

Governance and Sustainable Development

Thomson's commitment to continuous improvement spans the economic, social and environmental aspects of sustainable development.

Governance

Transparency and Commitment

■ Thomson is committed to applying the guidelines and recommendations for corporate governance.

Thus, the Board of Directors includes ten independent Directors out of its 15 members. Of the five non-independent Directors (which include the Chairman), four Directors are Thomson employees: two represent Thomson employees and two represent Thomson employee shareholders. Two new independent Directors joined the Board in 2004: Didier Lombard, who was appointed by the Annual Shareholders' Meeting held on May 7, 2004 and David Roux who was appointed by the Shareholders' Meeting held on September 15, 2004.

Further to the modification of the by-laws of the company decided by the Annual Shareholders' Meeting held on May 7, 2004, the duration of the mandates of the Directors of the Board has been reduced to four years and the number of shares required to be held per Director has been increased: each Director of the Board must hold at least 2,000 Thomson shares.

Thomson has established internal rules which spell out

how the Board sets strategic orientations and which define the Board's powers. These rules also define Directors' duties and obligations. They are updated regularly to comply with changes in the law and in the evolution of the company.

■ On September 15, 2004, Frank E. Dangeard was appointed to the position of Chairman & CEO.

As Chairman, he directs the Board as it takes strategic decisions and monitors activities and results. As CEO, assisted by the Executive Committee, he manages the Group and reports results to the Board of Directors on a monthly basis. The Board met 15 times in 2004.

Three Committees of the Board

Three Committees provide advice and recommendations to the Board of Directors.

■ **The Strategy Committee** reviews projects involving corporate developments, such as major investments, competitive moves, strategic agreements, and industrial partnerships. It is chaired by Frank E. Dangeard and comprises Eddy W. Hartenstein, Pierre Lescure, Didier Lombard, Christian Blanc, David Roux and Henry P. Vigil. The Strategy Committee met seven times in 2004.

Board of Directors

Frank E. Dangeard

Chairman & CEO, Thomson

Christian Blanc

Member of the French Parliament

Eric Bourdais de Charbonnière

Chairman of the Supervisory Board, Michelin

Catherine Cavallari

Director Representative of Thomson Employees, Controlling, SBU Technology Operations, Thomson

Loïc Desmouceaux

Director Representative of Thomson Employee shareholders, Prospective Marketing Manager and Strategic Development, Thomson

Eddy W. Hartenstein

Former Vice-Chairman, DirecTV Group Inc.

Igor Landau

Former Chairman of the Management Board, Aventis Director, Sanofi Aventis

Pierre Lescure

Producer, Former Chairman & CEO of Canal+

Didier Lombard

Chairman & CEO, France Telecom

Gérard Meymarian

Director Representative of Thomson Employee shareholders, Vice-President Consumer Solutions Businesses, Thomson

Paul Murray

Partner, Tangent Industries Ltd.

Jean de Rotalier

Director Representative of Thomson Employees, Marketing Manager Italy, Thomson

Marcel Roulet

Former Chairman & CEO, TSA, Thales and France Telecom

David Roux

Managing Director, Silver Lake Partners

Henry P. Vigil

Vice-President Consumer Strategy and Partnerships, Microsoft Corporation

■ **The Audit Committee** monitors the quality of the Group's accounting and financial documents and ensures that verification procedures are followed. Its members are all independent Directors. Eric Bourdais de Charbonnière has chaired the Committee since December 2003. The other members are Paul Murray, Igor Landau and Marcel Roulet. The Audit Committee held six meetings in 2004.

■ **The Nomination, Remuneration & Governance Committee** concentrates on the functioning of the Board of Directors, corporate governance principles, senior management remuneration and employee profit sharing. Chaired by Marcel Roulet, it comprises Christian Blanc, Eddy W. Hartenstein and Henry P. Vigil, all of whom are independent Directors. The Committee met seven times in 2004.

Executive Committee

■ **The Executive Committee** is chaired by Frank E. Dangeard. It meets every week to implement the Group's strategy as defined by the Board of Directors and to manage the Group's businesses. Composed of 17 members, it includes heads of key operating units and corporate functions.

Operating Committees

Two operating committees of the Executive Committee have also been established to contribute to an effective decision-making process.

