

2015 INTEGRATED REPORT

Corporate Responsibility



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FOREWORD

BY PATRICE CAINE

OUR RECORD RESULTS IN 2015 STAND AS A TESTAMENT TO THE ENGAGEMENT AND HARD WORK OF ALL THALES EMPLOYEES AND THEIR UNIQUE SET OF CAPABILITIES. WE HAVE REGAINED MOMENTUM TO SUCH A DEGREE THAT WE CAN EMBRACE EVEN MORE AMBITIOUS OBJECTIVES WITH THE ASSURANCE THAT THE STRATEGY WE HAVE PURSUED FOR THE LAST SEVERAL YEARS IS SUCCESSFULLY DELIVERING PROFITABLE, SUSTAINABLE GROWTH.

The merits of this strategy are best measured in terms of the Company's overall performance. Our strategic priorities are thus shaped by the values upheld by Thales for more than 15 years and a continuing commitment to the principles of corporate responsibility embodied in the United Nations Global Compact⁽¹⁾. In 2015, the Thales strategy was widely recognised as coherent and effective, with Transparency International, the Dow Jones Sustainability Index and the Carbon Disclosure Project even ranking Thales as an industry leader.

In a world that is increasingly mobile, interconnected and interdependent, security is a basic prerequisite for the sustainable development of our societies. Thales serves a number of vital sectors⁽²⁾ in which safety and security are crucial.

Our solutions protect critical national infrastructure and hyper-sovereign assets. They address the challenges of today and tomorrow, from cybersecurity to the air transport system of the future, from urbanisation to environmental conservation. They help to create value for all our stakeholders, and for society in general, as expressed in the Company's motto: Together. Safer. Everywhere.

The publication of this first integrated report reflects Thales's determination to share its engagement with all the stakeholders in its ecosystem. Structured around the framework proposed by the International Integrated Reporting Council (IIRC), the new report demonstrates how Thales is creating value for the short, medium and long term and how we are preparing for the challenges of the future.

We have a unique value proposition and we play a central role in protecting people, property and information. We know that technology has the potential to make the world a safer place. Driven by a constant quest for innovation and performance, we are proud to be exploring this potential in a responsible manner.

Patrice Caine
Chairman & CEO

“ THALES SERVES
A NUMBER OF VITAL SECTORS
IN WHICH SAFETY AND
SECURITY ARE CRUCIAL. ”



(1) Thales signed the United Nations Global Compact in 2003 and is one of 500 companies around the world that has successfully submitted its Communication on Progress at the "Global Compact Advanced" level.

(2) Aerospace, Space, Ground Transportation, Defence, Security.

ABOUT THIS REPORT

For more than 15 years now, Thales has implemented a stringent, proactive policy of social responsibility and continues to attach the utmost importance to ethical business practices. In line with **professional best practices** and based on our experience in this area, we have decided to publish **our first “integrated report”** based on the guiding principles of the International Integrated Reporting Council (IIRC).

This 2015 integrated report explains how our **strategy, governance, and financial** as well as **extra-financial** (environmental, social, governance and societal) **performance create value** for stakeholders. We believe this document will contribute to a better understanding of Thales’s business activities, the complexity of our working environments and **our level of commitment** to all of our stakeholders.

METHODOLOGY

An internal working group under the guidance of the Ethics and Corporate Responsibility Department, and comprising members from several functional departments, was involved throughout the process to provide the underlying structure for this information.

We decided from the outset to focus the integrated report on **Thales strategic priorities**, and to select and explain only its most important facets. The integrated report supplements the Registration Document 2015⁽¹⁾ and refers to it in many instances.

The report also includes the results of **the materiality assessment of Thales’s goals**, which was carried out internally in 2015 on the basis of studies and cross-functional workshops devoted to environmental, social and economic issues. The materiality assessment was also reviewed by stakeholders and a consensus was reached before the results were released.

This integrated report is part of Thales’s **long-term improvement approach**.



ethics.cr@thalesgroup.com

SCOPE

The report covers the **2015 financial year** (1 January 2015 to 31 December 2015). It includes medium and long-term outlooks and thus provides a **forward-looking view of the Group within its environment**.

AcceDe
Accessibility of PDF Documents

(1) Can be downloaded from: www.thalesgroup.com/en/investors

OTHER THALES PUBLICATIONS

REGISTRATION DOCUMENT 2015

www.thalesgroup.com
"Investor" section



Shares/credit investors • SR investors, individual shareholders • NGOs • national authorities

Document complies with French and European regulations, and includes, in particular, the annual financial report and the Board's management report, as well as social, environmental and societal information and information on corporate governance

THALES BROCHURE 2015

www.thalesgroup.com
"Global\Group\Overview" section



SR Investors • NGOs • Customers and partners • Suppliers • Shareholders • Employees • Civil society

Presentation of Thales's missions, values, principles and business activities

THALES GROUP PRESENTATION

www.thalesgroup.com
"Global\Group\Overview" section



SR Investors • NGOs • Customers and partners • Suppliers • Shareholders • Employees • Civil society

Presentation of Thales's missions, values, principles and business activities

INNOVATIVE SOLUTIONS TO FIGHT CLIMATE CHANGE

www.thalesgroup.com
"Global\Commitments\Environment" section



SR Investors • NGOs • Customers and partners • Suppliers • Shareholders • Employees • Civil society

Presentation of Thales's solutions:
– for improved understanding of climate phenomena;
– for cleaner skies;
– for more sustainable mobility;
– for smarter cities.

thalesgroup.com

Wherever safety and security matter, we deliver

SPACE

Optimising solutions for telecoms, earth observation, navigation and research

DEFENCE

Improving decision-making and helping forces gain operational superiority

AEROSPACE

Assisting customers in making air travel safer, smoother, environmentally cleaner and more enjoyable

SECURITY

Helping to protect citizens, sensitive data and critical infrastructure

GROUND TRANSPORTATION

Enabling networks to run more swiftly, safely and at higher capacity

Thales has more than 61,000 talented people across 56 countries. Together, we innovate with our customers to build smarter solutions. Our intelligent technologies are dedicated to protecting people, property and information worldwide. Every moment of every day, wherever safety and security are critical, Thales delivers.

Search: Thalesgroup



THALES

Together • Safer • Everywhere

PRINCIPLES OF RESPONSIBILITY



Launched in 2000, the United Nations Global Compact (UNGC)⁽¹⁾ is both a policy platform and a practical framework for companies that are committed to sustainable business practices. It seeks to align business operations and strategies everywhere with 10 universally accepted principles. About 12,000 organisations around the world, including 8,600 companies, have joined the Global Compact. **Thales signed up to the Global Compact in 2003** and has adopted its 10 principles.

Since 2012, through its annual Communication on Progress (COP), **Thales** reached **Global Compact Advanced** level under the Global Compact Differentiation Programme, which evaluates companies on the basis of 21 specific criteria and represents the highest standard of sustainability performance and reporting. Thales is one of just 500 companies worldwide to have achieved GC Advanced level.

HUMAN RIGHTS

PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights.

Pages 16, 28, 30-31, 47-48, 52, 56-58, 70-73, 81-83, 88-89

PRINCIPLE 2

Businesses should make sure they are not complicit in human rights abuses.

Pages 16, 28, 30-31, 47-48, 52, 56-58, 81-83, 88-89

LABOUR

PRINCIPLE 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Pages 16, 28, 30-31, 47-48, 56, 58-62, 79, 82-83, 88-89

PRINCIPLE 4

Businesses should uphold the elimination of all forms of forced and compulsory labour.

Pages 16, 28, 46-48, 56, 60-61, 82-83, 88-89

PRINCIPLE 5

Businesses should uphold the effective abolition of child labour.

Pages 16, 28, 46-48, 56, 60-61, 82-83, 88-89

PRINCIPLE 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Pages 16, 28, 30-31, 46-48, 56, 58-62, 82-83, 88-89

ENVIRONMENT

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges.

Pages 16, 28, 30-33, 43, 46-48, 56, 67-68, 82-83, 87

PRINCIPLE 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Pages 16, 28, 30-33, 43, 46-48, 56, 63-69, 82-83, 87

PRINCIPLE 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Pages 16, 28, 30-33, 43, 46-48, 56, 67-69, 82-83, 87

ANTI-CORRUPTION

PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Pages 3, 16, 20, 28-31, 46-52, 56-57, 81-83, 91

(1) www.unglobalcompact.org





THALES, FOR A SAFER WORLD

KEY FIGURES AND LEADERSHIP

€14^{bn}

REVENUES IN 2015



A BALANCED REVENUE STRUCTURE

€19^{bn}

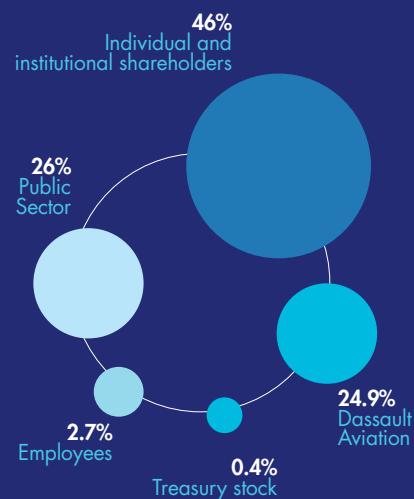
ORDER INTAKE IN 2015

€1.2^{bn}

EBIT IN 2015

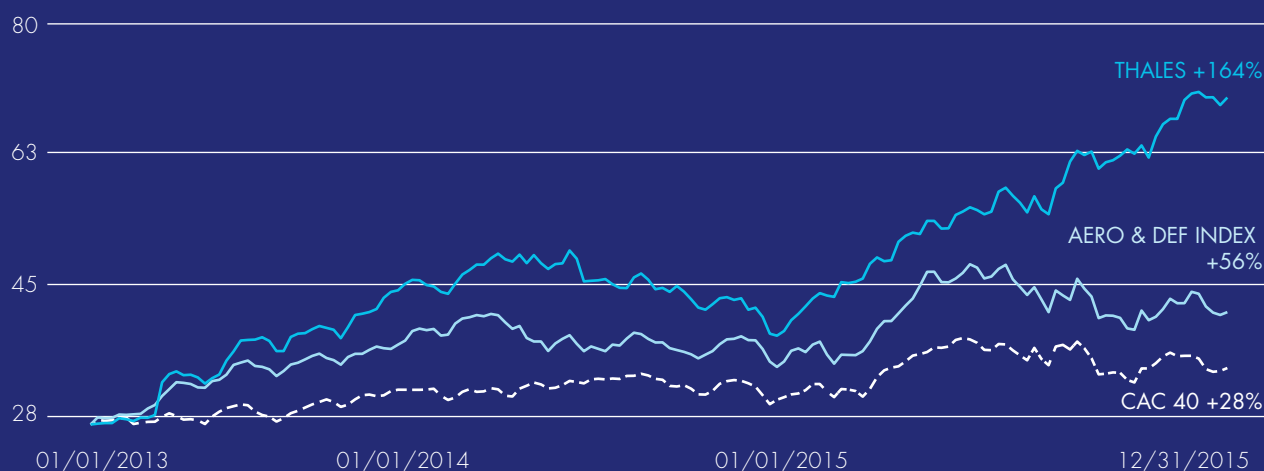
76%

CUSTOMER SATISFACTION RATE



BREAKDOWN OF SHAREHOLDERS

THALES SHARE PRICE PERFORMANCE 2013-2015





56 COUNTRIES
GLOBAL PRESENCE



62,000
EMPLOYEES (WORKFORCE UNDER
MANAGEMENT AT 31 DECEMBER 2015)

N° 1
WORLDWIDE

**PAYLOADS FOR
TELECOM SATELLITES**

AIR TRAFFIC MANAGEMENT

SONARS

**SECURITY FOR INTERBANK
TRANSACTIONS**

N° 2
WORLDWIDE

RAIL SIGNALLING SYSTEMS

**IN-FLIGHT ENTERTAINMENT
AND CONNECTIVITY**

**MILITARY TACTICAL
RADIOCOMMUNICATIONS**

N° 3
WORLDWIDE

COMMERCIAL AVIONICS

CIVIL SATELLITES

MILITARY SURFACE RADARS

VALUE CREATION AND PERFORMANCE

A FOCUS ON CREATING VALUE

Thales has an obligation **to create value** for all stakeholders, including **customers, suppliers/partners, employees, shareholders, States and territories** and **civil society** in general.

Value creation lies **at the heart of our strategy** of building on the triple foundation of Growth, Competitiveness and Talent to achieve **sustainable development** and across-the-board performance improvement.

The Group's strategy is assessed, in particular, on the basis of its financial and extra-financial performance. The integrated reporting approach provides a concrete illustration of this dynamic, and indicates how **the financial and other types of value produced by Thales are shared** with our principal stakeholders (see graph and figures on next page).



CUSTOMER SATISFACTION AND TRUST: THALES CORE VALUES

Customer trust is central to Thales's commitment, and one of our core values. Regularly assessing the **satisfaction** and **trust of our customers** is a key operational performance indicator as well as a driver of improvement and progress.

Thales relies on a worldwide system comprising:

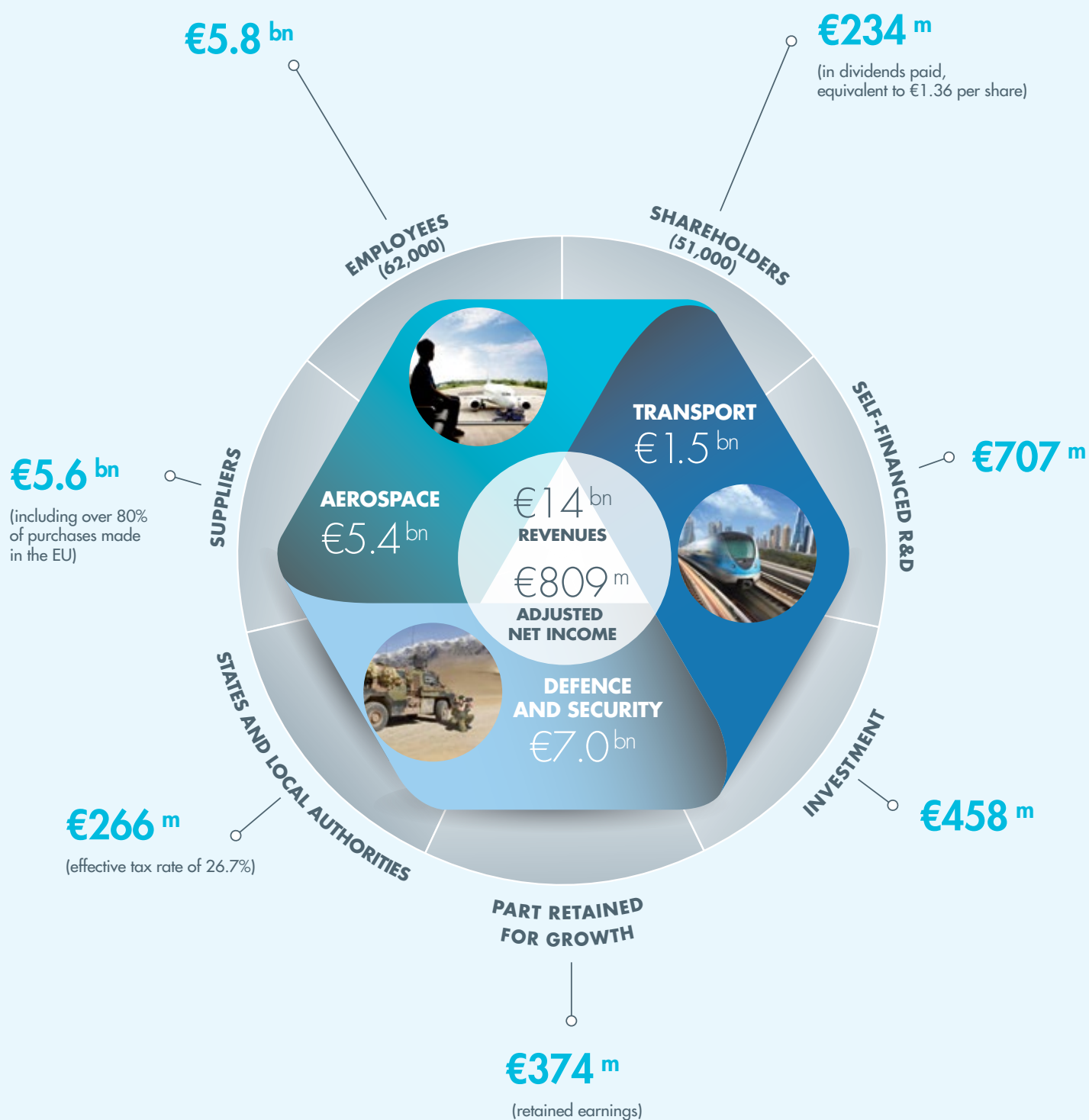
- a two-year cycle of customer surveys covering all our activities;
- a network of independent consultants meeting with customers in more than 90 countries;
- a central platform to collect data and feedback from customers;
- indicators and multi-focus analyses of the various market segments, product lines, etc.;
- action plans to address the specific needs of each customer, as well as more cross-cutting subjects.

Each year, over **1,000 customers are interviewed**. In 2015, more than **76%⁽¹⁾** said they were **satisfied or very satisfied** with Thales, and **85%** said they **would recommend Thales**. To continue to improve customer satisfaction, the Group has identified several areas for action, in particular engineering, purchasing and co-design, product policy, industrial footprint in some countries, etc.

Looking beyond the numbers, **constructive exchanges** and feedback from customers show a shared commitment to finding the best solutions, creating long-term relationships and sharing strategy goals, as well as cooperating to find solutions for the future.

(1) Compared with 71% in 2013 and 74% in 2014.

THALES CREATES VALUE FOR ITS STAKEHOLDERS



FINANCIAL PERFORMANCE IN 2015

New orders booked in 2015 amounted to a record **€18,880m**, representing an **increase of 31%** compared with 2014 (+28% at constant scope and exchange rates). In all business lines, commercial initiatives launched as part of the Ambition Boost plan have delivered.

At 31 December 2015, the consolidated **order book** totalled **€32,292m**, which represents some 2.3 years of sales, strengthening visibility in terms of activity in future years.

(in millions of euros except income and dividends per share - in euros)

	2015	2014	Total change	Organic change
Order intake	18,880	14,363	+31%	+28%
Order book at period end	32,292	27,285	+18%	+17%
Sales	14,063	12,974	+8.4%	+4.5%
EBIT ^(a)	1,216	985	+23%	+18%
in % of sales	8.6%	7.6%	+1.1%	+1.0%
Adjusted net income, Group share ^(a)	809	562	+44%	
Adjusted net income, Group share, per share ^(a)	3.89	2.75	+42%	
Consolidated net income, Group share	765	714	+7%	
Dividend per share ^(b)	1.36	1.12	+21%	
Free operating cash flow ^(a)	1,110	501	+122%	
Net cash at end of period	1,978	1,006	+97%	

(a) Non-GAAP measures.

(b) Proposed and approved by the AGM on 18 May 2016.

Sales amounted to **€14,063m**, up 8.4% on a reported basis, and up **4.5% at constant scope and exchange rates** ("organic" change). Sales saw a slight upturn in growth on mature markets⁽¹⁾ (organic growth of +0.5%), while emerging markets maintained a high level of growth (organic growth of +16%, compared with +12% in 2014). As a result, emerging markets represented 28% of 2015 Group sales, compared with 23% in 2013 and 25% in 2014.

For 2015, the Group reported an **EBIT** of **€1,216m**, which represents **8.6%** of

sales, compared with €985m (7.6% of sales) in 2014. EBIT was notably driven by solid performance in the Defence and Security sector.

Thales thus exceeded all of the financial objectives set for 2015, which were to achieve a low-single-digit increase in sales, and EBIT between €1,130m and €1,150m.

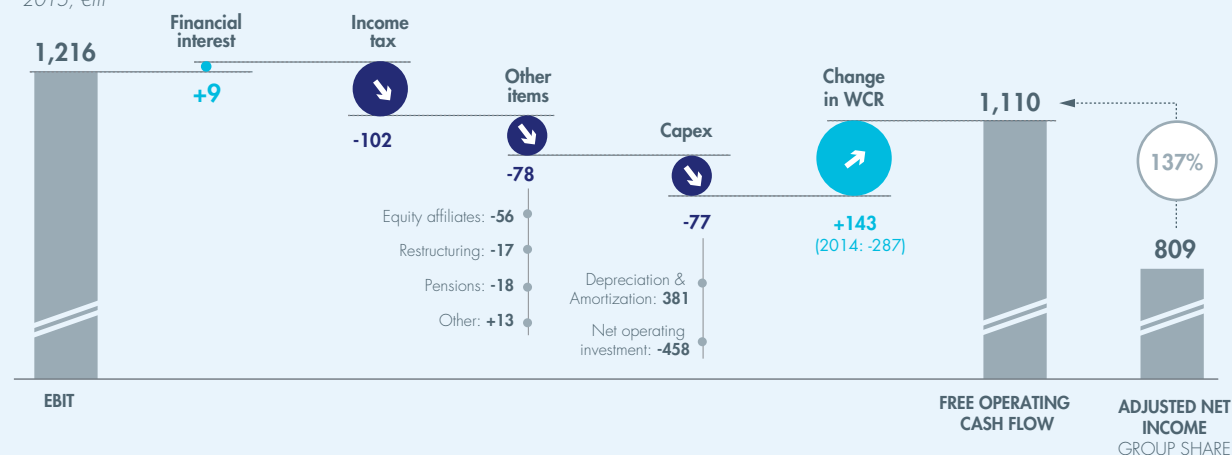
Adjusted net income, Group share stood at **€809m**, an increase of **44%**, mainly due to the improvement in EBIT and a lower effective tax rate.

Cash indicators also showed a clear upturn, benefiting from the sharp rise in adjusted net income, and advance payments received on orders placed during the year. **Free operating cash flow** stood at **€1,110m**, which represents a two-fold increase compared with 2014. At 31 December 2015, **net cash** was **€1,978m**, an increase of almost €1bn compared with 31 December 2014.

In this context, the Board of Directors decided to propose the distribution of a **dividend of €1.36** per share, a 21% increase compared with 2014.

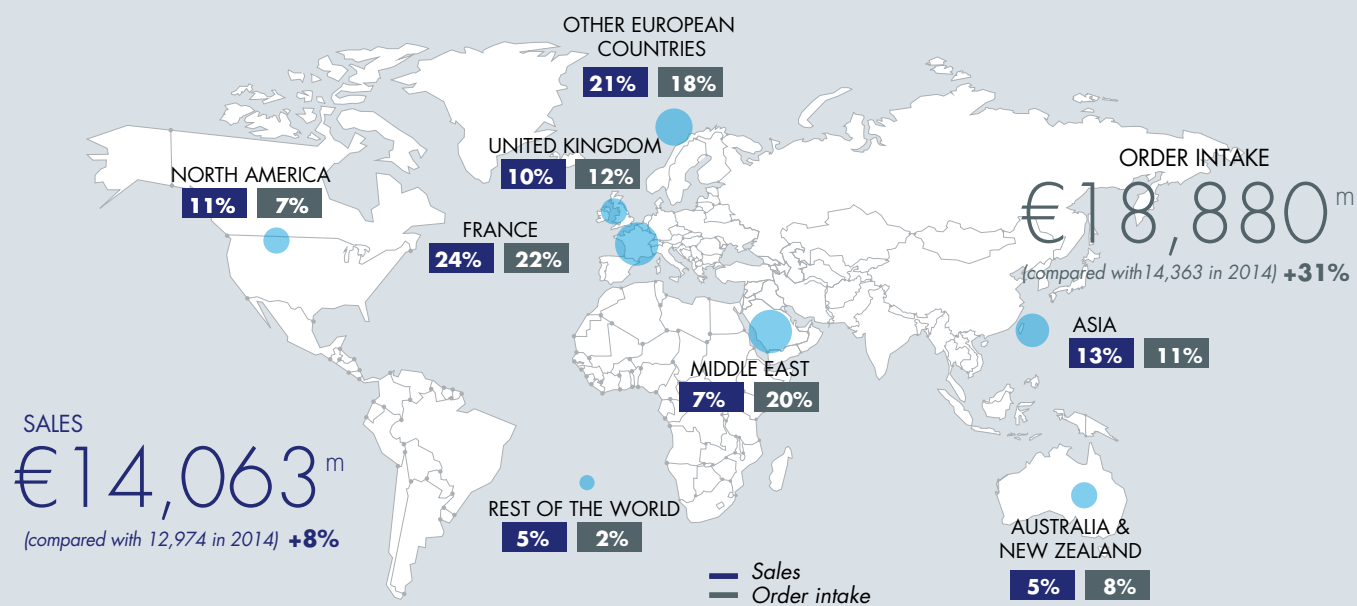
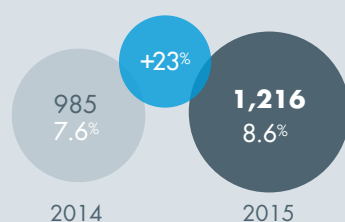
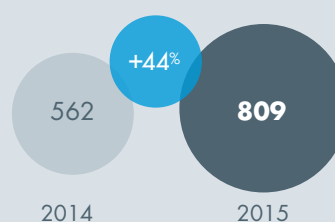
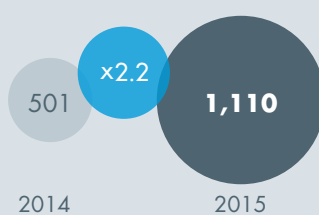
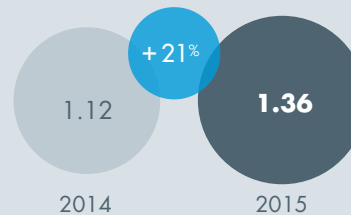
FROM EBIT TO FREE OPERATING CASH FLOW

2015, €m



(1) "Mature markets" include Europe, North America, Australia and New Zealand. "Emerging markets" are all other countries in Asia, the Middle East, Latin America and Africa.

