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THALES
Building a future we can all trust

INTEGRATED REPORT

Corporate Responsibility 2020-2021





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Message from Patrice Caine
Chairman
and Chief Executive Officer

The past year has been singular in many respects. The global Covid-19 pandemic, with its drastic human and economic consequences, has accelerated a general awareness of the need to work together to build a more sustainable world.

Through its positioning and strategy, Thales provides a tangible response to these expectations: developing solutions to build a safer, more sustainable and more inclusive world, while striving for responsible economic performance in deference to its stakeholders, all necessary conditions for establishing trust.

This year, safety has been an unprecedented concern for governments. More than ever before, Thales has worked closely with them to help deal with the increased risk of interference caused by pandemics and protect their citizens in the real world and in cyberspace. In procedures governing relations with our customers, this requirement for a safer environment is also based on compliance with common rules, such as the Group's zero tolerance policy on corruption and influence peddling. In 2020, we took a step further in this area by embarking on an ISO 37001 "anti-bribery management system" certification process, which was completed in March 2021. Thales is one of the first companies in its segment worldwide, and in the CAC40, to have obtained this ISO 37001 certification.

Environmental issues also dominated 2020. Integrating these issues within our core business is essential if we are to look to the future with confidence. We have long been mindful of these developments and have strengthened our policy accordingly each year. In 2019, we set ourselves ambitious targets for reducing our CO₂ emissions in line with the 2°C trajectory of the Paris Agreement, not only for our direct emissions, but for our indirect emissions as well. In 2020, despite the Covid-19 crisis, we made significant progress in implementing eco-design for the development of new products. We also confirmed our support for the principles and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Lastly, this new, more sustainable world cannot be built without fostering an inclusive world view in which no one is left behind.

In October 2020, during the celebration of the fiftieth anniversary of the United Nations, I personally signed the "Statement from Business Leaders for Renewed Global Cooperation" initiated by the United Nations Global Compact. In this period when human solidarity is vital, when attention to respect for human rights is fundamental, I felt it was essential to recall the importance of the Sustainable Development Goals and the relevance of the ten principles of the Global Compact that we have fully supported for almost 20 years.

At a time when the economic climate and public health situation remain uncertain, the extraordinary commitment of our teams around the world, in challenging circumstances with complex health constraints, has demonstrated the Group's human and economic resilience, as well as its agility. As a result of this commitment, we have been able to far exceed the goals of the crisis adaptation plan that we defined last March.

In these challenging times, I fundamentally believe that Thales has all the human and technological assets needed to help our customers face the challenges of the world, both now and in future, with determination and confidence. We will continually support them in exploring new technological frontiers with rigour and optimism, helping to create a more sustainable world where our purpose of "building a future we can all trust" truly comes into its own.

**“ CONFIDENCE IS OUR MAIN ASSET
TO CONFRONT THE UNPRECEDENTED
CRISIS THAT WE ARE LIVING THROUGH. ”**

GROUP PROFILE

2020 KEY FIGURES

REVENUE
€17bn

EBIT⁽¹⁾
€1,352m
8% of revenue

FREE OPERATING
CASH FLOW⁽¹⁾
€1,057m

A WORLDWIDE PRESENCE (breakdown of revenue by geographic area)



TOTAL SHAREHOLDER RETURN, OVER 5 YEARS (as at 12/31/2020)

+17%
Thales share

+39%
CAC 40

DIRECT OPERATIONAL
EMISSIONS OF CO₂⁽²⁾
-40%
by 2030

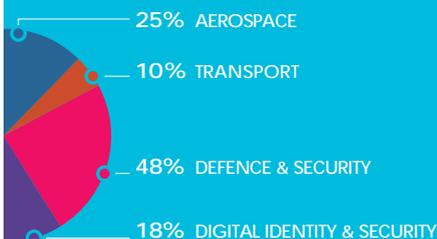
ORDER INTAKE
€18.5bn

ADJUSTED NET INCOME⁽¹⁾
€937m

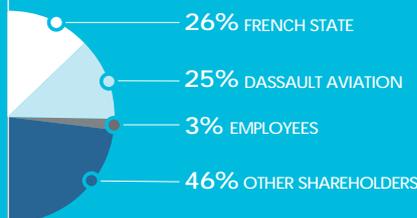
SELF-FUNDED R&D⁽¹⁾
€1,025m

NUMBER
OF EMPLOYEES
80,500

4 OPERATING SEGMENTS (breakdown of revenue by operating segment)



SHAREHOLDER STRUCTURE (as at 12/31/2020 in shares)



DIVIDENDS (in euros)



(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

BUILDING A FUTURE WE CAN ALL TRUST

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.