■ **The Investment Committee** is chaired by the Chief Financial Officer, Julian Waldron, and meets on an ad hoc basis at least once a week, to review and recommend all financial commitments to the Executive Committee for final approval. It also monitors the follow-up of all approved financial commitments. Any actual and contingent financial commitment may be raised at the Investment Committee.

■ **The Risk Committee** is headed by John Neville, a senior executive of Thomson, who reports to the Chairman & CEO as a special advisor, and includes the Chief Audit Executive. The Risk Committee meets every six weeks to help the Executive Committee in the identification, anticipation, prevention and mitigation of financial, operational and strategic risk to the business. It also serves as the primary internal management body through which the results of the Group's internal audit function are reviewed.

Executive Committee

Frank E. Dangeard
Chairman & CEO

Jean-Charles Hourcade
Senior Executive Vice President,
Chief Technology Officer, Technology
Division, in charge of the Technology
Program

Lanny Raimondo
Senior Executive Vice President,
Services division, in charge of the
Clients Program

Didier Trutt
Senior Executive Vice President,
Displays activity, in charge of the
Process Transformation Program

Julian Waldron
Senior Executive Vice President,
Chief Financial Officer, in charge of the
Value Creation Program

Tom Carson
Executive Vice President, in charge of
the Program Office as well as
Marketing & Sales for Connectivity

Peter Ho I Chin
Executive Vice President,
Sourcing

Marie-Ange Debon
Executive Vice President,
Corporate Secretary and General
Counsel

Brad Kendall
Executive Vice President,
Human Resources

Ghislain Lescuyer
Executive Vice President,
Access Platforms & Gateways

Guy Léonard
Executive Vice President,
Business Performance

Quentin Lilly
Executive Vice President,
DVD Services

Mike D. O'Hara
Executive Vice President,
Connectivity

Jean-Georges Micol
Executive Vice President,
Communications & Public Affairs

Béatrix de Russé
Executive Vice President,
Intellectual Property & Licensing

Walter Schonfeld
Executive Vice President,
Film and Post-Production Services

Marc Valentin
Executive Vice President,
Grass Valley

Reporting and Control

■ Thomson continued to invest during 2004 to keep abreast of evolutions in reporting and control best-practices. These included the requirements of the Sarbanes-Oxley Act in the United States and the *Loi sur la Sécurité Financière* in France concerning internal controls and the introduction of IFRS reporting principles as of 2005. Thomson used both these changes to make additional progress in embedding best-practice in its reporting and control organizations. To prepare for Sarbanes-Oxley, Thomson launched in 2003 a far-reaching programme to overhaul and optimize the Group's internal controls procedures, designed to meet the Act's deadlines for non-US SEC registrants. IFRS involved the Group's finance organization in the conversion project with a particular focus on systems and training.

Improving Internal Controls

■ The internal control projects put in place by Thomson have two objectives:

- to verify that the actions undertaken by the Group and its employees conform to applicable regulations, are aligned with the Group's values, and are consistent with the framework defined by the Group's management bodies; and
- to verify that the accounting and financial information communicated to management bodies and to shareholders accurately reflects the Group's operations and financial situation.

■ Building upon the Sarbanes-Oxley Act, and related corporate governance standards in France put in place

with the *Loi sur la Sécurité Financière*, Thomson has adopted and implemented the internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the control framework broadly accepted world-wide. This framework provides a common risk and control language for the Group's risk management programs and functions, which seek to achieve "reasonable assurance" regarding:

- the effectiveness and efficiency of operations;
- the reliability of financial reporting; and
- compliance with applicable laws and regulations.

One of the objectives of the internal control system is to prevent and control risks arising from the company's businesses and risks of error or fraud, in particular in areas of accounting and finance.

Approach to Risk Management

■ To attain reasonable assurance that the Group is meeting the stated control objectives, business processes and related controls are continuously monitored, revised, and improved. Additional controls and processes are put into place as necessary at Corporate level and at the level of legal entities for different types of operations and transactions undertaken by the Group. To further improve the process of risk management, Thomson established a new operating committee of the Executive Committee in 2004, the Risk Committee, chaired by one of the Group's senior executives (see above under "Governance").

