponsor's contact within the entity, is designated for each of the risks identified at each entity (as reported in their yearly attestation letters),
 - overseeing action plans,
 - monitoring risk management actions,
 - analysing any instances of non-compliance detected,
 - reminding staff of the broad range of risks and the need to manage them.

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.

- **35 internal auditors**, including former business unit directors and programme directors, as well as auditors who have previously worked for leading audit companies, verify that the system has been correctly implemented and conduct around 120 audits each year. The audit plan is drawn up on the basis of interviews conducted with 50-70 key individuals (Executive Committee members, experts, local managers, etc.) in light of the 18 major risks facing the company. Audits focus in particular on issues such as governance and compliance, business ethics, purchasing, information systems, and export controls. About 40 audits focus specifically on major projects with unit values in the tens of millions of euros.

INTERNAL AUDIT IN FOUR PHASES

Phase 1: **Preparation**

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

Phase 2: **Fieldwork**

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**

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

Phase 4: **Follow-up**

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

A SYSTEMIC APPROACH

Compliance with anti-corruption legislation	Business ethics	Corporate Responsibility
<p>Fighting corruption in the following arenas:</p> <ul style="list-style-type: none"> - public - private 	<ul style="list-style-type: none"> - Export Control - Combating money laundering and tax havens - Economic and financial crime - Industrial espionage - Trading in influence - Unfair competition - False subcontracting 	<ul style="list-style-type: none"> - Environmental issues - Shareholders' rights - Respect for human rights - Working conditions

Speaking the same language

The **Chorus 2.0** reference system is 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 Group's activities. Available in French, English, Spanish and Italian, the reference system has been available to all 66,000 employees via a dedicated intranet portal since mid-2011.

The processes have been applied in a **rigorous, measurable and verifiable** manner right across the Group since the start of 2012. Chorus 2.0 helps the company to perform 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. It also helps make the Group's operations at all levels of the organisation even more transparent. To enforce its corporate responsibility policy, Thales has put in place a global organisation based on the principles of transparency, performance improvement and risk management.





Customers and suppliers: integrity as a strategic imperative

To operate successfully in emerging markets, which are key growth drivers for Thales, companies have to adapt their business capture and supplier selection processes.

In addition to the risk of corruption, which is higher than in more mature markets, as pointed out by the NGO Transparency International, emerging markets also bring operational and/or financial risks that can only be effectively controlled if companies are fully conversant with issues, regulations, environments and cultures at local and international level.

To better meet its customers' needs and challenges, Thales has adjusted its business model to strengthen its local commercial and industrial operations, while reaffirming the principles of integrity that underpin its marketing & sales policy.

Thales is committed to supporting the establishment of high standards of ethics and corporate responsibility through discussions with the business community and participation in working groups within international organisations as well as industry groupings.

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. Over the past ten years or so, Thales corporate management has continuously reaffirmed the principle of “**zero tolerance**” for all forms of bribery and corruption.

Thales is closely involved in the various committees and working groups addressing corruption prevention issues, and has gained international recognition as a responsible company with a commitment to continuous improvement of its business practices. Thanks to the quality of its internal corruption prevention system, and its commitment to transparent dialogue with stakeholders, the Group's corporate responsibility policy was recognised by the UN Global Compact in 2012, and the NGO **Transparency International** ranked Thales in the **top ten defence and aerospace groups worldwide** in its anti-corruption index.

A COMPREHENSIVE CORRUPTION PREVENTION PROGRAMME





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 sustainable strategic partnerships with local industry players, known as **Key Industrial Partners (KIPs)**. This approach brings the Group a competitive advantage, as well as helping to reduce operational risks.

Identifying potential KIPs calls for careful strategic planning, however: 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.

Despite the benefits of establishing industrial partnerships, KIPs can 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 not achieved an adequate level of maturity regarding the prevention of corruption.

Thales has put in place a strict process to identify, select and qualify these local partners. An instruction to this effect is part of the Chorus 2.0 reference system. The document, entitled "Instruction for Qualifying, Selecting and Managing Key Industrial Partners (KIPs)", outlines a strict and comprehensive qualification process that includes **legal due diligence** (with regard to integrity, shareholders, etc.), operational and technical assessments, and recommended management procedures. More than two years since their introduction, the process and the associated partner assessment methodology are fully bedded in. As part of a continuous improvement loop, the KIP instruction was revised and clarified in 2012 to take account of experience feedback.

At the end of 2012, 180 KIPs had been qualified for an initial period of three years, in 75 countries. 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

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 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 (in accordance with the Purchasing and Corporate Responsibility Charter).

* Scope of Thales regional holding companies:

- Amsterdam: Europe, Africa, Latin America.
- Dubai: Western Asia and Middle East.
- Singapore: South and South-East Asia.

gains in the coming years are partly contingent on the Group's ability to improve its portfolio of KIPs and work with them more effectively, while reinforcing the strategic dimension of these partnerships.

These local partnerships also help Thales to meet the direct offset (production transfer) obligations which are increasingly a feature of contracts. Transferring more local workshare to local industries while safeguarding its core capabilities is another key challenge for Thales's international partnership policy.

STRATEGIC PARTNERSHIPS IN INDIA

The resources deployed by Thales in India in terms of local presence and local partnerships are key to the success of its operations in the country. The Group has partnered various local players, and has set up two joint ventures with Indian companies:

- with Samtel, for the development and manufacture of avionics and optronics systems for Indian aircraft;
- and with BEL, a state-owned Indian defence company, to capture a share of the military radar market.

Joint ventures and industrial partnerships with local companies are an essential prerequisite for business wins in the Indian market, and in many emerging countries, particularly in the defence sector.

Winning the Indian Mirage 2000 upgrade contract in July 2011 was a major achievement for Thales. The next step is to deliver on the contract, which includes a 30% direct and semi-direct offset commitment to the Indian defence industry over the nine-year period.

Specifically, the Indian government selected Thales to upgrade its Mirage 2000 fleet on condition that the Group spends 30% of the contract value with eligible local suppliers.

To meet this challenge and ensure that the contract terms and conditions are met, a dedicated Group-level team called "Go to India" has been put in place.

In fact, there are two teams working together: one in France coordinating with another in India through the Thales International Purchasing Office (IPO). The French team works with segment and family buyers to identify purchasing opportunities in India that can be implemented by project teams at Thales entities.

The Indian team identifies, evaluates and selects local suppliers, negotiates prices and guarantees performance over the long term.

Thales also set up an Integration Centre in Delhi in 2012, responding to regulatory and competitive pressure but also because of the sheer size of the Indian rail transportation market.

Under exceptional circumstances, Thales also employs the services of Business Advisers to round out 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. 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 details of ownership structure as well as 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 the dedicated structures within the Group's international organisation for further scrutiny and decision. As in the KIP procedure described above, this instruction includes strict definitions of show stoppers and other risk factors.

The KIP and Business Adviser 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 strict separation of powers.

Rounding out the organisation, a worldwide network of some **250** Key Account Managers (KAMs) are tasked with forging long-term customer relationships and acting 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).

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.

In 2012, Transparency International ranked **Thales** in the **top ten defence and aerospace groups worldwide** in its **anti-corruption** index (see opposite box).

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 fight against corruption.

The United Nations Global Compact evaluates companies and their policies on the basis of 24 criteria, relating in



RECOGNITION FOR THALES'S COMMITMENT TO ETHICAL CONDUCT

2012 marked an important milestone for Thales's corporate responsibility and anti-corruption policies.

Thales is the only aerospace and defence sector company among the 18 French firms to achieve Global Compact Advanced level under the **United Nations Global Compact**. Only 386 companies out of the 7,000 Global Compact members worldwide have received this grading.

In addition, the non-governmental organisation **Transparency International** ranked Thales among the top ten companies worldwide in its first defence sector anti-corruption index, published on 4 October 2012.

The index provides an analysis of what the 129 largest defence firms around the world do to prevent corruption.

Companies are assessed in five key areas:

- leadership, governance and organisation,
- risk assessment,
- company codes and policies,
- training,
- personnel and helplines.

The report states that the top ten companies *"publicly demonstrate in considerable detail the systems and procedures that they have in place to prevent corruption."* Thales's own initiatives, and its involvement in anti-corruption platforms at national and international level, are referenced as examples of good practice in the index report.



particular to their compliance with the Global Compact's 10 universal principles, their contribution to the UN's other goals and the quality of their **dialogue** with stakeholders.

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, and encouraging them to improve their anti-Corruption measures),
- provide tools to help SMEs develop robust anti-Corruption programmes.

In June 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.

In September 2012, in recognition of its continuous progress in the area of corporate responsibility, the Global Compact raised **Thales's performance level** from Active to **Advanced** (see box on page 31).

Organisation for Economic Co-operation and Development (OECD)

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.

The Group 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.

During 2012, the Group also played an active role in the work on **phase 3** of country monitoring of the **OECD** anti-bribery convention. The work is aimed at assessing countries' efforts to establish a dynamic process of mutual evaluation (involving on-site visits and a performance assessment mechanism) and peer pressure.

Initiatives by business groups and industry associations

International Chamber of Commerce (ICC)

Thales is a long-time member of the International Chamber of Commerce's Commission on Corporate Responsibility and Anti-Corruption. 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).

In addition, Thales – whose VP, Ethics and Corporate Responsibility, Dominique Lamoureux, chairs the ICC France Commission on Corporate Responsibility and Anti-Corruption – is an active contributor to the ICC's *Fighting Corruption Handbook*.

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 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.

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. It is regularly updated – with significant input from Thales – to reflect developments in applicable standards and regulations.

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 resulting document, entitled **Global Principles of Business Ethics**, was signed by the two associations 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 continue work on the principles, and ensure their adoption by other countries, the ASD and AIA created the International Forum on Business Ethical Conduct (IFBEC) in 2010 in 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 European and American aerospace and defence companies, IFBEC created a formal **governance body** and a permanent Steering Committee 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.

The third IFBEC annual conference was held in Madrid in September 2012. Focused on promoting **global cooperation** to increase **transparency** and integrity in public procurement, the conference brought together CEOs and top executives of major American and European multinational companies in the aerospace and defence sector, as well as observers from the Chinese industry. Non-governmental organisations, government agencies and international organisations were also represented.

KEY MEMBERS OF THE INTERNATIONAL FORUM ON BUSINESS ETHICAL CONDUCT (IFBEC)

- BAE Systems Plc.
- BAE Systems, Inc.
- The Boeing Company
- Dassault Aviation
- EADS
- Finmeccanica
- General Dynamics Corporation
- General Dynamics European Land Systems
- L-3 Communications Corporation
- Lockheed Martin Corporation
- MBDA
- Meggitt Plc.
- Northrop Grumman Corporation
- Raytheon Company
- Rolls-Royce Plc.
- Saab
- Safran
- SAIC
- SERCO Group plc.
- Thales
- WSK "PZL-Rzeszów" S.A.



