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This brochure is a summary of the Corporate Responsibility report available (in French) on the Thales website: www.thalesgroup.com



### Chairman's message



he complex global environment in which we operate requires companies to comply with increasingly stringent standards and assume a growing responsibility for their business practices.

I personally attach the utmost importance to ethical behaviour and compliance with

We operate in an environment that requires full compliance with increasingly stringent standards.

ethical standards, and this applies equally to our customers, suppliers, shareholders, financial markets and employees, as well as to civil society and the environment.

At Thales, we have taken a number of steps to meet these requirements, and a whole range of different measures are now in place thanks to the unflagging commitment of thousands of company employees. As a result, Thales aims to win the acknowledgement of customers and partners alike as a responsible world market leader.

This report provides a brief description of the measures

already in place. We fully recognise that a permanent effort is required to sustain this commitment to corporate social responsibility. We are constantly striving to improve our procedures and internal control measures, and to ensure that each and every employee fully understands the implications of this responsibility and assumes ownership of the associated risks. We act on any instances of non-compliance to further refine our rules and the ways we operate.

The entire company is committed to this process of continuous improvement. Indeed, we believe it is the

only way to build the longterm trust-based relationships that are central to the concept of corporate social responsibility, and that underpin our future growth and development.

### **Denis Ranque**



### Businesses

Thales is a world leader in mission-critical information systems for the aerospace, defence and security markets. With operations in 50 countries and revenues of 12.6 billion euros, the company draws on an extensive palette of civil and military technologies to meet the needs of its customers, working as a programme prime contractor and developing and delivering a full range of equipment, systems and services.



### > Aerospace

Onboard all major civil and military aerospace programmes.

### Capabilities

- Aeronautical equipment
- Mission electronics for combat aircraft
- Airborne surveillance and mission systems

#### Some references

- Watchkeeper UAV-based ISTAR programme
- A380, A400M and B787 aircraft
- Rafale & Mirage 2000 fighters
- S76d, Lynx, Future Lynx, Tiger, NH90 helicopters
- Meltem maritime patrol programme (Turkey)
- Regional aircraft (Bombardier, Sukhoi)
- In-flight entertainment systems for international airlines



### > Space

Provision of end-to-end space-based solutions from systems to services through Thales Alenia Space (67% stake) and Telespazio (33%).

### **Capabilities**

- European leader for space systems and services in the field of commercial Telecoms, Navigation, Radar & Optical Observation, Meteorology and Oceanography, Defense Communications and Observation, Science
- Strong positions in Orbital infrastructures and Transportations

### Some references

- Commercial telecommunication satellites W2A (Eutelsat, Mobile TV), Globalstar (48 constellation for mobile telephony)
- France's Syracuse, Italian Sicral, German Satcom BW, Korean Koreasat defense telecommunication satellites
- Defense observation programs Helios & Pleïades (France), COSMO-SkyMed (Italy) and Sar Lupe (Germany)
- EGNOS and Galileo navigation programs
- GMES (Global Monitoring for Environment and Security), MSG (Meteosat Second Generation)
- Huygens, Herschel Planck, ExoMars scientific programs
- International Space Station

### DÉFENSE



### > Air Systems

Complete airspace security and surveillance solutions, both civil and military.

#### Capabilities

- Weapon, surveillance and detection systems
- Radar, command & control and battlefield radar solutions via JV ThalesRaytheonSystems
- Air traffic management solutions

  Some references
- European anti-missile defence programmes FSAF, PAAMS and SAAM
- Crotale and Shahine short-range missiles
- Starstreak very short-range missile
- ACCS LOC-1, NATO Air Command and Control Systems
- Cobra counter-battery radar
- Air traffic management systems for Australia and China

### > Land & Joint Systems

Support Land Warfare Transformation Deliver Forces operational superiority through information dominance

#### Capabilities

• Complete range of land systems solutions : from large cooperative systems, soldier/vehicle systems to key equipment and services



- Intelligence, command and end-toend communications systems (C4ISR) systems for joint and network centric operations
- Communications and optronics equipment for air, land and naval forces

  References

### Land

- Cooperative fighting system : BOA demonstrator (France)
- Soldier modernisation programmes : FIST (UK), Normans (Norway), IdZ (Germany), D2S2 (Netherlands)
- More than 25,000 integrated vehicle systems in service of 150 different types.
- CYTOON program (South Africa) to deliver land battalion with ISTAR capabilities
- 500,000 tactical radios in 100 countries, 30,000 infra-red cameras in 40 countries

### Joint operations

- 200 Électro-Optic Recce and lasers pods
- Naval communications, information and command systems: Destroyers T45 (UK), RIFAN (France), SEA 1442 (Australia), SIC 21 (France)
- Syracuse III (France) satellite communications ground segment
- Delivery of communications services for NATO forces in Afghanistan



### > Naval

Major naval industry credentials. Strengthened partnership with shipbuilder DCNS at the heart of European consolidation moves.

### Capabilities

- Prime contracting and systems integration
- Above-water systems and equipment
- Underwater systems and equipment
- Services (fleet support and MCO)

#### Some references

- Future aircraft carriers CVF (UK) and PA2 (France)
- FREMM (Franco-Italian multimission frigates)
- Horizon and LCF frigates
- MINREM strategic intelligence vessel (France)
- Scorpene submarines (India, Chile, Malavsia)
- Sawari II frigates (Saudi Arabia)
- SAN PC frigates (South Africa)
- FFG7 Mine hunters (Australia)



### > Security Solutions & Services

Solutions to meet safety and security needs, an extensive services offering and cutting-edge simulation technologies.

#### Capabilities

- Ground transportation solutions
- Critical infrastructure security systems
- Enterprise services; defence and aerospace
- Simulation solutions and services.

#### Some references

- Nationwide secure e-ticketing system (Netherlands, Denmark)
- Metro (London, Hong Kong, Dubai, Madrid, Beijing, Shanghai, Turin, New York) & people movers systems (Las Vegas)
- Rail Signalling (Austria, Finland, France, Germany, Hungary, Latvia, Portugal, Romania, Spain, Switzerland)
- Oil and gas pipeline security (Russia, Algeria, Kazakhstan, Mexico, Pakistan), airport security (Dubai, Qatar) and sensitive site security (France)
- Secure government communications (US, UK)
- Secure ID documents (France, Morocco)
- Crisis management system (Mecca)
- French tax portal and procedures
- Tornado GR4 flight training centre (UK)
- Logistics and data systems (Airbus, Embraer)
- Paris ethnic art museum facility management





### > Alliances with Alcatel-Lucent and DCNS Major milestones in the development of Thales

The agreements signed with Alcatel-Lucent at the end of 2006 and DCNS in early 2007 are crucial milestones in Thales's growth strategy. They make the company bigger and stronger, enhancing its capabilities and expanding its international dimension.

### Agreement with Alcatel-Lucent brings strategic businesses to Thales

The arrival of Alcatel-Lucent's transport, security and space businesses significantly strengthens Thales's European leadership and its place among the world's top three players in most of the markets for integration of missioncritical electronic systems for aerospace. defence and security.

With this operation, the company's outlook for growth has further improved and its portfolio of businesses is more balanced between civil and military markets.

### The alliance with Alcatel-Lucent is fully in line with the three main pillars of the Thales strategy:

• Span the entire value chain: Thales provides all the capabilities its customers require, from equipment and systems to comprehensive support services, as well as prime contracting on large-scale programmes. Through this operation. Thales has achieved a unique positioning across the value chain and strengthened its core capabilities in mission-critical systems.

