

NON SENSITIVE

CODE OF ETHICS

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Preface



Naval Group has chosen to integrate **Corporate and Social Responsibility (CSR)** in its development strategy. Ethics is an essential component of it and is also a foundation for credibility, attractiveness and long-term future. This Naval Group **code of ethics** is a reference text expressing the general rules applicable throughout the Group, according to which we intend to develop our activities. Today we are carrying this commitment on an international scale with the **United Nations Global Compact** of which we are proud to be an advanced level member.

This 2018 edition integrates the feedback from these last ten years and aims to strengthen the Group's commitment in its CSR initiative. Beyond the rules and regulations, the Group defines its repository in line with our values: **commitment, respect, winning mindset, rigour and confidence.**

It is the responsibility of everyone working for Naval Group or for any other entity or organisation related to Naval Group, to appropriate this code of ethics and to comply with it. I ask you to read it and consult your site ethics experts where necessary so that everyone can be an ambassador for our commitment. Together, vigilant, we will make sure that wherever Naval Group operates, **it is in accordance with our values.**

Hervé Guillou

Chairman and CEO of Naval Group

I. Common principles

1. Naval Group's values

Naval Group has defined five values in order to **guide everyone's behaviour and action**:

- **the commitment of everyone** to achieving the Group's objectives;
- **respect** for customers, Group contributors and stakeholders;
- **the winning mindset** essential to win new market shares, innovate and engage new talents;
- **rigour** with respect to oneself and to others;
- **confidence** in the management, with regard to employees, and in the company.

These values are both **individual and collective** and guide our relations with all the company's stakeholders:

- customers, employees,
- partners, suppliers and subcontractors,
- Group administrators and shareholders.

These values are the foundation of the ethical behaviour expected within the Group and are expressed clearly in everyone's behaviour, regardless of their hierarchical level, origin, age, sex, seniority, past experience, professional failures and successes.

In addition, the ethical behaviour expected from Naval Group's employees includes three main obligations:

- **respect for others**, in all circumstances and in all places;
- **respect for assets** (tangible and intangible);
- **respect for business ethics**.

The code of ethics defines the behaviour rules applicable within the Group and its controlled companies, in compliance with applicable regulations and legislation. These rules can constitute guiding principles for those companies not controlled by the Group.

2. Corporate Social Responsibility (CSR)

Naval Group has been committed to responsible development for many years and integrates the internationally recognised "good practices" in its strategy and in the governance of its activities.

The Group aligns with an international standard and since 2014 subscribes to the United Nations Global Compact relating to human rights, environmental protection and the fight against corruption. It defends its principles in its sphere of influence.

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Naval Group also complies with French law, notably **law 2017-399 dated 27 March 2017 relating to the duty of care by mother companies and prime contractors. The Group has set up a vigilance** plan within the domains of CSR which is organised around the following five areas:

1. **risk mapping** (identification, analysis and prioritisation),
2. regular procedures for assessing the situation within the subsidiaries, with suppliers or subcontractors with respect to the risk mapping,
3. appropriate measures for attenuating risks or to prevent serious impacts,
4. an alerting and gathering mechanism defined in collaboration with the personnel representative bodies,
5. a system to follow up the measures taken and to assess their effectiveness.

This plan is based on a **complete repository** which, in addition to this code of ethics, notably includes:

- a **supplier code of conduct**, intended for our suppliers and subcontractors,
- a set of **charters** and **guides** intended for the Naval Group employees (see below, annexes), notably including the **human rights charter** which supplements and details our commitment to the Global Compact.

3. Compliance with laws

Naval Group meets the legal standards applicable to it within the domain of **employment and professional relationships** and, in addition, undertakes to comply with international standards in the said domain.

Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of **anti-corruption and anti-influence peddling**. It defines a compliance system which is strictly in line with a **principle of zero tolerance in this respect**. This system is deployed throughout the Group via instructions, themselves based on principles:

- The Group notably refuses to grant a customer, a French or foreign public official or an employee of its customers, any unfair advantage, directly or indirectly.
- Gifts, meals and other hospitality presents cannot be offered other than within strict limits, in compliance with applicable rules and regulations and commonly agreed practices. These advantages are subject to prior approval by line management and the Group Ethics, Compliance and Governance Department (DECG).
- All Group employees, purchasers or operationals, have a duty of integrity and are expected to refuse for themselves or for their close ones, any personal advantage or gift, meal or other hospitality presents of significant value.
- Offers of travel, trips or shows must be refused unless they are specifically authorised by the manager and the Group Ethics, Compliance and Governance Department (DECG).
- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.

Naval Group also conducts its business in compliance with **the regulations applicable to export control and to competition**.