FY 2015 SALES / ORDER INTAKE BY GEOGRAPHY

EBIT
€mADJUSTED NET INCOME
€mFREE OPERATING CASH FLOW
€mDIVIDEND
(€ per share)

EXTRA-FINANCIAL PERFORMANCE FOR 2015

For over **fifteen years now**, Thales has implemented a **strong proactive corporate responsibility policy** based on the highest international standards.

Thales's approach is embodied by its involvement in the **UN Global Compact**; the Group has been a **signatory since 2003**. Thales is one of 500 companies around the world that has successfully submitted its *Communication on Progress* to the UN at the "**Global Compact Advanced**" level.

The Group also attaches the utmost importance to **ethical behaviour, transparency and dialogue** with regard to its customers and suppliers as well as its employees, its shareholders, the financial markets and civil society. This proactive approach is mainly carried out on the basis of a Code of Ethics and a dedicated organisation.

As a result of its corruption risk prevention programme, **the Group** is now **one of the four leading European companies in Transparency International's "Corruption Perceptions Index" for 2015⁽¹⁾** covering companies in the defence sector.

Thales is a **leading player** in the international effort to promote **best practices** with professional associations in the **Aerospace** and **Defence** sector, international organisations and non-governmental agencies.

In 2015, **Thales** was added to the **Europe and World Dow Jones Sustainability Indices (DJSI)** established by the asset management firm RobecoSAM, which has awarded the Group the highest score in the Aerospace and Defence segment for **sustainable performance**; Thales's strategy with regard to emerging markets, its environmental policy, the eco-efficiency of its products and services, its social practices and its talent development were all singled out for praise.

Moreover, since 2005, Thales has chosen to communicate in a totally transparent way about its climate strategy via **Carbon Disclosure Project (CDP)**, an association which aims to inform the investment decisions made by its institutional investor members by telling them about the consequences of climate change for companies. In 2015, **Thales** scored **98A-** for climate change performance (98 indicates transparency and A- indicates performance), making it one of the **best-performing companies** listed.

Finally, Thales actively contributes to local economic and social life in the countries and regions where the Group operates, either directly or through its **Foundation**, which concentrates its worldwide efforts on two areas: science **education** and **humanitarian assistance**.



MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM



THALES
 Foundation

(1) companies.defenceindex.org

OUR MISSION

FOR MORE THAN A CENTURY NOW, THALES HAS BEEN PUTTING THE BEST TECHNOLOGIES AT ITS CUSTOMERS' SERVICE TO HELP THEM ACCOMPLISH THEIR MISSIONS.



“ THE RIGHT DECISION AT THE RIGHT TIME: IN AN INCREASINGLY MOBILE, INTERCONNECTED AND INTERDEPENDENT WORLD, OUR SOLUTIONS HELP CUSTOMERS CHOOSE THE BEST OPTION AND ACT ACCORDINGLY. ”

Wherever critical decisions need to be made, Thales is there: in the aerospace, space, ground transportation, defence and security markets, Thales solutions help customers choose the right option and act accordingly.

OUR MISSION: TO BUILD THE SOLUTIONS NEEDED FOR SAFETY AND SECURITY IN CRITICAL ENVIRONMENTS

Thales technologies are clearly the best choice because they **provide pertinent information at the right time**, so the best possible decision can be made.

We have a unique value proposition and a central role in supporting the crucial missions of protecting people, property and information.

Through its expertise, the Group proudly contributes to making the world a safer place.

ONGOING SUPPORT

Thales is a global organisation focused on **helping customers to perform difficult tasks in critical environments**.

Thales offers them:

- the technical expertise and commitment of its teams;
- well-established local support;
- high standards of service as part of an ongoing improvement process.

THALES EXPERTISE

World-class technologies and the combined expertise of **62,000 employees** in **56** locally based **country** operations make Thales a **key player in protecting citizens, infrastructures, nations and cyberspace**.

OUR FOUNDING PRINCIPLES

THALES IS AN INTERNATIONAL POWERHOUSE OF TALENT AND HUMAN ENDEAVOUR, ENCOMPASSING A RICH VARIETY OF PROFESSIONAL BACKGROUNDS AND NATIONAL CULTURES. THROUGHOUT THE WORLD, THESE MULTICULTURAL TEAMS ARE DRIVEN BY THE SAME SPIRIT OF INNOVATION, PERFORMANCE, RESPONSIBILITY AND ETHICS IN THEIR PURSUIT OF CUSTOMER SATISFACTION.

"TOGETHER. SAFER. EVERYWHERE"

The Thales motto, "Together. Safer. Everywhere" aptly sums up the vision shared by Group employees:



FOR THALES, IT'S ALL A MATTER OF INNOVATION

Given the Group's business, the technical dimension is of the utmost importance.

Innovation is a major strategic priority for Thales and the key to our long-term success.

Thales teams throughout the world are driven by this quest for innovation:

- in the **central research laboratories** of Thales Research & Technology (TRT), for example, where a system of open innovation has been introduced to maximise interaction with the academic

research community, other Thales units and innovative companies;

- in **technical and operational laboratories**, where scenarios and solutions are developed in collaboration with customers to meet their exact operational needs;
- in Thales **entities, where product policies** designed to systematically shorten development cycles and limit risks **are being implemented**.

The effectiveness of Thales's R&D effort hinges largely on the decentralised nature of its operations and close coordination on strategic topics. R&D teams are based at **more than 80 sites** in all the Group's main countries of operation.

Thales maintains its **clear lead in technology** with **ongoing investment** in R&D.

OBSERVE

From outer space to the depths of the oceans, in the air or on the ground, Thales is constantly keeping track of the world around us.

COMMUNICATE

Thales innovations have kept people in touch for over a century, from the earliest transmissions in morse code to data links with the International Space Station.

PROTECT

In the air, at sea, on land, in orbit and in cyberspace, Thales innovations provide the best protections available for civil operators, military organisations and forces in the field. Whatever your line of work, you're better protected with Thales.

MOVE

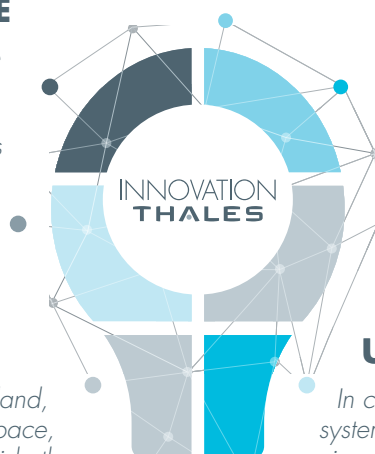
Our technologies make the world progress. Thanks to our innovations, we help people move, learn and exchange.

DECIDE

In a military command centre or an aircraft cockpit, Thales helps its customers take the right decisions at the right time and act accordingly.

UNDERSTAND

In critical situations, Thales systems help users to put data in context, analyse possible courses of action and evaluate the consequences. Find out how innovations in data processing and analysis are changing the equation and shaping the future of our data-driven world.



SELF-FUNDED R&D

€707^m

Does not include R&D with external funding

INTELLECTUAL PROPERTY

16,500

PATENTS IN ITS PORTFOLIO, AND 400 NEW APPLICATIONS FILED IN 2015

THALES RESEARCH CENTRES WORLDWIDE

5

CANADA, FRANCE, NETHERLANDS, UNITED KINGDOM AND SINGAPORE

PARTNERSHIP AGREEMENTS WITH UNIVERSITIES AND PUBLIC RESEARCH CENTRES

50

IN EUROPE, THE US AND ASIA

OUR VALUES

CUSTOMER TRUST

To succeed, we must work as partners with our customers, listening to them, anticipating their needs and finding solutions together. We work to achieve long-term customer satisfaction by delivering on our promises and assuring the quality of our solutions and services.

DEVELOPING OUR PEOPLE

Supporting the professional development of each employee is fundamental. We respect diversity and promote knowledge-sharing. We encourage dialogue. And we promote collective achievements and individual talents.

ONE TEAM, ONE THALES

We share responsibilities in a culture of loyalty, partnership and transparency. We encourage solidarity and cooperation at every level of the organisation. We are all on the same team and united in our actions.

AGILE AND INNOVATIVE

We aim to continually improve quality and work more efficiently. This means being ready to take risks, always demonstrating leadership, deciding quickly and acting on our decisions immediately. We strive to build on new ideas to achieve a competitive advantage.

ACCOUNTABLE AND COMMITTED TO EXCELLENCE

We strive to achieve excellence by acting with integrity, loyalty, accountability and professionalism in everything we do.



THALES

5 MAJOR MARKETS

EACH OF THE MARKETS IN THE CIVIL AND MILITARY SECTORS THAT THALES SERVES — AEROSPACE, SPACE, GROUND TRANSPORTATION, DEFENCE AND SECURITY — PLAYS A VITAL ROLE IN SOCIETY.

Thales operates as a single organisation, drawing on the **talent and technologies of the entire Group** to act as prime contractor, systems integrator, equipment supplier and value-added service provider on both civil and military programmes.

AEROSPACE



No. 1 WORLDWIDE
in Air Traffic Management

No. 2 WORLDWIDE
in In-Flight Entertainment

No. 3 WORLDWIDE
in Commercial Avionics

No. 1 IN EUROPE
in Avionics

A COMPREHENSIVE RESPONSE TO CHALLENGES

Thales is the **only company** in the world with **leadership positions in both onboard equipment** — for the cockpit and the cabin — **and ground equipment** (radar, Air Traffic Management systems, etc.).

Market leadership in avionics, Air Traffic Management and space systems makes Thales the world's only company with the capacity to provide a comprehensive end-to-end **response to the challenges of air transport**.

The Group is contributing to the future prosperity of the civil aerospace sector by providing equipment, systems and services — both in the air and on the ground — to support aircraft manufacturers, airlines, air traffic controllers, airports and civil aviation authorities in meeting the challenges of **growth, safety, economic and environmental performance, security and passenger comfort**.

- Two out of three aircraft in the world take off and land using Thales equipment.
- Thales has equipped over 160 control centres around the world, which together cover more than 40% of global airspace.
- More than 750,000 passengers use Thales In-Flight Entertainment systems every day, equivalent to almost 274 million users per year.
- All Airbus airliners use avionics suites from Thales, which also supplies avionics for ATR, Boeing, Bombardier, Dassault, Gulfstream and Sukhoi.

SPACE



No. 1 WORLDWIDE
in payloads for
telecommunication satellites

No. 3 WORLDWIDE
in civil satellites,
and a major player
in orbital infrastructure

EUROPEAN LEADER
in satellite systems and a major
player in orbital infrastructure

No. 1 IN EUROPE
in civil satellites, and a major player
in orbital infrastructure

No. 1 IN EUROPE
in military satellite systems
and navigation systems

A KEY CONTRIBUTION

TO MAJOR SPACE PROGRAMMES

Space systems play a vital role in modern societies, particularly for Telecommunications, Earth observation (radar and optical), satellite navigation and deep-space exploration. **Thales** continues to set the **global standard** in each of these areas through two joint ventures with Leonardo-Finmeccanica of Italy: Thales Alenia Space and Telespazio.

Thales provides commercial, institutional and military customers with an exceptional combination of **expertise spanning the entire value chain**: equipment, payloads, satellites, systems and services. Our space businesses complement our other activities, and vice-versa, giving us a distinct competitive advantage and enabling us to offer our customers complete end-to-end solutions and play **a central role in major civil and military programmes**.

In defence, for example, space systems are a key component of **C4ISTAR** (Command, Control, Communications, Computers, Intelligence, Surveillance, Target Acquisition and Reconnaissance). The space component is also prominent in most of the programmes now defining the future of Air Traffic Management as well as in rail and road traffic projects around the world.

- Thales Alenia Space is the world leader in communication satellite constellations. It is prime contractor for Iridium Next, the world's largest low-earth-orbit constellation to date.
- Thales Alenia Space is contributing to most of Europe's Earth observation and climate-related space missions.
- Thales Alenia Space has been the world leader in geostationary meteorology systems since the late 1970s, as prime contractor for the three generations of Meteosat satellites.
- Thales Alenia Space is prime contractor for ExoMars, Europe's first mission to land on Mars in search of signs of life.

GROUND TRANSPORTATION



No. 1 WORLDWIDE
in Integrated Communications and Supervision
Systems for transportation networks

No. 2 WORLDWIDE
in rail signalling

LEADING THE WAY IN TRANSPORT SOLUTIONS

Thales helps transport operators and infrastructure managers to get the most out of their investments by optimizing their operational performance, offering better passenger services and managing the growing complexity of their networks. Thales systems and services make it possible to **operate transport infrastructures at higher capacity** and allow passengers and goods to get to their destinations **more quickly, more safely** and **at lower cost**.

The Group is **one of the world's foremost players** in **rail signalling systems and control and surveillance systems** for urban and mainline rail networks. It is also present in the **fare collection** and **toll segment**.

A UNIQUE "SYSTEMS" APPROACH

Most of the other players in the transportation sector have traditionally been rolling stock providers. In contrast, **Thales** has **a systems approach** that enables us to develop **innovative solutions** based on **state-of-the-art technologies**. Our solutions can be integrated and interfaced with most existing solutions, so that infrastructure operators and managers have **more freedom and flexibility** in their choice of rolling stock and other equipment in a transportation project. The Group is one of the **pioneers in the definition of the de facto standards** that are structuring the rail transport sector today: **CBTC** systems (Communications-Based Train Control) for metros, **ETCS** systems (European Train Control System) for mainline rail, contactless smartcards, nationwide multi-modal, multi-operator fare collection systems, integrated supervision systems, etc.

- Thales's SelTrac® CBTC system currently operates on 56 lines in 30 of the world's largest cities, carrying three billion passengers annually.
- Some 15,700 km of railway lines around the world are equipped with the ETCS (European Train Control System) solution from Thales.
- Every day, Thales fare collection systems handle more than 50 million transactions around the world.
- The 75 km Dubai metro system — the longest driverless metro system in the world — is equipped with a complete solution supplied by Thales.

DEFENCE

**No. 1 WORLDWIDE**

in acoustic dipping sonars

No. 2 WORLDWIDE

in defence radiocommunications

No. 3 WORLDWIDE AND No. 1 IN EUROPE

in Surface Radars for land and naval defence forces

No. 1 IN EUROPE

in defence electronics

SERVING ALL BRANCHES OF THE ARMED FORCES, EVERYWHERE

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

Thales supports the armed forces in accomplishing their missions in the traditional defence environments — **land, air, sea and space** — as well as in the emerging environments of **urban operations and cyberspace**. Our sophisticated systems detect and assess threats, manage information, support rapid command decisions and control engagements, including threat neutralisation, with maximum reliability. By making it simpler to **coordinate joint and coalition operations**, they help deployed forces maintain **decision superiority**.

OPTIMISED OPERATIONAL PERFORMANCE

From system design to through-life support and personnel training, Thales support services ensure that the solutions we deliver continue to perform optimally, now and in the future.

- Thales equipment and systems represent almost 25% of the total value of the Rafale.
- Thales is prime contractor for the United Kingdom's Watchkeeper system, Europe's largest UAV-based battlefield surveillance programme.
- A quarter of the world's territory is protected by radars from ThalesRaytheonSystems.
- Around the world, Thales equips more than 50 land forces, over 70 types of aircraft and over 40 naval forces.

SECURITY

**No. 1 WORLDWIDE**

in security for bank electronic transactions

No. 1 IN FRANCE

in civil biometrics for government agencies and administrations

MAJOR PLAYER

in Critical Information Systems security and cybersecurity

MANAGING NEW RISKS

With the emergence of threats such as terrorism, organised crime, trafficking and cyberattacks, defence organisations alone are not fully equipped to contend with the changing risk environment. This **convergence between defence and security** is driving demand for **new solutions and technologies** that enable organisations to share existing **information and communication systems** while **protecting** their **networks and infrastructure** from attack.

INTEGRATED AND RESILIENT SOLUTIONS

Drawing on its **experience in the defence sector**, Thales works with government agencies, local authorities and civil operators to develop and deploy integrated, resilient solutions to **protect citizens, sensitive data and infrastructure**. Its priorities are **cybersecurity, telecom network security, urban security, airport security, border protection and infrastructure security**.

The Group's distinctive strengths include the ability to **integrate large-scale, complex systems** and leverage the legacy solutions of each customer. In addition, our systems are built around key **technologies** that we **fully understand**: sensors, secure networks and information systems, secure cloud computing, data processing algorithms, data fusion, and management of large volumes of video, voice, text and data.

- Thales offers a full spectrum of services to counter the growing threat of cyberattacks.
- Thales has been awarded a 30-year contract to operate the secure information and communication systems at the French Defence Ministry's new headquarters in Paris.
- Since 2005, Thales has provided security for millions of Muslims making the Hajj pilgrimage to Mecca.
- Thales has provided Mexico City (population: 20 million) with the world's most extensive urban security system.

A BALANCED BUSINESS MODEL

Thales's business model is based on:

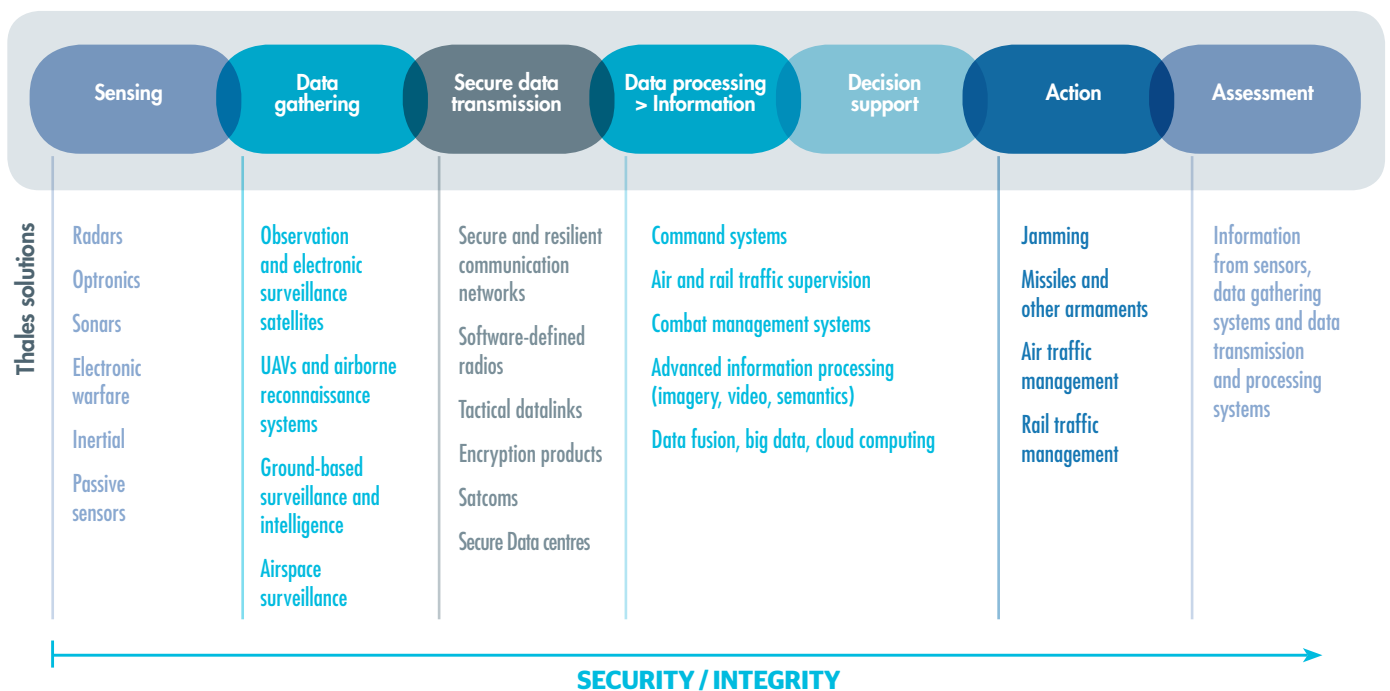
- end-to-end **understanding of the "critical decision chain"** that underpins our innovation and technological developments in areas such as large scale software-driven systems, secure communications, sensors (radar, sonar, optical), supervision, onboard electronics, satellites and systems integration.

Importantly, all our activities share **common technologies** and **capabilities**. Thales's employees constantly need to develop their skills to stay ahead in these areas.



THE CRITICAL DECISION CHAIN

Thales solutions help customers to make the right decisions at the right time and act accordingly



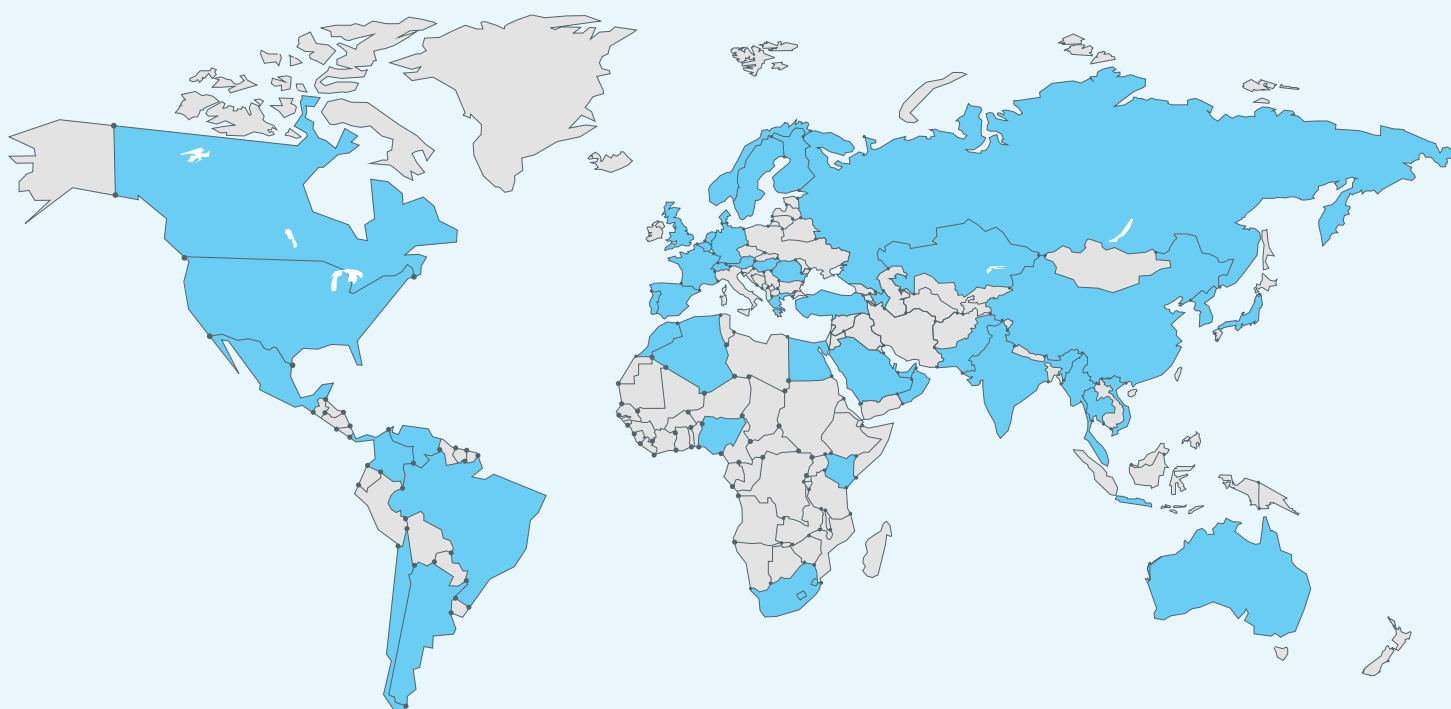
for many years, Thales's international strategy has revolved around local country operations, making the Group a **major industry player in its traditional countries of operation** (France, the United Kingdom, the Netherlands, the United States, Canada, Australia) and now helping to expand its business in countries with strong economic growth, particularly in Asia, South America and the Middle East.

This strategy, which embodies Thales's **focus on customers and long-term customer satisfaction**, also gives the Group access to major domestic programmes, and enables it to forge partnerships with local manufacturers and research institutions.

It is supported by a **worldwide** network of key account managers, **competence centres and integration centres**.

➤ **A balance between civil and military activities** (see p. 42) and **worldwide and country activities**: worldwide activities are organised in business lines covering a coherent range of products, solutions and services; countries implement all aspects of Group policy, manage relationships with local customers and partners, and share responsibility for offers and local projects with worldwide activities.

THALES GLOBAL PRESENCE (PER COUNTRY)







CHALLENGES

IN A WORLD THAT IS INCREASINGLY MOBILE, INTERCONNECTED AND INTERDEPENDENT

THE SECURITY OF PEOPLE AND GOODS, INFRASTRUCTURE AND NATIONS DEPENDS ON LEADERS AND ORGANISATIONS AND THEIR ABILITY TO DECIDE AND ACT IN A TIMELY FASHION AND OBTAIN THE BEST OUTCOMES.

Army, navy and air force commanders, as well as air traffic controllers, public policymakers and infrastructure operators, face these critical decisions and need full, relevant and reliable information to understand the situation and make the right choices. **Thales** assists customers in making these decisions by providing the **tools and technologies** they need to **gather, process and distribute information**, helping them to **understand complex situations** so they can **decide and act** in a timely fashion and **obtain the best outcomes**.

By the very nature of its businesses, Thales is engaged in the societal, environmental and economic challenges of our times. The **technological excellence** and **engineering expertise** that the Company has cultivated for more than a century, mainly to serve the armed forces, now play a **crucial role** in keeping our **homelands secure** and our **civilian populations safe**. With its strategic positioning in the defence and security continuum, Thales has a unique responsibility to its stakeholders and to society at large.

CONTINUOUS DIALOGUE

THALES LISTENS TO ITS ECOSYSTEM...

Each Thales team is attentive to the stakeholders in its scope.

The Group has **identified** its principal **stakeholders** and **structured its dialogue policy** based on:

- **power of influence**: the capacity of the stakeholder to influence and impact Thales decisions;
- the **level of engagement** that the Group hopes to develop with them.