- Optimise synergies between civil and military technologies: Thales solutions draw on an exceptional platform of technologies with applications across the company's whole range of businesses. The organisation actively cross-pollinates civil and military technologies to serve a single objective: the security of people, property and nations. The arrival of the Alcatel-Lucent businesses has established a closer balance between the defence and non-defence businesses in the company's portfolio.
- Leverage the company's multidomestic operations to remain as close as possible to its customers. As a result of its multidomestic strategy. Thales is recognised as a fully fledged local player in each of its target markets and can anticipate and meet local customer requirements more effectively. The strategy is a resounding success: Thales is the leading French supplier to the Pentagon, the largest defence contractor in Australia, Korea and the Netherlands, and the second-largest contractor to the UK Ministry of Defence.

The agreement also provides for closer cooperation with Alcatel-Lucent. It establishes a genuine win-win partnership between the two organisations by:

• Clarifying the respective areas of business of Thales and Alcatel-Lucent. The new businesses make Thales one

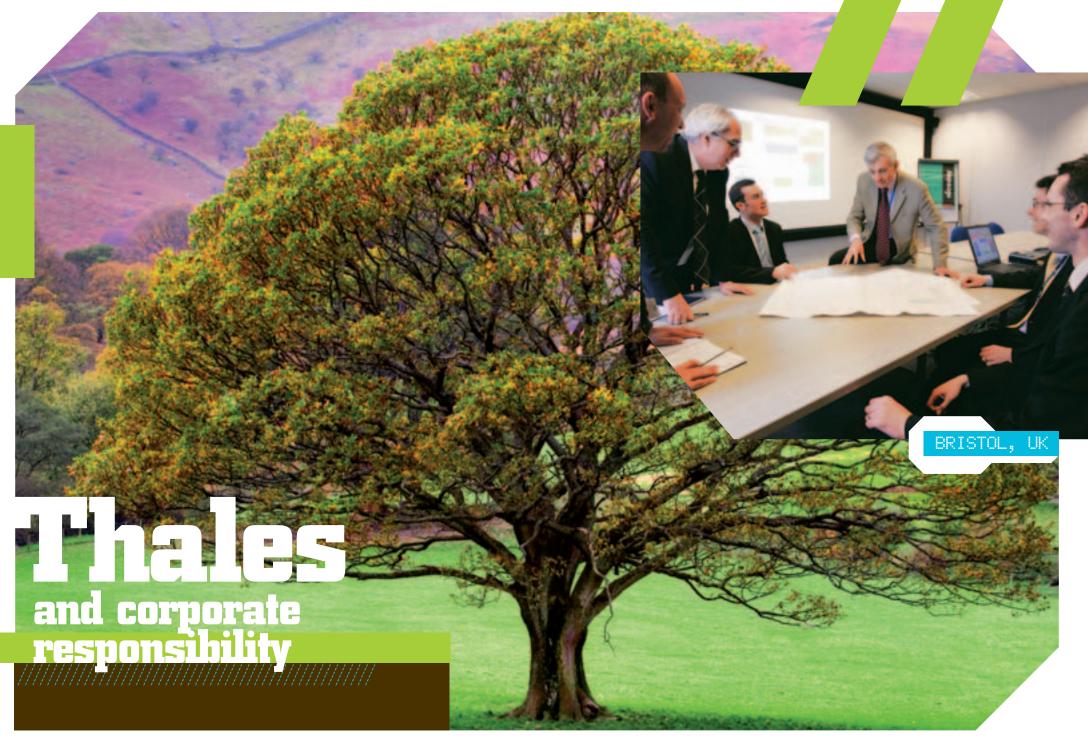
of the global leaders in mission-critical systems for safety and security markets in the civil sector. In turn, Alcatel-Lucent can now focus on its core business of telecommunications while benefiting from Thales's exceptional position in defence and security markets and making greater use of dual technologies to grow sales of telecommunications solutions

- . Consolidating their industrial and technological cooperation in optics, system architectures, advanced software and components. Although very different, the products offered by Alcatel-Lucent and Thales incorporate the same core technologies. The two companies have already set up a joint research laboratory dedicated to optoelectronic and microelectronic components based on III-V semiconductor technologies for applications in telecommunications, defence, security and space.
- Extending this cooperation to marketing and sales so each partner can benefit from the other's international presence.

### Agreement with DCNS spawns a champion of the naval defence industry

In early 2007, Thales became DCNS's industrial partner and shareholder with a 25% interest in the naval defence company. As part of the same operation, Thales contributed its French-based naval operations, with the exclusion of its equipment businesses. The alliance significantly strengthens Thales's involvement in naval markets. which now represent 2 billion euros in business, and its European rankings in the naval sector.

The merger consolidates the French naval defence industry as a first step towards broader consolidation at the European level.



# WHAT DOES CORPORATE RESPONSIBILITY MEAN FOR THALES?

As an electronics specialist serving defence, aerospace and security markets worldwide, Thales and its business activities are intimately connected with the geopolitical context. The deep-seated geopolitical changes occurring today are affecting the company's markets and are directly impacting its management processes and business models, making it crucial to reinforce its approach to corporate responsibility.

## NEW RESPONSIBILITIES IN THE GLOBAL MARKETPLACE

### **Changing regulatory context**

International bodies and national administrations are exerting increasing regulatory pressure. Globalisation is contributing to this trend, and particularly to the growing consensus that trade should be easier but more transparent and that all transactions must be traceable.

At the same time, the development of "soft law" is reflected in such initiatives as the United Nations Global Compact on human rights, labour standards and environmental protection, and the worldwide fight against corruption. Thales has signed up to the Global Compact as a baseline for

further consolidation of its ethical compliance system and business models.

### Security and fair trade

The rise in global terrorism and the proliferation of weapons of mass destruction and other threats underscores the importance for Thales to exercise the strictest controls over the end uses of the equipment it sells.

The company has proactively deployed a **rigorous** set of internal procedures to combat any illicit transfer of sensitive goods or technologies.

These measures ensure that the company not only complies with national and international regulations on export sales, but also meets the most stringent standards of ethical conduct.

"Thales strives constantly to improve best practices by incorporating the most stringent professional standards and by playing a proactive role in the development of an international frame of reference."

Bernard Rétat
Chairman of the Ethics
and Corporate Responsibility Committee,
Honorary Vice Chairman of Thales

### Focus

Thales has on occasion been named in alleged irregularities and failures to comply with international legislation and national laws. When it has considered these allegations to be unfounded and false, the company has filed official complaints. In all cases, it has cooperated fully with the national legal authorities. Recently, in a number of legal proceedings overseas, no charges were brought against the Group. In the few isolated cases where the suspected irregularities were found to be true, the company responded in two ways: it sanctioned the employees responsible for breaking the law and contravening its internal rules; and it tightened the procedures already in place. Steps are also being taken to strengthen internal control procedures, including the appointment of Compliance Officers at all major entities across the company and the creation of a Risk and Internal Control Committee at corporate level. Measures are also being introduced to make the procedures for delegating responsibilities within the organisation both clearer and stricter.

