

THALES
Building a future we can all trust

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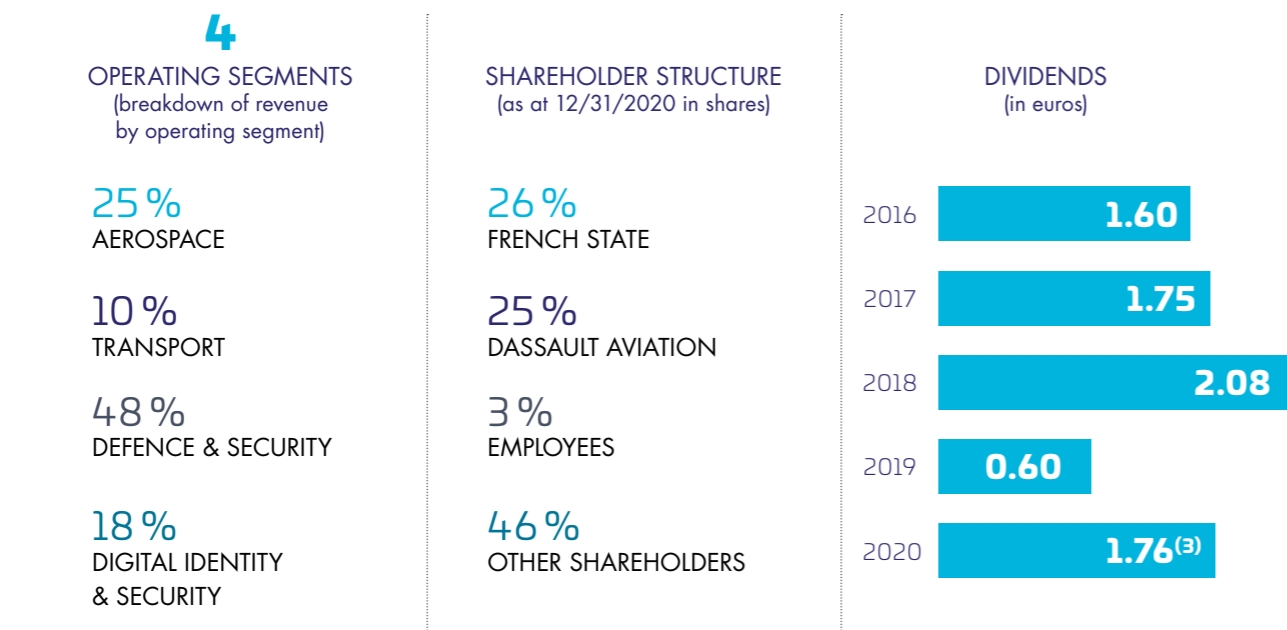
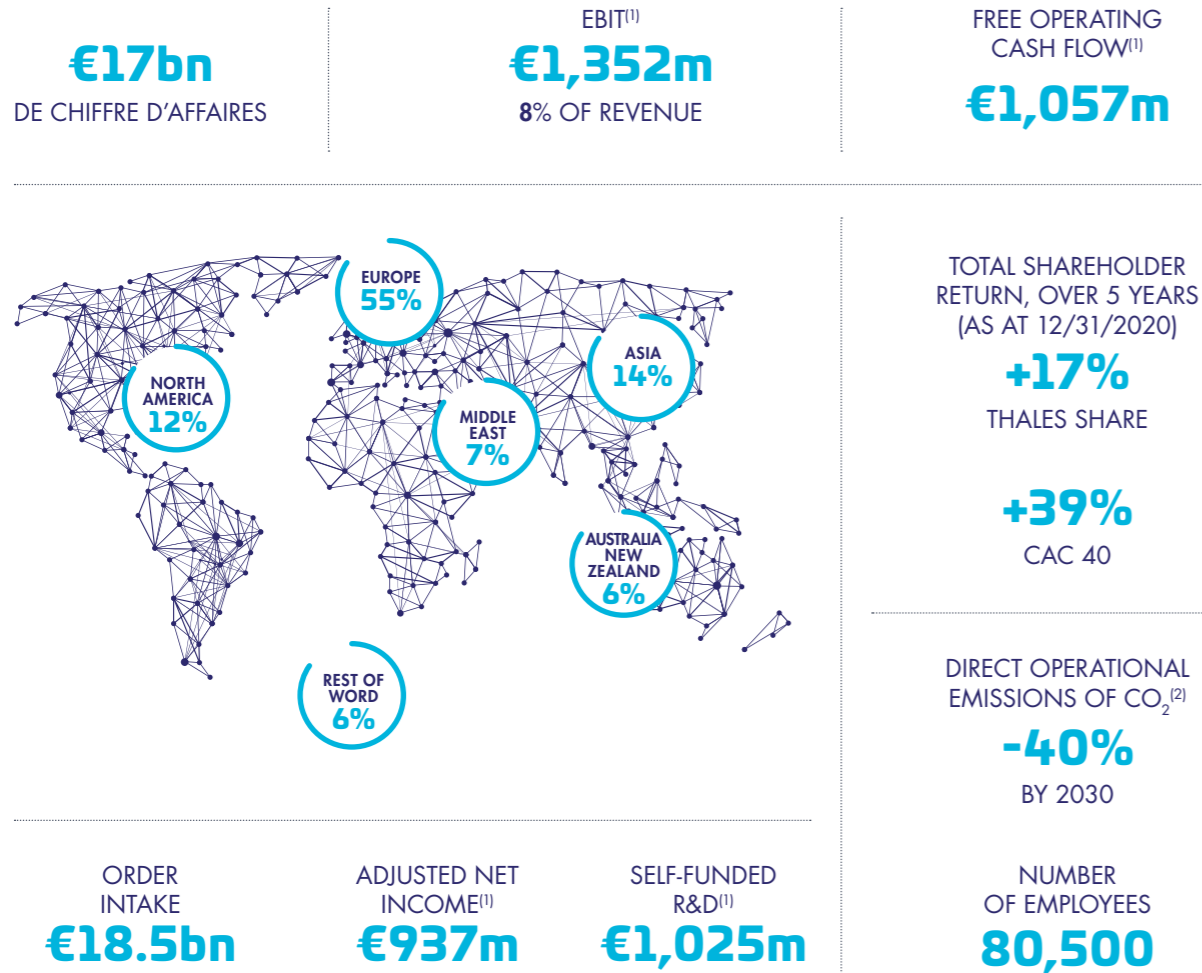
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Annual Health & Safety Report 2020

2020 KEY FIGURES



⁽¹⁾ Non-GAAP financial indicators.
⁽²⁾ Scope 1, 2 and 3 (business travel) emissions.
⁽³⁾ Put to the General Meeting on 6 May 2021.

OUR PURPOSE

Trust is essential for societies to flourish. Trust in our institutions. Trust in our systems. Trust in technology. Trust in each other.

At a time when progress offers huge opportunities – and faces serious challenges – it is essential that the people we all rely on are trusted. That's why we strive to turn leading-edge technologies into solutions that are both **imaginative** and **resilient**, **human-centred** and **sustainable**. So those we serve, our customers, can navigate uncertainty with confidence and new frontiers with optimism. And together, we harness the extraordinary power of technology to build a future we can all trust.

“ BUILDING A FUTURE WE CAN ALL TRUST ”

THALES'S FOUR STRATEGIC ASSETS

EXCEPTIONAL R&D AT THE HEART OF A GLOBAL INNOVATION ECOSYSTEM
 Thales dedicates 20% of its revenue to R&D; one third of its employees work in this area. The Group builds on an innovation ecosystem that has been co-developed with its customers, based on academic and entrepreneurial partnerships.

A UNIQUE PORTFOLIO OF DIGITAL COMPETENCIES
 Thanks to the exceptional expertise of its teams and targeted external growth strategy, Thales builds its digital expertise around four major technologies which play a key role in critical decision-making chains: connectivity and mobility, big data analytics, artificial intelligence and cybersecurity.

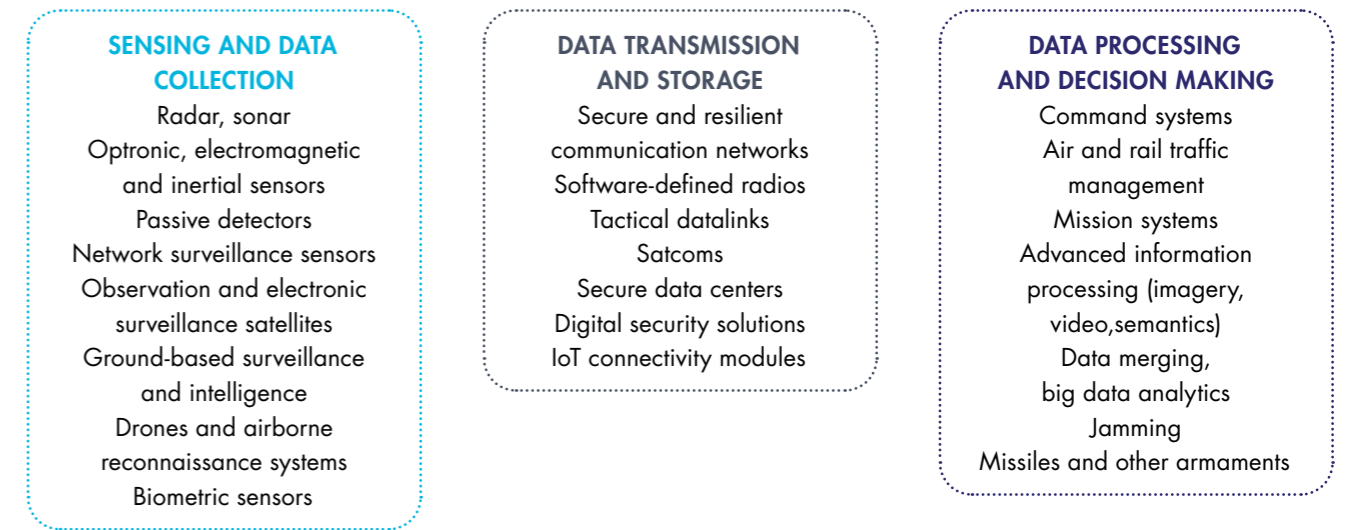
AN IN-DEPTH KNOWLEDGE OF ITS MARKETS
 The resilience of Thales business model is based on five large markets which use the same technologies and know-how but have different business cycles. In virtually all its business activities, Thales is in the top 3 worldwide or ranks number one in Europe.

A GLOBAL FOOTPRINT
 Thales operates in 70 countries and has customers in more than 100 different countries. Its close proximity to its customers, its longstanding experience of international markets and complex partnerships are key commercial assets.

OUR MISSION

At Thales we develop solutions which are increasingly sustainable and that help our customers think smarter and act faster – mastering ever greater complexity at every decisive moment along the way.

DATA IN THE CRITICAL DECISION-MAKING CHAIN



LEADER IN DEFENCE, SECURITY, AEROSPACE AND TRANSPORT,



DEFENCE & SECURITY

Sensors and mission systems. Communications, command and control systems, networks and infrastructure systems, security and cybersecurity solutions for countries, cities and critical infrastructures.

GROWTH DRIVERS

- Increase in defence budgets in Thales's markets.
- Rapid digitalisation of the armed forces.
- High demand for cybersecurity.
- Smart systems take a prominent role in platforms.

AREAS OF EXPERTISE

- Long-standing partner of the armed forces, throughout all of the value chain.
- World leader in radar and sonar technologies.
- Expert in secure communication networks, at the heart of collaborative combat solutions.
- Mastery of the new differentiating digital technologies.
- The air traffic management centres equipped by Thales cover more than 40% of the Earth's surface.

COMPETITIVE POSITION

NO. 1
IN EUROPE
(defence electronics)

NO. 2
WORLDWIDE
(military communications)

NO. 2
WORLDWIDE
(Air Traffic Management)

CIVIL/MILITARY



DIGITAL IDENTITY AND SECURITY

Digital identity and security solutions. Identity management and control, data protection and encryption, biometrics, securing connected devices, subscription management and client authentication for mobile operators, bank cards.

GROWTH DRIVERS

- Fast-growing markets (data protection, connected devices, biometrics, etc.).
- More than 1,000 billion connected devices forecasted by 2035.
- Increasing dematerialisation in the cloud: authentication and data protection requirements.
- An offer that is very complementary to other Thales activities.
- Acceleration of "digital" growth driven by the health crisis and the increased need for connectivity and contactless applications.

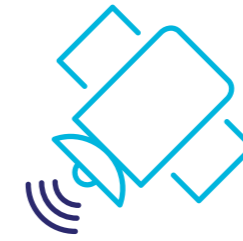
AREAS OF EXPERTISE

- No. 1 worldwide on data protection markets, secure identity documents, bank payment cards, physical SIM cards.
- Partner with more than 3,000 financial institutions, 450 mobile operators and 30,000 companies.
- Involved in more than 200 government security and identification programmes.

COMPETITIVE POSITION

NO. 1
WORLDWIDE

CIVIL



AEROSPACE

AERONAUTICS

Electronic equipment to increase security and reliability of flights, civil and military aircraft simulators, connectivity and in-flight entertainment. Onboard equipment and functions for aircraft piloting, navigation and control.

GROWTH DRIVERS

- Sudden halt in the first half of 2020 in the growth of world air traffic, caused by the Covid-19 epidemic.
- Despite considerable uncertainties about the recovery trajectory, the long-term growth of world air traffic is not in question.
- High demand for connectivity and increased expectations in terms of operational and environmental efficiency.

AREAS OF EXPERTISE

- The only global industrial company with leadership positions in both onboard and ground equipment.
- Onboard the majority of civil and military aircraft types and new aeronautics programmes.

COMPETITIVE POSITION

NO. 2
WORLDWIDE
(cabin multimedia and connectivity)

NO. 3
WORLDWIDE
(flight avionics)

CIVIL/MILITARY



SPACE

Equipment, payloads, satellites, systems and services for space programmes.

GROWTH DRIVERS

- Unique positioning of space systems to meet new communication and observation requirements.
- Military space: a growing priority for many countries.

AREAS OF EXPERTISE

- Global leader in construction of commercial telecommunications satellites.

COMPETITIVE POSITION

NO. 2
WORLDWIDE
(civil satellites)

CIVIL/MILITARY



GROUND TRANSPORTATION

Rail signalling, control and supervision of urban and mainline rail transport networks. Ticketing solutions.

GROWTH DRIVERS

- 60% of the world's population will be living in towns or cities by 2030 (UN-Habitat).
- Public transports are recognised for their efficiency and climate impact.
- Strong trend towards more automated or even autonomous transport solutions.
- Renovation of signalling systems to increase the efficiency of existing infrastructures.
- Covid-19 stimulus plans focused on "green mobility".

AREAS OF EXPERTISE

- Signalling solutions implemented for more than 85 subway lines in 45 cities.
- Inventor of standards for the rail sector: CBTC (Communication-Based Train Control) for metros and ETCS (European Train Control System) for mainline rail.
- Leader in driverless urban rail signalling.

COMPETITIVE POSITION

NO. 2
WORLDWIDE
(rail signalling and supervision)

CIVIL



OUR STRATEGIC PRIORITIES AND AMBITIONS

“ WE DESIGN PRODUCTS AND SOLUTIONS IN LINE WITH THE NEEDS OF OUR CUSTOMERS: PHYSICAL AND DIGITAL SECURITY OF COUNTRIES AND CITIZENS, ACCESS TO INFORMATION AND KNOWLEDGE, CONTRIBUTING TO A MORE SUSTAINABLE, SAFER AND MORE INCLUSIVE WORLD “

Patrice Caine Chairman & Chief Executive Officer

STRENGTHENING OUR POSITION ON LONG-TERM GROWTH MARKETS

LEADER IN SMART AND DIGITAL SOLUTIONS FOR DEFENCE MARKETS

Thales’s major military clients have confirmed their investment plans, which are necessary to better protect their citizens in the face of a tense global geopolitical context.

Smart and digital solutions, in which Thales is one of the world leaders, are playing an increasingly important role in air, sea or land defence platforms.

PROGRESS IN 2020

Record order intake, despite the Covid-19 crisis.

14 orders of more than €100 million from seven countries, including the major equipment contract for the German F126 frigates.

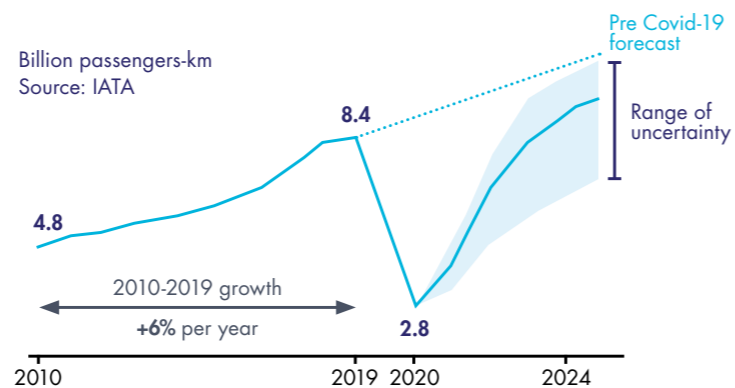
PRIORITIES FOR 2021

Continue to capitalise on the growing needs of armies around the world for ever smarter systems to better identify threats and coordinate forces in complex environments.

