

THALES



CORPORATE RESPONSIBILITY REPORT

www.thalesgroup.com

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Foreword

The 2009 Corporate Responsibility report is an update to the 2008 Corporate Responsibility report. It illustrates Thales's leadership in a number of corporate responsibility areas.



An accessible PDF version of the report is available on the new dedicated corporate responsibility internet portal at <http://sustainability.thalesgroup.com>

In-depth information as well as the latest news and data concerning Thales's ethics and corporate responsibility can also be found on the portal.

Thales's annual report, which presents the Group and its financial data, can be downloaded from <http://www.thalesgroup.com/Group/Investors>

A portrait of Luc Vigneron, a middle-aged man with glasses, wearing a dark suit, white shirt, and striped tie. He is smiling slightly and looking towards the camera. The background is a light blue gradient.

Luc Vigneron,

Chairman & Chief Executive Officer,
Thales

“Good intentions are simply not enough
for a company that’s serious about
integrity and acting responsibly.”

Companies need to provide tangible evidence of their commitment to ethical conduct.
That is the purpose of this Corporate Responsibility report.

For Thales, ethical conduct and corporate responsibility are key assets in its strategic plan for success.

They are the founding elements of a policy of controlled risk management to protect Thales’s interest. But even more importantly, we believe they build long-term relationships and a level of trust that benefit all of our stakeholders – customers, shareholders, employees, suppliers, the environment and society.

Ethics and corporate responsibility are crucial for the reputation and image of Thales and provides the strong competitive advantage to ensure its sustainability.

Thales’s long-term performance and reputation are my responsibility, and assuring that we act on these beliefs in everything we do is a top priority for me.

A handwritten signature in black ink, appearing to read 'Vigneron', with a large, stylized loop at the end.

Introduction

Thales governance underwent some major updates in 2009. The arrival of Dassault Aviation as Thales's new industrial shareholder and the appointment of a new Chairman led to a root-and-branch reorganisation of the company. At the same time, a number of new faces joined the leadership team, which immediately took steps to reaffirm and even strengthen the company's commitments with regard to ethical conduct and corporate responsibility.

In the new organisation introduced by Chairman and CEO Luc Vigneron, ethics and corporate responsibility are a central pillar of corporate strategy, and the Ethics and Corporate Responsibility Committee is one of the three bodies¹ that steer the Group. The Committee is entirely composed of senior executives and its membership has been reviewed to better reflect the international dimension of the Group and represent the interests of all its stakeholders. In addition, the Ethics and Corporate Responsibility Department now reports to the Senior Vice President, Corporate Audit and Internal Control, who has overall responsibility for risk management, making ethics and corporate responsibility an integral part of the company's overall risk management system.

As part of a process of continuous improvement, the Ethics and Corporate Responsibility Committee has also revised a number of Thales practices, particularly with respect to the use of intermediaries, to bring them into line with the Group's new marketing and sales organisation. The changes are a reflection of the company's ongoing commitment to integrity, transparency and compliance with strict principles of ethical conduct.

Chairman and CEO Luc Vigneron also reiterated Thales's engagement with the United Nations Global Compact and the company's active support for this remarkable initiative.

Another highlight of 2009 was the signing by the ASD² and the AIA³ of the Global Principles of Business Ethics, which were developed under Thales leadership as a set of non-binding but universally accepted principles to support compliance with rigorous standards of ethical business conduct by multinational companies in the aerospace and defence sector.

Last but not least, and also at the initiative of the Ethics and Corporate Responsibility Committee, Thales further expanded its employee awareness and training programmes in 2009.

This year's report has a new format designed to highlight hard facts and data about the fundamental issues that could have an impact on the company's future success and viability. Strict methods were used in gathering and analysing the information it contains. The publication may be seen as a mark of Thales's commitment to securing its future performance through continuous improvement of its risk prevention policy.

Bernard Rézat,

Chairman, Ethics and Corporate Responsibility Committee

1 Executive Committee, Ethics and Corporate Responsibility Committee, Risk Committee.

2 AeroSpace and Defence Industries Association of Europe.

3 Aerospace Industries Association of America.

Revenues in 2009

12.9

billion euros

68,000

employees

Present in

50

countries

A GLOBAL LEADER DEDICATED TO SECURITY

40%
Aerospace and
Transportation

60%
Defence
and Security





Principles of responsibility

Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. It seeks to align business operations and strategies everywhere with ten universally accepted principles. About 5,900 companies around the world have signed the Global Compact. Thales signed up to the Global Compact in 2003 and has adopted its ten principles.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Pages 10, 12, 17, 20, 22

Principle 2: make sure that they are not complicit in human rights abuses. Pages 10, 12, 17, 20, 22

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Pages 9, 10, 12, 13, 22, 25, 26, 27

Principle 4: the elimination of all forms of forced and compulsory labour; Pages 9, 10, 12, 22

Principle 5: the effective abolition of child labour; and Pages 9, 10, 12, 22

Principle 6: the elimination of discrimination in respect of employment and occupation. Pages 9, 10, 12, 22, 23, 27, 28, 29

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges; Pages 9, 10, 12, 22, 31

Principle 8: undertake initiatives to promote greater environmental responsibility; and Pages 9, 10, 12, 22, 31, 32

Principle 9: encourage the development and diffusion of environmentally friendly technologies. Pages 9, 10, 12, 22, 31, 33

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. Pages 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 18, 22

The Global Compact's colour codes are used in the relevant pages to highlight Thales's actions in the support of the ten principles.



CORPORATE RESPONSIBILITY AND BUSINESS PERFORMANCE

The business practices of companies – particularly companies with global reach – are coming under increasing scrutiny. From governments to the public at large, stakeholders are more concerned than ever with ethical conduct, transparency and sustainability and how they relate to a company's business performance. Companies around the world have realised that business ethics goes well beyond corporate rhetoric and can create real value for stakeholders. They have come to recognise that inadequate governance, non-compliance with laws and regulations and failure to prevent corruption, fraud or any other form of unethical behaviour can have a direct impact on a company's performance and viability. A strategic vision that incorporates a culture of integrity and compliance is now considered critical to any company's long-term success.

Making corporate responsibility a top priority

Thales strives to place ethics and corporate responsibility at the heart of its system of values, embedding them in the company's decision-making processes at every level to help guide not only major policy decisions but the choices made by individual employees on a daily basis.

A dedicated organisation comprising an Ethics and Corporate Responsibility Committee, an Ethics and Corporate Responsibility Department and a network of Ethics Officers has been put in place to support this objective. Following the recent reorganisation, the Ethics and Corporate Responsibility Committee is now one of the three bodies – along with the Executive Committee and the Risk Committee – that steer the Group. It is entirely composed of senior executives and its membership has been reviewed to better reflect the international dimension of the Group and the interests of its stakeholders. The Ethics and Corporate Responsibility Committee is responsible for staying abreast of current and future developments in ethical standards and for defining the Thales's corporate responsibility policy.

The role of the Ethics and Corporate Responsibility Department is to implement the policy defined by the Committee with the support of a network of Ethics Officers. Specific communication channels are in place to allow employees to ask questions, seek guidance or advice and report unethical behaviour.

The Code of Ethics sets out the founding principles that shape a company-wide corporate responsibility initiative deployed with the unwavering support of senior management. Available in seven languages, the Code helps employees to understand their responsibility towards all the company's stakeholders – fellow employees, customers, suppliers, shareholders, environment and society at large – and is distributed to all staff members. All newly hired employees receive a welcome pack comprising the Code of Ethics, the latest Corporate Responsibility report and other institutional publications to help them understand the central importance of ethical behaviour in the Thales corporate culture. Additionally, new professional and management-level staff are invited to the Welcome Convention, an induction programme to acquaint them with the company's strategy, business activities, organisational models, R&D programmes, human resources and environmental management system, and ethics and corporate responsibility policy. Welcome Conventions are held in France (for Europe-based employees), Australia, Canada (for employees in North America), India and Algeria. In 2010, conventions will also take place in the United Kingdom and in Brazil. New employees based in the Middle East will attend a convention in Dubai in early 2011. Ethics and corporate responsibility is a recurring theme of the Welcome Conventions, particularly in

On 20 January, Thales reviewed the make-up of its Ethics and Corporate Responsibility Committee, which is now more representative of all the company's stakeholders and better reflects its international dimension.

Members of the Committee:

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

Henning Biebinger	Germany
Sandrine Bouttier-Stref	Environment
Didier Brugère	French institutions
Victor Chavez	United Kingdom
Jean-Claude Climeau	Financial markets
Olivier Conrozier	International customers
Marc Darmon	Audit & Internal Control
Jérôme Dufour	Media/Communities
Patrick Fournié	Suppliers/Industry
Sylvie Lucot	International customers
Anne de Ravaran	Human Resources
Rodney Willis	United States of America



The Code of Ethics is available in the seven most widely spoken languages in the company

the addresses by the Senior Vice President of Human Resources & Communication and the Vice President of Ethics & Corporate Responsibility. **The Vice President, Ethics and Corporate Responsibility, makes a presentation of the global business environment and the direct correlation between ethics and a company's competitiveness, policy decisions and organisation.**

Regularly throughout the year, Thales runs awareness campaigns based on e-mail messages, intranet features and articles in internal magazines. In 2009, the company launched an e-learning course on ethics aimed at acquainting the company's employees worldwide with the basics of ethics and corporate responsibility. Despite the wide availability of off-the-shelf ethics e-learning programmes, Thales chose to design its own course in order to adapt the content to the company's culture, business activities and environment. Available in French and in English, the Thales course 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, 15% of employees have taken part in the e-learning programme – the equivalent of 7,500 training hours – and the feedback has been very positive. Thales is now considering launching the e-learning in other languages.