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

More information is available at www.ifbec.info

Guest speakers included Spain's Deputy Defence Minister, Pedro Argüelles Salavería, and the Chairman of the OECD Working Group on Bribery in International Business Transactions, Mark Pieth.

Dominique Lamoureux, Thales's VP, Ethics and Corporate Responsibility, and Chairman of the ASD's Business Ethics Committee, also spoke on the subject of **human rights**



► *A clean and competitive global economy is impossible if companies and individuals continue to **bribe** in their international business dealings. Bribery **distorts markets** and **raises the cost of doing business*** ◀ **Prof. Dr. iur. Mark Pieth**, Professor of Criminal Law at the University of Basel, and Chairman of the OECD Working Group on Bribery in International Business Transactions.

and led a **round-table discussion on stakeholder dialogue**, attended by Susan Pond, Senior Officer, Defence & Security Economics at NATO's Political Affairs & Security Policy Division, and Nicola Bonucci, Director for Legal Affairs at the OECD.

The conclusions of IFBEC's first Annual Accountability Report* were presented at the conference. The report provides data on IFBEC member compliance with the Global Principles of Business Ethics, and on best practices that align with the Global Principles. It also

analyses the implementation of integrity policies and programmes within member organisations, on the basis of a detailed questionnaire designed to measure their maturity. In future, completion of this questionnaire on an annual basis will become a condition of membership of IFBEC. The report is aimed at fostering robust dialogue among all stakeholders on issues relating to ethical business conduct, and encouraging participation in the development of fair competition rules and practices for companies in the sector.

TRANSPARENCY IN ARMS EXPORT CONTROLS

On 20 December 2012, Thales took part in a conference entitled "Transparency in arms export controls: challenges for the new government", hosted by CCFD-Terre Solidaire and the French National Assembly. Delegates from a wide variety of organisations heard proposals for achieving greater transparency in the arms trade. Dominique Lamoureux, Thales's VP, Ethics and Corporate Responsibility,

stressed the requirement for financial transparency that applies to French companies, the critical role of the defence industry in the sovereignty and security of democratic nations, France's tough regulatory regime, the eminently political nature of the arms trade, and the constraints inherent in the very notion of transparency (which potentially conflicts with governments' strategic interests,

for example). He concluded that there was a need for a more cooperative approach, involving government, civil society and responsible companies, and that a level playing field needed to be established on the basis of the UN Arms Trade Treaty (ATT), which sets out strict standards for transparency and the prevention of diversion to the illicit market.

* Downloadable from 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 its 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.

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 corruption only, while little is done to combat extortion, solicitation or other forms of 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.

In 2012, they were extensively involved – via the governments of their respective countries – in negotiations for the international Arms Trade Treaty (ATT).

This involvement will continue in 2013, notably with the support of sector trade associations.

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.

Gifts and hospitality

At the end of 2009, Thales published a set of 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.

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.



Since 2000, Thales has organised a four-hour live training programme on the prevention of corruption in international business. This **training** is mainly intended for the purchasing, marketing & sales and bids & projects job families. Almost **5,000 employees** around the world have received the training since 2008 (including 850 in 2012).

To support the Group's efforts to go beyond compliance and establish ethics and responsibility as a shared

corporate value, ethics awareness has also been incorporated as a sub-module into several training programmes provided by Thales University and available to all employees.

This comprehensive internal corruption prevention programme demonstrates Thales's commitment to business ethics, corporate citizenship, and continuous improvement in accordance with the principles of the UN Global Compact.

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 2012, 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.

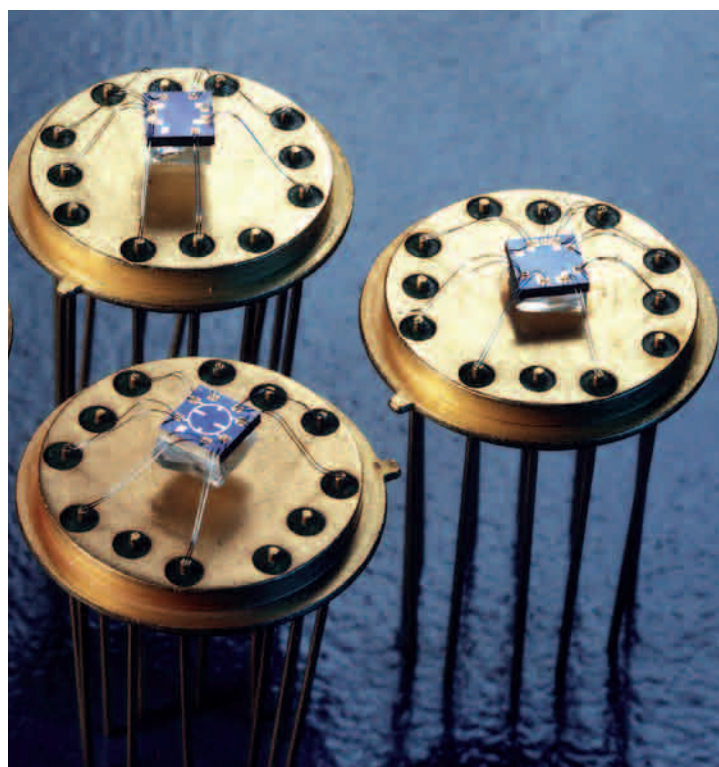
In addition, a significant proportion of Thales's products and solutions rely on items that are bought in from outside suppliers. The Group therefore takes steps to ensure that it remains constantly aware of the export constraints on purchased items, particularly those from Japan – to ensure that items 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 annually that may be subject to extra-territorial export control regulations.

AN ARMS TRADE TREATY FOR A SAFER WORLD

Thales was extensively involved in the concerted effort by sector trade associations (such as GIFAS, ASD, etc.) to ensure that manufacturers' voices were heard by the governments responsible for negotiations on the UN Arms Trade Treaty.

In France, the Ministry of Foreign Affairs, which represented the country at the final negotiations, made a strong statement in favour of an arms trade treaty that “seeks to improve transparency and prevents the diversion of weapons from the legal market to illicit trading networks”, and which is “robust, effective and legally binding, to help create a safer world and reduce the number of innocent victims of armed conflict.” (Source: French Ministry of Foreign Affairs website, www.diplomatie.gouv.fr).

The United Nations General Assembly adopted the Arms Trade Treaty on 2 April 2013.



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;
- respect for human rights;
- 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 extraterritorial.

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 first directive in the EU Defence Package). The deadline for national laws implementing the directive was 30 June 2012. The license system defined under the directive is gradually being rolled out across Europe (fewer than 10 companies had been certified as of January 2013). Thales Avionics SAS is set to be the first Thales Group company to receive certification during the first half of 2013.

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 procedures. The Group has also developed in-house expertise 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.

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

EMPLOYEE AWARENESS: A KEY PRIORITY FOR THALES

E-learning modules on compliance with US export controls – ITAR regulations for defence equipment, EAR for dual-use goods, and customs procedures – as well as controls imposed by France, Germany, the UK, Japan, etc., have been available to all employees worldwide since 2009.

A parallel series of training programmes designed to boost employee awareness of national and international export control regulations in all Group entities and business sectors is overseen by the Export Control Compliance Committee, with the support of the 250 Export Control Officers.

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, finance and productive renewal, and is chaired by the Secretary General for Defence and National Security.

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:

- the first stage relates to the signing of the export contract: 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.

On 30 June 2013, these two stages will be combined, and a so-called "single" licence will be issued (the description "single" will eventually be dropped).

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.

Exports of dual-use goods may be dependent on obtaining export licences from the General Directorate for Competitiveness, Industry and Services (DGCIS), Dual-Use Goods Department (SBDU), at the Ministry for Productive Renewal. Licences are issued on the basis of advice from the interministerial commission on dual-use goods (CIBDU), chaired by the minister of foreign affairs.

level of process maturity. Chorus 2.0 provides entities with regularly updated information and documents which set out the behaviours required of Thales employees worldwide, such as the Standard of Export Compliance, a mandatory set of rules based on ten areas of best practice. Guides to the regulations applicable in key countries of operation are also available, while specific documents on "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.

Extending **ethics** to the supply chain

Thales develops and manufactures integrated solutions comprising subassemblies, subsystems or complete systems, some 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.

The restructuring of the Group's purchasing function in 2012 was aimed at boosting supply chain **productivity** delivering continued improvements in control of purchasing costs in bids and projects, reducing non-quality costs, and making purchasing generally more responsible, efficient and effective.

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, rolling out purchasing family strategies to 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 product, bid and project managers as well as 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, Thales 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 Control

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.

By the end of 2012, around **1,800 Thales suppliers** had **signed up to the Charter** and completed the assessment



TRAINING AND AWARENESS

Ethical and environmental issues are key 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.



THALES CREDITED BY UN GLOBAL COMPACT

Thales's *Purchasing and Corporate Responsibility Charter* for suppliers and subcontractors was cited by the United Nations Global Compact for its positive contribution to the achievement of the Millennium Development Goals.

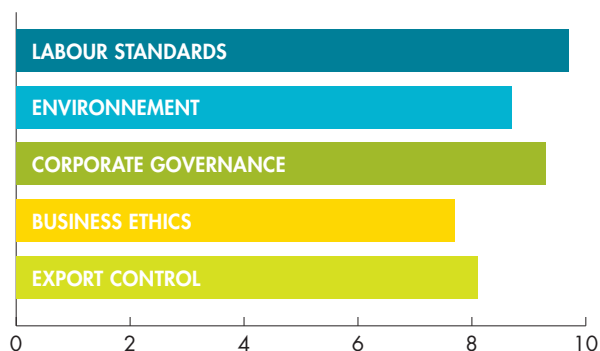
The Charter requires Thales's suppliers to subscribe to the Group's corporate responsibility policy and adhere to the principles of its *Code of Ethics* and those of the Global Compact and the OECD.

questionnaire. The Group's suppliers achieve an overall score of 9.2 out of 10 for their environmental, social and governance (ESG) performance.

Purchasing managers now take environmental factors into account in supplier selection processes. A separate questionnaire relating to the environment is now 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.

The target of assessing the maturity of the environmental management systems of at least 500 of the Group's main suppliers by the end of 2012 has been reached.

SUPPLIERS' ESG PERFORMANCE



SUPPLIER ONLINE AND SUPPLIER RELATIONSHIP MANAGEMENT (SRM)

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.