Supporting the armed forces move toward the development of greener solutions in line with the energy transition stakes.

READY TO SUPPORT THE RECOVERY OF CIVIL AVIATION

Global air traffic growth scenarios



PROGRESS IN 2020

Thales quickly put in place a structural action plan to adapt to the collapse of the civil aviation market due to Covid-19.

PRIORITY FOR 2021

Focus R&D on the development of green, digital and connected solutions for civil aviation, notably through the optimisation of flight operations.

SPACE: RETURN TO SUSTAINABLE GROWTH IN A RAPIDLY CHANGING SEGMENT

PROGRESS IN 2020

Significant commercial successes, notably on the new ESA environmental monitoring missions (Copernicus project) and in space exploration.

PRIORITY FOR 2021

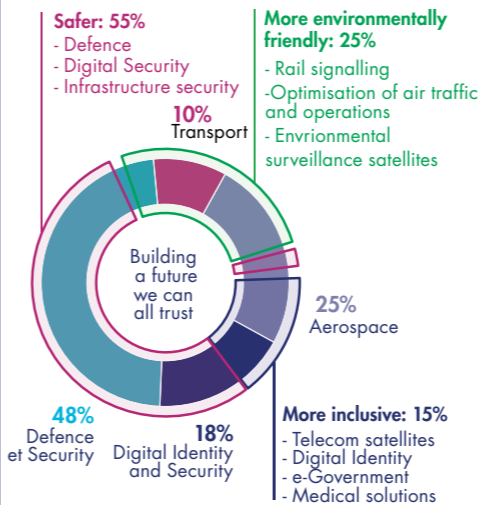
Remain at the forefront of innovation through the development of flexible geostationary satellites (Space Inspire) and the implementation of major space projects (Galileo, Lightspeed constellation).

INVEST TO SUSTAIN LONG-TERM GROWTH

SUSTAINABILITY AT THE HEART OF THALES’S STRATEGY

For more than twenty years, Thales has been proactively implementing a policy of corporate responsibility and sustainability based on the highest international standards.

Today, whether in defence, security, rail transport, aerospace or digital identity and security, Thales’s solutions help to make the world a safer, more environmentally friendly and inclusive place.



PROGRESS IN 2020

Deployment of Thales purpose adopted in 2019.

Implementation of a strategy for a low-carbon future adopted in 2019; significant reduction in direct and indirect CO₂ emissions (scopes 1, 2 and 3).

Supporter of the Task-force on Climate-related Financial Disclosures (TCFD) principles and recommendations. Signature of the “Statement from Business Leaders for Renewed Global Cooperation” initiated by the United Nations Global Compact.

PRIORITIES FOR 2021

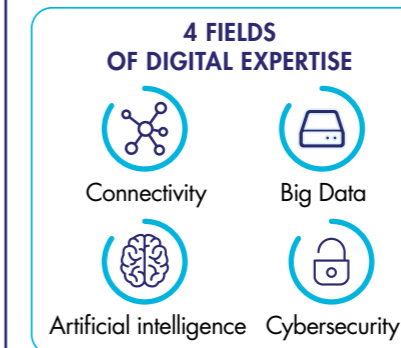
Inclusion of quantitative CSR objectives in the variable compensation of 54,000 employees.

Continuation of action plans to achieve the ambitious targets set in the area of environment and diversity for 2023.

MAKE THALES LEADER IN DIGITAL TRANSFORMATION OF MARKETS

Thales has all the assets to play a key role in the ongoing digital transformation, thanks to:

- its position centred around critical decision-making chains, which by nature are increasingly digital;
- the integration of Gemalto, supplemented by targeted acquisitions;
- reinforcement of numerous partnerships formed within innovation ecosystems — academic, businesses, startups, innovative clusters — to develop together new usages, business models and technologies;
- actions taken for more than five years to benefit innovative startups;
- increased R&D investments targeting the four key domains of digital expertise.



PROGRESS IN 2020

Digital investments made by Thales over the last 5 years have greatly contributed to the Group’s major commercial successes in 2020: first major digital rail-signalling contract equipment of the Germany F126 frigates, defence cloud for NATO, partnership with Google Cloud in the field of data security.

PRIORITIES FOR 2021

Continue to capitalise on the digitisation of society to develop new services (eSIM, drone traffic management, digital identity, etc.). Supporting our customers towards a trusted digital transformation based on ever more resilient, explainable and secure technologies.

ACCELERATING SYNERGIES BETWEEN THALES AND GEMALTO

Key lever to accelerate Thales’s digital strategy, the Gemalto acquisition in 2019 further differentiates the Group’s portfolio of activities by incorporating unique expertise in 3 key technological fields linked to digital security: biometrics and digital identity, secure connectivity for the Internet of Things (IoT) and data protection and encryption.

With this acquisition, Thales became the leader of the identity, digital security and cybersecurity markets, the only company in the world offering complete solutions to secure the entire critical decision-making chain.

PROGRESS IN 2020

The cost synergies achieved in 2020 are estimated at €80 million, i.e. nearly €20 million more than expected initially.

In 2020, acceleration of synergies through the development within the Group, in all areas of activity, of solutions integrating Gemalto technologies.

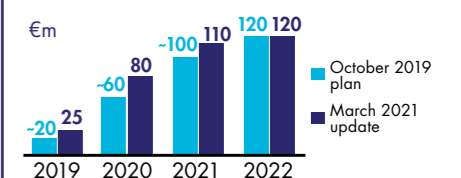
In September, Thales launched the CipherTrust Data Security platform, which brings together the best of Thales and Gemalto technology to simplify the security of sensitive business data. Similarly, Gemalto’s biometrics solutions are now systematically included in Thales’s security offers for sensitive sites (airports).

PRIORITIES FOR 2021

Continue to develop new offerings to achieve revenue synergies of between €300 million and €500 million by 2023.

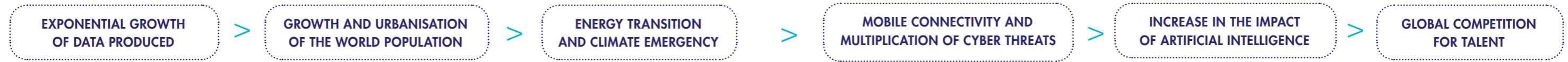
Generate cost synergies of €110 million in 2021.

Cost synergies ahead of plan



OUR VALUE CREATION PROCESS

ADDRESSING KEY SOCIETAL, ENVIRONMENTAL AND TECHNOLOGY TRENDS



OUR RESOURCES

INTELLECTUAL CAPITAL

€1,025m in self-funded R&D.
A portfolio of **more than 22,000 patents**.
The Group's technical activities, from research to engineering, concern **more than 30,000 people**.

HUMAN CAPITAL

80,500 employees.
More than **31,000** employee shareholders.
€7,419m in payroll.
An average of **7 hours** of training per employee per year.
94% full-time contracts, and **98%** permanent contracts.

ENVIRONMENTAL CAPITAL

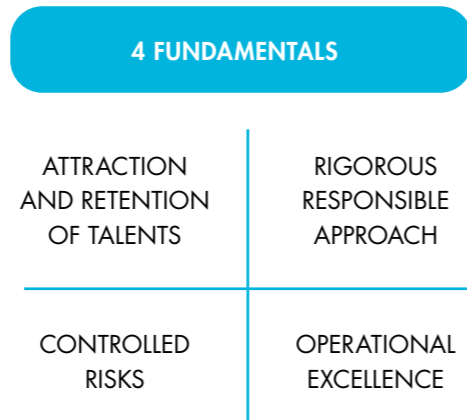
Deployment of the **strategy for a low-carbon future** aligned on the 2°C climate target of the Paris Agreement.
Signatory of the principles and recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).

SOCIETAL CAPITAL

A strong **ethics policy**.
Purchases accounting for **40%** of revenue.
Signature of commitments for responsible purchasing by General Management.
Sponsorship actions implemented within the **Thales Solidarity** programme.

FINANCIAL CAPITAL

Low indebtedness: **€2.5bn** at 31 December 2020 (€0.9bn excluding IFRS16 leases).
€1,057m in free operating cash-flow in 2020.
Solid investment grade credit profile, S&P rating: BBB+.

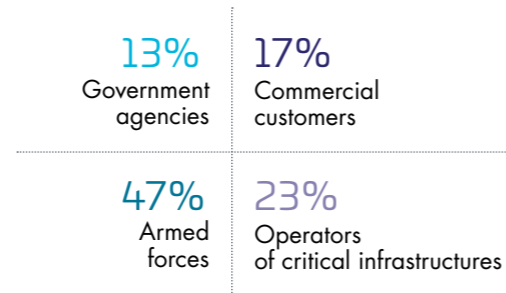


OUR PURPOSE

“ BUILDING A FUTURE WE CAN ALL TRUST. ”

Thales strives to turn **leading-edge** technologies into solutions that are both **imaginative** and **resilient, human-centred** and **sustainable**.

A RESILIENT MODEL BUILT ON A WIDE



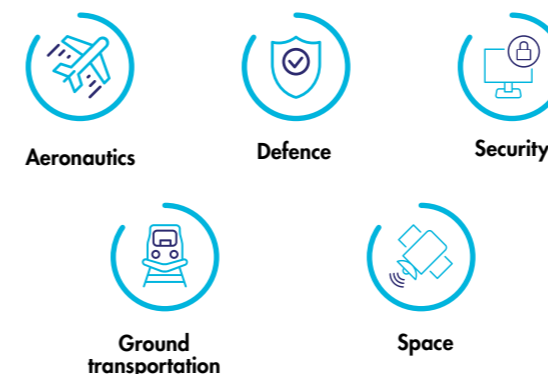
4 STRATEGIC ASSETS

- Exceptional R&D at the heart of a global innovation ecosystem
- A unique portfolio of digital competencies
- An in-depth knowledge of its markets
- A global footprint

A RESPONSIBLE AND ETHICAL COMPANY

- Solid governance that is adapted to current and future challenges
- Ethics, integrity and responsible conduct are central to our model
- Solutions to contribute to ecological transition

Markets sharing many technologies



OUR ACHIEVEMENTS IN 2020

INTELLECTUAL CAPITAL

Almost **400 new patent** applications in 2020, of which 25% in key digital technologies.
6% of revenue invested in self-funded R&D.
Thales once again ranked in **Top 100** most innovative companies in the world by Clarivate Analytics for the 6th consecutive year.

HUMAN CAPITAL

7,427 new recruits, of which **31%** were women.
3.30% absenteeism rate worldwide.
50% women on the Board of Directors.
The Group has operations in more than **70 countries**.
Ranked 3rd preferred company by engineers (Universum France 2020).

ENVIRONMENTAL CAPITAL

Decrease of 35% in direct CO₂ operational emissions, compared to 2018 (scopes 1 & 2 and business travel).
Decrease of 29% in absolute indirect CO₂ emissions, compared to 2018 (use of products and services sold and purchases of goods and services).
27% of electricity from renewable sources and a decrease of 7% in electricity consumption compared to 2018.
44% of new eco-designed products (target of 100% in 2023).
60% of non-hazardous waste is recycled, up by 5 points since 2018 (target of 75% in 2023).

SOCIETAL CAPITAL

69% of purchases made from European suppliers, of which **38%** from suppliers in France.
€264m income tax (average rate of taxation: 23.1%).
€292m invested in solidarity funds by more than 20,000 employees through Thales savings schemes (PEG and PERCO schemes).
In 2019-2020, **11,270** employees were trained in the fight against corruption and influence peddling.
Leading French contributor to MicroDON's **“Rounding up salary”** initiative (by amount raised and number of donors).

FINANCIAL CAPITAL

Strong generation of free operating cash flow despite the crisis.
Strong improvement in the EBIT margin of the Transport (+2.4 points) and Digital Identity and Security (+2.2 points) segments.

OUR CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS



As a member of the Global Compact, Thales makes a concrete contribution to the transformation of the world through its core business and strategy. This is demonstrated in particular in its increased contribution to achieving the Sustainable Development Goals which are now fully taken into account by the Group.

4 PRIORITY SUSTAINABLE DEVELOPMENT GOALS

Whenever relevant, these four priority Sustainable Development Goals are taken into account by Thales when launching new projects.

SDG	BUSINESS PRIORITIES	DEVELOPMENTS
	<ul style="list-style-type: none"> Increase our R&D investments and our public partnerships. Contribute to sustainable and responsible industry. Develop our teams' know-how and capacity for innovation. 	<ul style="list-style-type: none"> More than 40% of the Group's employees work in R&D-related roles. Thales supports more than 220 doctoral students worldwide. In 2020, Thales spent €1,025 million on self-funded R&D. 84% of employees work on an ISO 14001 (environmental management) certified site and 77% work on an ISO 45001 (workplace health and safety management) certified site.
	<ul style="list-style-type: none"> Reduce the impact of our activities and products on climate change. Anticipate the impact of climate change on our markets. Participate in the implementation of the commitments of the Paris Agreement. 	<ul style="list-style-type: none"> Since 2018, Thales has been publishing its emissions in absolute values on the 3 scopes (including purchasing and use phases). The Group has committed to reducing direct operational greenhouse gas emissions by 40%, and indirect emissions by 15%, by 2030. In 2020, direct emissions were down 35%, and indirect emissions fell 29%, compared to 2018. In 2020, Thales adopted the principles and recommendations of the Task Force on Climate-related Financial Disclosures.
	<ul style="list-style-type: none"> Promote diversity and inclusion across the Group. Develop best practices in terms of female recruitment and careers. Fight against gender stereotypes. 	<ul style="list-style-type: none"> In 2020, women accounted for 31% of recruitment worldwide, 29% in Europe and 32% in France. At the end of 2020, women represented 18% of positions of responsibility (compared to 14.9% at the end of 2016).
	<ul style="list-style-type: none"> Fight corruption, place human rights at the centre of our value chain. Support the creation of resilient and transparent institutions. 	<ul style="list-style-type: none"> In 2019 and 2020, 11,270 anti-corruption and influencepeddling training sessions were conducted. Signing of the "Statement from Business Leaders for Renewed Global Cooperation" initiated by the United Nations Global Compact.

6 SIGNIFICANT SUSTAINABLE DEVELOPMENT GOALS

Conscious of these significant challenges presented by the Sustainable Development Goals, Thales has gradually incorporated them into its CSR policy over the last two years.



SHARED VALUE CREATION WITH OUR STAKEHOLDERS

REVENUE IN 2020
€17bn

EMPLOYEES
COMPENSATION PAID IN 2020
€7.4bn

SUPPLIERS
PURCHASES IN 2020
€7bn

GOVERNMENTS
INCOME TAX 2020⁽¹⁾
€264m

SHAREHOLDERS
DIVIDENDS PAID IN 2020
€85m

CAPACITY TO FINANCE
FUTURE GROWTH

SELF-FUNDED R&D
IN 2020
€1,025m

TOTAL ACQUISITION
2018-2020
€5.1bn

Thales 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.



A CREDIT FACILITY LINKED TO ENVIRONMENTAL PERFORMANCE

In December 2020, for the first time, Thales included climate targets in the terms and conditions of the new revolving credit facility of €1.5 billion signed with 17 international banks. Its rate will be linked to the objective of reducing Thales's direct and indirect carbon footprint (Scopes 1, 2 and 3), in line with the lowcarbon policy implemented by the Group and its commitments over the next ten years. Depending on whether or not these objectives are achieved, the cost of the syndicated loan will be adjusted downwards or upwards, thanks to a bonus/penalty system.



USING TECHNOLOGY TO BETTER COMBAT COVID-19

All over the world, Thales employees have contributed to the fight against Covid-19 and its effects, either through the Group's actions or through individual initiatives. Thanks to their technical skills, many employees have joined local or national citizen initiatives to produce masks and visors. In the United Kingdom, Thales, in partnership with around twenty other companies, has produced ventilators for hospitals. Thales's Artificial Intelligence capabilities were also called upon to develop, in record time, an AI-based solution applied to chest CT-scans. It makes it possible to immediately provide an initial recommendation for diagnosis and criticality of the pulmonary disorders following the acquisition of the image and thus to adapt the care of the patient according to the medical emergency.