The launch of the ethics e-learning course is part of the company-wide policy implemented by the in-house training centre, Thales University, to extend continuous learning opportunities to all the company's employees worldwide. The e-learning web portal can be accessed from either the intranet or the internet, allowing employees to select available courses from a catalogue and follow relevant training on-demand. To better match the course offerings with the needs and professional development goals of each employee, only the e-learning courses relevant to his or her function 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. **Courses developed to support company policies, including Ethics and Compliance, are available as stand-alone courses to all employees worldwide.**

New management training programme

In 2009, Thales launched a new face-to-face management training programme called "Social Responsibility for the Manager". The two-day programme is part of the company's broader effort to embed a culture of social responsibility within the workforce, and aims to raise managers' awareness of their roles and responsibilities in deploying the company's social policy. Presenters including both Thales senior managers and external consultants cover key topics such as:

- Socially responsible management with the human being at the heart of the business;
- Team management and development while promoting diversity and equality and rejecting discrimination and harassment;
- Establishing a safe and healthy work environment;
- Good labour and industrial relations

Throughout the year, **Thales offers face-to-face training programmes on business ethics that are carefully tailored to the needs of different groups of employees and their roles within the organisation.** Customer-facing or supplier-facing employees are required to follow courses on ethical business conduct. **All members of the marketing and sales job family are encouraged to complete a four-hour class called "Business Ethics and Preventing Corruption".** The training, which is conducted by a former sales and marketing director, is themed around the prevention of corruption in everyday business and helps promote a set of simple but important behaviours that are endorsed by the company as well as providing basic insights into legal aspects of these issues. As it is impossible to provide a full list of real-life scenarios and solutions, the training aims to provide employees with the tools they need to identify and deal with situations effectively as they arise. This classroom training has been conducted on the Thales University campuses in Australia, Germany, France and the Netherlands. Starting in 2010, it will also be available on the Italian, British and American campuses. **Nearly 2,000 employees took the course between 2008 and 2009 and 1,000 more are expected to take part by the end of 2010.**

PROMOTING THE BUSINESS ETHICS TRAINING COURSE

In 2009, Thales organised a ceremony to award a special diploma to the 1,500th graduate of the "Business Ethics and Preventing Corruption" training. The high-profile event was attended by senior Thales executives, including the Executive Vice President of Thales, the Vice President, Ethics and Corporate Responsibility, the General Manager of Thales University and the Chairman Ethics and Corporate Responsibility Committee.

Increasingly, the theme of business ethics is also embedded in the company's other training programmes. In 2000, the subject was introduced in trainings on compliance with export control and anti-corruption regulations. Reflecting the company's efforts to go beyond compliance by establishing ethics and responsibility as a shared corporate value, ethics training and

awareness was introduced in 2009 as a theme on a range of training programmes on topics including purchasing and programme management, and in the Passport programmes on management and marketing and sales. In 2010, the training programme on customer support services will also include the subject of ethics. To deliver a consistent message, Thales has commissioned two multilingual trainers specialising in ethics to conduct the same face-to-face training sessions at Thales University campuses around the world. Ethics Officers worldwide also conduct occasional training sessions or make presentations within their division or country when needed.

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

- *Thales Code of Ethics;*
- *Gifts & Hospitality Guidelines;*
- *Reference Guide on Business Ethics – Prevention of corruption;*
- *Prevention of Corruption: Thales policy highlights;*
- *OECD Convention on combating bribery of foreign public officials in international business transactions;*
- *AeroSpace and Defence Industries Association of Europe (ASD) – Common Industry Standards;*
- *AeroSpace and Defence Industries Association of Europe (ASD) and Aerospace Industries Associations of America (AIA) – Global Principles.*

Building a more customer-centric organisation

During a survey conducted by the company, customers identified the following key values as critical in shaping relationships between major customers and their suppliers: trust, responsiveness and availability, anticipation, listening and understanding.

To better meet the needs of customers and increase overall levels of satisfaction, Thales is realigning its approach to customer relations and building a more customer-centric organisation. Internal organisations and processes are being harmonised on a worldwide basis to improve the customer experience. With this new approach, each major customer will have one main point of contact – the Key Account Manager – from the

bidding phase through to project completion. The Key Account Manager will serve as the customer's ambassador within Thales and ensure that individual customer requirements are fully understood. Thales is reviewing some of its customer contact processes and setting up an organisation dedicated to nurturing long-term customer relationships.

Thales's new approach to customer relations is a direct response to the survey. To sharpen its focus on customers, Thales has transferred responsibility for profit-and-loss accounting from the divisions in France to the subsidiaries in the main countries of operation.

With operations in over 50 countries, Thales is a truly global company. In today's global marketplace, the growth is increasingly driven by demand in emerging markets. To better meet the demands of customers based in these markets and to develop long-term relationships with them, Thales is expanding its industrial presence in order to operate closer to them. This involves developing stronger partnerships with local industries through joint ventures and strategic alliances and by working more extensively with local suppliers (Key Industry Partners). By leveraging these long-term partnerships, Thales employs local talent, teams with local industries and shares production or service delivery with in-country partners. Closer collaboration with local industries creates value in the local economy and helps to meet national security requirements such as compliance with export control regulations.

Thales formally recognises its teams' commitment to customer relations. Each year, the company organises the Thales Innovation Awards to reward creative ideas and initiatives that lead to outstanding business achievements. The Innovation Awards programme is open to

all employees worldwide and adjudicated by a panel of senior executives. Six medals – one gold, two silver and three bronze – are awarded to teams whose projects lead to significant technological or business innovations. To be eligible, innovations must be aligned with Thales's strategy, and they must have a positive impact on the company's competitive performance and customer satisfaction while upholding the company's core values. In the latest edition of the Innovation Awards, one of the projects that was rewarded for outstanding customer support was the communication and information system for the new ISAF¹ Joint Command Headquarters in Kabul. In just over three months during the summer of 2009, the Thales team successfully extended our existing network in Afghanistan to install 800 workstations and 400 telephones, enabling this critical new command structure to reach Initial Operational Capability on time. Working alongside NC3A², NCSA³, ISAF command personnel and the US Army, the Thales team succeeded in delivering a system that not only met but exceeded the customer's expectations, despite the extremely tight schedule, a complex operational context and exacting new customer demands.

Extending ethics and corporate responsibility to the supply chain

Thales is continuing the roll-out of its Purchasing and Corporate Responsibility Charter to help suppliers benchmark their internal policies and processes against a set of explicit requirements. Suppliers who sign the charter commit themselves to observing the Thales *Code of Ethics*, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Thales has set a goal of having 3,000 of its suppliers, which account for 80% of its total spend, sign the Charter by the end of 2011.

To facilitate the roll-out, suppliers can submit their completed questionnaires directly online through the Supplier OnLine website. The signed Charter and completed questionnaires can be viewed immediately in the Thales Supplier Information System, a powerful

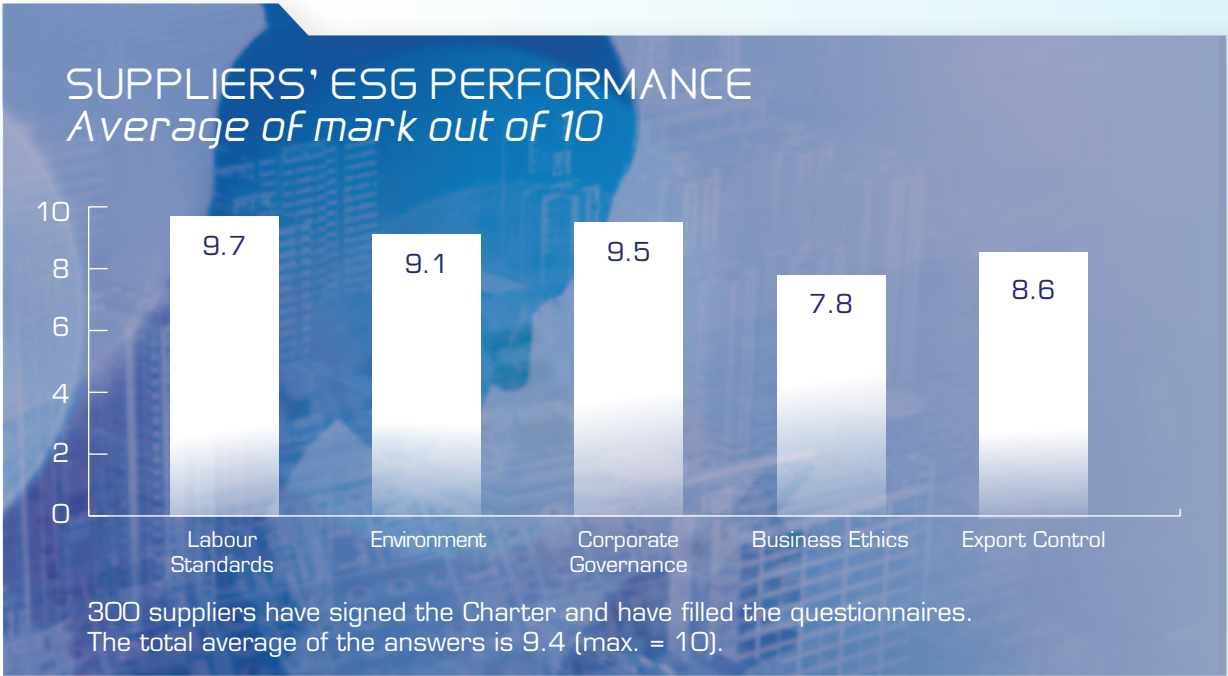
proprietary database that contains detailed information on all Thales suppliers and provides purchasing managers with multi-criteria data on supplier performance (technical, financial, quality, organisation), including their ethics and corporate responsibility performance. As of 2010, purchasing managers can view reports on suppliers' **environmental**, **social** and **governance** (ESG) performance.