Health and Safety at Work (H&SW) is a Group priority. Naval Group continues its commitment to ongoing improvement of the means for controlling major risks and preventing accidents and incidents involving people working under its responsibility.

4. Specific rules concerning our relations with our stakeholders

Naval Group subscribes to the principle of governance based on transparency with respect to its stakeholders and on risk prevention. The latter can thus expect:

- genuine and loyal information suited to their need;
- compliance with the commitments made to them by Naval Group.

Specific rules applicable to all Group employees, with respect to their relations with stakeholders, are thus stated in the **Naval Group charters** (see below, annexes) that supplement this code. Naval Group distinguishes four categories of stakeholders.

a. Customers, partners, suppliers and subcontractors

Naval Group is careful to establish lasting relations with its customers, its partners, its suppliers and subcontractors, based on confidence and mutual respect.

- **Customers**

The satisfaction of the Group's French and international customers is the priority of Naval Group employees. It is notably based on:

- paying attention to their needs, in order to make clear, exhaustive and precise proposals;
- constant concern for the quality of the systems, equipment, products and services supplied and their suitability for the needs expressed by the customer in the specifications;
- follow-up and quality service for ships, systems, equipment, products and services supplied.

- **Partners**

Naval Group establishes business relations with institutional, industrial or economical players through partnership or cooperation agreements.

Mutual loyalty implies commitment to applying the concluded agreements.

- **Suppliers and subcontractors**

Naval Group establishes purchasing relationships with its suppliers and subcontractors based on mutual loyalty.

Loyalty towards suppliers and subcontractors implies compliance with the purchasing process, i.e.:

- transparency of the selection rules,
- criteria including requirements associated with the effective implementation by the supplier or the subcontractor of measures in terms of CSR and in terms of anti-corruption and anti-influence peddling,
- fair treatment of companies during bidding,
- commitment to apply the negotiated conditions, notably the payment times and the intellectual property rights,
- conformity of the prices paid with the value of the goods or services provided.

In order to ensure the neutrality and independence of relations between Naval Group and its suppliers or subcontractors, the Purchasing department, within the framework of its human resources management policy, endeavours to change its purchasers' portfolios on a regular basis.

The personal interests of an employee can in no case influence the choice of a supplier or a subcontractor. Naval Group's management is particularly vigilant when a personal, family or financial tie exists between an employee and a Naval Group stakeholder.

b. All employees regardless of status

Naval Group's growth and efficiency are based on the development of its internal resources. The Group pays particular attention to compliance with **three principles**:

- 1. equal treatment**, which is aimed at preventing any discrimination on the grounds of origin, lifestyle, sex, age, political or religious views, trade union membership or disability.
The nationality of employees can be taken into account but restricted to the exceptions specified by applicable national regulations related the protection of national interests;
- 2. respect for the individual**, which excludes any behaviour undermining this principle and respect for privacy. Personal information, i.e. all information relating to an identified or identifiable physical person, and individual information concerning the personnel, collected or held by Naval Group, is thus strictly managed, declared, and its use is restricted, in compliance

with the requirements of the applicable regulations related to the protection of personal data and in particular with the general regulations concerning the protection of data (General data protection regulations GDPR) as concerns the protection of information and individual data;

3. the desire to ensure a work environment in compliance with the legal provisions applicable in the country, the following of procedures, the prevention of health and professional hazards, as well as the training of personnel and individual development of each employee.

Wherever they are involved, all Naval Group employees must make sure that in their relations with their colleagues, their line management, their teams and the stakeholders, the commitments made are complied with.

In accordance with the **managerial charter**, the managers observe the following behaviour. They:

- are **exemplary** in their behaviour and their acts, notably concerning safety,
- give **meaning to daily actions** by integrating them in the overall corporate vision,
- adopt a **kind attitude** and support their teams in difficulties,
- preferably acknowledge team work and encourage collective discussion and listen actively to the employees,
- delegate and **give responsibility** to the teams while committing to the results,
- technically ensure the skills and achievements of the teams,
- develop individual and joint initiative.

All Naval Group employees owe the Group **total loyalty**. This implies not working for an existing or potential competitor (without prior formal consent) and excluding any situation of unfair competition. Expenses incurred by an employee who claims reimbursement must have actually been incurred and must be directly related to the project or activity conducted on behalf of the company.

Each employee must in addition make sure that Naval Group's intellectual property is protected. In terms of defence, particular attention is given to compliance with the **confidentiality rules** within the scope of security procedures.

c. Shareholders, administrators and the media

- **Shareholders and administrators**

All operational and financial transactions must comply with the task separation and traceability principles. In this respect, they are immediately recorded in the Group information systems and entered into the relevant company's financial and cost accounts.