### Focus

The Ethics and Corporate Responsibility Committee Chairman

• Bernard Rétat,

Honorary Vice Chairman, Thales

Secretary

• Dominique Lamoureux,

Vice President, Ethics and Corporate Responsibility

• Sandrine Bouttier-Stref,

Environmental Affairs Manager

• Didier Brugère,

Vice President, Defence Marketing

• Sylvie Dumaine,

Senior Vice President. Communications

John Howe

Vice Chairman, Thales UK

• Alexandre de Juniac,

Senior Vice President, Air Systems Divisior

• Jean-Paul Lepeytre,

Deputy Senior Vice President

Security Solutions & Services Division

Sylvie Lucot,

Vice President. Investor Relations

• Anne de Ravaran.

Vice President, Legal and HR Ethics

Veronique Silverman,

Vice President, HR and Corporate Affairs.

Thales North America, Inc.



In a sector where contracts can represent considerable amounts of money, Thales has reinforced its internal procedures to combat any attempts at corruption as effectively as possible.





## THE MAINSTAYS OF THALES'S CORPORATE RESPONSIBILITY POLICY

# An ethical approach based on shared values

The Thales's corporate responsibility policy is based on a transverse approach covering trade, environmental and social issues. Consequently, Thales is committed to taking **concrete measures** to enhance its ethical compliance and ensure that the core values of ethical conduct are upheld throughout the organisation. The company also endeavours to develop responsible commercial relationships **with its customers and suppliers**, and is constantly mindful of the need to fight corruption and provide a clear procedural underpinning for its ethical practices. Thales's objective is to ensure that its **employees** perform effectively in an environment that is conducive to their personal and professional develop-

ment. The company's corporate governance practices and internal control procedures, combined with a policy of open and transparent communication, send a powerful signal to employees, **shareholders** and financial markets about the strength of its commitment to ethical business practices. It is also taking steps to achieve measurable reductions in the **environmental** impact of its activities. By the same token, the notion of **social responsibility** is one of the guiding principles for Thales's research and development activities. For instance, the company is committed to making its technological know-how available to improve the quality of life, serve socially useful projects or support local development.

### Ethical compliance system

Thales has put in place an ethical compliance system based on a **Code of Ethics** and a **dedicated organisation** to ensure that the Code is applied. The Thales Code



of Ethics was drafted in 2001 as the baseline for the professional conduct of the company's employees with respect to its various stakeholders. Issued to all employees in various languages (Dutch, English, French, German, Spanish, etc.), the Code sets forth the company's values and clearly demonstrates its commitment to compliance with well-defined principles of ethical business conduct.

### **Dedicated training plan**

Deployment of the Code of Ethics is supported by a specific training plan. The in-house training institute, Thales Université, has incorporated a module devoted to ethical issues into its core training programmes. Ethical issues and the broader principles of corporate responsibility are systematically covered in all transverse management training courses. In addition, dedicated e-learning modules are being developed to ensure that **all employees are aware** of the importance of ethical practices.

### A dedicated organisation

An Ethics and Corporate Responsibility Department is in charge of implementing this ethical compliance system and coordinating measures across the Thales organisation. To perform these roles, the department's six staff members work first and foremost with the company's functional and operational departments, but also with local structures in the main countries of operation.

In line with the priorities set by the **Ethics and Corporate Responsibility Committee,** the department's main roles are as follows:

- contribute to the definition and deployment of best practice
- set Group-wide standards with respect to ethical business practices
- recommend awareness and communication actions
- ▶ help to create a culture of corporate responsibility
- contribute to efforts to monitor changes in regulations and standards.

### Focus

On 31 January 1999, former United Nations Secretary General Kofi Annan set out the principles of the Global Compact in an address to the World Economic Forum in Davos. The Global Compact's operational phase was launched at UN Headquarters in New York on 26 July 2000. The Secretary General invited business leaders to join this international initiative, which aims to rally companies, UN agencies, professional organisations and civil society around ten universal principles relating to human rights, labour standards, environmental protection and the fight against corruption.



By encouraging companies to incorporate these principles into their strategies and business models, the Global Compact seeks to promote transparency and responsible corporate citizenship

to ensure that the business community plays its rightful role in meeting the challenges of globalisation. By applying these principles, the private sector – in partnership with other players in society – can make a tangible contribution to realising the Secretary General's vision of a more viable and open global economy.

Through a letter of commitment from Chairman & CEO Denis Ranque, Thales signed up to the Global Compact in 2003 and has adopted the ten universal principles. The company renews its commitment on a regular basis, particularly by providing Communications on Progress (COPs) for the organisation's database.



# RIGOROUS CONTROL OF SALES AND MARKETING OPERATIONS

Given the nature of Thales's businesses, guaranteeing the integrity of its sales and marketing operations is a crucial part of its corporate responsibility.

### **END USER CONTROL**

In the current geopolitical turmoil, Thales recognises its duty to rigorously control the sale and transfer of its equipment and technologies.

As well as complying with national, European and international regulations, the company has adopted a **proactive stance** by implementing its own export control system.

For an international group such as Thales, whose finished products virtually all incorporate sub-assemblies, components and technologies sourced from multiple industrialised countries, including the United States, the obligation to comply with established procedures goes well beyond national regulatory frameworks.

Thales's internal control system comprises three key elements:

### Best practice

Thales is applying a set of "best practice" standards to progressively bring all its operating units up to the highest level of maturity. Internal audit programmes and a major ongoing effort to train employees and raise awareness support this process.

### ▶ Export compliance committee

This committee defines export control policy to guarantee compliance, in the broadest sense, with international rules and legislation, and to ensure that Thales units in each country of operation meet local legal obligations with respect to the transfer of goods and technologies.

### Committee for exports to "sensitive countries"

This committee examines all projects involving countries identified as sensitive, whether or not they are covered by domestic controls, to decide whether an export complies with the international commitments made by the company as part of its global approach to responsible export control.

"To support the increasingly global nature of its business activities, Thales maintains close contact with major national and international institutions. The results of this dialogue are shared across the organisation to foster a genuine culture of responsibility."

Dominique Lamoureux Vice President, Ethics and Corporate Responsibility

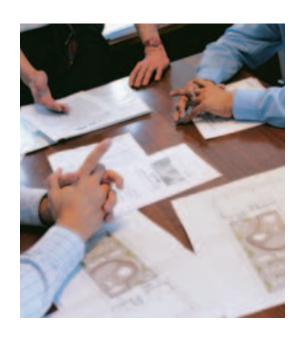
### PREVENTING CORRUPTION

Recognising that all of its activities must be conducted in strict compliance with a set of principles of business ethics incorporated into its corporate values, Thales attaches particular importance to the fight against corruption.

### **Dedicated procedures and organisations**

No operating unit may independently enter into a contractual relationship with any agent or external service provider for the purposes of an international commercial transaction.

All the resources made available to support the export sales and marketing efforts of operating



units are managed by **dedicated organisations**, including Thales International.

These dedicated organisations are the only ones recognised by the company for their specialised expertise in this area. This policy not only makes Thales's sales and marketing efforts more efficient, but also guarantees strict control over the compliance of its international commercial transactions.

### Permanent exchange of best practices

Thales aims to be a global leader in each of its core business areas by combining growth and value creation.

To achieve this ambition, a number of internal measures have been taken, including the introduction of the **corporate reference system** to help drive a process of continuous improvement within its procedures, guidelines and organisation.