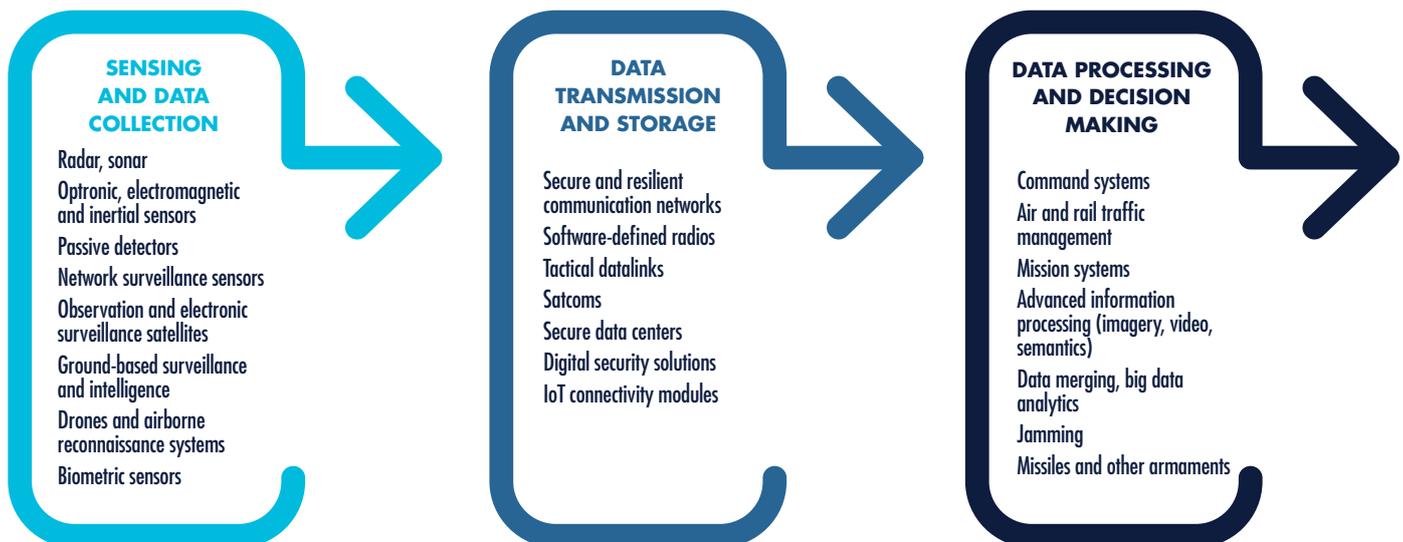
That's why we strive to turn leading-edge technologies into solutions that are both **imaginative** and **resilient, human-centred** and **sustainable**. So those we serve, our customers, can navigate uncertainty with confidence and new frontiers with optimism.

And together, we harness the extraordinary power of technology to build a future we can all trust.

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



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.

Discover all of our expertise in the section 2.1 of the 2020 Universal Registration Document.



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.

CIVIL/
MILITARY



COMPETITIVE POSITION

NO.2 WORLDWIDE
(cabin multimedia and connectivity)

NO.3 WORLDWIDE
(flight avionics)

→ 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

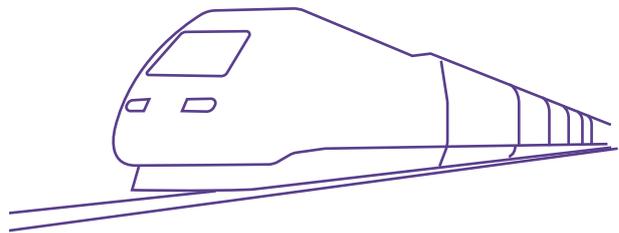
- Global leader in construction of commercial telecommunications satellites.

CIVIL/
MILITARY



COMPETITIVE POSITION

NO.2 WORLDWIDE
(civil satellites)



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.

CIVIL



COMPETITIVE POSITION

NO.2 WORLDWIDE
(rail signalling and supervision)



LEADER IN AEROSPACE, TRANSPORT, DEFENCE AND SECURITY



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.

CIVIL/
MILITARY



COMPETITIVE POSITION

NO. 1
IN EUROPE
(defence electronics)

NO. 2
WORLDWIDE
(military communications)

NO. 2
WORLDWIDE
(Air Traffic Management)



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.

CIVIL



COMPETITIVE POSITION

NO. 1 WORLDWIDE

BUILDING A **SAFER, MORE INCLUSIVE** AND MORE **ENVIRONMENTALLY** **FRIENDLY** WORLD

Through its businesses, Thales transforms the most innovative technologies into creative, resilient and sustainable solutions for humankind. This is so that its customers face the challenges of an uncertain world with confidence and contribute to making the world a safer and better place.

MAKING THE WORLD SAFER

New areas of tension have appeared in recent years, whatever the environment: maritime, land, air, space, and even cyber. It is imperative that states control these spaces better to ensure that no foreign interference or criminal network attempts to unduly appropriate their resources or destabilise their political or economic life.

Helping states maintain their sovereignty



Guaranteeing the freedom and security of citizens is one of the main missions of States. As a global player in defence and security, Thales offers governments solutions that enable them to carry out this mission, whilst strictly adhering to export control rules.

Thales's anti-mine and anti-submarine solutions, used today by many armies, enable national navies to protect the areas surrounding their territories and their territorial waters from any intrusion. This is key at a time when maritime spaces are increasingly coveted.

In Qatar, Thales has developed a digital skills centre dedicated to securing major events and combating drones. Thales, the world leader in the advanced air defence segment, offers effective solutions to combat this increasingly widespread threat in theatres of operation.

Protecting citizens and businesses on the networks

As the digitisation of society accelerates, cyber risks intensify. The United Nations estimates that the cost of organised cybercrime is expected to be \$5.2 trillion per year for the global economy between 2020 and 2025. Launched in 2020, Thales's CipherTrust Data Security Platform is the first unified data protection solution enabling companies to protect and control their most sensitive data, wherever it is stored.