Thales has also introduced a Supplier Relationship Management system to enable it to forge stronger and closer ties with strategic suppliers, for example by providing framework contracts and three-year visibility for repeat business. Other key aspects of the system include Strategic Business Reviews, and inclusion of suppliers in 360-degree evaluations carried out by the Group as part of its continuous improvement initiative.

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, the Group is developing a special SME policy 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 SMEs and major customers, foster innovation, and help today's best SMEs grow into the "mid-cap" companies that the French economy needs.

54 major groups are now members of the SME Pact association, which helps companies apply best practice on a collective basis, thereby supporting growth among SMEs without creating economic dependence.

Since the SME Pact association was set up in 2010, SMEs and major customers have developed a comprehensive support framework based on a set of **good practices** (61 in all, covering areas such as innovation, purchasing processes, partnerships, development and governance) as well as support programmes. Major customers are responsible for implementing good practices and making use of support programmes.

The SME Pact produces a confidential comparative assessment of each

major customer every year, including a "supplier barometer" that enables large companies to adjust their policies and draw up action and improvement plans where appropriate. Thales was assessed by 232 suppliers in 2012. The results will be presented to participating suppliers and the Group, helping to build even stronger relationships, in line with Thales's objectives at corporate level.

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. Thales does this, for example, by drawing up manufacturing plans in collaboration with SMEs that additionally enable the Group to meet its offset obligations. Some of the proactive SMEs supported by Thales in India have already been able to develop ties with Indian firms.

Thales is one of about twenty large companies that signed the Charter of Inter-Company Relations in 2010. The Charter sets out ten key principles for responsible purchasing, and helps 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, 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.

In accordance with the charter, Thales has appointed an SME liaison officer to act as an internal mediator in the event of disputes, which can be referred directly 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 (for example 3D-Plus - see box).

As part of its commitment to open **innovation**, Thales hosts special one-day focus events, organised jointly with the SME Pact association. The Radiotech, Optrotech and Securitech events, for example, were set up to provide Thales with the opportunity to communicate its technological requirements in the communication and security domains to an audience of SMEs. After Thales's opening presentation, SMEs are given a platform to showcase their proposed

responses to the Group's requirements. The proposals are then analysed against a series of innovation criteria, and bilateral meetings are scheduled with selected SMEs with a view to developing joint projects.

As part of the ongoing effort to identify innovative SMEs, the French Ministry for Productive Renewal launched the "Innovative SME Charter" in 2012, with input from Thales. The charter has now been signed by around twenty major groups which are part-owned by the French State (see box).

France's high-tech clusters offer excellent opportunities for Thales to develop **partnerships** with innovative suppliers.

The Group is actively involved in several of these regional, national and international clusters, including:

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

THE INNOVATIVE SME CHARTER

In 2012, Thales was one of the drafters and first signatories of the Innovative SME Charter.

Firms signing up to the Charter commit to working towards the following objectives:

- Allowing SMEs easy access to major companies' key areas of focus for innovation;
- Supporting SMEs to complete their innovation projects;
- Encouraging SMEs to use the results of their innovation work to grow their business in other markets;
- Adapting purchasing processes to support innovation;
- Investing in innovative SMEs;
- Supporting the development of innovative SMEs;
- Implementing a specific in-company oversight structure.

3D-PLUS: GROWING WITH THALES

"We are working with Thales on the miniaturisation of part of their new telecoms system. It's an amazing, complex project that grew out of a meeting organised by Thales and the SME Pact association.

Based on Thales's requirements, we looked at ways of optimising one of our new technologies in both technical and economic terms. This boost to our skillset is not the only benefit that this collaboration brings for 3D-Plus. It also gives us a way in to the defence sector, where we hadn't done much business before. In addition, once this joint development project is complete, we are planning – with Thales's approval – to supply the company with chips, allowing it to produce this solution on an industrial scale, which should open up new markets for us.

Last but not least, we now have a valued partnership with Thales, too. We are working on a number of projects together, including one that relates to radars," explains Christian Val, founder of 3D-Plus (www.3d-plus.com).

THALES RECEIVES RESPONSIBLE SUPPLIER RELATIONS QUALITY LABEL

François Monira, Thales's VP Purchasing, received the responsible supplier relations quality label from Fleur Pellerin, Minister for Small and Medium Enterprises, Innovation and the Digital Economy at the French Ministry for Productive Renewal. The Group was one of four major companies selected for the award by the French government's Business Relations Mediation scheme and the French association of purchasers and purchasing managers

(CDAF). The quality label recognises French companies that have demonstrated balanced, sustainable relationships with their suppliers and subcontractors. Certification is granted for three years to promote and recognise continuing application of the ten commitments for responsible purchasing laid out in the Charter of Inter-Company Relations, which Thales was among the first companies to sign when it was drafted in 2010.



A photograph of a modern office interior with a large teal diagonal overlay. The office features a grey sofa, a glass display case, and a large window in the background. The teal overlay covers the right side and part of the top of the image.

Financial partners: transparency and strategic dialogue

Non-financial factors, such as ethical and governance issues, employee relations and the environment are increasingly taken into account in the valuation of a company.

Thales is committed to including all such factors in its financial communications, in order to foster long-term relationships with shareholders by ensuring that information is transparent and immediately available to all. The Group also pursues a policy of continuous dialogue and close relationships with shareholders to provide them with a clearer understanding of the Thales corporate strategy.

Ownership structure and corporate governance

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. Four of the 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, which is 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 four independent directors (25% of the Board).

- Directors' terms of office (six years) are longer than the maximum term recommended by the AFEP-MEDEF code (four years). At the Annual General Meeting on 24 May 2013, the Board of Directors proposed that the directors' term of office be reduced from six to four years. This provision would apply for the first time to directorship appointments and renewals at the 2014 Annual General Meeting.

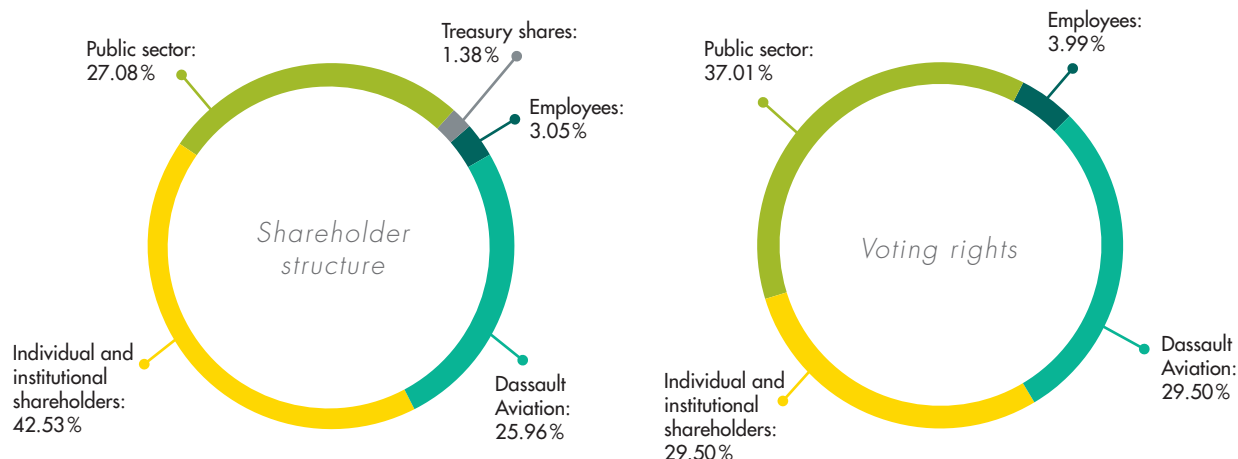
As laid down in the Board's internal rules, the statutory auditors receive the same information as the directors and are invited to attend Board meetings.

The objectives set out in the AFEP-MEDEF code and in French legislation (Act No. 2011-103 of 27 January 2011) regarding increased **numbers of women** on the board of directors remain unchanged, although they have been put back by one year. For a 16-member Board, the objectives specified in the applicable texts are as follows:

- three women members by the date of the 2013 AGM (according to the AFEP-MEDEF code) or the 2014 AGM (under the Act), and
- six women board members by the date of the 2016 AGM (according to the AFEP-MEDEF code) or the 2017 AGM (under the Act).

THALES SHAREHOLDERS (AT 31 DECEMBER 2012)

Detailed information about Thales's ownership structure is published in the annual report (Registration Document), which can be downloaded from www.thalesgroup.com/Group/Investors



► Involving its **employees** in corporate governance enables Thales to **share its strategic vision**, more widely while fostering **constructive dialogue** and developing a management culture that values **collective intelligence** and **responsibility**. As representatives of a key minority shareholder grouping, employee shareholders are able to participate in making the key decisions that affect the future of the company. Thales displays exemplary **corporate governance** in this area ◀ **Philippe Lépinay**,
Thales Director, Chairman of the French federation of employee shareholder associations
(Fédération Française des Associations d'Actionnaires Salariés - FAS).



As a result of the appointment of Jeanne-Marie Prost, Anne-Claire Taittinger and Ann Taylor as independent directors at the Annual General Meeting on 15 May 2012, and the presence of Martine Saunier as a Director elected by employees, 25% of the members of the Thales Board of Directors were women at that date, thereby exceeding the objective of 20% one year ahead of the AFEP-MEDEF timeline, and two years ahead of the legal deadline.

Employee share ownership: an integral part of corporate governance

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

As of 31 December 2012, employees owned 3.05% of the company's share capital.

Employee share ownership is primarily structured through company investment funds managed by a supervisory board, the majority of whose members are elected by employee shareholders, or are representatives of Thales management. Employee shareholders are represented on the Thales Board of Directors by a **director** nominated by the 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.

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.

EMPLOYEE SHARE OWNERSHIP: THALES WINS COMPANY INVESTMENT FUND GOVERNANCE AWARD

At the employee share ownership awards held at the Palais des Congrès in Paris on 23 November 2012, Thales won the company investment fund governance prize, awarded by the French federation of employee and former employee shareholder associations (FAS).

Governance of the "Thales employee share ownership" fund, which covers 95% of the Group's employee shareholders, is the responsibility of a supervisory board, more than 80% of whose members are elected by employee shareholders.