By the end of 2009, more than 300 Thales suppliers had signed the Purchasing and Corporate Responsibility Charter and filled in the assessment questionnaire. This represents 10% of the target. On this basis, suppliers' overall environmental, social and governance performance stands at 9.4 on a scale of 10.

¹ International Security Assistance Force

² NATO Consultation, Command and Control Agency

³ NATO Communication and Information Systems Services Agency



As a reminder, the measuring of supplier performance is based on suppliers' self-evaluation using a 16 question survey that includes 9 on **labour standards**, 3 on the **environment**, 2 on **governance**, 1 on **business**

ethics and 1 on export control. The Purchasing and Corporate Responsibility Charter and Assessment Questionnaire are available on www.thalesgroup.com in the Supplier OnLine section of the website.

Thales credited again by the UN Global Compact

Thales is one of the 30 companies cited as examples in the latest publication of the UN Global Compact, which was presented at the Leaders Summit on 24-25 June in New York. The publication, entitled *The Global Compact for Development*, focuses on ways for companies to support the development objectives of the United Nations, and in particular the eight Millennium Development Goals, which UN member states have undertaken to achieve by 2015.

Thales was featured as an example on the basis of its Purchasing and Corporate Responsibility Charter for suppliers and subcontractors. The Global Compact considers this initiative a positive contribution to the achievement of the Millennium Development Goals.

In 2009, Thales was specifically cited in the UN Global Compact Annual Review, a report on actions by over 5,900 companies and 1,500 civil society partners that demonstrate a commitment to the principles of good governance in human rights, labour standards, environmental protection and the fight against corruption.

Purchasing managers are responsible for deploying the Charter and monitoring supplier performance in the areas of corporate responsibility and environmental management. Specific training in supplier corporate responsibility has been provided, and the company currently has 15 trained purchasing leaders who liaise with a network of 90 purchasing managers worldwide. Thales has also issued a guide to help purchasing managers deploy the Charter; analyse qualitative and quantitative data from the questionnaire and encourage suppliers to improve their internal policies and processes to meet the requirements. The subject of corporate responsibility is an integral part of regular training programmes for purchasing managers to raise awareness of the company's policy on supplier corporate responsibility.

Thales is an active member of the United Nations Global Compact's 10th Principle Working Group on Supply Chain, whose core objectives are as follows:

- Establish guidelines to help companies extend anti-corruption measures to their supply chain (auditing, selecting, and training suppliers; encouraging suppliers to improve their anti-corruption measures);
- Provide tools to help small and medium-sized companies (SME) develop robust programmes to help prevent corruption.

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

THALES SIGNS GOOD BUSINESS PRACTICES CHARTER WITH SMEs

Along with twenty other large companies, Thales has signed a charter in France that establishes 10 commitments to promote responsible purchasing practices:

- Create a long-lasting relationship with SMEs;
- Facilitate collaboration with strategic suppliers;
- Reduce mutual dependence risks
- Taking into account, when choosing a supplier, the total cost of the purchase and not only the apparent price;
- Consider the environmental impact;
- Pay attention to the company's territorial responsibility, by seeking to contribute as much as possible to the economic activity of the area in which it operates;
- Show buyers' professionalism through ethical behaviour (fairness, objectivity, integrity) and fair competition management.

Investing in research and technology

Thales invests nearly 20% of its annual revenues in R&D – 2.5 billion euros in 2009 – and employs 22,500 engineers and researchers. The company's pioneering role is widely recognised, and its technologies address some of the major societal issues of our times, such as security, mobility and environmental protection and monitoring.

Thales' research programmes focus on three key technology domains: electronics, electromagnetism and optronics; mission-critical software and information systems; and information and cognitive sciences.

To develop the technologies it needs, Thales research teams work extensively with the academic community, and most Thales Research and Technology (TRT) laboratories are therefore located on university campuses. In France, the Thales corporate research laboratory is on

the campus of the *École Polytechnique*, one of the country's most prestigious engineering schools. Similarly, Delft University and Nanyang Technological University (NTU) host the Thales research centres in the Netherlands and Singapore. In the United Kingdom, the Reading laboratories have close ties with major British universities, including Cambridge, Surrey and Imperial College London.

In each major country of operation, Thales's strategy hinges on solid partnership within the other stakeholders in the local industrial and scientific ecosystem. Consolidating these local ties, the company maintains a high profile in transnational networks, particularly at European level. Thales is a major player in numerous high-tech clusters in France and the Netherlands as well as on various European technology platforms (Acare, Artemis, Eniac, Nessi, etc.), EU framework research programmes and Eureka projects.

Maintaining transparent communications with investors

Thales's policy is to provide its shareholders with regular, clear and transparent information in compliance with the rules and practices applicable to listed companies. The company meets regularly and maintains permanent dialogue with international financial analysts and institutional investors to provide them with information about Thales's business activities and strategy.

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

company and its financial performance. In 2009, Thales initiated a series of one-to-one meetings with socially responsible investment (SRI) professionals and analysts to brief them in detail about the company's approach to ethics and corporate responsibility issues including governance, human resources policy and compliance with the rules of international trade. These meetings help investors and analysts to better understand the company's ethics and corporate responsibility policy, how it is implemented within the organisation and the direct contribution it makes to the company's competitive performance and value creation potential.

THALES'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE STANDARDS		
Environmental <i>Proactive policy</i>	Social <i>Leadership in transnational HR policy</i>	Governance <i>Rigorous governance and transparency standards</i>
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 invited to 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.

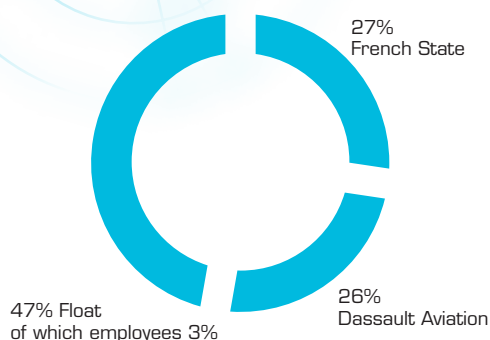
In September 2009, Norway's finance ministry added Thales to its list of authorised investments for the Norwegian Government Pension Fund, the largest pension fund in Europe and the fourth largest in the world. The decision came after the Fund received assurances of the company's full compliance with international conventions, including the 2008 Oslo Convention on Cluster Munitions.

Recognition as a responsible company by such a highly demanding financial institution is an endorsement of the company's constructive, continuing dialogue with all its stakeholders in the financial community, including socially responsible investment funds, extra-financial rating agencies and analysts.

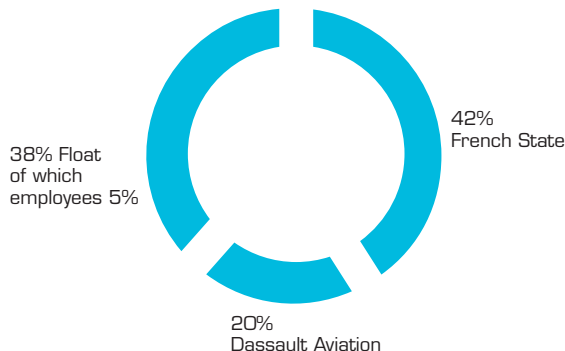
Board of Directors

Following the acquisition of Alcatel-Lucent's shares in May 2009, Dassault Aviation became the company's main industrial shareholder and signed the shareholders' agreement drawn up in 2006 between Alcatel-Lucent and the French State. Amendments were made to adapt the provisions concerning Alcatel-Lucent that were not relevant to Dassault Aviation, but otherwise the original agreement has not been modified.