For each stakeholder, dialogue is organised as a function of these factors by identifying relevant information channels

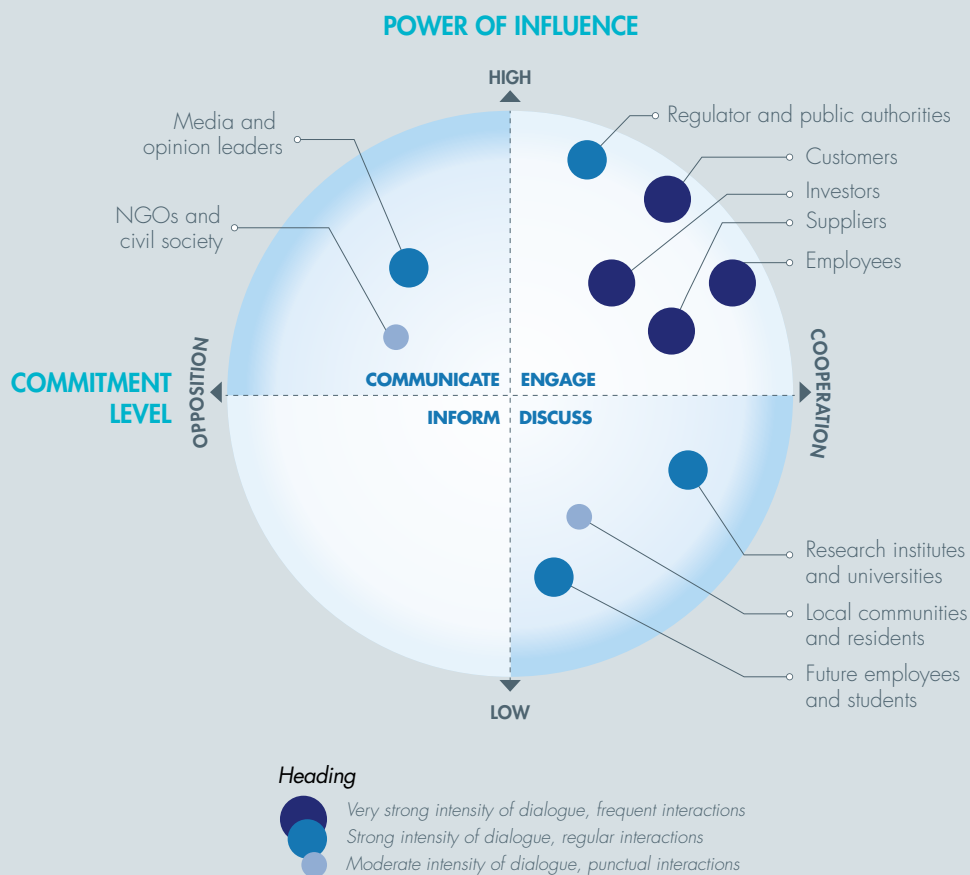
and establishing forums for dialogue adapted to the appropriate level of the organisation (headquarters, business units, sites) in accordance with the subsidiarity principle. This approach was chosen because of the Group's organisation, size, and international scope as well as the diversity of its business lines.

Communication has to be **constructive, transparent** and based on mutual **trust**. To ensure that dialogue is managed as effectively as possible, high-priority stakeholders have been grouped according to Thales's objectives (see table page 30).

This improves feedback of information on the expectations of internal and external stakeholders, while also making sure that these expectations are optimally aligned with the Group's long-term objectives.

Constructive, trust-based dialogue with stakeholders has thus been part of the Thales system **for many years**, reflected in the fact that the membership of the Group Ethics and Corporate Responsibility Committee is representative of the Group's stakeholders (see page 82).

THALES STAKEHOLDERS MAPPING



DIFFERENT MODES OF DIALOGUE

Listening to stakeholders is a major part of Thales's corporate responsibility strategy. In particular, stakeholders' expectations were taken into account when prioritising challenges as part of the materiality assessment (see p. 31).

There are many channels for dialogue that can be adapted to meet the needs of each stakeholder. For the sake of clarity, the various dialogue strategies were grouped into four categories:

- monitoring/information;
- communication;
- engagement;
- partnership.

These four modes of dialogue can be adapted to each organisation. For example, Thales may enter into a partnership with one NGO, but only provide information to another. The purpose of the categories is simply to guide the Group's approach, not to restrict it.



... ACHIEVING CONSTRUCTIVE DIALOGUE...

Stakeholders	Main stakeholder expectations in respect of Thales	Current modes of dialogue
CUSTOMERS	<ul style="list-style-type: none"> ➤ Performance and tailoring of products and services ➤ Innovation and competitiveness ➤ Compliance with contract stipulations: budget, deadlines, response to requirements ➤ Compliance with regulations ➤ Thales corporate responsibility 	<ul style="list-style-type: none"> ➤ Partnership: help define needs, regular dialogue through Key Account Managers, etc. ➤ Annual surveys
INVESTORS Ratings agencies Institutional investors Individual shareholders	<ul style="list-style-type: none"> ➤ Customer trust ➤ Sustainability of the business model ➤ Business ethics ➤ Governance ➤ Compensation policies ➤ CSR performance (HSE, diversity, employee relations dialogue, etc.) 	<ul style="list-style-type: none"> ➤ Specific presentations for institutional investors during roadshows ➤ Responses to questionnaires for ratings agencies ➤ Regular direct contact
EMPLOYEES Shareholder employees (Thales shareholder employees' association) Employee representative bodies	<ul style="list-style-type: none"> ➤ Innovation ➤ Ethics ➤ Attractiveness ➤ Career building and professional development opportunities ➤ Workplace wellbeing ➤ Corporate Responsibility 	<ul style="list-style-type: none"> ➤ Regular internal communication with employees, intranet ➤ Dialogue with employee representatives ➤ Relations with employee shareholders
FUTURE EMPLOYEES AND STUDENTS	<ul style="list-style-type: none"> ➤ Ethics ➤ Career development ➤ Workplace wellbeing ➤ Innovation 	<ul style="list-style-type: none"> ➤ Information on campuses ➤ Presence on social networks
REGULATORS AND GOVERNMENT AUTHORITIES States, local authorities, international organisations	<ul style="list-style-type: none"> ➤ Compliance with regulations (export control, HSE, quality and safety of products and services) ➤ Business ethics ➤ Engagement at local level 	<ul style="list-style-type: none"> ➤ Dialogue through professional associations ➤ Direct meetings ➤ Written communication (letters)
RESEARCH INSTITUTES AND UNIVERSITIES	<ul style="list-style-type: none"> ➤ Innovation ➤ Co-development 	<ul style="list-style-type: none"> ➤ Partnership contracts ➤ Working groups
SUPPLIERS	<ul style="list-style-type: none"> ➤ Long-term partnerships ➤ Corporate Responsibility ➤ Data security 	<ul style="list-style-type: none"> ➤ Negotiations and contractual relations ➤ Surveys
RESIDENTS AND LOCAL COMMUNITIES	<ul style="list-style-type: none"> ➤ Support for the local economy ➤ Harmful effects/risks 	<ul style="list-style-type: none"> ➤ Regular dialogue as part of the Group's regional or country-level policy
NGOs AND CIVIL SOCIETY	<ul style="list-style-type: none"> ➤ Business ethics ➤ Compliance with export control regulations ➤ Transparency ➤ Controversial weaponry ➤ Human rights 	<ul style="list-style-type: none"> ➤ Partnership with Transparency International
MEDIA AND OPINION LEADERS	<ul style="list-style-type: none"> ➤ Regulatory exemplarity because the State is the major shareholder 	<ul style="list-style-type: none"> ➤ External communications ➤ Interviews on a case-by-case basis

... DEFINING KEY CHALLENGES

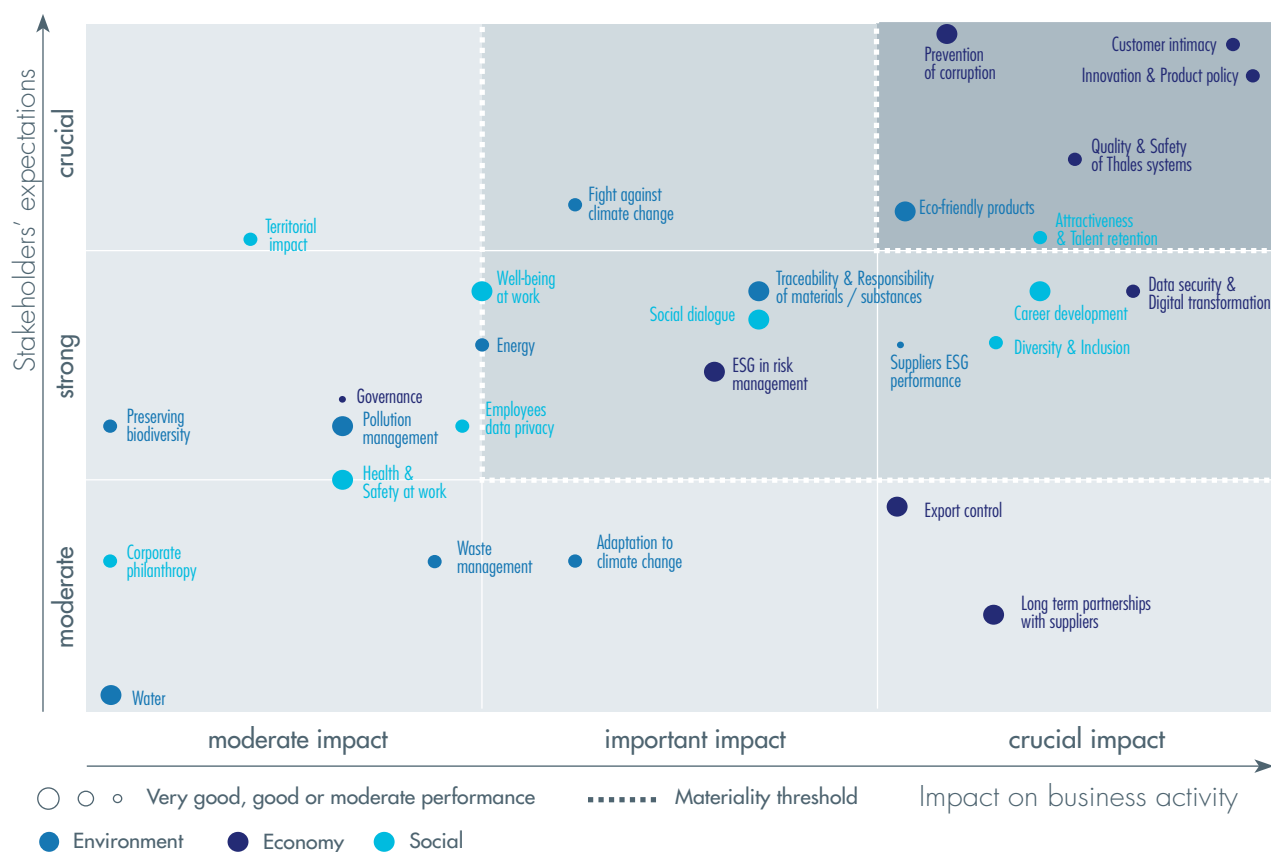
By dialoguing with stakeholders and running special internal workshops, we have been able to **identify** and **classify** **Thales's most important environmental, social and economic challenges**, based on:

- stakeholders' expectations;
- impact on Group activities.

These challenges have been formally categorised using the **materiality matrix** presented below. In addition, **Thales's performance level** against each of the challenges has been determined by means of in-depth studies.

Adding this third aspect to the matrix allows the Group's **strategy and policies to be further refined**, so that **expectations can be more effectively anticipated**, and opportunities more readily seized.

THALES MATERIALITY MATRIX



Analysis of the items that appear in the **"priority challenges"** section of the matrix reveals the **convergence** between **stakeholders' key expectations** and **Thales's strategic vision** (customer value and mindset, customer-driven competitive innovation, attractiveness and talent retention, excellence in delivery, etc.) (see p. 36 for the Ambition 10 plan).

The matrix additionally shows that the **basic principles of Thales's corporate responsibility policy** – business ethics, risk management, ESG (environment, social and governance) – are also **aligned** with stakeholders' expectations.



PRIORITY CHALLENGES



- **Prevention of corruption:** deployment of measures, procedures and controls to combat any practices that do not comply with the principles of business ethics.
- **Customer intimacy:** working in partnership, listening to expectations and anticipating needs to achieve long-term customer satisfaction.
- **Innovation and product policy:** innovation in terms of processes and organisation is a key differentiating factor, for example in R&D, technological innovations and product policy.

- **Quality and safety of Thales systems:** processes deployed throughout the value chain to guarantee the quality and safety of Thales systems (as well as products and services).
- **Eco-friendly products:** new products designed and developed in accordance with environmental criteria and/or delivering environmental benefits.
- **Attractiveness and talent retention:** Thales must attract and retain the skilled and committed people it needs to develop.

IN TOUCH WITH SOCIETY'S EXPECTATIONS

THE GROUP IS ABLE TO IDENTIFY MAJOR SOCIETAL CHALLENGES, INTEGRATE THEM INTO ITS STRATEGY, AND PROVIDE OPERATIONAL RESPONSES BECAUSE IT HAS ENGAGED IN DIALOGUE WITH ITS STAKEHOLDERS FOR MANY YEARS.

Challenges	Context	Thales responses
CYBERSECURITY: A KEY CHALLENGE 	<p>Cyberspace has become part of our everyday lives. But cyberspace is also a new “playground” for criminals, militants and terrorists of every stripe. The world’s increasing reliance on interconnected information systems has created new vulnerabilities, opening the door to coordinated and complex attacks, some of them carried out in just minutes. The figures speak for themselves: almost 180,000 cyberattacks are reported around the world every day. No one is completely safe. High-level expertise is needed to fight cybercrime effectively and counter the vast array of cyber-threats faced today.</p> <p>Our customers in the defence, aerospace and security sectors, and in transportation, financial services and telecoms, demand the very highest levels of protection. Historically, our role has always been to develop mission-critical systems, with all the data protection and encryption technologies that entails.</p>	<p>Thales offers a complete set of skills and capabilities that is unmatched in Europe. We have 1,500 in-house cybersecurity experts and an international footprint, with security operations centres in several countries, which puts us in an excellent position to help customers in the most sensitive sectors to develop active defences that protect their information systems in a constantly evolving threat environment.</p>
GROUND TRANSPORTATION: CUTTING-EDGE SOLUTIONS FOR EFFICIENT MOBILITY 	<p>As international trade booms and urbanisation becomes increasingly rampant, the limitations of road transportation have long been apparent, with gridlocked cities, saturated major routes, air pollution, and security issues all providing ample evidence. Against this backdrop, rail transport is coming back into favour all over the world, with new lines being built in growth markets and existing rail networks being upgraded in the West.</p> <p>Rail transport has become a sound business to be in, thanks to its environment-friendliness and potential for growth.</p>	<p>Thales is one of the world’s foremost players in rail signalling systems and control and surveillance systems for urban and mainline rail networks. Its solutions can be seamlessly integrated into new lines, or used to modernise existing rail networks, increasing both capacity and safety of operation. They make it possible to transport passengers and goods to their destinations more quickly, more safely and at lower cost.</p>

Challenges	Context	Thales responses
<p>THE DESTABILISING EFFECTS OF CLIMATE CHANGE</p>   <p>TO FIND OUT MORE</p> <ul style="list-style-type: none"> ➤ “Innovative solutions to benefit the environment” (see p. 63) ➤ “Solutions to support the environment” in the Registration Document 2015 (see p. 217) ➤ Visit the “Environment” section on the website sustainability.thalesgroup.com 	<p>In some parts of the world, climate change is already having a significant impact on the organisation and functioning of societies. Desertification and an increase in extreme weather events (such as storms, flooding, coastal erosion, heat waves, etc.) are increasing pressure on natural resources and the food supply, posing a serious threat to human life, and leading to humanitarian crises as well as displacement of populations.</p> <p>All these phenomena compound economic, social and political tensions – particularly in fragile countries – and erode the foundations of local, regional and national stability. The zones concerned then become fertile recruiting grounds for terrorist groups. Climate disruption can thus have an impact on all facets of human security.</p> <p>The Internal Displacement Monitoring Centre (IDMC) estimates that, between 2008 and 2014, approximately 25 million people were displaced every year as a result of natural disasters, over 80% of them by hydro-climatic events.</p>	<p>The prevention of extreme weather events is a key area of focus for Thales, which is developing early warning mechanisms (based on satellite images, UAVs, advanced information systems, etc.) to mitigate the effects of such events. It is also one of the two themes of the Thales foundation (see p. 70), which supports projects to develop humanitarian technologies aimed at improving natural disaster prevention and preparedness as well as emergency assistance and reconstruction.</p> <p>Thales also contributes to sustainable development and the energy transition through innovative solutions designed to meet the environmental challenges of its customers and society in general (in areas such as: cleaner air transport; more efficient, energy-saving ground transportation; smarter cities; and satellite observation/monitoring of earth, ocean and climate).</p>



STRATEGY AND OUTLOOK



OUR STRATEGIC VISION

AMBITION 10: A RETURN TO GROWTH, FOR A MORE GLOBAL AND PROFITABLE GROUP

Thales's strategic plan, **Ambition 10**, launched in 2013, uses the Group's unique strengths as a foundation for addressing three major challenges:

➤ **returning to profitable revenue growth** after several years of near-stagnation;

➤ **capitalising on the Group's worldwide presence** to speed up its development;

➤ **increasing Group profitability**, which has previously lagged behind major competitors.

To meet these challenges, Ambition 10 was built on the three pillars of growth, competitiveness and talent.

Today, all indicators show that **Ambition 10 is heading in the right direction**. In 2015, for example, Thales's revenues grew by 4.5%, while income from emerging markets increased by 16%.

AMBITION BOOST: A SHARED FRAMEWORK FOR ACTION



An overall performance plan, **Ambition Boost**, has been implemented as a vehicle for delivering the strategy. The plan provides a **shared framework** that allows every team and every employee to actively contribute to Ambition 10 on a daily basis.

THE AMBITION BOOST DYNAMIC





**BUILDING A GROWING,
MORE GLOBAL AND MORE
PROFITABLE THALES**

3 PILLARS

12 STRATEGIC TOPICS



GROWTH

Drive Ambition

- 1** ♦ Growing Markets
- 2** ♦ Large Contracts
- 3** ♦ Services



COMPETITIVENESS

Fuel Growth

- 4** ♦ International Industrial Footprint
- 5** ♦ Customer Driven Competitive Innovation
- 6** ♦ Engineering and R&D Competitiveness



PEOPLE

Support Success

- 7** ♦ Leadership & Diversity
- 8** ♦ Customer Value & Customer Mindset
- 9** ♦ Teamwork & Incentives

10 ♦ Excellence in Delivery

11 ♦ Efficiency of Structure

12 ♦ Competitiveness in Sourcing

KEY STRATEGIC AREAS OF FOCUS

DRIVE AMBITION

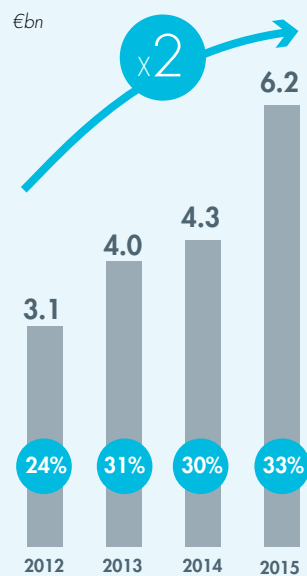
To get back on the road to profitable growth, the Group is focusing on three major factors:

- capturing opportunities in emerging markets;
- signing major contracts;
- growing services.

Emerging markets – mostly located in rapidly developing countries in Asia, Latin America and the Middle East – offer huge potential for Thales. These markets have several points in common: rapidly increasing urbanisation, a boom in air traffic, and a need to address defence, security and environmental issues.

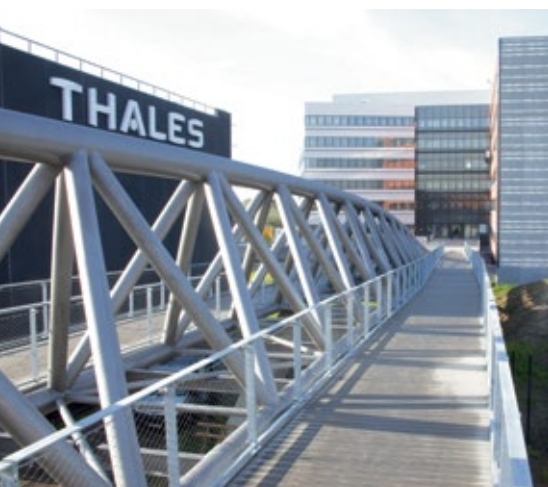
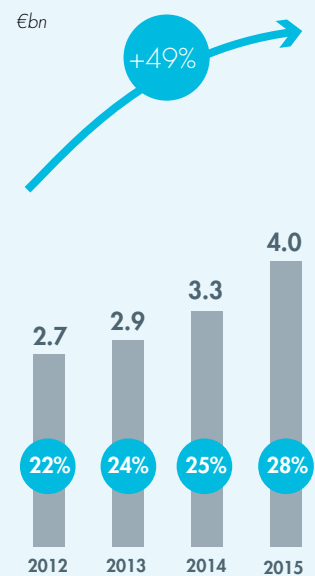
To ensure its development in these countries, **Thales** can rely on a **historical presence** that dates back **more than 60 years** in some cases (for example in India). The Group has set up a suitably adapted sales & marketing organisation, managed at the highest corporate levels, and has put in place structures to create more added value locally or arrange technology transfers if necessary.

EMERGING MARKET ORDER INTAKE (and % of total order intake)



Note: 2012 proforma, restated based on reported 2012-2013 growth

EMERGING MARKET SALES (and % of total sales)



The ability to deliver **major contracts** – valued at **more than €100m each** – is one thing that sets Thales apart. Under Ambition 10, there has been a significant jump in the number of such contracts signed, from an average of 8 to 10 contracts per year between 2010 and 2012 to more than 20 major contracts per year from 2013 to 2015. In addition, 2015 saw order intake reach a record level, with 24 contracts worth more than €100m each, including 5 with a unit value of over €500m (see Financial performance, p. 14).

At the same time, the Group has continued its efforts to grow sales of **services**, which by their very nature offer more potential for repeat business than equipment contracts. To achieve this growth, the Group is staying closer to its customers in order to better understand their operational procedures and **propose value-added solutions** to the specific issues they face.

IMPROVING COMPETITIVENESS TO SUPPORT GROWTH

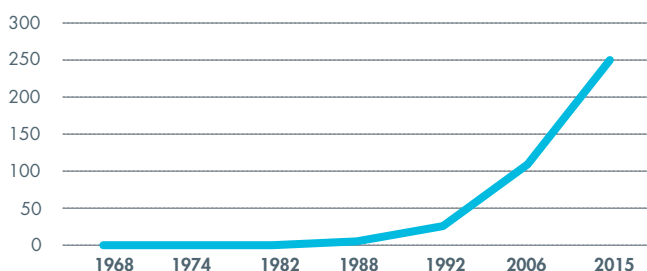
By continuing the efforts made to improve performance in recent years, Thales will enhance its differentiation on product offerings and costs in an increasingly competitive environment.

Efforts are centred on three strategic priorities:

- expansion of our international industrial footprint;
- R&D and engineering competitiveness;
- customer-driven competitive innovation.

Thales earned more than one-fourth of its turnover (28%) in emerging markets. Yet these countries account for only 8% of the Group's employees, and a negligible share of product development. To accelerate growth and become a recognised local player, Thales develops infrastructure, recruits employees, forms partnerships and purchases locally. This **expansion of its industrial footprint** will enable the Group to increase the proportion of revenues generated by local production facilities while at the same time reducing costs and improving competitiveness.

SIZE OF ON-BOARD SOFTWARE
FOR A COMMERCIAL AIRCRAFT



Engineering is central to Thales's added value, with 22,500 engineers across the world (one-third of all employees) offering expertise in hardware, software and systems. Our engineers are more and more in demand, as customers require tailored solutions to help them respond to increasingly complex and critical situations. Against this backdrop, best practices as well as **leading-edge methods and tools are being rolled out** to make engineering more competitive. Examples include the **"Agile" method**, and the design and deployment of a single engineering platform, Orchestra, to make it easier to share and deploy the best tools and practices.

In the field of **innovation**, the Group has implemented a slew of initiatives, including **support for start-ups**, **stronger partnerships with research laboratories**, and **co-innovation with customers**. Internally, investment has been channelled primarily to a number of **"dream products"**, totally new solutions with the potential to become benchmarks in their respective fields (for more details, see pages 122-124 of the Registration Document 2015).

ACCELERATING PROFITABLE GROWTH THROUGH A TARGETED ACQUISITION POLICY

Thales's acquisitions policy supports this dynamic by focusing on targeted technological building blocks that are acquired to reinforce solidly based, rapidly growing activities such as In-Flight Entertainment (IFE) and cybersecurity.

2014: integration of Live TV to enrich In-Flight Entertainment offer

- Live TV bringing Internet connectivity capabilities and significant customer base
- Complementing high-growth in-flight entertainment business
- Acceleration of order intake in 2015

2016: integration of Vormetric as part of cyber-security offer

- Vormetric, leader in software-based data protection
- Creating a world leader in data protection
- Leveraged as differentiator in other Thales civil markets

Boost AMBITION Engineering



DEVELOPING TALENT AND ENCOURAGING SUCCESS

Continuous development of talent is a key strategic driver in a Group such as Thales, which operates in high-tech markets characterised by major projects. Developing our people and the skills they offer helps to secure the future. Ambition 10 therefore focuses on three aspects in particular:

- leadership and diversity;
- customer mindset and value;
- teamwork and incentives.

In order to build a truly **global and diverse** company, Thales has set up new models for leadership, career planning and mobility. The Group is also establishing a **wide-ranging talent pool** around the world.

To be perceived as a **trusted partner**, Thales seeks to better understand the issues customers face, as well as their evolving needs, constraints and budgets. In an increasingly demanding environment, customers' ability to achieve their objectives is more dependent than ever on the performance of their partners and suppliers. The strength of the Group's order book and our ability to move up the value chain depend on the **quality of our relationships with customers**.

Thales has implemented a new performance management approach inspired by Group values. It is based on the principle of **teamwork** and **cooperation**, with a simple and clear definition of responsibilities.

