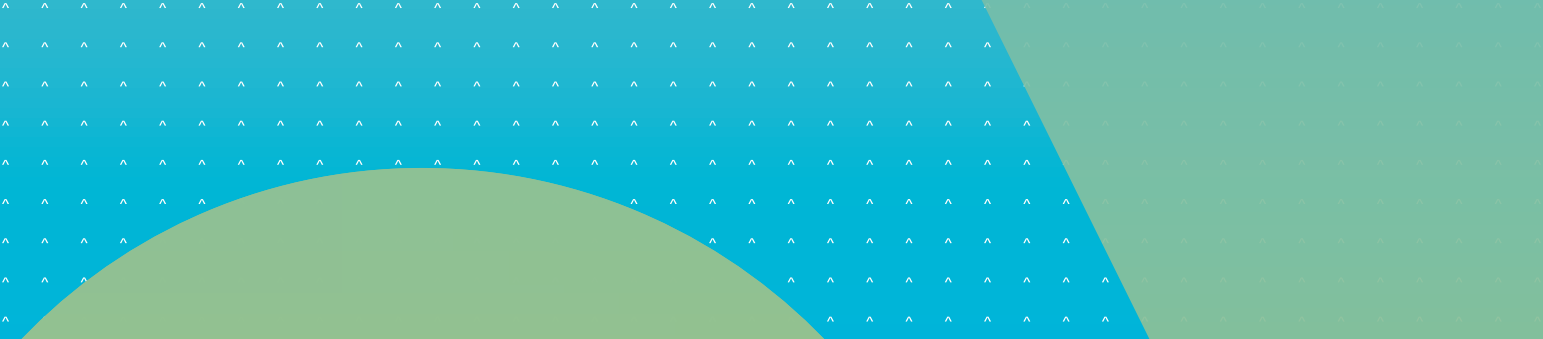


# Annual Environment Report 2021



# OUR BUSINESSES



## AEROSPACE

Offer environmentally-responsible, connected and safer flights, and design satellites to communicate and observe the planet.

### AERONAUTICS

- Avionics
- Electrical systems
- Passenger experience
- Training and simulation

### SPACE

- Telecommunications
- Earth observation
- Orbital infrastructures and transport systems
- Satellite navigation solutions
- Exploration

### GROWTH DRIVERS

- Progressive upturn in air traffic following the Covid-19 epidemic.
- Despite great uncertainty about the path the upturn will take, long-term growth of global air traffic is not in doubt.
- Strong demand for connectivity and increased operational and environmental efficiency.
- Unique positioning of space systems to meet new communications and observation needs.
- The domain of military space systems has become a priority for many countries.

NO.3 WORLDWIDE

Commercial flight avionics

NO.2 WORLDWIDE

Civil satellites



28%  
of Group revenue\*

€4,463m  
+6.1% vs. 2020

EBIT margin: 4.5%



## DEFENCE & SECURITY

Help states, armed forces and organisations protect themselves and ensure the security of citizens and infrastructures.

- Radar, sonar and optronic systems
- Secure communication networks, at the heart of collaborative combat solutions
- Network and infrastructure systems
- Cyberdefence solutions and critical information systems
- Air traffic management

### GROWTH DRIVERS

- A new geopolitical context is driving armed forces to reconsider their medium and long-term needs.
- Rapid digitisation of the armed forces.
- Growing demand for cybersecurity solutions.
- Smart systems take a prominent role in platforms.

NO.2 WORLDWIDE

Military communications

NO.1 IN EUROPE

Defence electronics



54%  
of Group revenue\*

€8,633m  
+5.7% vs. 2020

EBIT margin: 12.9%



## DIGITAL IDENTITY AND SECURITY

Build trust in a connected world.

- Banking and payment services
- Cloud protection and software licenses management
- Identity and biometric solutions
- User and device authentication solutions on mobile networks
- IoT and data analytics solutions

### GROWTH DRIVERS

- Strong market growth (data protection, connected objects, biometrics, etc.).
- Over a trillion connected devices expected by 2035.
- Shift to the cloud: increased authentication and data protection needs.
- An offer that complements other Group businesses.
- Acceleration of digital growth driven by the pandemic and increasing need for connectivity and contactless applications.

NO.1 WORLDWIDE

Data protection

NO.1 WORLDWIDE

Payment and SIM cards



19%  
of Group revenue\*

€2,995m  
+2% vs. 2020

EBIT margin: 11.9%

## GROUND TRANSPORTATION

Business unit in divestment

Oversee and monitor transportation networks efficiently.

- Rail signalling and supervision
- Communication systems
- Ticketing
- Cybersecurity

### GROWTH DRIVERS

- 60% of the world's population will live in cities and urban centres by 2030 (Source: UN-Habitat).
- Strong trend towards increased automation of transport solutions, including the move towards fully autonomous vehicles.
- National post-pandemic recovery plans that are increasingly geared towards green mobility.

NO.2 WORLDWIDE

Rail signalling and supervision



€1,665m  
+2.4% vs. 2020\*

EBIT margin: 7.5%

\* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.

# OUR BUSINESS MODEL

## MEGA TRENDS

EXPONENTIAL GROWTH OF DATA PRODUCED



GROWTH AND URBANISATION OF THE WORLD POPULATION



ENERGY TRANSITION AND CLIMATE EMERGENCY



MOBILE CONNECTIVITY AND MULTIPLICATION OF CYBERTHREATS



INCREASE IN THE IMPACT OF ARTIFICIAL INTELLIGENCE



GLOBAL COMPETITION FOR TALENT

## OUR RESOURCES



### INTELLECTUAL CAPITAL

€1,027m in self-funded R&D.  
A portfolio of **more than 22,000 patents**.  
The Group's technical activities, from research to engineering, involve **more than 30,000 people**.



### HUMAN CAPITAL

**80,995** employees.  
More than **31,000** employee and ex-employees are shareholders.  
€7,747m in payroll.  
An average of **12 hours** of training per employee per year.  
**94%** fulltime contracts.  
**98%** permanent contracts.



### ENVIRONMENTAL CAPITAL

Deployment of the **strategy for a low-carbon future** aligned with the 1.5°C climate target of the Paris Agreement for operational greenhouse gas emissions.  
Signatory of the principles and recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**.  
Undergoing assessment for SBTi certification.



### SOCIETAL CAPITAL

A strong ethics policy: **ISO 37001** certification obtained in 2021 (anti-bribery management system).  
Purchases accounting for **46%** of revenue.  
Renewal of the "Responsible Supplier and Purchase Relations" label in 2021.  
**14 sponsorship actions** funded by the Thales Solidarity programme across **8 countries**.



### FINANCIAL CAPITAL

Low level of debt: **€795m** at 31 December 2021.  
Long-term generation of free operating cash-flow.  
Solid investment grade credit profile, S&P rating: BBB; Moody's rating: A2.

\* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.



## VALUE CREATED



### INTELLECTUAL VALUE

Almost **400 new patent** applications in 2021, of which 25% in key digital technologies.  
**6.3%\*** of revenue invested in self-funded R&D.  
Thales ranked **no.1** in Europe for physics research, by the scientific journal Nature.



### HUMAN VALUE

**10,338** new recruits, of which **33%** were women.  
**3%** absenteeism rate worldwide.  
**50%** women on the Board of Directors.  
Ranked **3<sup>rd</sup> preferred company** by engineers (Universum France 2021).



### ENVIRONMENTAL VALUE

Decrease of **36%** in operational CO<sub>2</sub> emissions, compared to 2018 (scopes 1 & 2 and scope 3 business travel).  
**32%** of electricity from renewable sources, an increase of 5 points compared to 2020.  
**84%** of new product developments incorporate partial or full ecodesign approach (target of 100% by 2023).  
**70%** of non-hazardous waste recycled, an increase of 15 points compared to 2018.



### SOCIETAL VALUE

**73%** of purchases made from European suppliers, of which **37%** from suppliers in France.  
**€244m\*** income tax (average tax rate: 17.3%).  
**Nearly €30m** invested in solidarity funds by more than 20,000 employees through Thales savings schemes (no.2 in France).  
**100%** of employees exposed to the risk of corruption have been trained against corruption.  
**More than €1.7m** raised through the MicroDON initiative over the last 5 years.



### FINANCIAL VALUE

**21\*** large orders with a unit value over €100m.  
Strong increase of global revenue.  
**Over €2.5bn** of free operating cash-flow in 2021.  
A double-digit EBIT margin.

# SHARED VALUE CREATION WITH OUR STAKEHOLDERS

Thales's profitable growth model is based on shared values. The Group's economic success generates profits for the company as a whole, which is essential to pursuing a resilient strategy. Value sharing is embodied not only financially but more widely, in the Group's contribution to the UN's Sustainable Development Goals. —

## HIGHLIGHTS FROM 2021

<p><b>REVENUE IN 2021</b> <b>€16,192m*</b></p>	<ul style="list-style-type: none"> <li>Thales's 2021 annual results indicate a sharp rebound, continuing to demonstrate the resilience of our business model and the relevance of the strategic choices – both technological and industrial – that were made.</li> </ul>
<p><b>EMPLOYEES COMPENSATION PAID IN 2021</b> <b>€7,747m</b></p>	<ul style="list-style-type: none"> <li>In November 2021, the Group launched its 11<sup>th</sup> employee shareholding plan. As many as 600,000 shares were offered to employees in 36 countries, with a 20% discount on the purchase price and a matching offer of one free share for every four shares purchased (up to a maximum of 10 free shares). It was once again a great success with more than 21,300 employees choosing to take advantage of the offer.</li> </ul>
<p><b>SUPPLIERS PURCHASES IN 2021</b> <b>€8,171m</b></p>	<ul style="list-style-type: none"> <li>With more than 17,000 suppliers across the globe, Thales contributes to the economic growth of every country in which it operates, with a large proportion of small, medium, and medium-large businesses. In 2021, Thales bought more than €2 billion of products and services from 4,000 small, medium, and medium-large businesses in France.</li> </ul>
<p><b>GOVERNMENTS INCOME TAX 2021</b> <b>€244m*</b></p>	<ul style="list-style-type: none"> <li>As an international group, Thales pays its fair share of taxes and duties in many countries. The Group rigorously applies tax rules and ensures that it complies with local regulations, international treaties, and the directives of international organisations. The effective income tax rate is 17.3%. The rate incorporates changes in tax rules in Italy and the UK that resulted in significant tax rebates. Adjusted for these extraordinary gains, the effective tax would have been 20.6%.</li> </ul>
<p><b>SHAREHOLDERS DIVIDENDS PAID IN 2021</b> <b>€417m</b></p>	<ul style="list-style-type: none"> <li>On March 2, 2022, Thales's Board of Directors decided to propose to shareholders, who will convene at the Annual General Meeting on May 11, 2022, a dividend of €2.56 per share for the fiscal year 2021.</li> </ul>
<p><b>SELF-FUNDED R&amp;D IN 2021</b> <b>€1,027m*</b></p>	<ul style="list-style-type: none"> <li>The Group's technical activities, from research to engineering, involve more than 30,000 people. Within the limited scope of R&amp;D, an important element in competitiveness, Thales spent €1,027m on self-financed R&amp;D in 2021, or 6.3% of its sales revenues.</li> </ul>

\* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.

# OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

## 4 PRIORITY SUSTAINABLE DEVELOPMENT GOALS

SDG	BUSINESS PRIORITIES	DEVELOPMENTS
	<ul style="list-style-type: none"> <li>Increase our R&amp;D investments and our private and public partnerships.</li> <li>Contribute to sustainable and responsible industry.</li> <li>Develop the know-how and innovation capabilities of our partners and members of the civil society.</li> </ul>	<ul style="list-style-type: none"> <li>More than 40% of the Group's employees work in R&amp;D-related roles.</li> <li>In 2021, Thales spent €1,027 million on self-funded R&amp;D.</li> <li>87% of employees work at an ISO 14001 (environmental management) certified site and 82% work at an ISO 45001 (workplace health and safety management) certified site.</li> </ul>
	<ul style="list-style-type: none"> <li>Reduce our environmental footprint and that of our clients.</li> <li>Accelerate our actions and set more ambitious objectives for the climate.</li> <li>Participate in the effort to limit global warming to 1.5°C in line with the objective set by the Paris Agreement.</li> <li>Analyse to better anticipate the impact of global warming on our markets.</li> </ul>	<ul style="list-style-type: none"> <li>Earth observation satellites, conceived by Thales Alenia Space, provide scientists and decision-makers with essential data for monitoring the environment.</li> <li>In 2021, the Group reinforced its engagement concerning its operational CO<sub>2</sub> emissions. The Group is aiming for a reduction of 50% by 2030, and to reach net zero by 2040.</li> <li>In 2021, Thales was ranked A-, "Leadership" level, by the CDP (formerly known as Carbon Disclosure Project).</li> </ul>
	<ul style="list-style-type: none"> <li>Promote diversity and inclusion across the Group.</li> <li>Develop best practices in terms of female recruitment and careers.</li> <li>Fight against gender bias, gender stereotypes and sexism.</li> </ul>	<ul style="list-style-type: none"> <li>In 2021, women accounted for 33% of recruitment worldwide and 27% of the global headcount.</li> <li>50% of the members of the Board of Directors and 20% of members of the Executive committee are women, which places Thales among the leaders of its industry when it comes to women's representation in senior positions.</li> <li>In 2021, Thales extended its gender equality index to a worldwide level, to assess the situation of women when compared to men, in the Group's companies with at least 250 employees.</li> <li>In 2021, women represented 18.9% of positions of responsibility (target of 20% for 2023).</li> </ul>
	<ul style="list-style-type: none"> <li>Fight corruption, placing human rights at the centre of our value chain.</li> <li>Support the creation of resilient and transparent institutions.</li> <li>Ensure that everyone has a legal identity, a key element that allows the full exercise of one's citizenship.</li> </ul>	<ul style="list-style-type: none"> <li>Thales's defence and security activities contribute to the development of institutions. Peace is an indispensable prerequisite to achieve any sustainable development goal.</li> <li>Through over 200 identity programs worldwide, Thales helps governments provide their citizens with secure and easy-to-deploy identity proofs, a key element that enables everyone to exercise their civic rights.</li> </ul>

# 1. A CORPORATE RESPONSIBILITY POLICY TO SUPPORT SUSTAINABLE ECONOMIC GROWTH

For more than twenty years, Thales has been proactively implementing a strong corporate responsibility policy based on the highest international standards. This is now illustrated by the company's Purpose, newly adopted in 2020: "Building a future we can all trust".

## THE IMPLEMENTATION OF A LONG-TERM CORPORATE RESPONSIBILITY POLICY,

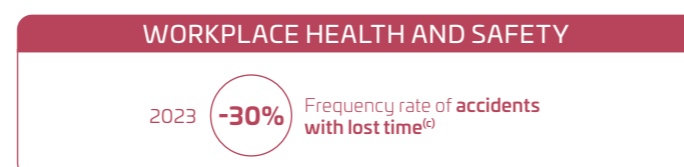
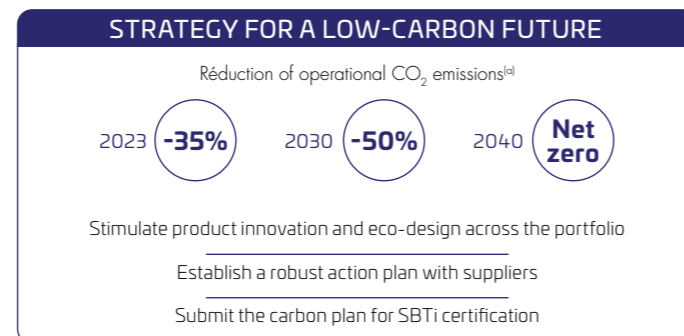
a key to Thales's economic performance, is one of the fundamental expectations of its customers and employees. Through this approach, the Group is also addressing the demands of its investors and the financial markets for a company that is increasingly efficient, innovative, and mindful of its responsibilities, while at the same time aligning with current societal trends toward building a more transparent and trustworthy relationship between companies and all their stakeholders.

## “ THIS YEAR, THALES IS CELEBRATING 10 YEARS OF COMMITMENT TO THE HIGHEST STANDARDS ”

In 2021, Thales reconfirmed its commitment to the United Nations Global Compact, to which it has been a signatory since 2003. The Group therefore implements the ten principles relating to human rights, labor law, environmental protection, and anti-corruption that make up the policy through agreements and procedures. This initiative has allowed Thales, since 2012, to achieve Global Compact Advanced level, the highest status of distinction of the United Nations Global Compact, which aims to create a high standard of CSR performance and encourage transparency. This year, Thales is celebrating 10 years of commitment to the highest standards of this globally recognized initiative.

In 2021, Thales organized an investor event entirely dedicated to ESG issues. During the meeting, Patrice Caine, surrounded by a large number of Executive Committee members, highlighted the acceleration of Thales's CSR initiatives and emphasized the growth opportunities offered by sustainable development. In particular, Thales has made new commitments to accelerate its response to the challenges posed by climate change. This event enabled the financial community to better appreciate the Group's ambition to contribute to a safer, more environmentally friendly and more inclusive future and to see the acceleration of Thales's CSR roadmap.

### THALES' MAIN CSR COMMITMENTS



(a) Scope 1 + Scope 2 + Scope 3 business travel. (b) Top 13% of employees. Percentage of female employees: 27%. (c) Compared to 2018 rate.

In 2021, these objectives now account for 10% of the variable compensation of all eligible employees (60% of the workforce).

These commitments in terms of social, environmental, and governance policies have been evaluated and valued by the main non-financial rating agencies. In 2021, the non-financial rating agencies MSCI, Vigeo-Eiris, and Ethifinance (Gaia Rating) gave Thales an A rating and an index of 57/100 and 83/100 respectively for its corporate responsibility policy. These assessments place the Group among the best-performing players in terms of CSR in its industry.

In addition, Thales, which has been responding to the CDP (Carbon Disclosure Project) "Climate Change" questionnaire since 2010, has received a grade of A- in 2021. This "leadership" level recognizes companies that have adopted best practices in the fight against climate change. This rating reflects the Group's commitment and efforts in implementing its Low-Carbon Strategy with ambitious targets for scopes 1, 2, and 3 and strong governance. Thales also participates in the Ambition4climate initiative led by Afep (Association Française des Entreprises Privées) as well as in the work conducted by this professional organization and the Shift Project on the analysis of "climate" risk and the way to take it into account in the evaluation of companies and in corporate strategy.

This year, the relevance of these CSR commitments has also been recognized by our banking partners, since the bank credit line in place since 2020, whose conditions included climate objectives, was amended in 2021 (extension of its duration and improvement of its financial conditions) to take into account the reinforcement of the Group's Low-Carbon Strategy (see 4.2.2.1).

Finally, in March 2021, Thales obtained ISO 37001:2016 "Anti-corruption management systems" certification, issued by AFNOR for a scope including Thales SA and the companies it controls in France, as well as certain international subsidiaries of Thales International SAS<sup>(1)</sup>. In 2022, the Group plans to continue this process with a view to extending the scope of this certification to two major countries in its international organization (the United Kingdom and the Netherlands).



these objectives now account for **10%** of the variable compensation of all eligible employees (60% of the workforce), in 2021

<sup>(1)</sup>The three regional companies concerned are Thales EURAM, Thales AMEWA, and Thales NSEA in their respective areas of Europe and Latin America, the Middle East and Africa, and Asia.

## “ THE GROUP IS DEVELOPING ITS INTERNAL CSR GOVERNANCE TO ENSURE THAT THESE ISSUES ARE ADDRESSED AT THE HIGHEST LEVEL ”

### STRENGTHENED CSR GOVERNANCE AND ORGANIZATION

In order to better meet its future CSR challenges, at the end of 2021, the Group decided to set up an integrated CSR department, under the responsibility of a Chief Sustainability Officer directly reporting to the Group Secretary & General Counsel. This new department covers all CSR areas and is organized into three areas: two areas of expertise for Environment (including climate) and Health/Safety, on the one hand, and social and societal issues (including Diversity and Inclusion and Thales Solidarity), on the other; the third area is responsible for dealing with all cross-functional issues: indicators, reporting, benchmarking, communication with stakeholders, regulatory and societal watch, etc.

In addition, the Group is developing its internal CSR governance to ensure that these issues are addressed at the highest level:

- a Strategic CSR Committee has been created at the Executive Committee level, in which the Chairman & Chief Executive Officer, the Group Secretary & General Counsel, and several members of the Executive Committee will participate;
- a network of CSR correspondents has been created within the Group: in each of the Global Business Units and Major Countries, this role is assigned to the Strategy and Marketing Directors; CSR correspondents will also be designated by the heads of the major cross-functional areas within their Management Committee.

It is important to note that despite the Covid-19 pandemic, Thales reaffirmed all its priorities and confirmed and even increased its CSR objectives.

All of Thales's main commitments in terms of corporate responsibility are presented in the Group's integrated report. This report, published yearly since 2016, aims to provide all stakeholders - employees, customers, suppliers, business partners, local communities, public authorities, NGOs, etc. - with details about how the organization interacts with its ecosystem and uses capital to create value in the short, medium, and long term. In this document, Thales sets out its ever-growing commitment to the Sustainable Development Goals defined by the United Nations in 2015.

# 2. RISKS TAKEN INTO ACCOUNT FOR THE NON-FINANCIAL PERFORMANCE STATEMENT

In 2018, to identify the main CSR risks to disclose in the Non-Financial Performance Statement, the Group conducted a risk identification and mapping exercise with the participation of the main corporate support functions<sup>(1)</sup> and the assistance of an external consulting firm.

In 2021, this working group met again to assess the impact of the Covid-19 pandemic on the six risks selected for the Non-Financial Performance Statement. The Group considers that this crisis has not substantially changed the type of CSR risks to which it is exposed.

The six risks selected on that basis relate to:

- DIVERSITY AND INCLUSION;
- WORKPLACE HEALTH AND SAFETY;
- ENVIRONMENTAL IMPACTS RELATED TO THE GROUP'S BUSINESS ACTIVITIES<sup>(2)</sup>;
- IMPACTS OF REGULATORY CHANGES<sup>(2)</sup>;
- COMPLIANCE WITH RULES OF ETHICAL BUSINESS CONDUCT (ESPECIALLY THE FIGHT AGAINST CORRUPTION AND INFLUENCE PEDDLING)<sup>(2)</sup>;
- VIGILANCE REGARDING SUPPLIERS' COMPLIANCE WITH CORPORATE RESPONSIBILITY ISSUES.

Risk identification	Risk monitoring and management
<p><b>1. Diversity and inclusion</b></p> <p>In a more globalized cultural and technological environment, increasing team diversity and developing a more inclusive corporate culture are key ways to support innovation and creativity thanks to a broader range of approaches, perspectives, and ideas.</p> <p>A lack of diversity in its teams could affect the Group's ability to properly account for major technological changes and respond to changes in customer expectations, and thus have a negative effect on its competitiveness and profitability.</p>	<p>Since 2016, proactive targets have been introduced Group-wide to strengthen diversity and inclusion in the broad sense of the term. These targets are covered in a monthly scorecard (see Chapter 5.4.2 of URD 2021).</p> <p>In an effort to promote team diversity and employee inclusion while ensuring differences are respected, the Group has adopted a dedicated governance system structured around a Steering Committee, a Diversity and Inclusion Council, and a central Diversity and Inclusion department.</p> <p>In terms of gender diversity and professional equality, the Group has been rolling out negotiated action plans in France since 2004 under agreements signed with trade unions.</p> <p>Since 2009, Thales has been a signatory of a European agreement called IDEA, which includes gender equality commitments. The Group's initiatives in this area are described in Chapter 5.4.2 of URD 2021.</p>

Risk identification	Risk monitoring and management
<p><b>2. Workplace health and safety</b></p> <p>Certain activities for which Thales is responsible, conducted on its sites or on external sites, may expose its employees, subcontractors or other parties (industrial partners, customers, visitors) to various physical risks, for example electrical, chemical, or radiation. The risks are greater for activities that are unusual in terms of their frequency (exceptional activity, specific maintenance) or of working conditions (night work, large number of people working on a site at the same time, cramped premises, land, naval, or railway construction sites).</p> <p>Wherever the Group operates, numerous and diverse regulations relating to the working environment and industrial safety apply to all its activities. Particularly risky activities are subject to additional provisions.</p> <p>This regulatory environment aims to protect the health, safety, and quality of life at work of the employees for which the Group is responsible and to ensure a safe and healthy working environment. As a result, the lack of control of these provisions and/or the quantitative, qualitative, or temporal insufficiency of the measures implemented could expose the Group to financial or administrative sanctions, impair its operational performance, incur its liability and/or damage its reputation, appeal, and value.</p> <p>In addition, the Group's activities may be significantly affected by a national, regional, or even a global crisis of a biological (pandemic) or physical (volcanic eruption, earthquake, tsunami, hurricane, etc.) nature.</p> <p>Safeguarding the health of its employees and persons acting under the responsibility of the Group may incur significant additional costs, to which may be added efforts to maintain the continuity of its activities in safe and healthy conditions.</p> <p>As a result, the Group's ability to meet its commitments could be directly or indirectly affected (lack of provision of equipment, inability to access sites, etc.).</p> <p>Customers' needs could likewise be sharply, significantly, and permanently diminished, leading to a collapse in activity over time.</p>	<p>Thales has set up a dedicated organization combining the dimensions of sites, Global activities/Product Lines and legal entities, in order to prevent occupational health and safety risks at work on the Group's facilities as well as on external sites.</p> <p>Cross-functional and multidisciplinary steering committees, created to eliminate or reduce these risks, meet several times a year (see Chapter 5.4.3 of URD 2021).</p> <p>This organization and these committees are in charge of:</p> <ul style="list-style-type: none"> <li>• regular assessments and monitoring of the risks to which employees and the various stakeholders may be exposed;</li> <li>• specific analyses of the risks linked to the substances and products handled;</li> <li>• implementing concrete actions to prevent health and safety risks in the workplace and, in conjunction with the Human Resources Department, to improve quality of life and well-being at work (see Chapter 5.4.3 of URD 2021);</li> <li>• anticipating major crisis situations that may occur on a national, regional, or global scale.</li> </ul> <p>Specific measures were implemented from the very beginning of the health crisis. They have continued or have been adapted to the context of the year 2021 and mainly concern:</p> <ul style="list-style-type: none"> <li>• The implementation of a Group Central Crisis Unit (CCU) in charge of managing the Covid-19 pandemic, in close collaboration with the Executive Committee and in coordination with the 55 local crisis units. In practice, these units are responsible for making decisions, establishing rules and recommendations, implementing them, monitoring the situation, optimizing the provision of the necessary protection resources, circulating information, and communicating about the health crisis.</li> <li>• Controlling risks related to changes in work methods that can lead to psychosocial risks. Particular attention is paid to the quality of life at work in the hybrid mode of telecommuting and being present on site, depending on national constraints.</li> </ul>

(1) Representatives from the Finance, Health, Safety & Environment, Human Resources, Purchasing, Audit, Risks & Internal Control, Strategy & Marketing, Ethics & Corporate Responsibility, and Communications Departments, plus the Corporate Secretary and corporate management.  
 (2) These three risks are included in Chapter 3, Risk factors, of URD 2021.