Shareholding structure as of 30 June 2010



Voting rights as of 30 June 2010



Public sector

- Luc Vigneron, Chairman and Chief Executive Officer
- Olivier Bourges
- Didier Lombard
- Bruno Parent
- TSA, represented by Bernard Rétat

Industrial partner

- Charles Edelstenne
- Loïk Segalen
- Amaury de Sèze
- Eric Trappier

Outside directors

- Yannick d'Escatha
- Roger Freeman
- Stève Gentili
- Pierre Mutz

Representative of

employee shareholders

- Philippe Lépinay

Elected by employees

- Marie-Paule Delpierre
- Dominique Floch

Thales considers employee share ownership to be an integral part of its corporate governance. Since privatisation in 1998, Thales has proposed several share purchase offers to its employees around the world. As of 31 December, 25,000 employees in 20 countries held shares in the company, owning the equivalent of roughly 3% of its capital. Employee share ownership is structured through company investment funds managed by a joint supervisory board.

The supervisory board includes members elected by employees as well as representatives of Thales management. Employee shareholders are represented on the Thales Board of Directors by a director nominated by the investment fund supervisory board and elected by all shareholders during the annual meeting of shareholders; the director is also a member of Board's Strategy Committee. Thales was one of the few major companies in France to have a representative of

employee shareholders on the Board of Directors long before it became a legal requirement. In addition to promotion campaigns by senior management, several shareholder associations, such as APAT (Association of Thales Employee Shareholders) in France, have been formed to help promote employee share ownership in 17 countries: Australia, Belgium, Canada, France, Germany, Greece, Italy, Japan, the Netherlands, Norway, Singapore, South Africa, South Korea, Spain, Switzerland, the United Kingdom and the United States. The employee shareholder associations are members of FAST (Federation of Associations of Staff Shareholders). In 2009, Thales received a good governance award from the French federation of association employee shareholder associations during its annual Employee Shareholder Awards.

A person in a dark suit is seen from the back, looking out over a hazy city skyline with several tall skyscrapers. The image has a blue and purple color cast.

EXPORTING WORLDWIDE WITH INTEGRITY

Domestic and cross-border corruption is a major risk for multinational companies, in particular for those involved in public procurement contracts. The risk of solicitation, extortion and bribery on the demand side is still widespread in countries with weak governance. Over recent years, a growing number of companies engaged in export and international trade have begun to address international corruption, and many nations have signed and ratified the United Nations Convention against Corruption (UNCAC) and the OECD Anti-Bribery Convention, making international corruption a punishable criminal act in several countries. Today, non-compliance with international and national anti-corruption laws and regulations can expose a company and its officers to criminal and civil sanctions as well as causing reputational damage to the company.

Leadership and recognition for anti-corruption measures

Thales is a leading member of Task Forces and Working Groups on business ethics in the major aerospace and defence industry associations and has received international recognition as a responsible company that is continuously improving its way of conducting business and sector-wide standards. Since 2003, Thales has been a proud member and supporter of the United Nations Global Compact and has adopted its ten principles in the areas of human rights, labour, the environment and anti-corruption.

On 19 October, Thales renewed its commitment to the Global Compact and its principles during a meeting between Georg Kell, Executive Director of the UN Global Compact, and Luc Vigneron, Chairman & CEO of Thales, at Thales's headquarters outside Paris, France. Luc Vigneron reaffirmed Thales's continued support for the UN initiative and made the following statement: *"Let me take this opportunity to officially renew Thales's commitment to the Global Compact. Corporate responsibility is central to our strategy. It is of the utmost importance that the company's activities are conducted in accordance with rigorous ethical standards."*

Georg Kell acknowledged Thales's firm commitment to combat corruption as well as its ability to promote the development of sector-wide approaches and provide leadership in the area of business ethics. He stated: *"Thales is now recognised internationally for its efforts in this area, both by international organisations such as the Global Compact and by NGOs such as Transparency International."*



Georg Kell, Executive Director of the United Nations Global Compact (left) and Luc Vigneron, Chairman & CEO of Thales



In addition to continuously improving its own ethical business standards, Thales wishes to share its experience and best practices with other players in the aerospace and defence industry to level the playing field. A long-standing partner of the Aerospace and Defence Industries Association of Europe (ASD) and the Aerospace Industries Association of America (AIA), Thales was instrumental in the 2009 launch of the Global Principles of Business Ethics signed by American and European aerospace and defence industries and the International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC). The Global Principles were written on the basis of the ASD's Common Industry Standards, which were published in 2007 and adopted by over 400 European companies from the aerospace and defence sector.



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

- Zero tolerance for corruption;
- Use of advisers;
- Managing conflicts of interest;
- Respecting proprietary information.

The document was signed by both ASD and AIA during the ASD annual convention on 2 October in Helsinki, Finland. These principles set worldwide standards in support of the following objectives:

- Demonstrate that the industry takes the issue of ethical business conduct seriously;
- Improve the industry's image and publicity;
- Foster proactively leading standards of ethical business;
- And, above all, develop a competitive advantage regarding countries that don't follow the same integrity criteria.

Following the signing of the Global Principles of Business Ethics, the first International Forum on Business

Ethical Conduct for the Aerospace and Defence Industry (IFBEC) took place on 13 January in Berlin. Thales is a founding member of the forum and co-chaired the first edition, which brought together major American and European companies from the aerospace and defence sectors, as well as 60 industry representatives from other parts of the world. Representatives from major institutions such as the European Defence Agency, NATO, the OECD, and Ministries of Defence of EU Member States, as well as NGOs such as Transparency International also participated. The forum strengthened exchange between industrial, institutional and state players within these key sectors, to encourage them to participate in the development of fair competition rules. It demonstrates the commitment of the aerospace and defence industry to business ethics.

This forum is expected to become a landmark approach for all sectors on how global companies that are competitors can create and share best practices in addressing ethical issues.

Helping to establish global standards and guidelines

Thales is committed to sharing its experience and best practices with its industrial partners to develop guidelines and recommendations, especially for the aerospace and defence industry. The company recently participated in the revision of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, commonly referred to as the OECD Anti-Bribery Convention. The addendum, known as Annex II or Good Practice Guidance on Internal Controls, Ethics and Compliance, was adopted on 18 February, and aims to help companies, especially small and medium-sized enterprises, to 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 compa-

nies to establish effective internal controls and compliance programmes for preventing and detecting foreign bribery, and thus support companies in their efforts to comply with existing legislations.

In the same context, Thales has been closely associated with the OECD's work on "facilitation payments", authorised under some national laws, but whose controversial use should be proscribed from trade practices.

In another area, national export control legislation has been passed by individual countries to protect the national security of democratic nations and help fight against the proliferation of weapons of mass destruction. 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. Current control mechanisms are becoming

inadequate as the need for international or multilateral controls increases. Too many different control systems co-exist, some of them unilateral and others extra-territorial. And, for the past three decades, international organisations and NGOs have demanded higher levels of transparency and traceability than are required by national laws and regulations.

There is thus an opportunity to develop a new legal framework at international level that takes into account the increasingly global dimension of companies' production operations, while at the same time helping to combat new threats such as terrorism, asymmetric warfare or cyber crime. **For the past several years, Thales has pressed the case for the modernisation of export control provisions through the creation of a "Certified Enterprise" standard for companies that manufacture and sell sensitive goods. In 2002, Thales introduced this idea as a way of decreasing administrative and legal obstacles to intra-European transfers of defence products and technologies while maintaining national sovereignty over the decision to export sensitive technologies.** Thales proposed that nations consider harmonising criterion for issuing export licences while increasing transparency and information-sharing between member countries, and argued in favour of the creation of an open license to control internal transfers and exports among democratic countries. **Under the proposed arrangements, open licences would allow for free movement of goods and technologies within and between "certified" international companies. The idea was adopted by the European Commission in 2005 and, on 6 May, the European Union issued Directive 2009/43/EC to simplify the terms and conditions of transfers of defence-related products within the European Union.**

Thales is a long-time member of the International Chamber of Commerce's anti-corruption task force and has actively participated in the development of the RESIST programme (Resisting Extortion and Solicitation in International Transactions), which is a tool designed to help employees working in exporting companies to respond appropriately to a variety of solicitations. Launched in March 2009, RESIST was developed by the International Chamber of Commerce, Transparency International, the United

Thales support for the UN's proposed Arms Trade Treaty

As a member of the Aerospace and Defence Association of Europe (ASD), Thales supports the adoption of a binding and enforceable Arms Trade Treaty at the global level. The company shares the ASD's conviction that such a treaty could help monitor new challenges linked to the globalisation of the supplier base for conventional arms and the threat from the emerging proliferation of small arms. An Arms Trade Treaty will make it possible to strengthen export control mechanisms and extend them to emerging countries, which have not yet adopted strict policies and will, in the near future, become exporters themselves. To ensure the success of the proposed treaty, there is a need, for example, to address the threat of small-arms proliferation, as these are the main weapons used by combatants in civil conflicts and wars.

Nations Global Compact and the World Economic Forum. This RESIST training toolkit complements companies' existing compliance, anti-bribery and corruption prevention programmes, and focuses on solicitations from public officials and foreign clients. RESIST provides 22 real-life scenarios spanning a full range of business processes and proposes mechanisms for coping with solicitations from a business partner or public authority. **Multinational companies, including Thales, helped design the guide's content by sharing their best practices and experiences. The scenarios 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).