■ Thomson has also launched Group-wide programs to help achieve its stated control objectives. These programs include the Process Transformation Initiative, known as PTI, to ensure operational excellence, and COMPASS (Controls Over Methods, Processes, Applications, Systems, and Strategy), launched in 2003.

COMPASS is primarily concerned with reliability of internal controls over processes, notably those that affect financial reporting and data. It also covers elements of compliance risk, again primarily those associated with financial reporting, including Sarbanes-Oxley. The project involves financial and operational management in the assessment of control design and effectiveness, the documentation of critical financial processes and their controls, and the testing of these processes and controls.

■ Internal audit

In 2004, 40 internal audits were carried out together with several projects for management covering key aspects of operational, financial, and compliance risks throughout the Group's operations. Results are regularly reviewed by the Risk Committee as well as the Audit Committee of the Board of Directors.

Financial Reporting

■ IFRS implementation

Thomson has been working on IFRS implementation since June 2003 with a task force led by the Group Corporate Accounting team. Thomson performs annual French GAAP/US GAAP reconciliation for release in Form 20-F in the United States. Accordingly, the Group is accustomed to addressing certain of the accounting issues, whose US GAAP and IFRS impacts are similar.

Thomson finalized the IFRS diagnostic phase in 2004 and is in the process of finalizing the quantification of accounting differences between IFRS and Thomson's current accounting practices, as of January 1, 2004 and December 31, 2004.

A reconciliation to IFRS of opening net equity, full-year net income and closing net equity for 2004, together with associated commentary, has been published with

the *Document de référence* in April 2005. Thomson expects to comment on 2005 performance only under IFRS.

■ Management reporting and closing period work

The Group uses a common chart of accounts. The principal accounting and financial figures of the operational and functional departments consolidated at the Group level are analysed by the Group's management control team and reviewed by the Group's Executive Committee.

The closing process for the half-year and annual consolidated financial statements occurs in two steps. The first step consists of a "hard close" completed in May and November, leading to first review by the statutory auditors, to allow for the identification of the most complex issues. The second step occurs in July and in January and involves the finalization of half-year and annual consolidated financial statements under French GAAP. The Group then proceeds once a year with a reconciliation of these results under US GAAP.

■ Preparation of financial statements

The financial statements are based on information reported through the annual reporting and accounting consolidation processes and on operational and market information, which is specifically centralized for the preparation of the company's *Document de référence* in France and the Form 20-F in the United States.

Half-year and annual financial information is reviewed by the company's Audit Committee prior to its publication.

Human Resources Skills and Commitment

Business Oriented Initiatives

■ Human resources development initiatives that enable Thomson people to realize their aspirations while strengthening the Group's overall structure continue to grow. At the same time, management remains committed to a decentralized, networked management organization to ensure that skills and know-how are developed according to the operational needs of each specific business unit.

■ The **Contract of Progress (COP)** program, installed throughout the organization, is built upon semi-annual individual performance evaluations of all Thomson professionals. Every Thomson manager has been familiarized with the process, which involves an on-going dialogue during which short- and long-term goals are established and reviewed. The Contract of Progress program also includes an annual review of each employee's prospects for career development, training and future job opportunities.

■ The talent review initiative is designed to identify and recognize exemplary performance and strong potential.

Similar to "fast-track" career programs in some other organizations, the Thomson talent review enables outstanding employees to realize their potential while ensuring that the Group benefits fully from the talents and motivation of its people.

■ The **Thomson Leadership Network (TLN)** reinforces sharing of the Group's vast pool of know-how and experience. The TLN recognizes managers for their achievements and reinforces the transversal nature of various corporate initiatives and business strategies. TLN members number approximately 350 worldwide and meet formally once or twice a year to address key business issues and strategy fulfillment.

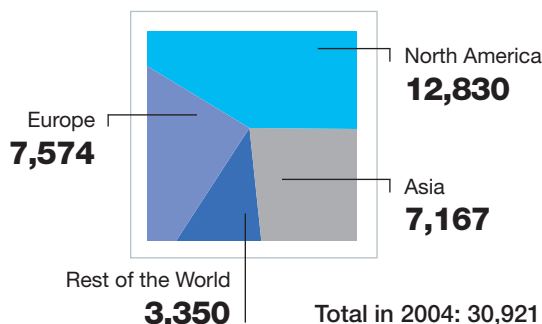
Training Aligned with Strategy

■ Training needs vary greatly across Thomson's portfolio of activities. Most of the Group's training efforts are directly managed within individual business units to ensure that training initiatives align with particular business strategies, offerings and professional needs.