BOARD OF DIRECTORS (composition at 31 March 2013)

PUBLIC SECTOR (FRENCH STATE)

Jean-Bernard Lévy, Chairman & Chief Executive Officer
David Azema
Didier Lombard
Bruno Parent
Jeanne-Marie Prost

INDUSTRIAL PARTNERS (DASSAULT AVIATION)

Charles Edelstenne
Loïk Segalen
Amaury de Sèze
Éric Trappier

EXTERNAL DIRECTORS

Yannick d'Escatha
Stève Gentili
Anne-Claire Taittinger
Ann Taylor

REPRESENTATIVE OF EMPLOYEE SHAREHOLDERS

Philippe Lépinay

ELECTED BY EMPLOYEES

Dominique Floch
Martine Saunier

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).

Regular **exchanges** with the financial and extra-financial communities

Investors and financial analysts increasingly take 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 ("**responsible**" investments have doubled since 2012, and stood at 115 billion euros in 2012). The trend is now becoming more and more widespread, particularly in English-speaking countries – for example, there has been a 25% increase in responsible investment in the United States in the past two years.

Thales regularly organises one-on-one meetings with investors (30 such meetings were held in 2012) as well as roadshows, 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



► *Environmental, social and governance (ESG) analysis has become a financial discipline in its own right, and is an **integral component of investment research**, providing insight into market risks and opportunities by specifically assessing extra-financial issues facing companies and business sectors. Today's investors engage in **active dialogue with companies**, to determine the potential ESG risk to which they are exposed* ◀ **Stéphane Voisin**, Head of Sustainability Research and Responsible Investment, Kepler Cheuvreux

THALES'S FUNDAMENTAL PRINCIPLES

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.		

THALES WINS FINANCIAL TRANSPARENCY AWARD

Thales won recognition for its financial communication at the fourth Financial Transparency Awards held in Paris on 4 October 2012. The Group received the award for "Best Improvement by an SBF120* company", and ranked second in the "Large Caps" and "Industrial Goods & Services" categories.

The Financial Transparency Awards are organised every year by a scientific committee composed of representatives from across the financial community. They recognise best practice among listed companies in terms of access to regulated financial information.

Companies' practices are assessed on the basis of four financial communication documents (the annual registration document or "annual report", the half-year financial statement, the "regulated information" section of the



corporate website, and the press release announcing annual results) as well as according to a total of 85 criteria enabling assessment of the accessibility, accuracy, comparability and availability of financial information.

"This award recognises and rewards Thales's commitment to providing regular, clear and transparent financial information to its shareholders, the financial community, and all its stakeholders", said Pascal Bouchiat.

*SBF120 is a French stock market index based on the 120 most actively traded stocks listed in Paris. It includes all 40 stocks in the CAC 40 index, plus a selection of 80 additional stocks listed on the Premier Marché and Second Marché of Euronext Paris.

Pascal Bouchiat

Senior Executive Vice-President, Chief Finance Officer

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:

- ensuring that employees understand risks sufficiently clearly to allow them to make an effective contribution to risk prevention and mitigation,
- monitoring actions taken within the entity to manage any instances of non-compliance detected, and taking any necessary steps themselves,
- overseeing associated action plans.

In light of the fact that all Thales employees are required to act in strict accordance with applicable laws and are therefore individually responsible for ensuring compliance, a series of e-learning programmes (covering areas such as competition, insider trading, intellectual property, etc.) targeted at employees with no specific legal expertise are available throughout the Group. These programmes outline the main legal risks and how to avoid them.



Thales's commitments to social responsibility

The principles of social responsibility guide and shape Thales's actions and form the basis of the Group's approach to its people and business activities.

With its recognised technological expertise, growing international footprint, rich array of skills and a track record of success and innovation in all its areas of specialisation, 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

In 2012 Thales redefined its social policy around “Thales Together”, a single platform that confirms the Group’s long-term commitment to its employees.

The ultimate objectives of Thales’s commitments to social responsibility are as follows:

- sharing a set of common values as a key differentiator to boost the Group’s performance;
- drawing on constructive dialogue and social responsibility in all its actions to strengthen cohesion within the Group;
- complying with the specifics of each country of operation, while ensuring ethical conduct both internally and with its customers and suppliers.

The Group’s employees are bound together by four values which form an integral part of Thales’s corporate culture: “Listening to customers”, “Improving our performance through teamwork”, “Innovating”, and “Developing our talents”.

Thales’s commitment to the principles of **social responsibility** underpins the Group’s approach to human resource management and business conduct. Within this framework, Thales is committed to:

- sharing a common culture;
- developing all talent;
- recognising the value of its employees;
- acting in a socially responsible way.

For the first time, social responsibility is explicitly incorporated in the Group’s social policy, “Thales Together”, based on the following **commitments**:

- encouraging diversity and treating each employee fairly and with respect;
- promoting gender equality in the workplace through specific action plans;
- offering a safe and healthy working environment to all employees;
- basing the Group’s success on dialogue with employees and their representatives.

In addition to the action taken to conduct a high-quality social responsibility policy with regard to employees, Thales also engages in social responsibility actions with regard to other **stakeholders**.



Promoting and respecting human rights

The *Thales Code of Ethics*, which was first issued to all Group employees in 2001, includes commitments on human rights and labour rights.

Thales signed the United Nations Global Compact in 2003 and adheres to its ten principles on human rights and labour rights, which are inspired by the Universal Declaration of Human Rights and the International Labour Organisation’s Declaration of Fundamental Principles and Rights at Work. These principles are implemented on the basis of agreements and best practices ensuring that the Group’s activities are conducted responsibly.

In 2012, the Global Compact raised Thales’s performance level in corporate responsibility from “Active” to “Advanced”. This makes Thales the only aerospace and defence company out of the 18 French companies classified as **Global Compact Advanced**.

A special e-learning programme on social responsibility was developed for all Group employees in 2012. The programme outlines Thales’s commitments and describes the measures being taken to deliver on those commitments. It is available in English and French to make it widely accessible to employees. The objective is to embed social



► Things are changing so much and so quickly that corporate social responsibility is now driving a **new dynamic** in labour relations and professional development. Being responsible means engaging in **constructive dialogue**, respecting people for who they are, bridging the generational divide, fighting discrimination of any kind, promoting diversity, and working in favour of **sustainable development** to serve the interests of society at large. That makes CSR a great **opportunity for companies and their stakeholders, in terms of employee relations as well as business performance** ◀ **Jean-Claude Javillier**, Professor (emeritus) at the Université de Paris-II, Attorney at law (Paris bar), member of Ius laboris - Global Human Resources lawyers (Capstan), President of the French association of friends of the international labour organisation (AFOIT), former director of standards and methods at the International Labour Organisation.

responsibility more fully into human resources policy and strengthen employees' sense of belonging to a socially responsible group.

Data on employment, working conditions, labour agreements, labour practices and human rights is provided by human resources departments in each country. Applying the process introduced in 2011 with the deployment of the computerised "e-Social Responsibility Reporting" tool, precise information is provided by contributors and approved by the human resources directors of each country or geographic area. This information is gathered using a qualitative and quantitative questionnaire largely based on the indicators proposed by the Global Reporting Initiative*, and also including **indicators negotiated with employee representatives**, at European level. In addition to indicators of compliance with new legislative provisions, other indicators make it possible to collect information needed to mitigate personal injury risk and to establish European and individual country reports on gender equality. Country data is checked and consolidated by the Group's Human Resources department, which is responsible for ensuring consistency and producing the report.

As part of this process, the Social Report, which is available in the Corporate Responsibility section of the Group's website and at <http://sustainability.thalesgroup.com>, provides more complete information than the present report, together with a breakdown by theme, about all the actions and innovative measures that have been taken by Thales with respect to employee relations and social policy at country level. The Social Report now also includes figures and a breakdown by theme for individual countries. For each indicator, the percentage of employees covered is also provided.



Towards recognition as a top employer

The breakdown of Thales's 65,138 employees** worldwide by geographic area and by level of responsibility illustrate the factors that have helped to shape the Group's social policy:

- an international footprint, with 30,464 employees working outside France, representing almost 47% of the global workforce, at the end of 2012;
- a highly skilled workforce, with 74% employed as engineers, specialists, managers or equivalent;
- women accounting for 22% of the worldwide workforce;
- a high proportion of permanent, long-term employment contracts (97.5%), and
- a high proportion of full-time jobs (93.5%).

* The Global Reporting Initiative (GRI) is a not-for-profit organisation developing a common framework for sustainable development reporting. Set up in 1997, the GRI published a preliminary version of its guidelines in 1999.

Compliance with this text by companies is completely voluntary.

** "Employees" refers to all employees under management.

Anticipating tomorrow's **opportunities** and challenges



With recognised technological expertise, a broad international presence, a **wealth of talents** and skills and a long tradition of success and innovation in all its areas of activity, the Group has been able to step up to the challenges of a fast-changing world. Tailoring its employment policy to the Group's requirements, and despite the slowdown in some labour markets and the need to adapt in certain countries, the Group recruited 5,985 new employees in 2012. The majority of new recruits were offered permanent employment contracts.

The specialised **skills** of Thales employees are a major asset for the Group. As a result, all of its job families have introduced a system of Key Skills Management focused on identifying all available technical skills and sharing them throughout the organisation.

By structuring its skills management processes and identifying **expertise** across fifteen job families, the Group ensures that its employees' skills and expertise meet its needs as closely as possible. This approach helps to solve specific technical problems on ongoing programmes, and provides access to the specific skills needed to set up successful bid and project teams. It also provides day-to-day support for employees, helping them to achieve their **professional goals** or develop their skill sets. Approximately 26,000 employees (70% of the workforce) have listed their skills to date in the Key Skills Management system, which is progressively being rolled out on a global scale.

Constructive dialogue to achieve shared goals

Supporting and encouraging social dialogue

Thales is a signatory to three pioneering Europe-wide labour agreements (11 countries and close to 52,000 employees concerned):

- 1993 agreement establishing a European Works Council as part of a broader anticipation agreement: the European Works Council has representatives from Thales's 11 main European countries of operation. Its resources and responsibilities have been progressively extended by amendments to the original agreement signed in 2002 and 2007. A further amendment is currently under negotiation.
- IDEA: (Improving **professional Development** through Effective Anticipation). Signed in 2009, this agreement is based on sharing existing best practices in the countries involved and as such it is considered a ground-breaking agreement. 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). This 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 to promote the professional development of all employees. Over 88.7% 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 steps in this annual **anticipation** process are as follows:

- overall trends in each job family, as well as the challenges facing the company as a whole, are presented to National Anticipation Committees (in European countries) each year;
- 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 create an effective Europe-wide network of social partners, 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. The European Works Council office met in November 2012 to prepare the groundwork for the 2013 European Convention and decide on organisational aspects.



Training for sustained professional development

Thales believes that professional fulfilment comes from constantly maintaining and improving the skills of each of its employees with a view to maximising employability.

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.