PARTNERSHIPS AND INITIATIVES

Thales works closely with many institutions to promote business ethics, help fight corruption in business, and improve export control mechanisms. These include:

- The United Nations;
- Organisation for Economic Cooperation and Development (OECD);
- The International Chamber of Commerce;
- The AeroSpace and Defence Industries Association of Europe (ASD);
- BUSINESSEUROPE;
- Aerospace Industries Association of America (AIA);
- The US-based Defense Industry Initiative on Business Ethics and Conduct (DII);
- UK-based Defence Industry Anti-Corruption Forum, ADS Supply Chain 21 Task Force, UK Defence Industry Business Ethics Forum, Institute of Business Ethics;
- Ethics Network Australian Defence Industry (ENADI);
- The French aerospace industries association (GIFAS);
- The International Committee of the French Employers' Organisation (MEDEF);
- The French-based Study Centre For Corporate Social Responsibility (ORSE);
- Transparency International.

Updating the Group's comprehensive corruption prevention programme

To reflect changes in the global environment and in its internal organisation, **Thales continuously improves its programme on corruption prevention**. Senior-level staff have been appointed at the corporate, division and country level to lead these efforts. At corporate-level, the Vice President, Ethics and Corporate Responsibility is the anti-corruption "process sponsor" with specific responsibility for monitoring this process.

Thales is currently updating the *Best Practices Handbook*, the primary process document on the company's worldwide policy on selection, evaluation, monitoring and payment of business partners. The new version of the handbook will provide guidelines on working not only with external business advisors such as experts, lobbyists and consultants, but with all key industrial partners such as subcontractors, co-contractors, distributors, prime contractors and joint ventures. As part of the risk-based approach of this policy, only designated, empowered and experienced entities have prerogatives over the selection

and payment of business partners. These entities are required to apply a strict, multi-layer compliance and approval process. They are also in charge of negotiating reasonable fees linked to the services provided by these partners. For example, business advisors that have successfully completed the Thales vetting process are paid on a retainer fee basis and only after documentary evidence of their work has been provided. As Thales has expanded its geographical presence over the years, it has developed long-term industrial partnerships with local companies. The *Best Practices Handbook* details the strict due diligence process that all potential partners must undergo.

Thales's commitment to preventing corruption is reflected in its policy, internal procedures and organisation, including rigorous internal controls on the design, implementation and enforcement of guidelines. The use of internal and external auditors is also a key element of this approach.

Audit and business performance

In 2010, the Audit and Internal Control Department expanded its scope and assumed the additional mission of auditing operational performance by assessing risks relating to contracts, projects and bids. Its scope of responsibility now also includes risk mapping and management of the 20 unified risks in the COSO* method, and reviewing of the Yearly Attestation Letters of subsidiaries to coordinate their internal control processes.

The audit plan is approved by the Board of Directors' Audit Committee and presented to the Executive Committee.

To support the department's broader mission, the team has been expanded and its members have a higher level of seniority. For example, eight former business unit and project directors have joined the department and, by the end of 2010, the number of employees working in the department is expected to increase twofold.

In addition to its auditing and internal control responsibilities, the department also oversees Ethics and Corporate Responsibility. This relationship with the Senior Vice President, Audit and Internal Control reinforces the Group's policy in this area and makes ethics and corporate responsibility an integral part of the company's overall risk management system.

** COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a private sector organisation that sponsors, for companies, frameworks and guidance on risk management, internal control and the prevention of fraud. The goal is to improve companies' performance and governance.*

Information tools such as intranet articles and brochures are available and the company organises specific awareness campaigns that include behaviour guides and e-learning courses, as well as specific trainings for employees who are directly or indirectly involved in marketing or sales.

To increase employee awareness of ethics in international trade, Thales provides information in the form of articles and pamphlets, including in the intranet, publishes behaviour guides, develops e-learning courses, and conducts specific training for all those who are directly or indirectly involved in marketing or sales functions.



Reinforcing the export control programme

To ensure strict compliance with national and international regulations on export control, Thales has established a robust global organisation to control exports, and constantly strengthens the measures and procedures in place.

Due to its sensitive nature, export control policy is defined and managed at the corporate level and then deployed in all Thales units worldwide. The Corporate Export Control Department, headed by the Group Export Control Director, defines the company's worldwide export control policy, oversees the implementation of the Group's export compliance improvement programme, monitors compliance by operating units with applicable domestic and international legislation, determines process improvements and provides expertise to all units as required. The Group Export Compliance Committee, comprising senior export control practitioners from all divisions and majors countries, as well as other senior managers including the Vice President, Audit, Finance, Compliance & Risks Assessment and the Vice President, Ethics and Corporate Responsibility, meet every quarter to review progress against the goals of the Group's compliance improvement programme, approve proposals for further improvements, share best practice and address issues of common concern.

In addition to the Corporate Department, the Thales divisions maintain their own operational teams to ensure that the units in their areas of business are in full compliance with both national and international laws. In addition, each country of operation maintains a dedicated Export Control Department to provide national expertise at the local level. These local entities work closely with the corporate team to ensure consistent implementation of Group policy and procedures.

Finally, regular audits are carried out by the Audit and Internal Control Department, and by external auditors where appropriate, to verify full implementation of the various procedures.

In 2009, Thales stepped up its information and awareness campaigns, and expanded its training programmes for employees. A regularly updated intranet site is accessible to all employees and "best practices" toolkits are regularly published and updated. The reference document entitled *Standard of Export Compliance*, which is now available in English and French, reminds employees of compliance requirements and procedures, and identifies the various actors responsible for implementing the programme. Additionally, brochures and information packs on the *Standard of Export Compliance* document have been developed and can be downloaded from the intranet.

An e-learning programme, in French and English, has been developed by the Corporate Export Control Department, in association with Thales University. The first step, dedicated to US export control for non-US entities, is currently available.

In addition to the training programmes developed by individual divisions and countries, a two-day training seminar on export control was held twice in 2009 on the Thales University campus. Topics included the international framework of export control, procedures for the control of French and European (military and dual use) exports, the US regulations on ITAR¹ defence equipment and dual-use goods governed by the EAR², and customs procedures.

¹ International Traffic in Arms Regulations.

² Export Administration Regulations.



ENSURING COMPLIANCE WITH INTERNATIONAL AND NATIONAL REGULATIONS

With the company's revenue streams and long-term financial success dependent upon large-scale and often multi-year industrial projects, lasting customer relationships based on integrity and the rule of law are crucial for Thales's reputation and financial stability. The company is fully aware of the increasingly stringent regulatory environment governing international business, and of the growing number of investigations, prosecutions and sanctions. As a result, Thales is engaged in a process of continuous improvement of its internal organisation and processes, and in the ongoing education of the company's employees on ethics and compliance with laws.

Strengthening the global Compliance Programme

Strict compliance with all applicable laws, regulations or international treaties is critical to Thales's ability to conduct current and future business. 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 company established a Compliance Programme in 2007 to incorporate compliance risk management within its business processes. The objective of the company Compliance Programme is to decrease the risk of non-compliance for Thales by helping to prevent occurrences, detect issues and limit the consequences of any conduct that may violate the company's commitments and internal policies or could lead to civil or criminal liability or reputational damage.

Thales operates within a far-reaching legal and regulatory framework. The Compliance Programme pays special attention to areas relating to:

- Company law and delegations;
- Antitrust & competition laws;
- Labour law;
- Export control;
- Anti-bribery laws;
- Environmental law;
- Occupational health and safety;
- National secrecy;
- Intellectual property rights.

Deploying the Compliance Programme across the organisation

The CEOs of Thales subsidiaries are responsible for designing, 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 unit. The main roles of the members of this worldwide network of about 150 people are as follows:

- Remind their staff of the variety of legal risks and the need to manage them;
- Monitor compliance efforts and consolidate reports on risks and any instances of non-compliance that may be detected;
- Oversee action plans.

Thales's experts also produce self-assessment questionnaires that complement the internal policies, guidance, training and tools already in place. They allow Thales subsidiaries to assess the maturity of the measures in place to prevent legal violations and serve as a baseline for defining improvement plans when such measures are not deemed adequate.

Throughout the year, the Audit and Internal Control Department monitors implementation of improvement action plans by subsidiaries and provides support to better prevent the risk of non-compliance.

Heightening employee awareness of legal risks

Compliance is not the sole responsibility of senior management. Regardless of their role in the organisation, all employees must comply with external constraints such as laws and regulations. As part of the Compliance

Programme, in 2009 Thales decided to increase employees' legal awareness by developing an e-learning programme targeted at non-legal experts. The e-learning programme is currently structured as four modules:

insider training, anti-trust, intellectual property and export control. The online courses are not intended to teach law to non-lawyers; its basic purpose is to make employees aware of the main legal duties involved in conducting their day-to-day activities and the main legal risks incurred by failure to fulfil those duties. It is designed as a practical guide to what they should know and do in order to avoid major legal risks.

An e-learning Compliance Steering Committee was set up to ensure the success of the e-learning programme.

The Committee meets every three months to monitor the worldwide deployment of the programme, define communication campaigns to promote the online courses, review usage statistics and propose improvements to individual e-learning modules.