Risk identification	Risk monitoring and management
<p><b>3. Environmental impacts related to the Group's business activities</b></p> <p>The industrial footprint of Thales sites and operations, which remains small, exposes the Group to only limited risk of sanctions or damage to its image, particularly if certain operations do not comply with the increasing number of laws and regulations in this area.</p> <p>Emissions generated by the Group's activities are likely to affect the environment. In addition, the use of the products and solutions provided by the Group, throughout their life cycle, contributes to the production of greenhouse gases that have an impact on global warming and the circular economy.</p> <p>The low-carbon strategy implemented by the Group reflects Thales's commitment to the fight against climate change. Despite the actions already undertaken, as indicated opposite, the Group may not be able to fully achieve some of its stated objectives by the planned deadline.</p> <p>Risks arising from climate change (natural disasters, supply chain disruptions, economic instability, etc.) could have negative effects on the Group's performance and the resilience of its business model.</p>	<p>The Group constantly analyzes the environmental impact of its activities, taking into account regulatory, societal, and technical developments and the sensitivity of the environments concerned. It also strives to optimize its locations, wherever possible.</p> <p>The Group has deployed an organizational structure, processes, and tools designed to ensure control of the activities of its industrial sites and to limit their environmental impact (see section 4.2.2).</p> <p>For several years, the Group has been implementing a process to assess and reduce the exposure of its sites to natural disasters (see section 4.1.3.3) in order to reduce its vulnerability to the physical effects of climate change.</p> <p>The Group has made quantified and measurable commitments to reduce its impact on the environment. In particular, it is pursuing a strategy to reduce its carbon footprint, with targets for 2023 and 2030 in line with the Paris Agreement and taking into account the Science-Based Target methodology. These objectives were revised in 2021 to accelerate the process, with the aim of achieving a "Net Zero" level of operational emissions by 2040 (see section 4.2.3). This low-carbon strategy is supported by detailed action plans covering four areas: transportation, operations, purchasing, and products.</p> <p>At the end of 2021, Thales decided to strengthen its governance and organization on Corporate Social Responsibility (CSR) issues and to create an integrated CSR Department led by a Chief Sustainability Officer reporting to the Group's Secretary &amp; General Counsel.</p> <p>The achievement of the Group's stated objectives is measured on a regular basis and is the subject of annual consolidation and publication (see 4.2.2).</p>
<p><b>4. Impacts of regulatory changes</b></p> <p>Accelerated changes in environmental regulations could rule out certain technical solutions, particularly for certain suppliers or subcontractors. This could require the Group to qualify and implement alternative solutions, adapt its supply chain, or upgrade certain industrial resources, with the costs and timescales associated with such changes.</p> <p>Regulatory differences between countries and constant changes to regulations also make it more difficult for Thales to verify the compliance of solutions that are released to market, and could put the company at a competitive disadvantage.</p> <p>Lastly, the expectations and voluntary segment-specific national or international commitments relating to the circular economy or carbon-footprint reduction, in particular for products with a long life cycle (e.g., aerospace), could lead to technical impossibilities or significant additional costs.</p>	<p>The Group's analyses of environmental risks are regularly updated based on new issues, customer needs, regulatory changes, and voluntary commitments (e.g., REACh in Europe, chemicals, the circular economy, climate change, etc.), based on active international regulatory oversight and exchanges of information within national and international bodies.</p> <p>All this is factored into the design of the Group's products and solutions:</p> <ul style="list-style-type: none"> <li>• Thales is engaged in the eco-design of all its new products, and deploys tools to ensure that they are embraced by its employees and to anticipate obsolescence and the reduction in CO<sub>2</sub> emissions during their use;</li> <li>• numerous examples illustrate the significant contribution of the Group's products, solutions, and services to carbon reduction, particularly in the field of transportation (see Chapter 4.3).</li> </ul> <p>The Group's commitments to a low-carbon future and the associated targets are also passed on to suppliers and the supply chain and integrated into the contracts and/or specifications sent to them.</p> <p>Solutions for replacing hazardous substances are also being developed ahead of regulatory deadlines (see Chapter 5.5.2.1.2).</p>

Risk identification	Risk monitoring and management
<p><b>5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)</b></p> <p>Thales's business encompasses almost 70 countries.</p> <p>Failure to comply with applicable laws and regulations relating to ethical business conduct, and especially the fight against corruption and influence peddling, may have serious legal and financial consequences for the Group and severely damage its reputation.</p>	<p>The Group's anti-corruption Compliance Program, which has been in place for many years, is constantly being updated to incorporate recent legislative and regulatory changes.</p> <p>In 2020, Thales embarked on a certification process pursuant to ISO 37001: 2016 "Anti-bribery management systems". Certification was issued by AFNOR in March 2021 with the scope covering Thales SA and the companies it controls in France and some international subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA). The Group will continue this process in 2022 with a view to extending the scope of this certification to the United Kingdom and the Netherlands.</p> <p>The Group's anti-corruption policy is described in Chapter 5.6.1 of URD 2021.</p>
<p><b>6. Vigilance concerning supplier compliance with corporate responsibility issues</b></p> <p>The Group's purchases account for approximately 40% of its sales. They are made worldwide from around 19,000 active suppliers of all sizes, many of whom have their own subcontracting chains.</p> <p>Despite the Group's increased vigilance, it is difficult to guarantee that all stakeholders in the supply chain will be fully compliant with laws relating to social, environmental, and ethical responsibility.</p> <p>Should any supplier fail to comply with laws relating to social, environmental, and ethical responsibility, it might affect the Group's business activity, image, and profitability.</p>	<p>Monitoring and management of this risk are included in the Duty of Care Plan (see Chapter 5.7.6 of URD 2021) pursuant to law No.2017-399 of March 27, 2017 on the Duty of Care of parent companies and contracting companies.</p>

**THE NON-FINANCIAL PERFORMANCE STATEMENT**

also includes the disclosures required under Article L.225-102-1 III paragraph 2 of the French Commercial Code.

These include disclosures about the consequences of the company's business activities and the use of the goods and services it produces on climate change, its corporate commitments to sustainable development, the circular economy, the fight against food waste and food insecurity, respect for animal welfare and responsible, fair, and sustainable food, collective agreements signed within the company and their impact on the company's economic performance and employees' working conditions, initiatives aimed at combating discrimination and promoting diversity, and measures taken for people with disabilities.

**SEE THE RELATED CROSS-REFERENCE TABLE IN CHAPTER 8.7 OF THE UNIVERSAL REGISTRATION DOCUMENT 2021.**



# 3. NON-FINANCIAL PERFORMANCE SCORECARD

Topic/risk	Policies	Key performance indicator	2020 results	2021 results
1. Diversity and inclusion	<p><b>Thales's commitment: Bring out the best in everyone</b>  <i>"At Thales, I work in teams that are open to diversity and that value our differences and backgrounds."</i></p> <p><b>Cross-functional initiative taken by the Executive Committee as part of the Group's Ambition 10 strategic vision</b>            Being a global leader with a strong local presence means embracing diversity in all its forms: gender, age, origin, and nationality. A truly diverse global organization has an additional advantage when it comes to competitiveness and attracting and retaining top local talent. Diversity stimulates innovation and creativity thanks to a broad range of approaches, perspectives, and ideas. Inclusion, which presupposes the acceptance of diversity and recognition of its importance, improves Thales's collective performance.</p>	% of women in top positions <i>2023 target: 20%</i>	18%	18.92%
		% of Management Committees with at least three female members <i>2023 target: 75%</i>	68%	71%
2. Workplace health and safety	<p><b>Thales's commitment: Be attentive to everyone</b>  <i>"At Thales, my manager trusts me: they empower me and monitor my well-being."</i></p> <p><i>"At Thales, I have all the resources and support I need to maintain a healthy work-life balance."</i></p> <p><b>Thales's commitment: HSE policy</b>  <i>"Thales is committed to providing a safe and healthy working environment for its employees at its own sites and at external sites."</i></p>	Absenteeism rate	3.30%	3.03%
		Frequency rate of accidents at work <i>2023 target: 1.55</i>	1.66	1.47
		Severity rate of accidents at work	0.056	0.03
		% of employees working on an OHSAS 18001/ISO 45001 certified site	77.1%	81.93%
3. Environmental impacts of the Group's activities	<p><b>Thales's commitment: HSE policy</b>  <i>"Thales is committed to safeguarding the environment by limiting impacts (energy, climate, natural resources, etc.) and preventing pollution risks."</i></p>	Reduction of operational emissions <sup>(a)</sup> Absolute value compared with 2018 <i>2023 target: -35%</i>	-35%	-36%
		Reduction of other emissions <sup>(b)</sup> Absolute value compared with 2018	-29%	-33%
		Recycling rate of non-hazardous waste	60%	70%
		% of employees working at ISO 14001 certified sites	84%	87%

Topic/risk	Policies	Key performance indicator	2020 results	2021 results
4. Impacts of regulatory changes	<p><b>Thales's commitment: HSE policy</b>  <i>"Thales is committed to designing, purchasing, producing, and providing solutions, products, and services that meet health, safety, and environmental requirements."</i></p>	New developments incorporating eco-design	44%	84%
		Percentage of Product Line Architects and Product Line Managers trained in or made aware of eco-design	33%	64%
5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)	<p><b>Thales's commitment: Zero tolerance of corruption</b>  <i>"Ethical conduct, integrity, and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i>            (extract from the Code of Ethics)</p>	Number of operational entities that assessed risks of corruption	149	153
		Anti-corruption training <sup>(c)</sup> <i>Multi-year objective: training of 100% of the populations concerned</i>	1,350	6,774
		Alerts received via the Group's whistleblowing system, including alerts relating to allegations of corruption <sup>(d)</sup>	25	44
6. Vigilance concerning supplier compliance with corporate responsibility issues	<p><b>Thales's commitment: Get all its suppliers to support its approach to corporate responsibility</b>  <i>"Thales establishes relationships of mutual co-operation with its suppliers based on mutual loyalty."</i>            (extract from the Code of Ethics)            Thales requires its suppliers to comply with commitments relating to Human Rights, labor standards, and environmental protection.</p>	Percentage of new suppliers committed to the principles of Thales's new Integrity & Corporate Responsibility Charter <i>2023 target: 100%</i>	91%	97%
		Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping. <i>2023 target: 100%</i>	24%	59%

(a) Operational emissions: Internal operations (Scope 1, 2, and 3 – business travel).

(b) Other emissions: Scope 3 purchases of goods and services and use of products and services sold.

(c) In 2021, 2,143 employees took the "general e-learning" course, 1,039 employees attended the virtual class and 3,592 employees took the "thematic e-learning" courses.

(d) The alert concerning allegations of corruption was closed without further action, as the internal investigation confirmed that there was no evidence of corruption.





## 4. A COMMITTED APPROACH TO MEET ENVIRONMENTAL CHALLENGES

### 4.1 GENERAL POLICY ON THE ENVIRONMENT AND THE FIGHT AGAINST CLIMATE CHANGE

#### 4.1.1 LONG-STANDING COMMITMENTS RENEWED AND STRENGTHENED

In line with its purpose ("Building a future we can all trust"), its strategy of social and environmental responsibility, and its commitment to the United Nations Global Compact, in 2021 Thales reinforced the commitment it made more than 20 years ago to the health and safety of its employees and the Group's environmental performance. As part of the Code of Ethics, this ambitious voluntary commitment to continued improvement aims at reducing the environmental impact and risks from activities around the world and products on the market at all levels of the organization. The environmental risks identified in the NFPS correspond to environmental impacts connected with the Group's activities and changes in regulations. They are described in Chapter 2.

To ensure compliance with applicable regulations and to anticipate standards, this policy has three key areas of focus:

- **TO ENSURE THE HEALTH, SAFETY, AND WELL-BEING AT WORK OF WOMEN AND MEN OF THE COMPANY, AS WELL AS FOR STAFF WORKING AT ITS SITES AND AT EXTERNAL WORKSITES UNDER ITS RESPONSIBILITY;**
- **PRESERVING THE ENVIRONMENT BY LIMITING THE IMPACT OF ITS ACTIVITIES (PARTICULARLY ENERGY, CLIMATE, TRANSPORT, NATURAL RESOURCES, BIODIVERSITY), WHILE PREVENTING POLLUTION RISKS AND REINFORCING RESILIENCE TO CLIMATE CHANGE;**
- **DESIGNING, PURCHASING, MANUFACTURING, AND SUPPLYING ECO-DESIGN SOLUTIONS, PRODUCTS, AND SERVICES THAT MEET THE HIGHEST REQUIREMENTS IN TERMS OF HEALTH, SAFETY, AND ENVIRONMENTAL PROTECTION.**

By involving its employees, partners, and suppliers in this policy, Thales aims to:

- communicate and promote a culture of health, safety, and environmental protection to its employees and stakeholders while preventing and managing the associated impacts and risks;
- cultivate a spirit of responsible innovation sustained by its employees' commitment to face current and future challenges, in particular those linked to climate change;
- participate in collective efforts undertaken through national and international programs and use its technologies to understand and preserve the environment;
- assess, monitor, and subscribe to a process of continuous improvement, particularly through internal and external audits that the company carries out or has carried out.

To turn its commitments into action, Thales has had environmental and sustainability performance targets since 2007. In 2021, Thales raised the level of its ambition and its targets and confirmed its 2019 commitment to the climate by accelerating its Strategy for a Low-Carbon Future. The upward revision of its short-term (2023) and medium-term (2030) targets for operational reduction in emissions are centered around a new long-term target of reaching net zero by 2040. The reinforcement of the policy of reducing greenhouse gas emissions according to these ambitious targets, involving the whole value chain, reflects the Group's commitment to preserve the environment. This policy can be viewed on Thales's website and is set out in Chapter 4.2.2.1.

The Group is also continuing to work on optimizing the management of its waste and managing the gradual replacement of hazardous substances in its products in advance, which could prevent the obsolescence of these products.

#### PERFORMANCE RELATED TO ENVIRONMENTAL IMPACT IN CONNECTION WITH THE GROUP'S ACTIVITIES AND THE ANTICIPATION OF ENVIRONMENTAL STANDARDS IN PRODUCT DESIGN (NFPS):

	2018	2020	2021	Change 2018/2021	2023 target	2030 target	2040 target	2018/2021 trend
<b>Environmental management</b>								
Percentage of employees working at an ISO 14001 certified site	89%	84%	87%	-2pts				↘
<b>Natural resources</b>								
Recycling rate of non-hazardous waste <sup>(a)</sup>	55%	60%	79%	+24pts	75%			↗
<b>Eco-design</b>								
New developments incorporating eco-design	NA	44%	84%	+84pts	100% <sup>(b)</sup>			↗
Percentage of Product Line Architects, Product Line Managers, Product Design Authorities, and Design Authorities trained in or made aware of eco-design	NA	33%	64%	+64pts	100%			↗
<b>Climate (thousands of t of CO<sub>2</sub>)</b>								
Reduction of operational emissions <sup>(c)</sup>	344	225	221	-36%	-35%	-50%	Net Zero	↘
Reduction of other emissions <sup>(c) (d)</sup>	13,969	9,308	9,312	-33%	-7%	-15%		↘

(a) Excluding special waste. Special waste refers to waste products that are produced outside of the Group's normal activities, for example during construction.

(b) 2022 target.

(c) Expressed as an absolute value compared to 2018.

(d) After integrating improvements in modeling; see 4.2.2.4.

DETAILED FIGURES CAN BE FOUND IN THE TABLE IN CHAPTER 4.5 "ENVIRONMENTAL INDICATORS".

## 4.1.2 A SHARED DYNAMIC

### 4.1.2.1 GLOBAL ORGANIZATION

Aiming to consistently improve its environmental performance and prevent risks, the Group has set up an organization that addresses these challenges: a Group Health, Safety & Environment Department. The department is responsible for defining strategy, policy, processes, methods, and associated standards and for supervising and monitoring their implementation across the Group, as well as coordinating a dedicated global HSE network. This organization is described in paragraph 5.4.3.2.2 of Universal Registration Document 2021.

**“ AIMING TO CONSISTENTLY IMPROVE ITS ENVIRONMENTAL PERFORMANCE AND PREVENT RISKS, THE GROUP HAS SET AN ORGANIZATION THAT ADDRESSES THESE CHALLENGES ”**

### 4.1.2.2 AWARENESS-RAISING, TRAINING, AND COMMITMENT OF EMPLOYEES

The members of the extended international HSE network meet at a conference once a year. In 2021, this two-day event was held as a web conference for the second year in a row and involved employees from all departments around the world. Four major topics were discussed, including environmental challenges and the Strategy for a Low-Carbon Future (see Chapter 4.2.2.1). The content is accessible online and contributes to making the Group employees aware of these complex problems.

Online training modules are available to introduce Group employees to the basic aspects of environmental risk control, with general topics such as “eco-responsibility” or specific issues such as managing chemicals, labeling hazardous materials, or issues related to climate change.

In 2021, several information sessions on the Group’s Strategy for a Low-Carbon Future were organized, followed by a recording made available to all employees via the Group’s intranet site. These sessions made it possible to raise awareness among several thousand people. Continuing the momentum begun in 2019, particular attention was paid to raising awareness and training managerial teams on rolling out the HSE 2023 vision, and to climate issues and rolling out the low-carbon future policy for management committees.

In addition, nearly 1,100 employees completed specific eco-design awareness sessions at the end of 2021. To support environmental knowledge within the Group, other dedicated training courses are offered to various professional groups: environment, procurement, design, sales, etc.

The Group HSE Department also takes part in the various gatherings organized by other business lines (supplier conferences, product seminars, operations seminars, etc.) to explain the HSE commitments, targets, and action plans applied by the operational teams as well as their implications on all of the Group’s processes.

Thales’ global teams are also committed to protecting the environment through voluntary local actions. 2021 saw a week dedicated to Sustainable Development, during which teams from each site were invited to reflect on their best practices in terms of workplace health, safety, and environment and to carry out concrete actions for responsible energy management, such as unplugging nonessential electronic equipment outside office hours. The results of these actions were then shared to encourage best practices and support worthwhile initiatives. The Group also organized a series of conferences on the fight against global warming with the participation of Laurent Bopp, an oceanographer and climatologist, director of research at CNRS (French National Center of Scientific Research) and an expert with the IPCC. These proceedings are available online to all employees.

Finally, it should be noted that several groups of “eco-conscious” employees have been set up throughout the Group, particularly in France. These employees make a positive impact in their daily work and activities in the workplace on various subjects such as energy saving and waste management. The HSE teams work in concert with these groups to develop synergies.

### 4.1.2.3 STAKEHOLDER RELATIONS

Thales is committed to communicating transparently with administrative authorities, its employees, customers, partners, suppliers, and subcontractors, as well as with civil society, in order to share its environmental challenges. Procedures are also in place to receive, deal with, and transmit alerts and requests swiftly. It is also possible to send questions to the Group’s HSE Department using a dedicated email address.

To meet the expectations of its stakeholders (customers, civil society, investors, rating agencies, employees, etc.), Thales communicates its environmental policy, makes its environmental data available on its website, and responds to requests from non-financial rating agencies (see Chapter 1).

In the course of its partnerships, particularly with schools, Thales promotes the preservation of the environment through presentations on climate change and natural resources or by working with universities.

In addition, the Group’s HSE teams participate in the work of the International Aerospace Environmental Group (IAEG) and the Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS). Thales’s Vice President of Health, Safety, and Environment chairs the IAEG Strategic Planning Committee and the GIFAS Environment and Sustainable Development Commission.

Beyond its contribution to these organizations, Thales maintains direct relationships regarding environmental issues with numerous customers in its various business segments, particularly in the fields of Aeronautics, Space Defense, Cyber security, and the Internet of Things (IoT). These relationships allow for a better understanding and integration of their environmental requirements into developments and projects, and ensures the sharing of common positions on still-developing ideas and initiatives.

Thales’ social commitment strategy aims to coordinate the Group’s solidarity actions around priorities defined within the framework of the Thales Solidarity program, which gives priority to actions that enhance innovation and technology to serve three areas of expertise (see chapter 5.3), including environmental protection. The various projects related to the environment aim to improve the prevention and resilience of people with regard to critical environmental risks and to encourage the creation of local solutions. In France, the “connected educational beehive” project allows beehives to be equipped with connected equipment in order to collect analysis data on the hives and to remotely monitor the behavior of the bees. The two main objectives are to fuel participative research and to strengthen outreach to young people.



**1,100**  
employees completed specific  
eco-design awareness sessions



### 4.1.3 A MODERATE AND CONTROLLED ENVIRONMENTAL FOOTPRINT FOR THALES' ACTIVITIES

#### 4.1.3.1 PREVENTION AND CONTINUOUS IMPROVEMENT PROCESS

Thales has integrated the control of environmental impacts and risks into its Group management framework, which is available to all employees.

The dedicated process requires the implementation of an environmental management system at all sites to ensure the control and limitation of the environmental risks and impacts of operational activities (buildings, industrial tools, equipment, worksites), the supply chain (purchasing, supplier audits) and products delivered (product policy, design, offers, projects, and services).

Integrated into the various processes that govern the Group's activities, it defines best practices and methodological guidelines, and specifies the rules that must be followed at all levels of the organization. It also sets out the risk management and accident alert procedures. The environmental management system procedures were reviewed in 2021.

#### Evolution of the number of employees working on an ISO 14001 site



The decrease observed between 2018 and 2020 is linked to the integration of Gemalto.

By the end of 2021, 146 sites were certified, compared to 144 in 2020. 87% of the Group's employees work at a site that is certified according to the ISO 14001 standard, which includes, among other things, the management of the environmental impact of products. Each year, audits are carried out by teams of internal auditors (audit policy, maturity assessment) or external auditors in the context of ISO 14001 certification or risk prevention by insurers.

In addition, in order to provide support to the sites, the eHSE risk management software suite deployed throughout the Group has been adapted to changes in the ISO 14001 standard. This allows the system to take into account the requirements of the interested parties, the risks and opportunities linked to the environmental analysis, and the effectiveness of the actions and the associated resources.

It also enables all Group entities to report, record in a standardized manner, and manage action plans related to environmental incidents and accidents through a single tool.

These environmental risk management processes, particularly those related to climate change, are described in paragraph 3.1.7 of Universal Registration Document 2021.

#### 4.1.3.2 CONTROLLING INDUSTRIAL RISKS

Only 6 of the Group sites present a significant industrial risk: 4 are classified as Seveso in Europe (1 "upper tier" and 3 "lower tier") and 2 sites are classified as "high industrial risk" in Australia.

Safety management systems (including a major accident prevention policy, an internal operations plan, a hazard study and associated risk management scenarios, etc.) are implemented and inspected regularly by the national HSE coordinators and by the supervisory authorities, in accordance with applicable regulations. A review of the regulatory status and situation of the Group's 4 Seveso sites in Europe was conducted in 2020 following the Lubrizol accident; they are still being monitored.

Insurance and compensation policies for victims of accidents, including technological accidents for which the Group may be liable, cover all sites insured by the Group, including those classified as Seveso. Risks arising from unforeseen situations (pollution, fire, etc.) are managed locally with the expertise of the relevant Group departments, if necessary. These are subject to specific accident prevention and management procedures and complaint handling.

The implementation of an accident reporting tool makes it possible to precisely identify the nature of accidents, to analyze them, to take the necessary management and prevention measures, and to capitalize in order to share feedback.

In 2021, only 11 incidents occurred throughout the Group, with no significant impact on health or the environment.



**11** incidents occurred throughout the Group, with no significant impact on health or the environment in 2021

**“SAFETY MANAGEMENT SYSTEMS ARE IMPLEMENTED AND INSPECTED REGULARLY BY THE NATIONAL HSE COORDINATORS AND BY THE SUPERVISORY AUTHORITIES, IN ACCORDANCE WITH APPLICABLE REGULATIONS”**



**87%**

of the Group's employees work at a site that is certified according to the ISO 14001 standard



#### 4.1.3.3 ENVIRONMENTAL RISKS AND ADAPTATION TO CLIMATE CHANGE

The Group's risk map includes an environmental component. This deals with environmental risk factors related to the Group's activities, the constant evolution of environmental standards in the countries in which it operates, and risk factors resulting from climate change.

The analysis of environmental risks that could affect human health, the environment, and the Group (reputational and financial impact, ability to continue certain activities, etc.) is reviewed periodically with the help of AXA Insurance risk prevention specialists. It was reviewed in 2021, taking into account the changes in the activities carried out, scientific and technical developments, and new challenges; it also includes the potential opportunities associated with these changes.

This analysis aims to:

- ensure that the Group's employees, people working on its permanent sites or its construction sites, and more generally the populations in the vicinity, are not exposed to any risks to their health or to the environment;
- ensure that the Group's activities do not harm the environment;
- ensure compliance of the activities carried out and the products sold;
- anticipate new regulations and analyze their long-term impact on the Group's commitments and on the design of new products and services;
- assess the impact of climate change on the Group's activities.

The entire risk management system is assessed annually at the level of each legal entity under the coordination of a Risk Assessment Committee and results in:

- an improvement plan integrating the experts' recommendations, translated into action plans at all levels of the company;
- a summary of the significance of the impact on the Group, drawn up in consultation with the International HSE Steering Committee.

The potential impacts of climate issues and risks have been integrated into the Group's strategic thinking, the implementation of which remains aligned with compliance with the provisions of the Paris Agreement, in particular through:

- the identification of risks but also of market opportunities, benefits, and associated financial issues;
- the implementation of the responsible procurement policy;
- the launch of an assessment of the resilience of business models to climate risks with the support of Carbone 4.

The Group's approach to adapting to climate change aims to reduce its vulnerability to the effects of climate change, such as natural disasters (storms, floods, etc.), earthquake hazards, fires, and the depletion of natural resources.

To this end, as part of a preventive approach, the Group's Insurance Department has drawn up and is piloting a plan to visit sites with a view to reducing the probability of claims occurring or limiting the consequences of incidents. In 2021, 75 sites were visited. In addition, and in order to comply with travel restrictions, conference calls on the subject of risk prevention were organized at more than 30 Group sites. It should be noted that 212 of the 260 sites covered by the risk prevention visits were visited.

In addition to risks related to the Group's activities and to natural disasters (earthquakes, etc.), risks related to adaptation to climate change are specifically analyzed and reassessed in order to reduce the Group's exposure and vulnerability:

- **FOREST FIRES (E.G., IN THE USA AND AUSTRALIA);**
- **WATER STRESS;**
- **FLOODS;**
- **STORMS, HIGH WINDS;**
- **CONSEQUENCES OF DEFORESTATION AND DISRUPTION OF WILDLIFE HABITATS, ETC.**

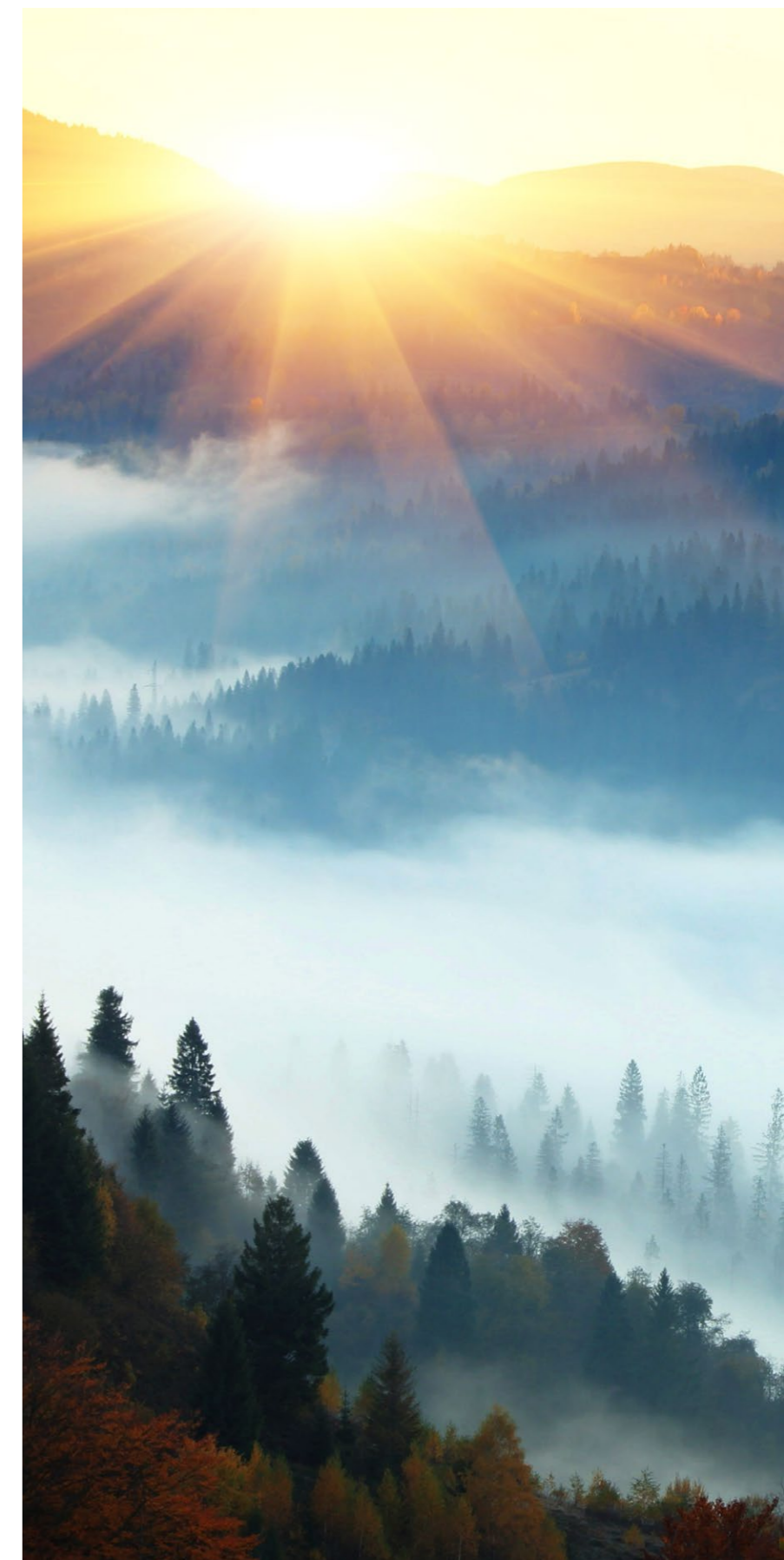
In 2021, the Group was not subject to any claims related to climate phenomena or natural disasters.