■ In addition, a corporate training department is responsible for identifying and addressing training needs that are common to all business units. With strong backing from executive management, two corporate training initiatives have been launched.

CORE BUSINESS EMPLOYEES*

BY GEOGRAPHICAL AREA



* Excluding Displays & CE Partnerships employees.
Including Displays & CE Partnership employees, the Group employed 49,079 people as of December 31, 2004.

Team at MPC >
a post-production
facility acquired
in 2004.



These include a program targeted at Thomson middle management that focuses on key business processes. Cutting across business units, the program involves a series of seminars in which managers share experiences to improve and transform operations. Seminars held in January 2005 focused on management of raw materials inventories. A second corporate training initiative, designed for senior management, addresses critical issues involving clients, value creation and technology.

People Involvement

■ **The People Involvement Program (PIP)**, which encourages Thomson employees to contribute actively to the Group's development, continued to expand in 2004. Extended to most Thomson sites, the program solicits suggestions for improvements in work processes and practices from personnel at all levels. In 2004, PIP contributions grew to an average of more than six suggestions per employee.

Constructive Social Dialogue

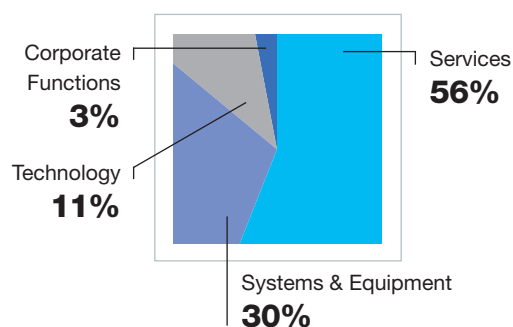
■ In 2004, the Group continued to engage in open and constructive dialogue with employee representatives. While local labor relations are handled on a country-by-country basis, Thomson's European Works Council regroups employee representatives from France,

Strong Service and Technology Culture

Thomson's core businesses in Media & Entertainment (M&E) share a common employee skills set, whether the focus of the business is on the provision of service, systems & equipment or technology. The Group's clients expect faultless delivery of end-to-end services, reliability and to be able to trust Thomson with their most valued asset – content. To meet their requirements, Thomson has honed a strong service culture in its workforce over the years, a key factor in its successful transition to a Group fully focused on M&E clients. Thomson also possesses a strong technology culture, and is committed to recruiting and developing the best technical talents worldwide to work in both fundamental research and new service and product development.

Germany, the United Kingdom, Italy, Luxemburg, the Netherlands, Poland and Spain. During the year, the Council met four times, in particular to discuss implementation of the Two-Year Plan and the resulting change in the Group's organization.

CORE BUSINESS EMPLOYEES* BY DIVISION



* Excluding Displays & CE Partnerships employees.



< Multicultural team at work.

Environment, Health & Safety

Thomson's policy to protect the environment and respect the highest standards of health and safety embodies a commitment to continuous improvement in the best interests of the Group's stakeholders – from employees, suppliers and shareholders to the local communities in the many countries where Thomson operates. Thomson's policies and practices are rooted in its Environmental, Health & Safety Charter, applied universally for all Thomson employees at all sites worldwide, as well as to the Group's sub-contractors.

Third-Party Certification

■ Thomson's management is committed to promoting conservation of natural resources and energy and to continually reducing emissions to air, water and land. In recent years, an ambitious program was implemented to achieve certification of compliance with ISO 14001, the

state-of-the-art standard for environmental management practice. ISO 14001 certification is granted only after an audit by an independent third party and ensures that an environmental management system meets or exceeds the standard's requirements.