PROTECT AND GUARANTEE THE IDENTITY OF CITIZENS

At a time of increasing digital exchanges, the issue of identity has never been more vital for citizens, States or third parties (merchant sites, transport companies, banking systems, telephony operators, etc.). The digital identity solutions developed by Thales and adopted by many countries (Belgium, Thailand, Australia, Texas, etc.) guarantee the identity of a person while protecting their personal data. This certification of identity is the foundation of the relationship of trust and the basis of the proper functioning of a State.



HELPING INNOVATIVE STARTUPS GROW

The European Innovation Council (EIC), Thales and Thales Alenia Space organised the first virtual EIC Corporate Day, which brought together 14 of the most innovative startups in Europe. These days were an opportunity to connect companies, innovative entrepreneurs and managers and decision-makers from all sectors. At the global level, Thales has also launched the international AI@Centech acceleration programme for startups that provide solutions using Artificial Intelligence (AI). By providing them with advice, expertise and access to Thales's technological platforms, this programme helps them develop cutting-edge solutions for the Group's markets while supporting their development.

⁽¹⁾ Corporate income tax shown in the adjusted income statement. See Section 2.3.2 of the 2020 Universal Registration Document.

1. A CORPORATE RESPONSIBILITY POLICY TO SUPPORT SUSTAINABLE ECONOMIC GROWTH

For more than 20 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 *raison d'être*, 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 towards building a more transparent and trustworthy relationship between companies and all their stakeholders.

“ THALES AGAIN CONFIRMED ITS COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT ”

In 2020, Thales again confirmed its commitment to the United Nations Global Compact, which it signed 2003, and through agreements and procedures is implementing its ten principles relating to Human Rights, labour standards, environmental protection, and the fight against corruption. This initiative has allowed Thales, since 2012, to achieve Global Compact Advanced status, the highest level of distinction of the United Nations Global Compact, which aims to create a high standard of CSR performance and encourage transparency.

2020 was also marked by Thales's establishment of a Corporate Social Responsibility (CSR) Committee, replacing the Ethics & Corporate Responsibility Committee formed in 2001. The aim of this change in internal governance in the area of corporate responsibility is to better manage the Group's commitments and actions in favour of responsible and sustainable development and thereby strengthen its contribution to society. The CSR Committee is led by the Company Secretary, the Senior Executive Vice President, Human Resources, and the Senior Executive Vice President, Operations & Performance. It reports directly to the Chairman & Chief Executive Officer of Thales, and reports annually on its activities to the Executive Committee, Thales's Board of Directors, and its Strategic and CSR Committee.

In 2020, the Group's Management sought to strengthen the financial portion of the variable compensation and to involve all employees more closely in the CSR policy. Accordingly, it was decided, as from 2021 and for employees eligible for variable compensation, to dedicate 10% of this amount to CSR objectives, corresponding to the Group's commitments to the four pillars of its strategy:

- DIVERSITY AND INCLUSION;
- COMPLIANCE: THE FIGHT AGAINST CORRUPTION AND INFLUENCE PEDDLING;
- WORKPLACE HEALTH AND SAFETY;
- ENVIRONMENT AND LOW-CARBON STRATEGY.

In December 2020, Thales took the initiative, for the first time, to include climate targets in the conditions of its new €1.5 billion credit line signed with 17 international banks. Its interest rate will be linked to the reduction in the Group's direct and indirect carbon footprint (Scopes 1, 2, and 3), in line with the low-carbon policy implemented and the commitments over the next ten years. Depending on the achievement of these targets, the interest will be adjusted upwards or downwards by means of a bonus/malus system.

 **€ 1,5 Bn**
new credit line signed
in line with the low-carbon policy



Since 2016, Thales has published an integrated annual corporate responsibility report which aims to provide all stakeholders – employees, customers, suppliers, business partners, local communities, public authorities, NGOs, etc. – with details about how the organisation 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

The appropriateness of the Group's corporate responsibility policy was also recognised by the Dow Jones Sustainability Index (DJSI). In 2020, for the fourth year in a row, Thales was ranked as one of the companies in the Aerospace & Defence segment with the most advanced corporate responsibility policy worldwide. Similarly, the non-financial rating agencies MSCI and Ethifinance (Gaia rating) gave Thales a rating of AA (for the fifth consecutive year) and an index of 83/100 for its corporate responsibility policy, acknowledging the Group's sustained efforts in this area.

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 in France, and some international subsidiaries of Thales International SAS⁽¹⁾ (Thales EURAM, Thales AMEWA and Thales NSEA, each on their own perimeter in Europe and Latin America, Middle-East and Africa and in Asia). The Group plans to further pursue this process with a view to extending the scope of this certification.

“ LASTLY, IT IS IMPORTANT TO NOTE THAT, DESPITE THE COVID-19 PANDEMIC, THALES REAFFIRMED ALL ITS PRIORITIES AND CONFIRMED ALL ITS CSR OBJECTIVES ”

⁽¹⁾ Including the 3 regional companies Thales EURAM, Thales AMEWA and Thales NSEA, each on their own perimeter in Europe and Latin America, Middle-East and Africa and in Asia.

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⁽¹⁾ conducted a risk identification and mapping exercise with the participation of the main corporate support functions and the assistance of an external consulting firm.

In 2020, this working group met again to assess the impact of the global 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,
- PROTECTION OF THE HEALTH AND SAFETY OF EMPLOYEES,
- ENVIRONMENTAL IMPACTS OF THE GROUP'S ACTIVITIES⁽²⁾,
- ANTICIPATION OF ENVIRONMENTAL STANDARDS IN PRODUCT DESIGN⁽²⁾,
- COMPLIANCE WITH RULES OF ETHICAL BUSINESS CONDUCT (ESPECIALLY THE FIGHT AGAINST CORRUPTION AND INFLUENCE PEDDLING)⁽²⁾,
- VIGILANCE REGARDING SUPPLIERS' COMPLIANCE WITH CORPORATE RESPONSIBILITY ISSUES.

Risk identification	Risk monitoring and management
<p>1. Diversity and inclusion</p> <p>In a more globalised 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 of its teams could affect the Group's ability to properly account for major technological changes and respond to changes in customer expectations. This could in turn 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 quarterly scorecard (see Chapter 5.4.2 Universal registration document 2020).</p> <p>In an effort to encourage team diversity and employee inclusion and ensure 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 discussed in greater detail in Chapter 5.4.2 Universal registration document 2020.</p>

Risk identification	Risk monitoring and management
<p>2. Workplace health and safety</p> <p>Some of Thales's activities could expose its employees, visitors, or subcontractors to various physical risks (electrical, chemical, radiation, railway worksites, work at height, etc.).</p> <p>These activities require compliance, wherever the Group operates, with a wide range of different regulations relating to the work environment and industrial safety in order to ensure a safe and healthy workplace for all employees concerned.</p> <p>Failure to comply with these requirements or insufficient measures to protect the health, safety and quality of life at work of the employees for which the Group is responsible could expose it to sanctions, a deterioration in its operating performance, and may damage its reputation or attractiveness.</p> <p>The Group's activities may be significantly impacted by a national, regional, or even a global health crisis. Preserving the health of its employees, partners, and customers may entail significant costs, while materially affecting its business continuity. The Group's ability to meet its commitments could be impacted. Customers' needs could likewise be sharply, significantly, and permanently diminished, leading to a collapse in activity.</p>	<p>Thales has set up a dedicated framework aimed at preventing risks related to workplace health and safety, both at the Group's facilities and its external sites. Thales has worked to analyse the risks related to substances and products handled as well as anticipate major global health crises.</p> <p>The Human Resources and Health, Safety and Environment departments have introduced tangible measures to prevent risks related to workplace health and safety and improve quality of life and well-being at work (see Chapter 5.4.3 Universal registration document 2020).</p> <p>The risks to which employees and outside contractors may be exposed are assessed and monitored on a regular basis throughout the Group.</p> <p>Cross-functional and multi-disciplinary steering committees created to eliminate or reduce these risks meet several times a year (see Chapter 5.4.3 Universal registration document 2020).</p> <p>The specific risk linked to the Covid-19 pandemic has been factored into all of the Group's activities. A Group Central Crisis Unit (CCU) was established, coordinating with more than 55 local crisis units and the Executive Committee. These units are responsible for making decisions and establishing coordinated rules and recommendations, implementing them, monitoring the situation, optimising the provision of the necessary protection resources, telecommuting, the flow of information, and communications.</p> <p>Furthermore, particular attention was given this year to the required flexibility and management of risks linked to the adaptation of modes of working, to the specific aspects of psychosocial risks, and to the quality of life in a hybrid mode of telecommuting and working on-site.</p>
<p>3. Environmental impacts related to the Group's activities</p> <p>Emissions generated by the Group's activities have the potential to affect the environment. The Group's exposure to this risk is limited insofar as the industrial footprint of its sites and activities is small. Nevertheless, should some of its manufacturing activities fail to comply with the applicable laws and regulations on the matter, the Group would run the risk of sanctions, damage to its image or even refusal by some customers to do business with Thales.</p> <p>The use by Group customers of its products and solutions throughout their life cycle, particularly in the air transport and digital segments, also contributes to producing greenhouse gases that induce global warming.</p> <p>Lastly, the risks related to climate change (natural disasters, supply chain disruption, market instability, etc.) are leading to increasingly complex regulatory changes. These could have adverse effects on the Group's performance and business model, or on its customers.</p>	<p>The analysis of the Group's environmental risks is updated once a year. It includes an assessment of the significant impacts, a review of scientific and technical developments, and of changes in issues and regulations based on a global regulatory monitoring.</p> <p>The Group has put in place an organisational structure and tools at all its sites to control and limit the environmental impacts of its activities (see Chapter 4.2.2.1).</p> <p>In recent years, Thales has performed assessments of its sites' exposure to natural disasters in order to reduce its vulnerability to the effects of climate change, such as floods, hurricanes, fires and water stress (see Chapter 4.1.3.3).</p> <p>The Group has implemented a strategy to reduce its carbon footprint across its entire value chain, with targets for 2023 and 2030 that are aligned with the 2°C trajectory of the Paris Agreement and that take into account the Science-Based Targets methodology. The progress made towards achieving these targets is assessed regularly and consolidated annually (see Chapter 4.2.3).</p>

⁽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 Company Secretary and corporate management.

Risk identification	Risk monitoring and management
<p>4. Anticipation of environmental standards in product design</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 delays 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 marketed, 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 the reduction of the carbon footprint, 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, circular economy, climate change, etc.) based on active global regulatory monitoring. Specific attention was given in 2020 to the regulatory consequences of Brexit.</p> <p>These factors are taken into account in the design of the Group's products and solutions:</p> <ul style="list-style-type: none"> • Thales is committed to the eco-design of all its new products and deploys tools to promote its adoption by employees, anticipate obsolescence, and limit CO₂ emissions in product use phases; • numerous examples illustrate the significant contribution of the Group's products, solutions and services to carbon reduction, particularly in the field of transportation <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</p>
<p>5. Compliance with rules of ethical business conduct (particularly anti-corruption and influence peddling)</p> <p>Thales's business encompasses more than 70 countries.</p> <p>Failure to comply with applicable laws and regulations relating to ethical business conduct, 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 programme, which has been in place for many years, was strengthened in 2018 and 2019 to take account of recent legislative and regulatory changes, especially those resulting from France's Sapin II law.</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 in France, and some international subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA, each on their own perimeter in Europe and Latin America, Middle-East and Africa and in Asia). The Group plans to further pursue this process with a view to extending the scope of this certification.</p> <p>The Group's anti-corruption policy is described in Chapter 5.6.1 Universal registration document 2020.</p>

Risk identification	Risk monitoring and management
<p>6. Vigilance concerning supplier compliance with corporate responsibility issues</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, 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 5.7.5 Universal registration document 2020) pursuant to law No. 2017-399 of 27 March 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 8.6.



3. NON-FINANCIAL PERFORMANCE SCORECARD

Issue/Risk	Policies	Key performance indicator	2019 Outcomes (a)	2020 Outcomes
1. Diversity and inclusion	<p>Thales's commitment: Bring out the best in everyone</p> <p><i>"At Thales, I work in teams that are open to diversity and value our differences and backgrounds."</i></p> <p>Cross-functional initiative taken by the Executive Committee as part of the Ambition 10 plan</p> <p>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 organisation 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	17,2%	18%
		% of Management Committees with at least three female members	50%	68%
2. Workplace health and safety	<p>Thales's commitment: Be attentive to everyone</p> <p><i>"At Thales, my manager trusts me: he empowers me and ensures my well-being." "At Thales, I have all the resources and support I need to maintain a healthy work-life balance."</i></p> <p>Thales's commitment: HSE policy</p> <p><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	2,56%	3,30%
		Frequency rate of accidents at work	2,32	1,66
		Severity rate of accidents at work	0,057	0,056
		Percentage of employees working at an OHSAS 18001/ISO 45001-certified site	77,5%	77,1%
3. Environmental impacts related to the Group's activities	<p>Thales's commitment: HSE policy</p> <p><i>"Thales is committed to safeguarding the environment by limiting impacts (energy, climate, natural resources, etc.) and preventing pollution risks."</i></p>	Reduction of direct operational emissions ^(b) Absolute value compared with 2018	-1,8%	-35%
		Reduction of indirect emissions ^(c) Absolute value compared with 2018	-1,7%	-29%
		Recycling rate of non-hazardous waste	58%	60%
		Percentage of employees working at ISO 14001-certified sites	84%	84%

Issue/Risk	Policies	Key performance indicator	2019 Outcomes (a)	2020 Outcomes
4. Anticipation of environmental standards in product design	<p>Thales's commitment: HSE policy</p> <p><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	pending	44%
		Percentage of Product Line Architects and Product Line Managers trained in or made aware of eco-design	5%	33%
5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)	<p>Thales's commitment: Zero tolerance for corruption</p> <p><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></p> <p>(extract from the Code of Ethics)</p>	Number of operational entities that assessed risks of corruption	108 ^(d)	149
		Anti-corruption training ^(e)	9,920	1,350
6. Vigilance concerning supplier compliance with corporate responsibility issues	<p>Thales's commitment: Get all its suppliers to support its approach to corporate responsibility</p> <p><i>"Thales establishes relationships of mutual cooperation with its suppliers, based on mutual loyalty."</i></p> <p>(extract from the Code of Ethics)</p> <p>Thales requires its suppliers to comply with commitments relating to Human Rights, labour standards and environmental protection.</p>	Alerts received via the Group's alert system of which alerts concerning allegations of acts of corruption ^(f)	34 4	25 —
		Percentage of new suppliers committed to the principles of Thales's new Integrity & Corporate Responsibility Charter 2023 target: 100%	ND ^(g)	91%
		Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping 2023 target: 100%	ND ^(g)	24%

^(a) 2019 scope after the integration of Gemalto's business activities – Data provided for comparison purposes, where available, in accordance with Article R. 225-105-1 of the French Commercial Code.

^(b) Direct operational emissions: Internal operations (Scope 1, 2 and 3 – business travel).

^(c) Indirect emissions: Scope 3 "purchases of goods and services" and "use of products and services sold".

^(d) DIS operational entities were not included in 2019, as these assessments are made via the Yearly Attestation Letters that are produced at the beginning of the year. For 2020, this figure covers 100% of entities.

^(e) Comprising 597 distance learning training sessions and 753 face-to-face training sessions in 2020.

^(f) The four alerts concerning allegations of possible acts of corruption in 2019 were all closed, after internal investigations confirmed that there were no acts of corruption.

^(g) New 2020 indicator.

4. HUMAN RESOURCES GEARED TOWARDS COMPANY PERFORMANCE

At the end of 2020, Thales had more than 80,500 employees working in the Group's seven Global Business Units. Their dedication throughout the year enabled the Group to meet its customers' needs and to contribute to initiatives to improve the Group's performance, despite the exceptional circumstances linked to the health crisis.

In 2020, against the backdrop of the Covid-19 global pandemic, the Human Resources function, working with the HSE, Operations, and Security Departments, defined and deployed a set of measures to protect employee health and ensure the continuation of the Group's activities.

4.1 OFFER A SAFE AND HIGH-QUALITY WORK ENVIRONMENT

For many years, Thales has undertaken to provide a safe and healthy work environment for all its employees, where everyone has the trust and support of the management teams and benefits from resources that allow them to perform their jobs and have a healthy work-life balance.

“ FIRMLY COMMITTED TO A PROACTIVE, RESPONSIBLE APPROACH ”

Firmly committed to a proactive, responsible approach to prevention and protection of the health and safety of the Group's employees, the Human Resources and Health, Safety and Environment Departments, together with the Occupational Health Department, mobilised strongly in 2020 to support employees during the Covid-19 global health crisis, whether it involved helping employees in difficulty, or adapting work organisations.