At the same time, and with the support of AXA's specialist partners, Thales is pursuing its active risk prevention engineering policy. In particular, risks likely to generate a major loss affecting people or the environment and/or significantly affecting the value chain (fire, machine breakdown, etc.) are monitored.

Thales conducted an in-depth survey of the vulnerability of its sites to water-related risks based on three key points, led by AXA's environmental engineering experts:

- the risk of too much or too little water: sharing of the resource (use or storage versus renewal of groundwater and surface water), depletion of the resource, annual and inter-annual variations, risks of river or coastal flooding;
- the risk of unsuitability of the water for its intended use: wastewater management, accumulation of nitrogen and phosphorus leading to the proliferation of algae;
- regulatory and reputational risk: consumption of non-potable water, sanitation management.

**“ THALES IS PURSUING ITS ACTIVE RISK PREVENTION ENGINEERING POLICY ”**



In view of the Group's activities and compared to other risks, the water-related risk is considered low, both in terms of vulnerability and severity. However, due to climate change, projections for 2040 show a significant increase in areas experiencing water stress, prompting continued efforts to further reduce water consumption.

In addition to day-to-day operations, environmental risk management is applied with the same rigor to the Group's operations (disposal or acquisition of companies) in order to limit the guarantees granted or the risks related to the resumption of operations at the sites acquired as part of these operations, regardless of their nature, amount, or duration.

The compilation of all the evaluation tables for the significant environmental impacts of the Group's sites and activities, as well as the evaluation of their materiality on the surrounding environment – and in particular with regard to their nature, their quantification, and the sensitivity of the receiving environments – make it possible to consolidate the following materiality table:

#### MATERIALITY OF ENVIRONMENTAL IMPACTS

Materiality of impacts	Industrial activities	Tertiary activities	Comments
Gas emissions	Low	Low	The Group's industrial activities do not require intensive energy consumption, which is why they generate only very small quantities of greenhouse gases (scopes 1 and 2).
Air emissions (other than GHG)	Negligible	None	With the exception of about ten sites, the Group's industrial activities do not emit atmospheric pollutants
Soil pollution	Moderate	Negligible	The Group's industrial activities cause little pollution, with only a few sites having to deal with pollution of a long-term nature.
Energy consumption	Low	Negligible	The Group is not energy intensive (see 4.2.2.3).
Production of non-hazardous waste	Low	Negligible	Low production of non-hazardous waste, most of which is recycled (see 4.2.3.1).
Production of hazardous waste	Low	Negligible	Due to its industrial activities, the production of hazardous waste is limited and represents only 17% of the total production of waste treated in appropriate channels.
Water consumption	Low	Negligible	The Group has low water consumption. No operations in water-stressed areas and numerous action plans have been implemented for over 20 years. These plans are complemented and optimized by the implementation of recycling loops wherever possible. This impact is therefore not significant.
Emissions into water	Negligible	None	Industrial sites collect and treat their wastewater before it is discharged. Only 31 of the 188 sites in the Group's scope of consolidation for environmental reporting are concerned.



#### 4.1.3.4 LEGAL DISPUTES AND ENVIRONMENTAL ALERTS

Thales has not been involved in any environmental litigation that has resulted in compensation. In addition, in 2021, no site was the subject of an environmental request or complaint (within the meaning of the international standard ISO 14001) from the authorities or third parties. As of December 31, 2021, provisions for environmental risks amounted to €5.35 million at Group level.

**“ THALES HAS NOT BEEN INVOLVED IN ANY ENVIRONMENTAL LITIGATION THAT HAS RESULTED IN COMPENSATION ”**

provisions for environmental risks amounted to  
**€5.35 MILLION**  
 at Group level

## 4.2 REDUCING ENVIRONMENTAL IMPACT THROUGHOUT THE VALUE CHAIN

### 4.2.1 A DYNAMIC OF INNOVATION TO REDUCE THE GROUP'S ENVIRONMENTAL FOOTPRINT

Thales is committed to developing environmentally responsible products and systems that meet various needs:

- compliance with and anticipation of environmental regulations, making it possible to manage obsolescence and control the associated industrial risk;
- creating customer value and differentiators in the market through innovation;
- reducing environmental impact and meeting the Group's commitments.

The three approaches implemented in this process are:

- consideration of the environment throughout the product's life cycle;
- the development of features to improve customers' environmental performance;
- the development of products that strengthen the control and understanding of environmental issues.

This approach is associated with the Group's key processes, including the product policy, Engineering, Manufacturing, and Procurement. The Group is also developing methods and tools to help designers and product architects make eco-responsible choices, capitalize on environmental information, and ensure that the solutions chosen comply with regulatory requirements.

**“ THALES IS COMMITTED TO DEVELOPING ENVIRONMENTALLY RESPONSIBLE PRODUCTS AND SYSTEMS “**

The use of product lifecycle analyses (LCAs) and environmental impact analyses over several years has allowed us to highlight the need to substitute hazardous substances and to define the phases of the life cycle that have the greatest impact in terms of CO<sub>2</sub> emissions. For most of the Group's products and solutions, the use phase has the highest carbon footprint. This is mainly due to potentially very long product lifespan of 20 years or more and high usage rates. The analyses also show that actions to reduce CO<sub>2</sub> emissions generally lead to a reduction in other environmental impacts, thus identifying the real levers for action. In 2021, Thales performed simplified lifecycle analyses on ten products under development. In addition, Thales has initiated additional LCAs on products with specific life expectancies, such as satellites at the request of ESA, and has worked on guidelines adapted to these products for conducting LCAs.

For products carried on mobile platforms, the nature (aeronautical, naval, railway, etc.) and the profile (lifespan, percentage of time on the move, etc.) of this mobility are the predominant parameters in terms of environmental impact because of the mass of these products that must be moved and, to a lesser extent, their energy consumption. For fixed-location products, energy consumption is the most important parameter. Reducing impact therefore depends both on the Group's ability to reduce their intensity through product design and on its customers' ability to reduce the energy intensity of the platforms on which these products are mounted.

For a limited number of products with a short life cycle in the use phase, and concerning consumer applications, in particular bank cards or SIM cards and associated peripherals, the implementation of LCAs adapted to the relevant environmental indicators for these products shows that the production phase generates the most significant impact. This phase of the lifecycle is therefore the priority for efforts to reduce environmental impact (see 4.3).

Finally, the Group contributes to the reduction of its customers' carbon emissions. Indeed, several products and systems developed by Thales make it possible, in a very significant way, to avoid some of the emissions of the customers who use them. In the aeronautical field, examples include traffic management systems, trajectory optimization systems, flight assistance systems, and simulators that limit the amount of real flight training (see 4.2.2.5).

Awareness of environmental issues and their consideration in the development of new products must accompany the development of the eco-design approach:

the training of "Product Line Architects", "Product Line Managers", "Design Authorities", and "Product Design Authorities" reached 64% in 2021. Since 2019, training tools and sessions have been implemented in the Group's various entities and have reached around 1,100 employees by the end of 2021 despite the crisis. Their objective is to allow product policy and engineering staff to integrate these issues into product road maps and into the upstream stages of development, translating them into technical requirements that guarantee their implementation throughout the development process.

In 2021, Thales launched an internal "Greengineer challenge" in the form of a call for projects for innovative technical solutions to reduce the environmental footprint of products and develop new solutions for the Group's customers. 23 projects were presented at the end of six weeks of work, involving 180 employees. Two winners were chosen in December from seven shortlisted and were rewarded with support for verifying the technical feasibility and commercial potential of their project.

### 4.2.1.1 DEVELOPING ECO-DESIGN

In order to be part of a sustainable approach, taking environmental issues into account in product development must be accompanied by value creation for Thales and its customers: improved operational conditions, reduced total cost of ownership, and optimized end-of-life management. This dimension is notably addressed through the product policy and the eco-design approach implemented, which aims to reconcile the proposed value and the reduction of environmental impact.

The work carried out in recent years to characterize the main Thales products has led to the identification of two priority areas for improvement:

- the use of sustainable resources in the design and manufacture of products, particularly with regard to hazardous substances, quantities of materials, the use of recycled raw materials, and their recyclability;
- the reduction of energy consumption and CO<sub>2</sub> emissions for products in the use phase.

In 2021, Thales launched an internal "Greengineer challenge"



**23 PROJECTS**

were presented,  
involving 180 employees



A Group-wide Steering Committee oversees the consistency of the approach, the sharing of information and best practices, and the construction of sustainable performance indicators, which are monitored quarterly by the Director of Operations and Performance, a member of the Group Executive Committee. This committee, coordinated by the HSE Department, brings together the product HSE coordinators of all the Global Businesses and includes product policy and engineering representatives.

The choice of physical structures, the search for new technologies, and the design of new equipment all involve limiting the use of materials in order to reduce size and mass and facilitate dismantling, as well as replacing the most toxic substances for health and the environment. These requirements are relayed to suppliers of equipment and components that Thales assembles on its sites. Manufacturing processes are also subject to optimization measures to limit material losses, debris, and waste quantities. Thus, relying on the standard dimensions of panels and profiles helps to reduce the volume of “scraps”.

In addition, since 2017, Thales has been using the additive manufacturing process (“3D printing”) to manufacture parts in the space field. Studies are underway to broaden the scope of use of this technique, particularly in the aeronautical field. This technology, combined with the use of topological optimization tools, limits material consumption for a given need. It also makes it easier to repair parts and allows for an optimized approach to service offerings. For certain specific activities such as bank cards and SIM cards, Thales is developing manufacturing processes that allow the use of recycled plastic for card bodies.

The table in chapter 4.3 includes some examples of products for which reductions in environmental impact have been achieved along the lines described above.

All of the actions described above have resulted in 84% of new developments incorporating eco-design.

Thales also pays particular attention to the availability of critical resources such as rare metals, and responds to requests from its stakeholders: strategic customers, surveys conducted by European and French authorities, etc. Finally, Thales has reduced the use of materials such as wood, cardboard, and plastic by streamlining, limiting, and reusing packaging either for supplies at Thales sites or for the transfer of equipment from one site to another.

#### 4.2.1.2 OBSOLESCENCE AND SUBSTITUTION OF HAZARDOUS MATERIALS

The increasing number of environmental regulations, as well as their evolution, lead to the limitation or even prohibition of certain substances. This leads to a growing risk that a piece of equipment or a system can no longer be manufactured or maintained throughout its life cycle. This is why Thales has rolled out a proactive approach based on anticipating risks and implementing the necessary actions to control them. The Group pays particular attention to technologies involving substances on the European REACH Regulation Candidate List, but also from other regulations such as the RoHS and WEEE directives, the POP regulation in Europe and international conventions on this subject.

This approach is based on centralized regulatory oversight of a constantly expanding scope, the summaries of which are distributed in the form of alerts based on the priority and criticality of the issues. It includes the collection of data relating to the substances directly concerned by the regulations and which are present in the components and sub-assemblies used in the products and solutions developed by the Group. All this data is centralized in a database accessible to all Group entities, as well as in PLM (Product Lifecycle Management) and ERP (Enterprise Resource Planning) tools. An analysis tool developed in-house makes it possible to cross-reference all the information to ensure regulatory compliance and conduct the impact analyses essential for anticipating the risks of obsolescence and environmentally responsible management.

Aware of the stakes, Thales is setting up alternative plans to control the risks of obsolescence, or solutions aimed at eliminating these substances when possible (with associated redesign of its products). Carried out internally or with industrial partners, the aim of substitution studies is to evaluate the performance of alternative industrial processes and to ensure that the products manufactured in this way comply with technical requirements. The redesign of products and their interfaces as well as the resizing of industrial tools may be necessary and will be implemented over several years.

In the case of chromates, Thales began researching alternative processes for more than 30 industrial processes used for its applications by its subcontractors in 2013. The Group has committed more than €7 million to this effort and to the implementation of alternative processes in equipment and systems. By the end of 2021, between 60% and 100% of substitutions have already been made, in line with the target dates. For the rare processes where there is no approved technical solution to date, or where the industrial implementation of alternative solutions has not yet been fully completed, Thales has ensured that it and its supply chains are protected:

- by the REACH authorization dossiers, the final decisions of which were voted on by the European Commission in 2020;
- compliance with the conditions of use related to these authorizations;
- the continuation of its research into alternative solutions in order to arrive at qualified solutions that are technologically feasible.

Therefore, compliance with the timetable in line with the dates set by the European Commission (2024 and 2026) is ensured for the industrial processes concerned by the substitution of chromates.

Similarly, the Group assesses exposure to potential risks related to other

**“ THE GROUP HAS COMMITTED MORE THAN €7 MILLION TO THIS EFFORT AND TO THE IMPLEMENTATION OF ALTERNATIVE PROCESSES IN EQUIPMENT AND SYSTEMS ”**



## 4.2.2 MEETING THE CHALLENGE OF CLIMATE CHANGE

### 4.2.2.1 ACCELERATION OF THE STRATEGY FOR A LOW-CARBON FUTURE

In line with its commitments affirmed as early as 2015 ("Business Proposals for COP21"), and regularly reaffirmed since then ("French Business Climate Pledge" in 2017 and 2019), in perfect alignment with the commitments made in 2019, and ahead of COP26 held in Glasgow in November 2021, the Group announced the acceleration of its strategy for a Low-Carbon Future. This proactive acceleration strategy, whose objectives will be submitted to SBTi<sup>(1)</sup> in 2022, has the following purpose:

#### 1. Upward revision of operational CO<sub>2</sub> emission reduction targets

In order to strengthen its contribution to the fight against global warming, and even though the Group reached the targets set for 2023 in 2021, the Group is committed to reducing its greenhouse gas (GHG) emissions in line with the 1.5°C trajectory of the Paris Agreement and has set the following targets:

- **-50% IN 2030 (INCLUDING SCOPE 1, SCOPE 2, AND SCOPE 3 – BUSINESS TRAVEL, WITH REFERENCE TO 2018 AND STILL IN ABSOLUTE TERMS) WITH AN INTERMEDIATE POINT OF -35% IN 2023;**
- **ACHIEVE NET ZERO BY 2040.**

The achievement of these objectives is based on a precise action plan:

- an even more ambitious reduction in energy consumption (real estate footprint optimization and energy efficiency programs in all countries, upgrading of industrial equipment, and rollout of solar panels);
- a massive development of the green energy supply, based on an action plan to be rolled out in each country;
- the elimination of high-emission refrigerant gases still used in clean rooms;
- a significant reduction in internal business travel as a result of communication tools, and the switch to electric or hybrid vehicles for all new Group company vehicles from 2022.

The carbon trajectory corresponding to these medium-term objectives has led Thales to set a "Net Zero" objective for 2040, the roadmap for which is currently being established and the terms of which will be submitted to SBTi in 2022.

**“ THE CARBON TRAJECTORY CORRESPONDING TO THESE MEDIUM-TERM OBJECTIVES HAS LED THALES TO SET A “NET ZERO” OBJECTIVE FOR 2040 “**

#### 2. Reduction of other emissions and those of the Group's customers

The objective of reducing other GHG emissions from its activities (scope 3 purchases and products sold on the market, excluding business travel) by 7% in 2023 and 15% in 2030 in absolute terms with respect to the 2018 reference year, is aligned with a 2°C trajectory based on scientific evidence.

These objectives are currently under review.

To achieve this objective, Thales relies on two levers of action:

1. In line with its commitment to its entire value chain, the Group is strengthening dialogue with its suppliers to support them in their own low-carbon commitments through the following actions:

- the analysis and validation of the 150 highest-emission suppliers' action plans in 2023;
- the ambition to bring these suppliers in line with a target of reducing their emissions by 50% by 2030;
- strengthening the inclusion of CSR criteria, including carbon footprint, in the supplier selection process starting in 2022.

2. Eco-design for product innovation. In order to offer innovative and eco-responsible functions and services that reduce the carbon footprint of its customers, the Group has set the following objectives:

- to have 100% of its new products and services eco-designed by 2023;
- to have trained all the target populations<sup>(1)</sup> by 2022 and to have promoted the use of internal tools dedicated to eco-design such as CLOE<sup>(2)</sup>, PETER<sup>(3)</sup> and 4E<sup>(4)</sup>.

Thales therefore confirms its commitment to:

- **CONTRIBUTE SIGNIFICANTLY TO THE AMBITIOUS OBJECTIVES OF DECARBONIZING AVIATION;**
- **SUPPORT THE ENERGY TRANSITION OF THE ARMED FORCES;**
- **PROMOTE A RESPONSIBLE SPACE ECOSYSTEM AND SUSTAINABLE SPACE TRAVEL;**
- **OPTIMIZE THE ENERGY EFFICIENCY OF THE DIGITAL WORLD THROUGH THE DEVELOPMENT OF DIGITAL SOLUTIONS THAT ARE “ENERGY EFFICIENT BY DESIGN”.**



(1) Science Based Target (SBTi) is an initiative of international experts that makes it possible to assess, on a scientific basis, whether the changes in greenhouse gas emissions of an economic actor are compatible with the objective of limiting the average global temperature increase to 2°C or 1.5°C.

(1) 100% of Line Managers (PLM), Line Architects (PLA), Design Authorities (DA) and Design Authorities (PDA) Products by end of 2022.

(2) Check List for Orienting Ecodesign: a tool to guide upstream the most relevant eco-design choices, taking into account environmental aspects and customers' operational expectations.

(3) Product Evaluation Tool for Ecodesign and Reporting: a simplified tool for estimating the CO<sub>2</sub> emissions of Thales' complex systems over their life cycle.

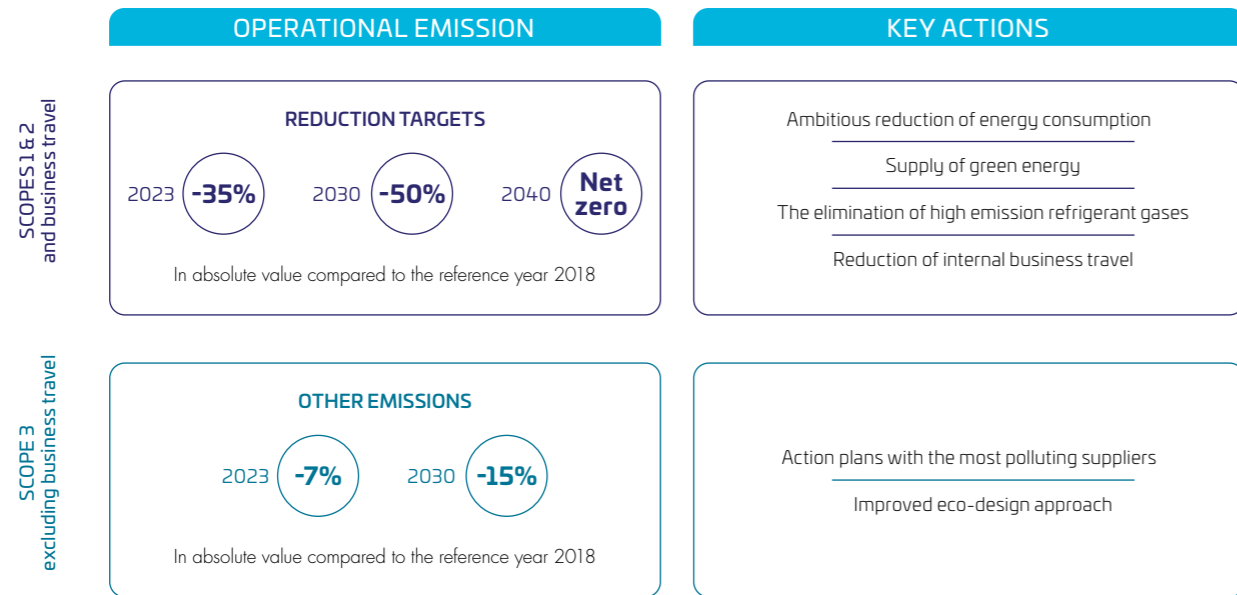
(4) Ecodesign Enriched Engineering Environment: an ongoing project to enable systems engineers to optimize their eco-design decisions from the earliest stages of development.



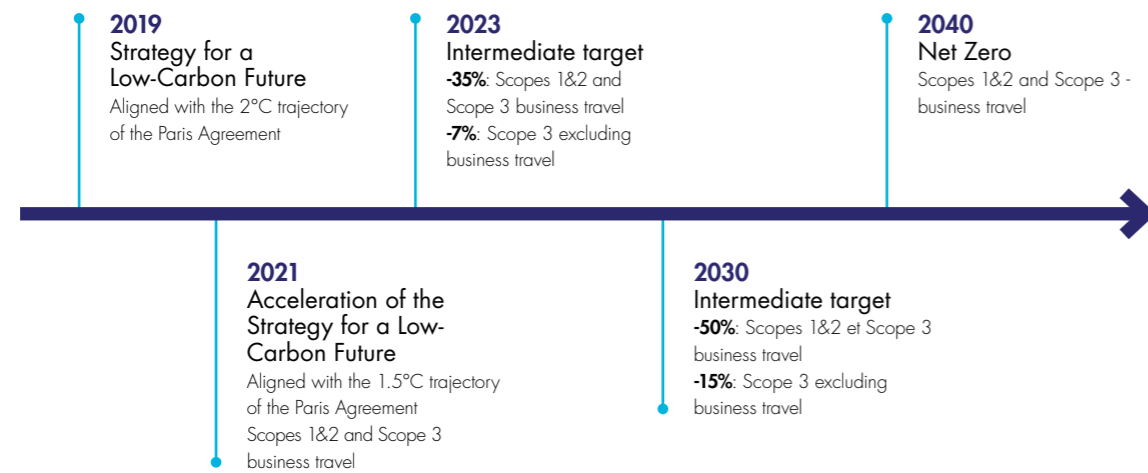
**3. The contribution to a better understanding of climate phenomena through the development of dedicated space systems**

In 2021, the solutions developed by Thales in the space sector to observe and understand climate and aeronautical phenomena provide major benefits in terms of reducing the environmental impact for its customers.

**Reduction targets for operational and other emissions**



**Timeline of the low-carbon future strategy reduction targets**



The strategy for a Low-Carbon Future is also based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) set up by the G20, to which the Group committed in 2020 by becoming a "signatory" of the principles and recommendations. A look-up table of TCFD-related items is provided in Chapter 5.10. In this way, the Group is in line with the 4 pillars of the TCFD recommendations:

- publication of information on the management of climate risk and opportunity issues;
- publication of climate-related risks and opportunities;
- description of the methodology for identifying, assessing, and managing climate-related risks;
- publication of the indicators and targets used to assess and manage climate-related risks and opportunities.

**Syndicated bank loan related to the Group's climate objectives (climate-linked Revolving Credit Facility)**

The bank loan agreement signed by Thales with 17 international banks in 2020 and amended in 2021 incorporates the Group's operational and other emissions reduction targets (Scopes 1, 2, and 3). This means that its interest rate will be adjusted up or down each year (bonus or penalty) depending on whether or not these objectives are met.

The strengthening of the Group's low-carbon ambitions for operational emissions as well as their alignment with a 1.5°C trajectory and the announcement of the next submission to SBTi were very well received by the Group's banks and contributed to the optimization of its financing conditions.

In order to further increase the concrete impact of this financial operation, potential bonuses and penalties may be donated to environmental projects supported by Thales Solidarity, the Group's endowment fund.



**4.2.2.2 GOVERNANCE OF THE STRATEGY FOR A LOW-CARBON FUTURE**

All of the company’s employees are involved in the strategy for a Low-Carbon Future and are responsible for driving and implementing it within the organization on a daily basis.

Its implementation is based on dedicated governance at several levels within the Group, supported by:

**The Group Central Steering Committee**

- It is sponsored by the Director of Operations and Performance, a member of the Executive Committee.
- It brings together:
  - two Global Business Unit directors and the Company Secretary in charge of steering the Group’s CSR policy,
  - the managers of each of the 4 pillars (operations, procurement, mobility, and products) as well as other key Group functions such as the HSE Department, the Financial Affairs Department, the Strategy and Marketing Department. and the Communications Department.
- It monitors, coordinates, identifies and manages risks as well as opportunities with regard to achieving the objectives set for 2023, 2030, and 2040.

**The respective steering committees for each of the four pillars: Operations, Products, Procurement, and Mobility**

- They meet twice a year and report to the Group’s Central Steering Committee.
- They are supported by multidisciplinary working groups that meet regularly to adapt the roadmaps and implement the action plans.

In addition to these strategic governance bodies specific to the Low-Carbon Future strategy, there is the Group’s CSR governance and organization (see chapter 1). Further, progress on the implementation of the strategy for a Low-Carbon Future is presented once a year to the Strategy and CSR Committee of the Board of Directors.

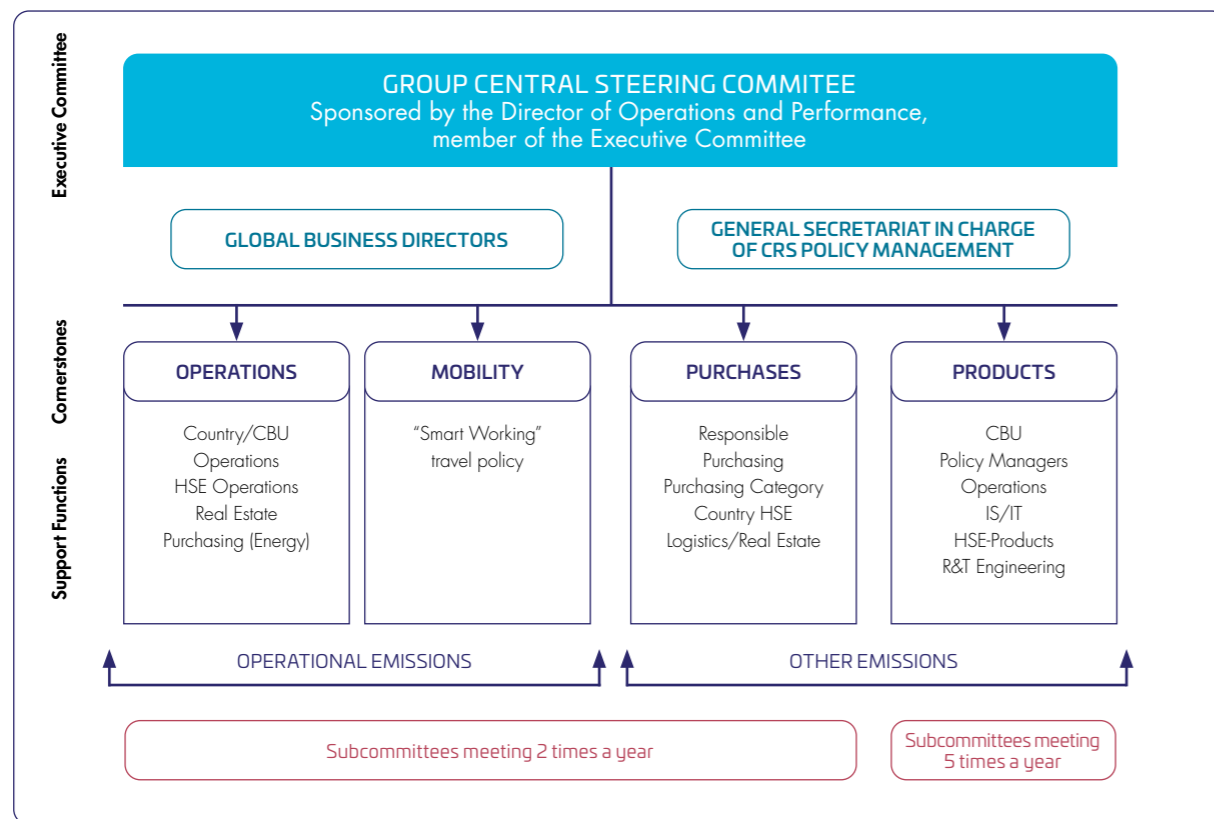
Numerous awareness-raising and training meetings have been held for over 2 years to support the implementation of the Low-Carbon Future strategy (with several thousand people involved). This is the case, for example, for the actions developed at each of the Group’s sites during the Sustainable Development week in October 2021. The videos dedicated to this subject and filmed during the two-day HSE Web Days event in 2021 were made available to employees on the Group’s intranet.