EXCELLENCE IN DELIVERY

Thales's project delivery, in terms of time, cost and quality, is the very foundation of **its success**. For many years now, the Group has been reinforcing its organisation and procedures in this area.



- "Leveraging human capital" (see p. 58)
- "Human resources information" in the Registration Document 2015 (see p. 196)

EFFICIENT STRUCTURES

The Group has continued its efforts to **rationalise structures** in order to improve its cost base as well as the efficiency of the different corporate functions and the Company as a whole (see graph on the right for an example).

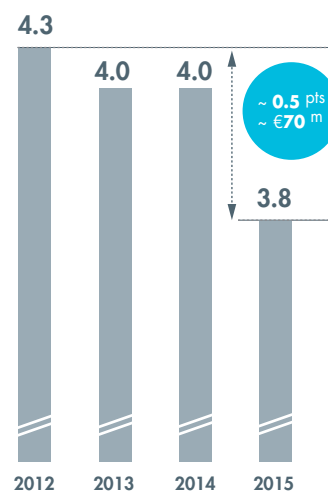
Thales has decided to invest over €200m to bring teams from Thales Systèmes Aéroportés (currently based at Pessac)

and Thales Avionics (at Le Haillan) together at a single site in Mérignac. The new industrial campus will accommodate nearly 2,300 employees by the end of 2016.

At the same time, Thales has continued to **optimise its overhead and administrative costs** with the help of systematic benchmarking exercises, both internal and external, and by implementing a transformation plan for support functions.

GENERAL & ADMINISTRATIVE EXPENSES

(as % of sales)



◀ A new industrial campus in Mérignac (France).



PURCHASING COMPETITIVENESS

Procurement management is key to competitive performance. **Optimising the number of suppliers**, continuously managing the supplier base and leveraging the Group's combined **purchasing power** and footprint help Thales to **lower costs**, guarantee **quality** and ensure **on-time delivery** to customers.

Since it was launched, Ambition 10 has confirmed its relevance, and Ambition Boost has borne fruit:

- record order intake (€18.9bn), up 31% from 2014;
- a return to sustainable growth in turnover (€14.1bn), with organic growth of 4.5%;
- strong growth in emerging markets (+16% in 2015, following +12% in 2014);
- targeted acquisitions to accelerate the profitable growth dynamic;
- first phase of an engineering competitiveness plan;
- ongoing reduction of structural costs.



AMBITION 10: DRAWING ON THALES'S STRENGTHS

**Genuine technological leadership,
maintained thanks to ongoing
investment in R&D (€707m in 2015)**

A global presence:

- strong presence in mature markets;
- historical presence in many emerging markets.

Leading positions in growth markets:

- avionics and In-Flight Entertainment (IFE) for civil aviation;
- satellites for telecommunications, scientific and military applications;
- signalling and supervision for rail systems;
- advanced defence systems;
- protection of critical installations, cities and countries;
- cybersecurity.

RETURN TO SUSTAINABLE GROWTH IN TURNOVER

Organic sales evolution,
base 100 = 2009 sales

**Boost
AMBITION**



OUTLOOK

MEDIUM-TERM FINANCIAL OBJECTIVES

In February 2016, accelerating **sales momentum**, characterised by record order intake in 2015, led the Group to revise its objectives for revenue growth by 2018. Thales is now targeting

5% organic growth in revenues for **2016, 2017 and 2018**.

This positive change, combined with efforts to improve competitiveness, has allowed

Thales to confirm its **EBIT margin target of 9.5% to 10% for 2017/18**, up 150 to 200 basis points in comparison with 2013.

DUAL CAPABILITIES DRIVE PROFITABLE GROWTH

While Ambition 10 aims for **strong growth** in **emerging markets** in the next few years, particularly in **defence and security**, **Thales's civil activities**, which already account for half of the Group's turnover, are **strong drivers of profitable growth**. Expertise in military technologies gives the Group an important advantage over major competitors with a presence in civil markets only. Thales offers **advanced**

critical **infrastructure protection solutions**, for example, which include equipment and technologies from the world of defence (UAVs, radars, long-range cameras, etc.).

Although defence spending has once again increased in some of the Group's major markets, **long-term growth in civil markets** is **structurally stronger** than in defence markets. In 2015, for example,

the Group's highest-value contract was in the civil domain: over €1bn to upgrade rail signalling for four London Underground lines.

TAKING ADVANTAGE OF THE GROUP'S UNIQUE CYBERSECURITY SKILLS

Another of Thales's major assets is **cybersecurity**, which calls on the expertise of **1,500 specialists** and was recently reinforced with the acquisition of the American company Vormetric. Not only is the **market** for cybersecurity **rapidly expanding**, but the technology and expertise can also be used in other Group markets where cybersecurity is increasingly important (such as air traffic control, rail signalling, In-Flight Entertainment systems, etc.). In more general terms, the Group's expertise in cybersecurity can also be leveraged for any information systems provided and/or integrated by Thales that require specific protection. **Thales** is one of the **few players** capable of **providing fully integrated responses** to specifications in **calls for tender**. The Group is, in fact, the only company in the global rail signalling market capable of addressing cyber-threats, delivering genuine **added value for Essential Operators**⁽¹⁾ in particular.

(1) SGDSN (French General Secretariat for Defence and National Security) – www.sgdsn.gouv.fr/site_rubrique70.html

THE DIGITAL TRANSFORMATION: A NEW OPPORTUNITY FOR THALES



The emergence of digital technologies has already transformed lives at a day-to-day level. It has the potential to transform key elements of the industrial value chain too, such as a company's business model, customer experience, partner/supplier relations, internal organisation, etc.

For Thales, which already supports many customers in various areas of their digital transformation (cybersecurity, for example), the field offers a wealth of opportunities.

With this in mind, a strategic initiative focusing on digital transformation, led by the Strategy Department, with the support of the Innovation, Marketing and Engineering Departments, was launched in 2016 and is just starting to have an impact on all of the Group's operational and support functions.



TO FIND
OUT MORE

www.thalesgroup.com/en/Digital-Transformation

ON-BOARD AIRCRAFT CONNECTIVITY: A RAPIDLY GROWING MARKET

Thales is now the world's second-largest supplier of **In-Flight Entertainment (IFE)** systems. Approximately **750,000 passengers** from around the world use IFE systems from Thales each day.

The market for **on-board connectivity** – connectivity between the aircraft and infrastructure on the ground, and between passengers and the rest of the world – which Thales entered very early in the game, is now **growing** at a rate of about 15% per year. Thales strengthened its position in 2014 by acquiring the American company LiveTV, the leader in on-board television and connectivity.

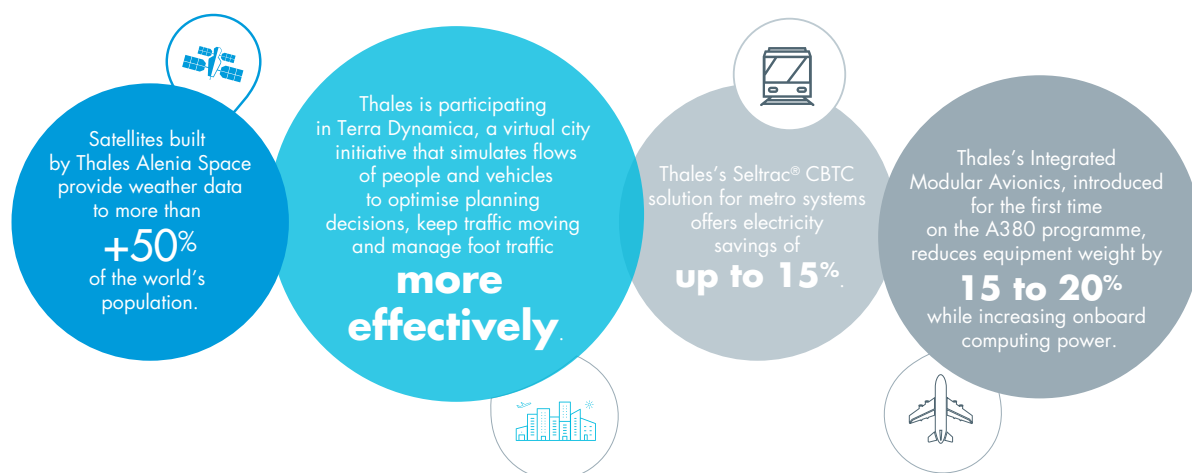
Thales's **IFE technology** sets it **apart from competitors**, and recently enabled the Group to win a contract from the highly regarded Singapore Airlines. It owes its development to the **global strategy** pursued by Thales, which has industrial facilities in 50 of its 100 countries of operation. Creating a hub, as the Company did in **Singapore** – which has become a **centre of excellence for avionics** – is a winning approach that delivers efficiency and high performance, and contributes to strong growth in emerging countries.



TO FIND
OUT MORE

www.thalesgroup.com/en/worldwide/magazine/above-clouds

ENVIRONMENT: ECONOMICS AND ECOLOGY GO HAND IN HAND



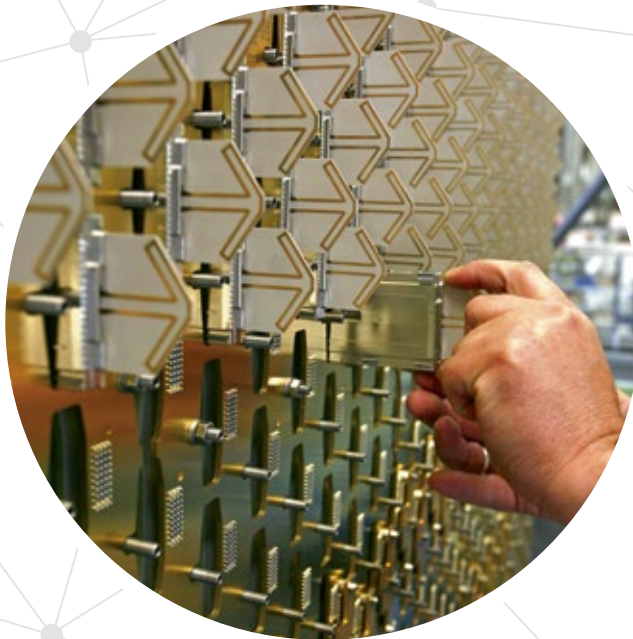
Thales customers across the world are confronted with the same environmental challenges: understanding their environment, dealing with increasing urbanisation and the growth of air travel, and **creating the conditions for sustainable mobility and smarter cities**, while also **reducing the environmental footprint** of their activities.

Thales uses its technological expertise and capacity for innovation to design innovative solutions that help **fight climate change** while boosting efficiency and reducing costs.

In the **aerospace sector**, that means designing lighter equipment, and optimising trajectories to reduce fuel consumption. In **ground transportation**, it means improving the efficiency and capacity of existing

networks, reducing energy consumption, etc. And **in space**, it means making a decisive contribution to almost every European climate monitoring programme.

Thales's longstanding **expertise** in complex systems is a **key differentiator** that enables the Group to **address the world's major sustainable development challenges**.





POLICIES IMPLEMENTED

POLICY BASELINE, THE FOUNDATION OF THALES'S MANAGEMENT PRINCIPLES

GROUP STRATEGY IS IMPLEMENTED THROUGH POLICIES THAT DEFINE PRINCIPLES OF CONDUCT APPLICABLE TO ALL THALES EMPLOYEES AT ALL SITES.

A COMPREHENSIVE RISK MANAGEMENT SYSTEM

Thales develops and delivers complex systems, products, equipment and related services for governments as well as major companies and organisations around the world. Due to the nature of these solutions, which are often critical for state sovereignty and/or the security of people, property and data, strict compliance with national and international standards, laws and regulations is a strategic imperative. Any instance of malpractice or malfeasance could not only expose the Company to legal and financial risks, but could also undermine its competitive performance and corporate image.

Thales has had an **organisation** in place for many years to ensure that its business activities **comply with all applicable laws and regulations**. In accordance with the **COSO** (Committee of Sponsoring Organizations of the Treadway Commission) internal control reference framework, Thales also incorporates operational, strategic and financial risks into its risk management system.

This ensures that the Thales **risk management system** is a **comprehensive and integrated** management tool, structured as follows:

- for each of the risks identified, the **Risk Management Committee** specifies the acceptable level of risk for the Group in the normal courses of business, allocates responsibilities for coordinating and monitoring these risks to the functional and operational departments in accordance with the Group's operating principles, manages the strategy for transferring certain risks to insurance companies and, more broadly, ensures that the risk assessment and management system in place is comprehensive and effective;
- the **Risk Assessment Committee** performs detailed analysis of incidents, identified risks and evolving threats in accordance with a set work schedule (and with input from a network of Risk Advisors), updates and prioritises risk scenarios based on a shared scale of prudence, develops a cohesive policy of prevention, internal control, audit and, where appropriate, transfer to insurance companies for each risk scenario, and ensures that risk management policy is duly adopted by the Group's functional and operational managers;
- a **policy of insurance and management of insurable risks** established and managed by the Insurance and Risk Management Department;
- an **internal reference system**, Chorus 2.0, available in four languages and accessible to all Group employees, which defines 26 business processes that structure all of Thales's operational and functional activities;
- an **internal control system**, based on:
 - an annual self-assessment questionnaire (known as the Yearly Attestation Letter, or YAL) sent out to managers of Thales's 121 stand-alone entities (SAEs),
 - audits of these self-assessment exercises, carried out on a rotational basis by Thales's Audit, Risks and Internal Control Department (DARCI).

DARCI also conducts an extensive programme of audits and consultancy visits each year. The audit plan is updated on a half-yearly basis and takes account of risk analysis as well as current issues (bids and projects, product policy, supply chain, etc.) in respect of which specific risk factors have been identified. Specific corruption prevention, export control and Business Continuity Management audits are also conducted.

RISK FACTORS APPLIED TO INDEPENDENT, MEASURABLE RISK SCENARIOS

Responsibility for risk scenarios is divided among the three main elements of Thales's governance structure:

- the **121 stand-alone entities** (SAEs) are mainly responsible for risk scenarios relating to compliance with legislation, regulations and internal processes (Chorus 2.0);
- the **6 Global Business Units** (GBUs) and their Business Lines (BLs) are mainly responsible for risk scenarios relating to major bids and projects, product policy, and strategy;
- the **6 Corporate functional departments** are responsible for risk scenarios relating to governance or organisation, as well as Group-level risks (cash flow, foreign exchange, insurance, etc.).

PRINCIPAL RISKS FOR THE GROUP

As a result of its business model, strategy and business activities, Thales may be subject to risks and uncertainties⁽¹⁾ that may have an impact on its activities, reputation, financial situation, results, or ability to achieve its objectives.

Thales has defined a **global risk management policy** to make sure that its corporate strategy is implemented and the expected levels of performance are delivered in the long term.

The risks summarised in the table below appear to be the most sensitive⁽²⁾ for the Group. Thales has implemented a number of **actions and measures designed to counter the risks** if they materialise.

STRATEGIC RISKS

Risk	Actions/measures implemented by Thales
COMPETITIVE ENVIRONMENT	Thales continues to: <ul style="list-style-type: none"> ➤ drive its R&D programme to give operational units what they need to stand out and remain competitive; ➤ renew its product offering to meet the needs of its civil and defence customers.
CYCLICAL NATURE OF THE CIVIL AVIATION MARKET	Thales continues to: <ul style="list-style-type: none"> ➤ improve its competitiveness and flexibility through a series of ongoing actions, so that variations in activity can be managed more effectively; ➤ adhere to a global strategy to achieve a balance in its business portfolio.
DEPENDENCE ON PUBLIC PROCUREMENT	Thales bases its strategy on a balance between civil and defence activities. The Group's customer base is further diversified by the broad geographical distribution of its activities.
POLITICAL RISKS	To reduce the financial impact of these risks, Thales uses contractual provisions to protect its interests as fully as possible. The Group also has the option of turning to State and/or private insurers to obtain suitable coverage of these risks.

OPERATIONAL RISKS

Risk	Actions/measures implemented by Thales
CONTROL OF BIDS & PROGRAMMES	Thales has a detailed process for managing and evaluating bid and project management risks. Risks are classified at Group level according to their criticality. Critical bids and projects are the subject of specific tracking. Within the scope of the Ambition Boost performance programme, the Group has also continued to implement action plans designed to strengthen bid and project management as well as engineering and supply chain management.
SUPPLIER RISK	Risks of legal or regulatory non-compliance (relating to ethics, export controls, intellectual property, etc.), as well as structural and operational risks that could cause a break in the supply chain, are handled via the Group risk management system.

(1) Risks are described in detail in the Risk Factors section of the Registration Document 2015, see pages 14 and following.

(2) Other risks of which Thales is currently unaware or which appear insignificant in the present state of affairs may also have a negative impact on the Group's business, profitability or financial situation, or its ability to attain its objectives.

Risk	Actions/measures implemented by Thales
HUMAN RESOURCES RISK	Thales attaches a great deal of importance to its attractiveness and position as a top employer: both ensure a good external image to boost recruitment, and internal conditions that help retain employees.
ENVIRONMENTAL RISKS	For many years, Thales has regularly analysed and updated its environmental risks in accordance with its business activities, scientific and technical developments and emerging environmental challenges. In support of this analysis, an environmental management system has been deployed at all sites to ensure that the environmental impacts of products and activities are controlled and limited in accordance with the Group's environmental commitments.
SECURITY BREACHES IN RESPECT OF SITES AND EMPLOYEES	The Group Security Department has drafted a policy for regulating access to and movement around all Group sites. This policy is applied by the Group's network of security officers. Because of its defence activities, the Group is subjected to a large number of audits and inspections by national supervisory authorities. In addition, the Group has implemented a global procedure for employee security, crisis detection/management, protection and monitoring to ensure an appropriate level of security for employees in the countries in which they perform their work.
RISK OF IT SYSTEM FAILURE	An action plan that encompasses the global scope of the Group's operations has been put in place to protect Critical Information Systems according to their criticality, and to guarantee the regular testing of systems. Rules to protect Group information systems are additionally applied through the network of Information System Security (ISS) managers, providing worldwide coverage of the risks associated with information system security. The Thales IT system security and anti-cyber-crime strategy has been approved by Group management, in close cooperation with the national and governmental authorities of the countries concerned.
RISK RELATED TO FAILURE OF EQUIPMENT OR TECHNOLOGY	To limit the impact of such risks, Thales has put in place group-wide standards (relating to design authority, quality, documentation, contractual arrangements and risk management). In addition, Thales follows a policy of maintaining appropriate insurance coverage.

LEGAL AND COMPLIANCE RISKS

Risk	Actions/measures implemented by Thales
COMPLIANCE WITH LAWS AND REGULATIONS	The Group operates its business in a legal and regulatory environment that is complex, strict and evolving, both nationally and internationally. The legal and regulatory framework in which Thales operates covers a broad range of areas, relating in particular to company law, financial market regulation, fiscal legislation, labour law, export control and measures to combat corruption and money laundering. The Group can monitor changes in the legal or regulatory environment in which it operates, but with activities across the world, it cannot foresee all eventualities, and so its activity may be affected. Using a risk map validated by the Risk Management Committee, the Audit, Risks & Internal Control Department carries out assessments and audits of the implementation and improvement of compliance plans within the Group's units. Compliance measures rely for these needs on networks of compliance officers (who may be specialised, for example in export control), on risk advisors responsible for the prevention of each of the major risks identified and monitored by the Risk Assessment Committee, or on a dedicated organisation in the case of international trade. The Audit, Risks & Internal Control Department takes into account these compliance areas when preparing its audit plan.

FINANCIAL RISKS

Risk	Actions/measures implemented by Thales
LIQUIDITY	<p>The Group manages this risk by anticipating its cash needs and ensuring that these are covered by the Group's short-term and long-term financial resources, as follows:</p> <ul style="list-style-type: none"> ➤ equity; ➤ gross debt; ➤ confirmed, unused credit facilities granted by banks as backup to the commercial paper programme and financial reserves. <p>A cash pooling system is also applied to the combination of entities in the same currency zone (euro zone, sterling zone, dollar zone, Australian dollar zone, etc.) and, in some cases, in the same country.</p> <p>Finally, the Group consolidates and centralises the cash requirements and surpluses of its units.</p>
INTEREST RATES	<p>Thales policy is to control interest rate and counterpart risks and to optimise its funding and banking operations.</p>
FOREIGN EXCHANGE	<p>As a general rule, Thales is structurally immune to exchange rate fluctuations because about 40% of its turnover comes from the euro zone.</p> <p>The accounts of Thales subsidiaries located in countries outside the euro zone are translated into euros in the Group's consolidated financial statements.</p> <p>The "dollar risk" is the greatest exchange rate risk; Thales manages it through financial instruments that hedge net firm commitments, as well as bids.</p> <p>Finally, operating receivables and payables denominated in foreign currency are exchange-rate hedged and therefore not exposed to currency risk.</p>
CUSTOMER CREDIT	<p>For non-governmental customers, Thales conducts regular analyses of the ability of customers to meet their obligations. When necessary, Thales may request bank guarantees or corporate guarantees, or may use credit insurers.</p> <p>For public, government or institutional customers, some of whom could be forced to interrupt a contract while it is being fulfilled, or might be unable to pay upon delivery, Thales limits its exposure to risks by taking out insurance with export credit agencies (such as Coface in France) or private insurers.</p>



"Risk factors" section of the Registration Document 2015 (see p. 14)

INTEGRITY AND RESPONSIBLE BUSINESS CONDUCT

For many years **Thales's corporate responsibility policy** has focused extensively on sustainable and responsible business conduct (**prevention of corruption**, and **strict control of exports** of defence or dual-use equipment). This commitment can also be seen in the materiality matrix (see p. 31) that Thales has set up to identify these issues as high-priority or major challenges.

PREVENTING CORRUPTION: AN ASSERTIVE APPROACH

Corruption prevention is a major strand of Thales's corporate responsibility policy. Since the early 2000s, Thales management has consistently reaffirmed the **principle of "zero tolerance"** for all forms of bribery and corruption, including active and passive corruption, direct and indirect bribery, and corruption involving both public officials and private parties.

In spite of international conventions, corruption is still endemic in many countries today, and is thus one of the risks that companies that export or have significant operations overseas must incorporate into their management methods and development strategies.

Corruption is thus **carefully monitored within the comprehensive risk management system** that Thales has set up at global level, which requires the Group to understand, analyse and assess risks, and set up programmes to manage them. The **corruption risk prevention programme**⁽¹⁾, which is assessed regularly and amended to reflect changes in legislation and in external and internal risks, was **certified by Mazars and ADIT**⁽²⁾ in July 2014.

“ETHICAL BUSINESS PRACTICES ARE A CRUCIAL FACTOR IN PROTECTING THE GROUP'S INTERESTS AND PROMOTING A POSITIVE CORPORATE IMAGE. THEY ARE ALSO A KEY DIFFERENTIATOR AND DRIVER OF COMPETITIVE PERFORMANCE. FOR THALES, ETHICAL BUSINESS PRACTICES ARE BASED ON A SET OF SIMPLE CORE PRINCIPLES: COMPLIANCE WITH LAWS AND GROUP DIRECTIVES, PROFESSIONALISM, RIGOUR AND INTEGRITY.”



See the Reference Guide *Business Ethics - Prevention of Corruption*, downloadable from sustainability.thalesgroup.com (Scroll down to Key Corporate Responsibility Documents -> More information -> and click on "Prevention of Corruption guide" in the Guides section)

(1) The corruption risk prevention policy can be downloaded from sustainability.thalesgroup.com (Key Corporate Responsibility Documents).

(2) ADIT is the European leader in strategic intelligence - www.adit.fr



Using risk mapping and rigorous internal control mechanisms, the Group's Audit, Risks & Internal Control Department conducts regular **compliance and integrity audits** on the various components of the model.

In 2015, the **Thales compliance and integrity programme** earned **recognition** from several institutions, resulting in Thales's inclusion in the **DJSI Europe and World indices**. In addition, the Group is now **one of the four leading European companies in Transparency International's** Corruption Perceptions Index for 2015, which looks at companies in the defence sector.

Thales is particularly keen to make its **employees aware of ethical business conduct**. Adherence and accountability are key to the awareness and training model designed by the Ethics and Corporate Responsibility Department. A **wide range of guides** (reference guide and ethical business conduct guides) and training (both face-to-face and via e-learning) are available to employees **throughout their careers**, in particular to those involved in sales processes, bid and project management, and purchasing. The training plan for "Business Ethics and Prevention of Corruption", which is worldwide in scope, is designed for this group of employees in particular. More than **8,000 employees have been trained since 2008**.



- "Governance\A culture of ethical business conduct" (see p. 83)
- "Anti-corruption" section in the Registration Document 2015 (see p. 226)

A committed player

Thales's involvement in **professional, intergovernmental** and non-governmental organisations is also one of the key aspects of its policy of anti-corruption and sharing and **circulating best practices**.

Thales participates in various initiatives undertaken by IFBEC (**International Forum on Business Ethical Conduct**), the joint body of the AeroSpace and Defence Industries Association of Europe (ASD) and the Aerospace Industries Association of America (AIA).

This contribution led to members being offered a **model Supplier Code of Conduct**, as well as an analysis of anti-corruption practices in terms of **offsets** that could be a first step towards establishing standards of integrity for this type of transaction.

Strict anti-corruption processes in dealings with third parties

The risks inherent in sales are borne in mind in all processes for conducting business. Starting upstream of a bid, these operational processes make provision for the implementation of **action plans**

designed to **reduce the sales risk**, with specific attention paid to anti-corruption.

Thales **strictly supervises the use of agents and consultants** (Business Advisers) by means of a very detailed procedure including, in particular, in-depth upstream checks and controls (**due diligence**) – backed up by analysis of risk factors – as well as appropriate declarations and undertakings on the part of the agents or consultants concerned. Designed by the Group's Ethics & Corporate Responsibility Department, this procedure is **regularly revised** in conjunction with the Group's Legal Department and Sales Department.

To strengthen its role on the international stage and to gain a strong foothold in target countries, Thales chooses and qualifies its Key Industrial Partners. The **selection and qualification process** is designed to **secure sustainable partnerships** with **industrial players** who meet a set of **criteria concerning integrity and business ethics**, competence and expertise. This system is part of a process of deploying appropriate and reasonable measures for prior verification (due diligence) concerning third parties.