There can be no "off-the-books" transactions nor incoming or outgoing cash payments that are not recorded in a cash ledger.

Naval Group shareholders have the right to reliable and exhaustive information.

Concerned with the long-term future of the Group and guarantors of the Group's corporate interest, Naval Group's administrators also watch over the preservation of the shareholders' interests.

They participate in the committees set up within the Board of Directors. All the necessary information is sent to these committees. All the employees are represented within the Naval Group SA company's Board of Directors, in accordance with the public sector democratisation law.

- **Media**

The media form an important link between the Group and its different stakeholders. As such, it is important for Naval Group to provide them with the relevant information at the right time.

This information must comply with the ethical rules contained in this document and can be disclosed only in strict compliance with the corporate communication rules. Only certain managers are authorised to speak on behalf of Naval Group.

d. The company as a whole

- **Respect for the environment**

Naval Group is committed to a determined approach in terms of **environmental protection** and notably defends this principle within the scope of its activities.

To support this approach, the Group:

- identifies the new environmental risks and takes the necessary measures to prevent them or limit their effects,
- conducts a continuous improvement and employee training program so that the reduction in the environmental impact of its sites, its activities and its products is taken into account.

Naval Group ensures compliance with the national, European and international regulations in terms of environment and deploys the appropriate management systems and performance measurement tools. Finally, the Group communicates the information concerning the effects of its activity on the environment.

- **Civic commitment**

Naval Group ensures compliance with the national and international regulations applicable in the States where it operates.

Naval Group, as an international player, **observes strict political and religious neutrality**. The Group thus refuses to contribute financially to political candidates, elected representatives or parties. All Naval Group employees can nonetheless participate personally in political life, outside the workplace and working hours, but they cannot use the Group's image to support their commitment.

Naval Group participates in the funding of associations, foundations or in patronage operations falling within the scope of the values and priorities defined by the Group and the applicable regulations.

- **Protection of the Group's tangible and intangible assets**

Naval Group's assets constitute a major part of its long-term future and its development. Each member of personnel must act in the interests of the Group's tangible and intangible assets, the loss, theft or illicit use of which would be prejudicial to Naval Group.

Any incident, degradation or malfunctioning affecting the Group's equipment used must be reported in accordance with the applicable procedures.

Particular attention must be given to confidential information held by Naval Group notably concerning the Group's products, processes, patents, know-how, employees or industrial, strategic and financial operations. This information cannot be disclosed to third parties without the prior formal consent of Naval Group.

II. Implementation of ethics within Naval Group

1. Distribution and application of the code of ethics

This code of ethics is included in the **internal regulations** of the Group's companies and of their sites in France.

Naval Group distributes this code of ethics to each employee. Naval Group provides training for employees that desire additional knowledge in this domain. A **practical guide to ethical behaviour** has been put in place specifically in order to facilitate employee access to the training and to familiarise as many as possible with the good practices in terms of ethics.

Charters intended for the Group's employees have also been produced in order to remind the latter and provide them with details of their commitments resulting from the code of ethics (see below, annexes). The rules of this code of ethics must **be known and applied by all the employees, regardless of their status**.

This code of ethics can also be communicated outside the Group and notably to its customers, suppliers, subcontractors and shareholders, in accordance with the rules defined by the **Committee for ethics and corporate social responsibility**.

2. Group's ethical organisation

To support the implementation of the code of ethics, Naval Group has put in place a **Committee for Ethics and Corporate Social Responsibility (CERSE)**. The list of CERSE members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

Supported by the whole of Naval Group's management, the CERSE is responsible for deploying the code of ethics and for verifying its application. Within this framework, it:

- defines and updates the **ethics and CSR repository** and makes sure that it is necessary for the company and that it exists. The CERSE verifies correct application of these repositories (codes, instructions and policies) by the internal and external stakeholders, in France and internationally;
- conducts **the inquiries** and, where applicable, recommends the resulting measures and/or penalties if there are deviations relative to the implementation of the repository;

- answers all questions via the **secure alert system** (see below) that it has put in place. This system is used to address a question directly to a member of the CERSE, either simply to ask a question or to issue an alert;
- supports the **crisis management cell** for everything relating to ethics and CSR;
- must be referred to for any possible opinion in theory regarding any founding text or modification to founding text, which establishes strategic positioning of the company and which can have an impact on its field of skill, notably as concerns moral and sexual harassment, discrimination (see 23 fields of discrimination), environment, H&SW, fundamental values of the Group, the sustainable development objectives, etc.;
- suggests **an action plan** to the Chairman and CEO, relating to the implementation of the ethics and CSR repository and presents the results of its work to the Board of Directors' **Appointments, Remuneration, Ethics and CSR Committee**. This action plan applies to all the Group's subsidiaries (controlled companies) and contributes to the Group's general trends and (medium term / long term) objectives;
- oversees promotion and **continuous improvement** of ethics and CSR, in collaboration with the entities concerned;
- coordinates continuous development of the extra-financial rating, in collaboration with the Group's entities.