4.1.1 PURSUE A DYNAMIC AND CONSTRUCTIVE DIALOGUE

Specific forums for social dialogue

Thales has long promoted cooperation with social partners on subjects of shared interest. In 2020, this cooperation was reflected in social dialogue that was especially aimed at addressing the impacts of the crisis on employees and work organisation.

In 2020, the European Works Council, comprised of 39 members from 13 European countries, met three times (two plenary meetings and one Executive Committee meeting) to discuss the Group's economic and financial outlook, news from the Global Business Units, the impact of the health crisis and Brexit, and the integration of Gemalto.

The European Works Council agreement also provides for informational meetings to be held at the Global Business Unit level to allow committee members who belong to each GBU to discuss their transnational strategic and social outlook. The output of these meetings was presented at the plenary meeting.

In France, employee representation is structured around the Central Economic and Social Committees, Works Councils, as well as a network of local representatives. These bodies were organised through collective bargaining.

Dynamic social dialogue

The Group's social partners in France entered into an agreement on 26 March 2020 to support the adaptation of activities to health constraints. Furlough and telecommuting schemes were defined under this framework.

In June 2020, following the first lockdown in France, a new Group agreement set out the terms and conditions for a broader resumption of activity and support for employees dealing with specific situations.

The health situation and “Smart Working” initiative (see Chapter 4.1.2) also led the social partners to renegotiate the contractual provisions in effect within the Group in relation to telecommuting.



In fact, telecommuting, which the Group has tested since 2013, formally adopted in 2015, and renewed in 2018, has gradually expanded within the Group. Based on this experience with telecommuting and the lessons learned from its widespread use during the health crisis, the Group's Management and representative trade unions signed a new agreement on 17 December 2020 in order to:

- simplify and broaden the use of this mode of organisation on a routine and regular basis, for all activities capable of being partially or fully performed remotely, and for all employees (permanent contracts, fixed-term contracts, work-study contracts, and industrial research contracts), with no seniority requirements;
- better anticipate new extraordinary circumstances in the future;
- improve the resources provided to telecommuters.

The dynamic social dialogue in France notably resulted in the signing of the following Group collective agreements in 2020:

- agreement on the composition and functioning of the Intercompany Committee, signed on 31 March 2020;
- disability Agreement, signed on 17 November 2020;
- agreement relating to the specific furlough scheme, signed on 13 November 2020.

Additionally, 30 company and site collective agreements were signed in the Group's various French entities in 2020.

At the end of 2020, 77% of Group employees worldwide were covered by collective agreements.

Social dialogue to support with Group transformation

As the health crisis strongly impacted air transport and its related activities, talks with social partners were begun in September 2020 to determine a global approach to supporting and adapting jobs. These talks led to the signing in January 2021 of an agreement designed, on the one hand, to adopt specific measures to promote the recovery and sustainability of activities impacted by the crisis and, on the other hand, to preserve the skills needed to facilitate the recovery of these activities.

“ AT THE END OF 2020, 77% OF GROUP EMPLOYEES WORLDWIDE WERE COVERED BY COLLECTIVE AGREEMENTS. ”



30
company and site collective agreements were signed

4.1.2 THE “SMART WORKING” INITIATIVE

From telecommuting to Smart Working

Over the past few years, “Smart Working” initiatives have been undertaken in several countries. In 2020, they were extended to the entire Group.

This initiative is designed to boost the collective performance of the teams and to improve employee well-being, in particular by enabling a better work-life balance, and by providing a work environment and tools that allow jobs to be performed under optimal conditions.

This initiative aims to allow teams to adapt their organisation to their particular situation and therefore requires assessing management methods, interactions within the team, the work environment, and the work tools required. Following this collective reflection, teams draft a charter and equip themselves with the resources to implement this new organisation.

Monitor employee commitments

The majority of entities in France have established internal surveys aimed at assessing employee satisfaction with the management of the health crisis, telecommuting during lockdowns, and the organisation of the resumption of activity.

“THESE ASSESSMENTS ENABLED DEDICATED ACTION PLANS TO BE PUT INTO PLACE.”

4.1.3 TOP-QUALITY WORKING CONDITIONS

Convinced that employee well-being is a key factor in long-term performance and in attracting and retaining talent, in 2020 the Group continued its commitments and actions to improve the quality of life at work.

The actions taken to improve work-life balance

Each country adapts its working time to applicable local laws and agreements. At the end of 2020, 94% of employees were employed full-time; part-time contracts generally reflected an employee’s personal choice.

In 2020, Thales continued actions taken to promote parenthood and work-life balance. For instance, in 2020, 444 children of employees in France were given spots in day care centres (compared with 426 in 2019 and 381 in 2018). In France, the Group also offers an emergency childcare solution in the event that the usual mode of childcare is not available.

The Smart Working initiative is also part of the deployment of a work organisation that reconciles operational efficiency and better personal organisation that is sensitive to life’s various stages.

Personal data protection

Personal data processing was required in 2020 to enable the Group’s companies to implement appropriate prevention measures, to manage work organisation and to monitor the furlough scheme.

Particular attention was given to this data processing, in cooperation with the occupational health offices and the Group’s Data Protection Officer, to ensure it complied with the GDPR.

Various actions (such as employee information, the creation of registration sheets, obtaining consent from visitors, etc.) were implemented to ensure that regulations were respected.

4.1.4 SUPPORT FOR EMPLOYEES DURING THE HEALTH CRISIS

4.1.4.1 SUPPORT FROM THE HUMAN RESOURCES OFFICE AND THE OCCUPATIONAL HEALTH OFFICES

From the start of the crisis, the Group activated crisis units to better deal with the evolving health situation, protect employees’ health, and organise business continuity. These crisis units helped develop health standards and contributed to preparing communications for employees. The organisation of these crisis units, in which the Human Resources teams actively participated, is described in paragraph 4.1.3.

COVID-19 : COMMUNICATE DURING THE HEALTH CRISIS

During the health crisis, the Group established a workshop called “Listen” to raise managers’ awareness about the need to adapt their management methods, making sure to actively listen to their employees.

Regular communications relating to the successes and challenges met during the crisis were distributed to employees to allow them to continue to feel involved in their work community while telecommuting.

“FROM THE START OF THE PANDEMIC AND ALL THROUGHOUT, THE OCCUPATIONAL HEALTH OFFICE IN FRANCE WAS INVOLVED WITH THE GROUP’S CRISIS MANAGEMENT UNIT”

From the start of the pandemic and all throughout, the occupational health office in France was involved with the Group’s crisis management unit and thus contributed, in close collaboration with the HSE Department and the members of the crisis unit, to support all sites.

THIS FRAMEWORK SERVED TO ORGANISE DISCUSSIONS ON IDENTIFYING APPROPRIATE PERSONAL PROTECTIVE EQUIPMENT,

team awareness training modules, in particular in the context of business continuity, harmonising health recommendations given to employees, and building a partnership with a medical testing lab to provide easier access for the Group’s employees.

In Australia, the emergency childcare service was frequently requested by the Group’s employees. At some sites, private transport services were set up to limit the use of public transport. Certain countries, notably Mexico, also maintained salaries and benefits during furlough periods.

A remote consultation service was set up by French healthcare offices to support employees, in particular at-risk people. In France, mental health services were provided through a telephone platform which is still available to employees who feel they need it.



444

children of employees in France were given spots in day care centres, in 2020



4.1.4.2 ADAPTATION OF WORK ORGANISATION

Within the framework of the collective agreements signed in France, and more broadly across all Group countries, local entities quickly adapted their organisations to deal with the health crisis and the restrictions imposed in the countries. In Poland and Switzerland, for example, employees who could only work on-site were divided into teams in order to limit the movement and grouping of employees in the same areas. In China and Brazil, teams' working hours were adapted to limit how many employees were present at the same time on-site. Already used in many of the Group's countries, telecommuting was broadly implemented due to the health crisis, in particular by relying on pre-existing agreements on the subject, as in France, where telecommuting has been possible since 2013 within the framework of successive collective agreements. A "Living better while telecommuting" information campaign was launched in 2020 by several Group companies in France and will continue in 2021. This campaign uses webinars to raise employee awareness on topics such as musculoskeletal disorders, sleep, anxiety, and a balanced diet. In Canada, 75% of employees were telecommuting during the first lockdown. In the Netherlands, as from September 2020, when the epidemic was again on the rise, all employees were telecommuting. In Australia, employees were surveyed on telecommuting, a form of work organisation that was already widely implemented, to measure its full effectiveness. The intensive use of telecommuting in the Group overall was also facilitated by the quality of the IT tools and equipment, and the mobilisation of IT teams to ensure access to and maintenance of equipment.

“ THE INTENSIVE USE OF TELECOMMUTING IN THE GROUP OVERALL WAS ALSO FACILITATED ”



75% of employees were telecommuting during the first lockdown.

4.1.3 PREVENTING HYGIENE, HEALTH AND SAFETY RISKS AT WORK

4.1.3.1 POLICY AND GOVERNANCE

Risk policy and analysis

Since March 2016, Thales has reaffirmed its commitments to risk prevention and employee protection through one of the three fundamental priorities of its Hygiene, Health, Safety and Environment (HSE) policy. These commitments have featured among the Group's ethical principles for over 15 years.

This proactive, responsible approach is coordinated by the Group's Hygiene, Health, Safety and Environment (HSE) Department. It has been implemented at the operational level in countries and GBUs through concrete actions strengthening the safety culture and the managerial skills related to preventing health and safety risks in the workplace. In 2019, the Group's Executive Committee adopted a renewed HSE vision, which set new objectives for 2023 to strengthen this policy and its implementation.

The Group's policy has two key areas of focus:

- provide a safe and healthy working environment for employees and subcontractors, on its own premises and at external sites;
- design, purchase, produce and provide solutions, products and services that are responsible when it comes to health, safety and environmental requirements.

Performance is regularly managed through the monitoring of specific indicators.

PERFORMANCE RELATED TO OCCUPATIONAL SAFETY (NFPS):

	2023 target	2030 target	2018	2019	2020	Change 2018/2020
Accidents at work Frequency rate of accidents at work with subsequent lost work time (Tf1 for Thales employees)	1.55		2,22	2,32	1,66	-25,2%
Change in severity rate of accidents at work	-		0,053	0,057	0,056	+5,6%
ISO 45001 Certification Share of employees working at an OHSAS 18001/ISO 45001-certified site	-		83%	77,5%	77,1%	-6 pts

Note : Frequency rate of accidents at work and severity rate for 2018 restated to include Gemalto. Share of employees working at certified sites excluding Gemalto in 2018.

At the end of 2020, the Executive Committee sought to strengthen the collective aspect of performance recognition. To this end, it was decided that starting in 2021, for employees eligible for variable compensation, 10% of this compensation would be related to CSR targets corresponding to the Group's commitments, of which safety performance accounts for 2.5%.

To support the achievement of these targets, in 2019, the Group defined an "HSE culture" roadmap which provides for the following over a four-year period:

- increased actions to support leadership and help all employees develop a sense of ownership regarding the importance of HSE issues ("HSE Masterclass");
- support of teams in implementing best practices on the ground ("HSE 4 US").

Aspects relating to quality of life at work, well-being, and psychosocial risks are closely coordinated with the Group's Human Resources Department and with the occupational health services.

WORKPLACE HEALTH AND SAFETY RISKS ARE THE SUBJECT OF AN ANNUAL SELF-ASSESSMENT BY EACH OF THE OPERATING ENTITIES that is coordinated by the Group Risk Supervision Committee. This ensures that best HSE management practices are implemented at external premises and worksites, which may lead, if necessary, to an annual improvement plan drawn up with the Group's experts.



A dedicated HSE structure

In order to keep improving its health, safety, and environmental performance, and to prevent industrial risks, Thales has implemented a global governance system based on a network of HSE managers:

- a dedicated network of “HSE site/operation” coordinators at the country, entity, and external site levels, depending on geographical location;
- a dedicated network of “HSE Products and Services” coordinators at Global Business Unit and business line levels, bolstered by correspondents from cross-functional departments (e.g. product policy, engineering, operations, purchasing, services, bids and projects).

Cross-functional and international HSE Steering Committees are in charge of implementing the HSE policy, providing expertise and momentum, and ensuring that prevention standards are rolled out. They define the annual action plans and capitalise on feedback to improve the HSE culture. Operational management relies on these networks, which are coordinated within a dedicated job family, to increase momentum and boost leadership, determine recruitment and training needs, and anticipate future developments.

Other operational and cross-functional departments (human resources, occupational health, operations, engineering, purchasing, etc.) are also involved in this work to ensure that policies on the prevention of workplace hygiene, health and safety and environmental risks are consistent.

The community of members of the extended international HSE network gathers at a conference once a year. In 2020, this two-day event was held as a web conference which brought together over 860 employees from all functions around the world. Four major topics were discussed:

- The Group’s HSE vision, performance, and health situation;
- The strategy for a low-carbon future;
- Environmental issues, in particular substances, eco-design, and operations;
- The company’s social and environmental responsibility.

An international scorecard is issued and distributed by the Operations and Performance Department and includes, for safety purposes, the performance of tier 1 subcontractors.

THE NETWORK OF HSE EXPERTS PLAYED A CENTRAL ROLE IN MANAGING THE HEALTH CRISIS SUPPORTED BY THE INTERNATIONAL HSE STEERING COMMITTEE. THE LATTER’S ROLE WAS TO ENSURE THE COHERENT IMPLEMENTATION OF HEALTH GUIDELINES AT THE SITES, WHILE TAKING INTO ACCOUNT COUNTRY-SPECIFIC PARTICULARITIES, IN CLOSE COORDINATION WITH THE OTHER FUNCTIONS AND CRISIS UNITS IN THE COUNTRIES. This expert network was mobilised on a daily basis to support employees and ensure their health safety.

“CASES OF INFECTION AND THE PROPER IMPLEMENTATION OF HEALTH REGULATIONS WERE CONTINUOUSLY MONITORED.”

4.1.3.2 MAINTAINING SKILLS AND RISK AWARENESS

Training

Knowledge of operational risks and related prevention measures is crucial for managers and employees to maintain the right level of vigilance, as well as maintain their awareness of risks, measures to manage them and the appropriate behaviours to be adopted.

Thales’s Human Resources and HSE departments implement and maintain training courses on workplace health and safety across the Group.

Specific needs are identified at individual premises and worksites and supplement the programmes defined at Group level.

Risk training plans built in late 2019 were scaled back during the health crisis and replaced by pandemic-related training and awareness sessions: understanding the crisis and how Covid-19 infection occurs, receiving employees and visitors at the sites, adopting protective behaviours, the proper use of personal protective equipment, good cleaning practices, and general conduct rules on site. Special attention was paid to considering the specific risks linked to telecommuting as well as psychosocial risks (best practices for safety and quality of life to implement when telecommuting, the right to disconnect, healthy lifestyle, etc.).

“SPECIFIC NEEDS ARE IDENTIFIED AT INDIVIDUAL PREMISES AND WORKSITES AND SUPPLEMENT THE PROGRAMMES DEFINED AT GROUP LEVEL”

To maintain knowledge and skills relating to health and safety, dedicated training modules are delivered throughout the Group by in-house trainers, HSE managers, or specialist external bodies. Online training modules are available to all through the Thales Learning Hub. In addition, specific, continuously updated content has been made directly accessible to employees on the intranet via a page dedicated to Covid-19 and telecommuting.

All of these training courses involve (on top of courses related to the health crisis):

- general workplace safety training courses (introduction and on-the-job training, fire safety, first aid, etc.);
- specific training courses on risks encountered (electrical, chemical, radiation, ergonomic, psychosocial, etc.);
- training courses on tools (risk analysis, regulatory monitoring, standards, audit and inspection techniques);
- training courses on management and best safety practices.

Excluding specific “Covid” awareness actions, and not counting distance learning training modules, more than 50,000 in-person safety training hours continued to be delivered within the Group in 2020.

TO IMPROVE SUPPORT FOR MANAGERS AND EMPLOYEES ON HSE ISSUES, IN 2019, THE GROUP DEFINED A SPECIFIC TRAINING PROGRAMME FOR HSE COORDINATORS AIMED AT DEVELOPING THEIR OPERATIONAL LEADERSHIP SKILLS IN THIS AREA, WITH A PARTICULAR FOCUS ON SUPPORT FOR LOCAL MANAGERS.

Additionally, training sessions in “HSE culture” defining the leadership model were developed for site/country/Global Business Unit management committees. They were rolled out in some units in France, Australia, and Germany. Based on these experiences, an “HSE Masterclass” was developed with an expert HSE consultant. The deployment of this training programme, which was slowed by the 2020 health crisis, is one of the management objectives to be largely rolled out in 2021.

Awareness – Communication

Awareness and communication programmes, which are defined and implemented locally, also allow the level of ownership and awareness of risks to be maintained among all employees. The Group publishes a quarterly HSE newsletter and organises a Group awareness campaign every year.