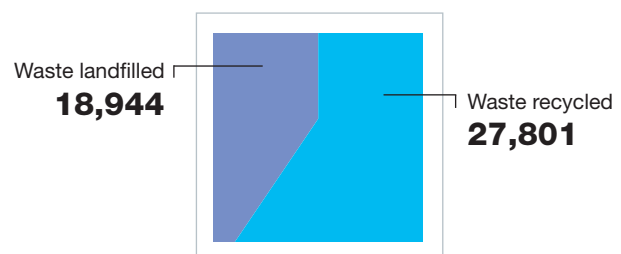
In 2004, the number of Thomson sites which received ISO 14001 certification more than doubled, from 12 to 34.

Conservation, Recycling and Emission Control

■ 2004 saw the conclusion of a three-year environmental plan, as well as the launch of a series of initiatives to enhance waste reduction and recycling at the Group's facilities worldwide. Targets included reducing land-fill waste by 10% and developing a hazardous waste monitoring system. Amongst the many initiatives launched in order to reach the Group's defined goals, investments were made to upgrade Technicolor film processing facilities to higher environmental standards. One notable achievement was the successful implementation of a two-year program to recover perchlorethylene at the film processing lab in West Drayton, U.K., where more than 90% of the material is currently recycled. This effort comes on the heels of similar investments at processing facilities in New York City, Los Angeles and Mirabel, Canada. The Group's core business waste recycling rate was 59.5% for the year. Ongoing initiatives, however, should allow rapid improvement toward Thomson's 75% recycling rate objective.



WASTE GENERATED 2004* IN METRIC TONS



Total in 2004: 46,745

*Excluding the Displays & Consumer Electronics Partnerships activity.

Programs are ongoing to improve Thomson's efficiency at recovering silver from film developed at Technicolor's film processing facilities worldwide. In 2004, investments in silver recovery equipment and systems were made in several sites, including West Drayton and New York. During the year, Thomson also invested in waste water treatment equipment for the Technicolor lab in Bangkok.

Water consumption in Thomson's core business is limited: at 3.58 million cubic metres for the year, this is fifteen times less than corresponding consumption in the Displays activity which the Group is currently seeking to partner. Several initiatives have been launched to reduce consumption and to increase the water recycling rate within the core business.

Energy consumption in the core business was 2,379 tera joules, of which electricity represented 74%.

The increase in Thomson's core business water and energy needs in 2004 was a consequence of the addition of production capacity and integration of new acquisitions during the year.

A Safe and Healthy Workplace

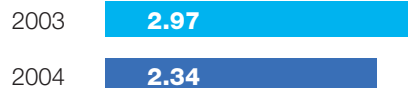
In parallel to the provision of training for employees on environmental management issues, Thomson is pursuing measures to consistently ensure a safe and healthy workplace. Thomson has adopted the Occupational Health and Safety Assessment Series (OHSAS) specification 18001 as an occupational health and safety management system standard. Compatible with the ISO 9000 and ISO 14001 quality and environmental

management system certification, OHSAS facilitates the integration of quality, environmental and occupational health and safety management systems. Following OHSAS 18001 certification of the West Drayton film lab in the UK and at the Piaseczno, tube plant in Poland in 2003, this year the health and safety management system of the Group's Bagneaux glass plant in France achieved certification. The work injury rates of these three plants decreased by 30% over two years, contributing to a 10% decrease in the overall work injury rate for the Group in all Thomson's facilities during 2004. Numerous internal programs and audits support the Group's goal of zero work injuries.

OCCUPATIONAL HEALTH AND SAFETY 2004

FOR 200,000 HOURS WORKED

Incident rate

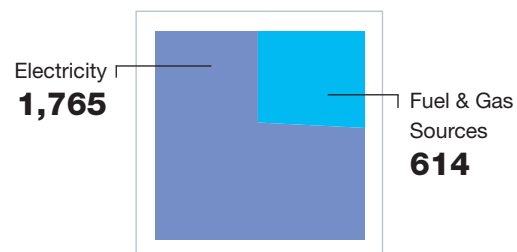


Lost Workday Incident Rate



ENERGY CONSUMED 2004* IN TERA JOULES

+ 15% VERSUS 2003



Total in 2004: 2,379

*Excluding the Displays & Consumer Electronics Partnerships activity.



< DVD Services' manufacturing facility in Poland.