This commitment to continuous improvement, based on the principles of transparency and global compliance, also relies on the constant exchange of best practices with industry partners. This process is implemented through close cooperation with various professional bodies including the French employers' organisation Medef, the Confederation of British Industry (CBI), the Organisation for Economic Cooperation and Development (OECD), particularly its Business and Industry Advisory Committee (BIAC), the International Chamber of Commerce (ICC), the AeroSpace and Defence Industries Association of Europe (ASD) and the Observatoire de la Responsabilité Sociétale des Entreprises (ORSE). Internal control mechanisms have also been improved by committing greater resources to Internal Control and extending its mandate.

Training and awareness campaigns have been implemented at the same time, and specific online training modules are being developed to sustain the learning process. All these initiatives are monitored and overseen by the Ethics and Corporate Responsibility Committee.

# Specific awareness and training programme

Thales is pursuing a major effort to raise employee awareness and provide training on issues

related to all forms of corruption. The company has issued a Reference Guide on the Ethics in International Trade and a behaviour guide on Ethics in International Trade, both notably devoted to the fight against corruption.

All the main Thales Université training courses related to sales and marketing also include modules specifically devoted to the fight against corruption.

### Focus

### Defence Industry Initiative (DII)

In 1986, the major American defence contractors embarked on a proactive industry-wide initiative to establish and promote the principles of ethical business conduct. On the basis of these principles, professional standards have been developed, many of them more stringent than the legal obligations currently in force, as well as best practices that each member company agrees to implement. Through its US subsidiary Thales North America, Thales was the first non-US company to sign the Defence Industry Initiative (in 2002), committing the company to a set of principles of self-governance for players in the US market. Thales North America is actively contributing to the ongoing work of the DII.



More than **2,000** sales and marketing managers have completed Thales's Business Ethics training course since it was launched in 2000.

With **€5.4** billion in procurements from outside the company each year, Thales is establishing a select portfolio of reliable, high-performance suppliers and subcontractors with a demonstrated commitment to compliance with international legislation and standards.

## RESPONSIBLE SUPPLIER RELATIONSHIPS

### **Mutual cooperation**

Thales is committed to applying competitive purchasing procedures and methods with its suppliers, in strict compliance with the notion of cooperative relationships based on mutual good faith, as laid down in its Code of Ethics.

This type of cooperation involves selecting the most appropriate suppliers for each market

on the basis of certain principles: selecting suppliers fairly, defining and meeting mutual commitments, defining and sharing risks and responsibilities, keeping supplier information confidential and protecting suppliers' intellectual property rights.

### **Purchasing policy**

Thales is developing a purchasing policy that strengthens the contribution of suppliers and subcontractors to the overall performance of each programme. Teams of decision-makers and purchasers analyse key requirements, define standards applicable to the entire company and identify the suppliers to be included in its **portfolio** of target suppliers.

Action plans to support the continuous improvement of supplier performance are overseen by multidisciplinary teams working closely with supplier relations managers. This process continues throughout the life cycle of each product, system or service.



# DEVELOPING PEOPLE: THE KEY TO PERFORMANCE

Shaped by the international scope of the company's operations and the high level of qualification of its employees, Thales's human resources policy hinges on mobility, training and recognition of performance.

### THE THALES WAY: A DIFFERENT APPROACH TO HUMAN RESOURCES

To ensure that its employees perform effectively in an environment that is conducive to their professional development, Thales has introduced a human resources management strategy at international level. Built around common processes, this strategy is a prime illustration of "the Thales way". The guiding principle is that individual employees are responsible for their performance and drive their own career development. Underpinning the Thales way is a company-wide culture of continuous professional training, which is the key to individual and collective success. The integrity of this system hinges on the values of transparency, accessibility and clear communication of performance targets. The Thales way is a holistic approach that incorporates the company's values and behaviour, its trust-based relations with each employee and its company-wide human resources management processes.



Others : Poland 110, Portugal 160, Austria 170, Singapore 170, Norway 230, Switzerland 280, China 300, South Africa 330, Saudi Arabia 530

"Thales's human resources policy is resolutely international in scope. Its prime objective is to help employees to map out their individual career paths, with a strong focus on mobility and knowledge sharing through Thales Université."

Yves Barou
Senior Vice President. Human Resources



### Managing job families and specialists

At Thales, jobs are organised into job families, adding an important operational dimension to the way human resources are managed and developed. This **organisational model** helps the company to **anticipate** future requirements by providing greater visibility on developments and trends within each broad job type.

Thales has introduced an innovative dual career ladder as a way of recognising the value of specialists in each job family and at all levels of responsibility. With this dual ladder, managers and specialists at equivalent levels of responsibility are managed in exactly the same way.

### **Constructive dialogue**

The Thales Code of Ethics includes a clear commitment to cooperation with employees and employee representatives. In particular, the company undertakes to provide employees with high-quality information on issues of common interest

and to ensure that trade union organisations have the resources they need to pursue constructive dialogue with the company.

Under French labour law, group-wide agreements now have the same validity as agreements with individual companies. Since 2005, Thales has been negotiating **group-level agreements** that are directly applicable to all companies within their scope. Since 1999, Thales has also recognised the Intercentres organisations, which are dedicated structures set up to interface with corporate management, identify issues of common concern and proactively prevent labour disputes.

In France, Thales operates a **central works Council** comprising representatives of all its French subsidiaries. At European level, its **European works Council** now has significantly extended responsibilities, following a 2002 amendment to the original 1993 agreement.

# Overcoming discrimination in the workplace

Thales is committed to overcoming all forms of discrimination in the workplace. These objectives are formally expressed in its Code of Ethics. Ensuring equal opportunities at work for men and women is extremely important to Thales. A company-wide framework agreement on equal opportunities was signed on 13 January 2004 and is now in effect at companies across the organisation. Illustrating this commitment, Thales employee Cécile Dubrovin received the 2006 Excellencia female high-tech engineer trophy from the French minister for social cohesion and equal opportunities at a ceremony in May.

### **Professional development discussion**

For Thales, this annual appraisal is an **fundamental opportunity** to review the career progress of each individual employee and prepare for the future. The objectives of the professional development discussion are to identify the skills that employees have acquired or need to develop, clarify their career aspirations and consider the best way to achieve them.

### A safe and healthy workplace

Guaranteeing safety in the workplace is a major concern for Thales. A reference guide available on the corporate intranet lays down the practices and procedures applicable in this area and defines a **risk management and security** process for the entire organisation. A specific directive covers international travel. The terrorist attacks of 11 September 2001 underscored the importance of a **rigorous policy to protect people and property**. A corporate crisis management centre can be activated at any time in response to any serious situation or event that could adversely affect the company. Business continuity plans are being developed at all companies across the organisation.

In France, an agreement on **working hours** was signed in July 2000. Since then, employees in France have worked 35 hours per week (averaged over the year). Depending on their level of autonomy, executives have been offered various ways to benefit from more free time. In the United Kingdom, employees work an average of 37 hours per week. In the Netherlands, the average working week is 40 hours.

# EMPLOYEES DRIVING THEIR OWN PROFESSIONAL DEVELOPMENT

### **Sharing knowledge**

Being an employer of choice with a strong focus on training and professional development is a key principle for Thales. The Thales **training policy** is designed to meet the company's requirements by developing its skills base, while taking employees' individual aspirations fully into consideration.

Founded in 1988, **Thales Université** is recognised as one of the very best corporate universities. Its mission is to foster a shared corporate culture and adapt individual and collective skills to operational requirements in pursuit of the company's strategic priorities.