In the Netherlands, the Ministry of Justice and Security has granted Thales the authorisation to operate as a private investigation firm. The Group is now in a position to help companies better identify attacks and defend themselves by relying on its recognised expertise in cybersecurity.



MAKING THE WORLD MORE ENVIRONMENTALLY FRIENDLY

The solutions developed by Thales for the aerospace and rail transport segments enable their users to significantly reduce their environmental impact.

Optimising public transport



The growing urbanisation of the planet is generating ever greater challenges in terms of urban transport. The massive daily movements of populations between their home and work require the implementation of ever more efficient transport solutions.

Using the capabilities of several complex algorithms, the Thales GreenSpeed assisted driving system optimises speed in order to save electrical energy. It thus allows a potential reduction of 15% of the associated CO₂ emissions.

As for SelTrac™ G8, the latest-generation signalling system for undergrounds, it is expected to reduce traction electrical energy consumption by 15% compared to the traditional signalling system thanks to the incorporation of economical speed profiles into the embedded system.

Better control of air travel



Considerable efforts are being made by all players in civil aviation to reduce the carbon footprint of this mode of transport, which is essential to the functioning of the global economy.

Thales's technological solutions are a major lever for reducing the segment's CO₂ emissions over the next five years. Through its technological solutions, Thales is participating in this sector's effort to create a more sustainable aircraft. In terms of air traffic management, trajectory prediction algorithms coupled with the use of AI make it possible to optimise journeys, reduce flight times and fuel consumption, and, consequently, reduce CO₂ emissions significantly. In the cockpit, the PureFlyt solution, the fully connected and scalable flight management system of the future, allow to constantly control, adapt and fine-tune the aircraft's trajectory in complete safety.

Combining PureFlyt with Thales air traffic control systems can reduce CO₂ emissions from commercial aviation by up to 10% by 2023.

MAKING THE WORLD MORE INCLUSIVE

The solutions developed by Thales help governments develop reliable and secure services for their citizens and thus contribute to the development of the political and economic life of nations.

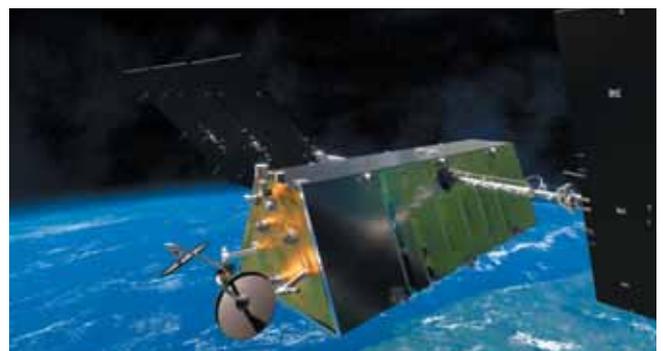
Providing secure means of identity



According to the World Bank, more than one billion people in the world do not have legal means to prove their identity. This ability is essential for participating in democratic life and, as such, has been included among the United Nations Sustainable Development Goals (SDG 16.9). Without an identity, it is impossible to vote, benefit from public services, travel, open a bank account, defend oneself in court, etc.

Thales's identity solutions, based on the most advanced biometric technologies, help countries provide their citizens with secure and easy-to-deploy proof of identity. To date, Thales participates in more than 200 identity programmes around the world.