The last four campaigns focused on: best practices related to tripping risk (2015), material handling risks (2016), road risks (2017), or good managerial practices to integrate hygiene, health and safety, and the environment into everyday practices (2019). In October 2020, the Group launched the global “HSE 4 US” campaign on the four basic rules of health, safety and environment. Each employee was asked to organise an exercise within their team that enables these rules to be appropriated and responsible behaviours to be adopted.

Lastly, a dedicated HSE portal is available to all employees on the Group intranet.



+ than 50,000

in-person safety training hours continued to be delivered.

4.1.3.3 RISK MANAGEMENT AND OPERATIONAL CONTROL

The Covid-19 health crisis

Thales activated its crisis management system in January 2020. The Group supported its offices in Asia in their management of the health crisis by developing initial health safety measures, new work organisation systems (shift work and telecommuting), providing personal protective equipment (masks, gowns, etc.) as well as travel guidelines.

The Central Crisis Unit (CCU) was activated on 26 February 2020. This central crisis unit connected with all the entity and country crisis units to coordinate actions and define the health safety policy. This unit brings together all the functions that are directly impacted by the crisis: Health, Safety and Environment, advising Physician, Human Resources, Security, Communications, Information Systems, Operations, Purchasing & Logistics. This network helped develop health standards and guidelines for business continuation, and closely monitored the situation in order to make the appropriate adjustments. It also contributed to developing communications and tools for employees.

“ A SET OF HEALTH PROTECTION MEASURES COMMON TO ALL THE GROUP’S ENTITIES WORLDWIDE WAS DEFINED: HEALTH SAFETY RULES “

A set of health protection measures common to all the Group’s entities worldwide was defined: health safety rules, personal and group protective equipment, protective behaviours, ventilation of work spaces, management of corporate restaurants, travel policy, guides for managers, support for returning to work after lockdown, good telecommuting practices, etc. These measures are applied in addition to national regulations or in countries where health regulations are less restrictive.

The Central Crisis Unit met daily during the first months of the crisis to monitor events and coordinate with the Executive Committee. It then moved to a weekly schedule.

IN ADDITION TO THE COORDINATED NETWORK OF CRISIS UNITS, A PURCHASING AND LOGISTICS TASK FORCE WAS ACTIVATED IN MARCH TO SECURE THE SUPPLY OF PROTECTION AND DISINFECTION RESOURCES AT GROUP LEVEL.

Employees have been kept regularly informed, especially during lockdowns or periods with heavy restrictions.

Management on the ground

Thales has integrated the management of risks related to occupational safety into its Group management system, which can be accessed by all employees, at all entities worldwide.

The HSE process requires a safety management system to be implemented at all sites to ensure that operating risks are avoided, managed and limited, while complying with the general principles of prevention. In 2020, the analyses of risks, the necessary adjustments, and the rules adopted to take into account the health aspects resulting from the pandemic were incorporated into the process.

Integrated into the different processes governing the Group’s activities, it defines best practices and methodological guides, and specifies the rules that must be followed at all levels of the organisation. It also defines the risk management and alert procedures in the event of an accident.

Thales produces risk analyses at all its sites and updates them on a regular basis according to its business activities, scientific and technical developments, and emerging issues.

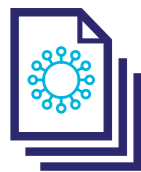


These analyses enable the operational departments, with the support of HSE experts, to:

- check that the business activities carried out and the products used or placed on the market are compliant to ensure that facilities meet safety standards at all times;
 - ensure that employees are not exposed to specific risks, and reduce and manage them if they are;
 - ensure that personal and group protective equipment is available for residual risks that cannot be avoided;
 - monitor business activities to make sure they are not likely to affect people and/or the environment through technological accidents;
 - analyse and anticipate the impact of new regulations;
 - make sure that employees and external partners adhere to instructions and procedures, including through the organisation of emergency scenario drills;
 - integrate hygiene, health and safety into on-the-ground management.
- Risk assessments and analyses of legal requirements and compliance obligations are based on active regulatory monitoring. They are formally documented at all Group facilities, as well as at external sites.

FURTHERMORE, THE DEPLOYMENT OF LEAN CULTURE COMBINES HSE ASPECTS WITH OPERATIONAL PRACTICES: TEAM COORDINATION, SITE INSPECTIONS, AND IMPROVEMENT ACTIONS.

At the same time, the Group’s HSE experts provide support for the application of HSE standards on premises and worksites, and also support employees to ensure consistency and monitoring on the ground, by drawing on the ISO 45001 management standard. For example, as at 31 December 2020, 77.1% of the Group’s global workforce worked at a site or in an organisation certified to this management standard. Certifications grouped by country are in broad use at Thales; there are now 128 certified sites compared to 120 in 2019. It should be noted that the downsizing of some entities during the year, particularly in the United States and the United Kingdom, caused this indicator to decline in 2020.



COVID-19

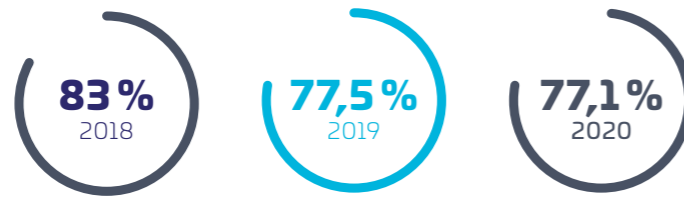
+ than 50 reference

documents, booklets, videos, and materials to raise awareness were published in French and English

PERFORMANCE RELATED TO WORKPLACE HEALTH AND SAFETY (NFPS):

Number of employees working at ISO 45001 certified sites in 2020: 77.1%

CHANGE IN THE NUMBER OF EMPLOYEES WORKING AT ISO 45001 CERTIFIED SITES*



* 2018: without Gemalto; 2019 and 2020: with Gemalto.

Employee performance reviews and continuous improvement

Certified sites carry out internal audits so they can share best practices on an ongoing basis and improve HSE management systems. This monitoring was maintained in 2020 despite the crisis, and self-assessments were carried out to verify proper deployment of the health rules. Monitoring audits are carried out by external bodies to ensure an external review. They were also maintained in 2020. The Group has reinforced its internal tools by introducing a system to assess HSE maturity. It has been in use at all entities since 2017. This tool bolsters HSE culture and the commitment of managers and employees, so as to strengthen the performance of the Group and that of its partners.

“THE GROUP HAS REINFORCED ITS INTERNAL TOOLS BY INTRODUCING A SYSTEM TO ASSESS HSE MATURITY. IT HAS BEEN IN USE AT ALL ENTITIES SINCE 2017.”

HSE maturity self-assessments are conducted at all industrial facilities and are supported by audits conducted by a team of 22 qualified auditors.

Therefore, all sites must conduct an internal audit once a year, and 23 sites had a maturity assessment completed by the Group’s experts in 2018 and 2019, primarily at locations or work sites presenting the biggest risks (i.e. 22% of the Group’s industrial sites). In 2020, as a result of the pandemic, only one audit was conducted, although all sites completed a self-assessment on the deployment of the health rules, which were consolidated at Group level.

Moreover, the 2020 employee health safety performance, monitored at Executive Committee level by the Operations and Performance Department, was significantly influenced by:

- the health crisis and lockdowns;
- the adaptation of work organisation, with a large number of employees telecommuting for a significant part of the year;
- the disruption of some operations induced by the crisis.



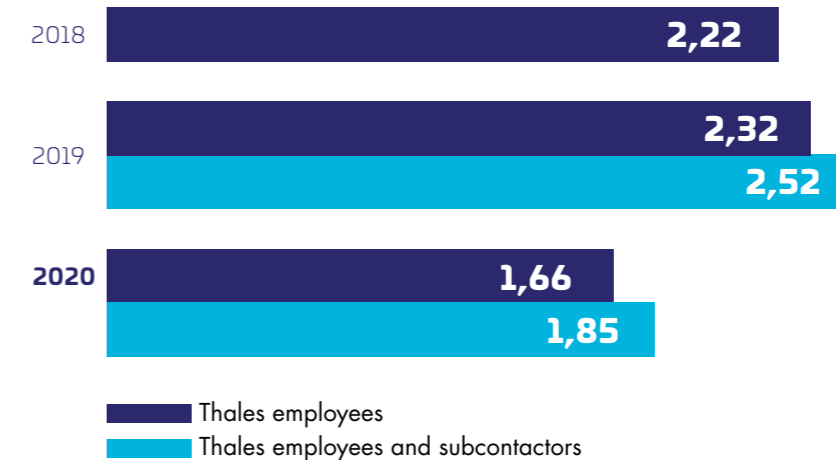
77,1%

employees work at ISO 45001 certified sites in 2020

PERFORMANCE RELATED TO WORKPLACE HEALTH AND SAFETY (NFPS):

Frequency rate of accidents at work worldwide: 1.66 in 2020 (1.85 with subcontractors)

CHANGE IN FREQUENCY RATE (WORKING DAYS LOST DUE TO ACCIDENTS AT WORK)



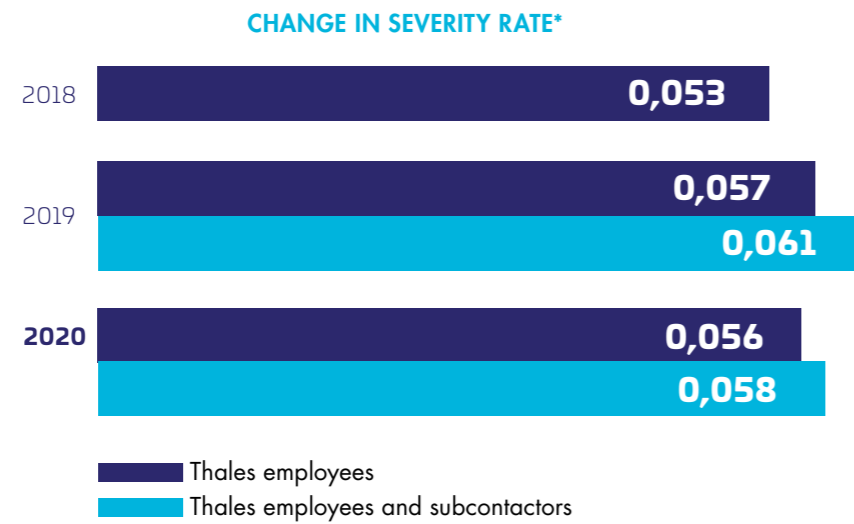
⁽¹⁾ A specific California regulation (CAL-OSHA) requires the inclusion of positive Covid-19 cases when calculating the frequency rate of accidents at work. This local requirement was not consolidated under the Group’s performance. It accounted for 14 cases in 2020, which would have brought the frequency rate to 1.76.

The rates differ substantially for each country, depending in particular on the activities taking place there. Including Gemalto, the consolidated rate at end-2018 would have been 2.22. In 2020, the specific context of the pandemic, with the significant use of telecommuting, was a factor in the sharp improvement in this rate to 1.66, i.e. 25% below the 2018 rate. The Group’s is targeting a consolidated rate of 1.55 in 2023. A great deal of prevention work is carried out by the teams on the ground, and attention remains focused on actions that help to reduce the incidence of the most serious accidents, particularly in Australia, Germany, and in some organisations in France. In contrast to previous years when the causes of accidents were either industrial or behavioural, in 2020, accidents of psychosocial origins emerged as a new source (10%), specifically linked to the pandemic. Since 2019, the frequency rate has also been consolidated including subcontractors who work in an ongoing manner at the Group’s premises and worksites. For Thales, the aim is to verify that safety practices are being correctly implemented across operations. This consolidation impacts the Group’s accident frequency rate, raising it to 1.85.



PERFORMANCE RELATED TO WORKPLACE HEALTH AND SAFETY (NFPS):

Severity rate of accidents at work worldwide: 0.056 in 2020 (0.058 with subcontractors)



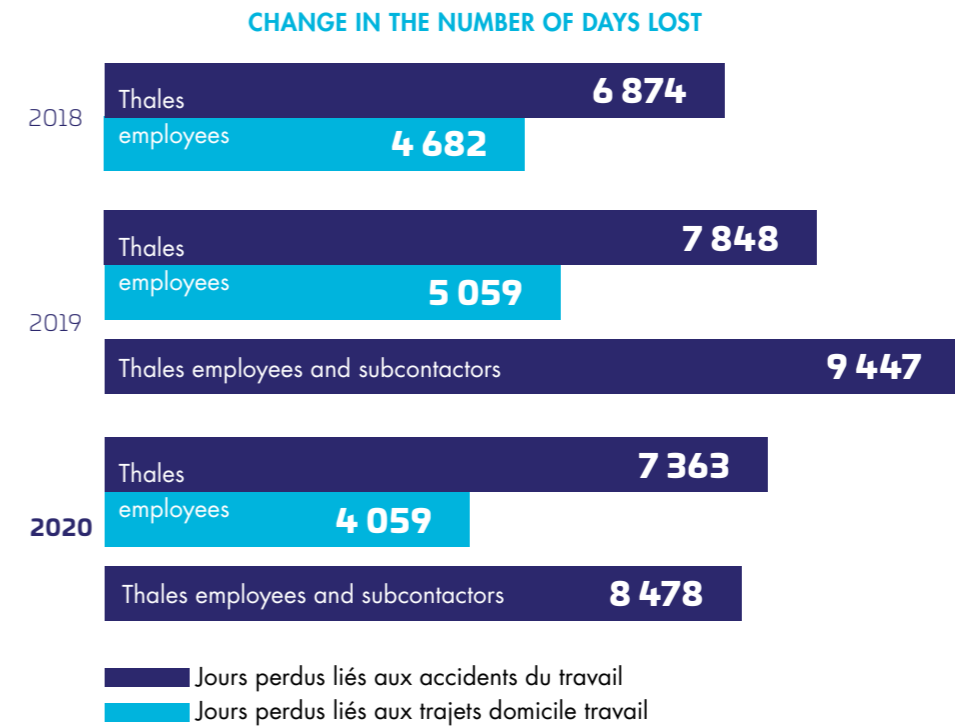
* 2018 severity rate with Gemalto. Without Gemalto, the severity rate was 0.048 in 2018.

The severity rate of accidents at work was 0.053 in 2018 for the entire Group after consolidation of the former Gemalto employees. In 2020, the severity rate of accidents at work was 0.056 (0.058 with the integration of tier 1 subcontractors), an improvement over 2019 but slightly worse than in 2018.

“61% OF GROUP SITES DID NOT HAVE ANY LOST DAY DUE TO ACCIDENTS AT WORK IN 2020, AND THEREFORE HAD FREQUENCY AND SEVERITY RATES OF ZERO.”



Despite a lower number of accidents, the number of days lost increased compared to 2018. This result is partially due to extended medical leaves related to two accidents that occurred in 2019. Furthermore, 9% of accidents in 2020 accounted for no less than 40% of the number of days lost.



4.2 OTHER EMPLOYMENT INDICATORS

Employment indicators	2020 data	Scope of consolidation
GLOBAL^(a) WORKFORCE AT 31 DECEMBER 2020	80,569	100%
Workforce by gender		
% of women	26%	99.9%
% of men	74%	
Workforce by type of contract		
% of permanent contracts	98%	99.9%
% of full-time contracts	94%	99.6%
Workforce by age group		
< 30	12%	99.8%
30-39	25%	99.8%
40-50	28%	99.8%
> 50	35%	99.8%
Departures		
Number of departures	7 650	100%
% of departures due to redundancies	25%	100%
Recruitment		
Total number of new hires	7,427	100%
% of women	31%	97%
Training		
Average number of hours of training per employee	7	95%
% of employees covered by a collective agreement	77%	92%
Health and safety indicators		
Absenteeism rate	3.30%	98.3%
Frequency rate of accidents at work	1.66	
Severity rate of accidents at work	0.056	
Other		
Payroll (€ million)	7,419	
% of employees covered by a collective agreement	77%	92%
Employment rate of people with disabilities in France ^(b)	6.92%	
Number of jobs created by GÉRIS in 2020	515	

^(a) Workforce shown corresponds to active workforce.

^(b) 2019 data reported in 2020.