Active in nine countries – France, Germany, Italy, the United States, the Netherlands, the United Kingdom, the United Arab Emirates, Australia and Singapore – Thales University is tasked with supporting the professional development of the Group's employees in the various countries, and promoting a **common corporate culture** to build cohesion around its core values.

As one of the major pillars of a training effort that serves both employees and the competitive performance of the company, Thales University seeks to tailor individual and collective skills to the needs of each discipline, at the same time as supporting the Group's **strategic objectives**.

The Europe-wide IDEA agreement has a significant training component and includes the following provisions:

- 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 as well as the company;
- a network of training advisors has been developed throughout Europe, with each employee assigned a personal advisor;
 - at least once every three years, each employee has access to a relevant training programme lasting a significant length of time and corresponding to his or her training plan and to the needs of Thales;

- individual training programmes take each employee's experience into account and address opportunities for obtaining independent certifications and qualifications.

In 2012, 51,200 employees (84% of female employees and 83% of male employees) completed at least one training programme.

Focus on 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.

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

Under the IDEA agreement, the Professional Development Discussion (PDD) has become standard practice for all Thales employees in Europe. In 2012, annual discussions were conducted for more than 86% of all staff in Europe and for 83% 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 goals
- consider the best ways to achieve those goals (training, practical experience)





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

One of Thales's top priorities is to ensure a **safe and healthy working** environment for its employees by meeting legal requirements, monitoring procedures, preventing health and professional risks and providing adequate training for employees. The Group has established a dedicated organisation, which has been in place for two years and applies to all countries worldwide, in order to prevent health and safety risks in the workplace.

The Human Resources and HSE-Operations Departments share oversight responsibility for the many aspects of health and safety. The HSE-Operations Department monitors environmental health and safety at the sites and facilities. The Human Resources Department works to prevent risks related to employee health and safety in the workplace. It defines the principles of the health and safety policies that are implemented in each country of operation in accordance with national laws and requirements.

A risk sponsor, who is responsible for preventing personal injury risks, **monitors risks** that could affect employees around the world (discrimination, sexual and moral harassment, health risks, risks of accidents, workplace risks and psychosocial risks).

In 2012, each Group company in France appointed a two-person team, composed of an HR specialist and an HSE specialist, **to assist in preventing workplace-related** health and safety risks. HR and HSE representatives have been appointed at company level, and HR and HSE managers have also been appointed as correspondents for individual sites and facilities.

Procedures are in place to anticipate and manage health risks that might occur at the international and/or national level. **These procedures were included in the Group reference system** in 2012 to make them readily accessible to all the parties concerned:


- a permanent medical management unit with a consulting physician/Thales medical coordination officer on duty to

issue an alert if a major health risk is identified anywhere in the world or in a specific country;

- a crisis management unit for major international health risks, which can be convened if a major health crisis affects one or more countries in which the Group has permanent or temporary employees, in order to determine, deploy and monitor implementation of appropriate measures;
- a procedure for managing missions in countries with major health risks, which includes 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.

The Group Human Resources Department has also made **clear commitments** on the health and safety of its employees worldwide, including providing opportunities for each employee to have a medical check-up within a year of joining the company, paying special attention to the needs of employees working alone or at night, and informing employees about health and safety issues in the workplace.

Thales is also taking measures to improve employee well-being. In France, the agreement on quality of life in the workplace signed on 2 July 2009 set out a general framework for Group-wide health and safety policy and established a system for identifying and preventing workplace hazards and risks. The agreement is based on a **preventive approach** involving all the stakeholders in occupational health and aims to prevent psychosocial risks through collective measures and by focusing on the well-being of each individual employee. As this agreement expired in June 2012, new negotiations were launched with employee representatives throughout the Group; a new agreement is expected to be reached in mid-2013.



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 2012 show that the Group is making headway in this area. Women today account for 22% of the active global workforce (22% in Europe, 23% in France, and 24% of all direct employees in France). As a result of efforts to increase the number of women in the workforce, women accounted for 27.4% of new hires worldwide in 2012 (27.4% in Europe).

Most of the women who work at Thales occupy qualified **full-time jobs**, with 97% on permanent contracts and 59.5% employed as engineers, specialists or managers (levels of responsibility 7 to 12).

In France, a Group-wide framework agreement signed in 2004 with all employee representative organisations adopted the principles of gender **equality** and defined the methodology to be applied to promote it. Subsequently, about 20 French companies negotiated three-year action plans based on the actual gender equality situation in each workplace. These action plans, prepared using comparative data, have been renegotiated every three years. A new Group-wide framework agreement was concluded in June 2012. Thales has therefore set new targets and put in place **new resources** to step up its recruitment efforts, support the development of women's careers and to promote a better work-life balance.

In Europe, the IDEA agreement signed in 2009 by Thales and the European Metalworkers' Federation (now IndustriAll) contains a significant number of measures to promote professional equality between women and men. Countries signed up to the agreement are required to produce an annual report on gender equality and propose an action plan to improve performance where necessary.

More generally, the agreement includes a range of commitments on equal opportunities in recruitment, career development, compensation and work-life balance.

Substantive efforts were made in 2012 to ensure gender-balanced recruitment, especially in technical and



scientific job families. In France and Germany in particular, the Group organised schools outreach and communication programmes to encourage girls to study science and technology. Based on prospective analysis of female employee departures, negotiated action plans in Group companies in France set specific recruitment targets to maintain the proportion of women employed by the Group (24% of direct employees in France). In Spain, the gender equality business plan drafted at the end of 2011 is now being deployed. In 2012, women accounted for 29% of new hires in Spain, 28.5% in France, 29% in the United States and 41.2% in Brazil.

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 compensation between men and women. In 2012, 1,193 women benefited from the policy and were awarded an average individual pay increase of 2.43% to close the gap in salaries with their male counterparts.

During the people reviews carried out each year in France, special attention is paid to career development opportunities for women as part of a commitment by the Group's French companies to adopt a **proactive policy** to combat the glass ceiling, which can prevent women from advancing to more senior positions. Thales companies in France also promote access for women to some of the more male-dominated job types through training and mentoring schemes, and by encouraging support measures, co-development models and individual coaching. Equal access to training is also promoted by prioritising on-site training delivery and by allocating a special budget to cover additional childcare costs incurred when employees undertake training courses away from home.

Helping employees to achieve a healthy work-life balance is another key objective for the Group in Europe. Thales has a long-standing attachment to improving the work-life balance for all its employees, whether or not



► *Thales reaffirms its*
long-term commitment
to its employees ◀

they have children, and therefore pays particular attention to part-time employees. The action plans negotiated at each individual company also reflect the importance of **applying best practices** in the areas of working hours, meeting times and the use of new information and communication technologies.

By signing the French Parenthood Charter in November 2008, Thales demonstrated its commitment to helping employees improve their work-life balance. Further reflecting this commitment, Thales encourages Group companies to set up inter-company childcare facilities. The commercial agreements signed with Crèche Attitude in 2006 and 2010 support this objective. Under this programme, nearly 200 children of employees from a dozen French companies currently attend day care facilities near to where their parents work. In January 2013, the Group also teamed with Crèche Attitude to develop Solu'Crèche, an emergency childcare service tailored to the needs of Thales employees. Solu'Crèche provides working parents with openings in daycare centres in the Crèche Attitude network for up to two weeks a year, subject to availability, when their usual childcare solutions are unavailable. Lastly, to enable fathers to play a more active role in parenting during the initial period after a baby is born, Thales companies in France maintain compensation throughout the period of paternity leave.

In Germany, the Baby 1st and Homecare programmes help employees strike a better work-life balance. In Austria, a comparative pay study revealed a slight differential

between men's and women's compensation; the gap has now been closed.

In Germany, a Diversity Manager was appointed in 2012, and Thales joined a number of organisations working to promote women in technical professions.

In Spain, Portugal and Germany, Thales has formed partnerships with childcare organisations to help parents find daycare services for their children.

In Italy, Thales helps to cover employee childcare costs.

The training sessions that are organised throughout the Group, particularly in Europe, and the e-learning programme on **social responsibility**, support Thales's efforts to promote diversity and equal opportunity in the Group.

Promoting **diversity** and taking a stand against discrimination

As an international company with employees of many different nationalities, Thales respects and encourages **cultural diversity** in the workplace. The Group pays particular attention to recruiting local employees in all its countries of operation. As labour markets become increasingly globalised, this cultural diversity is a significant asset for the Thales Group. It helps to make Thales more competitive in international markets and to gain a better understanding of local customer needs. Multicultural teamwork helps to drive creativity and innovation. In its European IDEA agreement, Thales undertook to promote cultural diversity and combat discrimination.

Supporting employees with disabilities

In all countries of operation, Group companies make every effort to comply not only with legal requirements but also with local regulations and guidelines designed to promote the employment of people with disabilities. Some countries (Australia, the Netherlands, Norway and the United Kingdom) explicitly **prohibit** all forms of **discrimination**, while others (Austria, Germany, Italy, South Africa and Spain) set mandatory employment quotas for people with disabilities and generally impose financial penalties on companies that fail to comply.

Other countries (e.g. Portugal) adopt a different approach, offering financial incentives to companies with a policy of recruiting people with disabilities. Many Group companies, based in various countries, have also adopted a series of measures aimed at going beyond the legal requirements and **promoting the employment of people with disabilities**.

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 career development for employees with disabilities. This policy has been consistently maintained and led to the signing of a Group-wide agreement on 13 November 2004, which was unanimously renewed by employee representative organisations in 2007 and again on 21 October 2011.

The number of people with disabilities employed by Thales has risen steadily since the first agreement was

signed. Between December 2011 and December 2012, the proportion of employees with disabilities rose from 5.1% to 5.4%. The goal is to achieve 6%. Also in 2012, 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. The Group also supports the development of **innovative products** based on Thales technologies to provide practical assistance to 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 system is being set up at Thales's new facilities in Gennevilliers and will be available at the ESSEC business school in Cergy in 2013.
- 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. This system became operational in 2012.

In late 2006, Thales formed a working group with the French standards committee AFNOR to define a standard for disability-friendly employers. In 2012, Thales also worked with AFNOR to develop OK Pilot, a self-assessment tool for companies to measure compliance with the standard and propose improvements.

Combating age discrimination

The signatories to the IDEA agreement have formally rejected all forms of age-based discrimination. In line with this agreement, Thales human resources databases do not include references to individual employees' age or date of birth.

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. In France, Thales took these efforts one step further through a Group-wide agreement, signed in 2009, including a number of innovative measures to promote the employment of the over 50s in Group companies. The agreement was extended until 30 June 2013 by an amendment

signed in December 2012. In addition to prohibiting discrimination based on age, it 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 also undertakes to support end-of-career planning and the transition from employment to retirement. The local agreements supplementing this agreement have also been extended.