Access networks, anywhere



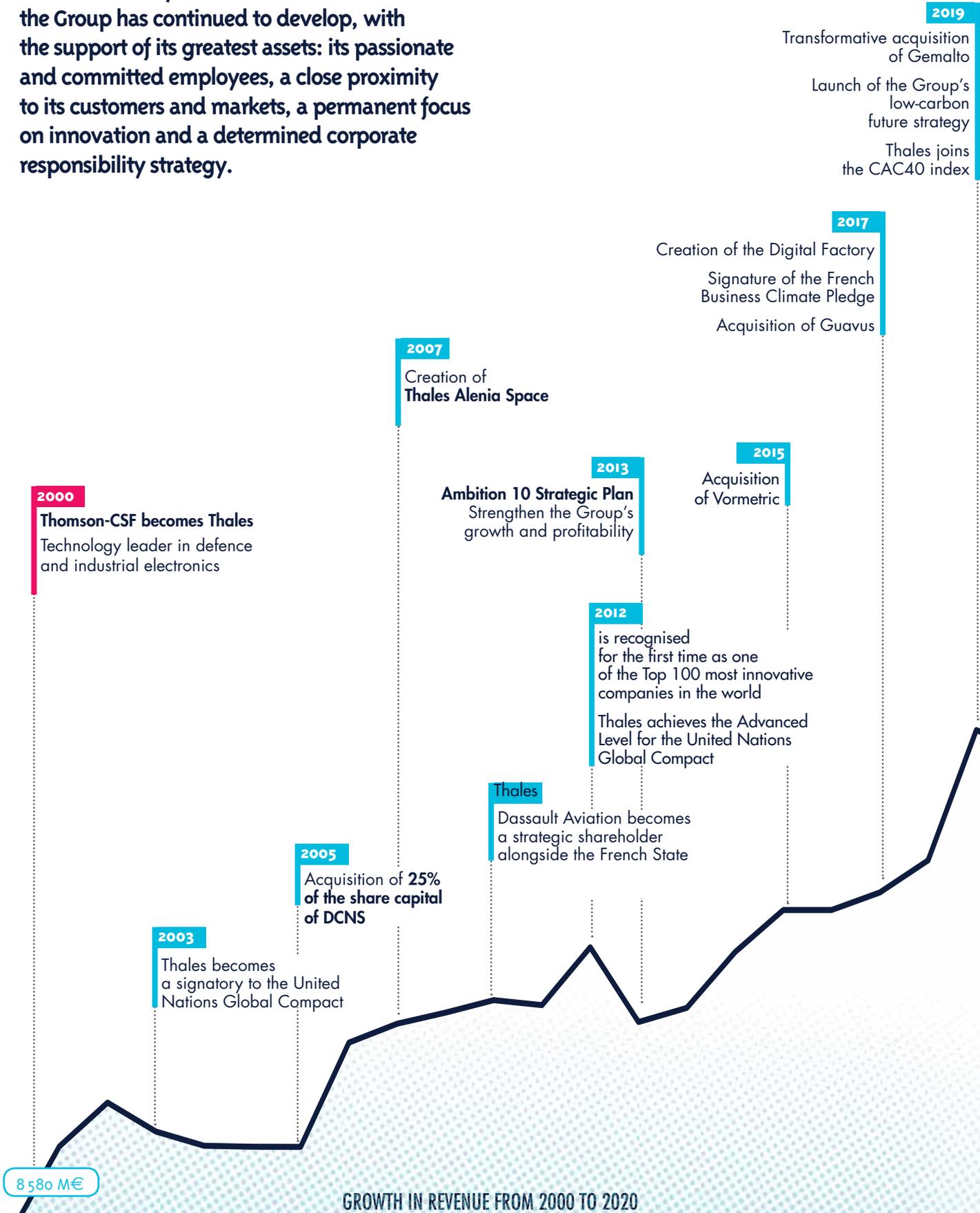
Being able to easily connect to the internet, access networks, wherever you are: in a few years this ability has become a necessity for both companies and individuals. At a time when teleworking is becoming more widespread, services are becoming increasingly digitised (banking, medicine, retail, etc.), companies and governments are accelerating their digital transformation, where access to knowledge is so essential the inability to access the internet is becoming a factor of exclusion.

The Group is the prime contractor for several satellite constellations, including the recent Lightspeed project, which includes 298 satellites in low orbit and will provide broadband connectivity throughout the world.

Similarly, Thales participates in the Satria programme aimed at narrowing the digital divide in Indonesia. This satellite will connect around 145 000 areas (schools, hospitals and public and government buildings etc.) on some 17,500 Indonesian islands.

20 YEARS OF INNOVATION FOR THOSE WHO MAKE THE WORLD GO ROUND

Since 2000, the year Thales was created, the Group has continued to develop, with the support of its greatest assets: its passionate and committed employees, a close proximity to its customers and markets, a permanent focus on innovation and a determined corporate responsibility strategy.





2020, a year marked by the Group's strong resilience to the COVID-19 pandemic

Signatory to the recommendations of the Task Force on Climate-related Financial Disclosures.

Ground transportation

JUNE

Thales selected to supply its SelTrac™ Communications-Based Train Control (CBTC) signalling solution in South Korea, Turkey and China, as part of three urban rail signalling contracts.

This signalling technology developed by Thales can optimise and considerably improve the performance of metro networks.



Defence & security

NOVEMBER

Damen Schelde Naval Shipbuilding and Thales have signed a €1,5 billion contract for the supply and integration of Thales's mission and combat system aboard the German Navy's four new multi-mission frigates.

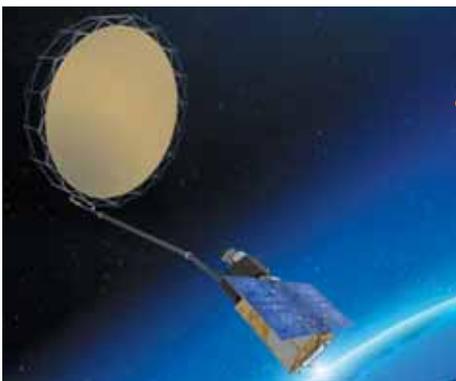
This contract is a key milestone in the development of a European defense industry, strengthening Thales's leading position in naval integration worldwide.

Digital identity and security

SEPTEMBER

The Swedish Police Authority awards a multi-year contract to Thales for the supply of around 12 million next-generation and highly secure passports and identity documents to Swedish citizens.

Thales contributes to more than 30 ePassport programmes worldwide, which clearly makes it the market leader in travel and identity documents.



Space

JULY

Thales Alenia Space is selected by the European Space Agency (ESA) in coordination and with the approval of the European Commission for five of the six main missions of the Copernicus programme. The European Commission and ESA's satellite Earth observation programme will provide useful data, particularly for environmental protection and climate monitoring purposes.

€16,989m

Innovation

JANUARY

Thales first high-tech company to reach the highest level of the "Common Criteria" international security standard for its mobile ID security software solution.