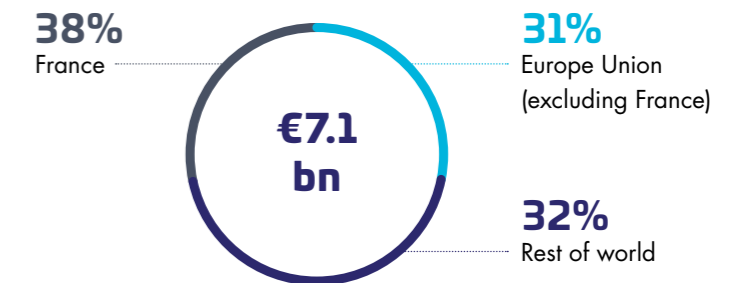


5. AN ORGANISATION THAT IS PROACTIVE TOWARDS ITS STAKEHOLDERS

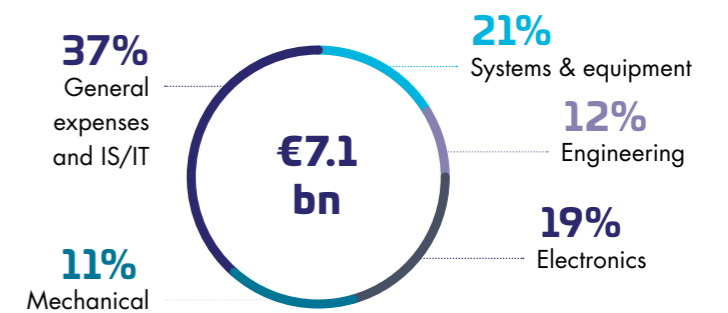
5.1 INCORPORATING THE CHALLENGES OF CORPORATE RESPONSIBILITY IN THE SUPPLY CHAIN

Thales designs and produces integrated solutions consisting of equipment, sub-systems or full systems, most of which are developed with the help of external partners. For example, purchases account for approximately 40% of the Group's sales and, in a reflection of the Group's industrial footprint, more than 80% of purchases come from France, Europe and North America. The quality and reliability of the supply chain therefore actively contribute to Thales's added value and to customer satisfaction.

Geographic breakdown of 2020 Group purchases



Segment mix of 2020 Group purchases



5.2 SUSTAINABLE PROCUREMENT COMMITMENTS

The Group's corporate management set out clear sustainable procurement commitments in 2020.

This Sustainable Procurement policy aims to give Thales a lasting competitive advantage at the global level, focused on value creation, innovation, business partnerships and operational excellence. The policy has six key priorities:

- holding suppliers' accountable with respect to applicable laws and regulations;
- establishing quality relations based on mutual loyalty;
- sharing expertise to boost innovation;
- involving suppliers alongside Thales in the fight against climate change;
- providing specific support to local SMEs with opportunities for international development;
- expanding the use of third-sector economy and social outreach players.

“ THIS SUSTAINABLE PROCUREMENT POLICY AIMS TO GIVE THALES A LASTING COMPETITIVE ADVANTAGE AT THE GLOBAL LEVEL. ”

5.2.1 ACTING RESPONSIBLY

Thales believes that building a relationship of trust with its suppliers and subcontractors is a key component of its sustainable development success.

Thales expects them to comply fully with the laws and regulations applicable in the countries where they are registered and where they operate or provide their services, as well as to impose these same requirements on their own suppliers and subcontractors.

To realise these expectations, Thales requires its suppliers and subcontractors around the world to adhere to its corporate responsibility approach by signing an Integrity and Corporate Responsibility Charter that requires them to uphold the principles of Thales's Code of Ethics, the principles of the United Nations Global Compact and OECD guidelines.

This charter, which was updated in 2019, forms the basis for best practices applicable to key corporate responsibility principles. It calls for compliance with laws and regulations on Human Rights, employment conditions, anti-corruption and conflicts of interest, protection of information, the environment, health and safety, compliance with trade rules and practices (including those relating to export control), ethics, etc. To assess its suppliers' and subcontractors' capacity and determination to comply with these commitments, Thales has improved the management of its supply chain risks by setting up specific processes for anti-corruption and influence peddling, as well as other corporate responsibility issues. Based on the results achieved once these processes have been implemented, Thales may decide to take corrective action or conduct audits. These processes are detailed in section 5.7.5.4.2 Universal registration document 2020.

A supplier's or sub-contractor's refusal to comply with these processes may jeopardise the business relationship developed with Thales or be a criterion for its non-selection. The ongoing corporate responsibility assessment procedure thus helps Thales fulfil its duty of care with respect to its suppliers and subcontractors.

This duty of care targets Human Rights, the health and safety of persons, and harms to the environment, and is focused on suppliers considered as potentially at risk based on criteria relating to purchasing category, the country in which the supplier or subcontractor operates, and the amount of Thales's commitment to that supplier.



CORPORATE RESPONSIBILITY CHARTER

To realise these expectations, Thales requires its suppliers and subcontractors around the world to adhere to its corporate responsibility approach by signing an Integrity and Corporate Responsibility Charter that requires them to uphold the principles of Thales's Code of Ethics, the principles of the United Nations Global Compact and OECD guidelines

Sustainable procurement indicators (NFPS)

	2020	2023 target
Percentage of new suppliers committed to the principles of Thales's new Integrity & Corporate Responsibility Charter	91%	100%
Percentage of suppliers assessed among those considered as "at risk" according to the duty of care mapping ^(a)	24%	100%

5.2.2 QUALITY RELATIONSHIPS

Thales establishes relationships of mutual cooperation with its partners, based on mutual loyalty; this reciprocity means that the procurement process must ensure:

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

The Group's purchasing policy is also based on ten sustainable procurement practices specified in the Responsible Supplier Relations Charter, which Thales signed in 2010. The aim of the charter is to develop a balanced relationship based on trust between suppliers and customers with full knowledge and respect for their respective rights and obligations. To this end, the Group has also appointed an internal mediator to liaise with suppliers to avoid or quickly resolve potential conflicts that could arise with them. The Thales internal mediator's actions are also in line with the initiatives carried out by the mediator of the French Aerospace industries association, GIFAS.

5.2.3 FOSTERING INNOVATION

With its extensive expertise in the supplier ecosystem, the Purchasing Department is a key contributor to Thales's innovation initiative. An understanding of technology roadmaps therefore needs to be at the heart of the relationships and interactions between Thales and its suppliers.

Accordingly, Thales regularly holds information-sharing reviews on these topics with its strategic suppliers.

The Group has also adjusted its procurement process to give start-ups easier access and the Purchasing and Technical departments regularly hold discussions about the innovative young companies with which Thales has relationships. As such, more than 160 proofs of concept (PoCs) involving these start-ups have already been realised to date.

Thales also forms partnerships with incubators and accelerators to help high-potential start-ups grow (Starburst Aerospace, AI@Centech, etc.).

SINCE 2012, THIS COMMITMENT HAS BEEN REALISED IN FRANCE THROUGH THE INNOVATIVE SME CHARTER OF THE FRENCH MINISTRY OF THE ECONOMY.

^(a) This is the first measurement of this indicator, for which the relevant process was rolled out in 2020. A significant improvement is expected in 2021.

5.2.4 MEETING THE CHALLENGE OF CLIMATE CHANGE

Climate change is a major challenge which Thales wishes to address in a consistent manner through its activities and services, in particular as part of its strategy for a Low-Carbon Future. It thus seeks to contribute to the achievement of an overall trajectory that would limit global warming to 2°C as set out in the Paris Agreement (see section 4.2).

The Purchasing Department plays a key role in meeting this challenge and Thales is committed to better understanding the carbon footprint of those suppliers whose products or services generate the highest emission levels. The objective is to implement emissions reduction action plans.

In 2020, a “Low Carbon” questionnaire was developed and sent to more than 100 suppliers in the purchasing categories identified as having the highest greenhouse gas emissions. This questionnaire is used to measure suppliers’ maturity through communication of their own carbon footprint and their reduction strategy. The initial responses from the suppliers surveyed show a growing commitment to this issue; for example, more than 40% of suppliers who filled out the questionnaire are committed to complying with the Paris Agreement. In 2020, Purchasing launched pilot consultations for air travel, short- and long-term car rentals and packaging that included weighted selection criteria related to the reduction in the carbon footprint of the goods and services purchased and to respect for the environment. When entering into the relevant purchasing contracts, suppliers will commit to quantified and milestone-based emissions reduction targets.

5.2.5 THINKING GLOBALLY AND ACTING LOCALLY

Given the increasing complexity of its customers’ environments and their global footprint, Thales is developing a full understanding of their challenges, strategic objectives and operating needs; to meet their expectations, the Group is rolling out global strategies, in particular in Purchasing.

Thales is nevertheless aware that, in certain regions, it is often a major employer or customer and it therefore pays particularly close attention to the public and private players in the ecosystems in which it is involved.

Against this backdrop, the Purchasing Department is rolling out specific actions to support SMEs at the regional, national and even international level, so that they can benefit, as they grow, from Thales’s sales force and its knowledge of local markets and environments.

These actions reflect Thales’s regional policies and its commitment to the SME Pact association, which it joined in 2010, and to the SME Action Agreement signed in France in 2019 with the French Ministry of the Armed Forces.

The primary aims of this Agreement are to improve SMEs’ information, increase experimentation, continue partnerships developed in the upstream study phase, support their exports and, lastly, promote start-ups. In 2020, Thales made more than €1.6 billion in purchases from more than 2,500 SMEs and mid-market companies in France, i.e., more than 65% of its national purchasing.

COVID-19: SUPPORT FOR SUPPLIERS

Thales responded to the health crisis by implementing a system to closely monitor its suppliers through the supply chain, and in particular those involved in critical operations.

Thales took action as soon as the crisis began and created a crisis unit for its suppliers. This unit was tasked with:

- analysing critical suppliers and determining which had continued to operate and which had not. It was thus able to identify potential impacts on projects and programmes, including for the French Ministry of the Armed Forces;
- identifying situations that pose an operational risk so as to detect any cash flow problems suppliers might be experiencing. In aeronautics, specific monitoring is carried out in France in conjunction with GIFAS. This was addressed in a Commitment charter signed by Customers and Suppliers;
- accounting for the crisis environment in the processes for handling for claims and penalties against SMEs;
- ensuring that payment deadlines were met despite any internal disruptions.

Thales also provided information on measures taken by governments in order to support companies in difficulty. To that end, on a case-by-case basis, orders were placed early, advances were made, and payments were accelerated to support SMEs’ cash flow. These actions are fully in line with best practices developed as part of the SME Action plan implemented in France by the Ministry of the Armed Forces, and those of the SME Pact association, of which Thales is a founding member.

More specifically, with regard to industrial and technological defence base (BITD) players, Thales shared critical situations with the French defence procurement agency (DGA) so they could take joint action. It also reduced some of the payment periods, and reviewed certain contractual conditions, etc.

PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT FOR EMPLOYEES

As soon as the government directives took effect in different countries, Thales formed a task force made up of the HSE, Purchasing and Real Estate departments to manage operations at the Group’s sites. Within this task force, Purchasing was confronted with the major challenges of the time: shortages of consumables (masks, hand sanitiser, gloves), limited air transport resources, and constant changes in customs restrictions. However, a supply chain was set up at short notice for this unfamiliar market that had become extremely tight due to international demand. The first massive deliveries began to arrive in stages in early April to cover all of the Group’s long-term needs for all the countries where the Group operates. These had to be monitored continuously and tracked carefully worldwide. Purchasing’s responsiveness and know-how facilitated compliance with the various health protocols and the protection of personnel, while ensuring business continuity.

5.2.6 MOVING FORWARD TOGETHER

Specialised disabled work centres (EAs) and rehabilitation centres for persons with disabilities (ESATs) are key players in the third-sector economy and social outreach. For many years, Thales has maintained relationships with these players, in particular for industrial subcontracting work and for general purchases. Through its Sustainable Procurement commitments, Thales would like to make greater use of companies and institutions that employ the disabled by broadening its relationships to other purchasing segments and categories. This ambition is reflected in the Group disability agreements and has led to regular discussions with the Human Resources Department. An initiative was launched in early 2020, in cooperation with the GESAT network, to expand the use of EAs and ESATs to the electronics, engineering and mechanical industrial purchasing segments. GESAT conducted an analysis of industrial services purchasing for these segments and project launches will continue in 2021 under the partnership agreement between the GESAT network and Thales. In 2020, the amount of Thales’s commitments to EAs and ESATs was nearly €3.5 million.

SPOTLIGHT: SPECIAL ATTENTION PAID TO CONFLICT MINERALS

Although Thales is not subject to section 1502 of the US Dodd-Frank Act, since it is not listed on the US financial market, the Group still exercises due diligence when it comes to conflict minerals to meet customer expectations and comply with its commitments. In addition, its approach incorporates the obligations under European Regulation (EU) 2017/821 which took effect on 1 January 2021. Thales submits these queries to its supply chain to ensure that the origin of the metals covered by these regulations can be verified to the greatest extent possible. Thales requires its suppliers to adhere to its Integrity and Corporate Responsibility Charter, which requires compliance with the laws and regulations applicable to the procurement of conflict minerals such as T3G (tungsten, tin, tantalum and gold). The Group also regularly surveys any relevant suppliers in order to collect information on the origin of the T3G present in their products. If requested by a customer, Group entities fill in and provide the “Conflict Minerals Reporting Template” form.

5.3 DUTY OF CARE PLAN

France's law No. 2017-399 of 27 March 2017 on the Duty of Care of parent companies and contracting companies requires the implementation of "reasonable vigilance measures to identify risks and prevent serious violations of Human Rights and fundamental freedoms, the health and safety of persons and the environment resulting from the activities of the company or those of the companies it controls, directly or indirectly, as well as the activities of subcontractors or suppliers with whom the company has an established business relationship, when such activities are related to this relationship".

Article L225-104-1 paragraph 4 of the French Commercial Code requires that the requisite vigilance measures be grouped together in a "duty of care" plan that contains the following:

1. A RISK MAP TO IDENTIFY, ANALYSE AND PRIORITISE RISKS (SEE SECTION 5.7.5.2 UNIVERSAL REGISTRATION DOCUMENT 2020).
2. PROCEDURES FOR REGULAR ASSESSMENT OF THE SITUATION OF SUBSIDIARIES, SUBCONTRACTORS OR SUPPLIERS WITH WHOM THE COMPANY HAS AN ESTABLISHED BUSINESS RELATIONSHIP, IN RESPECT OF THE RISK MAP (SEE SECTION 5.7.5.3 UNIVERSAL REGISTRATION DOCUMENT 2020).
3. APPROPRIATE MEASURES TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS (SEE SECTION 5.7.5.4).
4. A MECHANISM FOR ISSUING OR COLLECTING ALERTS ON THE EXISTENCE OR OCCURRENCE OF RISKS (SEE SECTION 5.7.5.5 UNIVERSAL REGISTRATION DOCUMENT 2020).
5. A SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS (SEE SECTION 5.7.5.6 UNIVERSAL REGISTRATION DOCUMENT 2020).

5.3.1 GOVERNANCE OF THE DUTY OF CARE PLAN



The Group's Duty of Care Plan is defined by the Ethics, Integrity and Corporate Responsibility Department within the Company Secretary's office which coordinates its implementation alongside the Human Resources, Hygiene, Safety and Environment, Purchasing, Audit, Risks & Internal Control, Legal and Contracts, and Investor Relations departments.

5.3.2 RISK MAP RELATED TO THE DUTY OF CARE

5.3.2.1 RISK IDENTIFICATION

The identification of the risks related to the Duty of Care includes risks that could cause serious harm to:

- Human Rights (child labour, forced or clandestine labour, wages below legal minimums, sexual harassment and/or violence in the workplace, failure to comply with the International Labour Organization's rules on the maximum number of work hours and/or rest, failure to comply with the principle of equal treatment at work, failure to respect employees' privacy);
- the health and safety of workers (lack of prevention or monitoring of serious work accidents, the lack of an emergency policy in the event of an accident at work, the absence of a policy or monitoring of health and safety in the workplace);
- the environment (significant pollution due to industrial activities, including greenhouse gas emissions, non-compliance with regulations on hazardous products).

This risk identification is the result of discussions within the internal, multidisciplinary working group coordinated by the Ethics, Integrity and Corporate Responsibility Department. It also drew on the work of the trade and industry associations of which Thales is a member (GIFAS, EDH, Medef, etc.) and involved various external stakeholders (governments, NGOs, trade unions, etc.) who brought their experience to bear in the Group's discussions and analyses.

5.3.2.2 RISK PRIORITISATION

The risks related to the Duty of Care are prioritised as part of the effort to create the materiality matrix (see section 5.7.2 Universal registration document 2020) and draft Thales's Non-Financial Performance Statement (see section 2).

At the supplier and subcontractor level, the analysis and prioritisation of the 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 Thales has committed to purchase from that supplier or subcontractor.

Thales manages a broad portfolio of approved suppliers for the purchasing segments. The latter are broken down into purchasing categories, which are in turn subdivided into Technical Purchasing Codes (CTAs).

Each approved supplier focuses on one or more CTAs depending on its business area; the CTA is the smallest unit of the purchasing segmentation and is therefore the most accurate way to characterise the type of purchase in question.