Its training programmes cover all the company's key competencies under four main workstreams: Management, Business Administration and Programme Management, Engineering and Product Development, and Transverse Processes. Two other programmes, Career Guidance Review and Career Review, specifically address employees' questions about their professional development.

Thales managers and experts are closely involved in defining Thales Université's training objectives and course content, as well as in teaching. This involvement ensures that the training programmes match the specific skills development requirements of company employees. In-house teaching staff work alongside external experts, consultants and university lecturers.

### **Job mobility**

In an increasingly competitive marketplace, job mobility and professional development enhance a company's capacity to adapt and respond to change. Job mobility is therefore **one of the top priorities of the Thales human resources policy**.

Since 2004, the company has provided employees in France with a comprehensive guide describing the company's 62 job families and the pathways that make it possible to move from one family to another. Teams of specialists are also on hand to provide support on issues related to professional development, retraining, enterprise creation, relocation and new employment opportunities in areas affected by shifts in industrial activity

### **Geographic mobility**

To organise mobility to ensure geographic proximity and meet local requirements more effectively, Thales has created seven employment areas in France and six in the United Kingdom.

# Variable compensation package for engineers and executives

The Group's social policy is founded on the principles of performance management and professional development. These principles have translated into a variable compensation package for engineers and executives worldwide. The variable portion of the compensation package is based on the level of responsibility of the post occupied and linked in equal proportions to financial results and individual performance.

### Focus

### Innovative employee agreements in France

In late 2006, Thales and the bodies representing its French employees signed three strategic agreements in the areas of forward planning, innovation and labour relations.

- The first agreement provides Thales with a method for anticipating employment needs more effectively and offering employees a more diverse range of career options.
- First, through better forward planning in each job family. This entails continuous dialogue with the best experts on the future of the Group's core businesses and the quantitative and qualitative changes they anticipate; making the results of this analysis available to all employees so that they can get the most out of their annual professional development discussions; sharing this information with trade union organisations via a Group-level forward-planning committee; and putting training plans in place to provide the necessary solutions.
- Second, by avoiding conventional redundancy schemes wherever possible and instead addressing employment issues through the Proactive Resource Management programme, based on transparency, voluntary participation and personalised support.
- And third, through continuous employment management, supported in the near term by early retirement measures.
- The second agreement harmonises the social provisions applicable to Group employees. The agreement brings the

1995 social convention up to date and addresses the issues raised by lower state funding of health and insurance benefits. By harmonising the various provisions applicable to different employee categories on a Group-wide basis, the agreement creates a common baseline that strengthens cohesion and facilitates mobility. The harmonised approach will generate economies of scale and create a win-win situation, ensuring better protection at lower cost for employees while maintaining a balanced cost structure for the company.

• The third agreement concerns labour relations and union membership. Thales is committed to open dialogue and seeks to facilitate employee representation, fully recognising trade union organisations and guaranteeing employees' rights of association. The Group acknowledges union activity as a service to the broader community and makes every effort to promote transparency and avoid any form of discrimination. Thales seeks to achieve the broadest possible consensus and will continue to act on majority agreement only. Agreements signed by majority vote reflect this commitment to majority participation and responsibility. In addition, Thales encourages employees to exercise their full civic responsibilities during the various elections that take place within the Group, thereby ensuring that their elected members are as representative as possible.

### Focus

### International careers for young graduates and professionals

Thales has developed **Career1st** to help recently hired staff progress rapidly along international career paths. Since 2005, the programme has focused on Asia, aiming to recruit Asian graduates in Europe or Asia. Known as **AsianCareer1st**, the programme includes training on how Thales teams operate in Europe. After two to four years' experience, candidates are offered positions with Thales in Asia.

### **Company savings plan**

Since 1998, Thales has operated a company-wide savings plan. This plan regularly incorporates shares issued under share offers reserved for employees. Open since 2002 to international subsidiaries in countries where the company has a significant presence, the savings plan was overhauled in 2004 to give employees more scope to manage their investments. The company savings plan now comprises the employee share ownership fund invested in company shares, plus four diversified funds. Employees can invest the proceeds of profit sharing and incentive plans, and can also make voluntary payments.

At 31 December 2005, about 50,000 employees had signed up to the company savings plan.

### **Employee share ownership**

Thales is committed to promoting employee share ownership as one of its corporate values.

Further to the various employee share ownership operations proposed, more than 42,000 employees throughout the world now hold shares in the company. At 31 December 2005, Thales employees held 4.6% of the company's share capital.

### REDEPLOYMENT SUPPORT

### **Capitalising on professional experience**

Thales Missions & Conseil (TM&C) was set up to help senior managers at key stages in their careers to apply their professional experience by progressing to consultancy roles within the company. TM&C has since gained recognition not only for its services to the company, but also for the success of its external consultancy assignments. To encourage these employees' professional development, Thales offers an innovative career option involving training in consultancy followed by an 18-month detachment leading to a more permanent position within the company. In the last five years, TM&C has arranged 250 assignments, 95% within the company, with 65 consultants. Some 106 posts have been secured, 75% within the company.

### **Supporting restructuring**

**In France**, Thales also assumes its social responsibility by implementing a job protection plan and offering tailored solutions for individual employees affected by restructuring measures.

The company pursues an **active policy** of internal mobility with a strong focus of professional reassignment and retraining.

The professional reassignment programme relies on an active network of employment managers led by the company's **Opportunities Forum** and acting within its main employment areas. The Opportunities Forum supports employees throughout restructuring operations.

For restructuring measures in the **United Kingdom**, Thales provides a dedicated task force to help employees with the process of professional reassignment. These measures include career development seminars, early retirement seminars, mobility workshops and financial consultancy services.

In the **Netherlands**, Thales works closely with the re-employment agency SMEO, which the company helped to set up in the 1990s. All employees affected by redundancy receive support from SMEO. The type and duration of the support provided are determined by the job protection plan. SMEO has an 80% success rate in finding new jobs for affected employees.

In **Germany**, dialogue with employee representative institutions is central to any restructuring measures.

In **Australia**, internal reassignment options are considered as a priority and may include retraining opportunities.

→ 1,500 mobility plans completed, 78% within the company. 1,500 Thales employees have made use of the Opportunities Forum, the company's career support and advice centre, since it was created in 2000.

**4,170** trainees completed courses at the Thales Université campus in Jouy-en-Josas, near Paris, in 2005.

people (senior corporate officers, executives, managers, experts, technicians and key contributors at all levels of the company in around 20 countries) benefited last year from Thales's stock option plan, approved on 30 June 2005 by the company's Board of Directors.

\$\frac{1}{2}\$\$ \$\frac{1}{2}\$\$ of gross payroll distributed under profit-sharing and incentive schemes in 2005 in respect of FY 2004 (compared with 3.4% in 2004 in respect of 2003).