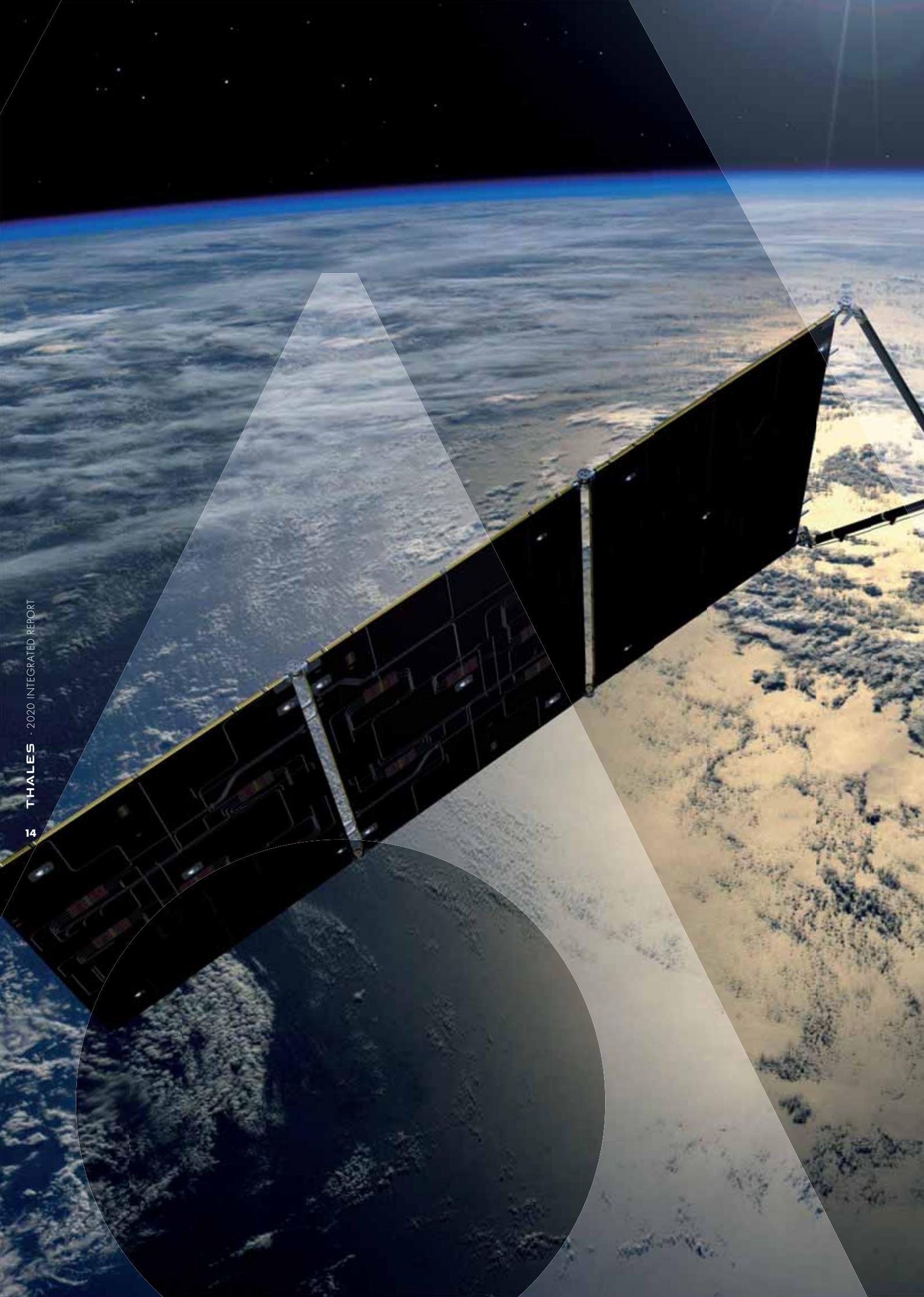
FEBRUARY

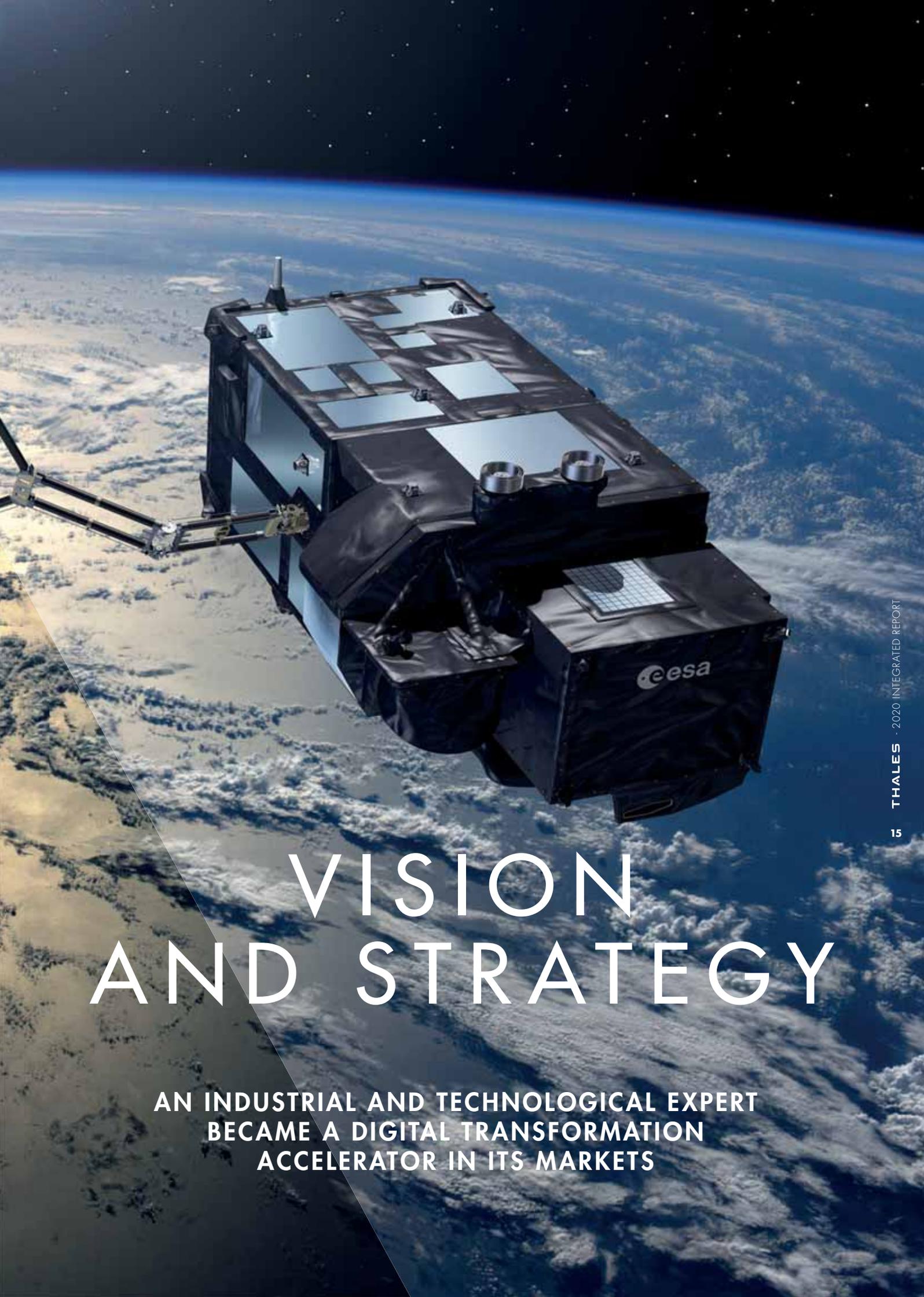
AI for Humanity: following on from the manifesto on Artificial Intelligence for Industry signed by 14 world-class manufacturers, EDF, Thales and Total are creating their first joint research lab in artificial intelligence.

OCTOBER

AI against Covid: Thales is taking part in the development of an AI-based solution that will provide an initial diagnosis through a pre-analysis of CT-scan lung images.







VISION AND STRATEGY

**AN INDUSTRIAL AND TECHNOLOGICAL EXPERT
BECAME A DIGITAL TRANSFORMATION
ACCELERATOR IN ITS MARKETS**

MEETING GLOBAL CHALLENGES

01701
0110
10011
011100
10011100
011100011

Exponential growth of data produced

50x the number of digital interactions in 2025 compared to 2010.

Thales helps secure **80%** of global banking transactions and makes the information systems of **19 out of 20** of the world's largest banks secure.

CHALLENGE: TO RESTORE CONFIDENCE

In all business sectors, there has been a dizzying growth in the amount of data produced; an airliner already generates about 15 gigabytes of data during each trip, and some even predict that each autonomous car could produce more than one gigabyte of data per second.

This huge amount of data that is constantly circulating and used, mostly in real time, poses significant safety and security challenges for governments and businesses alike: fake news, hacking or data manipulations are all growing threats with enormous potential impact.

Sowing permanent doubt can generate a general decline in the confidence of citizens, businesses and administrations. It is therefore essential to be able to verify information, identities and data in order to ensure that they have not been manipulated or diverted.