A **dedicated international organisation, independent of operational sales & marketing units**, performs the necessary verifications – backed up by external studies and analyses conducted by companies specialising in financial monitoring – as part of the selection and qualification process for agents, consultants and Thales's local industrial partners.

EXPORT CONTROL: STRICT COMPLIANCE WITH REGULATIONS

A stringent framework

In 2015, **defence and security business** accounted for **half of Thales's revenues**. The Group manufactures defence and civil products and systems in democratic countries with strong governance and strict control over manufacturing processes and technologies.

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

Many Thales business activities are dependent on strict compliance with export regulations in various countries. Failure to comply could lead, at the very least, to damaging delays in deliveries, frequently accompanied by financial penalties, and in the most serious cases a range of severe sanctions such as prohibitively large fines,

prison sentences for company directors, or even a temporary or permanent ban on imports or exports.

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

A rigorous internal regime

Strict compliance with export control regimes is critical to Thales's continued success and the preservation of the Group's corporate assets. Alongside corruption, export control violations have been identified in Thales's comprehensive risk management system as one of the major risks facing the Company (see p. 46).

Thales has established a **robust global organisation** and constantly strengthens the measures and procedures in place to **ensure compliance with applicable regulations** and controls. Thales reinforces these measures through **awareness-raising programmes** with dedicated e-learning modules and alerts on legislative and regulatory changes relating to export controls.

Operating units have access to a network of **250 specialists** (Export Control Officers) **across the Group** who are responsible for overseeing the application of compliance rules defined at Group level, monitoring mandatory export authorisation requests, and ensuring that authorisations are implemented in a compliant manner.

This strong commitment is intended to **protect the national security of democratic States** and specifically to contribute to the **fight against the spread of weapons of mass destruction**. Accordingly, **Thales** and the European aerospace and defence companies **support the United Nations Arms Trade Treaty which came into force in late 2014**.

R&D, THE KEY TO COMPETITIVENESS AND GROWTH

THE WORLD IS EVOLVING FAST. USERS ARE CONSTANTLY LOOKING FOR NEW FEATURES – THE LATEST TECHNOLOGY, BETTER ENVIRONMENTAL PERFORMANCE, INNOVATIVE DELIVERY MODELS OR NEW WAYS OF FINANCING THEIR PROJECTS.

The pace of change in the global economy is also speeding up because of developments in financial markets, and of course because of geopolitical factors. In this constant state of flux, the potential for innovation underwrites a company's ability to evolve on a permanent basis, which is the key to its long-term growth and profitability.

INNOVATION AT THE HEART OF THALES'S STRATEGY

Thales needs to acquire increasingly sophisticated technologies, particularly in detection, analysis and decision-making fields, in order to design and develop Critical Information Systems. **These innovative solutions serve customers** in the aeronautics, space, ground transportation, and defence and security markets.

Thales's strategy is based on the belief that a high-tech company **must be able to rely on expert teams capable of assessing the results of the world's best research centres.**

Research is aimed at providing Thales operating units with **distinctive** products and solutions to give them the **competitive edge needed for sustained growth.**

Thales forms lasting partnerships with strategic partners to guarantee a **strong technological foundation** on which to build. In all countries where the Group has industrial activities, it has formed **partnerships** within local innovation ecosystems to take advantage of synergies between:

- major industrial groups;
- innovative companies;
- training and research establishments.

Training also forms part of this overall strategy of linking the Group with the academic world. The Group supports around **200 Ph.D.** students **worldwide.** They work on subjects directly connected with the technical issues facing Thales, which thus reinforces its appeal to young scientists. Thales also supports around **ten teaching chairs** in its various technical disciplines. In 2015, Thales announced the creation of the ARISE (*ARchitecture et Ingénierie des Systèmes Embarqués* – architecture and engineering for embedded systems) chair for the period 2016-2020 in conjunction with ISAE-SUPAERO (France).

4 KEY TECHNICAL DOMAINS

Governance of research and development for key technologies is **split into four domains:**

HARDWARE TECHNOLOGIES
electronics, electromagnetism, optronics, acoustics, radiofrequency techniques and management of thermal constraints

INFORMATION AND COGNITIVE SCIENCES
data fusion, data mining, autonomous systems, synthetic environments, and human factors

SOFTWARE TECHNOLOGY
processing computers, real-time on-board systems, distributed systems, service-oriented architectures, model-driven engineering, information systems safety and security

SYSTEMS
focused on architectural system design, this area provides support for methodology, processes and expertise

AT A GLANCE

Some 25,000 Thales employees, over 70% of them engineers, are involved in the Group's technical operations, from research to engineering.

€707m (5% of turnover) invested in (self-financed) R&D in 2015.

A portfolio of 16,500 patents, with 400 new applications in 2015.

5 global research centres: France, Canada, the Netherlands, the United Kingdom and Singapore.

More than 50 collaborative partnerships with universities and public research institutes in Europe, the United States and Asia.

200 PhD candidates from across the world supported by Thales each year.

The annual Thales Innovation Awards provide an opportunity for the Group's engineers to demonstrate their rich innovative potential.

The InnovDays event is a chance for Thales to present its latest technological advances to customers, decision-makers, investors and the media.

INTERACTIVE INNOVATION

Thales defines **innovation** as anything that breaks with the past and **creates value**, as perceived by customers, in terms of **processes, organisational models, technical solutions** or the way a company does business. Innovation is a major strategic priority for Thales and the key to our long-term success.

Thales teams throughout the world are driven by this quest for innovation:

- in the **central research laboratories of Thales Research & Technology (TRT)**, for example, where a system of open innovation has been introduced to maximise interaction with the academic research community, other Thales units and innovative companies;
- in **concept development and evaluation environments**, which offer new opportunities to work with customers on real-life scenarios and develop solutions that meet their current and future operational needs;
- in **Thales entities**, where innovative product policies designed to systematically shorten development cycles and limit programme risks have been introduced.

The effectiveness of **Thales's R&D** effort hinges largely on the **decentralised** nature of its operations and close **coordination** on **strategic topics**.

Thales Research & Technology (TRT) has facilities in **France, the UK, the Netherlands, Singapore** and **Canada**. In France, the Palaiseau laboratory,

located on the École Polytechnique campus, is heavily involved in the programme to build up the **world-class science and technology complex in Saclay**.

Similarly, Thales's research centre in the Netherlands is located at **Delft University**, while the Singapore centre has partnered with **Nanyang Technological University** and with France's national research institute **CNRS**, in one of the few joint international research units with an Industrial Partner.

In France, Thales has numerous strategic partnerships, for example with the **CNRS, École Polytechnique, Telecom Paris Tech, Université Pierre et Marie Curie (UPMC-Paris VI)** and **Université Paul Sabatier (Toulouse III)**, to name but a few.

Thales operates joint laboratories, the most advanced form of partnership, with the **CNRS (physics), CEA-LETI (the III-V Lab, an EIG whose members are Alcatel-Lucent, Thales and CEA-LETI), CEA-LIST (artificial vision and the implementation of formal approaches in critical software), and UPMC (data mining and related areas).**

Thales is positioned as a **major player** in numerous **high-tech clusters** (including System@tic Paris-Région, Aerospace Valley in southwest France, the Maritime clusters in Brittany and Provence-Alpes-Côte d'Azur, the *Images et Réseaux* – images and networks – Telecommunications cluster in the Brittany region, etc.) and in the **IRT (Institut de Recherche Technologique Saint-Exupéry)**, of which it is a founding member.

In the United Kingdom, TRT has direct links to several major **universities**, including **Cambridge, Bristol** and **Southampton**. Thales is an active member of a number of centres of excellence: the **MVCE** (Mobile Virtual Centre of Excellence) in mobile communications; the **CSIT** (Centre for Secure Information Technologies) based at **Queen's University Belfast**; the **IVHM** (Integrated Vehicle Health Management) centre at **Cranfield University**; the **CSIC** (Centre for Smart Infrastructure and Construction) led by Cambridge University; and **Defense Academic Pathways (DAP)**, alongside several industrial and academic partners.

THE REVITALISING EFFECT OF FLEDGLING BUSINESSES

Thales is continuing its active partnership policy and its open **innovation initiative** with **start-ups**, which form a particularly dynamic and innovative ecosystem.

By staying in touch with innovative businesses, the Group can identify emerging new technologies as well as new services and business models. Start-ups are potential partners and suppliers, and may offer some benefit in terms of acquiring an equity stake.

To further strengthen its access to fledgling businesses, Thales is a founding member of **Starburst**, a Paris-based start-up **incubator** specialising in aerospace. Thales is also a strategic partner of the **MIT Media Lab** in the US.

In 2015, almost 120 start-ups were approached, and **18 concrete projects** were launched with Thales operating units, in particular in avionics, optronics and cyber-security.



Thales also participates in various think tanks in the UK: the Engineering and Physical Science Research Council (EPSRC), the Inter Company Academic Relations Group (ICARG), and the National Centre for Universities and Business (NCUB).

In Canada, the Group regularly works with research networks and institutions such as CRIAQ (*Consortium de Recherche et Innovation en Aérospatiale au Québec*), the University of Toronto, McGill University, the *École Polytechnique de Montréal*, and Laval University, with which Thales has concluded an agreement for a joint research unit in urban sciences.

In high-growth countries, Thales is looking to spur business development by establishing local innovation platforms, based on proven principles of joint innovation with local players, thereby building long-term relationships founded on trust.

Lastly, in early 2015, the Group developed a number of more specific actions aimed at several of the best performing start-up ecosystems. In France, Thales approached various incubators and accelerators set up by public and private initiatives. Thales is also a founding member of the Paris-based Starburst accelerator, which specialises in aerospace. In the USA, links are in place with innovation ecosystems in Boston (centred on MIT) and Silicon Valley.



DIGITAL REVOLUTION IN AVIATION

In 2015, the Group inaugurated its xPlor innovation hub in Boston (USA). One of this laboratory's areas of innovation concerns **big data analytics** in the **aviation market**. This sector generates extremely large data streams, and analysis of these streams can lead to opportunities to **create value for airlines, airports and navigation services**.

Algorithm-based data mining, learning, predictive analysis and smart display technologies offer decision-making support capabilities based on data analysis alone, as well as on detection of anomalies and prediction of traffic - or maintenance-related events. The first demonstrations were successfully carried out in respect of **predictive maintenance of In-Flight Entertainment equipment and accurate prediction of flight arrival times**.

DYNAMIC MANAGEMENT OF INTELLECTUAL PROPERTY

Thales supports its R&D activities with a **dynamic approach to intellectual property management**.

Thales filed almost **400 new patent applications in 2015**. The continued large number of patent applications in recent years reflects the Company's commitment to innovation and its ability to translate research results into competitive advantages. Once again in 2015, Thales was included in the Thomson Reuters

Top 100 Global Innovators ranking, with the Group standing out for the volume, success and influence of its patents, underlining its commitment to innovation, protection of ideas and commercialisation of inventions.

The Thales **portfolio**, which includes more than **16,500 patents**, is regularly adapted to operational requirements, particularly to protect Thales's market share.

2015 THOMSON REUTERS
TOP 100
GLOBAL INNOVATORS

RESPONSIBLE PURCHASING

LASTING RELATIONSHIPS WITH SUPPLIERS

Thales develops and manufactures integrated solutions comprising equipment, subsystems or complete systems, some of which are purchased from external suppliers. As a result, **suppliers make a substantive contribution to Thales's added value** and ability to deliver customer satisfaction. The Group spends the equivalent of around 50% of its revenues on purchasing.

SUPPLIER RESPONSIBILITY AT THE HEART OF THE PURCHASING PROCESS

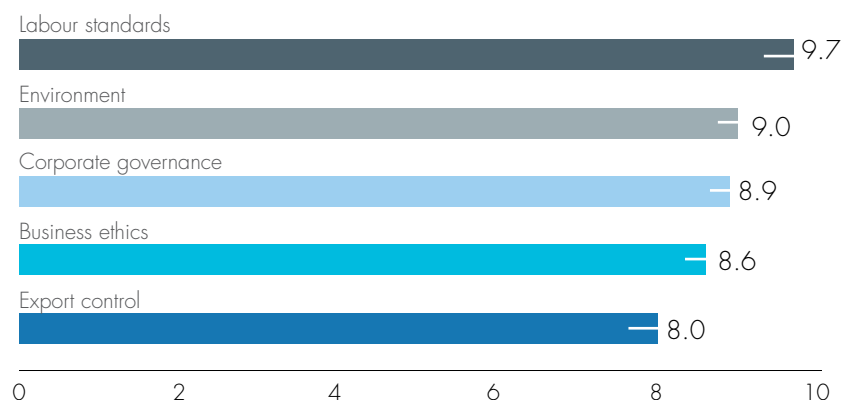
As part of its efforts to forge balanced, long-term relationships with suppliers, the Group has put in place a series of measures aimed at promoting **responsible practices and behaviours** throughout the **supply chain**.

As a signatory to the United Nations Global Compact, the world's largest corporate responsibility initiative, the Group **requires its suppliers to adhere** to the principles of **corporate citizenship** in respect of the following areas:

- human rights;
- labour standards;
- environment;
- corporate governance;
- prevention of corruption;
- export control.

Suppliers are asked to show their wholehearted support for this Group commitment by signing a **Purchasing and Corporate Responsibility Charter** and answering the **detailed questionnaire** attached to the charter. In responding to the questionnaire, the supplier makes a **self-assessment** of its performance in the major areas of corporate responsibility indicated above. Another purpose of the questionnaire is to help suppliers **align their policies** and internal processes with the **principles that Thales has adopted**.

SUPPLIERS' ESG PERFORMANCE



Thales is committed to **reducing its environmental footprint** by analysing the impact of its activities and the associated risks for people and the environment. To **include our suppliers** in this approach, we ask them to assess their own performance in this area by completing a specific environmental impact questionnaire for each of their industrial sites with links to our Group. The results provide the basis for suppliers to embark on a continuous improvement process.

In both cases, we ask that suppliers adhere to the values we have chosen.

At the end of 2015, more than **7,660 suppliers** (74% more than the 4,400 registered in 2014) had signed the **Purchasing and Corporate Responsibility Charter** and **2,406 supplier sites** had been evaluated for **environmental maturity**, i.e. 50% of all those concerned (class A suppliers accounting for 80% of purchasing volumes).

SMEs: A KEY LINK

In France, **over 3,000 SMEs** (small and medium-sized enterprises) account for more than **one-third of all Thales purchasing**. The Group strives to develop **balanced and responsible relationships** with these companies.

In 2010, Thales signed a **Responsible Supplier Relations Charter** to support best practice in relationships between purchasers and SMEs. The charter outlines ten practices for responsible purchasing. It helps build balanced relationships between suppliers and customers based on **mutual trust** and both parties' awareness of, and respect for, their respective rights and obligations.



In 2012, Thales was awarded the **Responsible Supplier Relations Quality Label** for its entities in France. The Group was one of the first four major companies selected for the award by the French government's Business Relations Mediation scheme and the French association of purchasers and purchasing managers (CDAF) in recognition of its **particularly sustainable and balanced relationships with suppliers**.

The award was **renewed** for a further 3-year period in **2015**.

THALES WORKING WITH THE STATE TOO

The **charter in support of innovative SMEs**, signed by Thales in 2012 in relation to its activities in France, reinforces the Group's commitment to **helping SMEs with their innovative projects and contributing to their future development**, in exchange for access to their innovative technology.



As part of the same commitment to corporate responsibility, Thales signed a **bilateral agreement with the French Ministry of Defence** in 2013 (as part of the Ministry's **SME Defence Pact**), aimed in particular at facilitating access by SMEs to defence markets and establishing a **balanced partnership between SMEs and prime contractors** such as Thales.

A PROACTIVE APPROACH: THE SME PACT



Thales was one of the first companies in France to sign the **SME Pact**, which aims to **help SMEs grow into Mid-Sized Businesses (MSBs)**.

Within the scope of best practices recommended by the SME Pact, Thales conducted a **survey** of a sample of around **250 of its French suppliers**, comprising SMEs and MSBs, to **measure the quality of relations with these suppliers**. Proving that it listens attentively to suppliers, Thales has committed itself to making headway with the subjects identified by these surveys. Likewise, to demonstrate its commitment to making supplier relations part of a continuous improvement approach, at the end of 2013 Thales presented the SMEs and MSBs concerned with the solutions and best practices it has decided to adopt.

The Group moved ahead with this approach in 2014 when it launched a second supplier assessment to measure progress, and in **2015 when a panel of 330 suppliers were consulted**.

The Group's proactive approach to the SME Pact received concrete recognition in 2013, 2014 and again in 2015 when the SME Pact joint monitoring committee issued a favourable assessment of the actions undertaken by Thales in France in support of SMEs. The committee also notifies the Ministry of the Economy of the assessment, thereby confirming that **Thales has complied with commitments made under the charter in support of innovative SMEs**.



LEVERAGING HUMAN CAPITAL

THE PRINCIPLES OF SOCIAL RESPONSIBILITY GUIDE AND SHAPE THALES'S ACTIONS AND FORM THE BASIS OF THE GROUP'S APPROACH TO ITS PEOPLE AND BUSINESS ACTIVITIES. THE ULTIMATE OBJECTIVE OF THALES'S COMMITMENTS TO SOCIAL RESPONSIBILITY, AS PART OF ITS HUMAN RESOURCES POLICY, IS TO SHARE A SET OF COMMON VALUES AS A KEY DIFFERENTIATOR TO BOOST ITS PERFORMANCE.

Aware that its **success depends on innovation, expertise, and its employees' capacity for teamwork**, Thales has chosen to invest in sustainable and responsible relations with its employees and its customers.

This is seen in the Group's strategic vision, "**Ambition 10**" (see p. 36), **which places employees at the heart of the Group's long-term growth plans**, and is underpinned by a structured Human Resources policy that is adapted to the challenges faced by the Group and supported by high-quality employee relations.

Convinced that **diversity** is a source of enrichment, innovation and attractiveness and that its workforce should truly reflect its operating environment, the Group also began important initiatives to **enhance gender equality and diversity among its teams**.

A RESPONSIBLE EMPLOYMENT POLICY



Created in 2014, the new Global Resourcing function supports the Ambition 10 strategic vision, with the aim of strengthening recruitment of top talent. To increase its attractiveness, Thales rolled out the new "**TOGETHER WE**" employer brand in the first quarter of 2015. Developed using employee testimonies, it aims to attract diverse international talent by improving the experience of finding out about the Group and its business activities.

With recognised technological expertise, a broad international presence, a wealth of talents and skills and a long tradition of success and innovation in all its areas of activity, the Group is able to face the challenges of a fast-changing world.

The worldwide distribution of **62,194 employees**⁽¹⁾ (up from 61,709 in 2014) by geographical area and level of responsibility illustrates:

- the Group's **international footprint**, with 28,739 employees, 46.2% of the total workforce, working outside France at the end of 2015;

- its **highly skilled** workforce, 76.4% of whom hold a position equivalent to engineer, specialist or manager;
- the **presence of women**, who make up 22.2% of the global workforce;
- the high proportion of **long-term jobs**, i.e. open-ended contracts (97.9%);
- the proportion of **full-time jobs** (93%).

In addition, in **2015 Thales recruited 4,296**⁽²⁾ **employees** on open-ended contracts, demonstrating the Group's hiring momentum, and its attractiveness to employees.

PROMOTING AND RESPECTING HUMAN RIGHTS

Thales signed the United Nations Global Compact in 2003 and adheres to its 10 principles on human rights and labour rights. These principles are implemented on the basis of agreements and best practices which ensure that the Group's activities are conducted responsibly. Since 2012, Thales has achieved Global Compact Advanced level in the UN Global Compact differentiation programme (see p. 7 and 83).

(1) In this case, 'employees' refers to the total number of active employees.

(2) This data does not include work-study hires (1,194) in 2015, nor does it include fixed-term or apprenticeship contracts that were changed to open-ended contracts. In 2014, 3,230 employees were recruited on open-ended contracts.

DEVELOPING OUR PEOPLE

EMPLOYEES: DRIVING THEIR OWN PROFESSIONAL DEVELOPMENT

The specialised skills of Thales employees are a major asset for the Group. For this reason, all of the Group's fifteen job families have introduced a **key skills management** system focused on identifying all available technical skills and sharing them throughout the organisation. This system enables Thales to deliver a precise response to any technical issues arising on programmes or to deploy new teams in order to secure bids and projects.

Based on the principle that employees are **responsible for driving their own professional development**, Thales has introduced a number of initiatives to help each individual build a personalised career plan, in line with changes in job requirements and associated skills.

In 2015, **91.2% of Thales's employees** worldwide had a **professional development discussion (PDD)** with their manager (compared to 89.8% in 2014).

Thales also makes computer tools available to its employees in the form of applications that they can use to list and update their skills and requests for professional development (e-HR Together), look at job offers on the internal job board, submit their CVs online (e-HR Staffing), see the training sessions that are available, and enrol themselves for available session dates (e-HR Training).

In an increasingly competitive marketplace, job **mobility** and **professional development** enhance the Group's capacity to adapt and respond to change and offer its employees rich and varied career paths.



A GLOBAL TRAINING SYSTEM

Thales's commitment to training stems from the view that building a successful career means maintaining every employee's expertise at all times, as a guarantee of employability. The Group's training policy has a dual aim:

- **to meet the needs of Group companies** by implementing performance improvement and change management projects;
- **to take account of employees' individual aspirations** in terms of skills development as part of their job or their professional mobility.

76% of Group employees received training in 2015.

(1) Agreement on "Improving professional Development through Effective Anticipation" (see p. 60).

INTERNATIONAL MOBILITY

As Thales pursues its strategy of expansion into emerging markets, international assignments make a key contribution. Depending on the needs expressed by the countries concerned, priority is given to employees with at least five years of professional experience.

At 31 December 2015, some 686 Group employees from more than 20 countries of origin were working in an international context on a provisional basis, in around 60 host countries.

THALES UNIVERSITY: "SHARING KNOWLEDGE AND TRANSFORMING THALES"

Created in 1988, Thales University seeks to tailor individual and collective skills to the needs of each discipline, and at the same time support the Group's strategic objectives.

Since 2014, Thales University has been asked to support the roll-out of the Group's major transformation programmes: the Group's long-term strategic vision, 'Ambition 10' and its operational offshoot, 'Ambition Boost'.

Active in 10 countries – France, Germany, Italy, the United States, Canada, the Netherlands, the United Kingdom, the United Arab Emirates, Australia and Singapore – Thales University helps support the professional development of the Group's employees in the different countries, and build a shared corporate culture that strengthens cohesion around its core values.

TRAINING: CENTRAL TO GROUP AGREEMENTS

The Europe-wide IDEA⁽¹⁾ agreement has a significant training component, including the following provisions:

- all countries are required to ensure that collective training plans take into account forward-looking analyses of technological developments and innovations, as well as employment trends and the needs of employees and the Company;
- a network of training advisors has been developed throughout Europe, with each employee assigned a personal advisor;
- at least once every three years, each employee has access to a relevant training programme lasting a significant length of time and corresponding to his or her training plan and to the needs of Thales;
- individual training programmes take each employee's experience into account and address opportunities for obtaining independent certifications and qualifications.

HIGH-QUALITY EMPLOYEE RELATIONS

In all areas of common interest, Thales promotes cooperation with its employees and their representatives, and provides them with high-quality information, in particular by maintaining and encouraging employee relations.

In 2015, over 50 new collective bargaining agreements were entered into within the Group. By the end of the year, over **85.7% of Thales employees** worldwide were covered by collective agreements.

PIONEERING AGREEMENTS IN EUROPE

Working with employee representatives at transnational level, Thales has introduced a European dimension to its **social dialogue** since 2009, involving 11 countries and over **50,000 employees**. This commitment has led to two ground-breaking agreements:



The **IDEA** agreement (Improving professional Development through Effective Anticipation), signed in 2009, sets out specific goals for **improving professional development** and includes a set of twenty corresponding measures.



The **TALK** agreement (Transparent annual Activity discussion for mutual Listening and developing professional Knowledge⁽¹⁾), signed in April 2010, **provides a clear framework and guidelines for conducting annual activity discussions**. It defines basic principles designed to ensure that discussions are held in the best possible conditions, and that the rights and responsibilities of all parties are respected.

A SET OF COMMON STANDARDS IN FRANCE

In France, numerous Group agreements have been entered into since 2006, forming a **common basis for all employees**, whichever company they work for. The most important of these are:

- the Group-wide Anticipation agreement, renewed in 2013, which sets out a shared, transparent approach to **prospective employment and skills management**;
- the Group-wide agreement on social provisions, which harmonises the various applicable **employee benefits**;

- The Group framework agreement on promoting **gender equality in the workplace** (amended in 2012).

Six fundamental new agreements and amendments were entered into at Group level in connection with employee relations during 2015.

Apart from compulsory annual negotiations, the Group's French subsidiaries also entered into **several agreements in 2015⁽²⁾**. The main areas of negotiation were: **gender equality**, implementation of **teleworking**, **profit-sharing agreements**, and the adaptation of **Active Employment Management** measures at the company in question.

A SAFE AND HEALTHY WORKPLACE

Providing a safe and healthy work environment for all employees, in compliance with applicable law, by monitoring procedures, **preventing health and occupational risks**, and **training** employees is at the heart of the Group's priorities.

A DEDICATED ORGANISATION

Thales has established a dedicated organisation, which has been in place for three years and applies to all countries worldwide, in order to prevent **workplace health and safety** risks.

The Human Resources Department and the Health, Safety & Environment Department share oversight responsibility for the many aspects of **health and safety**. They define the principles of the health and safety policies that are **implemented in each country of operation**, in accordance with national laws and requirements.

The Group risk management process includes **risks liable to affect employees throughout the world**, on site and at construction sites. Specific indicators are used for the annual monitoring of risks to which Group employees may be exposed.

PRACTICAL PROCEDURES AND MEASURES

Practical measures are also implemented by the Group's Human Resources Department and Health, Safety and Environment Department in relation to employee **health and safety in the workplace**. In addition, Thales is committed to developing workplace wellbeing.