In France, the targets set by Thales for the term of the agreement are a 5% increase (compared with end-2009 levels) in the number of employees aged 55 and over, and an increase in the number of recruitments of employees aged 50 and over so that they represent 4.5% of all recruitments. Three years after the agreement on the employment of the over-50s came into effect, the indicators specified in the agreement point to a beneficial effect on the employment of older staff members within Thales.



EMPLOYMENT INDICATORS

INDICATORS	DATA 2012	SCOPE	DATA VERIFICATION	
			REGISTRATION DOCUMENT	SOCIAL REPORT
TOTAL HEADCOUNT¹ AT 31 DEC. 2012	65,138	100%	✓	✓
HEADCOUNT BY COUNTRY				
France	34,674	100%	✓	✓
Europe	52,481	100%	✓	✓
Outside France	30,464	100%	✓	✓
HEADCOUNT BY GENDER				
% of women	22%	94.6%	✓	✓
% of men	78%	94.6%	✓	✓
% of women in France	23%	98.2%	✓	✓
HEADCOUNT BY TYPE OF CONTRACT				
% of permanent contracts	97.5%	94.6%	✓	✓
% of full-time contracts	93.5%	94.6%	✓	✓
HEADCOUNT BY AGE GROUP				
< 30	11%	94.6%	✓	✓
30-39	24%	94.6%	✓	✓
40-50	31%	94.6%	✓	✓
> 50	34%	94.6%	✓	✓
HEADCOUNT BY LEVEL OF RESPONSIBILITY (LR)				
LR 1 to 6	26%	94.5%	✓	✓
LR 7 to 12	74%	94.5%	✓	✓
NUMBER OF TEMPORARY STAFF	2,707	94.7%	✓	✓
DEPARTURES BY TYPE				
Number of departures	4,212	94.6%	✓	✓
% resignations	46.4%	94.6%	✓	✓
% redundancies	25.7%	94.6%	✓	✓
% retirements	20.9%	94.6%	✓	✓
% other departures (including death)	7.0%	94.6%	✓	✓
RECRUITMENTS				
Total number of recruitments	5,985	94.6%	✓	✓
% of women	27.4%	94.6%	✓	✓
Number of apprenticeships signed in 2012	975	94.6%	✓	✓

¹ Headcounts shown are active headcounts.

INDICATORS	DATA 2012	SCOPE	DATA VERIFICATION	
			REGISTRATION DOCUMENT	SOCIAL REPORT
TRAINING				
% of employees benefiting from a PDD²	83%	94.5%	✓	✓
% of employees trained	83%	94.6%	✓	✓
% of women trained	84%	94.6%	✓	✓
Average number of hours' training per employee	24	94.5%	✓	✓
Total number of hours' training	1,472,261	94.5%	✓	✓
% OF EMPLOYEES COVERED BY A COLLECTIVE BARGAINING AGREEMENT	88.7%	92.9%	✓	✓
% OF EMPLOYEES COVERED BY A REGULATION ON WORK TIME	89%	95.5%	✓	✓
HEALTH AND SAFETY				
Global absenteeism rate (World)	2.64%	94.6%	✓	✓
Global absenteeism rate (France)	2.72%	98.2%	✓	✓
Global absenteeism rate (France) including maternity/paternity leave	3.06%	98.2%	✓	✓
Severity rate of accidents at work (World)	0.07	94.6%	✓	✓
Severity rate of accidents at work (France)	0.10	98.2%	✓	✓
Frequency rate of accidents at work (World)	2.42	94.6%	✓	✓
Frequency rate of accidents at work (France)	2.85	98.2%	✓	✓
Number of days lost for occupational illness (France)	2,309	98.2%	✓	✓
OTHER				
Staff costs (World)	€5.27 bn	100% financial consolidation	✓	✓
Rate of employment of persons with a disability (France)	5.4%		✓	✓
Number of jobs created by GERIS in 2012	859		✓	✓
Number of new business creation or takeover projects supported by GERIS in 2012	50		✓	✓
Proportion of purchases from suppliers in EU	2/3		✓	✓
% of purchases from suppliers in France	37%		✓	✓
Volume of industrial subcontracting services in France	€ 1.5 bn		✓	✓

² PDD: Professional Development Discussion.

✓ Indicators that have been verified by Mazars for 2012.

The Thales Social Report can be downloaded from: sustainability.thalesgroup.com





An advanced technology company with the 'green touch'

As an innovative and responsible company, Thales is stepping up to the major environmental challenges of our times. Thales's international organisation, spanning 56 countries, makes it not only a key player on the world industrial stage, but also a leading observer of the changes and developments taking place.

Building on its talent and advanced technologies, Thales goes beyond legal and regulatory compliance to play a proactive role in international programmes to protect the environment. Leveraging its technological expertise, the Group helps to develop solutions that enable its customers – particularly in the ground and air transportation sectors – to meet the key environmental challenges they face, including reducing their carbon footprint and achieving better energy efficiency.

Thales is progressively embedding an environmental dimension into every level of its business and organisation, acting as a 'responsible neighbour' wherever it operates and helping to build a shared culture of authentic environmental responsibility.

Further action in 2012

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, this policy has five key areas of focus:

Mitigate the human and environmental impact of our businesses:

- reducing and managing environmental health impacts;
- respecting biodiversity and cultural heritage.

Incorporate environmental factors into the design of our products and services:

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

Consume fewer natural resources:

- limiting dependence on fossil fuels;
- saving water.

Significantly reduce CO₂ emissions:

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

Foster a spirit of innovation:

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

Reflecting Thales's commitment to environmental issues, the Environment Department now reports to the SVP, Operations, a member of the Executive Committee.

As part of its efforts to continuously improve its environmental performance and ensure effective mitigation of risks, the Group has implemented a two-tier organisation:

- A corporate environmental team responsible for formulating strategy, policy and processes and overseeing their implementation across the Group;
- A global network of environmental managers responsible for implementing Thales policy at region, country and site level.

To support this policy, a specific process for managing environmental impacts and risks has been incorporated into 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 been extended to all functions and activities within the Group, helping to embed environmental considerations into the design and development of all Thales's products and services.

	PERFORMANCE 2008-2010	PERFORMANCE 2010-2012	TARGET 2012
Energy consumption	-11%	-5%	-5%
CO ₂ emissions from business trips per person	-14%	-1%	-10%
Reduced of CO ₂ emissions from energy and substances	-18%	-9%	-10%
Non-hazardous waste per person	-20%	-11%	-10%
ISO 14001 certificates including the environment in products and services		60%	50%
Assessment of environmental maturity for 50% of the top 1,000 suppliers		51%	50%

Engaging employees

Thales strives to embed a genuine **culture of environmental responsibility** within its organisation worldwide. To support this aim, the Group develops information and awareness campaigns targeted at employees.

Thales provides its employees with a range of training and awareness programmes as well as other opportunities to understand the issues in hand and offer feedback. The aim is to encourage personnel to take a fresh look at the environment, and to incorporate environmental issues into their **work** at a day-to-day level.

A collaborative IT platform provides a forum for hundreds of members from around the world to exchange news and information about the Group. Members include **personnel working** in such areas as design and communications as well as those involved directly in environmental management.

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.).

HSE OBJECTIVES 2013 - 2015



Energy and natural resources -10%

- Energy consumption
- Water consumption



CO₂ emissions -10%

- Scopes 1 and 2 reduction (energy and substances from the Kyoto Protocol)
- Reduction due to travels (business trips per revenue, commuting: implement accurate monitoring)



Non hazardous waste -10%

- Decrease total amount per people
- Increase recycling rate



Reinforce implementation of environment in suppliers relationship

- Environment maturity assessment of all Class A
- Integration of environment as a criteria in bid
- Train 80% of Purchasers (integration in existing training)



Reinforce implementation of environment in Product policy

- 20% of product line integrate 2 to 3 environmental objectives
- Train 100% of PLM (HSE integration in existing training)

Supporting eco-design



The Group's environment policy now includes a stronger focus on eco-design, confirming Thales's **commitment** 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"**.

This commitment forms the basis of Thales's entire policy and approach.

Incorporating environmental factors into its **products** from design to end-of-life disposal helps to drive creativity and innovation while addressing performance, safety and reliability constraints. Being **technologically creative and innovative** is all part of Thales's 'green touch', reflected in the development of new materials and new architectures to reduce the weight, size and power consumption of its products and systems.

Underpinning this proactive policy, the Group's reference system incorporates an environmental dimension into all relevant processes, such as bid and project management, design, development, through-life support and subsequent decommissioning decades later. A network of Product HSE (health, safety and environment) managers has been set up to ensure implementation of the environmental management baseline.

A range of training and communication opportunities has been developed to support the network, including seminars, e-learning modules and a training programme dedicated to **Ecodesign** 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.

THE GAIA LASER

Since early 2011, the Product HSE Manager for Thales Optronique in Élanecourt, near Paris, has been coordinating the eco-design initiative to extend the company's ISO 14001 certification to include its products and services as well as the site. The pilot project selected in 2012 is GAIA-I, a laser used in the semiconductor industry to anneal silicon components and typically operated by customers on a continuous cycle, 24 hours a day, 7 days a week. The industrial redesign process kicked off with team training at Thales University, which has recently launched a module on eco-design. Next, the team conducted a life-cycle assessment of the product, defining the scope of analysis, drawing up a life cycle inventory, quantifying negative impacts on the environment, identifying avenues for improvement and checking that negative impacts had been addressed. The results were a 20% reduction in energy consumption, a new version in the pipeline offering 50% lower consumption and one happy customer!

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 2012, a total of 1,800 suppliers around the world had signed up. To reinforce this initiative, the Group Purchasing Department set a target for 2011-2012 of evaluating the environmental maturity of half of the Group's top 1,000 suppliers. By the end of 2012, over 500 suppliers had been evaluated.

* Extract from Thales's health, safety and environment policy.

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**.

With its technical expertise and potential for innovation, and through a continuing involvement in an array of national and international programmes, Thales can help its customers meet these challenges.

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 determine patterns of ocean circulation at the surface and at depth, 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.

For 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.

SATELLITES AND SUSTAINABLE DEVELOPMENT IN AFRICA

By 2050, one in five of the world's population will be living in Africa and there will be over 1 billion Africans under the age of 15.

Faced with a whole host of economic, political, environmental and human challenges, Africa is a positively humming with new initiatives, often blending traditions and customs with cutting-edge technology.