OUR RESPONSE

By capitalising on biometric, strong authentication and encryption technologies, Thales ensures the end-to-end protection of sensitive data.

Growth and urbanisation of the world population



60% of the population will be urban in 2030⁽¹⁾.

11.2 billion

human beings on Earth in 2100.

Thales helps move

3 billion travellers

worldwide on **109 metro lines** in **40 of the world's largest cities**.

2 aircraft out of **3** take off or land thanks to Thales systems.

CHALLENGE : TO MAKE CITIES SMARTER

The continued growth of the world's population – particularly in Africa and Asia – coupled with expanding urbanisation is resulting in the proliferation of “mega

cities”, i.e. urban areas with more than 10 million inhabitants. These population concentrations present major challenges in terms of security, transport, the environment and general quality of life.

“Smart city” solutions are based on the ability to agglomerate – in real time, if possible – the greatly varied data from heterogeneous sources - metro frequency, passenger flow, road traffic, power consumption and CO₂ emissions etc. and is used to best adapt the infrastructure and public services to the immediate needs of citizens.

This ever closer and more integrated management of cities is becoming an essential part of harmonious development and helps them to combat global warming.

OUR RESPONSE

Thales meets the UN's sustainable development objective of ensuring access for all to safe, accessible and sustainable transport systems at an affordable cost, with a global leadership in the automation of metro lines and rail traffic management systems.



Energy transition and climate emergency

Global CO₂ emissions have increased nearly

50% since 1990⁽²⁾.