In France, the **agreement on workplace wellbeing** signed on 4 February 2014 **sets out a general framework for Group-wide health and safety policy** and establishes a system for identifying and preventing workplace hazards and risks.

(1) Agreement on the annual activity discussion.

(2) For more details on these agreements, see the Registration Document 2015, "Collective Bargaining in France" Section page 200.

WORK-LIFE BALANCE

For the Group, the organisation of working time should allow a balance between professional and personal life, with each country adapting working time according to the applicable legislation, agreements and regulations.

The action plans negotiated at each individual company reflect the importance of applying best practices in the areas of working hours, meeting times and the use of digital technologies (email, mobile phones, etc.).



Several measures have also been taken within the Group to **improve employee health and safety**.

In the United Kingdom and Australia, Thales has carried out programmes to develop a real safety culture, involving managers in particular.

Spain has implemented a specific action plan relating to prevention. Risk audits and risk assessment procedures are also performed to assess working conditions at the local level and on international worksites in Australia, Saudi Arabia, Italy and the United States.

Lastly, a number of health and safety training courses have been delivered to managers and to all employees (in Austria, Australia, Belgium, and Brazil in particular).

A large number of the Group's companies have obtained the OHSAS 18001 certificate, which attests to their ability to manage and evaluate risks relating to health, safety and the environment. As of 31 December 2015, **95 certificates** had been issued, representing **76% of worldwide employee headcount**, a sharp increase over previous years (62% in 2012).

ENCOURAGING DIVERSITY

GENDER DIVERSITY, A KEY CHALLENGE

In a high-tech company with engineers making up the majority of the workforce, **gender diversity** represents a key challenge. Thales is rising to this challenge through **constructive social dialogue**⁽¹⁾ and a strong commitment to specific objectives aimed at **promoting more active involvement by women** in the Company's development.

Figures show that the Group is making headway in this area. As a result, at 31 December 2015, women made up **22.2% of the total workforce**, 22.4% of the European workforce and 23.5% of employees in France.

Within the Group, women are in sustainable, skilled jobs. **97% of women employees work under open-ended employment contracts, and 63.9%** (compared with 62.5% in 2014 and 60.5% in 2013) hold **positions** at a level equivalent to **engineer, specialist or manager**.

Steps taken to promote recruitment resulted in the Group's companies **hiring 1,843 women in 2015**, which represents

28.6% of worldwide recruitment (30.7% in Europe and 32% in France).

Efforts to promote the **career development** of women employees were increased in 2015. Stereotype awareness sessions were conducted for more than 480 managers throughout the Group in France, bringing to over 670 the number of managers attending such sessions since 2013.

Thales is committed to maintaining **equal pay for men and women**. In France, a specific budget equivalent to **0.1% of total payroll has been set aside since 2006 to rectify unwarranted discrepancies in compensation** between men and women.

Thales is also committed to supporting **parents**, and ensuring a better **balance between work and family life**. In France, Thales has been involved since 2010 in setting up **inter-company crèches**, which look after **320 children** at around a dozen sites. Since 2014, Germany has also given employees at one of its sites the opportunity to reserve cots in a nursery.

⁽¹⁾ For example, the IDEA agreement signed in 2009, which includes commitments in all areas of gender equality (recruitment, career development, equal pay, and work-life balance).

DIVERSITY AND INCLUSION

Promoting cultural diversity

As an international Group, Thales **respects and encourages cultural diversity in the workplace**. As labour markets become increasingly globalised, this cultural diversity is a **significant asset** for the **Group**. For this reason, Thales pays particular attention to recruiting local employees in all its countries of operation.

The European **IDEA** and **TALK** agreements (see p. 60) have fostered a better understanding of social practices in European countries and have **enriched national social policies** in terms of employment, professional development and the **promotion of diversity and non-discrimination**. In addition, Thales's Ambition 10 long-term strategic vision aims to make the Group even more international by promoting greater diversity within teams.

In France, the **Generation Contract** agreement also supports equality of opportunity in education and **encourages diversity**. One example of this commitment is the partnership between Thales and the non-profit organisation **Nos Quartiers ont des Talents** ("Our Neighbourhoods Have Talent").

Supporting employees with disabilities

In all countries of operation, Group companies make every effort to **comply not only with legal requirements but also with local regulations and guidelines** designed to promote the **employment of people with disabilities**.

Some countries (the United Kingdom, the Netherlands, Australia and Norway) explicitly prohibit all forms of discrimination, while others (Germany, Austria, Spain, Italy and South Africa) set mandatory employment quotas for people with disabilities and generally impose financial penalties on companies that fail to comply. Other countries (such as Portugal) take a different approach, offering financial incentives to companies with a policy of recruiting people with disabilities.

Many Group companies based in various countries have also **adopted a series of measures** aimed at going **beyond the legal requirements** and promoting the employment of people with disabilities.

In France, further to the Group's multi-year agreements concluded since 2004, **disabled employees made up 5.83%** of the Thales workforce at the end of 2015 – **another year-on-year increase**. In 2014 and 2015, five Group sites were

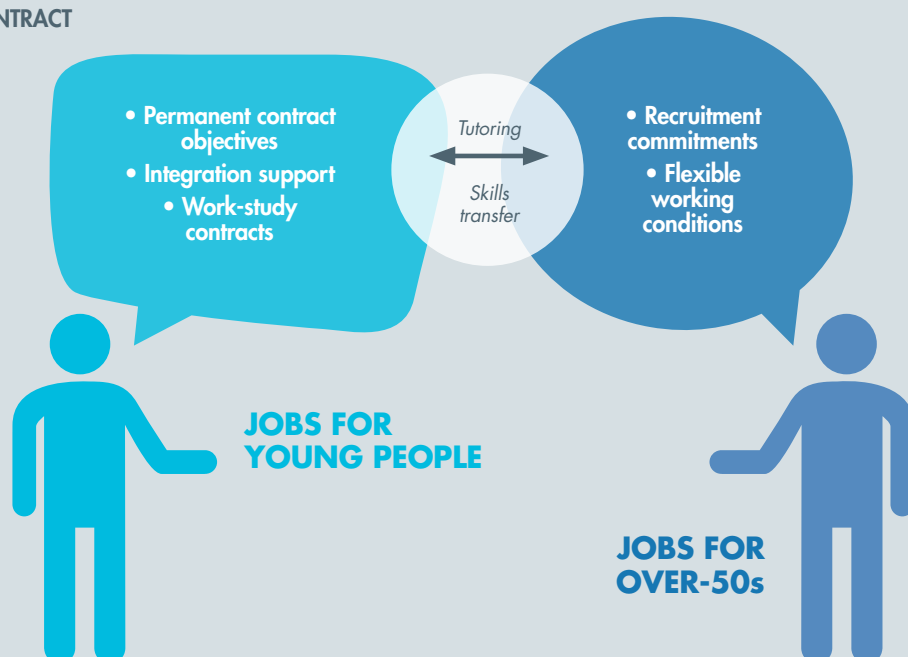
awarded a **certificate of compliance with the AFNOR X50-783** standard (covering **disability-friendly organisations**), and 22 units implemented action plans that will result in this certification being awarded in the long-term⁽¹⁾.

Combating age discrimination

The Group agreement known as the **Generation Contract** builds on the provisions of a 2009 Group agreement on the **employment of people over the age of fifty**. The new agreement aims to prohibit discrimination based on age, develop the skills of older employees, improve working conditions, and take individual situations into account with respect to employees in physically demanding jobs and those who may be unable to adapt to new practices.

Measurable targets were also set, aimed at increasing the proportion of new **hires aged 55 and over** to 2% and increasing the proportion of employees aged 57 and over to 15% of the total workforce by July 2016.

GENERATION CONTRACT



(1) For more information, "Disabled Employment in France" in the Registration Document 2015 (see p. 206).

STEPPING UP TO MAJOR ENVIRONMENTAL CHALLENGES

“ IF WE WANT TO ATTRACT NEW TALENT, IN PARTICULAR YOUNG PEOPLE WHO ARE VERY AWARE OF THESE ISSUES, IF WE WANT OUR EMPLOYEES TO HAVE THE FEELING THEY ARE PART OF A COMPANY THAT BELONGS TO TODAY’S WORLD, WE SHOULD CONTINUE TO IMPLEMENT THE FORWARD-LOOKING POLICY TO WHICH WE HAVE ADHERED FOR MANY YEARS. ”

PATRICE CAINE,
Thales Chairman & CEO

THALES’S ENVIRONMENT STRATEGY IN A NUTSHELL:

- **reduce our emissions;**
- **observe climate events** to understand them better;
- **make skies cleaner;**
- **develop more sustainable mobility;**
- **make cities smarter.**

INNOVATIVE SOLUTIONS TO BENEFIT THE ENVIRONMENT

Throughout the world, Thales’s customers are anxious – and in some cases required by law – to improve their environmental performance. The **Group provides them with ecologically responsible solutions**, particularly in **transportation** – a key sector for the environment – and **space**, a sector which plays a vital role in enabling the effects of climate change to be observed and analysed.

At the same time, these solutions make Thales more attractive in the labour market, and bring a sense of pride for existing employees.

It is Thales policy to incorporate **environmental considerations** into **systems and products from design to end-of-life disposal**, without compromising on the strict performance, safety, security and reliability requirements of the markets we serve.

For Thales, the environment is a driver of creativity and dynamic innovation.

TRANSPORT: COMBINING SAFETY, SECURITY, GROWTH AND ENVIRONMENTAL PROTECTION

Cleaner skies

Worldwide growth in air traffic is estimated at nearly 5% per year (almost **4 billion passengers were carried in 2015**).

To reduce environmental impact, the various players involved are committed to increasing energy efficiency while also making aircraft safer and more efficient.

Thales is a major player in air transport, and the only company in the world with **leadership positions** in both **onboard equipment** (navigational aids, In-Flight Entertainment, etc.) and **ground equipment** (radar, Air Traffic Management systems, etc.):

- **40% of the world’s airspace** is managed with Thales air traffic control centres;
- **Two out of three aircraft** in the world use Thales systems.

LESS FUEL, FEWER EMISSIONS, LESS NOISE...

- **smart navigational aids** (Flight Management Systems, or FMS) to optimise flight paths;
- **sophisticated Air Traffic Management solutions** that improve traffic flows and reduce wait times in terminal airspace;
- smaller and **lighter onboard equipment** and systems that deliver higher performance.



www.thalesgroup.com/en/worldwide/aerospace/magazine/more-you-fly-more-you-save

Impact on all flight phases

Thales technologies provide **innovative operational solutions** that combine **environmental efficiency with safety and security** – while also allowing for growth – for all flight phases (from taxiing to take-off and landing):

- **navigational aids** (Flight Management Systems, or FMS) to optimise flight plans and ground movements while taking account of weather conditions, thereby delivering reductions in noise, emissions and fuel consumption;
- sophisticated **Air Traffic Management** solutions to improve traffic flows and reduce wait times in terminal airspace;
- smaller and **lighter onboard equipment** and systems that deliver higher performance. For example:
 - today's **In-Flight Entertainment systems weigh 40% less** than equipment installed 10 years ago,
 - the **new computers designed by Thales for the A320** weigh 70 kg less (equivalent to the average passenger weight) and boast additional functionalities,
 - the **integrated modular avionics** developed by Thales for the A380 have delivered a 15-20% reduction in hardware weight, while at the same time boosting computing power and increasing equipment lifetimes.

A committed player and founding member of European environmental programmes

The Group is a major player in current worldwide programmes aimed at **smoothing air traffic flows** and reducing the environmental impact of air travel: the European **CleanSky** and **SESAR** programmes, and **NextGen**, the American equivalent of the SESAR programme (see p. 69).

Rail transport for more sustainable mobility

In today's increasingly urbanised world (more than half the world's population now lives in cities, and the rate of urbanisation is accelerating), creating conditions for **sustainable mobility** is an important way of **reducing CO₂ emissions**.

For over 30 years, Thales has been proposing solutions to meet the increasing demand for **more efficient travel**. How? By allowing **more trains to travel on lines**, in absolute safety, **while consuming less energy**.



www.thalesgroup.com/en/worldwide/magazine/missing-link

The benefits are two-fold:

- **more attractive public transportation** (more comfort, less travel time and lower costs);
- **lower environmental impact** (fewer cars, transportation that consumes less energy).

Eco-responsible metro systems

Each year, metro and urban rail networks transport over 40 billion passengers worldwide, with a significantly lower environmental impact than cars.

Increasing transport capacity

Thales's **Communications-Based Train Control (CBTC)** technology for metro lines **reduces the time and headway between trains**, allowing operators to vary traffic levels according to user needs.

The ability to transport large numbers of passengers during peak times is key to meeting the mobility needs of densely populated cities.

Reducing energy consumption

Thales's **SelTrac® CBTC** automatic control solution **reduces metro network energy consumption by up to 15%**. It currently operates in 30 of the world's largest cities, carrying three billion passengers annually.

For an average metro line, the **solution cuts CO₂ emissions by around 14,000 tonnes a year**, the equivalent of **taking 6,000 cars off the road**.

Metro network supervision systems designed by Thales (Automatic Train Supervision) enable:

- **reductions in energy consumption of up to 10%** by pooling traction energy across the entire network (using the **ATSoft Energy Saving solution**), adapting train speed profiles, and adjusting the number of trains in service in real time, based on the number of passengers;
- **optimised electricity consumption in stations**, for example through real-time management of lighting, elevators and escalators, which can be turned off or put into sleep mode depending on user needs.

Simplifying access to transportation

Thales has deployed **high-tech fare collection systems** in countries known for their commitment to environmental protection, including the Netherlands, Denmark, New Zealand and Canada. These systems allow passengers to use a **single ticket** to travel on different modes of transport in a given region or even across an entire country.

Better main line rail systems

Optimising electricity consumption is a major challenge for mainline transport networks.

Thales's train traffic management systems **reduce electricity consumption by up to 10%** by smoothing out wasteful braking and acceleration cycles.

Another challenge is to **encourage people to choose the train** over other means of transport. This means increasing rail network capacity, **reducing travel times**, and making **rail systems compatible** across countries, issues that Thales has addressed with its **ETCS** (European Train Control System) technology. ETCS was invented by Thales, and the Group leads the world in the train control segment.

Thales is also a founding member of the European **SHIFT2RAIL** programme (see p. 69), which aims to **make rail transport more attractive to the general public and companies**.

Improving the flow of road traffic

Thales's road traffic control systems allow operators to **regulate traffic flows** and address black spots on the roads in real time in order to make traffic flow smoothly:

- **20% reduction in travel times;**
- **5% reduction in emissions;**
- **60% reduction in traffic jams** during peak travel times;
- **70% reduction in accidents** at toll booths due to reduced queues.

MORE ATTRACTIVE, EFFICIENT TRANSPORTATION AND FEWER CARBON EMISSIONS

- More frequent metros, more energy-efficient metro systems.
- Simplified access to transportation systems (single ticket).
- Better main line rail systems.
- More smoothly flowing traffic on the road (traffic management systems).



THE SMART CITY BY THALES

Improving quality of life by pooling, analysing and monitoring key data, thereby enabling:

- coordinated, coherent supervision of activities at an overall level;
- increased energy efficiency;
- better understanding of inhabitants' needs.

A safer, more smoothly flowing city: more efficient and attractive public transportation, well-managed automobile traffic, better coordination, and faster response to incidents.

Smarter cities

More than half of the world's population now lives in cities. In 2025, there will be more than 5 billion people living in urban areas.

Given this unbridled growth, cities have to find intelligent solutions that allow them to **manage their activities more coherently** and provide their inhabitants with a **better quality of life**, in particular by working to reduce traffic congestion and pollution.

Thales has been present in the world's major cities for several decades, and is a **key player in urban development**, in the areas of **security**, transportation, and **data**, **network** and **infrastructure** management.

Pooling data to improve decision-making

A "**smart city**" is an **interconnected** city where data from multiple sources (**sensors, information systems, connected objects, etc.**) can be collected, shared, exchanged and channelled to one or more control centres.

Thales **supervision and decision-making tools** use **Big Data technologies** to analyse and process heterogeneous data, providing an **overview** that **supports decision-making**, and enables cities to understand and anticipate residents' needs more effectively, and provide them with services to make their lives easier.

These solutions **help authorities manage routine operations and coordinate security services** and emergency responders in a crisis. They also **improve the environmental efficiency** of cities with regard to water and energy consumption, transport use, etc.

EXAMPLE: THE CITY OF QUEBEC



In Quebec, Thales has set up – and now coordinates – the world's only full-scale urban laboratory, which brings together academic and industry experts, city planners and city managers. Its purpose is to help improve urban environments by studying specific components such as sustainable mobility, drinking water supplies, wastewater systems, and infrastructure management.

Decongestion

A smart city is a city that runs more smoothly, is more intuitive and strives to create the conditions for **sustainable mobility**.

Improving the public transportation experience

Smart solutions from Thales — including contactless fare collection, automatic train control and supervision, smoother flows of passengers in stations and airports, etc. — **help decongest cities** by optimising the capacity of public transportation systems and making them more efficient and more attractive to travellers (in line with the "**smart mobility**" concept).

They make it **easier for city dwellers** to get around, in particular by allowing them to choose the **best combination of transportation** modes depending on traffic, thereby encouraging a **modal shift** from automobile use to public transportation.

Smoother traffic flows

Thales designs **road traffic management** and **urban road charging systems** that help **overcome traffic jams** in urban areas. Motorists spend less time in their cars, **consuming less fuel** and **cutting their carbon emissions**.

UNDERSTANDING CLIMATE PHENOMENA FROM SPACE

Nowadays we cannot imagine understanding certain natural phenomena without the help of satellite images. Analysis of these photos taken from space helps us understand the world around us and how it is evolving in terms of vegetation, the state of oceans and coastlines, and changes in ice cover.

Thales Alenia Space has been a **leading European supplier of Earth observation satellites** for more than **30 years**. By developing climate models that provide an idea of what the world of the future may look like, satellites play a vital role in monitoring and understanding climate issues.

As a first-tier partner of various international agencies (ESA, Eumetsat, CNES, ASI, NASA, etc.), Thales contributes to **nearly all of Europe's climate missions**.

Earth monitoring

Meteosat

Thales Alenia Space has been Europe's Meteosat supplier for over thirty years.

As well as day-to-day weather forecasting, Meteosat satellites play a key role in:

- **anticipating violent weather events** such as hurricanes, storms and floods, and thus preventing natural disasters;
- **long-term monitoring of global climate change**.

Copernicus

Thales plays a major role in the European Copernicus programme (via its Sentinel satellites), which **combines data** from environmental satellites and on-site instruments to produce a **comprehensive overview of the state of our planet**.

Microcarb and Carbonsat

Monitoring greenhouse gases, particularly carbon dioxide, is a major challenge. Two complementary Earth observation initiatives — the French Microcarb programme and the European Carbonsat programme — make it possible to **identify human sources of emissions** and **study carbon sinks** and how they are evolving as a result of climate change.

Thales Alenia Space is also one of the **founding supporters** (along with Veolia Eau, the CEA, CNRS, the French Climate Sciences and Environment Laboratory, etc.) of the **university chair in greenhouse gas emissions monitoring**.

EarthLab Galaxy

The EarthLab Galaxy programme provides a **new range of environmental monitoring services** that are easy to use and can supply precise, regular information to institutional and private players at a local level (farmers, wine-growers, shipping companies, etc.)

EarthLab Galaxy uses innovative algorithms to process information from the full spectrum of available Earth-observation resources (satellites, aircraft, UAVs, on-site sensors) and provide **services that support custom-tailored management of issues related to the environment**, such as forest monitoring, land use planning, control of

fertilisers, prevention of maritime pollution, monitoring of maritime traffic, monitoring of industrial and environmental risks, etc.

Stratobus

Stratobus is an autonomous **stratospheric geostationary platform** midway between a satellite and a UAV. The 5-tonne observation platform, designed to operate at an altitude of around 20 kilometres, will be available on the market **by 2020**.

It will be used primarily for **monitoring** applications (potential uses encompass secure industrial sites, border surveillance, and early warning of maritime piracy) as well as **environmental management** tasks (including tracking of erosion, detection of maritime pollution, collection of meteorological data, and maritime traffic management).

Because it provides detailed information at a regional level, Stratobus provides the perfect complement to satellite coverage, which is more global in scope.

Monitoring the oceans

Thales is a **leader in oceanography** because its technology allows us to see how water circulates around the oceans, how these currents and flows determine the global climate, and how sea levels are rising because of global warming.

All **satellites** in the **Jason Mission** are fitted with a Thales **Poseidon** altimeter, an instrument capable of such exact measurements that it has **revolutionised oceanography**.

Jason-3, which was launched in 2015, will focus on **measuring sea levels** to provide data for climate change monitoring and projection models.



SATELLITE IMAGES FOR ENVIRONMENTAL APPLICATIONS:

- Meteorological analyses;
- Anticipation of meteorological phenomena and natural disasters;
- Climate change monitoring: greenhouse gas measurement, changes in the oceans;
- Analysis of the planet's health: forests, land, fertiliser use, etc.;
- Monitoring of maritime pollution, maritime traffic, and industrial/ environmental risks.

REDUCING THE GROUP'S ENVIRONMENTAL FOOTPRINT



TARGETED TRAINING PROGRAMMES

By the end of 2015, 980 buyers (87% of the population concerned) and 356 product line managers and engineering managers responsible for product policy had been trained in how to take the environment into account in their day-to-day work.

A PROACTIVE PROGRAMME

Environmental responsibility is a core **ethical principle** for the Group. It is directly linked to our motto: Together. Safer. Everywhere. For Thales, fighting climate change and protecting the environment are part of **making the world a safer place**.

For more than **15 years** now, Thales has been committed to a **proactive, responsible approach to protecting the environment**. The Group's environmental **policy, implemented at all its sites**, aims to reduce environmental impacts and risks in its various activities, in its products and at the various levels of the organisation worldwide.

A dedicated team at corporate level defines the Group's environment **strategy** and develops **reporting processes** for nearly **160 Thales sites** worldwide. An extensive **network of environmental managers** is in charge of deploying the policy in each Thales entity and country of operation.

CONSTRUCTIVE EXCHANGES WITH STAKEHOLDERS

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

Because any environmental initiative requires the **commitment of all employees**, Thales provides its personnel with a variety of communication and information-sharing tools, including **e-learning modules, a dedicated intranet, a collaborative platform, posters, competitions, events**, etc.

When **suppliers** sign a contract with Thales, they automatically **agree to meet** the environmental requirements of our **Purchasing and Corporate Responsibility Charter** (see p. 56). At the end of 2015, 7,660 supplier sites around the world had committed to this charter (compared with 4,400 in 2014).

Across the world, **Thales** is committed to being a **responsible neighbour**. We pay special attention to protecting plant and

animal species in areas where they need protecting, and keep waste and emissions to a minimum. The Group **communicates** with **residents** and **local authorities** in a totally transparent way, for example when activities are going to be exceptionally noisy, when emissions have exceeded the authorised threshold, or when a pollution incident occurs. **125 Thales sites**, accounting for 82% of our workforce, have achieved **ISO 14001** certification, the gold standard in environmental management.

Thales's actions and determination have not gone unnoticed. The Group was given a score of **98A- by the Carbon Disclosure Project in 2015** for the excellence and transparency of the information provided. In addition, Thales has been added to the **Europe and World Dow Jones Sustainability Indices (DJSI)**. This recognition provides an important reference for civil society, and for **investors and ratings agencies** from around the world.

MEASURABLE RESULTS

In six years, **Thales has achieved a 17% reduction in CO₂ emissions** by focusing on key areas such as energy, chemical substances and transportation.

Refurbishing and renovating buildings to higher ecological standards, replacing equipment and changing consumption habits have all helped to **improve energy efficiency**, thereby also helping to **cut CO₂ emissions**. Thales's consumption of fossil fuels has been reduced by **40% in six years**, showing the importance Thales attaches to energy management.

At the same time, several sites have replaced a number of high-emission refrigerants with equipment containing more efficient refrigerant fluids.

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

Thales's methodology for identifying and measuring its greenhouse gas emissions is based on the **Greenhouse Gas Protocol** created by the World Resources Institute and the World Business Council for Sustainable Development.

Since 2000, Thales has been engaged in a far-reaching programme to **reduce its consumption** by, among other things, dealing with leaks, centralising the management of its networks, **replacing water-intensive equipment**, optimising industrial processes and **reusing water** in these processes. In 2015, water consumption fell by 9% compared with 2012. Excluding the Mulwala (Australia) site, which alone accounts for 35% of Thales's water consumption, the Group's total water consumption has fallen by 39% since 2008, proof of the collective effort made at all sites.

These achievements are also due to increased **employee awareness**, and widespread utilisation of best practices.

CHANGE IN CO₂ EMISSIONS

	2015	2014	2012	2010
Scope 1 ^(a)	88,940	94,906	99,200	124,028
Scope 2 ^(b)	149,898	159,142	167,749	167,576
Sub-total (1+2)	238,838	254,048	266,949	291,605
Scope 3 ^(c)	102,820	110,349	107,395	111,441
TOTAL (in tonnes)	341,658	364,397	374,344	403,046

The scopes bring together CO₂ emissions (calculated with emission factors from the GHG Protocol 2012) relating to:

(a) gas, coal, fuel oil, substances, mobile energy sources;

(b) electricity and steam;

(c) business travel.



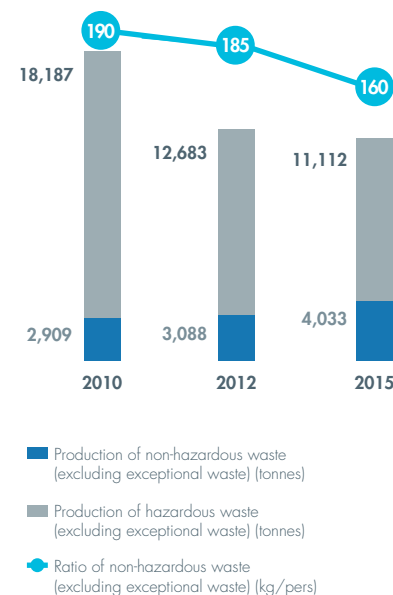
www.ghgprotocol.org

Since 2007, Thales has been developing a strategy to **conserve natural resources** and has introduced various programmes aimed at controlling and reducing consumption. These programmes focus on areas such as **energy efficiency** of buildings and industrial processes, optimisation of water use, etc.