Each CTA is reviewed by the Purchasing Department, the Ethics, Integrity and Corporate Responsibility Department (DEIRE), the Audit, Risks & Internal Control Department (DARCI) and the Hygiene, Safety and Environment Department in order to identify the CTAs whose activities are the most at risk (e.g., activities that pollute or are hazardous for human health or the environment, construction work, etc.). As a result of this assessment, 17 CTAs were identified as being at risk. They concerned the following purchases:

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

The countries where the suppliers and subcontractors operate and the amounts of Thales's commitments to these suppliers and subcontractors are also taken into account to assess their level of risk relative to the Duty of Care.

With this in mind, based on three external benchmarks, the Environmental Performance Index (EPI), the International Trade Union Confederation (ITUC), and the Global Slavery Index, the Group identified 25 at-risk countries.

For example, suppliers and subcontractors who are in a high-risk country as well in a high-risk CTA are assigned a high level of risk.

Those who are either in a high-risk country or a high-risk CTA are assigned a moderate level risk level.

Based on this, a series of prevention measures have been defined in proportion to the level of risk associated with each of these cases.

The lists of CTAs and countries at risk may be revised to keep pace with changes in the Group's requirements and with updates to the external benchmarks used by Thales.

5.3.3 PROCEDURES FOR REGULAR ASSESSMENT IN RESPECT OF THE RISK MAP

5.3.3.1 PROCEDURES FOR REGULAR ASSESSMENT OF THE SITUATION OF SUBSIDIARIES

Each year, all the Group's subsidiaries and entities are assessed using an internal control questionnaire, the Yearly Attestation Letter (YAL), which is sent out by the Audit, Risks and Internal Control Department to the Group's operational entities (149 questionnaires were sent out in 2020). This procedure is detailed in section 3.4.1.

Since the entry into force of France's law No. 2017-399 of 27 March 2017 on the duty of care, the control points of the YAL have been completed to cover the issues raised by this law:

- two control points concern the protection of Human Rights and the prevention of discrimination at the workplace;
- five control points cover the health and safety of employees and environmental protection, both on the Group's premises and at its worksites.

“ EACH YEAR, ALL THE GROUP'S SUBSIDIARIES AND ENTITIES ARE ASSESSED USING AN INTERNAL CONTROL QUESTIONNAIRE. ”

5.3.3.2 PROCEDURES FOR REGULARLY ASSESSING THE SITUATION OF SUPPLIERS AND SUBCONTRACTORS WITH WHICH AN ESTABLISHED COMMERCIAL RELATIONSHIP IS MAINTAINED

The procedures for regularly assessing the situation of suppliers and subcontractors under the Duty of Care plan are part of the Group's procurement compliance policy.

All Thales suppliers and subcontractors must sign the Partner and Supplier Integrity and Corporate Responsibility Charter before they establish a relationship.

This charter, the terms of which were revised in 2019, in particular based on the Code of Conduct of the International Forum on Business Ethical Conduct (IFBEC), sets out specific commitments expected from Thales suppliers and subcontractors in terms of Human Rights (e.g. child labour, forced or clandestine labour, wages below legal minimums, sexual harassment and/or violence in the workplace, failure to comply with ILO rules, etc.), environmental protection (significant pollution due to industrial activities, non-compliance with regulations on hazardous products, etc.) and the health and safety of persons (lack of prevention and monitoring of serious accidents at work, the lack of an emergency policy in the event of an accident at work, the absence of a policy or monitoring of health and safety in the workplace, etc.).

The number of new suppliers who have signed this charter is measured in an indicator described in section 5.7.4.1 Universal registration document 2020.

Furthermore, since the introduction of France's law No. 2017-399 of 27 March 2017 on the Duty of Care, suppliers or subcontractors who sign a purchasing contract or who accept an order from Thales undertake to comply with the specific contractual clauses related to "Integrity and Corporate Responsibility" and to "Compliance with provisions on the environment and prevention of safety risks", which includes provisions regarding the areas covered by duty of care.

This general provision, which concerns all suppliers, is supplemented by additional preventive measures for suppliers and subcontractors identified as being at risk according to the three criteria described in section 5.7.5.2 Universal registration document 2020.

Additional assessment measures

Thales uses specific tools to extract from its supplier database those suppliers considered to be at high and moderate risk according to the criteria defined above.

Thales then calls on the services of a third-party supplier risk management specialist to conduct a detailed three-phase assessment process with its at-risk suppliers.

- Phase 1: at-risk suppliers are registered on a dedicated Thales platform either by groups or individually.

A Country Risk Index score (IR score) is assigned to each supplier depending on the country where it operates according to the ratings of four external benchmarks:

- World Bank (WGI),
- United Nations Human Development Index (HDI),
- Transparency International Corruption Perception Index (CPI),
- US Department Human Trafficking report.

- Phase 2: The supplier fills out of a self-assessment questionnaire (SAQ) to obtain an SAQ score of up to 100 points.

- Phase 3: The third-party specialist checks the supporting evidence submitted by the supplier and then assigns a desk verification (DV) score.

Description of the detailed self-assessment questionnaire (SAQ)

This questionnaire, made up of about 100 items, was prepared in conjunction with the International Aerospace Environmental Group (IAEG) and GIFAS. Its purpose is to assess the policies and actions implemented by the supplier in terms of Human Rights, protection of fundamental freedoms, health and safety of persons, and the environment.

Suppliers are required to complete the entire questionnaire and to submit documentary evidence of the measures and processes implemented.

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

This supplier assessment process requires extensive work by Thales experts and service providers. To facilitate this process, Thales therefore carries out a major campaign to educate its suppliers and subcontractors. In 2020, Thales drafted a user guide for the procedure that it had developed and made it available to the Group's buyers. More than 20 awareness-raising sessions were held to explain the assessment process and to answer questions from its buyers in all purchasing segments and geographic areas. The Group Purchasing Department provides support to advise buyers and to facilitate completion of the process.



5.3.4 APPROPRIATE MEASURES TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS

5.3.4.1 APPROPRIATE MEASURES TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS ADAPTED TO SUBSIDIARIES

All Group subsidiaries and entities must use the Group's process management reference system, Chorus 2. This is a unified set of management processes that defines the way Thales works: its rules, practices and modes of operation. It covers all the Group's operational activities including the Human Resources, Health, Safety and Environment departments.

“ THE GROUP'S SOCIAL POLICY IS BASED ON SOCIAL DIALOGUE (SEE CHAPTER 5.4.3.1) AS WELL AS A POLICY OF DIVERSITY AND INCLUSION. ”

The internal processes and related policies deployed by Thales in the areas covered by Duty of Care are based in particular on the eight fundamental conventions of the International Labour Organisation (ILO):

- Convention No. 87 on freedom of association and protection of the right to organise and Convention No. 98 on the right to organise and collective bargaining;
- Convention No. 29 on forced labour and Convention No. 105 on the abolition of forced labour;
- Convention No. 138 on minimum age and Convention No. 182 on the worst forms of child labour;
- Convention No. 100 on equal remuneration and Convention No. 111 on discrimination (employment and occupation).

The Group's social policy is based on social dialogue (see Chapter 5.4.3.1 Universal registration document 2020) as well as a policy of diversity and inclusion (see Chapter 5.4.2 Universal registration document 2020) 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 on its own premises and at external worksites. The Group has set an objective of anticipating and preventing these risks, including psychosocial risks, and ensuring hygiene, safety, health and quality of life at work (see section 5.4.3.5 Universal registration document 2020). Furthermore, more than 77% of employees work at ISO 45001-certified sites (Safety Management System). Likewise, more than 80% of employees work at ISO 14001-certified sites (Environmental Management System). Lastly, Thales conducts health-safety-environment maturity audits at all its sites. The results of these audits are reviewed annually through the Yearly Attestation Letter (see section 3.4.1).

Since 2007, the Group has set performance targets for the environment. These targets were renewed by the Group Executive Committee at the beginning of 2019 and set for a five-year period (2019/2023) with an extension until 2030 for greenhouse gas reduction targets (see Chapter 4.2.3).

Lastly, the Thales Code of Ethics, available on the Group's website and intranet, is systematically given to new employees and signed by them. This makes them aware, from the very beginning, of the ethical principles that govern the company, including, in particular, principles related to strict compliance with Human Rights, rules aimed at ensuring the health and safety of employees, as well as the Group's environmental commitments.



5.3.4.2 DESCRIPTION OF THE PROCEDURE AND APPROPRIATE ACTIONS TO MITIGATE RISKS OR PREVENT SERIOUS HARM FOR SUPPLIERS AND SUBCONTRACTORS

At the end of the detailed assessment of suppliers and subcontractors described in section 5.7.4.4 Universal registration document 2020, risk mitigation and prevention measures are implemented depending on the desk verification (DV) score obtained by the supplier after it has completed the SAQ and has been audited. These preventive measures are applied based on the following scale, defined on three levels, with 100 being the best score:

- if the DV score is higher than 50, the risk is low, there are no additional measures and the supplier will be re-assessed in three years, unless there is an alert;
- if the DV Score is between 30 and 50, the risk is moderate, and the third-party specialist proposes a corrective action plan at Thales's request;
- if the DV Score is less than or equal to 30, the risk is high. In this case the third-party specialist may perform a site audit at Thales's request.

If the supplier or subcontractor does not take appropriate steps to implement the required corrective actions, or if it refuses to take part in the process, Thales may decide, as applicable, either to not select this supplier or subcontractor during the tender or to discontinue the commercial relationship.

FOR EXAMPLE, IN 2020, THALES ENDED COMMERCIAL RELATIONS WITH AROUND 10 LISTED SUPPLIERS AND SUBCONTRACTORS.

SPOTLIGHT: COMPREHENSIVE SITE MANAGEMENT AND SECURITY SERVICES

For services related to the management of its sites in France, whether commercial or industrial, Thales has set up an integrated model which entrusts these services to a single partner. This approach allows for a centralised and global management which reduces the number of contacts thanks to a single governance source.

This choice results in more effective control of the risks to which workers may be exposed, particularly in the case of cleaning and multi-technical maintenance services, by monitoring the terms of compensation of these personnel and including them in site prevention plans. Finally, in terms of the environment, this approach ensures secure waste processing through the services of recognised national providers.

The same model is also applied to all the security services of Thales sites in France.

Such centralised services now concern 65 Thales sites in France, i.e. more than 80% of Thales's global real estate assets, and are carried out by some 1,500 people. Moreover, the framework agreement for site management services includes an incentive to employ people from the disability-friendly sector, thus enabling the integration of more than 20 people with disabilities into the on-site teams each year.

Thales's management of these contracts involves the Operations Department, the Security Department, the HSE Department, the Purchasing De-partment and the Legal Department.

This approach demonstrated its efficiency and resilience during the Covid-19 health crisis. It enabled the rapid deployment of health protocols for both employees and workers and the reopening of sites under the best possible conditions.

5.3.5 MECHANISM FOR ISSUING OR COLLECTING ALERTS ON THE EXISTENCE OR OCCURRENCE OF RISKS

In 2019, Thales reviewed its internal alert system to extend its scope to internal or external alerts that fall within the scope of France's law No. 2016/1691 of 9 December 2016 on transparency, anti-corruption and economic modernisation and law No. 2017-399 of 27 March 2017 on the duty of care of parent companies and contracting companies. In 2020, the Group's alert system received 25 workplace alerts, 18 of which were considered valid. Two of the 18 alerts fell under French law No. 2017-399 of 27 March 2017 on the duty of care of parent companies and contracting companies and concerned workplace health safety issues in the context of the Covid-19 pandemic. The pandemic risk management processes put in place by Thales addressed the concerns raised by these alerts and thus enabled them to be resolved.



25

workplace alerts, 18 of which were considered valid

5.3.6 SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVENESS

The measures in the duty of care plan are assessed through a report and the indicators described in sections 3, especially: rates of frequency and severity of workplace accidents, percentage of employees working at OHSAS 18001, ISO 45001 and ISO 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 the number of alerts received via the Thales alert system in 2020 (25 in 2020 versus 34 in 2019).

Furthermore, in October 2020, Thales set up a CSR Committee tasked with ensuring improved management of commitments and actions in favour of responsible and sustainable development, thus reinforcing the Group's societal contribution (see section 1).

At the end of 2020, the Executive Committee sought to strengthen the collective aspect of performance recognition. To this end, it was decided that, starting in 2021, for employees eligible for variable compensation, 10% of this compensation would be related to CSR targets corresponding to the Group's commitments. Duty of Care issues (health and safety of employees, environmental protection and the Group's low-carbon strategy) are directly tied to 50% of this amount.

“ THALES SET UP A CSR COMMITTEE TASKED WITH ENSURING IMPROVED MANAGEMENT OF COMMITMENTS AND ACTIONS IN FAVOUR OF RESPONSIBLE AND SUSTAINABLE DEVELOPMENT. ”

5.4 THALES'S COMMITMENTS TO CIVIL SOCIETY

In December 2019, Thales announced the launch of its Thales Solidarity programme and a new special endowment fund whose first projects began in 2020.

5.4.1 ROLL-OUT OF THE THALES SOLIDARITY PROGRAMME

Thales's social commitment aims at coordinating the Group's outreach initiatives around shared priorities and criteria and to increase their impact by mobilising its resources and internal networks to achieve common goals. This development is the logical continuation of the efforts of the Thales Foundation after five years of significant achievements. The strategy is organised under the Thales Solidarity programme and supports a societal mission aligned on the Group's raison d'être. Because trust is an essential ingredient for any company to thrive, innovation must be accessible to the largest number of people. Thales is committed to putting its expertise and talents at the service of civil society to allow everyone to actively participate today in the decisive transformations of tomorrow.

Therefore, the outreach initiatives supported throughout the Group are in line with three commitment priorities that put technology and innovation at the service of education and professional integration, digital citizenship, and environmental protection.

These themes are aligned with the Thales culture of a company of research scientists, engineers, technicians and technology enthusiasts for whom education and collective intelligence are essential drivers for improving the world around us. It is by sharing its expertise and its ability to understand the technological and digital world that Thales can make significant contributions in these areas.

Commitment at every level of the Group

The Thales Solidarity Endowment Fund is one of the pillars of the programme and a tool to fund and support projects and outreach initiatives. It ensures that projects are feasible and that funds are used properly.

The Thales entities – sites, countries, and business units – support and take community action locally or in their fields to strengthen the Group's impact in the communities where it operates. These actions must gradually be aligned with the three shared commitment priorities and criteria of the programme and are approved in accordance with the Group's Patronage and Sponsoring policy.

A network of 17 Thales Solidarity delegates is in charge of launching and promoting the programme in countries and Global Business Units, with the support of local ambassadors at Group sites who act as special contacts for employees and local charities.

A volunteer commitment platform, implemented with the social outreach company MicroDON, aims at facilitating employee outreach initiatives throughout the year. On this website, employees can propose projects, sign up for volunteer missions that are regularly published on the site, or join the "Round off your pay" campaign in France.



5.4.2 PROJECTS SUPPORTED BY THE THALES SOLIDARITY ENDOWMENT FUND

The mission of the Thales Solidarity Endowment Fund is to work with those who are preparing the critical societal transformations of the future to help develop innovations that are responsible, accessible and useful to all. To this end, the Fund intends to open up and share the Group's ability to innovate as well as its skills and talent to take action on the three public-interest issues defined in the Group programme: education and professional integration, digital citizenship and environmental protection.

In 2020, the Endowment Fund selected and funded a total of 15 projects in eight countries which are targeting more than 7,000 student and adult beneficiaries over the 2020/2021 period.

5.4.2.1 ELEVEN PROJECTS SPONSORED BY EMPLOYEES

The annual call for projects launched by the Thales Solidarity Fund aims at supporting and promoting the commitment of employees by financially supporting the public-interest initiatives in which they are involved and which fall within one of the Fund's focus areas.

IN JULY 2020, 11 WINNING PROJECTS WERE SELECTED IN EIGHT COUNTRIES. THESE RECEIVED FUNDING IN THE AUTUMN TO LAUNCH THEIR FIRST ACTIONS, OFTEN REMOTELY.