All of the Group’s operating units and the teams in charge of product policy or engineering have started local working groups to support the rollout of the actions required to implement the low-carbon plan, including the necessary prior awareness raising.

In 2020, the Executive Committee wanted to strengthen the collective element in the recognition of CSR performance. In this context, it has been decided that, starting in 2021, 10% of variable compensation for almost all employees eligible (70% of the Group’s employees) will be based on CSR objectives corresponding to the Group’s commitments. The Low-Carbon Future strategy accounts for a quarter of this measure (see 4.2.2.1).

The Group accelerated its goals and dedicated a half-day to dialogue with investors on ESG issues last October, the full content of which is available on the Group’s website; this event was notably an opportunity to present in detail the progress and acceleration of the Group’s strategy for a Low-Carbon Future.

**Governance of the strategy for a low-carbon future**



**“ THE GROUP ACCELERATED ITS GOALS AND DEDICATED A HALF-DAY TO DIALOGUE WITH INVESTORS ON ESG ISSUES LAST OCTOBER. ”**



**4.2.2.3 REDUCING THE CARBON FOOTPRINT OF OPERATIONAL EMISSIONS**

The Group’s operational emissions refer to emissions related to the consumption of energy and substances (scopes 1& 2) as well as emissions related to employee mobility (scope 3, “business travel”).

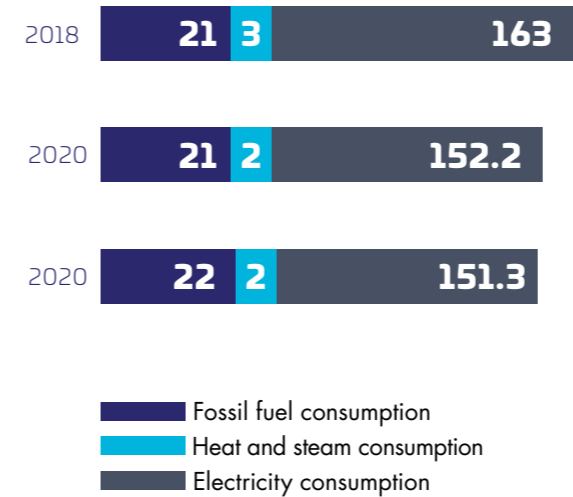
In 2021, Thales has accelerated its goals and has set short- and medium-term targets for reducing operational GHG emissions by -35% before 2023 (compared with -20% previously) and -50% before 2030 (compared with -40% previously). These targets are aligned with a science-based 1.5°C trajectory (using Science-Based Target methodologies) and continue to be expressed in absolute terms with reference to 2018. The trajectory corresponding to these short- and medium-term objectives has led Thales to announce a new long-term objective of Net Zero by 2040 for its operational GHG emissions.

**Performance relative to the environmental impacts of the Group’s activities NFPS**

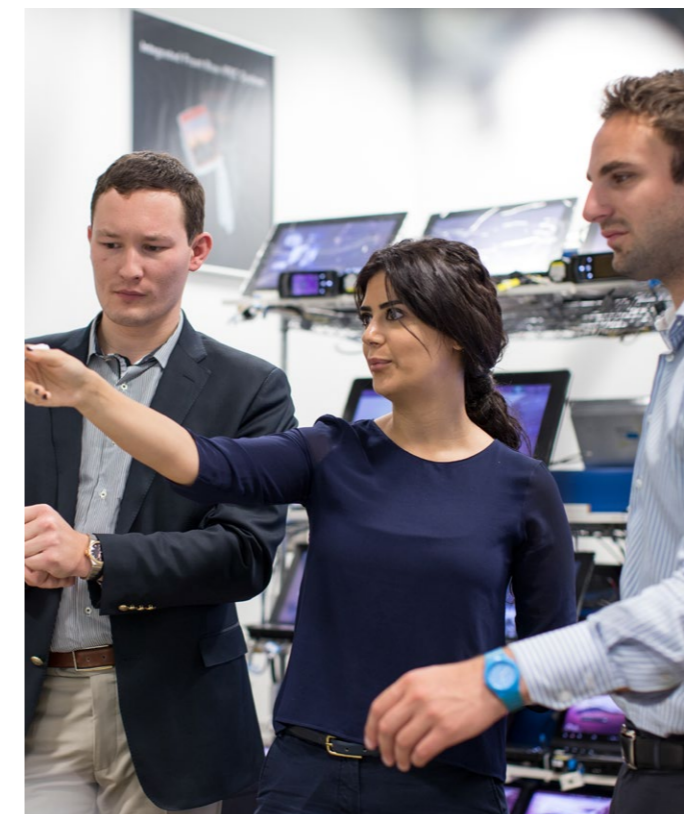
(in ktCO <sub>2</sub> )		2018	2020	2021	Change 2018/2021	2023 target	2030 Target	2040 Target
Climate Scope 1&2	Energy and substance-related emissions	251	196	187	-26%	-35%	-50%	Net Zero
	Of which total energy-related emissions	226	160	157	-30%			
Scope 1	Substance and energy-related emissions	78	86	81	4%			
	Of which substance-related emissions	25	36	28	12%			
Scope 2	Energy-related emissions	173	110	105	-39%			
	Of which market-based electricity emissions	128	98	92	-29%			
	Electricity-related emissions expressed in “Location based” terms	170	158	148	-13%			

**Reducing energy consumption and related emissions**

**Evolution of energy consumption (in toe)**



**“ TO ACHIEVE THIS ENERGY EFFICIENCY, 52 AUDITS WERE CONDUCTED BY A COMPETENT THIRD PARTY AND 6 MORE ARE PLANNED FOR 2022 “**



For several years, Thales has been implementing actions to reduce its energy consumption in order to reduce the greenhouse gas emissions associated with its activities.

This action plan to reduce energy consumption is based on:

- reducing the energy consumption of buildings;
- replacing the equipment that consumes the most energy;
- implementing heat recovery processes;
- optimizing airflow in clean rooms;
- installing solar panels on the sites.

As a result of the rollout of these reduction plans, the Group’s total energy consumption has been reduced by 7% between 2018 and 2021, with an increase of 0.5% between 2020 and 2021 due to the resumption of operations following the Covid-19 pandemic.

As of the end of 2021, 23% of the Group’s employees worked at ISO 50001 “Energy Management Systems” certified sites. In addition, 23 sites employing 18% of the Group’s workforce have obtained environmental performance certification for buildings (HQE, BREEAM, etc.).

To achieve this energy efficiency, 52 audits were conducted by a competent third party and 6 more are planned for 2022. Audits carried out on the Group’s most energy-intensive sites have led to consumption reduction programs. In addition, 63% of the sites (113 out of 181) have finalized, ongoing, or planned actions to reduce their energy consumption. For example, actions have been taken to change equipment (at Gémenos and Valence in France and Cheadle Heath in the United Kingdom) or to reduce the carbon footprint of buildings by moving to more recently built sites that incorporate more energy-efficient standards. In 2021, 47 sites (in Australia, Singapore, France, Germany, etc.) have started, continued, or completed their installation of Light Emitting Diodes (LEDs) on all or part of their sites.

The Group’s energy footprint has also been reduced by less use of fossil fuels (gas, fuel oil, coal), of which the ratio of consumption to sales continued to decrease in 2021, reaching a 16% reduction compared to 2018.

## Reducing electricity-related emissions with electricity from renewable sources


In MWh	2018	2020	2021	Change 2020/2021
<b>Total share of electricity from renewable sources (%)</b>	<b>25%</b>	<b>27%</b>	<b>32%</b>	<b>+5pts</b>
Of which electricity bound by a specific contract (%)	NA	80%	73%	-7pts
Renewable electricity bound by origin guarantees	NA	20%	22%	+2pts
Renewable electricity bound by PPA (Power Purchase Agreement)	NA	1.1%	1.1%	-
Renewable electricity related to self-consumption	NA	0.03%	0.23%	+0.2pts

For several years, the Group has also been committed to a strategy of purchasing green energy, a strategy that was reaffirmed and intensified in 2022. The share of renewable electricity increased by 5 points compared to 2020 to reach 32% in 2021.

54 sites (including 100% of the sites in the United Kingdom and the Netherlands, Thales Alenia Space in Italy, and Thales DIS in France) have a specific contract for the supply of green electricity or are purchasing Renewable Energy Certificates meeting the eligibility criteria<sup>(1)</sup> in 2021.

The electricity generated through self-production and therefore self-consumed on site has increased more than sevenfold in 2021 compared to 2020, reaching 1562 MWh. Four sites (Toulouse, Cannes, New l'Aquila, and Tres Cantos) have had solar panels since 2020 and other sites (such as Fleury, Charleroi, and Turin) launched projects for installation in 2021.



 The share of renewable electricity increased by **5 POINTS** compared to 2020 to reach 32% in 2021

(1) Electricity from renewable sources subject to a specific contract: bound or unbound guarantee of origin, PPA, or self-consumption.

## Reducing substance-related emissions (Kyoto Protocol)

In addition to energy, products with a high global warming potential, used mainly in refrigeration systems, are subject to detailed action plans.

Many sites have continued to replace high-emitting refrigerants with equipment containing less emissive refrigerants, and have implemented action plans to limit leaks and, in some cases, to replace the least efficient equipment. As a result, in 2021, SF<sub>6</sub>, one of the main greenhouse gases contained in air conditioning systems, accounts for only 1% of CO<sub>2</sub> emissions from substances.

Substance-related CO<sub>2</sub> emissions (Kyoto + R22) increased by 12% between 2018 and 2021 but decreased by 22% between 2020 and 2021. This variation is essentially due to better control of leaks on aging equipment or during maintenance operations.

**“ AS A RESULT, IN 2021, SF<sub>6</sub>, ONE OF THE MAIN GREENHOUSE GASES CONTAINED IN AIR CONDITIONING SYSTEMS, ACCOUNTS FOR ONLY 1% OF CO<sub>2</sub> EMISSIONS FROM SUBSTANCES ”**

## Reducing the emissions footprint of employee mobility

The Group is implementing a wide-ranging action plan to reduce emissions from employee travel. The underlying principles are currently being integrated into the Group's Mobility policy. Each country is responsible for implementing this policy on a “comply or explain” basis, with any deviations from the basic principles having to be justified, for example due to the energy mix.

## Business travel

For several years, the Group has implemented a business travel policy aimed at minimizing the carbon footprint associated with employee travel. It is based on two axes:

- the promotion of environmentally responsible modes of transportation (train and energy-efficient vehicles) for business trips that cannot be avoided. In addition, the short-term vehicle rental offer has been revised to include electric or hybrid vehicles in the fleet offered to employees. At the same time, discussions are underway between the Procurement Department and the Group's main air transport suppliers in order to give preference to travel on new aircraft which consume between 20 and 25% less fuel;
- the widespread rollout of communication tools (remote presence rooms, videoconferencing, applications on PCs and smartphones, etc.) makes it possible to avoid business trips while maintaining the spontaneity and confidentiality of discussions. This is in addition to the “Smart working” initiative launched in 2019 (see 5.4. of URD 2021).

In 2021, emissions from business travel are assessed at 34 ktCO<sub>2</sub>, up 18% from 2020 but down -64% compared to 2018. The increase is also explained by very limited in 2020 due to the pandemic.

**Company car policy**

The Group's company car policy is applied in every country in which the Group operates, taking into account legal and fiscal provisions, local practices, and the relevance of the national energy mix.

The European countries of the Group account for more than 85% of the company car fleet, with a split of 70% company vehicles and 30% service vehicles.

The Group's partners have been asked to update their catalog of vehicles according to each use, with the goal of considerably reducing the associated carbon footprint, in line with the Group's reduction objectives. To this end:

- diesel engines have been prohibited for employees traveling less than 15,000 km per year;
- other engines whose CO<sub>2</sub> emissions per km are based on the NEDC<sup>(1)</sup> standard (with an equivalent to the WLTP<sup>(2)</sup> standard), which will be revised according to the evolution of the available technologies, are favored. For this reason, the financial package allocated for a company car is all the more substantial as the vehicle's carbon emissions decrease.

For several years, there has been a significant increase in new orders for hybrid (19%), PHEV<sup>(3)</sup> (24%), and electric (9%) engines for company vehicles. In 2021, these vehicle orders therefore account for more than half of the Group's total orders for company vehicles, and this trend is also observed for service vehicles.

To support this dynamic, the Group has invested heavily in the installation of recharging stations at its sites, with the introduction of a roaming recharging service (available to company vehicles and the private vehicles of employees or visitors).

In France, the Group relies on the company Ze-Watt for charging stations at 114 sites, with a total of 49,287 recharges at the end of 2021.

	2020	2021
Charging points	138	229
Energy consumed	135,088 kWh	292,459 kWh
Number of recharges	11,158	21,943
Distance traveled	900,587 km	1 949,725 km
New registered users	179	410

Despite the health crisis and the increase in home-office working, the indicators show a significant increase, in all indicators between 2020 and 2021 which almost doubled. This trend is expected to continue as the fleet is renewed.



Charging stations on the company Ze-Watt  
**114 SITES**  
at the end of 2021

(1) NEDC: "New European Driving Cycle".  
(2) WLTP: "Worldwide harmonized Light vehicle Test Procedure".  
(3) PHEV: "Plug-in Hybrid Electric Vehicle"; rechargeable hybrid.

**Commuting to work**

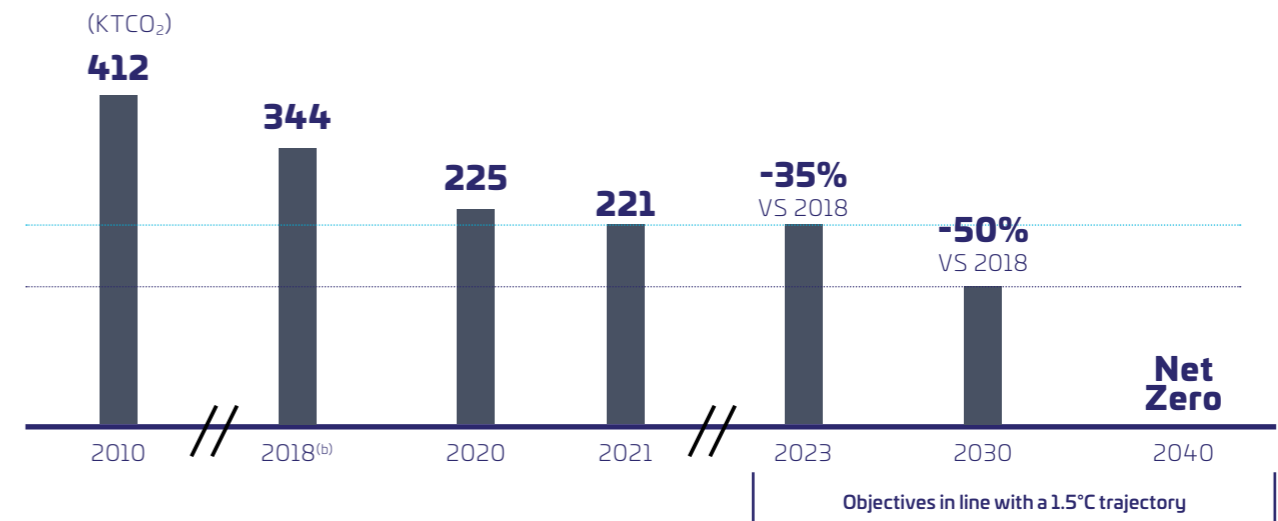
For several years now, the Group has been engaged in a wide-ranging study of commuting to and from work to encourage the decarbonization of these journeys. Each site has the autonomy to undertake the most appropriate initiatives depending on the geographical location of the site and the proximity of public transport, while taking into account the safety of employees (for example, the existence of bicycle paths in the vicinity of the sites).

At the same time, in 2021, the Group launched a survey on commuting habits among all its employees, which is considered satisfactory and representative with a 31.4% participation rate, with the following results:

- several modes of transportation may be combined in the same journey. For all or part of the commute to and from work, the car remains by far the dominant mode of transport (74%), while the use of public transport (bus, tramway, metro, train, ferry) is significant (30%). Modes of green transportation considered "green" (walking, simple or electric bicycle, electric scooter, Segway or similar) account for about 10% of the means used;
- 20,000 comments were collected and analyzed through two open-ended questions with the aim of setting up action plans at each site to reduce the carbon footprint of commuting;
- the results of this survey show that the annual carbon footprint for all means of transportation combined is 93 tCO<sub>2</sub> for 569 million kilometers traveled, or an average of 1.15 T of CO<sub>2</sub> per year per employee. France and the 6 major countries (Germany, Netherlands, Great Britain, United States, Canada, and Australia) have a footprint of 70 tCO<sub>2</sub>, according to the number of employees in these countries.



**Reduction of operational CO<sub>2</sub> emissions<sup>(a)</sup>**



(a) Scope 1 + Scope 2 + Scope 3 business travel  
(b) 2018 including Gemalto

#### 4.2.2.4 REDUCING THE CARBON FOOTPRINT OF OTHER EMISSIONS

The Group's other emissions refer to emissions related to the purchase of goods and services as well as emissions related to products and services sold (Scope 3). In 2019, the Group committed to reducing these emissions by 7% by 2023 and 15% by 2030, in absolute terms compared to 2018, and is currently considering the revision of this target.

(in ktCO <sub>2</sub> )	2018	2020	2021	Change 2018/2021	2023 target	2030 target
<b>Climate</b>						
Other emissions	13,969	9,308	9,312	-33%		
Of which emissions related to purchases of goods and services (scope 3) <sup>(a)</sup>	3,169	2,608	3,112	-2%	-7%	-15%
Including emissions related to the use of products and services sold (scope 3) <sup>(a)(b)</sup>	10,800	6,700	6,200	-43%		

##### Reducing emissions from the purchase of goods and services

As part of its policy for a Low-Carbon Future, the Group is committed to reducing emissions related to its purchases of goods and services (scope 3).

These emissions account for 3,112 ktCO<sub>2</sub> in 2021, a 2% decrease compared to 2018 and a 19% increase compared to 2020 (2,608 ktCO<sub>2</sub>), related to the resumption of activity in 2021 post-Covid after the exceptional Covid-19 pandemic situation in 2020. These calculations are made using emission factors associated with each of the Group's procurement categories, as well as the aspen-based methodology validated by the scientific community (SBTi) in agreement with the external third party (Carbone 4).

The sum of these emissions has been recalculated in 2021 to include the purchases of goods and services corresponding to the DIS Global Business. The figures for 2018, 2019, 2020, and 2021 therefore reflect the full scope of the Group.

In order to encourage Thales suppliers to move toward a low-carbon future, an action plan has been implemented in 2021 to reduce emissions from the Group's supply chain (see 5.1.1.4).

In addition, as part of a dedicated working group within the International Aerospace Environmental Group (IAEG), Thales has taken part in the drafting of a sector-specific methodological guide for calculating emissions linked to the purchase of goods and services as well as capital goods. This guide is also being implemented by Thales through Gifas.

**“ AN ACTION PLAN HAS BEEN IMPLEMENTED IN 2021 TO REDUCE EMISSIONS FROM THE GROUP'S SUPPLY CHAIN ”**

##### Reducing emissions from products and services sold

In 2021, Thales continued to refine its modeling of CO<sub>2</sub> emissions resulting from the use phases of products and services sold (chapter 4.2.1). The Group is convinced of the importance of setting targets and implementing action plans to reduce emissions from the use phase which, for most of the Group's products, constitute the majority of emissions in the life cycle.

In order to improve the representativeness of the calculations, platform models have been added and the associated emissions factors have been updated on the basis of publicly available data. In order to maintain comparability of data, the calculations relating to the phases of use of products and services sold have been updated for previous years.

At the same time, the Global Businesses have continued to work on their roadmaps, identifying priority products and the work to be undertaken to meet the objectives defined for 2023 and 2030. Concrete examples of achievements and work in progress are given in Chapter 4.3.

CO<sub>2</sub> emissions related to the use phase of products brought to the market in 2020 are estimated to be 6.2 million tCO<sub>2</sub>eq., down 7% compared to 2021 and 43% compared to 2018 (10.8 million tCO<sub>2</sub>eq., updated according to the methodology based on refined science and retroactively integrating the scope of the DIS Global Business for its hardware equipment).

This sharp decline compared to the 2018 reference year reflects the drop in activity for aircraft manufacturers, largely the result of the continuing impact of the Covid-19 pandemic. It is also explained, to a lesser extent, by variations in activity in other sectors and by improvements to products and solutions brought to market.

#### 4.2.2.5 SOLUTIONS FOR THE FIGHT AGAINST CLIMATE CHANGE

##### Innovative solutions for sustainable mobility

The solutions provided by Thales to air and land transport operators aim to optimize operational efficiency for its customers while limiting environmental impact (optimizing flight times, securing trajectories, reducing fossil fuel consumption, contributing to reducing the emission of pollutants including carbon, sulfur, and nitrogen oxides). Thales is developing complex systems based on Artificial Intelligence (AI), and has applied its expertise to the development of an AI that is eco-responsible, consumes less energy, and is based on learning and the use of knowledge or the use of only useful data. These developments concern air and rail traffic management systems, as well as flight management and train control systems. Thales provides navigation satellites whose precise positioning information is used for the benefit of all transport sectors, and is also a major partner in the Galileo and Egnos programs.

In the areas of flight management and air traffic management, Thales has been developing features for more than 30 years that improve performance while reducing impact (noise, fuel consumption, and emissions) during all phases of flight. Recent achievements include:

- an air traffic management system with the ability to update trajectories every minute based on the actual position of aircraft, combined with atmospheric monitoring that integrates wind and weather phenomena;
- a flight management system that constantly monitors, adapts, and refines the aircraft's trajectory for an optimized, safer flight (avoiding dangerous weather events) and lower fuel consumption.

Thales participates in the European SESAR program, which coordinates research and development activities in the field of air traffic management. In particular, in 2020, Thales contributed to equipping commercial aircraft with new-generation flight management systems on more than 50,000 flights with recorded environmental performance.



**7% REDUCTION  
IN CO<sub>2</sub> EMISSIONS**

related to the use phase of products brought to the market in 2020

(a) après intégration de l'Activité Mondiale DIS  
(b) après intégration des améliorations de modélisations en 2021

In a context of increasing urbanization, where 75% of the population is expected to live in cities by 2050, creating the conditions for sustainable travel is one of the most effective ways to help reduce CO<sub>2</sub> emissions. As a result, traffic management and driver assistance systems can safely increase the number of vehicles circulating on rail and urban networks in real time, while optimizing energy consumption and reducing traffic jams. The digital architecture of the new signaling system developed by Thales for metros, Seltract™ G8, enables the continuous updating of software functions without disrupting traffic, as well as the integration of technologies such as self-driving trains and metros. In addition, Thales is developing payment options that promote interoperability between different means of transport, making public transport more attractive and helping to reduce CO<sub>2</sub> emissions.

Thales signaling systems are becoming more decentralized and digitized with the development of individualized object controllers (points, signals) capable of directly controlling the actuators (part of the switch system). This reduces the need for cables and the installation of safety relays, and the corresponding power consumption (3 watts per old generation relay removed). In addition, a decentralized architecture requires fewer buildings, thereby reducing their environmental footprint.

Another important aspect is the contribution made by navigation satellites to the fluidity and management of traffic. It plays an obvious role in more intelligent and therefore more ecological travel. Navigation activities represent about one third of the activity of the Observation, Exploration, and Navigation product line of Thales Alenia Space.

Thales is a founding member of Movin'On LAB, a "Think and Do Tank" that brings together key players in the mobility ecosystem. Thales offers its expertise in the fields of digital technology, artificial intelligence, and cybersecurity to promote sustainable mobility, including autonomous vehicles, multimodal transport, and UAV management in urban areas.

### Smart City

Data analysis makes cities run more efficiently. Thales' solutions allow for the collection of information such as water and energy consumption, subscriptions to various public or private services, and transportation usage, giving city administrators the opportunity to improve the quality of life of residents and reduce the city's environmental footprint. Thanks to its data analysis solutions, Thales enables urban space stakeholders to:

- efficiently exploit the data reservoirs of a connected city – to better understand and anticipate the needs of residents and offer them secure, operationally optimized services that simplify their lives;
- inform users about traffic by providing motorists and train users with data on traffic conditions in near real time;
- better manage day-to-day operations and facilitate the coordination of the various actors, particularly in the event of a crisis. These solutions are also improving the environmental efficiency of cities: water and energy consumption, optimized use of transportation, etc.

In 2021, Thales contributed with other manufacturers to the creation of the 'Software République', a new open eco-system for innovation, in order to build and enrich a sustainable mobility offer, while ensuring European autonomy in this field. The main areas of cooperation that have been identified are:

- intelligent systems to provide secure connectivity between the vehicle and its digital and physical environment;
- simulation and data management systems to optimize flows in territories and for companies;
- the energy eco-system to simplify vehicle recharging operations.

Another example is the development of simulators in the civil and military fields. Beyond a clean eco-design approach, they also reduce the number of flight hours required for pilot training and thus avoid the corresponding emissions from real flights. The increased use of Artificial Intelligence will make the simulations increasingly realistic, with further avoidance of CO<sub>2</sub> emissions. For example, Helisim, a joint venture between Thales, Airbus Helicopters and Défense Conseil International specializing in helicopter flight simulator training, estimates that it has prevented the release of 8,800 metric tons of CO<sub>2</sub> into the atmosphere and continues to prevent the release of over 18 grams of CO<sub>2</sub> every second.



Helisim, estimates that it has prevented the release of

**8,800 METRIC TONS OF CO<sub>2</sub>**

into the atmosphere with the helicopter flight simulator training

**“THALES IS A FOUNDING MEMBER OF MOVIN'ON LAB, A “THINK AND DO TANK” THAT BRINGS TOGETHER KEY PLAYERS IN THE MOBILITY ECOSYSTEM”**



**4.2.2.6 MONITORING AND UNDERSTANDING THE EFFECTS OF CLIMATE CHANGE**

Through Thales Alenia Space, its joint venture with Leonardo, the Group has been a major player in Earth observation, understanding climate change and environmental monitoring for over 40 years. These activities, mainly carried out within the Observation, Exploration and Navigation product line, represent approximately 25% of Thales Alenia Space's total activity.

Some of these observation tools are also used for monitoring and prevention. They contribute to improved management of fisheries, agricultural and forestry resources and are supported by monitoring systems on ships and aircraft. The elements identified and monitored, which allow for the necessary actions to be taken to protect the environment, include:

- pollution and pollution movement tracking;
- forest fires;
- beach erosion;
- deforestation;
- illegal exploitation of mines or natural resources;
- improving the safety of maritime transport.

Geostationary meteorological satellites, optical measurement instruments, ERS and COSMO SKYMED radar satellites, altimetry satellites and radar instruments for oceanography, as well as atmospheric and radar instruments for ice observation contribute to these observations. Today, Thales Alenia Space is in charge of the S1 radar (A, B, C and D), S3 oceanography (A, B, C and D) and S6 Jason CS sentinels.

In addition, all European geostationary meteorological satellites were built by Thales Alenia Space, which is currently working on the 3<sup>rd</sup> generation for the European Space Agency (ESA) and EUMETSAT.

In 2020, Thales Alenia Space was selected by ESA for 5 of the 6 missions of the new phase of Copernicus, the European Commission and ESA's flagship Earth observation satellite program. Thales will be the prime contractor for CHIME (hyperspectral imagery for agriculture, food security, soil condition, biodiversity, etc.), CIMR (passive microwave imagery to measure ocean surface temperature and numerous maritime parameters) and Rose-L (L-band radar mission to monitor soil moisture and polar ice thickness). The Group will also be responsible for the payload of the CO<sub>2</sub>M mission (monitoring CO<sub>2</sub> emissions) and the altimeter of the CRISTAL mission (topography of polar ice and snow).

The images collected by these different means of observation provide valuable information to the scientific community, as well as to organizations and authorities responding to natural disasters. This data also allows the creation of numerical models to help understand and model climate phenomena.