- **41% reduction** in worldwide water consumption between 2008 and 2015;
- **17% reduction** in worldwide energy consumption between 2008 and 2015;
- **18% of electricity** usage from renewable energy sources.

We do everything possible to **reduce the waste** we send to landfill, from **selective sorting and recycling** to producing less waste in the first place. **Employee education is key**. Dedicated areas are set aside for collecting and storing hazardous waste, and our industrial processes are optimised to keep all kinds of waste to a minimum.

TREND IN WASTE PRODUCTION

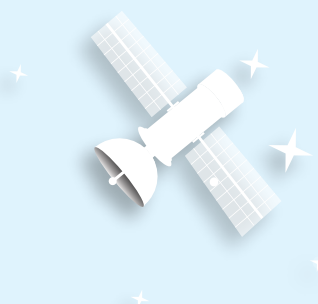


THALES, A COMMITTED PLAYER ON THE WORLD STAGE

Thales is a key stakeholder in **major national and transnational programmes** coordinating and overseeing technological research and projects aimed at reducing environmental footprint, particularly in transportation.

COPERNICUS

Thales is heavily involved in Copernicus, the European space programme. The programme aims to provide Europe with autonomous Earth observation and monitoring capability thanks to continuous, independent and reliable access to environmental and security data. Applications include monitoring of the marine environment, the atmosphere, land and climate change, as well as support for emergency and security operations. In terms of its space component, the programme is based extensively on a constellation of Sentinel satellites.



CLEANSKY

Thales is a founding member of the European aerospace research programme CleanSky. The environmental goals of this programme are: 50% reduction in CO₂ emissions, 80% reduction in NO_x (nitrogen oxide) emissions, 50% reduction in perceived noise, and a green life cycle for products (encompassing design, manufacture, maintenance and disposal/recycling).

In particular, Thales is leading a CleanSky research initiative entitled "Systems for Green Operations" which aims to optimise aeroplane fuel consumption by improving flight trajectories, especially during the take-off and approach phases.

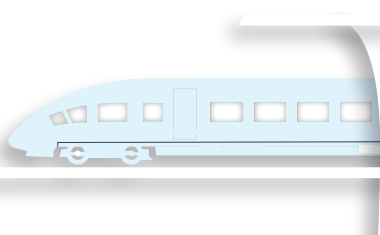
SESAR

In the air traffic sector, the European SESAR programme, in which Thales is a key player, aims to improve flight safety tenfold and bring a 5% reduction in the fuel consumption of commercial airliners by 2020 as air traffic volumes double. Other programme aims include cutting CO₂ emissions by 10% per flight, and reducing noise emissions during take-off and landing by 20 decibels.



SHIFT²RAIL

Aiming to convert a significant share of road users to rail users, this European initiative reflects the political desire for a 60% reduction in greenhouse gas emissions by 2050. The SHIFT²RAIL programme also aims to make rail transport more attractive to users and integrate rail more closely with other modes of transport. Thales is one of the eight founding members of the programme.



- > Visit the "Environment" section on the website sustainability.thalesgroup.com
- > "Environmental information" of the Registration Document 2015 (see p. 209)

A POLICY OF GLOBAL AND LOCAL COMMITMENT

CREATED IN 2014, THE THALES FOUNDATION REFLECTS THE GROUP'S GLOBAL COMMITMENT TO GREATER ECONOMIC AND SOCIAL SOLIDARITY. THALES COMPANIES AROUND THE WORLD, AS MAJOR PLAYERS AT LOCAL LEVEL IN THE GROUP'S MANY COUNTRIES OF OPERATION, ARE PERFECTLY PLACED TO CHAMPION THIS COMMITMENT.



THALES
Foundation

INNOVATING
FOR PEOPLE

Thales aims to **make the world a safer place through innovation and new technology**. The **Thales Foundation**, launched in September 2014, supports this commitment by encouraging a spirit of innovation and the use of technological expertise to benefit society.

Its work focuses mainly on two areas:

- > **education**, where the priority is to support science education and classroom innovation;
- > support for professionals in the area of **humanitarian action**, concentrating on natural and environmental risk prevention and disaster preparedness.

Both of these areas, which were identified following a **joint consultation** exercise involving **more than 200 employees** around the world, sit well with our corporate **culture**. Thales people – **researchers, engineers and technicians** – **are passionate about technology**; we believe that education and collective intelligence are crucial to making the world around us better.

THE FOUNDATION'S BOARD OF TRUSTEES

The Thales Foundation is governed by French law. It is supervised by a Board of Trustees that meets twice a year. The Board has 12 members.

7 MEMBERS FROM THALES

2 EXPERTS

Patrick Meier, Director of Social Innovation at the Qatar Computing Research Institute, and an expert in technologies and humanitarian relief

Kiran Bir Sethi, founder of The Riverside School and the Design for Change movement, providing expertise in education

3 OUTSIDE TRUSTEES

Albert Fert, Nobel prize-winner for physics, and Scientific Director of the Thales/CNRS research lab

General Jean-Louis Georgelin, Former Chief of the French Defence Staff

Jean-Marc de la Sablière, Ambassador of France

FOSTERING EMPLOYEE ENGAGEMENT

The **Foundation** provides support for charity and community projects in which **employees** are involved, encouraging them to become **engaged in local communities**, particularly those in which Thales does business.

Of the **73 projects proposed by Group employees** in the first call for projects, **13** were chosen by the Selection Committee after a rigorous assessment.

These projects will receive **financial support from the Foundation** in 2015-2016, and Thales employees are welcome to help on a voluntary basis.

EMPLOYEE PROJECTS SUPPORTED BY THE FOUNDATION

Project description	Organisations supported
ACCESS TO EDUCATION IN DEVELOPING COUNTRIES	
Accelerated Education Method (Cambodia)	Pour un sourire d'enfant
Development of interactive scientific teaching and training (Haiti)	Solidarité Sorbonne
Development of an e-learning platform (Cambodia)	Passerelles numériques
Indradhanush, the Rainbow Project	The Kutumb Foundation
Mobile science lab (Mali)	France Mali Initiatives Développement
REKINDLING CHILDREN'S INTEREST IN SCIENCE	
"Launch your satellite" operation	Planète Sciences
Light at your fingertips	Savoir Apprendre
Tech success Florida	Children's Home Society
Space career toolbox	Science Animation Midi-Pyrénées
Bringing science and technology to all with a microscope	PREST
TEACHING INITIATIVES FOR PUPILS WHO HAVE DROPPED OUT OF SCHOOL	
Street workshops: a new educational landscape	Art & Développement
Progressive pedagogy at Alexandre Dumas school	Association de Gestion du Groupe Scolaire indépendant de Montfermeil
NATURAL DISASTER PREVENTION AND IMPACT REDUCTION	
First aid training (Haiti)	Association Départementale de la Protection Civile de la Dordogne

PILOT PROGRAMMES

Pilot programmes are the Foundation's flagship initiatives. They are **ambitious, innovative and designed to have a real social impact**. They are developed jointly by Thales and recognised partners in each focus area and will run for at least one year:

- **Savanturiers de la high tech** (High-tech Explorers) is a project to encourage learning through research, developed in a classroom setting and sponsored by Thales researchers. The programme uses research methods and ethics as a model for collaborative, ambitious learning;
- **Voyageurs du Code** (Coding Travellers) promotes digital literacy to a young

audience in priority neighbourhoods near Thales sites. Volunteers from the network provide computer coding workshops in local libraries;

- **Bâtisseurs de Possibles** (Building Potential) is an educational approach led by teachers which aims to involve children in making real changes in response to the challenges of their environment. The approach emphasises the importance of basic learning and develops essential skills such as teamwork, listening, oral expression, creativity and autonomy.

In addition to the **€50,000** of financial assistance **provided to each organisation**, **20 Thales employees** undertook to **act as volunteers** with these associations to help

them achieve their goals and provide support to more children and teachers. Over the **2015-2016** academic year, more than **30,000 beneficiaries**, both children and adults, will attend one of these three innovative educational programmes.

A NETWORK OF AMBASSADORS

The Foundation relies on a **network of 25 ambassadors across all of Thales's sites** to promote its actions, **identify skills and projects** that meet its criteria, provide feedback, and lead the network of employees involved in community projects. These ambassadors forge vital links with Group employees and support projects in their respective areas.



foundation.thalesgroup.com

POLICY AT COUNTRY LEVEL

In many of the Group's countries of operation, **Thales companies** have a **prominent role** in the community and are major players in the **local economy and employment market**.

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

GERIS: A KEY CONTRIBUTION IN FRANCE

Thales aims to **involve all of the relevant players in its different employment catchment areas in France** in the development of regional employment and skills management plans. This strategy takes into account the specific characteristics of the regions in question as well as Thales's local challenges.

Thales has defined **seven employment catchment areas** to coordinate its activities more effectively in partnership with local and regional authorities, economic and other players in society (including Geris), schools, universities and training centres.

Géris Consultants, a Thales entity, helps create permanent, sustainable job opportunities in areas affected by industrial job losses by making its **expertise** available to other companies and local authorities in order to **provide** guidance and financial assistance to developing SMEs/SMLs. Regeneration projects led by Géris Consultants since 2009 have resulted in the **creation of more than 4,304 jobs in France** (including 461 in 2015) with approximately 620 SMEs/SMLs.

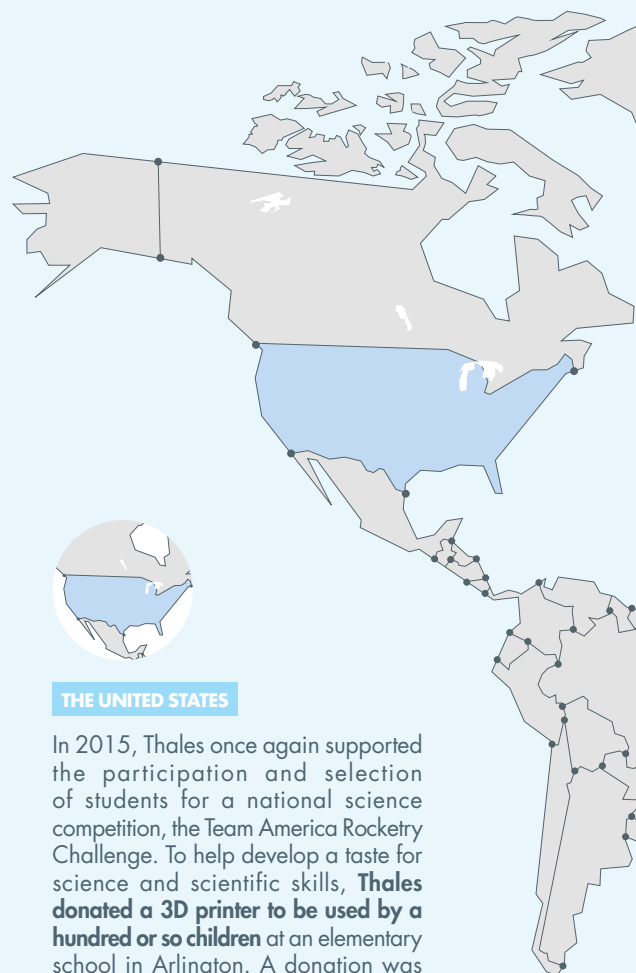
The entity also conducts trial programmes in the field of human resources, with the aim of **developing the skills of SMEs/SMLs** working in its industries or the regions where it operates. The **Pass'Compétences** programme, for example, is aimed at boosting the development of SMEs by assigning them experts from major groups (e.g. Thales, Alcatel-Lucent, Schneider Electric, etc.) for secondments lasting between 12 and 18 months.

Géris Consultants also works with Thales's HR teams on the **Parcours Partagé d'Apprentissage** programme, which organises apprenticeships alternating between major groups and SMEs/SMLs.



ENGAGEMENT AT LOCAL LEVEL

In other domains, many Group companies support local charitable organisations by providing financial and material support.



THE UNITED STATES

In 2015, Thales once again supported the participation and selection of students for a national science competition, the Team America Rocketry Challenge. To help develop a taste for science and scientific skills, **Thales donated a 3D printer to be used by a hundred or so children** at an elementary school in Arlington. A donation was also made to the Smithsonian National Air and Space Museum for its research and education mission in the field of aviation. **Over 200 employees also contributed to fundraising, volunteer activities** and sporting events to benefit disadvantaged families, those suffering from an illness and veterans.

FRANCE

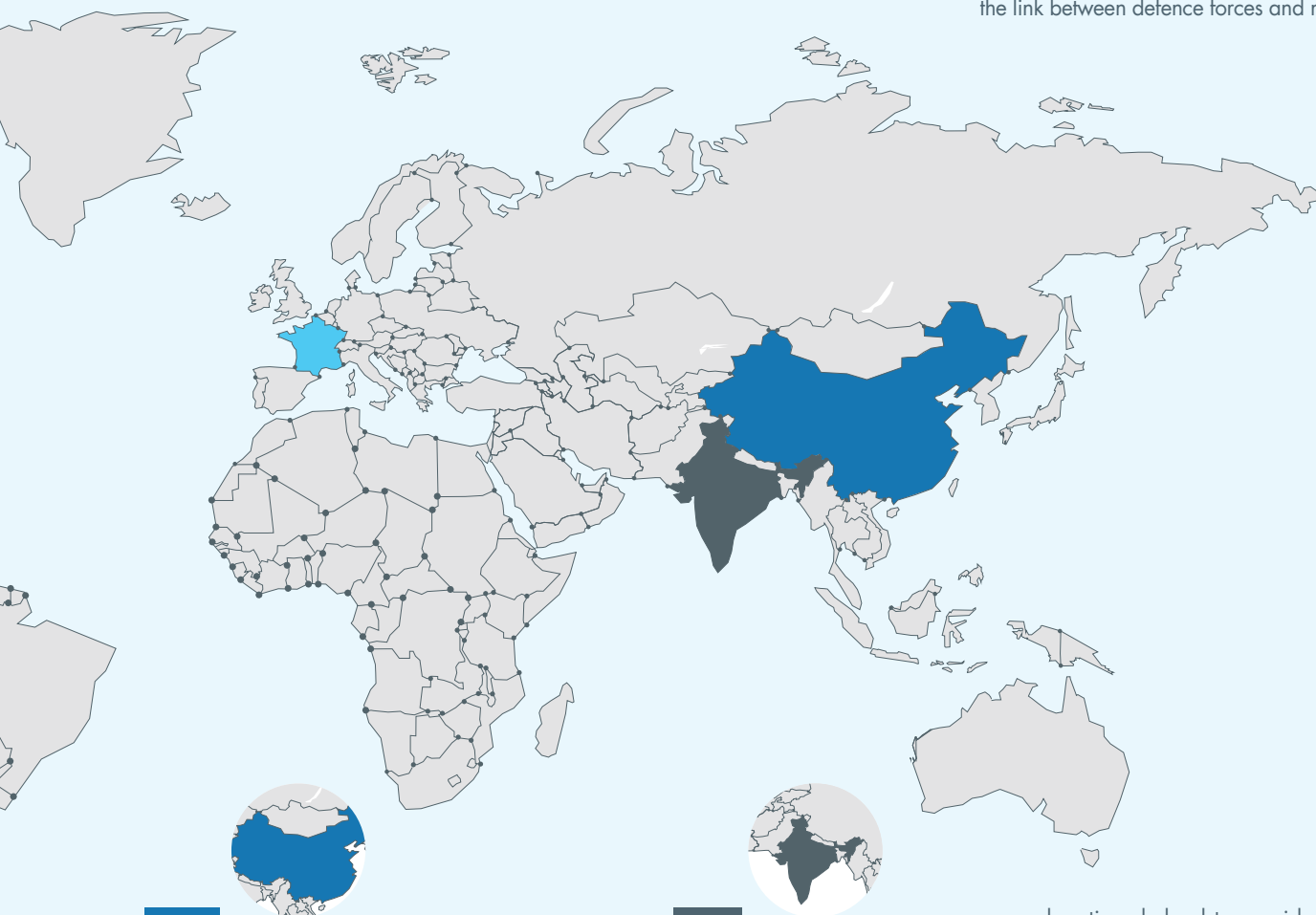


MILITARY RESERVE, A DECADE OF COMMITMENT

As a member of the *Association des Entreprises Partenaires de la Défense* (Association of defence partner companies) since 2006, Thales does a great deal to **strengthen ties between the military and civil society** by supporting the reservists on its payroll. Thales now covers up to 15 working days for this type of activity, maintaining the reservist's salary and

continuing to provide private health care insurance through Humanis. The **Defence Ministry awarded Thales the military reserve prize for 2014** for its actions in support of the French reserve, and in recognition of the dual commitment of its many reservist employees to both the Defence department and the Group. Career considerations aside, however, a reservist's main motivation is without doubt the desire to **serve his or her country** and stay connected with military circles, while at the same time promoting defence-related issues in a family and work-related setting.

After the **2015** terrorist attacks in France, **Thales** decided, as a temporary measure, to allow **10 additional days' paid** leave for reservist employees asked to participate in **Sentinelle** (sensitive site protection) missions as well as **Vigipirate** security missions in France. The Group has also decided to enhance the AGPM insurance contract that Thales pays for on behalf of reservist employees. This spontaneous support in an exceptional context provides yet another illustration of Thales's "**citizen approach**", which aims to consolidate the link between defence forces and nations.



CHINA

Fifteen employees from Thales China got involved in regular fundraising activities and **in-kind donations** (of clothing, stationery and computers), helping **more than 100 children** from the Bulimo primary school, based in an isolated part of Sichuan province.

In Hong Kong, **15 employees** took part in the **UNICEF Charity Run 2015** on 29 November 2015, which brought together 13,550 participants and raised **HK\$11m** for the UNICEF campaign "Unite for Children, Unite against AIDS".

INDIA

In addition to projects developed in India through the Foundation, Thales India also spearheaded other local educational and humanitarian initiatives.

Following the **earthquake in Nepal**, teams from Thales India organised a **collection of donations in kind** (food and small items of equipment) among staff to benefit the "Main Tendue" NGO. These

donations helped to provide **initial emergency assistance** to Nepal's population, and are regularly taken to the site by the NGO. A financial donation was also made to the Prime Minister's National Relief Funds dedicated to **helping the families of victims** of natural disasters and major accidents in India.

In education, Thales paid the tuition fees of girls aged 8-15 living in the girls' shelter run by the Jagriti NGO.



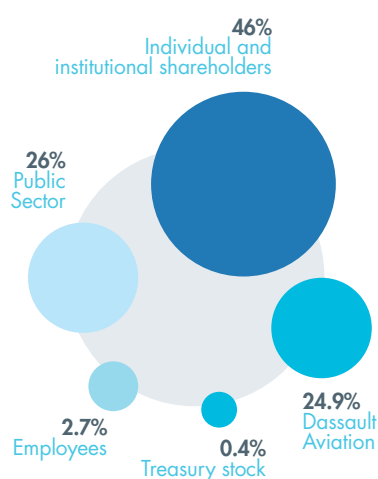


GOVERNANCE

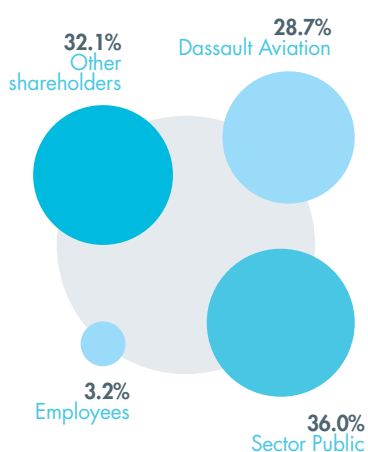
OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE

SHAREHOLDER STRUCTURE

BREAKDOWN OF SHAREHOLDERS



BREAKDOWN OF EXERCISABLE VOTING RIGHTS



JOINT SHAREHOLDING BETWEEN THE "PUBLIC SECTOR" AND DASSAULT AVIATION

Three agreements:

Shareholders' agreement, Agreement on the protection of national interests, Specific agreement.

Principal provisions:

- > **definition of corporate governance** and composition of Thales corporate governing bodies;
- > **veto right and commitments** of Dassault Aviation to the "Public Sector";
- > **restrictions concerning the transfer** or disposal of "strategic interests";
- > a **shareholders' agreement** valid until December 2016, tacitly renewable for periods of five years.



TO FIND
OUT MORE

See p. 175 of the Registration Document 2015

EXPERIENCED AND REPRESENTATIVE BOARD OF DIRECTORS

In 2015, the Thales Board of directors comprised **16 directors**, of whom 14 were appointed by the Annual General Meeting and two were elected by employees of the Group's French companies. The **length of directors' terms is 4 years**, as established by the General Shareholders' Meeting of 24 May 2013.

Of the 14 seats on the Board filled by the Annual General Meeting, **4** are

occupied by "**independent directors**" appointed by the Board in accordance with the AFEP-MEDEF Code of corporate governance. As of 22 February 2016, the Board of directors had four independent directors (Ms Guylaine Dyèvre, Ms Anne-Claire Taittinger, Ms Ann Taylor and Mr Yannick d'Escatha), equivalent to **31% of its members** (excluding employees and the employee representative, as stipulated by the AFEP-MEDEF Code). The proportion

is, however, slightly less than the one-third recommended for controlled companies.

In 2015, **the Board met 9 times**, with an attendance rate of 96%. The **statutory auditors** are invited to **attend Board meetings** held to approve the annual and interim financial statements, and may be invited to other Board meetings when the Audit and Accounts Committee reports on its work.

BOARD OF DIRECTORS (AT 31 DECEMBER 2015)

DIRECTORS APPOINTED BY THE GENERAL MEETING OF SHAREHOLDERS:

Patrice Caine

Chairman & Chief Executive Officer

Thierry Aulagnon

Director

Laurence Broseta

Senior Executive Vice President France of Transdev

Laurent Collet-Billon

Managing Director of the DGA

Guylaine Dyèvre

Independent director

Responsible for international compliance as part of the BNP Paribas Group's financing and investment division

Charles Edelstenne

Chief Executive Officer of Groupe Industriel Marcel Dassault

Chairman of the Board of directors of Dassault Systèmes

Yannick d'Escatha

Independent director

Former Chairman of the National Space Research Center (CNES)

Philippe Lépinay

Director representing employee shareholders
Vice President, International Relations at Thales

Loïc Segalen

Deputy Chief Executive Officer of Dassault Aviation

Anne-Claire Taittinger

Independent director

Ann Taylor

Independent director

Member of the House of Lords

Éric Trappier

Chairman and Chief Executive Officer of Dassault Aviation

Martin Vial

Commissioner for Government Shareholdings

CEO at the French Government Shareholdings Agency (Agence des Participations de l'État)

Marie-Françoise Walbaum

Director

DIRECTORS ELECTED BY EMPLOYEES:

Dominique Floch

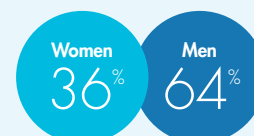
Industrial Segment buyer

Martine Saunier

Technical support and After sales service

NB: Details on the careers and positions held by all directors can be found on pages 132 and following of the Registration Document 2015.

16
INDEPENDENT
DIRECTORS



PERCENTAGE BY GENDER



9

MEETINGS FOR 2015



96%

ATTENDANCE RATE

BOARD COMMITTEES

3 COMMITTEES

**STRATEGIC
COMMITTEE**

PATRICE CAINE,
CHAIRMAN AND
CHAIRMAN OF THE BOARD

**MISSIONS****Examine:**

- the Group's strategic approach in each of its major fields of operation, before these are submitted to the Board of directors;
- the framework for submitting the budget and the three year rolling plan to the Board, and examine the proposed annual budget in the context of this plan;
- major acquisitions and asset disposal plans (in excess of €150m), as well as proposed strategic agreements or partnerships.



4 MEETINGS in 2015
with an attendance rate
of **100%**

**AUDIT AND ACCOUNTS
COMMITTEE**

ANNE-CLAIRE TAITTINGER,
CHAIR AND
INDEPENDENT DIRECTOR

**MISSIONS****Monitor the following:**

- preparation of financial information;
- efficiency of internal control and risk management systems;
- statutory audit of the Company's financial statements and consolidated financial statements by the statutory auditors;
- independence of the statutory auditors.

**Consult the statutory auditors
on the following:**

- their general programme of work as well as the various sample tests they have performed;
- changes that they believe should be made to the financial statements to be published or to other accounting documents, making any relevant comments on the assessment methods used in their preparation;
- any irregularities and inaccuracies that they may have identified;
- conclusions resulting from the aforementioned comments and adjustments to the profits for the period compared with those of the previous period.



6 MEETINGS in 2015
with an attendance rate
of **100%**

**GOVERNANCE AND
REMUNERATION
COMMITTEE**

YANNICK D'ESCATHA,
CHAIRMAN AND
INDEPENDENT DIRECTOR

**MISSIONS****Examine:**

- the compensation policy for the Company's senior executives;
- the compensation of the Chairman & Chief Executive Officer and any regulated commitment concerning him, the compensation of the directors (attendance fees) and, if applicable, that of other company representatives;
- the long-term incentive (LTI) plans, which are subject to the Board's approval;
- employee share ownership schemes;
- candidates for directorships belonging to the category of external directors regarding whom there has been consultation between the two major shareholders pursuant to the provisions of the aforementioned shareholders' agreement;
- at least once a year, the independence of directors;
- and in general, any issues relating to the application of the AFEP-MEDEF Corporate Governance Code for Listed Companies.



5 MEETINGS in 2015
with an attendance rate
of **100%**

INCREASE IN THE NUMBER OF WOMEN ON THE BOARD OF DIRECTORS

The objectives set by the AFEP-MEDEF Code regarding gender representation, and those set by French Law no. 2011-103 of 27 January 2011 regarding the gender balance of Boards of directors and Supervisory Boards and gender equality in the workplace, are the same, but with a difference of one year in terms of the deadline for implementation. This means

that a 16-member Board must include 6 women (not including the elected employee representative) in order to achieve the quota of 40% by the end of the 2016 meeting (as provided for by the AFEP-MEDEF Code), or the end of the 2017 meeting (as provided for by the law).