A new book published by Thales Alenia Space and three other partners on the AMESD (Africa Monitoring of Environment for Sustainable Development) project tells the story of the human adventure that is bringing together scientists, industrial companies, space agencies and citizens on this project. It also shows how Africa is stepping up to the environmental challenges and how it envisages its future development.

Combining culture, industry and science, the book looks at the wide-ranging issues of sustainable development, including the monitoring of natural resources, natural risks and biodiversity, as well as the crucial role of space systems in each of these areas.

<http://www.satellites-and-africa.com/>

In partnership with the African Union, Eumetsat, the European Union and others, Thales Alenia Space is contributing to the AMESD (Africa Monitoring of Environment for Sustainable Development) project, designed to bring Africans the benefits of latest space technologies, spawning a growing network of domain experts trained to monitor and protect the environment for population groups throughout the continent (see box).

► Thales is developing **new materials**
and new architectures to **reduce** the weight,
size and **power consumption** of the products
it delivers ◀

GREEN IT: THALES PIONEERS ECO-FRIENDLY DATA CENTRES

With its five data centres in Élan court, Toulouse, Cholet and Valence in France and Doncaster in the UK, Thales's IT outsourcing business is setting new standards in Green IT.

"Green IT is not a single project, but a whole range of measures that work together to limit the ecological impact of information and communication technologies," explains Bruno Le Breton, head of consultancy for the Thales IT outsourcing business and a recognised expert in this field. Author of a White Paper on Green IT, he believes that greater awareness of the ecological potential of these technologies is the key to changing behaviours — not only among system operators but also, and even more importantly, among the companies that design IT facilities and information systems.

He believes the key to success is to adopt a "Green IT attitude" based around four main objectives.

The first is energy management at our facilities, particularly our data centres,

from the design phase through to the way they are managed and operated.

The second is optimised design of software applications to reduce the electricity consumption of the computers that run them — because the more CPU* power an application demands, the more electricity the computer uses.

The third is designing IT systems that reduce the ecological impact of human activity. Examples include teleworking and videoconferencing solutions, which reduce the need for people to travel.

The fourth driver of Green IT is building information systems that use smarter components, so that the systems themselves use less energy. Examples include connected devices that automatically go into sleep mode when users are not using the Internet.

The Thales approach

Thales has taken a series of steps including organising its IT rooms into

hot aisles and cold aisles to make cooling systems more efficient, and installing servers closer together (because more processing power per square metre translates into lower construction costs and carbon emissions, etc.). At the Élan court data centre, for example, Thales Services has increased processing power by a factor of 30 without needing to put up any new buildings.

A metric called Power Usage Effectiveness (PUE) is used to measure ecological benefits. This is the ratio between a data centre's overall electricity consumption and the effective power used to run the computer infrastructure within it. The lower the ratio, the higher the centre's efficiency.

The Élan court data centre's PUE performance has improved significantly in the last few years, falling from 2.4 in 2005 to 1.7 in 2012.

* CPU: Central Processing Unit

Transport and the environment

Greener rail and road systems

In today's increasingly urbanised world, creating **sustainable conditions** for urban mobility and inter-city travel is an important way of reducing CO₂ emissions. For over 30 years, Thales has been helping city authorities and large-scale transport network operators to meet increasing demand for more efficient travel. The challenge is clear: convince commuters, who in France, for example, make 85% of their journeys by car, to switch to other modes of transport by offering them multimodal options that are cheaper, quicker and more comfortable.

Thales develops systems that improve operational efficiency and help raise quality of service for customers.

The fare collection systems deployed by Thales, for example, 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.

Metro and urban rail networks form the backbone of urban transportation systems around the world. Each year, they enable over 40 billion passengers **to travel smoothly** and efficiently with a reduced environmental footprint, since trains produce three times less CO₂ per passenger-mile than cars.

Thales leads the field in automated train control systems based on CBTC (Communications-Based Train Control) technology, which significantly increases the number of trains



► **Ecological issues** are a key **unifying factor**, but **solutions** must also be **cost-effective**, because **competitiveness** will be a major factor in Europe in the years to come. We must also adopt a more **integrated approach, to research** and step up our efforts to devise solutions that meet the needs of the people we serve ◀ **Eric Dautriat**, Executive Director of Clean Sky



that can operate on a given line, and thus helps make urban rail systems more efficient.

Thales's ground transportation solutions also allow rail operators to cut their energy consumption – by up to 15% with CBTC technology for example – thereby contributing to a **further reduction in the carbon footprint** of rail transport.

Thales is a recognised expert in network supervision and passenger information systems, designed to improve the passenger experience, and continues to win key contracts in this field.

Toll systems for trucks help regulate road traffic flows and provide revenues for vital improvements to infrastructure. From mid-2013, the French government's Ecotaxe toll collection scheme, in which Thales is one of the major players, 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.

Free-flow tolling systems, with no channelling lanes or equipment on the ground, are playing an increasingly important role in combating the congestion and pollution that affects urban and interurban routes around the world. This technology eliminates the stops and starts imposed by conventional toll systems, thereby increasing the capacity of existing road networks and improving driver safety while reducing operating costs and carbon emissions. Not surprisingly, it is proving increasingly successful, with systems in already service in Australia, Brazil, Canada, Chile, Israel and the United States. In Brisbane, Australia, journey times are reduced and road safety is improved thanks to a **latest-generation electronic toll system** from Thales, which improves traffic flows using innovative tolling gantries and associated technology not available anywhere else on the market.

The Global Navigation Satellite System (GNSS) based on Thales technologies is also helping to optimise road traffic flows.

Aviation on a green trajectory

Global air traffic is expected to grow to between 415 and 500 million passengers a year by 2030 – double the figure of 228 million passengers recorded in 2005. Largely driven by the emerging countries, this growth will also expand the size of the global fleet of commercial airliners, which could increase from 15,000 aircraft today to 31,500 by 2030. Faced with these challenges, the air transport industry is working hard **to raise levels of safety and efficiency** – and improve the sector's environmental performance at the same time.

Thales is a market leader in avionics and air traffic management solutions and is a key stakeholder in the major programmes launched in the early 2000s to manage research and technological development projects with a view to enhancing aircraft operations.

Thales is a founding member of Europe's Clean Sky research programme (see box on p.74). The Group 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. It is also coordinating Clean Sky's "Technology Evaluator", a simulation tool that will be used to assess the environmental impact of the programme.

Thales is also a major player on the SESAR programme, launched by the European Commission in 2004. One of SESAR's key objectives is **to reduce aviation's environmental footprint**.

Several specific targets have been set:

- by 2020, reduce CO₂ emissions by 10% per flight (against a 2005 baseline);
- reduce aircraft noise emissions by 20 dB during takeoff and landing;
- give ATM a greater role in enforcing local environmental regulations.

To achieve their environmental goals, manufacturers must improve the way aircraft are designed. The objective is to achieve a 10% cut in fuel consumption, and better aircraft design will bring 65% of this reduction. Thales is also partnering a project led by the Consortium for Research and Innovation in Aerospace in Quebec (CRIAQ), a non-profit organisation established in 2002 **to increase the competitiveness** of the aerospace industry. Now in its second phase, this project is currently focusing on new wing architectures in an effort to reduce drag and in turn bring down fuel consumption. Such advances will also shorten takeoff and landing distances, since aircraft will be able to take off and land at slower speeds.

Smarter cities

Cities are the place where companies and their people, skills and resources come together. They are also the ideal place for innovation. Globalisation is intensifying competition between cities as well as other economic players. At the same time, a broader perception of climate change and the risk of depleting our natural resources could herald the demise of unbridled consumption. As they address the problems related to galloping urbanisation and changing demographics – more than half the world's population now lives in cities – cities are reassessing their growth **models and development strategies**.

While problems of social cohesion are becoming more crucial than ever, the growing use of social networks, think tanks and competitiveness clusters are enabling economic players to adopt more concerted, collaborative approaches. At the same time, cities must rethink on **sustainability** and be **smarter** and more **creative** in their policies.

CLEAN SKY, AS ITS NAME SUGGESTS...

Clean Sky, the European Joint Technology Initiative in which Thales is playing a key role, is one of the largest European research programmes ever undertaken. The objective of this public-private initiative is to speed adoption of new greener design practices by an industry which traditionally has long design and life cycles.

The environmental goals for the Clean Sky initiative have been set by ACARE, the Advisory Council for Aeronautics Research in Europe.

These goals set for 2020 are as follows:

- 50% reduction of CO₂ emissions through a drastic reduction of fuel consumption;
- 80% reduction of NO_x (nitrogen oxide) emissions;
- 50% reduction of external noise;
- A green product life cycle: design, manufacturing, maintenance and disposal/recycling.

Thales has been operating in the world's largest urban centres for several decades and is at the heart of the transformation process, helping to build the smarter cities of tomorrow. The Group develops and deploys **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



GREEN BUILDING: A NEW CHALLENGE FOR THALES

Green construction and green refurbishment aim to achieve a range of goals relating to the environmental performance of the new structure and the comfort and health of its occupants, such as the preservation of natural resources (raw materials, energy, water), measures to combat climate change, reduced waste and pollution, interior air quality and the environmental and health-related properties of building materials and products.

Cristal, the new headquarters of Thales Communications & Security in Gennevilliers, near Paris, is a prime example of green construction. Operational since the summer of 2012, the 7-hectare site is ISO 14001, HQE (high environmental quality) and BBC (low-energy building) certified. To achieve this, it employs highly insulated walls and roofs, triple glazing, reversible heat pumps, low-energy auto-on/off lighting, recovery of heat from processes and IT rooms and a centralised facilities management solution,

which regulates the heating system and operates the window blinds, for example, according to people's working hours.

Opened in August 2009, the headquarters of Thales USA in Washington DC is located in a new building, which it shares with the United States Environmental Protection Agency. The building was awarded Gold certification in 2009 and Platinum in 2012 under the Leadership in Energy and Environmental Design (LEED) programme.

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 such areas 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 has continued to focus **effort** on this important area, achieving a further 5% reduction, in line with its target for 2012.

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 36% reduction achieved at worldwide level, and 48% in France, between 2007 and 2012.

Reducing waste

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

Volumes of waste paper and packaging continue to fall (by 15% and 16% respectively compared with 2011).

At the same time, recycling of non-hazardous waste has risen, from 31% in 2007 to 54% in 2012.

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

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 are regularly checked. The most frequent discharges involve solvents.

With the exception of the Mulwala propellant manufacturing plant in Australia, the use of solvents is mainly linked to

PROTECTING THE ENVIRONMENT: AUSTRALIA SETS AN EXAMPLE

Despite their sometimes remote locations, the sites of Thales Australia have put in place programmes that seek to protect the environment, consume fewer resources and prevent health and environmental risks – with some impressive results.