**4.2.3 REDUCING THE OTHER ENVIRONMENTAL IMPACTS OF THE GROUP'S ACTIVITIES**

**4.2.3.1 REDUCE, REUSE AND RECYCLE WASTE**

Thales' responsible waste management commitments are aimed at reducing the quantity of waste produced, limiting the amount of waste sent to landfill and optimizing recycling for non-hazardous waste.

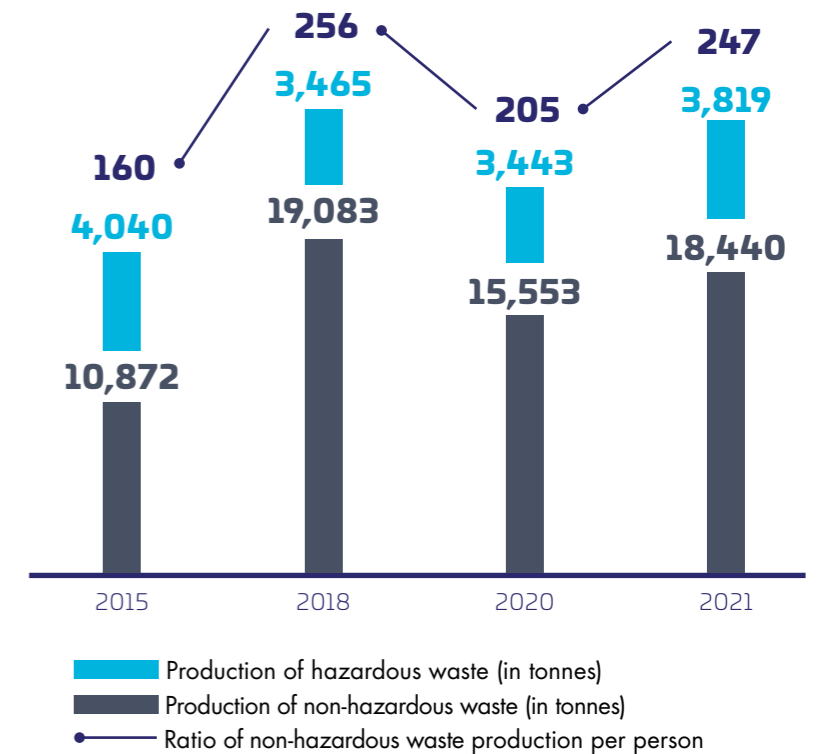
**Performance relative to the environmental impacts of the Group's activities NFPS**

Natural resources	2018	2020	2021	Change 2018/2021	2023 target
Recycling rate of nonhazardous waste (excluding exceptional waste) <sup>(1)</sup>	55%	60%	70%	-15pts	75%

The actions carried out in 2021 will lead to a valuation rate of all waste (excluding exceptional waste) of 88%, and more specifically to a recycling rate of non-hazardous waste (excluding exceptional waste) of 70% in 2021.

In addition, the recovery of the Group's activity and the sanitary measures linked to Covid-19 (e.g. the use of disposable protection and paper for frequent cleaning of spaces) have led to an increase in the production of non-hazardous waste per person in 2021 of 22% compared to 2020 (excluding exceptional waste)<sup>(1)</sup>, with an increase in total waste production of 17% in 2021.

Finally, the rate of landfilling of non-hazardous waste decreased between 2018 and 2021 from 21.3% to 12% (excluding exceptional waste).



(1) Exceptional waste refers to waste produced outside the Group's normal activities, for example during construction.



For more responsible consumption, Thales applies the 3R rule: Reduce, Reuse and Recycle. Various associated measures make it possible to reduce the production of waste and to improve its processing: the selective sorting of waste, the search for recycling channels or optimal treatment channels as well as changes in behavior (printing policy, reuse of cardboard and other packaging). Paper and packaging quantities decreased by 13% in 2021 compared to 2018.

Some Group sites reuse packaging either for supplies to their Thales sites or for the transfer of equipment from one site to another.

The recovery of activity in 2021 has led to an increase in hazardous waste (excluding exceptional waste) of 11% compared to 2020 but 10% compared to 2018. This hazardous waste is also subject to specific processing. Dedicated collection and storage areas are in place to facilitate their management before disposal.

For example, at the Vélizy site in France, the collection of electronic waste was organized with the AFM-Téléthon to give a second life to inoperative equipment while supporting medical research.

Finally, for the majority of Thales sites, the management of company dining facilities is entrusted to catering companies, and the Group therefore has no direct impact on food waste. Nevertheless, as with all its partners, Thales is working with these companies to implement responsible solutions for processing and encouraging the reduction of food waste. As a result, between 2018 and 2021, the amount of catering waste in the Group's total non-hazardous waste production decreased by 36%.

This trend was driven by employee awareness-raising initiatives conducted by Group service providers and the development of anti-waste programs such as the Waste Watch program conducted at the Cholet site in partnership with the Group's service provider, Sodexo.

**“ FOR MORE RESPONSIBLE CONSUMPTION, THALES APPLIES THE 3R RULE: REDUCE, REUSE AND RECYCLE ”**

**4.2.3.2 CONSERVING WATER**

Water is a fundamental resource that must be conserved. For more than 20 years, Thales has been engaged in a large-scale program to reduce its water consumption, including, in addition to the elimination of leaks, the implementation of centralized management for the control of networks, the replacement of equipment that consumes large amounts of water, the optimization of industrial processes and the recycling of water for reuse in industrial processes. This has led to a significant and stable reduction in the Group's water requirements over the past 15 years, thereby reducing the pressure on this scarce resource in a sustainable manner.

Risks related to water management have not been identified as being significant at Group level (see 4.1.3.3). Nevertheless, despite the low level of consumption resulting from optimized multi-annual management plans (favoring recycling loops), and the absence of operations in water-stressed areas, water resource management remains a subject of attention for the Group, which remains committed to not increasing its consumption.

In addition, since 2019, Thales has been responding to the CDP's (Carbon Disclosure Project) "Water Security" questionnaire, which assesses the consideration of current and future water management risks, both in terms of strategy and use, and has achieved a grade of B-, which is the industry average.

Water	2018	2020	2021	2018/2021	Target
Water consumption (thousands of m <sup>3</sup> )	1,771	1,661	1,615	-9%	No increase in consumption

In 2021, overall water consumption was 1,615,392 m<sup>3</sup>, down 9% from 2018. This reduction confirms the collective effort of all sites, including the Mulwala site (Australia) which, because of its industrial activities and processes, accounts for 35% of the Group's water consumption.

Employee awareness, optimization and dissemination of best practices contribute to these results.



4.2.3.3 LIMITING INDUSTRIAL EMISSIONS

<p><b>Industrial wastewater emissions</b></p>	<p>Thales's activities generate little industrial water waste: a little over 600,000 m<sup>3</sup> in 2021. 98% of this waste is emitted by 8 sites, 62% of which is emitted by the Mulwala site (Australia) alone. Across the Group, these emissions have decreased by 2% compared to 2018, resulting from optimization measures, constant modernization of facilities or recycling and reuse of this water.</p>
<p><b>Industrial air emissions</b></p>	<p>Thales' activities do not generally give rise to atmospheric emissions, except for those from a few specific industrial sites or those linked to the operation of the sites (in particular, heating).</p> <p>On the few sites in question, industrial air emissions are channeled and treated when necessary (filters, scrubbers, etc.) and regularly monitored. These are mainly solvents.</p> <p>The quantities used are limited: 500 tons in 2021. Only 8 of the 117 sites concerned (out of 188) account for 85% of all solvent purchases. The Mulwala site alone accounts for 73% of these purchases and 70% of the atmospheric emissions caused by the manufacture of propellants requiring a large quantity of solvents.</p> <p>Note that between 2020 and 2021, solvent purchases related to the prevention and control of Covid-19 decreased by 49%, bringing the share of solvent purchases related to sanitary measures to 4%. As a result, between 2020 and 2021, industrial air emissions associated with solvents decreased by 12%.</p> <p>Although some sites have eliminated or replaced solvents with detergents, the Group's air emissions increased by 34% between 2018 and 2021 due to a new manufacturing process associated with the increase in production capacity at the Mulwala site being commissioned in 2019 and gradually ramped up.</p>
<p><b>Fight against noise and odour pollution</b></p>	<p>Thales's activities generate very little noise and odour pollution, but actions are taken to limit these factors. The few facilities that most commonly emit noise are refrigeration facilities, for which precautions are taken to limit their noise impact. Sound levels are periodically checked. The few sites affected by noise due to their activities are equipped with acoustic attenuation devices or have made adjustments to the time slots when noisy activities take place. In addition, the increasing use of computer simulation systems helps to reduce noise, for example in pyrotechnical tests.</p> <p>Only 1 of the Group's sites reports generating odour pollution. These are odours resulting from evaporation basins, the use of solvents and paints. Appropriate measures have been implemented to reduce this pollution: cleaning, installation of paddle wheels to increase dissolved oxygen levels, reduction in use, installation of suction and discharge treatment equipment, use of specific protective equipment for operators.</p>

**Land use and prevention of pollution**

For over 20 years, the Group has pursued a policy of anticipating and responsibly managing its pollution risks. Few sites are subject to significant contamination, most of which originates from old industrial practices, some of which are external to Thales (the result of historical acquisitions). Any new situation identified as presenting a risk of pollution or proven pollution is dealt with through a rigorous investigation process overseen by external expert companies and is subject to responsible management and monitoring.

When the technology is available, suitable treatments are implemented. The aim is to reduce the impact on the environment as much as possible by giving priority to in situ treatment rather than transferring the pollution for treatment on another site.

Some industrial sites are subject to periodic water table monitoring. The cases in question are regularly monitored by the Group's HSE Department in coordination with the Legal Department dedicated to real estate and environmental issues, and in close coordination with the relevant supervisory authorities (Regional Environment Directorates, Regional health authorities, local authorities, etc.).

In addition, the Group considers environmental factors when choosing its sites: climate and geological risks, impact of its activities on the human and natural environment, and land use. The goal is to ensure maximum compatibility between the activities and their environment. Therefore, certain activities such as pyrotechnics are subject to specific site requirements due to the risks they generate, requiring large safety zones around them as well as appropriate geology. These areas represent nearly 79% of the Group's total surface area (two sites in Australia and one site in France). However, these areas are being developed and are the subject of measures for biodiversity or are being transformed into pastureland or even agricultural areas.

The remainder of the Group's surface area is divided between industrial zones (51%) and business parks (41%).

**“ FOR OVER 20 YEARS, THE GROUP HAS PURSUED A POLICY OF ANTICIPATING AND RESPONSIBLY MANAGING ITS POLLUTION RISKS ”**



#### 4.2.3.4 PRESERVING BIODIVERSITY

The protection of ecosystems and associated ecosystem services (climate regulation, supply of raw materials, cultural enrichment, food, natural habitats, etc.) essential to the development of human communities is taken into account in Thales's strategy to reduce its environmental footprint. The preservation of biodiversity is a proactive commitment that is part of the Group's Health, Safety and Environment policy (see 4.1.1).

In 2006, an inventory of sites located near or within protected natural areas was drawn up to measure and monitor the impact of the Group's activities on biodiversity. This work has made it possible to consolidate a map of biodiversity-related risks for sites located in vulnerable areas and to assess that the Group's impact on biodiversity is low (see 4.1.3.3). In addition, Thales encourages its employees to take steps to protect and enhance species and their habitats. Threats to biodiversity vary from one site to another, making its protection a local issue that is illustrated by the diversity of actions carried out on the Group's sites. For example, on certain sites, inventories of the fauna and flora are carried out, vegetation projects are carried out and employee awareness-raising activities are organized. In order to optimize the measurement and monitoring of actions to preserve biodiversity, these are shared, monitored and consolidated annually. In order to go even further, a detailed and targeted questionnaire will be rolled out in 2022.

The results of the monitoring show significant integration of the protection of biodiversity, including for sites not located in vulnerable areas. This involvement is reflected in the implementation of measures such as the installation of beehives and insect hotels to promote the development of pollinating species, the creation of shared gardens and vegetable plots to raise awareness and encourage employee involvement, and the planting of formerly concrete areas with native plant species to combat invasive plants and support the development of local flora. Some of these projects are carried out in partnership with local environmental protection authorities or organizations (Office National des Forêts, communities of municipalities, student associations, etc.), demonstrating Thales' collaborative approach in its commitment to the preservation of biodiversity.

At the Thales DMS site in Brest, employees have been taking action since 2015 with the planting of fruit trees. This project continued with the replacement of phytosanitary products used as weed killers by a method of late mowing of most of the grassy areas of the site. In 2021, 1000 m<sup>2</sup> of flowered meadows divided into two sectors have been created to preserve local plant species and microfauna (insects and pollinators), and an eco-pasture area has been set up. This project will reduce the carbon footprint of the site by abandoning carbon-based maintenance methods, maintaining a diverse flora, and promoting hardy animal species.

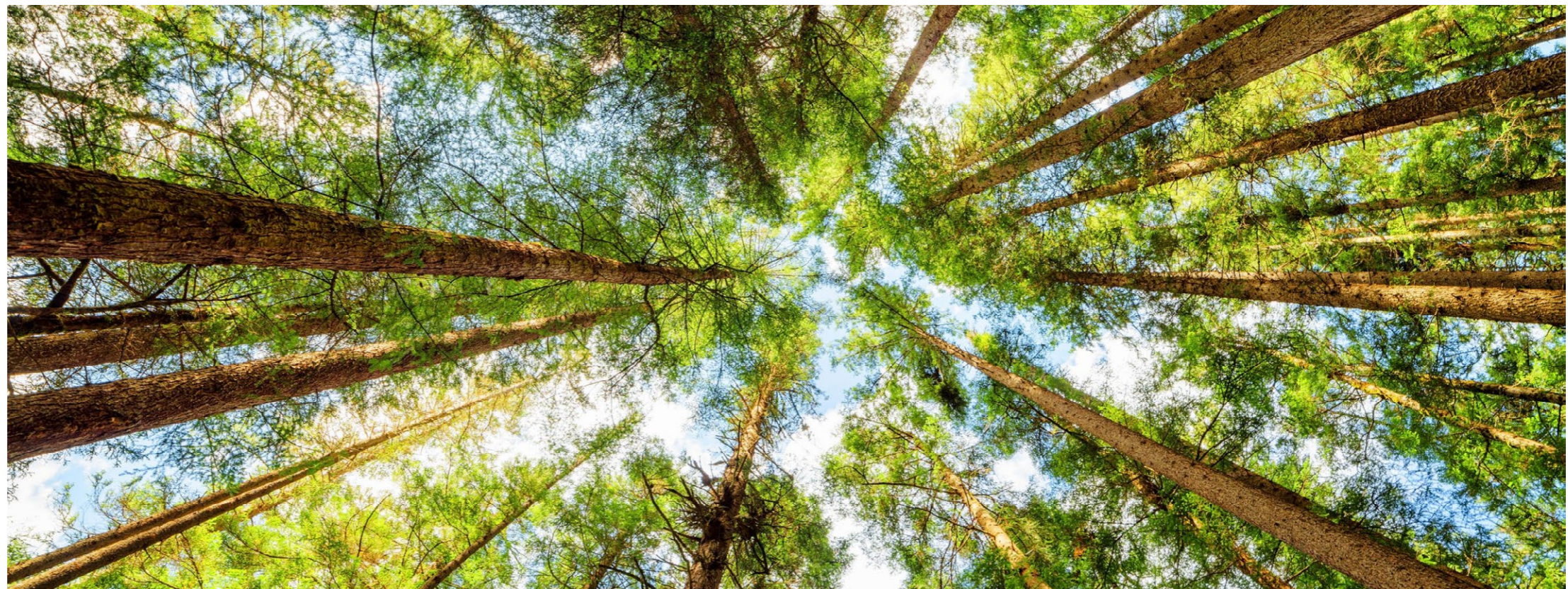
Because of their location in a protected area, some sites such as Mulwala and Benalla (Australia) have put in place a habitat management plan. This management plan aims first to identify threatened species by carrying out environmental inventories, and then to fight against the spread of invasive species by planting exclusively native species.

In France, the Thales Pont-Audemer site has signed a Real Environmental Obligation (REO) contract as part of the "Renaturons-nous" ("Let's Renaturalize") program, which contributes to the conservation of species and the revegetation of the Saint Ulfrant industrial zone, a reservoir of reptiles and amphibians referenced by the local Permanent Center for Environmental Initiatives (CPIE). In Toulouse, the continuation of projects carried out with the various associations of the Social and Economic Committee (CSE) has enabled the planting of a "micro-forest", fallow land, and recently to experiment with vegetation as insulation for the site's infrastructure. Since the site was established in Bordeaux, it has been subject to a biodiversity management plan that allows the return of endemic wetland species. In close partnership with the Bordeaux Metropole community of municipalities, this project is monitored by the Regional Environment, Development and Housing Directorates.

Finally, for all its new projects, the Group carries out biodiversity impact studies and applies the "Avoid, Reduce, Compensate (ARC)" doctrine, such as the in-depth studies conducted in 2021 for the proposed new site in Cholet.

In order to involve as many of its employees as possible and to act on a scale that goes beyond the immediate vicinity of its sites, Thales supports public interest actors through its "Thales Solidarity" social commitment program (see 5.3.1) and, in particular, through the collection of Rounding-up of Salaries (see 5.3.1). Since 2021, this scheme has made it possible to support the "Coeur de Forêt" association, whose aim is to respond to the dual challenge of preserving biodiversity and sustainable economic development through the implementation of reforestation projects.

**“ THROUGH THESE ACTIONS, THALES DEMONSTRATES ITS WILLINGNESS TO INTEGRATE BIODIVERSITY INTO ITS DECISION-MAKING PROCESSES IN ORDER TO CONTRIBUTE TO ENVIRONMENTAL PROTECTION “**



4.3 OVERVIEW OF ECO-FRIENDLY PRODUCTS AND SERVICES

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Eco-designed products</b>				
Aeronautical	Optimization of the system architecture	Multi Application Critical Controller (MACC) Replacement of 5 modules with 1 to cover the needs of the auxiliary systems	Reduction of consumption of materials and CO <sub>2</sub> emissions in the use phase	60% reduction in CO <sub>2</sub> emissions
	Optimization of the system architecture	New design for A320 rudder control system – in the process of certification Reduction from 7 to 4 computers	30% weight reduction (~25kg) and CO <sub>2</sub> emission reduction in use phase	CO <sub>2</sub> emissions reduced by 30%.
	Design optimization and preventative maintenance	New RSMG digital radar for air traffic management	Reduction of resource and energy consumption, reduction of maintenance operations	10% reduction in CO <sub>2</sub> emissions Mass reduced by 30%. Energy consumption reduced by 10%.
Spatial	Optimization of the product architecture	Low noise amplifier	Reduction of material consumption and CO <sub>2</sub> emissions in the launch phase	50% reduction in CO <sub>2</sub> emissions
Digital	New connection between the module and the antennas of Thales bank cards with dual interface using two wires that 'fly' like the wings of a bird	Technology that reduces the need for raw materials, as well as the use of chemical processes that also limit CO <sub>2</sub> emissions in the manufacturing phase	Reduction of CO <sub>2</sub> emissions and use of natural resources	1 billion cards produced by the end of 2021 1,000 t of CO <sub>2</sub> emissions avoided Raw material consumption avoided: 53 t of copper 164 kg of gold 36 kg of palladium
	Use of recycled or bio-sourced plastic for SIM cards and bank cards	New manufacturing processes allowing the use of recycled plastic for the manufacture of ECO SIM products: Recycled PET avoiding their disposal in the oceans, recycled polystyrene from electronic products	Reduced use of natural resources, recyclability, circular economy Reduced waste volumes and associated potential pollution	7 million SIM cards and 2 million bank cards made from recycled plastic in 2021

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Eco-designed products</b>				
Defense	Redesign with drastic reduction of size, weight and power	New products such as XTRAIM and SOPHIE ULTIMA that combine the functions of several products currently on the market into a single product	Reduction of raw material consumption and CO <sub>2</sub> emissions, improvement of the operational use phase	Reduction of raw material resource consumption and of the CO <sub>2</sub> emissions and operational use phase
	Hybridization of energy to power on-board systems on military vehicles and shelters	DYON Automation of the switch between a vehicle's alternator and lithium batteries, supplemented by solar panels	Reduction of fossil energy consumption, of the need to move this energy, of the logistic footprint and of CO <sub>2</sub> emissions while providing operational benefits (autonomy, lack of noise and heat signature, security of transport, etc.).	
	Power supply with renewable energy	Charging the batteries of the GO12 radar with solar panels Charging of the cameras' batteries with solar panels	Energy hybridization, reduction of CO <sub>2</sub> emissions Avoiding connecting to the grid in hard-to-reach areas or using a generator	
<b>Functions for the climate</b>				
Aeronautical	Fully connected and scalable flight management system for the future	PureFlyt allows continuous control, adaptation and refinement of the aircraft's trajectory for an optimized flight	Reduced fuel consumption and associated CO <sub>2</sub> emissions, increase	Reduction of up to 10% of CO <sub>2</sub> emissions from commercial aviation by 2023 through the combination of ATFM and PureFlyt systems
	Mastery of trajectory prediction algorithms combined with the use of eco-responsible AI	Air Traffic Flow Management (ATFM)		
	Aid system for the sequencing of aircraft departures and arrivals, facilitating the flow of traffic	MAESTRO sequencer: traffic flow management system (arrivals and departures) for airports and airspace	Reduction of CO <sub>2</sub> emissions from aircraft during take-off and landing phases	36 airports equipped with the sequencer system

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Functions for the climate</b>				
Ground transportation	Ticketing system for interoperable transportation	<b>TRANSCITY</b> , a modular and scalable ticketing solution integrating the constraints of cybersecurity and personal data protection	Improving the appeal of public transport networks, helping to reduce CO <sub>2</sub> emissions	50 million transactions per day managed by TRANSCITY
	Monitoring and control system of the equipment in the stations	Monitoring and control of the equipment, on-site, to optimize the operating mode in real time, according to the need	Improved energy efficiency and therefore reduced CO <sub>2</sub> emissions while ensuring punctuality and safety: 15% reduction in the consumption of traction energy.	Control centers for over 100 metro lines in 31 countries
	Optimization of the train driving strategy based on data from on-board equipment	<b>GREENSPEED</b> Driver Advisory System Defines the best driving strategy from either static tables or by working with dynamic data from a Greenspeed Train Management System, which improves performance	Improved energy efficiency and therefore reduced CO <sub>2</sub> emissions while ensuring punctuality and safety: 15% reduction in the consumption of traction energy.	Over 4,000 GREENSPEED users
	Optimization of metro driving, with or without driver	The <b>Green CBTC</b> feature of the SELTRAC CBTC solution implements automatic driving that reduces energy consumption and promotes braking power regeneration	Better energy efficiency and therefore reduction of CO <sub>2</sub> emissions while ensuring sufficient frequency (comparable benefit to the Greenspeed solution mentioned above): 15% reduction in the consumption of traction energy.	SELTRAC CBTC on over 100 metro lines in 40 cities
	Data-driven software solution running in a private cloud, fully online and cyber-secure	<b>ARAMIS</b> , a management, control and command solution for reliable, safe, punctual and energy efficient rail traffic	Efficiency improvement of more than 30% Capacity improvement of more than 30% The two effects leading to a reduction in CO <sub>2</sub> emissions	72,000 km of railway tracks equipped and 52,000 trains per day in 16 countries managed with ARAMIS

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Products for monitoring and understanding climate phenomena</b>				
Spatial	Spectrometer that will work in near-infrared and short-wave infrared for the measurement of anthropogenic CO <sub>2</sub> emissions	CO <sub>2</sub> M instrument, a future mission of the Copernicus flagship program, from 2026, it will be the only imager for CO <sub>2</sub> , with a range of about 200 km.	Measurement of CO <sub>2</sub> emissions and distinction between natural CO <sub>2</sub> and man-made CO <sub>2</sub> Evaluating the effectiveness of state policies Climate policy guidance Monitoring the achievement of national goals	Measurement of emissions with enhanced accuracy over the 4 km <sup>2</sup> area 1 <sup>st</sup> contract instalment: €72 million
	Satellite carrying a synthetic aperture radar (SAR) instrument in L-band	<b>Rose-L</b> , environmental monitoring satellite in the Copernicus framework	Reduction of the time between the occurrence of a natural or man-made disaster and the first image taken after this disaster Land monitoring and emergency management	1 <sup>st</sup> contract instalment: €40 million
	Satellite with Ka-band radar interferometer (wide area interferometry)	SWOT, an oceanographic satellite dedicated to measuring the level of surface waters and rivers, and to determining oceanographic dynamics with a high degree of precision	Understanding the effects of coastal circulation on marine life, ecosystems, water quality and energy transfer Improved modeling of ocean/atmosphere coupling Monitoring of water storage changes in wetlands, lakes, and reservoirs	Integration of the payload into the satellite in progress, for a launch planned for the end of 2022

#### 4.4 IMPLEMENTATION OF REGULATION 2020/852 OF THE EUROPEAN PARLIAMENT ON THE ESTABLISHMENT OF A EUROPEAN GREEN TAXONOMY

This section is published pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to promote sustainable investment (hereinafter, the “Green Taxonomy Regulation”), and the two Delegated Regulations of the Commission made for its implementation (Delegated Regulation (EU) No.2021/2178 of 6 July 2021 and Delegated Acts (EU) 2021/2139 of 4 June 2021 published on 9 December 2021, hereinafter referred to together as the “Delegated Acts”).

These require Thales to publish, on the basis of its financial statements for the year ending 31 December 2021, the sales, operating expenses and capital expenditures relating to the Group’s activities that qualify for the first two environmental objectives of the green taxonomy, i.e., climate change mitigation and adaptation.

As described above, approximately 20% of Thales’ business involves products and services which could provide major benefits in the fight against global warming, including:

- air traffic control (ATM) and avionics solutions that optimize aircraft trajectory and reduce the fuel consumed by air transport by up to 10%;
- flight simulators, which meet training needs with an extremely small carbon footprint;
- earth observation satellites, whose data are essential for understanding phenomena related to global warming;
- satellite navigation solutions, in particular within the framework of the European Galileo project, which are essential building blocks for optimizing travel, whether by sea, air or land.

These activities illustrate the technological potential of Thales’ contribution to the fight against global warming. But to date, the Green Taxonomy Regulation completed by the Delegated Acts does not cover the defense, aeronautics, space and IT security sectors. As a result, the vast majority of Thales’s activities are not currently covered by this regulation.

##### 1. Methods used by Thales for the application of the green taxonomy

The scope of consolidation is identical to that used in the consolidated financial statements. It therefore does not include the Transport activity, classified as a “discontinued operation” following an agreement signed by Thales to sell this operation.

With respect to the calculation of the aggregates required by the Green Taxonomy Regulations for determining eligibility:

- the sales recorded are the consolidated sales as of 12/31/2021 in accordance with IFRS. Thales has applied a materiality threshold of 1% of the Group’s consolidated sales to assess the eligibility of product or service lines;
- operating expenses only include research and development costs as reported in the consolidated income statement. It was decided to limit the scope of operating expenses to those research and development costs not financed by the client due to the insignificance of the other amounts that could be considered;
- investment expenses include the acquisition of tangible and intangible assets as well as the acquisition of leasehold rights of use for eligible projects.

With regard to the source of the data reported, the values of sales, operating expenses and tangible and intangible assets come mainly from the companies’ information systems. Operating expenses and tangible and intangible assets have been calculated in real terms without being restated in order to avoid double counting by type of financial data:

- regarding sales, these are revenues derived from separate activities;
- regarding operating expenses, these are expenses associated with eligible activities (in the sense of sales);
- the acquisitions of tangible and intangible assets are as follows:
  - either operating investments related to eligible activities (in the sense of sales),
  - or the acquisition of usage rights for leases related to eligible activities.

##### 2. Results of the application of the green taxonomy for Thales

As regards sales and operating expenses, as the defense, aeronautics, space and IT security activities are not covered in the current regulations (annexes to the Delegated Acts published on December 31, 2021), the Group has only been able to assess its exposure to one activity listed in the annexes: Data processing, hosting and related activities (see section 8.1 of URD 2021<sup>(1)</sup>).

With respect to investment expenses, the Group has assessed its exposure to the following activities:

- renovation of existing buildings (see section 7.2);
- installation, maintenance and repair of energy efficiency equipment (see section 7.3);
- installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings (see section 7.5);
- acquisition and ownership of buildings (see section 7.7).