At 31 December 2015, 5 out of 14 directors appointed by the General Meeting (Laurence Broseta, Guylaine Dyèvre, Anne-Claire Taittinger, Ann Taylor and Marie-Françoise Walbaum), i.e. **slightly less than 36%, were women**.

EMPLOYEE SHARE OWNERSHIP: AN INTEGRAL PART OF CORPORATE GOVERNANCE

Since privatisation in 1998, Thales has proposed eight **share purchase offers** to its **employees**. The latest offer was in October 2015. As of 31 December 2015, employees owned **2.7% of the Company's share capital** and had 3.2% of voting rights.

Employee share ownership is primarily structured through a company investment fund managed by a Supervisory Board, the majority of whose members are elected by employee shareholders, or are representatives of Thales management.

Employee shareholders are **represented** on the Thales **Board of directors** by a **director** nominated by the joint Supervisory Board for election by the Annual General Meeting of Shareholders. This director is also a **member of the Strategy Committee** of the Thales Board of directors.

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

Several shareholder associations have been formed to help promote employee share ownership **in 19 Thales countries** throughout Europe, North America and the Asia-Pacific region. The employee shareholder associations are members of **FAST⁽¹⁾** (Federation of Associations of Staff Shareholders of Thales).

(1) www.fast-thales.org



CORPORATE MANAGEMENT

The **Executive Committee**, comprising the main operational and functional managers, **is responsible for general management** of the Company and the Group, under the authority of the Chairman and Chief Executive Officer.



"Corporate management" section
of the Registration Document 2015
(see p. 155 and following)

EXECUTIVE COMMITTEE (AS OF 9 MARCH 2016)

Thales's **13-member** Executive Committee is responsible for Group governance. It **meets every two weeks, and implements strategic decisions** in accordance with the strategic objectives defined by the Board of directors.

COMPENSATION OF THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

On the recommendation of the Governance and Remuneration Committee, the Board of directors decided to set the compensation for the 2015 financial year for Mr Patrice Caine, Chairman & Chief Executive Officer, at:

- fixed compensation of €440,000;
- target variable compensation of €400,000, with a maximum of €600,000.

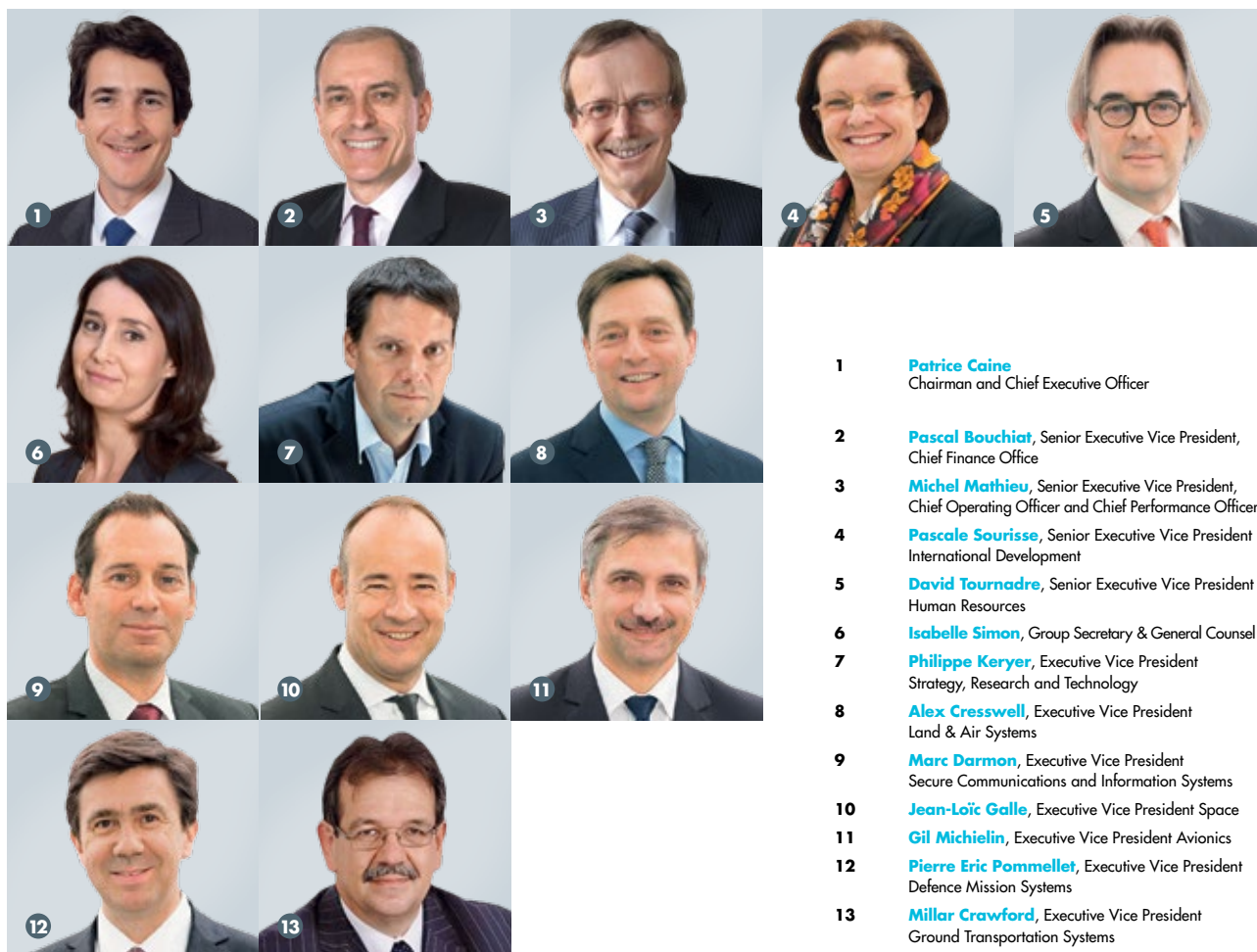
The criteria for setting variable compensation are as follows:

Quantitative elements

Adjusted net income per share	22.5%
EBIT	22.5%
Order intake	15%
Free operating cash flow	15%

Qualitative elements

25%



- 1 **Patrice Caine**, Chairman and Chief Executive Officer
- 2 **Pascal Bouchiat**, Senior Executive Vice President, Chief Finance Officer
- 3 **Michel Mathieu**, Senior Executive Vice President, Chief Operating Officer and Chief Performance Officer
- 4 **Pascale Sourisse**, Senior Executive Vice President International Development
- 5 **David Tournadre**, Senior Executive Vice President Human Resources
- 6 **Isabelle Simon**, Group Secretary & General Counsel
- 7 **Philippe Keryer**, Executive Vice President Strategy, Research and Technology
- 8 **Alex Cresswell**, Executive Vice President Land & Air Systems
- 9 **Marc Darmon**, Executive Vice President Secure Communications and Information Systems
- 10 **Jean-Loïc Galle**, Executive Vice President Space
- 11 **Gil Michielin**, Executive Vice President Avionics
- 12 **Pierre Eric Pommellet**, Executive Vice President Defence Mission Systems
- 13 **Millar Crawford**, Executive Vice President Ground Transportation Systems

INTERNAL CONTROL AND COMPLIANCE

REGIME



Thales's **internal control** regime is a standard process designed to **provide reasonable assurances** that the **Group's objectives** will be achieved, specifically demonstrating:

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

The Group relies on the **international standards of COSO** (Committee of Sponsoring Organizations of the Treadway Commission) and the IFACI (*Institut Français de l'Audit et du Contrôle Internes*).

Since 2006, the **Audit, Risks & Internal Control Department** has submitted voluntarily to **certification by IFACI**, which ensures that its practices comply with the international standards of the profession. This certification has been regularly confirmed by the IFACI through renewal audits (2013) or surveillance audits (2014, 2015). In February 2016, a new audit conducted by the IFACI approved the three-year renewal of this certification.

The purpose of the internal control regime is to:

- **create and preserve the value**, assets and reputation of the Group;
- **secure the Group's decision-making** and processes to help it achieve its objectives;
- **promote the consistency of actions** with the values of the Group;
- **involve the Group's employees** in a shared vision of the main risks and make them aware of the risks inherent in their work.

SUPERVISORY BODIES

AUDIT AND ACCOUNTS COMMITTEE

Each year, the Audit, Risks & Internal Control Department submits an **audit plan** to the Audit and Accounts Committee covering various aspects relating to the Group, regarding compliance with legislation and regulations, assessment of internal control, and risk identification and management. At the meetings of this committee, the **resources employed**, and the **actions taken to improve internal control and risk identification and monitoring**, are reviewed.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee, chaired by the Chairman & Chief Executive Officer, is responsible for **defining the level of risk deemed acceptable** by the Group, **allocating** risk management and control **responsibilities**, and, more generally, **ensuring that the risk assessment and management system is as comprehensive as possible** in order to maximise risk mitigation. It is supported by the work of the Risk Assessment Committee.

RISK ASSESSMENT COMMITTEE

The Risk Assessment Committee is chaired by the Group Audit, Risks & Internal Control Director. It is **responsible for analysing risks and evolving threats, updating and prioritising risk scenarios, ensuring that responsibility for each risk scenario is allocated** within the Group, and **formulating recommendations** for the Risk Management Committee, with a view to improving the overall management and mitigation of Group risks.

ETHICS & CORPORATE RESPONSIBILITY COMMITTEE

The Ethics & Corporate Responsibility Committee, chaired by the Group Secretary, is made up of **representatives of the functional departments** and the Group's **main countries** of operation; the makeup of the committee is **representative of the Group's stakeholders** in order to anticipate and meet their needs. In 2015, this committee met three times. Its tasks are focused on three areas:

- **contributing to the definition of Thales's policy on Ethics and Corporate Responsibility**, and providing guidance on standards and procedures relating to trade, environmental, employment and social issues;
- **ensuring the development of the Code of Ethics** and its implementation within the Company defining training objectives and appropriate communications, and coordinating and monitoring Country Ethics Committees and Ethics Officers;
- **addressing ethical issues** submitted to it, conducting relevant investigations where required, and proposing possible actions/appropriate sanctions to management.

ETHICS AND CORPORATE RESPONSIBILITY DEPARTMENT

The Ethics and Corporate Responsibility Department reports to the Thales Group Secretary, and is responsible for **implementing ethics and corporate responsibility policy**, as defined by the committee, and for coordinating Group players in this area. Thales's **eighteen Ethics Officers** assist the department in its tasks and are responsible for disseminating the Code of Ethics and any recommendations on the Group's corporate responsibility policy, and ensuring their application in each Global Business Unit or country.

To support the Group's ethics and corporate responsibility policy, and enable each individual to play an active role in risk prevention, Thales has put in place an **ethics alert** facility approved by CNIL⁽¹⁾, which is available to all Group employees.

AUDIT, RISKS & INTERNAL CONTROL DEPARTMENT

Reporting to the Group Secretary, the Audit, Risks & Internal Control Department principally works with the Audit and Accounts Committee, the Risk Management Committee, the Risk Assessment Committee, Group management and the statutory auditors.

It ensures **proper risk management** and the **maintenance of adequate internal control** by conducting audits throughout the Group.

In 2015, **82 audits or advisory tasks**, arising from the Group's risk analysis and planned according to the criteria set out and approved by the Audit and Accounts Committee, were conducted by teams from the Audit, Risks & Internal Control Department. These tasks focused on the following themes:

- **operations**: bids and projects, product policy, engineering and industry;
- **compliance**: ethics, export control, security of information systems, business continuity plans;
- **governance**: organisation, shared services, joint ventures, monitoring of acquisition and divestment transactions;
- **internal control**: auditing the accuracy of YAL and ICQ questionnaires.



Visit the "Ethics and responsible business conduct" section on the website sustainability.thalesgroup.com

(1) Commission Nationale de l'Informatique et des Libertés (CNIL): France's national commission for information and liberties.

A CULTURE OF ETHICAL BUSINESS CONDUCT

To meet the expectations of its shareholders, Thales has put in place a **stringent, proactive policy** of social responsibility, and attaches the utmost importance to **ethical business practices**. Begun in the early 2000s, this approach, which underpins everything that we do, applies with respect to customers, suppliers, employees, shareholders, financial markets, civil society and the environment.

Since 2003, Thales has been a **member of the United Nations Global Compact**. It defends the compact's **10 universal principles** in its sphere of influence, and has integrated them into its strategy. In 2015, for the **fourth consecutive year**, Thales achieved **Global Compact Advanced level** in the UN Global Compact differentiation programme⁽¹⁾, which,

based on compliance with 21 specific criteria, is the highest reporting and performance standard for responsible development. It should be noted that, in 2015, the Advanced Level programme required an **external evaluation**, which Thales successfully passed *via* a peer review. Of the 8,300 companies that are members of the Global Compact, fewer than 500 have obtained Global Compact Advanced level to date. Of those, 55 are French companies.

The strong commitments made by the Group and formalised in its **Code of Ethics**⁽²⁾ demonstrate its willingness to act responsibly.

Thales believes that **corporate responsibility** is a **strategic imperative** and a source of innovation, which gives us a

key advantage over our competitors and actively contributes to our performance as a company.

Thales systematically organises **awareness and training programmes**⁽³⁾ to promote and consolidate employee engagement with the principles of ethical business conduct. A Code of Ethics and a **dedicated ethics and corporate responsibility organisation** are in place to ensure that all employees adhere scrupulously to Thales policy and its underlying principles.

This policy has two main pillars:

- **compliance with international legislation**, regulations and international conventions;
- **compliance with codes and standards.**



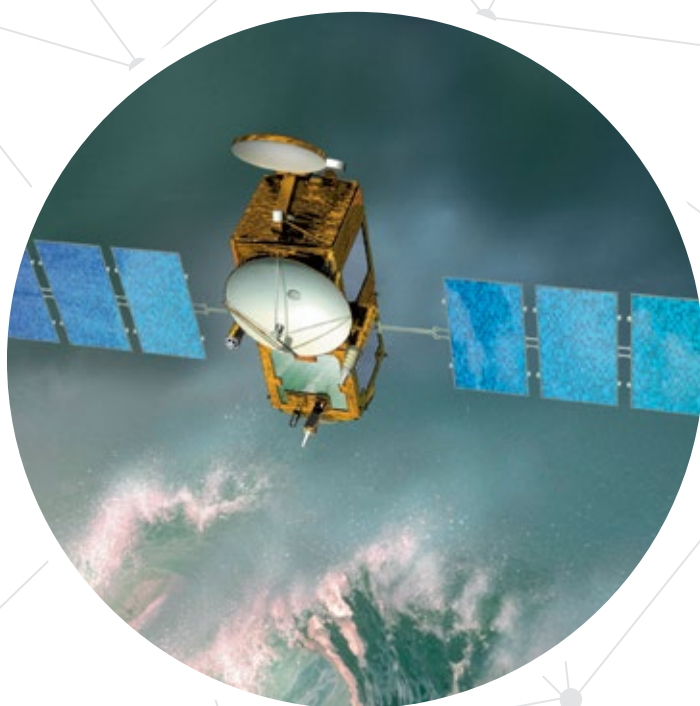
(1) www.gcp-advanced.org

(2) Copy given to all employees; can be viewed on the Group intranet and on the website: sustainability.thalesgroup.com (Scroll down to Key Corporate Responsibility Documents -> More information -> and click on "Code of Ethics" in the Codes and charters section).

(3) Between 2008 and 2015, 7,910 employees across the world received training, of whom 1,600 received training in 2015.



INDICATORS





ENVIRONMENT

The information in the table below allows the **Group's environmental performance⁽¹⁾** to be assessed on a like-for-like basis.

In 2015, **28 countries** and **132 sites** were in scope. This scope represents **96% of revenues** and **96% of the Group's workforce** (2012 is the base year for the 2012-2015 goals).



"Environmental indicators" section of the Registration Document 2015 (see p. 219 and 220)

		2008-2015 change (at constant 2008 scope)	2012	2014	2015	2012-2015 Trend	
ENERGY	Electricity consumption	'000s toe	-12%	139	135	132	-5%
	Per sales electricity consumption	toe/€m	-27%	11.6	10.7	9.7	-16%
	Fossil energy consumption	'000s toe	-38%	24	21	21	-12%
	Per sales fossil energy consumption	toe/€m	-48%	1.99	1.65	1.55	-22%
	Total energy consumption	'000s toe	-17%	166	158	157	-6%
	Per sales total energy consumption	toe/€m	-31%	13.82	12.54	11.51	-17%
WATER	Water consumption	'000s m³	-26%	1,768	1,636	1,601	-9%
	Per sales water consumption	m³/€m	-39%	146	130	117	-20%
WASTE	Total waste production ^(b)	tonnes	-24%	15,771 ^(a)	15,614	15,145	-4%
	Per sales total waste production ^(b)	kg/M €	-36%	1.31 ^(a)	1.24	1.11	-15%
	Ratio of non-hazardous waste ^(b)	%		80	76	73	-8%
	Non-hazardous waste per person ^(b)	kg/pers.	-29%	185 ^(a)	175	160	-13%
	Non-hazardous waste recycling rate	%	45%	52	57	64	23%
	Hazardous waste recycling rate	%	-45%	24	34	19	-21%
INDUS. DISCH.	Industrial wastewater discharge	'000s m³	-1%	782	638	563	-28%
	Air emissions	tonnes	-30%	862 ^(a)	919	917	6%
CO ₂	CO ₂ emissions from energy use	'000s tonnes CO ₂	-23%	228	211	200	-12%
	Per sales CO ₂ emissions from energy use	kg CO ₂ /€m	-36%	19	17	15	-23%
	CO ₂ emissions linked to Kyoto Protocol substances and R22	'000s tonnes CO ₂	-23%	38.7	42.3	38	-2%
	o/w CO ₂ emissions linked to SF ₆	'000s tonnes CO ₂	-78%	11.4	12.2	6.4	-44%
	CO ₂ emissions from transport (Group-wide)	'000s tonnes CO ₂	-1%	107	110	103	-4%
	Per sales CO ₂ emissions from transport	kg CO ₂ /€m	-17%	8.9	8.8	7.5	-16%
CO ₂ SCOPES ACCORD. TO GHG PROTOCOL	Scope 1 (gas, fuel oil, coal, substances, mobile energy sources)	'000s tonnes CO ₂	-35%	99	95	89	-10%
	Scope 2 (electricity, steam)	'000s tonnes CO ₂	-13%	168	159	150	-11%
	Scope 3 (business travel by air, rail, road)	'000s tonnes CO ₂	-1%	107	110	103	-4%
	TOTAL SCOPES 1, 2 AND 3	'000s tonnes CO ₂	-17%	374	364	342	-9%
	TOTAL SCOPES 1, 2 AND 3 PER SALES	kg CO ₂ /€m	-31%	31	29	25	-20%
	OTHER	ISO 14001-certified entities		124	117	117	
Staff concerned as percentage of total workforce		%	80%	88%	90%		

(a) Values adjusted following an error.

(b) Excluding one-off waste.

(1) Indicators reviewed by Mazars for the 2015 reporting period and included in moderate assurance conclusion.

SOCIAL

The information in the table below allows the **Group's social performance⁽¹⁾** to be **assessed** on a like-for-like basis.

In 2015, the Group's scope of consolidation changed slightly due to acquisitions and disposals⁽²⁾.

Payroll including profit-sharing and incentives (not including DCNS) amounted to **€5,784m** in 2015, compared with €5,456m in 2014. The 2014-2015 payroll increase (+€328m) includes an exchange rate variation effect of +€120m.

In addition, the changes in payroll in France shown in the table below do not match the increase in average workforce compensation, because they take account of changes in headcount and workforce structure, and changes in the age pyramid, as well as in profit-sharing and incentive payments.



"Social indicators" section
of the Registration Document 2015
(see p. 207 and 208)

(€m)		2015	2014
PAYROLL	France	3,289	3,246
	Europe excluding France	1,520	1,413
	USA, Canada, Australia	724	593
	Rest of world	251	204
	TOTAL	5,784	5,456

		2015 Data	Scope covered
COUNTRY	HEADCOUNT^(a) GLOBAL	62,194	100%
	Headcount France	33,455	100%
	Headcount Europe (including France)	50,893	100%
	Headcount outside France	28,739	100%
GENDER	% of women	22.2%	98.7%
	% of men	77.8%	98.7%
	% of women in France	23.5%	99.9%
TYPE OF CONTRACT	% of permanent contracts	97.9%	98.7%
	% of full-time contracts	93.0%	98.7%
AGE GROUP	< 30	10.0%	98.7%
	30-39	23.5%	98.7%
	40-50	30.6%	98.7%
	> 50	35.9%	98.7%

(a) Headcounts shown are active headcounts at 31 December 2015.

(b) See also breakdown by country on p. 196 and 197 of the Registration Document 2015.

(1) Indicators reviewed by Mazars for the 2015 reporting period and included in limited assurance conclusion.

(2) In France, integration of 81 employees into Thales Services (following the acquisition of Alcatel-Lucent's Cyber Security business) and 21 employees into Thales Communications & Security (as a result of the acquisition of Alcatel-Lucent's Lawful Interception Solutions business). Disposals resulted in 26 employees in the Netherlands leaving the Group (disposal of part of the Surface Radar – ACE Production Department).

		2015 Data	Scope covered
LR (LEVEL OF RESPONS.)	LR 1 to 6	14,510	98.7%
	LR 7 to 12	46,869	98.7%
	Number of temporary staff	2,677	98.7%
DEPARTURES	Number of departures	4,302	98.7%
	% Resignations	40.8%	98.7%
	% Redundancies	18.8%	98.7%
	% Retirement	25.6%	98.7%
	% End of fixed-term contracts	10.2%	98.7%
	% Other departures (including death)	4.6%	98.7%
HIRES	Total number of hires	6,445	98.7%
	Of which open-ended contracts	4,296	98.7%
	Of which fixed-term contracts	995	98.7%
	Of which work-study contracts	1,194	98.7%
	% recruitment of women	28.6%	98.7%
TRAINING	% of employees benefiting from a PDD (Professional Development Discussion)	91.2%	97.6%
	% of employees trained	76.0%	97.6%
	% of women trained	78.19%	97.6%
	Average number of hours' training per employee	21.3%	97.6%
	Total number of hours' training	1,292,137	97.6%
	% of employees covered by a collective bargaining agreement	85.7%	98.8%
	% of employees covered by a regulation on working time	87.4%	98.8%
HEALTH AND SAFETY	Global absenteeism rate World	2.6%	96.5%
	Total rate of absenteeism in France (corporate assessment) excluding parental leave	2.5%	100.0%
	Total rate of absenteeism in France (corporate assessment)	3.2%	100.0%
	Severity rate of accidents at work World	0.1	96.0%
	Severity rate of accidents at work France	0.1	100.0%
	Frequency rate of accidents at work World	2.4	96.0%
	Frequency rate of accidents at work France	2.8	100.0%
	Number of days off due to occupational illness in France	1,109	100.0%
OTHERS	Payroll World	€5.784 bn	
	Employment rate of people with disabilities in France	5.8%	
	Number of jobs created by G�ris in 2015	461	
	Proportion of purchases from EU suppliers	80%	
	% of purchases from suppliers in France	43%	
	Volume of industrial subcontracting services in France	�1.54 bn	



SOCIETAL



The information in the table below allows the **Group's societal performance** to be **assessed** on a like-for-like basis, particularly in the area of **business ethics**⁽¹⁾.

"Societal indicators" section of the Registration Document 2015 (see p. 228)

	Data 2015	Scope covered ^(a)	Comments/References
G4-SO3			
Total number and percentage of sites having been assessed with regard to corruption risk and significant risks identified	121 ^(b)	100%	Corruption risk, just like the other major risks on the Group's risk mapping, is an integral part of the overall Thales risk management system. See page 19 "Risk factors/Legal and compliance risks/Compliance with laws and regulations/ Business ethics " section in the Registration Document 2015. See page 226 "Fair business practices/Anti-corruption/ An internal compliance programme " section in the Registration Document 2015.
G4-SO4			
Communication and training with regard to anti-corruption policies and procedures	1,600 ^(c)	100%	Delivered by two multilingual trainers who are specialists in the field of ethical business conduct, this four-hour course takes place either on the Thales University campuses across the world or directly on site. It is essentially intended for employees working in the Purchasing, Sales and Marketing, Bids and Projects job families. An e-learning programme comprising three 30-minute modules (in French, English and German) is also available to all Group employees. See page 19 "Risk factors/Legal and compliance risks/Compliance with laws and regulations/ Business ethics " section in the Registration Document 2015.
G4-SO5			
Proven cases of corruption and measures taken	No case reported	100%	In order to control corruption risk, Thales manages its local entities through a dedicated international set-up comprised of five global branches, tasked, amongst other things, with ensuring the integrity of the partners selected. These global regional branches are the only entities within the Group that are duly designated, authorised and experienced, and they therefore coordinate the partner qualification process which, in particular, includes controls via a third party. See page 226 "Fair business practices/Anti-corruption/ An internal compliance programme " section in the Registration Document 2015. At the same time, Thales has a global professional alert system, authorised by the Commission nationale de l'informatique et des libertés (French National Committee for Information Technology and Civil Liberties [CNIL]) in 2011, enabling all of the Group's employees to notify acts in the accounting, financial or banking areas as well as the fight against corruption or against practices that are prohibited by unfair trading laws, in addition to acts of discrimination, harassment or failure to comply with health and safety legislation. None of the incidents reported in 2015 concerned a case of corruption. See page 226 "Fair business practices/Anti-corruption/ An internal compliance programme " section in the Registration Document 2015.

(a) The scope covered comprises all of the financially consolidated companies within the Group.

(b) 116 operational entities (entities controlled by Thales) in addition to five regional branches (Southern & South-East Asia/Middle East and Western Asia/Europe/Africa/South America) of the international set-up.

(c) Between 2008 and 2015, 7,910 employees were trained worldwide, 1,600 of them in 2015.

(1) Indicators reviewed by Mazars for the 2015 reporting period and included in limited assurance conclusion.



ETHICS & CORPORATE RESPONSIBILITY DEPARTMENT

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Vice President

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**Thales would like to thank Group employees for
their contributions.**

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