Sponsored by employees based in Spain, the United States, France and Italy, these projects will provide support to more than 2,600 children and adults in Asia, Africa, Central America and Europe in the 2020-21 school year:

- four projects for education in technologies and digital resources are designed to encourage learning and scientific curiosity among disadvantaged youth by giving them access to innovative education methods and computer tools in Benin, Cambodia and France. For example, to fight against the digital divide and reduce school dropout levels, the St Pie X des Apprentis d'Auteuil de Domont middle school in Val d'Oise, France, has created a FabLab to provide 115 students and teaching staff with a technology workshop where they can learn about, discuss, and build a variety of technical tools;
- three professional integration projects in Italy and Senegal aim at offering employment opportunities to immigrant women or young people in difficulty. For example, to better prepare young people for job search, the Senegalese association Concept is developing an online platform with seven training modules that will enable 450 unemployed young people to enhance their skills through distance learning;
- digital citizenship is the central theme of two projects in Spain and France designed to make teenagers more aware of the responsible use of digital resources and to sharpen their critical thinking in the face of the proliferation of information. For example, the NGO Cesal in Madrid offers awareness-raising workshops on the best use of technology to foster the development of academic, social and personal skills for some 30 teenagers at risk of exclusion, as well as their families;
- two environmental protection projects aim to guide local populations in the ecological transition in Ecuador and to support the deployment of sustainable low-tech solutions in Haiti. This project, managed by an American NGO, plans to bring a new solar cooker to a community of families in Haiti in order to reduce the impacts of coal use while mitigating the economic impact of its replacement through the establishment of local production.

5.4.2.2 A FIVE-YEAR PARTNERSHIP TO PROMOTE EDUCATION THROUGH RESEARCH

For the 2019-20 school year, the Fund renewed for its final year the partnership begun in 2015 by the Thales Foundation with the Savanturiers du Numérique (scholars of digital technology and technologies) pilot programme, supported by the Centre for Interdisciplinary Research in France. This approach of learning through research, carried out in primary and secondary schools and mentored by engineers, is based on research and ethics methods as a model for collaborative and ambitious learning. In five years, the programme involved 3,970 young people, 183 teachers and 99 volunteer mentors from Thales.

5.4.2.3 THREE NEW SOCIAL INNOVATION PROJECTS IN FRANCE

Three projects in France, launched in autumn 2020, reflect Thales's commitment to solidarity in the face of the challenges highlighted by the health crisis. These are aimed at enabling young people who have dropped out of school, persons who have fallen out of the job market and people working for the public interest to develop their skills and ability to act.

Support from the Fund is intended to enable trials of these solutions in 2021 with a view to their subsequent deployment in other regions:

- *Défi Insertion*: this project, organised by the charity We Tech Care, aims to open up digital opportunities to employees hired under social insertion programmes to enable them to acquire the minimum digital skills that they need for their social and professional integration. The pilot project is targeting 4,000 people in three trial regions: Occitanie, Hauts de France and Grand-Est;
- *Agir pour la jeunesse*: the partnership with Bordeaux Mécènes Solidaires is testing an educational support programme for young dropouts in the Mérignac region to combat educational inequalities. From September 2020, two social centres were able to resume face-to-face tutoring for 117 pupils in science education and orientation thanks to the involvement of Thales employee volunteers;
- *Tech for Good Enthusiasts*: using a web platform, the charity Latitudes supports charities to overcome their technological challenges by enabling them to interact and work with tech professionals. In 2020, virtual meetings were organised with 103 charities and contributed to reinforcing Latitudes' mission to help public-interest stakeholders to make optimal use of technological innovation.

In 2020, the Endowment Fund selected and funded a total of



15 PROJECTS

in eight countries which are targeting more than 7,000 student and adult beneficiaries



5.4.3 THALES EMPLOYEES AND SITES MOBILISED TO COMBAT THE COVID-19 PANDEMIC

All over the world Thales employees have contributed to the fight against Covid-19 and its effects, both through the Group's efforts and also through individual initiatives.

5.4.3.1 EMPLOYEES' CITIZENS' INITIATIVES

Many employees have used their technical skills by joining local or national citizen initiatives to produce masks and visors for staff. Such initiatives have been launched in Spain and also in France at sites in Toulouse, Bordeaux, Sofia-Antipolis, Aubagne, Thonon, Moirans, Brest and Vélizy. Employees have shared their skills to supply regional hospitals, by helping manufacture the equipment needed, using either their own 3D printers or those of the company. They have also helped coordinate production by volunteers at local FabLabs.

In Singapore, as part of a local initiative, employees volunteered to sew reusable fabric masks, which were handed out to people in need, including children and foreign migrant workers.

In Brazil, to support Antonio Pedro University Hospital, teams at São Bernardo do Campo repaired motors on medical beds and investigated the option of using 3D printers to produce the parts required to repair faulty equipment.

5.4.3.2 TECHNICAL EXPERTISE AND PROTECTIVE EQUIPMENT FOR MEDICAL TEAMS

In France, 20,000 FFP2 masks were donated to hospitals and healthcare staff, in addition to 260,000 masks given to the French government. Several Thales sites in China, France and the Netherlands came together to collect and distribute disposable protective clothing to local healthcare staff and hospitals, including establishments located in Wuhan as early as January 2020. Unused tablets were also donated to allow patients to keep in touch with their friends and family, as was the case in Huizen, in the Netherlands. In Panama, Thales also donated 10,000 masks to staff who run the metro system.

In the United Kingdom, Thales, in partnership with Airbus and some 20 other companies, manufactured respirators to meet the increasing demand from hospitals, and provided their expertise in training and simulation of complex systems. In Brazil, Thales engineers also worked with local university teams on a project to manufacture ventilators.



260,000
masks given to the French
government



5.4.3.3 THALES SOLUTIONS TO SUPPORT OPERATORS INVOLVED IN COMBATING THE CRISIS AND KEEPING ESSENTIAL BUSINESSES RUNNING

Working alongside hospitals forced to increase their capacity and equipment levels in record time, the Group has supplied radiology sensors to produce high-quality images that are extremely useful for screening patients and monitoring and analysing lesions and damage to their lungs.

As part of the widescale adoption of the working-from-home policy, Thales has provided enhanced IT security solutions free of charge to key workers, to protect data, networks and remote communications, via:

- the installation of a pack allowing the Citadel app to cover an entire organisation;
- access to Cryptobox for 45 days, which is a secure collaborative working solution that can be used to create virtual workspaces to share and store all useful documents;
- provision of a Report on the risks of cyberthreats. More than fifty medical organisations in France then requested to receive regular newsfeeds on the analysis of cyberthreats;
- access to its cyber-threat information centre for hospitals in the national health service (NHS) in Wales, to allow them to understand how and where their systems may be targeted and what can be done to protect them.

TO ENSURE THE CONTINUITY OF CIVIL DEFENCE OPERATIONS IN FRANCE, AT THE CHÂTELLERAULT SITE AND ELSEWHERE, THALES TEAMS ARE PROVIDING MAINTENANCE, SPARE PARTS AND SUPPORT SERVICES FOR CIVIL DEFENCE HELICOPTERS, TO ENSURE THEY KEEP FLYING, WHICH IS CRUCIAL DURING THE HEALTH CRISIS.

In the Netherlands, Thales also helped the Dutch police keep information flowing between the various emergency rooms and crisis centres. Data from across the country is integrated into a secure online system, enabling teams at these crisis centres to have a better view of the overall situation and make the right decisions as quickly as possible. Thales also provides support to:

- the emergency and fire services, to help them cope with the exponential growth in the number of emergency telephone calls in France;
- telemedicine, in France, to allow doctors to monitor the vital signs of their patients remotely during lockdown, using connectivity modules integrated into smart medical devices and using Thales secure connections;
- telecom operators in Latin America, for the dissemination of public service announcements: Thales mobile marketing solutions are being used to distribute information extensively and in a smart way to ensure a high level of awareness;
- public record offices in the United States, responsible for providing the ID documents required to access key social services. Thales is committed to issuing new documents as soon as possible to citizens whose ID documents have expired during the crisis;
- transport operators, essential to ensure frontline crisis-management staff can get to work, so as to ensure continuity of public transport and emergency maintenance, for example in Cairo, after floods affected the operation of metro lines.

5.4.3.4 PROPOSALS AND PARTNERSHIPS FOR INNOVATIVE SOLUTIONS

As part of a project tender by the French Ministry of Armed Forces, launched specifically by the Defence Innovation Agency (AID), Thales has submitted around ten technology-driven projects involving innovative solutions that can be implemented rapidly to protect the population, support the treatment of patients, test the population, monitor the development of the disease at an individual level as well as the progression of the pandemic, or help to limit restrictions during the crisis. These projects, which sometimes support innovative SMEs/start-ups or are conducted in collaboration with medical partners, relate to crisis management support tools, medical support solutions for healthcare staff, rapid diagnostic techniques or improving remote working.

Finally, Thales Digital Solutions in Montreal submitted nine projects, developed in partnership and with government funding, to provide innovative solutions to strengthen the capacities of healthcare organisations and support decision-making by the public authorities.

6. METHODOLOGICAL NOTES

6.1 HUMAN RESOURCES DATA

SOCIAL REPORTING METHOD

The human resources data section of the Universal Registration Document provides detailed information on social data, the social policies implemented, and practices and actions that fall within the Group's corporate social responsibility, and their impacts. It reflects Thales's international dimension. The information it contains reflects the position of the Thales Group at 31 December 2020.

ORGANISATION AND METHODOLOGY

In 2020, information was reported through the Workday digital platform. The country Human Resources Directors were previously encouraged to verify that the data in the local payroll systems or in their local Workday tool were accurate and updated. The information contained in this Universal Registration Document was subsequently retrieved centrally. Since some companies were not included in the Workday tool, a quantitative and qualitative questionnaire comprising all the indicators printed in this document was sent to the Human Resources Directors/HR representatives of the entities or countries, as appropriate. The country Human Resources Directors from all the Group's entities have to complete a qualitative and quantitative questionnaire covering indicators that, while satisfying current legislative requirements, are also based on the indicators proposed by the Global Reporting Initiative or negotiated with social partners, particularly at European level. All the data sent are consolidated by the Group HR Department, which checks for consistency before drafting the Universal Registration Document.

SCOPE

The definition of the companies taken into account for the purposes of preparing the Universal Registration Document was not modified this year and is in accordance with IFRS 10 and 11 on financial consolidation. The workforce under Group management as at 31 December 2020 thus includes only the workforce of companies controlled by Thales pursuant to Article L. 233 3 of the French Commercial Code, as well as companies meeting those criteria but below the threshold for financial consolidation. Moreover, the scope of the Universal Registration Document is specified for each figure: for greater transparency, the percentage of employees covered is stated for all responses. For each item of quantitative data, the table of scope of verification of quantitative data provides the percentage of the workforce covered.

DETAILS

- Workforce under Group management as included in the Universal Registration Document comprises all employees in each country, regardless of their contract type (open ended, short term or full or part time). It does not take into account apprenticeships or vocational training contracts (however, the number of these types of contracts entered into is given in the recruitment section), employees on unpaid leave, employees on sick leave (of over three months), employees on parental leave, or employees on unworked notice periods as at 31 December of the year in question.
- As from financial year 2019, employees on maternity leave and employees whose last day of work was 31 December of the year in question are counted as active employees.
- The total number of new hires includes the work study contracts entered into in 2020 but does not include the conversion of short term employment contracts or apprenticeship contracts into open ended employment contracts during the year. Nor does it include the conclusion of internship contracts, International Business Volunteer (VIE) agreements or CIFRE Research Training Fellowships or the transition from active to inactive employee status or vice versa.
- The total number of departures includes resignations, redundancies (for economic reasons or personal reasons), mutually agreed contract terminations, retirements, deaths and other types of termination, as well as expiries of short term employment contracts.
- The turnover rate corresponds to the number of resignations relative to the average active workforce as at 31 December of year N-1 and the active workforce as at 31 December of the year N.

- The number of non-French employees and expatriates in French teams takes into account non-French employees, working in France with a French contract or in a situation of international mobility in France.
- To calculate the percentage of Management Committees with at least three female members, the figure includes the Group's Executive Committee, the Management Committees of the GBUs, the major countries/regions (North America, the United Kingdom, Australia, Germany, the Netherlands), and the International Development Departments (DGDIs), as well as the Management Committees of the Product Lines.
- The percentage of women in top positions measures the percentage of women in grade 10 to 12 positions relative to the total number of employees in positions at the same level.
- The average number of training hours per employee corresponds to the total number of training hours relative to the Thales workforce as at 31 December of the year in question.
- Data relating to absenteeism and rates of frequency and severity of accidents at work are calculated according to a number of days theoretically worked in a country and based on active headcount and paid inactive employees (employees on unpaid leave due to long term illness do not fall within the scope of calculation of this indicator). These figures have been obtained by reconciling data entered in the HR and Environment Departments' reporting tools.
- The overall absenteeism rate corresponds to the percentage of days lost for any reason, work related or otherwise, relative to the number of days theoretically worked in the various countries. Authorised absences such as annual leave, studies, parental leave or time off for family events are excluded. Leave for which the employee is no longer paid by Thales is also excluded.
- The total rate of absenteeism in France, calculated in accordance with the social report, corresponds to the percentage of days lost for any reason, work related or otherwise, relative to the number of days theoretically worked. It includes authorised leave, parental leave and leave for family events. By contrast, leave for which the employee is no longer paid by Thales is excluded. Corporate responsibility and non financial performance — Methodological notes 174 Thales — 2020 Universal Registration Document
- The frequency rate is the number of lost time accidents at work over the course of the year, multiplied by 1,000,000 and divided by the number of hours theoretically worked during the year.
- The severity rate is the number of days lost due to accidents at work, multiplied by 1,000 and divided by the number of hours theoretically worked during the year.
- The employment rate for workers with disabilities corresponds to the overall number of beneficiaries (disabled workers and use of subcontracting from the social enterprise sector) as reported in the Mandatory Declaration on the Employment of Disabled Workers.



6.2 ENVIRONMENTAL DATA

SCOPE

The scope of consolidation of environmental data is based on the financial consolidation scope. However, due to restricted activity and/or workforce or the absence of operational control by Thales, certain establishments have not been included.

For this report, the 2020 indicators are provided on a comparable basis with 2018.

Only companies meeting the following criteria are included:

EQUITY INTEREST AND OPERATIONAL CONTROL

- Thales equity interest of 50% or more;
- Thales exercises operational control over the company.

Subsidiaries and joint ventures not meeting the above criteria are not included in Thales's environmental reporting.

ACTIVITY/WORKFORCE

- **"establishment/site" carrying out an activity covered by Operating Model 4**, regardless of headcount;
- **"establishment/site" carrying out an activity covered by Operating Model 3** with a headcount of more than 50;
- **"establishment/site" carrying out an activity covered by Operating Model 2** with a headcount of more than 100.

The instruction "Definition of HSE Management System levels" provides details of the operating model levels (classified according to type of activity: industrial, semi-industrial, tertiary).

CHANGES TO THE SCOPE OF CONSOLIDATION

- Disposals/acquisitions: company to be included as soon as one full calendar year has elapsed and if the company meets the scope selection criteria.
- New business: company to be included as soon as one full calendar year has elapsed and if the company meets the scope selection criteria.
- Inter-site transfers: data taken into account in the reporting:
 - of the departure site from 1 January Y to the date of transfer,
 - of the arrival site from the date of transfer to 31 December Y.
- Intra-Group merger: integration of data for the absorbed entity for the period from 1 January Y to the date of absorption into the data of the absorbing entity.

REPORTING PROCEDURE

The Group-wide reporting system includes an environmental reporting procedure with instructions for each successive stage of data entry, validation and consolidation. It also defines the roles of each person involved and promotes the recording of data (traceability, archiving, etc.).

INDICATORS

Environmental concerns change over time. Environmental performance indicators therefore have to evolve to remain aligned with developments and reflect the Group's policy priorities. Different interpretations of certain indicators can lead to conflicting data from different countries. Thales is therefore adapting the indicators to make the environmental reporting system more efficient, building on lessons learned from previous years and refocusing the reporting effort on current and future environmental concerns. The indicators are described in the reporting tool. Information is also available on the calculation of the carbon footprint.

REPORTING TOOL

An environmental reporting and management tool for the entire scope of consolidation of the Thales group is available on the corporate intranet. This tool consolidates the data from each entity, country and geographic area, and for the Group as a whole. It checks data consistency and suggests country-specific units of measurement, conversion factors, etc. The same tool provides access to the rules for data entry, validation and consolidation defined in the reporting procedure.

ANALYSIS OF PERFORMANCE

For easier analysis of results, the Group reporting system incorporates the following principles:

- changes in scope specifically related to disposals and acquisitions. For each family of indicators, a gross figure is given (e.g., water consumption in cubic metres) and a ratio supplements the information to account for changes in scope (e.g., water consumption per person);
- Group targets are set for a given period. During that period:
 - changes in performance are assessed on a like-for-like basis (i.e. at constant scope of consolidation),
 - coefficients such as emission factors for CO₂ emissions are constant;
- if emission factors are modified at the start of a new period, the performance data for the reference year are recalculated using the new coefficients; only the electricity emission factors are modified each year without retroactively applying data from previous years, to take into account changes in the energy production mix in countries/regions where the sites operate and the power purchase agreements signed by the Group;
- the principles and methods for reporting on data are described in the methodological guides to environmental reporting and calculation of CO₂ emissions, which are available in the Group reporting system.