The e-learning complement existing procedures and processes in place to help employees understand and comply with laws and regulations. Additionally, employees can seek guidance or ask questions related to compliance from legal experts at all levels of the organisation.

Confirming the effectiveness of prevention

As part of its governance principles, Thales requires all subsidiaries under its control to formally report on the measures and resources in place to secure compliance.

CEOs are required to complete a yearly attestation letter in which they disclose their assessments and

commitments for improvements. Yearly attestation letters flow up through the organisation and are consolidated in a report that is submitted to the Executive Committee and Board of Directors and provides measurable input for the Governance report submitted to the Board by the Thales Chairman & CEO.

Protecting the company's critical assets

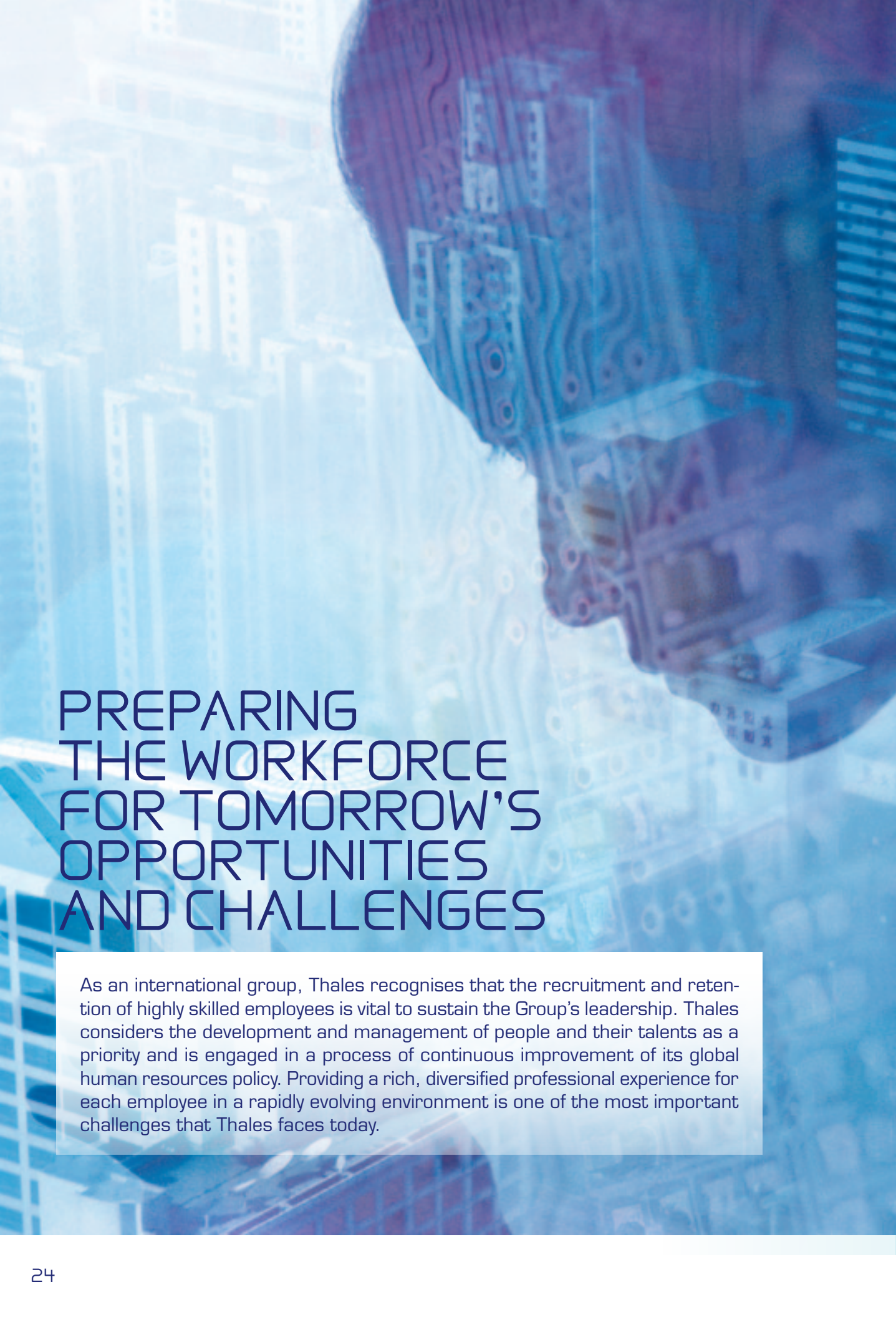
To protect its employees and facilities and secure its contractual undertakings, Thales has established a dedicated worldwide organisation and policy to ensure compliance with rules and regulations covering the protection of classified information, security clearances and access to units with classified information. A worldwide network of over 200 full-time employees at corporate, unit and country levels ensure the security of employees and facilities. [With subsidiaries in over 50 countries and customers on every continent](#), many Thales employees travel extensively to help the company achieve its business objectives. To ensure their safety, the corporate security team continuously monitors and analyses risks – political, social, health, criminal, terrorist – and implements tailored travel policies for each geographical area. Employees travelling worldwide can access a hotline and a crisis unit should they need support or assistance. Specific security arrangements have been implemented for expatriate employees and their families. In 2009, Thales employees made 11,000 business trips to sensitive countries.

Cyber crime is a rapidly evolving security threat that Thales takes very seriously in order to protect its information assets and customer data. The threat can be the work of a single individual or an organisation. Cyber attacks aimed at stealing or disseminating sensitive information can compromise some of Thales's business activities.

To mitigate the risk, a dedicated information system security organisation is in place to prevent security breaches of any kind caused by hardware or software vulnerabilities, human error or malicious acts. The key objectives of the information system security organisation are as follows:

- System availability and integrity;
- Data and software integrity;
- Confidentiality of data and communications.

Thales works with national organisations with responsibility for the fight against cyber crime and has deployed an information system architecture designed to mitigate the risk of a cyber attack.



PREPARING THE WORKFORCE FOR TOMORROW'S OPPORTUNITIES AND CHALLENGES

As an international group, Thales recognises that the recruitment and retention of highly skilled employees is vital to sustain the Group's leadership. Thales considers the development and management of people and their talents as a priority and is engaged in a process of continuous improvement of its global human resources policy. Providing a rich, diversified professional experience for each employee in a rapidly evolving environment is one of the most important challenges that Thales faces today.

Building a Thales corporate culture

Thales now has employees on every continent. The cultural diversity of the workforce brings opportunities and benefits that include creativity and innovation, as well as increased effectiveness. To better leverage this diversity, Thales is actively engaged in building a

corporate culture based around four key values: focusing on customers; innovating, deciding and acting quickly; enhancing performance through teamwork; and developing people.

Developing people and anticipating change

Developing human resources is one of Thales's four key values. To be an employer of choice, Thales is continuously engaged in developing the knowledge and skills of its employees. As part of this commitment, Thales signed the Anticipation agreement with employee representatives in France in 2006, and the Europe-wide IDEA agreement in 2009, with the aim of improving professional development through effective anticipation.

To anticipate effectively, Thales needs to be able to identify key changes and innovations in advance, and develop associated action plans, while providing training and support to employees to create more career development opportunities and help them have a richer and more diverse professional experience. Thales considers that all employees are entitled to a fulfilling career, regardless of job family and level of responsibility, and that employees have a right to know about the Group's plans for their job family. Thales strongly believes that professional development is crucial to the success of each individual and to the future prosperity of the Group.

The purpose of Thales's anticipative approach to professional development is to ensure that employees acquire professional qualifications that are relevant to the needs of the company as well as those of the labour market. This approach underscores the Group's commitment to maintaining employee motivation and providing staff members with the opportunity to construct – via a transparent process

– a career path that meets their expectations. The overarching objective is to foster a learning environment that enables employees to find fulfilment in their current positions and to develop their full potential. Thales regularly monitors and analyses qualitative and quantitative trends in the business environment and the labour market in order to anticipate key changes and innovations and develop associated action plans hinging primarily on training and mobility.

For individual employees, the annual professional development discussion is a key opportunity to review career progress with managers and discuss continued development in their current posts as well as career options and aspirations for the future. The objectives of this annual appraisal are to identify existing and needed skills, clarify career aspirations and consider the best way to achieve them (training, practical experience, etc.).

In a difficult, constantly evolving and highly competitive economic environment, Thales believes that employee development is vital for the Group's future growth, attractiveness and corporate image.

IDEA AND TALK

Innovative agreements at European level



On 11 June, in Paris, Thales and the European Metalworkers' Federation (EMF) signed a ground-breaking European agreement – known by the acronym IDEA – to improve professional development through more effective anticipation and early integration of changing job requirements. A second European agreement, known as TALK, was signed on 14 April. This agreement sets out a clear framework to guarantee that Annual Activity Discussions (AADs) with each Thales employee are conducted in a climate of transparency and mutual respect as part of a constructive effort to facilitate professional development.

The two agreements, which cover more than 57,000 Thales employees in 11 European countries, build on best practices identified in the countries concerned. To reach the agreements, an innovative framework for constructive negotiation was put in place, bringing together the Senior Vice President, Human Resources of Thales, the HR directors of the country operations involved and union representatives from the various countries under the aegis of the EMF.