CHALLENGE: PROMOTE A SUSTAINABLE AND ECONOMICALLY SUPPORTABLE ENERGY TRANSITION

Climate change is at the top of the agenda for an increasing part of the world's population. At the same time, the attraction of the Western way of life in emerging countries and the development of new technologies, among others, continue to increase greenhouse gas emissions.

If digital was a country, it would already have **2 to 3 times the footprint of France**⁽³⁾. The exponential growth of connected objects, in particular, could have a colossal impact on CO₂ emissions, up to 23% of the environmental impact of the digital universe in 2025.

OUR RESPONSE

Thales has undertaken that 100% of its new products will be eco-designed by 2023. Thales is already working to develop digital technologies that consume less data and energy through the development of specific hardware and software solutions.

(1) United Nations Sustainable Development Goals. (2) United Nations - 11th UN Sustainable Development Goal - Sustainable cities and communities. (3) Green IT Institute.



Mobile connectivity and multiplication of cyber threats



+63% growth in revenues from 5G in 2021⁽¹⁾.

1,000 billion connected objects in 2035.

CHALLENGE: TO DEVELOP CONTINUOUS, SAFE AND SECURE CONNECTIVITY

The number of connected objects could be multiplied by 48 by 2025, according to the Green IT Institute. Their efficiency and reliability depend on near-continuous access to the global grid. In addition, whether for work or leisure, the people of the world want access to a high-performance mobile connection at all times. The ongoing development of 5G not only meets this demand but also leads to a multiplication of uses.

In this context, the ability to ensure a safe and secure connection becomes an essential issue, whether on the train or the underground, in an aeroplane or a car, whether in the city or a rural area. At the space level, low- and medium-altitude communication satellite constellations and new, more flexible and high-performance satellite platforms are changing the game by offering unprecedented broadcasting capacity.

But this permanent connectivity cannot work without the simultaneous development of security solutions, capable of guaranteeing the reliability of the growing number of critical applications that now depend on these networks.

OUR RESPONSE

In avionics, Thales connected systems offer airlines and passengers an unrivalled degree of connectivity allowing fluid and continuous connections between the aircraft and the ground. They are shaping the future of air travel in terms of passenger experience, safety and flight efficiency.

Increase in the impact of artificial intelligence (AI)



8x the AI market in 2025 compared to 2019⁽²⁾.

CHALLENGE: TO SET UP A TRUSTED, EXPLAINABLE, CERTIFIABLE AND SUSTAINABLE AI

The rapid increase in the processing power of processors and in data storage capacity has enabled artificial intelligence to take flight. This concept, which combines many different technologies, is attracting increasing interest from governments and companies.

In the course of a few years, over \$15bn have been invested in startups specialising in the field of artificial intelligence, in order to harness this breakthrough innovation.

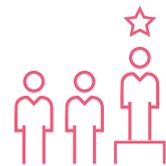
However, in years to come, this expansion could collide with the growing concerns expressed by citizens about these technologies, even if they are sometimes

revealed to be irrational. It would therefore seem crucial to integrate into artificial intelligence development strategies answers to these legitimate questions on the ethical and societal challenges posed by the digital transformation of Society.

OUR RESPONSE

Thales is working on the development of responsible artificial intelligence, i.e. one that helps to make the best decisions while ensuring permanent human control and responsibility for actions taken. But it is also a frugal artificial intelligence in terms of data and energy, as performance should not be detrimental to the environment. These challenges are at the origin of the "Manifesto on AI for Industry", initiated by Thales and implemented as part of the framework of the AI for Humanity initiative.

Global competition for talent



Worldwide, the number of unfilled positions in cybersecurity has risen **50%** since 2015.

Around **60%** of companies lack cybersecurity expertise internally.

Now a computer developer's knowledge is estimated to be obsolete in **18 months**, it used to take 5 to 10 years.

CHALLENGE: TO ENHANCE THE ATTRACTIVENESS OF COMPANIES

Due to the sustained growth in R&D investment and its internationalisation, profiles in electronics, cybersecurity or artificial intelligence are rare on the labour market and sought after by many players. The implementation of policies

to attract talent is therefore a major challenge for companies. There can be significant consequences on the capacity for innovation or business development.

Potential candidates are increasingly aware of the companies' economic and societal role within Society. Implementing social responsibility, integrity and inclusion policies is becoming an increasingly prevalent competitive advantage. Similarly, gender diversity in scientific and technical careers is an important issue for the future development of innovative companies.

OUR RESPONSE

Thales has long sought to reflect the diversity of the world in which it operates through a proactive policy on diversity and inclusion. Today, Thales is recognised in many countries as one of the best employers, especially for young engineers.

(1) Source: Gartner August 2019.

(2) Tractica Analysis - Artificial Intelligence Market Forecasts 2019.