### **Socio-economic indicators**

	2004	2005	Scope 2005
RESEARCH & DEVELOPMENT			
Group R&D budget/revenues	17.9%	18.5%	World
EMPLOYEES			
Total Group employees at 31 Dec. 2005	59,842	57,810	World
Country employees/total Group employees:			
- France	53.9%	54.9%	World
- United Kingdom	16.7%	15.7%	World
- Germany	5.6%	5.2%	World
- Netherlands	4.0%	3.9%	World
- Other Europe	5.2%	5.1%	World
- Rest of the world	14.4%	15.1%	World
Number of recruitments	775	1,040	France
Proportion of female employees/total	25.8%	27.8%	France
MOBILITY			
Geographic mobility	1,016	1,023	France
Job mobility	2,639	3,167	France
Geographic mobility/recruitments*	2.75	2.18	France
TRAINING			
Average training hours per capita	16.4	16.0	France
Number of employees to follow training courses	15,342	15,635	France
SOCIAL ACTION			
Number of employees with disabilities	1,200	1,300	World
PROFIT-SHARING AND INCENTIVES			
Profit share distributed to employees	€37.6m	€42.8m	France
Incentives paid to employees	€9.5m	€7.9m	France
Profit share and incentives/gross payroll	3.4%	3.8%	France

<sup>\*</sup> Excl. recruitment by Thales Services.



# CORPORATE GOVERNANCE, RISK MANAGEMENT AND HIGH-QUALITY FINANCIAL INFORMATION

As an international group listed on the single regulated market, Eurolist by Euronext, Thales is committed to pursuing its business activities in strict compliance with the principles of good corporate governance, optimising its risk management and internal control procedures, and providing clear and accurate information concerning its financial situation, strategy and management policies.

### CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

The Thales Board of Directors comprises sixteen directors, of whom fourteen are appointed by the General Meeting and two are elected by the employees of the Group's French companies. Of the fourteen directors appointed by the General Meeting, four are "outside directors" under the terms of the shareholders' agreement, one represents employee shareholders and the others are submitted to the vote of the General Meeting by the public sector and the Industrial Partner. The Board of Directors reviews the work of an Audit Committee, a Nomination and Remuneration Committee and a Strategy Committee. Since 2003, the Board of Directors has published a report on the company's risk exposure, in compliance with the French corporate governance act (NRE) of 15 May 2001.

Each year, the Chairman publishes a report on Board administration, internal control procedures and possible restrictions to the Chief Executive Officer's powers, in accordance with the French financial security act of 1 August 2003.

This report is made available to shareholders, included as a reference document in the company's annual report and submitted to the French financial markets authority AMF.

### RISK MANAGEMENT AND INTERNAL CONTROL

# Risk management: priority processes and permanent vigilance

Thales conducts a significant part of its business through long-term contracts with a few major customers in each country. In view of the complexity involved in negotiating and managing these contracts, the company attaches particular importance to:

- long-term strategic processes
- optimisation of bid submission procedures
- continuous improvement of programme management techniques
- optimal management of technical and technological resources

- rigorous compliance with the rules of international trade
- high-quality human resources management In its sectors of activity, Thales must be permanently vigilant to avoid or limit cost or schedule overruns on major contracts.

All Thales employees with an involvement in risk management are aware of this requirement, and for many years the company has applied accepted best practice in this area. In addition, **Thales maps its risks by sector** and updates these risk maps on a regular basis. In particular, it identifies the main risks it would incur as a result of any anomaly in the products it supplies, and takes substantive measures to eliminate these risks or reduce them to an absolute minimum.

### Internal control: dedicated teams, high-performance tools, shared culture

Thales's internal control rules apply to all companies in which the group has a controlling interest or manages operations.



"Given the nature of our business and the international scope of our operations, it is absolutely vital for Thales to apply the highest possible standards of corporate governance and to disclose reliable, high-quality financial information."

Patrice Durand
Senior Vice President, Finance and Administration

To ensure good corporate governance, a number of **key tools** have also been developed to support the deployment of internal control measures: a Code of Ethics, a Group Risks and Internal Control Committee and a reference system. Established in 2002, the Internal Audit department draws on an Internal Audit Charter laying down the basic principles of internal control, the scope and limits of the department's responsibilities and the type of controls it conducts at Thales units. Lastly, an Internal Control Manual serves as a technical guide to help operating units to analyse risk and identify and implement measures to reduce it.

### Reinforced measures in 2006

Thales set up a Group Risk and Internal Audit Committee in 2006. One of the committee's main objectives is to ensure that control and compliance measures are properly implemented in all of the company's sectors of activity, and at all its sub-

sidiaries in all locations. As part of this process, certain procedures have been updated or re-evaluated in the light of new regulations and to incorporate lessons learned and best practices applied at operating units. This proactive approach also aims to systematically strengthen internal control systems and the procedures in place for delegating responsibilities. To ensure effective implementation, Compliance Officers have been appointed at all the major entities across the organisation.

# POLICY OF RELIABLE AND TRANSPARENT FINANCIAL DISCLOSURE

### **Regular information**

Thales regularly provides the markets with clear and accurate information concerning its financial situation, strategy and management policies, in compliance with its Code of Ethics and generally accepted rules and practices. This financial disclosure policy entails regular publication of mandatory information in legally required journals and as recommended by the market authorities, and on the Thales corporate website. Over and above this regulatory compliance, the company provides more qualitative information, for example through financial conferences led by the Chairman and Chief Financial Officer.

### **IFRS** accounting standards

The accounting data published by Thales is subject to detailed examination by the statutory auditors appointed by the General Meeting of shareholders. The auditors statements are published in a special report included in the company's annual report. From financial year 2005, the company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union.



### Strategic and budget plans

Since these plans indicate Thales's strategic objectives and outlook, they draw primarily on the internal processes managed by the Group Strategy Department and Finance Department. Each year, the Strategy Department works with the Finance Department and the operating units to prepare a long-term strategic plan, including financial data. This plan identifies the major developments and trends in the company's businesses and financial performance, and serves as a valuable tool for executive management to support strategic decisions.

In addition, each operating unit prepares a more detailed **three-year budget plan**. The first year of this plan serves as the basis for the monthly reports used to monitor the company's

### **Board of Directors\***

at 1 May 2007

- Denis Ranque, Chairman and Chief Executive Officer of Thales
- Jean-Paul Barth, former Senior Executive Vice-President of Alcatel
- Bruno Bézard, Managing Director, French Government Shareholding Agency (APE)
- François Bujon de l'Estang, Ambassador of France
- Olivier Costa de Beauregard, Managing Director, Groupe Industriel Marcel Dassault (GIMD)
- Charles de Croisset, international advisor to Goldman Sachs International
- Marie-Paule Delpierre, director elected by employees
- Roger Freeman, Consultant and Chairman of the Advisory Panel of PriceWaterhouseCoopers, London UK
- Didier Gladieu, director elected by employees
- Philippe Lépinay, representative of employee shareholders
- Didier Lombard, Chairman and Chief Executive Officer of France Telecom
- Klaus Naumann. Bundeswehr General (ret.)
- Serge Tchuruk, Chairman and Chief Executive Officer of Alcatel-Lucent
- Alcatel Participations, represented by Laurent Collet-Billon, advisor to the Chairman and CEO of Alcatel-Lucent
- TSA, represented by Marcel Roulet, former Chairman of Thomson, Thomson-CSF and France Telecom

\* Information concerning the members of the Thales Board of Directors is included in the Reference Document submitted to the French financial markets authority AMF.

business activities and financial performance. The plan focuses in particular on variations in order bookings, revenues, income and cashflow.

Thales has issued **procedures manuals** applicable to all units; unit chief financial officers are accountable for compliance with these procedures.

Lastly, the monthly reporting system used to track operational management and the corresponding accounting data was modified to meet the new IFRS accounting standards from the end of the 2004 financial year.