According to Adrian Sandral, HSE Manager at the Thales Mulwala manufacturing facility in New South Wales, *“health, safety and environmental considerations are built into how we do business”*.

At this particular site, situated in a natural location alongside the large Mulwala lake and the Murray river, such considerations are

very important. Indeed, despite having these sources of water the region is sometimes affected by chronic shortages. With the goal of being a responsible local player and reducing its own impact, the Mulwala site has cut its annual water use by 50% in the last 20 years.

As well as reducing consumption of resources, the site uses all available community recycling opportunities to ensure that a minimal amount of waste goes to landfill.

For Matthew Goodman, HSE Director for Australia, these initiatives fit into a country-wide drive for improved environmental performance. *“This initiative has three main focuses,”*

he explains. “First, we try to reduce the total actual impact we have on the environment, through our use of resources and site contamination. Second, we need to be more efficient and reduce our use of resources per unit of production. And last, to achieve this we must also do things smarter by meeting our legal obligations but at reduced cost. The continuous improvement processes involved in our ISO 14001 accreditation have been shown to be instrumental in driving many of these improvements and stop us from being satisfied with what has been achieved”.

isolated individual activities such as paintwork detailing or small-capacity component degreasing baths. The quantities used are therefore limited. However, it is difficult to measure atmospheric emissions, since the emanations are not systematically collected.

Although 79 entities purchase solvents, 90% of solvent purchases concern just six sites (80% are purchased for the Mulwala facility alone). Together, the Group's Australian facilities account for 90% of total emissions. Many sites have **eliminated solvents** or use detergents instead.

Thales's activities generate little in the way of industrial wastewater discharges. 90% of such discharges originate from just six sites, and 60% from the Mulwala facility alone.

In 2012, industrial wastewater discharge increased by 47% compared with 2011. This is mainly due to discharges from the effluent treatment plant at the Mulwala site, Australia, leading to excess water consumption, but also the Turin site, Italy, which began work to discharge its effluent into the public networks, after agreement from the authorities, rather than remove it as hazardous waste. Not counting the waste from these two sites, the quantities of industrial effluent has remained constant since 2010 (and was reduced by 57% between 2007 and 2010).

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. 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.

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.

MEASURING EMISSIONS

Thales is responding to the major issue of climate change in ways that are directly relevant to its business activities. As well as implementing a strategy of at-source reduction of CO₂ emissions, the Group is helping to raise awareness of climate-related issues through a number of programmes and partnerships, while promoting products and services that support the emission-reduction initiatives of its customers and society at large.

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.

For example, refurbishing and renovating certain buildings to more stringent ecological standards and changing equipment and consumption habits are just some of the measures taken to improve energy efficiency and in turn reduce CO₂ emissions.

Ozone-depleting substances are being monitored and reduced under specific plans, particularly those cited in the Kyoto Protocol, mainly used in refrigeration systems.

Thales has also stepped up initiatives to reduce emissions from business travel (road, air and rail). Efforts have continued to encourage the use of videoconferencing and teleconferencing, car sharing and hiring vehicles with lower fuel consumption.

Thales achieved an 8% reduction between 2010 and 2012 in CO₂ emissions associated with energy, substances listed in the Kyoto protocol and business travel.

Due to the nature of their activities, the majority of the Group's sites 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 98% 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.

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, the Group has since 2009 co-chaired the Carbon working group of the French aerospace industries association (GIFAS) and is a member of the Greenhouse Gas working party of the International Aerospace Environmental Group (IAEG) to define international standards. 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 December 2011, provides a perfect example. Scientific partners supporting the professorship include the French laboratory in climate and environment studies (LSCE), the French atomic energy commission (CEA), the University of Versailles Saint-Quentin-en-Yvelines (UVSQ) and the French scientific research agency (CNRS), while industrial partners include Veolia Eau and Thales Alenia Space.

ENVIRONMENTAL INDICATORS

INDICATORS		UNITS	2007-2010 EVOLUTION	2010	2012	2010-2012 EVOLUTION	2012 (new perimeter)
ENERGY							
Electricity consumption	✓	'000s toe	-4.5%	142	137	-4%	139
Per sales electricity consumption	✓	top/k€	-	11.9	11.3	-5%	11.4
Fossil energy consumption	✓	'000s toe	-42%	27	24	-11%	24
Per sales fossil energy consumption	✓	top/k€	-	2.3	2	-13%	2
Total energy consumption	✓	'000s toe	-11%	173	164	-5%	166
Per sales total energy consumption	✓	top/k€	-15%	14.5	13.6	-6%	13.7
WATER							
Water consumption	✓	'000s m ³	-21%	1,763	1,742	-1%	1,770
Per sales water consumption	✓	m ³ /k€	-24%	147	144	-2%	146
WASTE							
Production of non-hazardous waste (without exceptional waste)	✓	tonnes	-21%	13,390	12,008	-10%	12,464
Per capita production of non-hazardous waste (without exceptional waste)	✓	kg/pers	-20%	190	169	-11%	172
Percentage of non-hazardous waste recovered ¹	✓	%	31%	82	85	4%	85
Production of hazardous waste ²	✓	tonnes	-5%	2,945	2,731	-7%	3,088
Percentage of hazardous waste recovered ¹	✓	%	22%	81	80	-1%	72
Total production of waste per sales		tonne/k€	-24%	1.36	1.22	-10%	1.28
INDUSTRIAL DISCHARGE							
Waste water		'000s m ³	-57%	531	782	47%	782
Air emissions		tonnes	-	990	693	-30%	694

¹ Not sent to landfill and not incinerated with no energy recovery.

² Without exceptional waste and explosives.



INDICATORS		UNITS	2007-2010 EVOLUTION	2010	2012	2010-2012 EVOLUTION	2012 (new perimeter)
CO₂							
CO ₂ emissions from energy use	✓	'000s t CO ₂	-18%	238	226	-5%	227
Per sales CO ₂ emissions from energy use	✓	kg CO ₂ /k€	-33%	19.9	18.7	-6%	19
CO ₂ emissions linked to Kyoto Protocol substances	✓	'000s t CO ₂	-10%	37	19	-49%	19
of which CO ₂ emissions linked to SF ₆	✓	'000s t CO ₂	-28%	25	11	-56%	11
CO ₂ emissions from business travel (company-wide)	✓	'000s t CO ₂	-15%	111	107	-4%	107
Per capita CO ₂ emissions from business travel	✓	kg CO ₂ /pers	-14%	1,665	1,649	-1%	1,649
CO₂ SCOPES ACCORDING TO GHG PROTOCOL							
Scope 1 (gas, fuel oil, coal, substances)	✓	'000s t CO ₂	-31%	124	98	-21%	98
Per sales Scope 1	✓	kg CO ₂ /k€	-33%	10.4	8.1	-22%	8.1
Scope 2 (electricity, steam)	✓	'000s t CO ₂	-6%	168	167	-1%	168
Per sales Scope 2	✓	kg CO ₂ /k€	-7%	14	14	-1%	13.9
Scope 3 (business travel by air, rail, road)	✓	'000s t CO ₂	-15%	111	107	-4%	107
Total scopes 1, 2 and 3	✓	'000s t CO ₂	-16%	403	372	-8%	373
OTHER							
ISO 14001 certified entities	✓	-	70%	118	124	-	124
Staff concerned as percentage of total workforce	✓	%	15%	75%	85%	-	85%

✓ Indicators reviewed by Ernst & Young for the 2012 reporting period and included in limited assurance conclusion.

The Thales Environment Report can be downloaded from: sustainability.thalesgroup.com





Engaging with the community

In many of the Group's countries of operation, Thales companies play a prominent role in the community and are major actors 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.

A global player, acting locally

Thales's policy in each country is to develop close, authentic ties with economic and other players in society, local institutions and communities. Local subcontractors and suppliers are used wherever possible **to support economic activity in the area**.

A Thales entity charged with a public service mission and specialising in regeneration programmes (Geris Consultants) has been in operation for some 30 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:

- help to create permanent, sustainable jobs, typically exceeding the number of jobs lost due to restructuring measures, by providing advice, equity loans, subsidised loans and grants to companies;
- conduct collective actions with a strategic or innovative focus to support business development and employment;
- work with local players more broadly to help stimulate the local economy.

Through missions such as these, Geris has helped create over 3,000 jobs in France, including 859 in 2012 alone, with around 450 SMEs/SMLs.

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 also has an active policy of supporting people with disabilities. A number of initiatives are aimed in particular at young disabled individuals, such as internships and access to educational **partnerships**. Thales is committed to the development of innovative technologies that bring practical benefits to disabled employees.

Thales also 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 last year helped finance healthcare for sick children in Afghanistan.

In 2012, Thales continued its support for HANVOL* – an association to promote training and **integration** of young people with disabilities in the aerospace industry.

Employees in the United Kingdom have been active in supporting charities for several years, promoting causes in various ways and providing significant financial support. The Give As You Earn programme, set up in 2012, enables employees to give a percentage of their gross salary to a charity of their choice, with only part of it deducted from their net salary (the rest is covered by Thales). The Group also supports Marie Curie Cancer Care.

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**. Thales 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 supports the University Fund Twente, the Study Centre Hengelo and the Opkikker Foundation, which organises activities for serious ill **children** and their families. The Group also participates locally in the Technology Museum and the Nautical Museum.

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 the country. In 2012,

* An association formed in 2010 by members of GIFAS, the French aerospace industries association, including Thales, Dassault Aviation and Safran, plus UTC Aerospace Systems. To learn more: www.hanvolinsertion.aero



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

In the United States, Thales supports numerous causes run by associations, including civic actions, healthcare support organisations and support for military families.

In Spain, the budget allocated to corporate social responsibility was increased in 2012 and a new action plan was launched. Thales España supports projects in which staff are directly involved. Any employee can therefore apply for funding to set up a **charitable project** under the Thales Commitment programme. In 2012,

Thales partnered 10 projects run by different foundations or associations.

Thales España also encourages initiatives to promote a healthier, more balanced life, notably by supporting employee participation in a range of sporting events. Finally, the company set up the Aula Thales programme, aimed at familiarising pupils at schools in Madrid with Thales **technologies** and their impact on society.

In 2012, Thales Canada continued to support United Way Centraide, the country's largest provider of funds for charitable organisations. Each year, United Way Centraide raises upwards of \$480 million, most 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.

For more information

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Thales thanks the outside contributors and employees who took part.

Design and production: **MAKASAR** - Publication date: May 2013.



Printed on recycled paper.

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