The IDEA agreement provides for employee representation in an annual forward-planning process to identify trends in employment and job requirements. All Thales's European employees will also have access to the professional development tools they need to drive their own careers. The agreement includes 25 specific measures that are progressively being introduced in the 11 European countries concerned.

The TALK agreement follows the 2009 introduction of a redesigned employee appraisal system drawing on existing best practices in the countries concerned.

The agreement sets out four key principles for conducting Annual Activity Discussions: mutual respect during discussions; transparency during interviews and with regard to results; a commitment to enabling employees to benefit from provisions applicable to them; and balanced dialogue between the line manager and the employee. It also includes an appeal procedure – based on procedures already in place in other countries that have signed up to the agreement – as a framework for resolving disagreements over appraisal results or the way an interview was conducted. In addition, an alert procedure has been put in place, without prejudice to procedures already in existence at national level, to flag any significant variances in the ways interviews are conducted in different parts of the company.

Understanding job families to secure career development

Since Thales's global human resources policy is based on the principle that individual employees are responsible for driving their own professional development, the company attaches a great deal of importance to the expectations of each employee. A better understanding of the Group's job families, how they are evolving and how an employee can move between them is important when putting together a career plan that leverages opportunities for mobility.

A complete information toolkit covering professional development discussions, career reviews, Thales University training courses and a job marketplace is available to support the mobility process.

Managing professional and career development within and across job families is an integral part of Thales's anticipative approach to professional development:

- In the medium-term, this prospective view, which takes into account external factors such as economic context,

technologies and markets, helps to clarify qualitative and quantitative developments in key Thales job families and ensure more effective forward planning.

- In the shorter term, the Group actively supports the day-to-day professional development of each employee. All staff members have access to job descriptions, job opportunities and career paths within a given job family or between different families, enabling managers to develop and improve their contribution to the professional development of their employees, in particular by framing career aspirations and opportunities in terms of the company's current and future needs.

The 2006 Anticipation agreement in France, and the Europe-wide IDEA agreement, strongly support the Thales approach to job family management by providing a framework for forward-looking analysis, which is an essential component of any anticipative approach. The results of forward-looking job family analysis are shared with employee representatives, and employees are informed of relevant trends as part of the commitment to transparency, enabling them to prepare more effectively for their professional development discussions.

Promoting equality, diversity and work/life balance

The Code of Ethics reflects the Group's belief in "*equality of treatment, namely the refusal to accept any kind of discrimination on the grounds of ethnic origin, customs, gender, age, political or religious opinions, trade union membership or personal disability*".

Thales is committed to taking practical actions in terms of gender equality and promotion of cultural diversity. Indeed, the international nature of the company's activities requires a special respect for cultural differences within the organisation. In recent years, Thales subsidiaries have adopted an international approach to recruitment and teams are becoming increasingly diverse.

As a high-tech company which has traditionally been more attractive to men than women, Thales today is fully committed to gender equality and making female employees an integral part of its future development.

The framework agreement signed in France in 2004, the three-yearly action plans negotiated within all Thales legal entities in France and the IDEA agreement in 2009 clearly demonstrate the Group's commitment to implementing concrete measures based on constructive social dialogue.

In France, as part of Thales's commitment to equal compensation, a special budget equivalent to 0.1% of total payroll costs is set aside to deal with unjustified differences in salary between men and women within Group companies. More than 4,700 women have

already benefited from this measure since it was introduced in 2006. In terms of career and professional development, particular attention is focused on women on maternity leave and employees returning to work following parental leaves of absence. The same desire to preserve and improve the gender balance within the workforce has also prompted a number of communication programmes aimed at encouraging girls to study science subjects at school. Substantive efforts have also been made to ensure gender-balanced recruitment, so that women are not under-represented in the intake of new employees. Finally, all managers now receive training on issues of gender equality in the workplace.

Reflecting its commitment to helping employees achieve a healthy work/life balance, Thales signed an agreement with Crèche Attitude in 2006 enabling Group companies to reserve places at inter-company childcare facilities. So far, about a dozen Group companies have signed up for the programme, providing childcare services for employees' children as close as possible to the workplace. National Anticipation Committees are tasked with reviewing data from the programme on an annual basis.

At European level, the IDEA agreement also includes a package of measures to support gender equality in the workplace, with commitments encompassing the full range of related areas (recruitment, career development, equal pay and work/life balance).

Countries that have signed up to the agreement are required to produce an annual report assessing gender equality against a number of key indicators and to propose an associated action plan to improve performance where necessary.

To take full advantage of synergies arising from cultural diversity, Thales has launched a diversity awareness and training programme for employees. Newly hired staff members are required to participate in Welcome Conventions and are invited to discuss topics

like national, cultural and workplace diversity. In this way, new hires are integrated into a corporate culture where differences are valued and actively promoted.

Finally, Thales played a direct role in promoting the employment of people with disabilities. As early as 1992, a company-level agreement was signed to encourage the employment of disabled individuals. In 2009, Thales continued to support a range of projects for people with disabilities that it has launched over recent years.

Promoting quality of life in the workplace

The signing of a specific agreement on "quality of life in the workplace" on 2 July demonstrates that this is a key area of focus for the Group. The agreement sets out a general framework for Group health and safety policy, and establishes a system for identifying and preventing workplace-related risks. Workplace health and safety specialists play a central role in this system, which is focused on risk prevention. The agreement also covers the prevention of psychosocial

risks by means of both individually targeted and collective measures. A central "quality of life in the workplace" committee has been set up in France to monitor and support these initiatives.

Training programmes have been developed to raise awareness of related issues among managers. Around 430 managers received the training in France in 2009.

Supporting the employment of disabled employees

In France, Thales introduced a policy in 1992 to promote the recruitment and career development of disabled employees. The company has been influential in the formulation of national legislation to support the rights of disabled citizens as well as raising awareness among other businesses, and has used its technological know-how to create products to aid disabled students and employees in their work. The company currently employs 1,375 full-time employees with disabilities and mentors 110 disabled interns each year. Recognising that 90% of disabled people do not graduate from high school, Thales takes action at every level of the educational process to help students

clear the hurdles that come with their disability and support them in fulfilling their career aspirations. The company has signed a number of partnerships with secondary schools to coordinate career orientation opportunities, company visits, mentorships, conferences and technical services. Thales also has partnerships with vocational schools, universities, business schools and engineering schools to help disabled students succeed in their studies.

As a high-technology company, Thales has developed a number of products to help students or workers with disabilities. One of its flagship products in this respect



Thales receives an award for its commitment to the disabled

is the Portanum software co-developed with the Montclair Institute and the CRDV rehabilitation centre for the visually impaired. Downloadable free of charge from the Internet, Portanum enables a visually impaired person to follow a presentation or view an image on a laptop computer. The image or presentation is captured by a webcam and transmitted to the laptop, where the user can magnify, enhance the contrast, change colours or lighting levels and even make recordings or take notes.

In addition to developing technologies to aid the disabled, Thales has helped change national legislation to improve the employability of people with disabilities. Lobbying by Thales and the development of special technology now enables people with motor disabilities to obtain a pilot's license to fly small aircraft. Through the Handi Aero Surveillance programme, pilots with motor disabilities now have an opportunity to fly small planes to prevent and monitor forest fires. Thales designed the system that allows the pilots to fly the aircraft and use the surveillance system.

Thales is currently chairing a commission to create a national accessibility standard with regards to the recruitment and integration of disabled employees within organisations. The standard will be launched in 2010.

The Purchasing Department of Thales, together with its partner Faceo, received an award from the French association of purchasing professionals (CDAF) in 2010 in recognition of its concrete policy to support the employment of disabled workers. The annual awards ceremony rewards companies with the best procurement practices.

Since outsourcing its corporate services to Faceo, Thales has retained an active role in filling job openings for the disabled. Faceo works with Thales to identify job opportunities open to workers with disabilities and has created Faceo Entreprise Adaptée (FEA), a wholly-owned facility management subsidiary of Faceo, specifically to promote the employment of disabled people in the facility management activities conducted by Faceo on behalf of its customers.

FEA employs workers with disabilities in environments that are adapted to their special needs and promotes skills development and career planning to help them transition into a regular workplace.

THALES RANKED AS A LEADING COMPANY FOR ENVIRONMENTAL AND SOCIAL PERFORMANCE

The Roberts Environmental Center at Claremont McKenna College in California recently published an analysis of the environmental and social performance of the 21 largest companies in the Aerospace and Defence sector. Thales received a score of B+ and was ranked 4th overall.

The analysis is a further endorsement of a policy of environmental protection driven by the core values of excellence and continuous improvement, and of Thales's efforts to be an employer of choice.

The score and ranking also come as recognition of the company's policy of regular, meaningful dialogue with all stakeholders, and with the extra-financial community in particular. This policy is part of a comprehensive approach to ethics and corporate responsibility that is increasingly embedded in the company's decision-making processes at every level of the organisation.