Corporate Citizenship

■ Thomson's Ethics Charter commits the company to behaving as a good corporate citizen wherever it operates. The Group is locally active in respect of sponsorship of charities, schools or professional societies. In early 2005, Thomson instigated a project to match employee contributions made to relief funds in the wake of the Tsunami disaster in south-east Asia, and in addition contributed directly to the Asian countries affected.

The Ethics Charter also covers respect for human rights and prevention of their violation. The Group's Internal Audit function performs regular audits on sites to ensure that these ethical principles are complied with.

Ensuring Supplier Compliance

■ Since Thomson joined the U.N. Global Compact initiative in September 2003, the Group has sought to improve compliance and implementation of its 10 ethical principles, especially with regards to its sub-contractors. Taken together, the Ethics Charter signed by management and the Environmental Health & Safety Charter encompass the majority of Global Compact's principles. Surveys have been carried out to verify the way sub-contractors work according to these guidelines: these ensure that no child labour is employed, the environment is respected, and that the highest standards of employee safety are adhered to by suppliers. In 2004, the Group also released a Supplier Ethics Handbook defining the code of conduct that Thomson explicitly expects from its sub-contractors.

"Beyond operational and financial performance, Thomson is committed to behaving responsibly, wherever it operates.

This commitment has been formalized through the Group's endorsement of the United Nations Global Compact initiative and our own Ethics Charter, signed by all the members of Thomson's management networks.

We are confident that continuous improvement in the areas of economic responsibility, social responsibility and environmental responsibility, will contribute to the Group's successes."

Frank E. Dangeard
Chairman & CEO



Commitment to Ethics

Thomson intends to establish long-term cooperative relationships with all its stakeholders, based on behavior reinforced by values and a code of ethics.

The Group contributes to economic and social development and applies the same code of conduct everywhere it does business. Common values apply to all employees worldwide.

An Ethics Charter

Displayed at all Group sites, the Charter is a code of conduct, spelling out the principles that guide all internal and external relations.

Signed by the members of the Executive Committee and the Thomson Leadership Network, the Thomson Ethics Charter demonstrates the commitment of all managers and employees to uphold the Group's values individually and collectively, and to ensure they are implemented. The Charter also applies to Thomson suppliers.

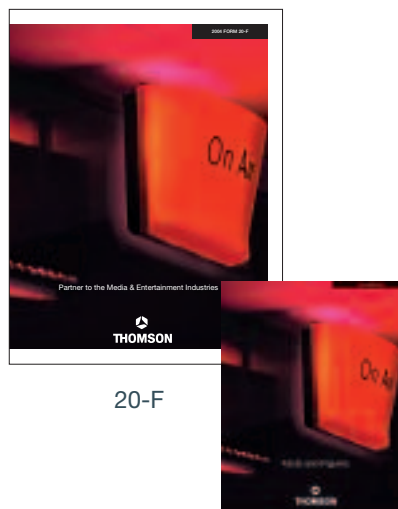
Thomson's internal audit department uses SA 8000, a recognized international reference tool, to ensure that the Ethics Charter is applied both internally and by

suppliers. SA 8000 defines the practices of a socially responsible employer, following the model of the ISO 9000 services standard. External audits are also carried out at the initiative of major clients who share similar ethical values with the Group.

10 Rules of Conduct

- 1 Tolerate no discrimination and encourage diversity.
- 2 Promote best working conditions; use no child or forced labor.
- 3 Support employees' development.
- 4 Value the company's interests above your personal interest.
- 5 Avoid potential conflicts of interest.
- 6 Protect people's health, safety and the environment.
- 7 Respect consumer and personal privacy.
- 8 Respect fair market competition.
- 9 Strive to be a good corporate citizen wherever we operate.
- 10 Respect and protect shareholder value.

Other available documentation



20-F

Facts & Figures

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Corporate Headquarters

46, quai Alphonse Le Gallo
92100 Boulogne-Billancourt - France
Email: webmaster@thomson.net
Tel.: 33 (0) 1 41 86 50 00 - Fax: 33 (0) 1 41 86 58 59

USA

3233, East Mission Oaks Boulevard
Camarillo, CA 93012 - United States
Tel.: 1 (805) 445-1122 - Fax: 1 (805) 445-1141

www.thomson.net

Thomson
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333 773 174 R.C.S. Nanterre