Given the materiality threshold of 1% of the Group’s consolidated sales, Thales evaluates its sales eligible for the taxonomy regulation in force as of December 31, 2021, to be 0% of its 2021 consolidated sales (€16,192 million, see section 7.1.1 of URD 2021).

The Group estimates its 2021 operating expenses eligible for the taxonomy regulations in force as of December 31, 2021 to be 0% of its 2021 operating expenses as specified in the previous section (i.e., €1,027 million, see section 7.1.1 of URD 2021).

The Group estimates its 2021 investment expenses eligible for the taxonomy regulations in force as of December 31, 2021 to be 19.7% of its 2021 investment expenses (i.e., €588 million, see Note 4 of the notes to the financial statements section 7.1.6 of URD 2021). These investment expenses are mainly related to the acquisition and ownership of buildings.

Throughout 2022, the Group will continue its analysis of the interpretation and evolution of the Green Taxonomy Regulation and the regulations governing its application, in particular the new delegated regulations governing aerospace activities (air traffic management and space observation, in particular).

(1) SAnnex to Commission Delegated Regulation EU 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation.



## 4.5 ENVIRONMENTAL INDICATORS

The table below shows some of the elements that allow us to evaluate the evolution of Thales's environmental performance on a consistent basis. In 2021, the scope included 32 countries and 188 sites. This scope accounts for 94% of sales and 95% of the Group's workforce. The reference year for the 2019 to 2023/2030 targets is 2018. This chapter has been subject to a fairness review by Mazars. The majority of the indicators listed in the table below received a moderate assurance rating and are listed in the detailed opinion in Chapter 7 "Report of the independent third party".

	KPI	Units	2018	2020	2021	Change 2018/2021
Waste	Recycling rate of non-hazardous waste <sup>(a)</sup>	%	55%	60%	70%	+15pts
	Including exceptional waste	%	56%	41%	84%	+28pts
	Recycling rate of hazardous waste	%	38%	37%	29%	-9pt
	Total waste production <sup>(a)</sup>	tons	22,548	18,996	22,259	-1%
	Per € million of sales	kg/€ million	1.31	1.19	1.08	-18%
	Ratio of non-hazardous waste <sup>(a)</sup>	%	85%	82%	83%	-2pts
	Non-hazardous waste per person <sup>(a)</sup>	kg/pers.	256	205	247	-4%
Water	Water consumption	thousands of m <sup>3</sup>	1,771	1,661	1,615	-9%
	Per € million of sales	m <sup>3</sup> /€ million	103	104	78	-24%
	Industrial wastewater emissions	thousands of m <sup>3</sup>	629	601	620	-2%
Energy	Total energy consumption	thousands of toe	187	175	175	-7%
	Per € million of sales	toe/M€	10.92	10.94	8.48	-23%
	Electricity consumption	thousands of toe	163	152	151	-8%
	Per € million of sales	toe/M€	9.5	9.5	7.3	-24%
	Share of electricity from renewable sources	%	25	27	32	+7pts
	Consumption of fossil fuels	thousands of toe	21	21	22	1,2%
	Per € million of sales	toe/M€	1.24	1.30	1.04	-16%

(a) Excluding exceptional waste. Exceptional waste is waste that is produced outside of the Group's normal activities, for example during construction.

	KPI	Units	2018	2020	2021	Change 2018/2021
Air	Operational CO <sub>2</sub> emissions	thousands of tons of CO <sub>2</sub>	344	225	221	-36%
	Energy-related CO <sub>2</sub> emissions	thousands of tons of CO <sub>2</sub>	226	160	157	-30%
	Per € million of sales	t of CO <sub>2</sub> /M€	13.1	10.0	7.6	-42%
	Substance-related CO <sub>2</sub> emissions (Kyoto + R22)	thousands of tons of CO <sub>2</sub>	25	36	28	12%
	Of which related to SF <sub>6</sub>	thousands of tons of CO <sub>2</sub>	1.3	0.2	0.3	-74%
	Air emissions (solvents)	tons	373	567	501	+34%
	CO <sub>2</sub> emissions from business travel	thousands of tons of CO <sub>2</sub>	93	29	34	-64%
	Per € million of sales	t of CO <sub>2</sub> /M€	5.4	1.8	1.6	-70%
	Other CO <sub>2</sub> emissions <sup>(b)</sup>	thousands of tons of CO <sub>2</sub>	13,969	9,308	9,312	-33%
	CO <sub>2</sub> emissions related to the purchase of goods and services	thousands of tons of CO <sub>2</sub>	3,169	2,608	3,112	-2%
	CO <sub>2</sub> emissions related to the use phase of products put on the market	thousands of tons of CO <sub>2</sub>	10,800	6,700	6,200	-43%
	Scopes 1, 2 and 3 according to the GHG Protocol	thousands of tons of CO <sub>2</sub>	14,313	9,533	9,533	-33.4%
	Scope 1	thousands of tons of CO <sub>2</sub>	78	86	81	+4%
	Scope 2	thousands of tons of CO <sub>2</sub>	173	110	105	-39%
Scope 3	thousands of tons of CO <sub>2</sub>	14,062	9,337	9,346	-34%	
TOTAL SCOPE 1, 2 AND 3 BY CATEGORY	Kt of CO <sub>2</sub> /M€ CATEGORY	0.834	0.596	0.461	-45%	
Certifications	ISO 14001 certified sites		-	144	146	-
	Percentage of employees working at ISO 14001 certified sites	%	89 <sup>(c)</sup>	84	87	-2pts

(b) The 2018, 2019 and 2020 emissions have been recalculated to include the DIS Global Business for emissions related to the purchase of goods and services.  
(c) 2018 percentage excluding DIS Global Business.

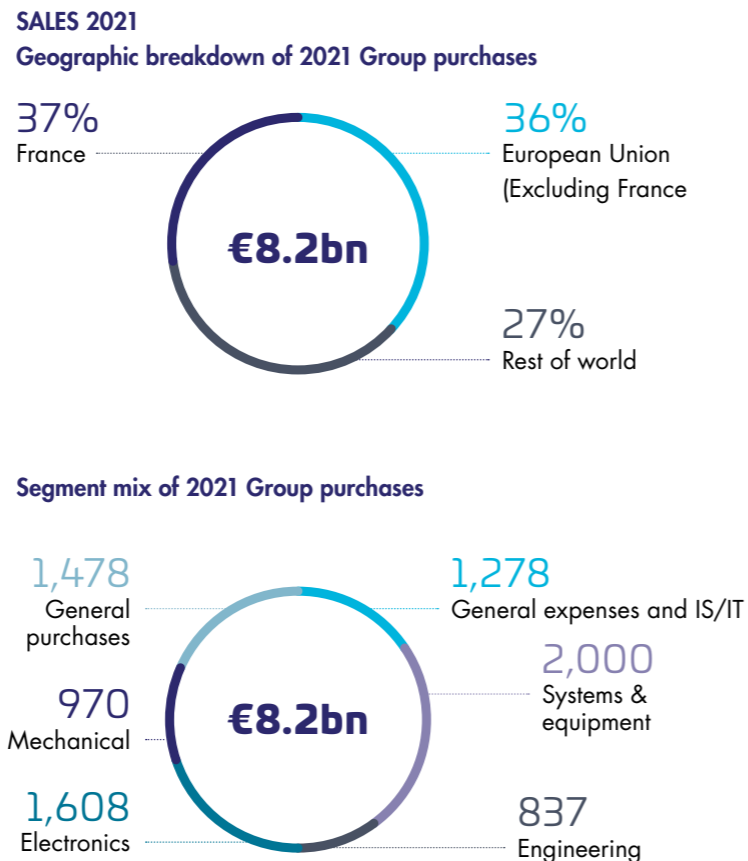


# 5. AN ORGANIZATION THAT IS PROACTIVE TOWARDS ITS STAKEHOLDERS

## 5.1 INCORPORATING CSR CHALLENGES INTO THE SUPPLY CHAIN

Thales designs and manufactures integrated solutions using equipment, sub-systems and full systems that are, for the most part, developed with the help of external partners. Purchases account for about 50% of the Group's sales with more than 80% originating from France, Europe and North America, reflecting the Group's industrial footprint.

The quality and reliability of the supply chain therefore contribute actively to Thales's added value and to its customers' satisfaction.



### 5.1.1 COMMITMENTS TO SUSTAINABLE PROCUREMENT

The Sustainable Procurement policy, which has been based on six commitments since 2020, gives Thales a long-term competitive advantage at the global level, focused on value creation, innovation, commercial partnerships and operational excellence. These six commitments to Sustainable Procurement are:

- compliance of suppliers with applicable legislation and regulations;
- establishing high-quality relationships based on mutual loyalty;
- sharing expertise to drive innovation;
- involving suppliers alongside Thales in the fight against climate change;
- specific support for local SMEs with opportunities for international development;
- greater reliance on players in the social outreach economy.

**“ GIVE THALES A LONG-TERM COMPETITIVE ADVANTAGE AT THE GLOBAL LEVEL “**

#### 5.1.1.1 BEING A RESPONSIBLE COMPANY

Thales believes that developing a relationship of trust with its suppliers and subcontractors is an essential component for the success of its sustainable development.

Thales expects them to comply fully with applicable laws and regulations in the countries where they are registered and where they carry out their operations or provide their services, but also to extend these same requirements to their own suppliers and subcontractors.

To achieve this expectation, Thales requires its suppliers and subcontractors all around the world to adhere to its corporate responsibility approach by signing an Integrity and Corporate Responsibility Charter, in which they pledge to abide by the principles of Thales's Code of Ethics and those of the United Nations Global Compact and the OECD.

This charter forms the basis for best practices applicable to the essential principles of corporate responsibility: it involves respecting applicable laws and regulations regarding Human Rights, working conditions, anti-corruption and prevention of conflicts of interest, protection of information, the environment, health and safety, compliance with commercial laws and practices (including those relating to export control), ethics...

To evaluate the ability and the willingness of its suppliers and subcontractors to abide by these commitments, Thales has strengthened the management of its supply chain risks by introducing dedicated processes concerning the fight against corruption and influence peddling on the one hand, and other matters of corporate responsibility on the other hand. Depending on the results obtained from these processes, Thales may decide to carry out corrective measures or audits. Details of these processes are described in Chapter 5.2.4.2.

The refusal of a supplier or subcontractor to comply with these processes may call into question the business relationship built with Thales or even be a criterion for non-selection. The regular evaluation procedure dedicated to corporate responsibility thus contributes to the Duty of Care that Thales exercises with respect to its suppliers and subcontractors.

This Duty of Care targets Human Rights, the health and safety of people and abuse of the environment, and focuses on suppliers considered as potential risks according to certain criteria, including the purchasing category, the country in which the supplier or subcontractor operates and the level of commitment of Thales to this supplier.



## INTEGRITY AND CORPORATE RESPONSIBILITY CHARTER

in which suppliers and subcontractors pledge to abide by the principles of Thales's Code of Ethics and those of the United Nations Global Compact and the OECD.



Sustainable Procurement indicators (NFPS)	2020	2020	2023 target
Percentage of new suppliers committed to the principles of Thales's new Integrity & Corporate Responsibility Charter	91%	97%	100%
Percentage of suppliers assessed among those considered "at risk" according to the Duty of Care mapping	24%	59%	100%

### 5.1.1.2 QUALITY RELATIONSHIPS

Thales establishes relationships of mutual cooperation with its partners based on mutual loyalty, which under the procurement process involves respecting:

- transparency concerning the rules of selection used;
- fair treatment of the companies during the tendering process;
- the development of balanced relationships based on trust and respect;
- a commitment to apply the terms negotiated;
- a guarantee of neutrality and independence in the relationships between Thales and its suppliers.

Thales develops balanced relationships of trust with its suppliers, acknowledging and complying with their respective rights and obligations. These relationships are based specifically on the Responsible Supplier Relations and Procurement charter<sup>(1)</sup> which Thales signed in 2010. For this purpose, the Group has also appointed an internal mediator for suppliers with the aim of avoiding or resolving as quickly as possible any conflicts that could arise with them; the Thales mediator's actions are also in line with the initiatives carried out by the mediator of the French Aerospace Industries Association (GIFAS).

In 2021, Thales had its certification under the Responsible Supplier Relations and Procurement charter renewed for three years. This certification is consistent with the international standard ISO EN 20400, which aims to combine corporate social responsibility (CSR) and responsible procurement.

Thales also offered its suppliers a new reciprocal factoring device to receive payment of their invoices in a predictable way. This device enables our suppliers to optimize their working capital requirement, to obtain a better forecast of their cash flow, and to access funding at an attractive price on the basis of Thales's credit risk. This device is promoted by the Minister of the Economy and the corporate mediation department as good practice to reduce payment delays and secure net cash from microbusinesses and SMEs.

Finally, under the global cybersecurity program, Thales has carried out actions to raise awareness among its suppliers of issues linked to this risk and best practices to put in place, by means of an online video and a summary document distributed to more than 17,000 suppliers.



Thales had its certification under the Responsible Supplier Relations and Procurement charter renewed for

**3 YEARS**

### 5.1.1.3 ENCOURAGING INNOVATION

Procurement has a key role to play in Thales's innovation process by providing its expertise concerning the supplier ecosystem. Understanding technological roadmaps must therefore be at the heart of the relationship and interactions between Thales and its suppliers.

Thales therefore regularly organizes reviews to share information on these topics with its strategic suppliers.

The Group has also adjusted its procurement process to facilitate access for start-ups and the Purchasing and Technical departments regularly organize discussions about innovative young companies with which Thales has a relationship. In this context, more than 160 PoCs (Proof of Concept) involving these start-ups have already been achieved to date.

Thales also forms partnerships with incubators and accelerators to help high-potential start-ups grow (Starburst Aerospace, AI@Centech...). At the end of 2021, more than 1,800 innovative start-ups and SMEs were registered on the sharing database SUSHI "StartUp Sharing Hub for Innovation".

In 2021, Thales signed the France Industrie manifesto, which promotes the development of industrial start-ups, to facilitate operational cooperation between large groups and start-ups in the pre-industrial phase. Simultaneously, the program AI@Centech is continuing and also supports the development of start-ups that use artificial intelligence. And in March 2021, the event "Thales start-ups journey" took place at the Thales Research and Technology (TRT) site, promoting meetings and initiatives between Thales and start-ups.

### 5.1.1.4 MEETING THE CHALLENGE OF CLIMATE CHANGE

Climate change is a major issue which Thales wishes to address consistently through its activities and services, in particular as part of its strategy for a "Low-Carbon Future".

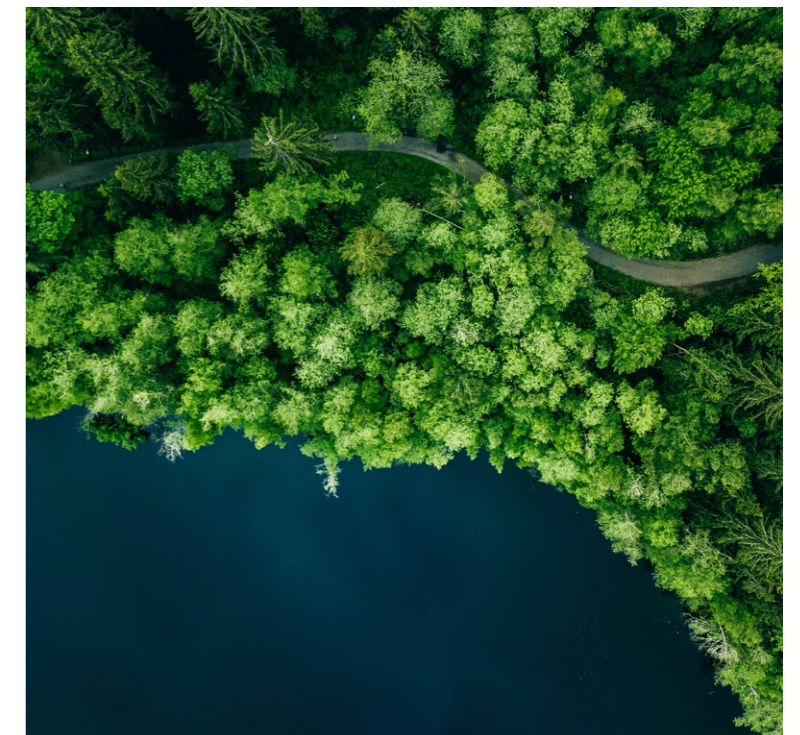
Faced with this challenge, the Procurement Department has a key role and Thales has committed to reducing emissions linked to goods and services that it purchases from its suppliers.

In 2021, a "Low Carbon" questionnaire was sent to more than a hundred of the Group's major suppliers in the purchasing categories identified as emitting the largest volume of greenhouse gases. This questionnaire enables the maturity of suppliers to be measured by communicating their own carbon footprint and their strategy to reduce it. The feedback from the suppliers consulted shows a growing commitment to the issue. More than 50% of suppliers who responded to the questionnaire declare that they have adopted the Paris Agreement or that they have a strategy to reduce their emissions.

A more detailed analysis of the actions plans of the Group's suppliers reflect the current main reduction measures: improvement in energy efficiency of their sites, use of renewable energy sources, carbon compensation actions, replacement of rental vehicle and transport service fleets, sorting and recycling of waste.

Following the ESG Investor Day of October 5, 2021, Thales decided to reinforce its strategy for a Low-Carbon Future and to develop action plans to reduce greenhouse gas emissions with 150 of its major suppliers. In 2022, it also intends to increase the scope of CSR in bidding processes, in particular to better take into account the suppliers' ability to offer solutions that are eco-designed or have a reduced carbon footprint.

Thales is aiming to commit its suppliers to a goal of 50% emissions reduction by 2030.



(1) The charter was established by the corporate mediation department of the French Ministry of the Economy, Finance and Recovery and the Conseil National des Achats (CNA) in France.

### 5.1.1.5 THINKING GLOBALLY AND ACTING LOCALLY

Given the growing complexity of its customers' environments and their global presence, Thales is developing a global understanding of their issues, strategic objectives and operational needs; to meet their expectations, the Group is implementing global strategies, particularly in Purchasing.

Nevertheless, Thales is aware that, in certain regions, it is often a major employer or customer and therefore pays particular attention to the public and private players in the ecosystems in which it operates.

In this context, the Purchasing Department is rolling out specific support measures for SMEs at several levels, regional, national and international, so that they can benefit from Thales's sales force and its knowledge of the markets and local environments in order to develop.

These actions reflect Thales's regional policy and its commitment to the SME Pact association, of which the Group has been a member since 2010. In France, the signing of the SME Action Agreement with the French Ministry of the Armed Forces in 2019 is one example of this. The primary aims of this Agreement are to improve SMEs' information about the BITD (industrial and technological defense base BITD), to develop experimentation, to continue partnerships developed during upstream study programs, to support them in exporting and, finally, to promote start-ups. In 2021, Thales intensified the dialog with the DGA, particularly concerning critical situations of certain suppliers, in order to carry out concerted actions, shorten delays in payment and improve certain contractual conditions.

In the aeronautical sector, Thales has also supported a certain number of SMEs through actions carried out by GIFAS (French Aerospace Industries Association) or by the investment fund "ACE A«roPartenaires", whose goal is to develop industrial champions, particularly through consolidation approaches for players in the sector.

In 2021, Thales acquired products and services for more than €2 billion from more than 4,000 SMEs and ETIs in France, or nearly 70% of the total of its national purchases.

### 5.1.1.6 MOVING FORWARD TOGETHER

Specialized disabled work centers (EAs) and rehabilitation centers for persons with disabilities (ESATs) are key players at the core of the social outreach economy. For many years, Thales has maintained relations with these players, notably for industrial subcontracting work and for general purchases.

Through its Sustainable Procurement commitments, Thales wishes to make greater use of companies and institutions that employ people with disabilities by expanding its relationships to other purchasing segments and categories. This ambition is supported by the Group Agreement in favor of people with disabilities and results in regular dialog with the Human Resources Department.

In 2021, in cooperation with the GESAT network<sup>(1)</sup>, an evaluation of industrial services of the mechanical, engineering and electronics purchasing segments was prepared with the aim of promoting use of EAs and ESATs in these sectors. Following this evaluation, the procurement teams concerned were able to launch discussions with EAs and ESATs with the skills and means to address Thales's needs.

The support of the GESAT network in this expansion of our inquiries with EAs and ESATs will continue in 2022 within the scope of the partnership agreement renewed and reinforced between the GESAT network and Thales.

For 2021, the amount of Thales' commitments to EAs and ESATs was nearly €3.8 million.



**€3.8 MILLION**

the amount of Thales' commitments to EAs and ESATs in 2021

### PARTICULAR ATTENTION ON MINERALS FROM CONFLICT ZONES

Although Thales is not subject to section 1502 of the US Dodd-Frank Act, since it is not listed on the financial market of the United States, the Group exercises a Duty of Care regarding minerals from conflict zones (Conflict Minerals) to fulfill the expectations of its clients. In addition, it has incorporated into its approach the obligations under the European Regulation (EU) 2017/821, which took effect on January 1, 2021. Thales submits these queries to its supply chain to ensure that the origin of the metals covered by these regulations can be verified as far as possible. The Group requires its suppliers to commit to adhering to its "Integrity and Corporate Responsibility Charter", which involves compliance with the applicable laws and regulations concerning the procurement of conflict minerals such as T3G (tungsten, tin, tantalum, gold).

The Group also regularly carries out surveys among any suppliers concerned to collect information relating to the origin of the T3G present in their products.

At the request of customers, the Group's entities fill in and share the "Conflict Minerals Reporting Template" form.



<sup>(1)</sup> The GESAT network is a player in the social outreach economy and has been creating connections between EAs and ESATs and their future private or public clients for 40 years.

## 5.2 VIGILANCE PLAN

Law No.2017-399 of March 27, 2017 relative to the duty of care of parent and of out sourcing companies, requires the establishment and effective implementation of a vigilance plan. The plan includes “reasonable vigilance measures to identify risks and prevent serious violations of Human Rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the Company and those of the companies it directly or indirectly controls, as well as from the activities of subcontractors or suppliers with whom it has an established business relationship, when these activities are related to that relationship”.

Article L.225-104-1 paragraph 4 of the French Commercial Code requires that the vigilance measures imposed are consolidated in this vigilance plan, including:

1. A RISK MAP TO IDENTIFY, ANALYZE AND RANK RISKS (SEE SECTION 5.2.2);
2. PROCEDURES TO REGULARLY ASSESS, IN ACCORDANCE WITH THE RISK MAP, THE SITUATION OF SUBSIDIARIES, SUBCONTRACTORS OR SUPPLIERS WITH WHOM THE COMPANY MAINTAINS AN ESTABLISHED COMMERCIAL RELATIONSHIP (SEE SECTION 5.2.3);
3. APPROPRIATE ACTIONS TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS (SEE SECTION 5.2.4);
4. AN ALERT MECHANISM FOR COLLECTING REPORTS OF EXISTING OR ACTUAL RISKS (SEE SECTION 5.2.5);
5. A SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS (SEE SECTION 5.2.6).

### 5.2.1 GOVERNANCE OF THE VIGILANCE PLAN



The Group’s vigilance plan is defined by the Ethics, Integrity and Corporate Responsibility Department within the Group Secretary & General Counsel’s office, which coordinates implementation with the involvement of the Human Resources Department, the Hygiene, Health, Safety and Environment department, the Purchasing Department, the Audit, Risks and Internal Control department, the Legal and Contracts department and the Investor Relations Department.

## 5.2.2 MAPPING OF RISKS UNDER THE DUTY OF CARE

### 5.2.2.1 RISK IDENTIFICATION

Identification of the risks related to the Duty of Care involves risks likely to cause severe violations of:

- human Rights (child labor, forced labor or illegal employment, wages below the statutory minimums, sexual harassment and/or violence at the workplace, non-respect of International Labor Organization rules of the maximum number of working hours and/or rest, non-respect of equal treatment at work, non-respect of employees’ privacy);
- the health and safety of people (lack of prevention and follow-up of serious accidents at work, lack of an emergency policy in the event of accidents at work, lack of policy and follow-up regarding health and safety at the workplace);
- the environment (significant pollution due to industrial activities, including greenhouse gas emissions, non-respect of regulations regarding hazardous materials).

This risk survey is the result of deliberations within the internal multidisciplinary task force driven by the Ethics, Integrity and Corporate Responsibility Department.

This survey is also based on the work carried out within trade and industry associations of which Thales is a member (GIFAS, EDH, Medef, etc.) and involves various external stakeholders (governments, NGOs, labor unions, etc.) that complement the Group’s deliberations and analyses with their experience.

### 5.2.2.2 HIERARCHY OF RISKS

The ranking of risks related to the Duty of Care is reviewed during the work carried out to create the materiality matrix (see Chapter 5.7.2 of URD 2021) and draft Thales’s Non-Financial Performance Statement (see Chapter 2).

At the level of suppliers and subcontractors, the analysis and ranking of risks related to the Duty of Care are based on three criteria: the type of purchase made, the country where the supplier or subcontractor operates, and the amount that Thales undertakes to purchase from that supplier or subcontractor.

Thales manages a large portfolio of suppliers approved for the purchasing segments, which are themselves broken down into purchasing categories, the latter then being subdivided into Technical Purchasing Codes (CTAs).

Each approved supplier gets involved in one or more CTAs depending on its area of activities; the CTA is the smallest unit of purchasing segmentation and therefore the most accurate to describe the type of purchase in question.

Each CTA is subject to a review by the Purchasing Department, the DEIRE (Ethics, Integrity and Corporate Responsibility Department), the DARCI (Audit, Risks and Internal Control Department) and the Hygiene, Health, Safety and Environment Department in order to identify the CTAs whose activities are most exposed to risks (e.g. activities that cause pollution or are dangerous to health and the environment, construction work, etc.). Following the development of the Group’s purchasing segmentation in 2021 and to cover all the activities identified, the risk assessment enabled 19 CTAs concerning the following purchases to be identified as being at risk:

- MACHINING, SMELTING, SHEET METAL WORKING;
- MANUFACTURE OF MECHANICAL SUB-ASSEMBLIES;
- ADHESIVES, SOLVENTS, PAINT, ACIDS, ALCOHOLS, RESINS, OILS... ;
- SURFACE TREATMENTS;
- PRINTED CIRCUIT BOARDS;
- COMPONENTS;
- INSTALLATION AND CIVIL ENGINEERING WORKS;
- MUNITIONS.

The countries where the suppliers and subcontractors operate and the amount of Thales’s commitments to these suppliers and subcontractors are also taken into account to assess their level of risk related to the Duty of Care. With this in mind, the use of three external benchmarks, the Environmental Performance Index (EPI), the International Trade Union Confederation (ITUC), and the Global Slavery Index, has led to 25 “at risk” countries in which Thales is present being identified.

A high level of risk is attributed to suppliers and subcontractors who are in both a high-risk country and a high-risk CTA.

A moderate level of risk is attributed to suppliers and subcontractors who are in either a high-risk country or a high-risk CTA.

On this basis, a set of prevention measures has been defined in proportion to the level of risk associated with each case.

The lists of CTAs and countries at risk may be revised depending on the Group’s changing needs and updates to the external benchmarks used by Thales.

### 5.2.3 PROCEDURES FOR REGULAR ASSESSMENT REGARDING RISK MAPPING

#### 5.2.3.1 PROCEDURES FOR REGULAR ASSESSMENT OF THE SITUATION OF SUBSIDIARIES

Each year, all Group subsidiaries and entities are assessed through an internal control questionnaire, the Yearly Attestation Letter (YAL), sent by the Audit, Risks and Internal Control Department (DARCI) to the Group's operational entities (153 questionnaires sent during the 2021 campaign). Details of this procedure are given in paragraph 3.4.1 of Universal Registration Document 2021. Since the introduction of Act no.2017-399 of March 27, 2017 on to the Corporate Duty of Care, control points from the YAL have been completed to cover the issues raised by this law:

- 2 control points concerning the protection of Human Rights and prevention of discrimination at work;
- 5 control points concerning employee health and safety aspects and protection of the environment, both on the Group's premises and at work sites.

**“ EACH YEAR, ALL GROUP SUBSIDIARIES AND ENTITIES ARE ASSESSED THROUGH AN INTERNAL CONTROL QUESTIONNAIRE ”**

#### 5.2.3.2 PROCEDURES FOR REGULAR ASSESSMENT OF THE SITUATION OF SUPPLIERS OR SUBCONTRACTORS WITH WHICH AN ESTABLISHED COMMERCIAL RELATIONSHIP IS MAINTAINED

The procedures for regular assessment of the situation of suppliers and subcontractors under the Duty of Care, along with the procedures for assessing their integrity, are part of the compliance policy of the Group's Purchasing sector.