In its mission and for its work, the CERSE is supported by **the Network of Ethics Relays (*Réseau des Relais Ethiques - RRE*)**.

The Ethics Relays are named on each site in France and in the international subsidiaries. These Ethics Relays have an **advisory role** within the management of each site or subsidiary, and are one of the priority contact points for employees to provide responses concerning the ethics domains. The list of Ethics Relays members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

3. Applicable procedure

Any person willing to issue an alert will choose among the following list:

- the management line;
- the representatives of the Human Resources Department;

- the local relays (Ethics Relays, Compliance Officer, CSR Relays or Discrimination Expert);
- Ethics, Compliance and Governance Department (DECG);
- the Ethics Committee and CSR (CERSE) via one of its members;
- The Naval Group safe and confidential ethics alert system (See. below), which is only addressed to two people: the chairman and the CERSE secretary.

The Group stakeholders (customers, suppliers, subcontractors...) use the alert system which can be accessed from the Group Internet site in the Ethics code.

The person who receives the alert is not necessarily the one with the qualification to process it. The person will then transmit the alert to a qualified third party.

4. Naval Group alert system

In addition to the dedicated contacts, Naval Group has made an **internal alert system** available to its employees and stakeholders who are victims or witnesses of inappropriate behaviour within the Group, allowing them to issue an alert and to express themselves with confidence. This alert system is accessible via the following address:

ethics@naval-group.com

The e-mails in the alert system are accessible only to the chair and the secretary of the CERSE via a secure access. The **anonymity** of the whistle-blower and of the person(s) concerned is **strictly maintained** throughout examination of the affair as well as during deliberations.

Alerts must meet the conditions and are processed in accordance with the following terms:

- Any employee that issues an alert must act **in good faith**, i.e. without malevolence nor expectation of personal gain and must have reasonable evidence to uphold the veracity of their declarations.
- The use of the alert system in good faith cannot expose the originator to **penalties** even if the facts are not materially verified after processing and investigation. On the contrary, abusive use of the alert system can expose the originator to disciplinary measures and/or legal proceedings.
- When the alert is issued via the alert system, the matter is examined directly by the chair of the CERSE or by two of its members.

The CERSE ensures the **independence of its decisions** with regard to all levels within the company.

- When the alert is not issued via the alert system, it is examined by one of the dedicated contacts according to the subject: human resources representative, discrimination relay, ethics/CSR Relay, Compliance Officer or the Ethics, Compliance and Governance Department. Each of these contacts is bound by **confidentiality undertaking**.
- If necessary, an **inquiry is conducted**. Based on facts, it must determine the reality and materiality of the reported facts. Depending on its conclusions, disciplinary measures, up to dismissal, can be taken, or legal proceedings can be engaged.

APPENDIX

List of Naval Group charters and guides

- Charter on relations with customers
- Charter on relations with suppliers and subcontractors
- Charter on computer systems usage
- Charter on social media usage
- Managerial charter
- Human rights charter
- Nuclear safety charter
- Vade-meCom
- Export control guide
- Practical guide to ethical behaviour

Bibliographic references

Naval Group's governance is conducted in compliance with the texts, standards and repositories applicable to the CSR domains and in particular:

- Environment round table law Grenelle 1 dated 3 August 2009
- Environment round table law Grenelle 2 dated 13 July 2010
- Law relating to energy transition for green growth (LTECV) dated 18 August 2015
- Law relating to transparency, anti-corruption and the modernisation of economic life (Sapin II) dated 9 December 2016
- Law relating to the duty of care by mother companies and prime contractors dated 27 March 2017
- European Parliament resolution on "corporate social responsibility: a new partnership" dated 13 March 2017
- European Commission communication dated 25 October 2011 concerning "the responsibility of enterprises for their impacts on society"
- OECD corporate governance principles dated 2004
- OECD guidelines for multinational enterprises dated 25 May 2011
- The eight fundamental conventions of the International Labour Organisation (ILO)
- Universal declaration of human rights (UNO) dated 10 December 1948
- Global compact (UNO) - 2000
- ISO 26000 guidelines dated 01 October 2010
- ISO 20400 guidelines dated 21 April 2017

The list of applicable policies, charters and instructions is available from the Group Ethics, Compliance and Governance Department (DECG) and from the CERSE.