PROTECTING THE ENVIRONMENT

Thales has adopted environmental protection as one of its ethical values. Environmental management is part of Thales's overall management system and is therefore incorporated within business processes such as purchasing, quality assurance, human resources management, information systems, finance and legal affairs. As part of its culture of continuous improvement, Thales is committed to embedding an environmental dimension into all levels of its activities, and to building a genuine culture of environmental responsibility shared by all employees.

Embedding environmental protection at all levels of business activities

Responsibility towards the environment is one of Thales's core values. Although the majority of the company's activities do not cause significant pollution or other environmental hazards, Thales has been committed to a proactive environmental protection policy since 1997. The company evaluates its environmental impact through a holistic approach that takes into account:

- **Site management**

In all new building projects, Thales integrates environmental constraints while the projects are still in the earliest design phase, taking into consideration land use, materials, choice of energy and transport requirements. The company also works to decrease the environmental impact of its current buildings.

- **Processes**

Thales has taken substantive measures to reduce waste and energy and water consumption. The reduction of impacts on climate change is also a goal.

- **Product design**

During product design, Thales takes into account the life-long environmental impact of certain products, from the consumption of raw materials, through production and distribution to end-of-life disposal and recyclability.

Reflecting its commitment to environmental protection, Thales has set measurable environmental targets for its facilities and operations. A worldwide network of 200 environmental managers is responsible for achieving these targets as well as promoting and implementing the company's environmental policy. Other employees, such as purchasing managers, product design engineers, contract managers, quality assurance managers and logistics specialists play an important and direct role in Thales's environmental protection policy.

PRESERVING BIODIVERSITY

A total of 15% of the land occupied by Thales is located in areas with protected fauna and flora.

In 2009, Thales released its Biodiversity Guide to raise awareness of the importance of protecting ecosystems throughout the life cycle of an industrial site. Downloadable from the company's intranet, the booklet helps environmental managers assess biodiversity risks and opportunities, provides step-by-step instructions on how to manage biodiversity and lists the contact information of organisations or authorities in charge of environmental protection. On a number of Thales sites, inventories of animal or plant species have been drawn up and special facilities are created to preserve their natural habitat.

Thales's Environment logo



To increase awareness of Thales's environmental policy among employees, a special logo is used in all the company's environmental communication campaigns.

KEY DATA

	Between 2008 and 2009	2010 target
Reduction of energy consumption	-7%	-10%
Reduction of CO ₂ emissions from energy consumption	-12%	-10%
Reduction of CO ₂ per peson from business trips	-8.7%	-10%
Reduction of the quantity per person of non-hazardous waste generated ans disposed	-19%	-10%

Reduction of water consumption since 2000 in France: -70%
Percentage of employees that work on a site that is certified ISO 14001: 86%

Joining the fight against climate change

In 2009, Thales stepped up its measures to reduce CO₂ emissions, monitor the climate and develop greener products. The company recently set up a Working Group on Climate Change to coordinate Thales policy in each country. Comprised of environmental managers from the United Kingdom, Australia and France, the Working Group aims to share countries' experiences and best practices and improve data collection, establish a more robust carbon emissions dashboard and facilitate reporting by local units. Through these actions, Thales expects to gain a more accurate picture of its climate footprint and improve its current methodology to further reduce CO₂ emissions. The company has committed to reducing CO₂ emissions per person from transportation by 10% between 2008 and 2010. By the end of 2009, a reduction of 8.7% had already been achieved by investing in technology such as videoconferencing to decrease business travel, promoting the use of company or rental cars with better fuel economy and lower carbon emissions, and encouraging initiatives such as carpooling. Under the Kyoto Protocol it is established that nearly 75% of CO₂ emissions are from the use of sulphur hexafluoride (SF6), with 1 kg of SF6 equating to

Selecting suppliers with a commitment to the environment

For the first time in 2009, the Purchasing Department used a CO₂ calculator during a tender for new computer monitors. As part of the selection process, Thales purchasers used a software application to compare energy consumption, heat dissipation and CO₂ emissions from transport and packaging.

24 tonnes of CO₂. Thales has taken steps to decrease emissions related to the use of SF6 and achieved a 55% reduction between 2007 and 2009.

Designing more eco-friendly products

Thales has designed a number of new products and systems that have a significantly lower environmental impact than their predecessors and that have improved performance:

- **EMK2 flight simulator**

The latest version of the simulator consumes 80% less energy and 10% less hydraulic oil than the previous version.

- **Ticketing machines for public transport**

Innovative ticketing machines developed by Thales use ceramic heaters, LED lighting and variable ventilation systems to reduce electricity consumption by 70%.

- **Trixell digital detectors for medical imaging**

Since 2007, Trixell has systematically taken the life-long environmental impact of all its products into account at the design phase. Trixell is co-owned by Thales Electron Devices, Philips Medical Systems and Siemens Medical Solutions.

Thales is also a partner of the Clean Sky and SESAR programmes, which will help to reduce the environmental impact of air transport.



Clean Sky is a joint initiative by industry and the European Commission aiming to significantly reduce the air transport sector's environmental impact



Single European Sky Air traffic Management Research

FUTURE SELF-SUFFICIENT GROUND-BASED RADARS

Thales is currently exploring a solution to develop ground-based radars that can generate their own power from the sun and the wind. In addition to using clean energy, radar components will no longer contain lead and will be recyclable.

DESIGNING GREENER AIRCRAFT

Thales is working on solutions to reduce the impact of aircraft on the environment. Projects include finding ways to optimise fuel consumption by calculating aircraft surface movements at airports more accurately, and equipping airplanes with enhanced vision functions to enable them to land regardless of weather conditions and avoid go-around procedures which consume a significant amount of fuel.



ENGAGING WITH THE COMMUNITY

With its global strategy and operations in over 50 countries, Thales is very much a part of the local economic, social and environmental landscape of each country and therefore strives to be a responsible neighbour and community member. Thales and its employees around the world participate in a range of activities, unconnected to the company's core businesses, to support their local communities. These activities include donations to charities and organisations as well as active participation in local programmes and events.

Donating time and money to local communities

Thales strives to be a responsible member of society and supports a number of community initiatives around the world. Most of these are conducted at the local level and aim to support youth and education.

For the fourth consecutive year, Thales is providing scholarships to talented international students via its Thales Academia programme. Each year, top students from Brazil, China, India and Russia are selected to take part in the programme and attend one of a number of France's leading engineering and business graduate schools.



In 2009, Thales 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. In particular, Thales will help finance healthcare for sick children in Afghanistan through this partnership.

Thales employees in the United Kingdom continue to support Marie Curie Cancer Care, raising £112,000 in 2009 through sports events and other fund-raising projects. Thales UK is committed to helping young people and continues to support Youthnet, an organisation dedicated to providing 16-24 year olds with the information they need to make informed career choices. In 2009, Thales partnered with The Railway Children, a charity that provides shelter, clothes and meals to homeless children, and 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 Australia, Thales has a multi-year partnership with Legacy, one of Australia's oldest charitable institutions. The organisation currently looks after 115,000 widows, as well as 1,900 children and disabled dependents across the country. Employees participate in an annual fun run, Defence Lake Attack, which is part of the Australian Defence Force's annual fund-raising campaign in support of children's causes.

Thales USA supports a number of community organisation through monetary donations and voluntary

participations. Some of the organisations that Thales and its employees have recently supported include the American Cancer Society, the American Heart Association, America's 9/11 Foundation, the International Association of Fire Fighters (IAFF) Burn Foundation, Ronald McDonald House, Salvation Army Christmas Cash for Kids, and Toys for Tots. Thales USA also maintains its own scholarship programme, the George Altemus Scholarship Program, and made awards to youngsters whose parents work for the company.



Thales Canada continues to support the Annual Canadian Forces Appreciation Night hosted by the professional hockey team, the Ottawa Senators, to provide tickets to 2,200 members of the Canadian Forces and their families. The Canadian subsidiary also sponsors the Canada Army Run, an annual event in which civilians run, walk or wheel side-by-side with members of the Canadian Forces in half-marathon and 5K events.

In memory of the victims of the L'Aquila earthquake in Italy, Thales Italia and Thales Alenia Space sponsored a concert in Rome and a course on earth observation at L'Aquila University with funds donated by the subsidiaries and their employees.

In the Netherlands, Thales sponsors a number of local charities such as a scouting club for children, a local centre for hospice care, a local technology museum, a local theatre, the Nautical Museum, a local hockey club, the University Fund Twente, the Study Centre Hengelo, which helps promote science among children and the Opkikker Foundation, which organises activities for children suffering from life-threatening diseases.

Thales España and its employees are active supporters of several charities. The company recently participated in the construction of a school in Zimbabwe, and donated money to the Spanish national cancer association. Employees also donated money to victims of the L'Aquila earthquake and organised a toy drive for disadvantaged children.

The many community initiatives sponsored by Thales Portugal in 2009 included a number of actions targeted at young people. The company organised a Christmas celebration for children from several schools, donated presents to a parish council for distribution to disadvantaged children and participated in the rehabilitation of a local school. Half of all Thales Portugal employees lent their support to children with cancer, and the company also donated money to an organisation that provides orthopaedic equipment to the elderly.

FOR FURTHER INFORMATION

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