All suppliers and subcontractors of Thales are obliged to sign the Partners' and Suppliers' Integrity and Corporate Responsibility Charter at the qualification phase before entering into any relationship. This charter, the terms of which were revised in 2019, particularly on the basis of the Code of Conduct of the International Forum on Business Ethical Conduct (IFBEC), includes specific commitments expected of Thales's suppliers and subcontractors concerning Human Rights (particularly child labor, forced labor or illegal employment, wages below the legal minimums, sexual harassment and/or workplace violence, non-respect of the rules of the International Labor Organization...), environmental protection (significant pollution due to industrial activities, non-respect of regulations on hazardous substances...) and the health and safety of people (lack of prevention and monitoring of serious accidents at work, lack of emergency policy in case of accidents at work, lack of policy and monitoring of health and safety at the workplace...).

The number of new suppliers who signed this charter is measured by an indicator described in Chapter 5.1.1.1.

In addition, since the entry into force of Act no.2017-399 of March 27, 2017 on the Corporate Duty of Care, when a supplier or subcontractor signs a purchase agreement or accepts an order from Thales, it undertakes to respect the specific contractual clauses linked to "Integrity and Corporate Responsibility" and to "Compliance with provisions concerning the environment and prevention of safety risks", including provisions targeting the areas subject to the Duty of Care.

This general provision, which concerns all suppliers, is supplemented by additional prevention measures for suppliers and subcontractors identified as being at risk according to the three criteria described in the preceding Chapter 5.2.3.

#### Additional assessment measures

Specific tools enable Thales to extract from its supplier database suppliers considered to be high risk and moderate risk according to the criteria defined above.

Thales can then call on the support of a third-party specialist in supplier risk management to subject its at risk suppliers to a detailed assessment process that takes place in three phases.

#### Phase 1:

Registration of at risk suppliers at risk on a dedicated platform at Thales, either in batches or individually.

Allocation of an Inherent Risk Index score (IR score) to each supplier depending on the country where it operates according to the ratings of four external benchmarks:

- World Bank – Worldwide Governance Indicators (WGI),
- The United Nations Human Development Index (HDI),
- Transparency International Corruption Perceptions Index (CPI),
- US State Department Human Trafficking report.

#### Phase 2:

Information from the supplier through a self-assessment questionnaire (SAQ), which results in an SAQ score out of 100, 100 being the best score.

The supplier must answer all the questions and provide supporting documents to give details of the answers that it provides during this assessment phase. These documents are obligatory and their accuracy is verified by the third-party organization in charge of the assessment process.

Checking by the third-party organization for consistency of the supplier's answers with the supporting documents submitted results in the allocation of a revised score, "DV score" (Desk Verification).

#### Description of the detailed self-assessment questionnaire (SAQ)

This questionnaire, composed of about a hundred items, was prepared in conjunction with the International Aerospace Environmental Group (IAEG) and the French Aerospace Industries Association (GIFAS). Its purpose is to assess the policies and actions implemented by the supplier concerning Human Rights, protection of fundamental freedoms, the health and safety of people as well as the environment.

The structure of this questionnaire and the associated rating system for each answer contribute to the assessment of the supplier's maturity in each of the areas and enables the identification of weak points to be analyzed that could potentially become risk factors.

Implementation of this assessment process for suppliers requires extensive work on the part of Thales's experts and its partners. To facilitate this process, Thales carries out an important educational campaign for its suppliers and subcontractors.

A user guide for the procedure developed by Thales has been written and made available to the Group's buyers. Awareness-raising sessions are organized regularly to explain the assessment process and address the questions of buyers from all purchasing segments and geographic areas. Support is provided by the Group's Purchasing Department to advise buyers and facilitate execution of the process.



## 5.2.4 APPROPRIATE ACTIONS TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS

### 5.2.4.1 APPROPRIATE ACTIONS TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS ADAPTED FOR SUBSIDIARIES

All the Group's subsidiaries and entities are required to implement the Group's process reference system, Chorus 2.0. This is a unified set of management processes that defines the way in which Thales works: its rules, practices and modes of operation. It covers all the Group's operational activities, including Human Resources, Health, Safety and the Environment.

### “ THE GROUP'S SOCIAL POLICY IS BASED ON A SOCIAL DIALOG AS WELL AS A POLICY OF DIVERSITY AND INCLUSION ”

The internal processes and associated policies implemented by Thales in the areas subject to the Duty of Care are particularly based on the eight fundamental conventions of the ILO (International Labor Organization):

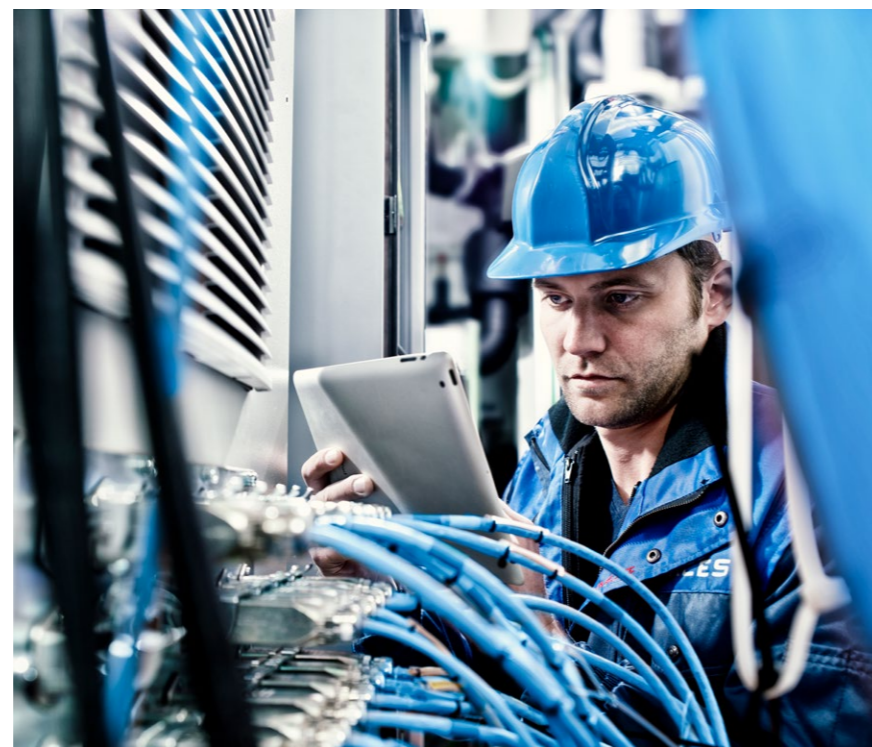
- Convention no.87 on freedom of association and protection of the right to organize and Convention no.98 on the right to organize and collective bargaining;
- Convention no.29 on forced labor and Convention no.105 on the abolition of forced labor;
- Convention no.138 on minimum age and Convention no.182 on the worst forms of child labor;
- Convention no.100 on equality of remuneration and Convention no.111 on discrimination.

The Group's social policy is based on a social dialog (see Chapter 5.4.3.1 of URD 2021) as well as a policy of diversity and inclusion (see Chapter 5.4.2 of URD 2021), which contribute to risk prevention.

In terms of health and safety, Thales is committed to providing a safe and healthy working environment for its employees at its own sites and at external work sites. The Group has set a goal of anticipating and preventing these risks, including psychosocial risks, and ensuring conditions of hygiene, health, safety and a high quality of life at work (see Chapter 5.4.3.5 of URD 2021). In addition, almost 82% of employees work at ISO 45001 certified sites (Safety Management System). Likewise, 87% of employees work at ISO 14001 certified sites (Environmental Management System). Finally, at all its sites, Thales carries out health-safety-environment maturity audits, the results of which are reviewed annually through the Yearly Attestation Letter (see section 3.4.1 of URD 2021).

In terms of the environment, the Group has also set ambitious performance targets since 2007. These targets were reiterated by the Group's Executive Committee in 2021 and made public at the ESG Investor Day which occurred on October 5, 2021. Thales now intends to reduce its greenhouse gas emissions by 50% by 2030 (including Scope 1, Scope 2 and Scope 3 – business trips – compared to 2018 and always in terms of absolute value) and to reach net zero by 2040 (see Chapter 4.2.2).

Finally, Thales's Code of Ethics, available on the Group's website and intranet, is systematically communicated to and signed by new employees to make them aware, from their arrival, of the ethical principles that govern the company, including, in particular, those linked to the strict compliance with Human Rights, rules aiming to guarantee the health and safety of employees, as well as the Group's environmental commitments.



### 5.2.4.1.1 APPROPRIATE ACTIONS TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS FOR SUPPLIERS AND SUBCONTRACTORS

At the end of the detailed assessment process for suppliers and subcontractors described in Chapter 5.2.3.2 above, measures to mitigate and prevent risks are implemented depending on the DV (Desk Verification) score obtained by the supplier according to the information of the SAQ and its verification. These prevention measures are applied according to the following scale, defined on three levels, the best score being 100:

- if the DV score is greater than 50: the risk is low, there are no additional measures and the supplier will be re-assessed in three years, except in the event of an alert;
- if the DV score is between 30 and 50: the risk is moderate, so a corrective action plan is proposed by the third-party organization at Thales's request;
- if the DV score is less than or equal to 30: the risk is high, so an audit at the supplier's site may be carried out by the third-party organization at Thales's request.

If the supplier or subcontractor does not take appropriate steps to carry out the corrective measures required or if it refuses to take part in the process, Thales may decide, depending on the case, either not to select it during the bidding process, or not to continue the commercial relationship.

In 2021, for this reason, Thales terminated the commercial relationship with more than approved thirty suppliers or subcontractors.

### FOCUS: SERVICE PROVISION IN WORK AND SECURITY ENVIRONMENTS, COPERNIC

Concerning provision of services at work environments at all its sites in France, maintenance of equipment of buildings and provision of services to the occupants, Thales has set up a global contract which entrusts all its services to a single partner.

The 17 globalized services involve 70 Thales sites in France for a real estate footprint of million m<sup>2</sup> and 45,000 occupants, or about 60% of Thales's global real estate. They are carried out by almost 1,300 staff.

This mode of operation enables a centralized and global management, which reduces the number of contacts thanks to a single governance source and enables a pattern of co-construction of service performance between Thales and its supplier. The same model is also applied to all security services at Thales sites in France.

This choice offers better management of the risks to which the staff could be exposed, in particular concerning cleaning services and multi-technical maintenance services, by monitoring the terms of remuneration of these employees and their involvement in site prevention plans.

In terms of the environment, this approach secures waste treatment by using recognized national service providers that offer complete traceability of their treatment and recycling. The global contract of services at work environments includes an incentive to employ people from the adapted and protected work sector, thus enabling the integration of more than fifteen people with disabilities into the on-site teams each year. This approach was able to demonstrate all its efficiency and resilience during the Covid-19 health crisis. It enabled the rapid implementation of health protocols for both the employees and the service providers and the reopening of production sites under the best possible conditions. The contract is complemented by an energy performance contract that has enabled the tertiary energy consumption to be reduced by 20% since its implementation in 2019.

### 5.2.5 MECHANISM FOR ALERTS AND COLLECTION OF REPORTS RELATING TO THE EXISTENCE OR CREATION OF RISKS

In 2019, Thales reviewed its professional alert system to extend its scope of application to internal or external reports under Act no.2016/1691 of December 9, 2016, on transparency, the fight against corruption and economic modernization as well as Act no.2017-399 of March 27, 2017, on the Corporate Duty of Care.

In 2021, the Group alert system received 44 professional alerts (compared to 25 alerts in 2020) of which 27 were considered valid. Of the 27 alerts, 3 fell under Act no.2017-399 of March 27, 2017 on the Corporate Duty of Care and principally concerned health and safety issues at the workplace.



44

professional alerts of which 27 were considered valid

### 5.2.6 SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSMENT OF THEIR EFFECTIVENESS

The vigilance plan measures are monitored particularly through reporting and indicators described in chapter 5.3, especially: frequency and severity rates of accidents at work, percentage of employees working at OHSAS 18001 or ISO 45001 and 14001 certified sites, the percentage of new suppliers committed to the principles of Thales's new Integrity and Corporate Responsibility Charter (67% in 2020), the percentage of suppliers assessed among those considered "at risk" according to the Duty of Care mapping (24% in 2020) and the changes in alerts received via the Group's alert system in 2020 (25 in 2020 compared to 34 in 2019).

In addition, at the end of 2021, Thales set up a new CSR Department under the responsibility of a Chief Sustainability Officer reporting to the Group's Secretary & General Counsel office (see chapter 1). This department complements the CSR Committee implemented in October 2020, whose role is to ensure better control of commitments and actions in favor of responsible and sustainable development and to reinforce the Group's social contribution.

**“ THALES SET UP A NEW CSR DEPARTMENT UNDER THE RESPONSIBILITY OF A CHIEF SUSTAINABILITY OFFICER ”**

### 5.3 THALES'S COMMITMENTS TO CIVIL SOCIETY

Launched at the end of 2019, the Thales Solidarity program continued its roll-out in 2021 by supporting partner associations in some dozen countries, thanks to its dedicated charitable fund, the commitment of its employees and the local involvement of the Group's entities.

#### 5.3.1 ROLL-OUT OF THE THALES SOLIDARITY PROGRAM

Continuing the actions taken by the Thales Foundation from 2014 to 2019, Thales's social commitment strategy aims to coordinate the Group's outreach initiatives concerning areas of focus and common criteria and to increase its social impact by mobilizing internal resources and networks to achieve common goals. This development is aimed at continuing the actions of the Thales Foundation after 5 years of significant achievements.

This strategy is organized under the banner of the Thales Solidarity program and supports a social mission aligned with the Group's purpose: because trust is essential to the development of companies, innovation must be open to the greatest number of people. Thales undertakes to benefit civil society through its expertise and talents to enable each person to be a player today for the decisive transformations of tomorrow.

In this context, the outreach initiatives supported across the Group fall under 3 commitment priorities by putting technology and innovation at the service of education and professional integration, digital citizenship, and environmental protection.

These themes reflect Thales's CSR strategy: "Building a future we can all trust, for a safer world that is more respectful of the environment and more inclusive". The Thales Solidarity program enables the Group's CSR commitments to be extended for the benefit of the public interest and civil society.

#### A commitment rolled out across the Group

The Thales Solidarity Charitable Fund is one of the pillars of the program and a tool for financing and supporting projects and outreach initiatives. It guarantees the soundness of projects and proper use of funds.

Thales's entities – sites, countries, Global Business Units – support and implement local outreach actions or in their fields to reinforce the social impact in the communities where the Group is present. These actions must progressively be aligned with the 3 commitment priorities and the program's common criteria, and are validated in accordance with the Group's Patronage and Sponsoring policy.

The Thales Solidarity program is based on a network of 17 delegates responsible for its implementation and promotion in the Global Business Units and Countries, as well as a community of local ambassadors at the Group sites.

A commitment platform, set up with the social outreach company, MicroDON, aims to facilitate employee outreach initiatives throughout the year: on this site, they can propose projects, sign up for volunteer missions that are regularly put online or join the "Arrondi sur salaire" operation in France.



### 5.3.2 PROJECTS SUPPORTED BY THE THALES SOLIDARITY CHARITABLE FUND

The goal of the Thales Solidarity fund is to contribute to creating responsible, accessible and useful innovations for all, with those who are preparing the critical social transformations of the future. To do this, the Fund aims to open up and share the Group's capacity for innovation, expertise and talents to act on the 3 public interest topics defined in the Group's program: education and professional integration, digital citizenship and protection of the environment.

In 2021, the Charitable Fund selected 14 projects in 8 countries, half of which were in France.

#### PROJECTS SPONSORED BY EMPLOYEES

The annual call for projects by the Thales Solidarity Fund aims to support and promote the commitment of employees by financially supporting public interest initiatives in which they are involved and that fall within one of the Fund's key areas of focus.

**DURING 2021, 21 PROJECTS (SELECTED DURING THE 2020 AND 2021 CALLS FOR PROJECTS) WERE ROLLED OUT BY PARTNER ASSOCIATIONS.**

Despite some delays in implementing actions and constraints linked to the pandemic around the world, the associations and project sponsors were able to demonstrate innovation and adaptation, and the number of beneficiaries expected was achieved.

The 11 projects selected in 2020 affected 1,700 beneficiaries, of which 2/3 of the young people were able to develop digital skills, learn about responsible use of technology or access digital tools for their academic success. Seven of these projects were completed, and four others will conclude their operations in 2022. A total of some twenty employees participated in these projects.

Ten new winning projects were launched mid-year and targeted 1,500 children and adults during 2021-22 in France, Brazil, Mexico, United States, United Kingdom, Turkey and Vietnam. For example:

- two projects to introduce young people to digital manufacturing in Belfast with Farset Labs and in Occitania with Planète Sciences will raise awareness of opportunities in the technology sector among nearly 150 young people, helping them to overcome stereotypes that may hold them back in their choice of career path;
- in Brazil, the disruptive training model of the Laboratoria association is working towards a more inclusive digital economy: 50 low-income women will be supported to develop their technical and professional skills and facilitate their integration into the tech industry;
- to promote distance learning for vulnerable populations in Turkey, the Yuva association designed a digital literacy manual and trained 24 social educators in 8 provinces who will pass on these skills to 120 other teachers and more widely to students;
- deployed by the Association Eco-citoyens de la Vallée de l'Huveaune in France, two connected educational beehives will feed participatory research by collecting data, and to raise awareness of 350 students about the role and protection of pollinators through an interactive platform accessible to teachers.

#### PILOT PROGRAMS

The Endowment Fund also supports programs with a greater social impact to experiment with solutions and provide long-term support to public interest actors in scaling up their actions or achieving systemic change. Co-constructed with innovative and recognized actors in each field, these programs contribute to improving the understanding of societal needs in each area.

In 2021, 3 partnerships were monitored and extended in France and 2 new ones were launched at the end of the year. The aim of these programs is to promote the development of digital and technological skills and practices in order to enable the target audiences to participate and better orient themselves in tomorrow's world.

In the area of science and technology education, the Fund continued its long-standing collaboration on the Savanturiers-École de la Recherche program, which allows primary and secondary school students to conduct a research project in collaboration with a scientific expert. Since 2015, Thales has been supporting and helping to spread this learning program, which has already involved more than 4,000 students and teachers and around 100 Thales volunteers. For the 2021-22 school year, an educational program, designed by a multi-disciplinary team of young Thales engineers, aims to introduce nearly 500 middle and high school students to scientific issues and methods, and to encourage them to discover the technology sector. It deals with different aspects of the digital science and science and technology curriculum around the question "How do I pilot my robot on Mars from Earth?".

The Thales Solidarity Fund also promotes digital inclusion by supporting the Défi Insertion project run by the We Tech Care association since 2020. It aims to empower employees to acquire the minimum digital skills necessary for their social and professional integration, by offering them tools and training; but also by raising awareness and helping professionals working in integration structures to better integrate digital opportunities for their beneficiaries. In 2021, the pilot program trained 416 people, including 270 counselors from economic integration structures in 3 regions (Occitania, Hauts de France and Grand-Est). The renewal of the partnership will make it possible to enhance the system by offering new tools and a hybrid training program that will foster the autonomy of 500 employees in the field of social integration by 2022 through 50 structures throughout France.

In 2021, the Charitable Fund selected



**14 PROJECTS**

in 8 countries, half of which were in France

In 2021,



**3 PARTNERSHIPS**

were monitored and extended in France and 2 new ones were launched at the end of the year



Through its partnership with the Latitudes association, the Thales Solidarity Fund wishes to encourage the responsible use of technology to serve the public interest. Convinced that technological innovation has a role to play in addressing social and environmental issues, Latitudes develops awareness and engagement programs for students and professionals, and offers public interest actors digital support and innovative technology to increase their impact. The Fund's support makes it possible to strengthen the system and the rollout of this support through a web platform, the management of an active community of structures and volunteers and access to resources. Since 2020, more than 700 structures have registered on the platform. The goal is to increase the number of support services provided from 200 to 350 by the end of 2022.

To promote informed digital citizenship among young people, the Fund has selected the Born Social program, operated by The Cube Fund. It aims to make active and responsible the use of social media, by supporting young people in building a campaign to raise awareness of fake news and in discovering different careers in the digital sector. The program includes 10 hours of classroom workshops with 3 objectives: to open the debate on the challenges posed by information on social networks through digital art and the intervention of Thales experts on their professions; to imagine solutions to avoid fake news; and to raise awareness among other young people about fact checking. The workshops are scheduled to be rolled out in 2022 throughout the Ile-de-France region, targeting 300 young people aged 9 to 15 from the QPV (Quartiers Prioritaires de la Politique de la Ville) and 10 teachers.

**“ THROUGH ITS PARTNERSHIP WITH THE LATITUDES ASSOCIATION, THE THALES SOLIDARITY FUND WISHES TO ENCOURAGE THE RESPONSIBLE USE OF TECHNOLOGY TO SERVE THE PUBLIC INTEREST ”**

Finally, the Fund collaborated with a team from the learningandculture@Thales department to design the Thales Digital Women Fellowship program, in partnership with the Polaris association in Senegal. This pilot project aims to support young women from disadvantaged areas in achieving socio-professional integration through the acquisition of professional digital skills and to make them ambassadors in the digital acculturation of the younger members of their community. Launched at the end of 2021, the 7-month pilot will be conducted in Dakar and will offer 50 selected candidates a 4-stage training program covering professions that meet the demand of the local market and that is based on Thales' educational expertise in the development of digital skills.



## 6. METHODOLOGY NOTES

### 6.1 ENVIRONMENTAL DATA

#### SCOPE OF ENVIRONMENTAL REPORTING

The scope of environmental reporting is separated from the scope of the companies included in the financial consolidation as of December 31, 2021, after cumulative application of the eligibility criteria set out below.

#### ELIGIBILITY AND OPERATIONAL CONTROL (CRITERION 1)

In the first stage, only companies meeting the following two criteria are selected:

- Thales's shareholding is equal to or greater than 50% of the capital of this company;
- Thales has operational control of this company.

#### ACTIVITY/WORKFORCE (CRITERION 2)

The second step consists of selecting the eligible sites and establishments of the companies selected in the previous step. The following are selected:

- “establishment/site” engaged in an Operating Model 4 activity, regardless of the number of employees;
- “establishment/site” engaged in an Operating Model 3 activity with more than 50 employees;
- “establishment/site” engaged in an Operating Model 2 activity with more than 100 employees.

The section “Definition of HSE Management System levels” details the Operating Model levels (classification according to the nature of the activity of an establishment or site: industrial, semi-industrial or tertiary activity).

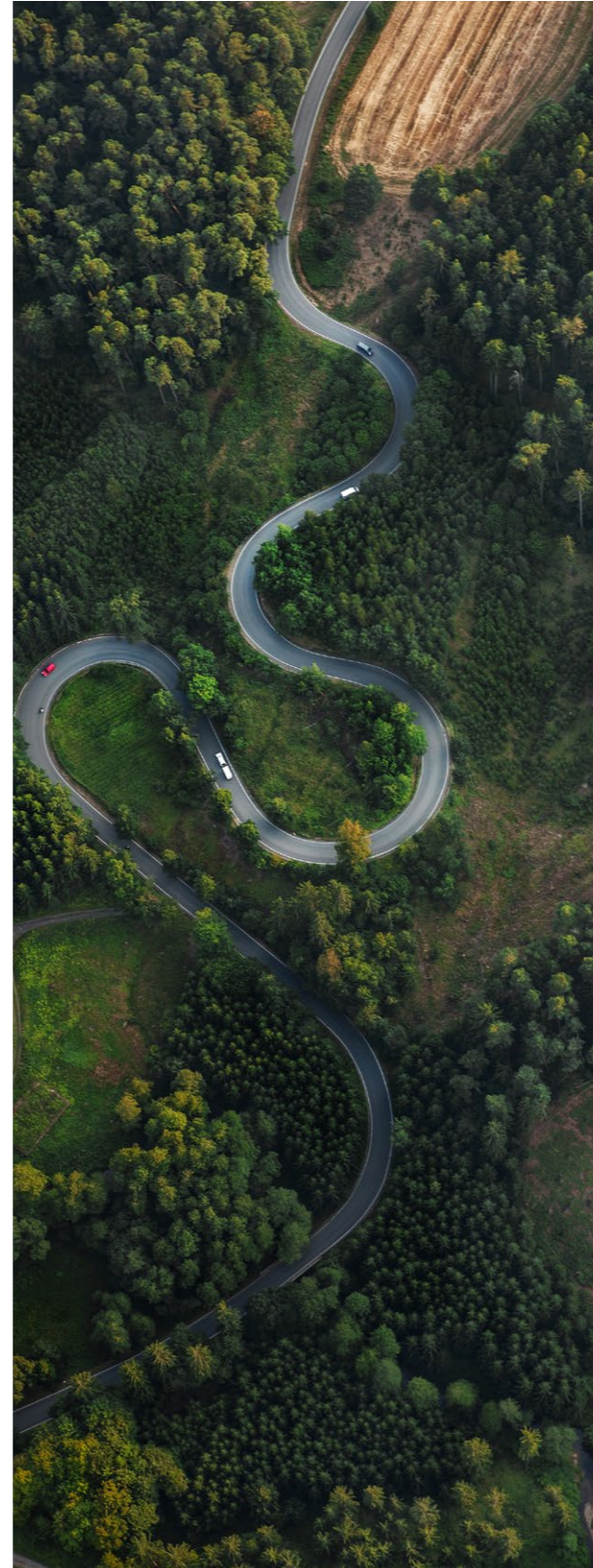
#### CHANGES IN SCOPE

Changes during the year in the scope of consolidation (in the financial sense) and significant changes in the activities or headcount of Group sites, including the additional criterion of contribution to the entire financial year 2021, are handled as follows<sup>(1)</sup>:

- companies acquired in 2020 that meet the criteria of control (criterion 1) and activity/employee numbers (criterion 2) are included in the scope of environmental reporting. The same applies to new operations created in 2020;
- for the transfer of activities from one site to another with full environmental reporting for the year 2021, the information is combined:
  - with that of the originating site for the period from January 1, 2021 to the day before the transfer date,
  - with that of the receiving site for the period from the transfer date to December 31, 2021.
- absorption of intra-Group companies, sites or activities: the data of the absorbed entity is combined with that of the absorbing structure for the period from January 1, 2021 to the date of absorption.

<sup>(1)</sup> The land transport sites and activities of the GTS GBU continue to be included in the scope of the 2021 environmental reporting.





#### REPORTING PROCEDURE

An instruction contained in the Group's reference system sets out the rules for each stage of data entry, validation and consolidation. It also defines the role of each stakeholder and promotes data recording (traceability, archiving, etc.).

#### INDICATORS

In view of regulatory changes, expectations and the Group's environmental strategy, the indicators are periodically reviewed, both in terms of their relevance and calculation methodology. The reference framework for indicators applicable within the Group takes into account feedback from previous years and anticipated changes in environmental issues. The detailed description of the indicators is available in the reporting tool and is formalized in the "Methodological guide for reporting environmental data". A note on the methodology for calculating the carbon footprint has also been written in the "Methodological guide for calculating CO<sub>2</sub> emissions".

The indicators are consolidated in line with the GRI<sup>(1)</sup> recommendations and a cross-reference table is available in 8.3.

#### REPORTING TOOL

Thales has developed a reporting and management tool accessible to everyone in the environmental reporting sphere. This tool consolidates data at the level of each entity, country or geographical area as well as at the Group level. In addition, its configuration makes it possible to ensure that the information is consistent and, if it is not, to point out inconsistencies according to the specific characteristics of each country (units of measurement, conversion factor, etc.).

#### PERFORMANCE ANALYSIS

To facilitate the analysis of results, the Group's environmental reporting integrates the following principles:

- monitoring of a relevant ratio to assess changes in the scope of consolidation (disposals and acquisitions). For example, water consumption is tracked in gross value (in cubic meters) but is also expressed in relation to the number of employees.
- recalculation of the reference value when emission factors are modified during the reporting period, with the exception of "electricity" emission factors, which are changed each year without impacting the data for previous years, in order to take into account changes in the mix of energy production in the countries/regions where the sites operate and the contracts for the purchase of electricity signed by the Group.