# MANAGING THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES

As a responsible corporate citizen, Thales is committed to protecting the environment by limiting the environmental impact of its activities, managing any associated health risks, meeting and exceeding applicable legal regulations and anticipating future requirements. Since 1997, Thales has pursued a proactive environmental management policy.

Focused as they are on research and development and the testing and integration of electronic equipment and systems, Thales's current activities generally have a limited environmental impact. There are exceptions, however, with areas such as pyrotechnics and the manufacture of mechanical parts and components having greater implications for the environment.

## THE THALES APPROACH TO ENVIRONMENTAL MANAGEMENT

Since 1997, Thales has pursued a proactive environmental management policy deployed **on three levels**: sites (property), manufacturing and products.

### Sites

Thales has launched a programme of action to ensure the continued compliance of all premises and related technical installations while providing its industrial operations with the means to expand at the same time as managing risks and limiting their environmental impact.

In France, the company has embarked on a programme involving the systematic removal of asbestos as part of any refurbishments (over and above legal obligations), inspection and upgrading of wastewater systems, replacement of spray cooling towers, and soil testing. In addition, environmental factors are automatically taken into consideration in construction, renovation and demolition projects.

### Manufacturing

Since 2000, Thales has progressively introduced measures whereby all its production units throughout the world systematically take environmental factors into account, in accordance with a **multi-year plan** defined and monitored by a steering committee. The main objectives of the plan are as follows:

- ▶ Ensure that all facilities and activities comply with statutory and technical regulations
- Limit energy consumption and the use of natural resources
- Conduct environmental audits to identify and quantify the impact of each activity

Implement an environmental management system tailored to the specific characteristics and constraints of each activity

These environmental management systems ensure that all units comply with local regulations.

### **Products**

Since 2002, Thales has been working closely with its main subcontractors and suppliers to identify the most appropriate substitute technologies in compliance with the RoHS Directive restricting the use of certain hazardous substances in electrical and electronic equipment. Thales products and equipment have to guarantee extremely high levels of reliability over very long lifespans and in harsh operating conditions. As a result, substitute technologies will be adopted as soon as they are shown to provide the required levels of system safety and reliability.

### Focus

To limit the risks associated with legionella, Thales decided in 2002 to replace spray cooling towers with air-to-air heat exchange systems at all its French sites – a total of 76 towers. The last tower is scheduled for replacement at the end of 2006.



### Focus

The company's environmental management system classifies each site in one of three categories:

- ▶ Category A: industrial sites with facilities that have a potential environmental impact (waste from surface treatment, mechanical processes, etc.). ISO 14001 certification is mandatory.
- ▶ Category B: sites where electronic equipment and systems are tested and integrated. ISO 14001 certification is recommended. Alternatively, a specific environmental management system is put in place.
- ▶ Category C: sites involved exclusively in service provision. An environmental management system focusing on energy and water consumption and waste management is put in place.

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### **RISK MANAGEMENT**

In 2003, Thales launched **an environmental risk-mapping programme** covering all its sites throughout the world. Initially concentrating on risk identification

(areas of administrative and technical non-compliance, potential pollution risks, asbestos, legionella, etc.), the programme has now progressed to the risk characterisation phase. This involves detailed analysis and a broad range of measures to limit risks or eliminate them completely.

## CONTINUOUS IMPROVEMENT PROGRAMME

The company's continuous improvement programme applies to all processes and products. It is based on:

- Impact analysis
- Risk mapping and associated action plans
- Performance measurement, leading to the definition of local objectives in line with the company's environmental commitments.

#### The overall objectives of this approach are:

- Limit energy consumption and the use of natural resources
- Limit waste production and promote waste recovery and recycling
- Manage emissions and effluent discharges
- Incorporate health risk management into continuous improvement plans.

### PERFORMANCE MEASUREMENT

Since 2002, Thales has adopted a continuous improvement approach to environmental reporting with a view to extending its geographic scope and improving the accuracy and reliability of the information provided. In 2005, **performance metrics** for water consumption and waste treatment were applied to Group compa-

"Risks have changed. Today, while managing the company's industrial past, we also have a responsibility to anticipate and prevent the environmental risks of the future."

Sandrine Bouttier-Stref Environment Manager

nies, along with multi-year **improvement targets** in such areas as energy consumption, waste production, atmospheric emissions and hazardous substances.

### A RESPONSIVE ORGANISATION

The Thales environmental organisation is based on three areas:

- ▶ A central structure reporting directly to the company's Operations Department and responsible for supervising environmental risks and managing and coordinating actions at international level. This structure defines and deploys corporate strategy and continuous improvement initiatives, and analyses performance.
- **D** Country/site structures with managers responsible for applying company policy, coordinating local actions and collecting the information needed to meet reporting requirements.
- ▶ Correspondents at operational entities, responsible for implementing the various measures at process and product level.

### **Environmental indicators**

	Units	2004	2005	Scope 2005
ENERGY AND EMISSIONS				
Electrical energy consumption	TOE (1)	149,176	129,092	84%
Electrical energy consumption per capita	TOE/cap.	2.99	2.63	84%
Fossil energy consumption	TOE	23,857 (2)	<b>27,081</b> <sup>(3)</sup>	84%
Fossil energy consumption per capita	TOE/cap.	0.48(2)	0.5 <sup>(3)</sup>	84%
Total energy consumption	TOE	173,033	156,173	84%
Total energy consumption per capita	TOE/cap.	3.5	3.18	84%
WATER				
Water consumption	m³	2,850,893	2,495,293	84%
Water consumption per capita	m³/cap.	57.3	50.9	84%
WASTE				
Production of non-hazardous waste	t	19,144	20,753	84%
Production of non-hazardous waste per capita	kg/cap.	380	420	84%
Percentage of non-hazardous waste recycled [4]	%	50	52	84%
Production of hazardous waste	t	2,914 (5)	2,648	84%
Production of hazardous waste per capita	kg	58	53	84%
Percentage of hazardous waste recycled [4]	%	ND	79	84%
MISCELLANEOUS				
Sites with an environmental management				
system in place	%		55	100%
Manufacturing sites with ISO 14001 certification	%		44	100%

<sup>(1)</sup> TOE = tonne oil equivalent.

- Almost 60% of group companies have an environmental management system in place.
- ⇒ **44 1**/**0** of company employees work at a company with ISO 14001 certification.
- \* Water consumption: **2.5** million m³.
- Energy consumption: **156,000** TOE (tonne oil equivalent).
- Non-hazardous waste generated: **20,750** tonnes.
- Hazardous waste generated: **2,650** tonnes.

<sup>(2)</sup> Gas and fuel oil.

<sup>(3)</sup> Gas: 14% - Coal: 2% - Fuel oil: 1% - Steam: 1%.

<sup>(4)</sup> Not incinerated or otherwise discarded without energy recovery.

<sup>(5)</sup> Adjusted value (annual figure excluding hazardous waste generated

in the exceptional case of a site decontamination in Australia)



### RESPONSIBLE CORPORATE CITIZENSHIP

As a major player in economies around the world, Thales seeks to participate fully in each local community. The company demonstrates this commitment through initiatives to create employment, a proactive policy of partnerships with the academic and scientific communities, and an active sponsorship programme.

**EMPLOYMENT SUPPORT** 

### Developing the local economic fabric

In France, Thales has a specialised organisation called Géris that helps to support local development and revitalise local economies.

In 2005, 120 projects to launch start-up companies or turn around existing businesses were submitted to Géris. Of these, 30 projects have materialised. Géris also works locally to facilitate the divestment of non-strategic assets, help employees get back to work after restructuring measures and revitalise the local economic fabric in affected areas.

### **Opportunities for young jobseekers**

In France, Thales supports the government's youth employment policy through two apprenticeship training centres, one specialising in information technology, and the other, set up with Air France, promoting careers in aviation. In the United Kingdom, Thales finances grants for technology students and young people seeking to train as pilots. In the Netherlands, Thales is developing a network of graduate employees

through the YES programme (Young Employees Society).

## Pioneering the employment of people with disabilities

Thales has championed the cause of disabled people in the workplace, signing a corporate agreement in 1992 to increase job opportunities and support their professional development. The proportion of people with disabilities employed by the company has risen steadily from 2.91% in 1992 to 5.98% at 31 December 2005.

Among the initiatives undertaken by Thales in this area, perhaps the most remarkable is the development of special tools incorporating proprietary technologies to support the integration of people with disabilities in the workplace.

For example, for people with impaired hearing, Thales has developed a CD-Rom for learning French sign language and cued speech.

The Soundflyer system enables visually-impaired pilots to fly aircraft by giving them direct access to

"Our Technology for Education and Youth sponsorship programme is a perfect illustration of the Thales way and our commitment to the community. It is an international programme hinging on advanced technologies and our core value of knowledge sharing."

**Sylvie Dumaine**Senior Vice President, Corporate Communications

flight data. The Portanum system helps people with impaired vision to read wall and flip charts. On 30 June 2005, Thales was awarded the Medef (French business confederation) prize for its support for young people with disabilities, in particular its successful efforts to facilitate the integration of a blind student at an engineering school. The company worked with the Garches Hospital Institute to develop a solution for people who need to change careers after suffering an injury or developing a vision or hearing impairment. Operational since late 2004, the Access Learning platform provides totally individualised distance learning over the internet. In 2005, around 100 people used the platform, either directly over the internet, or at the Raymond-Poincaré Hospital at Garches, outside Paris.

### R&D: OPENNESS AND KNOWLEDGE SHARING

### The principle of technology partnerships

Thales's R&D activity is based on technology partnerships and driven by a commitment to corporate citizenship. For several years, Thales has taken steps to share its know-how with the research community and to keep the channels of communication open with some of the most prestigious public and private research centres and universities. This approach has translated into cooperation agreements with France's leading research institutes, engineering schools and numerous other research bodies across Europe and around the world. Thales is also closely involved in a number of major European military and civil R&D programmes.

In addition, the company locates its R&D operations as close to its partners as possible. For example, its research centres in France, the Netherlands and Singapore are now located at the École Polytechnique campus, Delft University and Nanyang Technological University, respectively.

### **Connecting with the teaching community**

To further develop its capacity to innovate, Thales maintains permanent contact with higher education establishments.

**In France**, the company specifically targeted around 20 major engineering schools in 2005 and forged links with three top business schools.

**In the United Kingdom**, Thales is contributing to various high-profile programmes, including SETNET (Science Engineering & Technology Network).

**In the Netherlands**, Thales has long-standing links with Twente University and Saxion College.

**In Australia**, the company has developed partnerships with universities across the country, as well as with Engineers Australia and the Australian Institute of Project Management.

### SPONSORSHIP: A GROUND-BREAKING PROGRAMME

As part of its international sponsorship programme, **Technology for Education and Youth**, Thales has launched a ground-breaking scholarship programme under an agreement with the French foreign affairs ministry and various business and engineering schools to host and support **overseas graduate science students** in France.

For 2006/2007, some 30 students from China, India and Russia will be taking part in the programme. They are studying at French business or engineering schools and are benefiting from a Thales Academia grant of around €10,000 per student per year, personalised mentoring and management trainings at Thales Université. On completion of their masters degrees, they will be offered internships with the company.

## LOCAL INITIATIVES THROUGHOUT THE WORLD

In each country of operation, Thales pursues its business activities in close partnership with the local community. In the **United Kingdom**, Thales companies support many local initiatives and sponsor charity work to promote young people

### Focus

### Responding to crisis situations

Thales and its employees came to the aid of victims of the tsunami that hit southeast Asia in late 2004, providing help through local organisations and donations to UNICEF (United Nations Children's Fund).

In September 2005, the company responded rapidly to the devastation caused by Hurricane Katrina in the southern United States by providing rescue teams with GPS systems and waterproof communication equipment. Thales also made a significant donation to the fund set up by the American Red Cross.

and technology through the Thales Charitable Trust. In the **Netherlands**, Thales is engaged in numerous efforts to promote employment and sponsor cultural, social and sporting initiatives. In **Germany**, company employees took part in the Frankfurt JP Morgan Run, a cross-country race to raise money for the underprivileged. Thales subsidiaries in the **United States** support a range of charitable initiatives, particularly to help regional children's hospitals and educational programmes in schools and universities, while its **Australian** companies are working to promote long-term employment.

### Thales: a global leader and responsible corporate citizen

In 2006, various rating agencies and other bodies assessed the Thales Group using criteria related to social and environmental responsibility.

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Source: "Business as usual – A financial and extra-financial analysis of the aerospace & defense industry", February 2006

- 8. Low Dependance on Exports

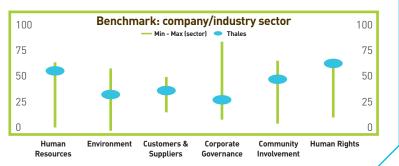
Qualitative Scoring /////////////////////2.63

Guide: 1. Share of National Defence Budget // 2. Level of State support and/or prevalence of State to State contracts. // 3. Likely targets for M&A. // 4. Capacity or possibility for reusing defence technologies for civil uses & vice versa. // 5. Share (direct or indirect) of turnover. // 6. Share (direct or indirect) of turnover 1=-10%, 2=10-20%, 3=20%+ // 7. Repartition of turnover & sites. // 8. Share of turnover from regions or zones with current or potential high level of political instability. Qualitative Scoring: 3=50%+, 2=20-50%, 1= below 20%.

### Vigeo //////////////Rating: May 2006 - Market sector : Aerospace (companies in panel sector: 10)

Criteria (min/max ++)	Rating 2006/05	Score 2006/05
Human Resources	+	58
Environment	=	35
Customers & Suppliers	=	39
Corporate Governance	-	30
Community Involvement	+	50
Human Rights	+	65





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In 2006, Thales won various awards in recognition of its performance, particularly in export markets:

• in the United Kingdom, the company won the **Deal of the Year 2005** award from **Trade**Finance for its innovative financing of the contract to supply the

avionics suite for Sukhoi's new Russian Regional Jet;

▶ In France, Thales won the French external trade ministry's 2005 trophy for **best sponsorship action** for its backing of the Auverland Company;

• the company also received the OECD 2006 prize for best invest-

ment in the Middle East and North Africa region for its investment with Raytheon in an environmentfriendly aquafarm that employs women in Saudi Arabia; ▶ in May 2006, the French defence procurement agency (DGA) awarded its quality trophy for best industrial prime contractor to Thales's Air Systems division. On the basis of half-yearly performance measurements of its 42 main industrial suppliers. The DGA also awarded the trophy for best programme team to the consortium formed by Thales and Alcatel Alenia Space for the Syracuse III programme.

### For more information,

### > go to

Corporate website: www.thalesgroup.com

### > contact

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