## 7.

### REPORT OF THE INDEPENDENT THIRD PARTY ORGANIZATION ON THE CONSOLIDATED DECLARATION OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE MANAGEMENT REPORT

YEAR ENDED DECEMBER 31, 2021

#### TO SHAREHOLDERS,

In our capacity as an independent third party, member of the Mazars network, Statutory Auditor of the Thales Group, accredited by COFRAC Inspection under number 3-1058 (scope of accreditation available on website [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the consolidated statement of non-financial performance for the financial year ended December 31, 2020 (hereinafter referred to as the "Statement"), which is presented in the management report, in accordance with the legal and regulatory requirements set out in Articles L.225 102-1, R.225-105, and R.225-105-1 of the French Commercial Code.

#### Conclusion

Based on the procedures we performed, as described in the section "Nature and scope of our work", and on the information we obtained nothing has come to our attention that causes us to believe that the Non-Financial Performance Statement is not in compliance with the applicable regulations and that the information, taken as a whole, is presented fairly in accordance with the Standards.

#### Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or of established practices on which to base the evaluation and measurement of information allows for the use of different, but acceptable, measurement techniques that may affect comparability across entities and over time.

Accordingly, the Information should be read and understood with reference to the Reporting Criteria, the significant elements of which are presented in the Statement.

#### Limitations inherent in the preparation of information

The Information may be subject to uncertainty inherent with the state of scientific or economic knowledge and due to the quality of the external data used. Certain information are sensitive to the methodological choices, assumptions and/or estimates made in preparing it and presented in the Statement.

(1) The Global Reporting Initiative (GRI) is a non-profit organization that develops a common framework for sustainability reporting. Compliance with this document by companies is completely voluntary.

### Responsibility of the Company

It is the responsibility of the Board of Directors:

- to select or establish appropriate criteria for preparing the information;
- prepare a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators, and also the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- and to implement the internal control procedures it deems necessary to ensure that the Information is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by applying the entity's frame of Reference as described above.

### Responsibility of the independent third party

It is our responsibility, based on our work, to provide a reasoned opinion expressing limited assurance on:

- the compliance of the Statement with the provisions of Article R.225-105 of the French Commercial Code;
- the fairness of the historical information (recorded or extrapolated) provided pursuant to Article R.225-105, paragraphs 3 of I and II of the French Commercial Code, namely the results of policies, including key performance indicators, and actions, relating to the main risks.

As it is our responsibility to formulate an independent conclusion on the Information as prepared by management, we are not authorized to be involved in the preparation of the said Information as this could compromise our independence.

It is not our responsibility to express an opinion on:

- the entity's compliance with other applicable legal and regulatory requirements (in particular with regard to the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the vigilance plan and the fight against corruption and tax evasion);
- the truthfulness of the information provided for in Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- the compliance of products and services with the applicable regulations.

### Regulatory provisions and applicable professional standards

We conducted our work described below in accordance with the provisions of Articles A. 2251 et seq. of the French Commercial Code, the professional standards of the Compagnie Nationale des Commissaires aux Comptes (CNCC) applicable to this type of work, and the (reviewed) international standard ISAE 3000.

### Independence and quality control

Our independence is defined by the provisions of Article L.822-11 of the French Commercial Code and the industry's code of Statutory Auditor ethics. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the applicable legal and regulations, ethical rules and the professional standards of the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this activity.

### Means and resources

Our work involved the skills of 13 people and took place between October 2021 March 2021 over a total working period of 15 weeks. To assist us in our work, we called upon our specialists in sustainable development and social responsibility. We conducted about ten interviews with the persons responsible for the preparation of the Declaration, representing in particular the CSR Department newly created in January 2022, the Ethics and Integrity Department, the Legal and Human Resources Department, the Health, Safety and Environment Department, the Audit, Risks and Internal Control Department and the Purchasing Department.

### Nature and scope of work

We planned and performed our work taking into account the risks of significant information misstatement.

In our opinion, the procedures we have carried out in the exercise of our professional judgment enable us to provide a moderate level of assurance:

- we have reviewed the activities of all the entities included in the scope of the consolidated financial statements and as well as the description of the main risks;
- we assessed the appropriateness of the Standards with respect to their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, industry best;
- we have verified that the Declaration covers each category of information provided for in III of Article L.225-102-1 with regard to social and environmental issues, as well as respect for Human Rights and the fight against corruption and tax evasion;
- we have verified that the Statement presents the information required by section II of Article R.225-105 where relevant to the main risks and includes, where appropriate, an explanation of the reasons for the absence of the information required by the 2<sup>nd</sup> paragraph of section III of Article L.225-102-1;
- we have verified that the Statement presents the business model and a description of the main risks related to the activity of all the entities included in the scope of the Group' consolidation, including, where relevant and proportionate, the risks created by its business relationships, products or services, as well as the policies, actions and results, including key performance indicators related to the ;
- we consulted documentation and conducted interviews to:
  - assess the process for selecting and validating the main risks and the consistency of the results, including the key performance indicators selected, with the main risks and policies presented, and
  - corroborate the qualitative information (actions and results) that we considered most important presented in Appendix 1. For the risks of "Compliance with rules concerning business ethics", "Vigilance over suppliers' compliance with corporate responsibility issues" and "Impacts related to changes in regulations", our work was carried out at the level of the consolidating entity; for the other risks, work was carried out at the level of the consolidating entity and in selected entities;

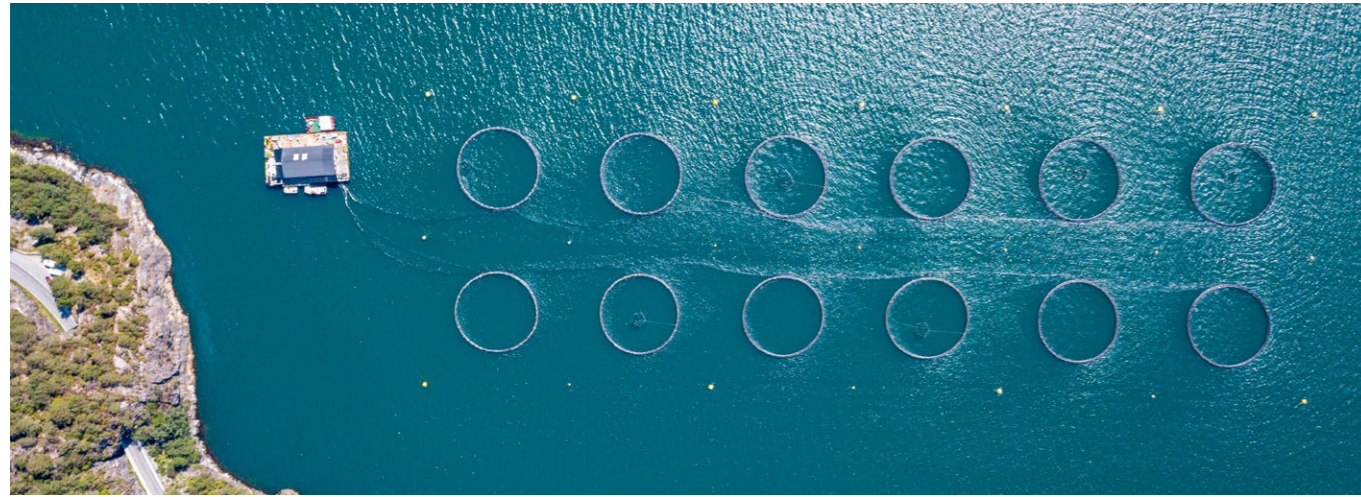
- we have verified that the Statement covers the consolidated scope, i.e. all the entities included in the scope of consolidation in accordance with Article L.233-16 the limits specified in the Statement;
- we have examined the internal control and risk management procedures implemented by the entity and have assessed the collection process aimed at ensuring the completeness and accuracy of the information;
- for the key performance indicators and other quantitative results that we considered most important as presented in the Appendix 1, we implemented:
  - analytical procedures consisting of verifying that the data collected has been properly consolidated and that changes in the data are consistent;
  - detailed audit testing or other means of selection, consisting of verifying the correct application of the definitions and procedures and on reconciling the data with supporting documents. This work was carried out with a selection of contributing entities and covered between 21% and 100% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement in light of our knowledge of all the entities<sup>(1)</sup>.

The procedures performed for a moderate assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes; a higher level of assurance would have required more extensive audit work.

Executed at Paris-La Défense, March 3, 2022  
 Independent third party **Mazars SAS**  
 Edwige REY - CSR & Sustainable Development Partner

(1) Social information: legal entities within the scope of Thales legacy France; legal entities within the scope of Thales legacy Spain. Environmental data: Thales LAS France (La Ferté); Montgomeryville (DIS); Thales Land Mulwala (Australia); SGF Gennevilliers; Thales Alenia Space (Turin); TRT Palaiseau; Thales AVS France MIS Thonon; Singapore (DIS); Thales Netherlands B.V (Hengelo) – Waste indicators only. Corporate data: Contributing departments at Group level.





## APPENDIX 1: THE MOST IMPORTANT INFORMATION

### QUALITATIVE INFORMATION (ACTIONS AND RESULTS) ON THE MAIN RISKS

- Diversity and inclusion.
- Workplace health and safety.
- Environmental impacts related to the Group’s activities.
- Anticipation of environmental standards in product design.
- Compliance with rules of ethical business conduct (particularly anticorruption and influence peddling).
- Vigilance concerning supplier compliance with corporate responsibility issues.

### QUANTITATIVE INDICATORS INCLUDING KEY PERFORMANCE INDICATORS

#### Employment indicators

- Total workforce.
- Percentage of women recruited.
- Percentage of women in top positions.
- Percentage of Management Committees with at least 3 women.
- Absenteeism rate.
- Share of layoffs in total number of employees leaving.
- Average number of training hours per employee in the Group.

#### HSE indicators

- Assessment of the operational maturity of industrial sites.
- Frequency rate of work-related accidents with lost time (Thales employees).
- Severity rate of accidents at work (Thales employees).
- Percentage of employees working at an OHSAS 18001/ISO 45001/14001 certified site.
- Reduction of operational GHG emissions (scopes 1, 2 and 3 – business travel).
- Reduction of other GHG emissions (scope 3 – purchases of goods and services and use of products and services sold).
- Recycling rate of non-hazardous waste.
- Percentage of employees working at an ISO 14001 certified site.
- Percentage of Product Line Architects, Product Line Managers, Product Design Authorities, and Design Authorities trained in or made aware of eco-design.

#### Company indicators

- Operational entities that have conducted a corruption risk assessment.
- Percentage of employees trained in the fight against corruption.
- Alerts received via the Group’s alert system.
- Percentage of new suppliers committed to the principles of Thales’s new Integrity & Corporate Responsibility Charter.
- Percentage of suppliers assessed among those considered as “at risk” according to the Duty of Care mapping.

# 8. CROSS-REFERENCE TABLE TCFD, SASB, GRI

## 8.1 CROSS-REFERENCE TABLE OF TCFD RECOMMENDATIONS

TCFD cornerstone	TCFD recommendation	Corresponding section of the Universal Registration Document	Corresponding section of the Environment Report
Governance	Board of Directors oversight: e) Describe the control that the Board of Directors exercises over climate-related risks and opportunities	5.5.2.2.2 Governance of the strategy for a Low-Carbon Future	4.2.2.2 Governance of the strategy for a Low-Carbon Future
	Identify the risks and opportunities: f) Please describe the short, medium and long-term climate-related risks and opportunities	5.5.1.3.3 Environmental risks and adaptation to climate change	4.1.3.3 Environmental risks and adaptation to climate change
Strategy	Impact on investment strategy: g) Describe the impact of climate-related risks and opportunities on the investment strategy	5.5.1.3.3 Environmental risks and adaptation to climate change	4.1.3.3 Environmental risks and adaptation to climate change
	Resilience of the investment strategy: Please provide details of the resilience of the investment strategy, considering different climate scenarios, including a 2°C or lower scenario	5.5.1.3.3 Environmental risks and adaptation to climate change	4.1.3.3 Environmental risks and adaptation to climate change
	Evaluating the risks: h) Please describe your risk management processes for identifying, assessing and managing climate-related risks	5.5.1.3.1 Prevention and continuous improvement process 5.5.2.2.6 Monitoring and understanding the effects of climate change	4.1.3.1 Prevention and continuous improvement process 4.2.2.6 Monitoring and understanding the effects of climate change
Risk management	Managing risks: i) Please describe the processes for managing climate-related risks	5.5.2.2.2 Governance of the strategy for a Low-Carbon Future	4.2.2.2 Governance of the strategy for a Low-Carbon Future
	Integrating risks: j) Please describe how climate-related risks are integrated into risk management processes	5.5.2.2.2 Governance of the strategy for a Low-Carbon Future	4.2.2.2 Governance of the strategy for a Low-Carbon Future
Indicators/ Objectives	Use of indicators: k) Please provide information on the indicators used to assess climate-related risks and opportunities in the investment strategy and risk management process.	5.5.5 Environmental indicators	4.5 Environmental indicators
	Measuring GHG emissions: l) Please provide information on greenhouse gas (GHG) emissions and related risks under scopes 1 and 2, and where applicable, scope 3.	5.5.5 Environmental indicators	4.5 Indicateurs environnementaux
	Setting targets: m) Please provide information on the targets set for managing climate-related risks and opportunities, and the results that have been achieved in pursuing these targets	5.5.2.2.3 Reducing the carbon footprint of operational emissions 5.5.2.2.4 Reducing other emissions 5.5.5 Environmental indicators	4.2.2.3 Reducing the carbon footprint of operational emissions 4.2.2.4 Reducing other emissions

## 8.2 SASB CROSS-REFERENCE TABLE

Topic	Indicator	2021 data	Units	SASB ref.
Energy management	Total energy consumption	7325.5	GJ	RT-AE-130a.1
	Share of renewable electricity	32	% (electricity)	RT-AE-130a.2
	Share of energy from the grid	86.3	%	RT-AE-130a.3
Management of hazardous waste	Share of hazardous waste recycled	29	%	RT-AE-150a.1
	Number and total quantity of reportable spills	0		RT-AE-150a.2
	of which quantity recovered	0		
Product security	Number of data breaches of which involving confidential information	Not reported		RT-AE-230a.1
	Description of the approach to identifying and responding to data security risks in the company's (1) operations and (2) products	See paragraph 3.1.6 of URD 2021		RT-AE-230a.2
Product security	Number of recalls issued of which total number of units recalled	Not reported		RT-AE-250a.1
	Number of counterfeit parts detected of which percentage avoided	Not reported		RT-AE-250a.2
	Number of airworthiness notices received	2		RT-AE-250a.3
	total units affected	Several hundred		
	Total financial losses resulting from legal proceedings related to product safety	Not reported		RT-AE-250a.4
Fuel economy and emissions in use phase	Revenue from products/services that contribute to the reduction of CO <sub>2</sub> emissions	20%		RT-AE-410a.1
	Description of the strategy to reduce fuel consumption and greenhouse gas (GHG) emissions from products.	See paragraph 4.2		RT-AE-410a.2
Supply of materials	Description of risk management for the use of critical materials	See paragraph 5.1 See paragraph 4.2.1.1		RT-AE-440a.1
Business ethics	Total financial losses as a result of legal proceedings associated with incidents of corruption and/or illicit international trafficking	Not reported		RT-AE-510a.1
	Defense revenues from countries classified as "E" or "F" on the Transparency International Corruption Perceptions Index (Defense 2020)	Band "E": 1.6% Band "F": 4.4%	In % of total sales 2021	RT-AE-510a.2
	Discussion of business ethics risk management processes across the value chain	See paragraph 5.6.1 of URD 2021		RT-AE-510a.3

## 8.3 GRI CROSS REFERENCE TABLE

GRI INDEX			
Code	Description	Location (URD 2021)	Location (Environment report 2021)
<b>GRI 102: General information</b>			
102-1	Name of the organization.	Cover page.	Cover page
102-2	A description of the organization's activities.	2.1 "Operating segments"	N/A
102-3	The geographical location of the organization's headquarters.	6.1 "General information about the Company"	N/A
102-4	The number of countries in which the organization is present and the names of the countries where it has significant operations.	5.4.4 "Other employment indicators" 2.5 "Organization of the Group"	N/A
102-5	The nature of the capital and the legal form.	6.1 "General information about the Company"	N/A
102-6	Markets served, including: geographic locations where products and services are offered; industry sectors; types of customers and beneficiaries.	Group profile 2.1 "Operating segments"	N/A
102-7	Total number of employees; number of business locations; net sales; total capitalization broken down into debt and equity.	5.4.4 "Other employment indicators" 2.5.2 "Data on main subsidiaries" Note 2. "Segment information" Note 10. "Current operating assets and liabilities"	N/A
102-8	Total number of employees by employment contract, by gender, by region, by job type.	5.4.4 "Other employment indicators"	N/A
102-9	A description of the organization's supply chain.	Business model 5.2 "Risks taken into account for the context of the NFPS"	2. "Risks taken into account for the context of the NFPS"
102-10	Significant changes in the organization's size, structure, ownership or supply chain.	Group profile	Group profile
102-11	Application of the principle of precaution or the preventive approach.	5.2 "Risks taken into account in the context of the NFPS" 5.5 "An approach to meet environmental challenges"	2. "Risks taken into account for the context of the NFPS"
102-12	A list of externally developed charters, principles or other initiatives to which the organization adheres or which it endorses.	TCFD, Global Compact, United Nations Sustainable Development Goals, OECD Guidelines for Multinationals,...	N/A
102-13	A list of key memberships in associations, as well as national and international advocacy organizations.	Thales is a member of numerous national and regional professional associations. At the international level, these include: the United Nations Global Compact, the International Chamber of Commerce, the IFBEC (International Forum of Business Ethical Standards) and Business at OECD.	N/A

GRI INDEX			
Code	Description	Location (URD 2021)	Location (Environment report 2021)
102-14	A statement from the most senior decision maker in the organization regarding the importance of sustainability to the organization.	Integrated Report 2021-2022	N/A
102-16	A description of the organization's values, principles, standards and rules of conduct.	5.6 "A corporate responsibility policy based on a strong ethical commitment to the Group Code of Ethics" (see website)	N/A
102-18	The governance structure of the organization.	4.1 "Composition of the Board of Directors"	N/A
102-40	A list of stakeholder groups involved with the organization.	5.7.1 "Stakeholder mapping"	N/A
102-41	The percentage of total employees covered by collective bargaining agreements.	5.4.4 "Additional employment indicators"	N/A
102-42	The basis for identifying and selecting the stakeholders to be involved.	5.7.1 "Stakeholder mapping" 5.7.2 "Establishing the materiality matrix"	N/A
102-43	The organization's approach to stakeholder engagement.	5.7.1 "Stakeholder mapping" 5.7.2 "Establishing the materiality matrix"	N/A
102-44	The major issues and concerns that were raised during the course of stakeholder engagement.	5.7.2 "Establishing the materiality matrix"	N/A
102-45	A list of all entities included in the consolidated financial statements of the organization.	2.3.4 "Sales"	N/A
102-46	An explanation of the process for defining the content of the report and the scope of the issue.	Chapter 3: "Risk factors, internal control and risk management" 5.1 "A corporate responsibility policy to support sustainable economic growth" 5.2 "Risks taken into account within the context of the NFPS"	1. "A corporate responsibility policy to support sustainable economic growth" 2. "Risks taken into account within the context of the NFPS"
6.1	The organization should include an explanation of how the materiality principle is applied to identify relevant issues.	5.7.2 "Establishing the materiality matrix"	N/A
102-47	A list of relevant issues identified during the process of defining the content of the report.	5.7.2 "Establishing the materiality matrix"	N/A
102-48	The effect of any restatements of information provided in previous reports and the reasons for these restatements.	No changes to the measurement methods, the nature of the company's activities or the reporting period used.	N/A

GRI INDEX			
Code	Description	Location (URD 2021)	Location (Environment report 2021)
<b>GRI 102: General information</b>			
102-49	Significant changes from previous reporting periods in the list of relevant issues and the scope of issues.	No significant change	N/A
102-50	The reporting period for the information provided.	January 1, 2021 to December 31, 2021	N/A
102-51	The date of the most recent previous report.	The last report was filed with the French financial markets authority (AMF) on April 12, 2021.	N/A
102-52	Reporting cycle.	Annual cycle.	
102-53	The designated point of contact for questions about the report or its contents.	ir@thalesgroup.com	N/A
102-56	A description of the organization's current policy and practice with respect to external verification of the report	See chapter 5.9 "Report of the independent third party organization on the consolidated declaration of non-financial performance included in the management report"	See chapter 7 "Report of the independent third party organization on the consolidated declaration of non-financial performance included in the management report"
<b>GRI 302: Energy</b>			
302-1	Energy consumption within the organization	5.5.2.2.3 "Reducing the carbon footprint of operational emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
302-2	Energy consumption outside the organization	5.5.2.2.3 "Reducing the carbon footprint of operational emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
302-3	Energy intensity	5.5.2.2.3 "Reducing the carbon footprint of operational emissions" 5.5.5 "Environmental indicators"	4.2.2.3 "Reducing the carbon footprint of operational emissions" 4.5 "Environmental indicators"
302-4	Reduction of energy consumption	5.5.2.2.3 "Reducing the carbon footprint of operational emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
302-5	Reduction of energy requirements, products and services	5.5.2.2.4 "Reducing the carbon footprint of other emissions" 5.5.3 "Overview of eco-friendly products and services"	4.2.2.4 "Reducing the carbon footprint of other emissions" 4.3 "Overview of eco-friendly products and services"

GRI INDEX			
Code	Description	Location (URD 2021)	Location (Environment report 2021)
<b>GRI 303: Water</b>			
303-1	Interaction with water as a shared resource	5.5.2.3.2 "Conserving water"	4.2.3.2 "Conserving water"
303-2	Management of impacts related to wastewater disposal	5.5.1.3.1 "Prevention and continuous improvement process"	4.1.3.1 "Prevention and continuous improvement process"
303-4	Water disposal	5.5.2.3.2 "Conserving water"	4.2.3.2 "Conserving water"
303-5	Water consumption	5.5.2.3.2 "Conserving water"	4.2.3.2 "Conserving water"
<b>GRI 304: Biodiversity</b>			
304-2	Significant impacts of activities, products and services on biodiversity	5.5.2.3.4 "Preserve biodiversity" 5.5.2.2.3 "Reduce the carbon footprint of operational emissions"	4.2.3.4 "Preserve biodiversity" 4.2.2.3 "Reduce the carbon footprint of operational emissions"
304-3	Protected or restored habitats	5.5.2.3.4 "Preserve biodiversity"	4.2.3.4 "Preserve biodiversity"
<b>GRI 305: Emissions</b>			
305-1	Direct GHG emissions (Scope 1)	5.5.2.2.3 "Reducing the carbon footprint of operational emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
305-2	Indirect energy-related GHG emissions (Scope 2)	5.5.2.2.3 "Reducing the carbon footprint of operational emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
305-3	Other indirect GHG emissions (Scope 3)	5.5.2.2.4 "Reducing the carbon footprint of other emissions"	4.2.2.3 "Reducing the carbon footprint of operational emissions"
305-4	GHG emissions by intensity	5.5.5 "Environmental indicators"	4.5 "Environmental indicators"
305-5	Reduction of GHG emissions	5.5.5 "Environmental indicators"	4.5 "Environmental indicators"
<b>GRI 306: Waste</b>			
305-1	Waste production and significant impacts related to waste	5.5.2.3.1 "Reduce, reuse and recycle waste"	4.2.3.1 "Reduce, reuse and recycle waste"
305-2	Management of significant impacts related to waste	5.5.2.3.1 "Reduce, reuse and recycle waste"	4.2.3.1 "Reduce, reuse and recycle waste"
305-3	Waste generated	5.5.2.3.1 "Reduce, reuse and recycle waste"	4.2.3.1 "Reduce, reuse and recycle waste"
305-4	Waste not disposed of	5.5.2.3.1 "Reduce, reuse and recycle waste"	4.2.3.1 "Reduce, reuse and recycle waste"
305-5	Waste disposed of	5.5.2.3.1 "Reduce, reuse and recycle waste"	4.2.3.1 "Reduce, reuse and recycle waste"

GRI INDEX			
Code	Description	Location (URD 2021)	Location (Environment report 2021)
<b>GRI 401: Employment</b>			
401-1	The total number of employees and the rate of recruitment of new employees during the reporting period, by age group, gender and region.	5.4.4 "Other employment indicators" Additional employment indicators	N/A
	The total number of employees and the rate of employee turnover during the reporting period, by age group, gender and region.	5.4 "Human resources for group performance"	N/A
401-2	Standard benefits provided to the organization's full-time employees, but not to temporary or part-time employees, by major business locations.	5.4.3 "Providing a safe, high-quality work environment" A basis of harmonized social measures originating from dialogue with social	N/A
<b>GRI 402: Employee/management relationship</b>			
402-1	The minimum number of weeks' notice generally provided to employees and their representatives prior to the implementation of significant operational changes that may significantly affect them.	5.4.3 "Providing a safe, high-quality work environment" Social dialogue to support Group transformations	N/A
<b>GRI 404: Training and education</b>			
404-1	The average number of hours of training that the organization's employees attended during the reporting period, by: gender; occupational category.	5.4.4 "Other employment indicators" Additional employment indicators	N/A
404-2	Type and scope of programs implemented and assistance provided to upgrade employee skills.	5.4.1.2. "Develop and reward the Group's talent" Training sessions	N/A
404-3	The percentage of the total number of employees by gender and professional category who received a performance and career development review during the reporting period.	5.4.1.2. "Develop and reward the Group's talent" Professional support for employees	N/A
<b>GRI 405: Diversity and equal opportunities</b>			
405-1	The percentage of individuals on the organization's governance bodies in each of the following diversity categories: gender; age group: under 30, 30-50, and over 50; and other diversity indicators (such as minorities or vulnerable groups), if applicable.	5.4.4 "Other employment indicators" Additional employment indicators	N/A

# 9. APPENDIX 2: STRATEGY FOR A LOW-CARBON FUTURE

## Thales's strategy for a low carbon future

### 1. Reduce our direct emissions and those of our products

*In line with the Paris agreement.*

**Operational CO<sub>2</sub> emissions**  
(operations and mobility of workers)

**- 35% - 50%**

by 2023 by 2030

**Other CO<sub>2</sub> emissions**  
(procurement and the use of sold products & services)

**- 7% - 15%**

by 2023 by 2030

**NET ZERO**

by 2040

In line with 1.5°C trajectory

In line with 2°C trajectory (work in progress to align)

To be submitted to SBTi certification

**24%** of the energy supply of the Group is from renewable energies

**100%** of our new products will be eco-designed by 2023.

### 2. Provide innovative and eco-responsible solutions to help our clients reduce their emissions

Between 2018 and 2019, other CO<sub>2</sub> emissions have been reduced by **3 992 ktCO<sub>2</sub>** (representing **20%** of the progression to achieve our 2023 target).

This reduction is equal to **5 times** the global consumption of public lighting in France per year

**80%** of the Group's total carbon footprint is from emissions of our products and services in their use phase

Thales developed **low carbon products** to meet their clients' emission objectives

**PureFlyt**  
Flight Management System (FMS) optimizes flight paths in real time. By 2023, there is a potential to reduce the environmental footprint of aircraft by **10%**

**GreenSpeed**  
greatly optimizes train driving and reduces emissions up to **15%**

**GO12 radar sensor**  
recharges its batteries using solar panels

### 3. Support a better understanding of climate phenomena

Earth Observation satellites contribute to giving the world's scientists & decision-makers the means they need to acquire vital data for environmental monitoring, oceanography & meteorology.

**Copernicus, Meteosat, BlackSky, ...**


**SWOT: A NASA-CNES programme**

The French-American satellite, built under Thales Alenia Space prime contractorship, comprises both an oceanography & a hydrology mission.

In terms of **oceanography**, SWOT will help understand the effects of coastal circulation on marine life, ecosystems, water quality & energy transfers, resulting in more accurate models of the interactions between oceans & the atmosphere.

The hydrology mission will evaluate continental surface water, to study changes in water storage in humid zones, lakes and reservoirs, as well as flow rates in rivers. Both missions will contribute to evaluating and controlling the impact of human activities on the environment.

OPERATIONAL EMISSIONS Stream



OTHER EMISSIONS Stream

**Governance is in place** at the highest level to ensure projects are rolled out and targets are met

Strategic working groups engage more than **120** members

**THALES**

Thales/DCO - September 2021

# THALES

Building a future we can all trust

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