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

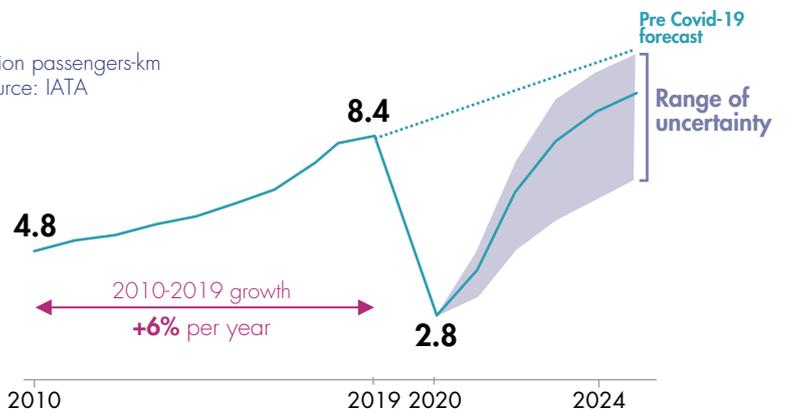
Continue to capitalise on the growing needs of armies around the world for ever smarter systems to better identify threats and coordinate forces in complex environments.

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

Billion passengers-km
Source: IATA



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

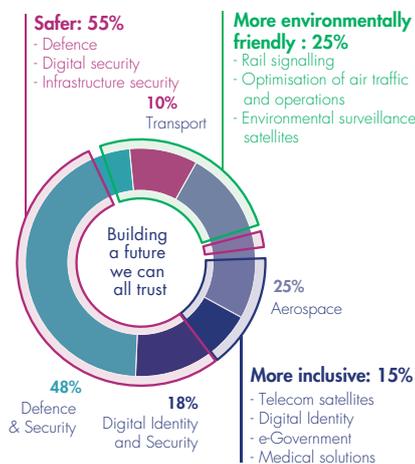
Remain at the forefront of innovation through the development of flexible geostationary satellites (Space Inspire) and the implementation of major space projects (Galileo, Lightspeed constellation).

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.

4 FIELDS OF DIGITAL EXPERTISE

Connectivity



Big Data



Artificial intelligence



Cybersecurity



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 IFRS 16 leases).
€1,057m in free operating cash-flow in 2020.
Solid investment grade credit profile, S&P rating: **BBB+**.

4 fundamentals

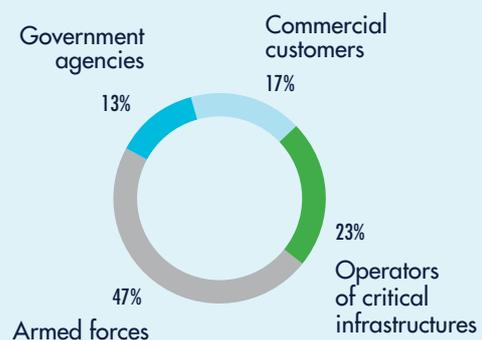


Our purpose

“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





Mobile connectivity and multiplication of cyber threats

Increase in the impact of artificial intelligence

Global competition for talent

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

variety of clients and markets

Markets sharing many technologies



Aeronautics



Defence



Security



Ground transportation



Space

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 **the 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 influence-peddling 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.

AN ORGANISATION FOCUSED ON INNOVATION

Driven by a passion to innovate, Thales is one of the few groups in the world capable of mobilising thousands of researchers and engineers, significant financial and technical resources, and world-class partnerships to build a confident future.

As a source of progress, innovation increases the performance of our products tenfold, unites employees around a common project and provides competitive advantages.

BREAKTHROUGH INNOVATION AT THALES

Thales is designing solutions in a universe of extreme complexity. These systems, products and equipment often require long-term development based on the most advanced technologies such as artificial intelligence or quantum physics.

This capacity for innovation is the result of sustained economic relations, agile methods and a critical mass in industrial, commercial and scientific terms. These combined assets form an ideal breeding ground to promote the emergence of technologies and services that make tomorrow possible today.

Cooperate to better innovate

For the past six years, Thales has effectively structured its work around startups, which are great sources of innovation. More than 1,200 startups have been referenced by Thales and more than 160 “proof of concept” projects have been carried out in a number of business areas.

Thales is involved in the acceleration ecosystem of these new companies through, for example, the founding of Starburst, an incubator specializing in the aeronautics and space sector, the creation of the AI@Centech programme to support the

emergence of future world leaders in AI, or the organization of the first *European Innovation Council Corporate Day*, which brings together 14 of the most innovative startups in Europe.

Training is also part of the overall cooperation strategy with the academic world. Thales supports around 220 PhD students around the world. They work on topics directly related to Thales’s technical issues, which makes the Group more appealing to young scientists.

The TrUE AI approach, trusted artificial intelligence

The critical applications on which Thales is working need to rely on understandable and completely trustworthy technological systems. TrUE AI is the new Thales framework for developing projects in artificial intelligence. It follows transparency, ethics and intelligibility requirements. Thales seeks alternative paths to deep learning, criticised for its

opacity and its high data and energy consumption. Regarding transparency, Thales is working to better identify data biases and develop ways to correct them. Lastly, security remains a key component: the authenticity of the data must be verified and guaranteed not to have been corrupted.

“ WITH ITS EXCEPTIONAL CAPACITY FOR INNOVATION, THALES IS WELL POSITIONED TO MEET THE MAJOR TECHNOLOGICAL, ENVIRONMENTAL AND SOCIETAL CHALLENGES OF THE FUTURE. ”

Bernhard Quendt,
SVP, Chief Technical Officer

KEY FIGURES

An intellectual property portfolio enhanced by more than **23,000** patents

Thales ranked for the sixth consecutive year in the **Top 100 Global Innovators of Clarivate Analytics**

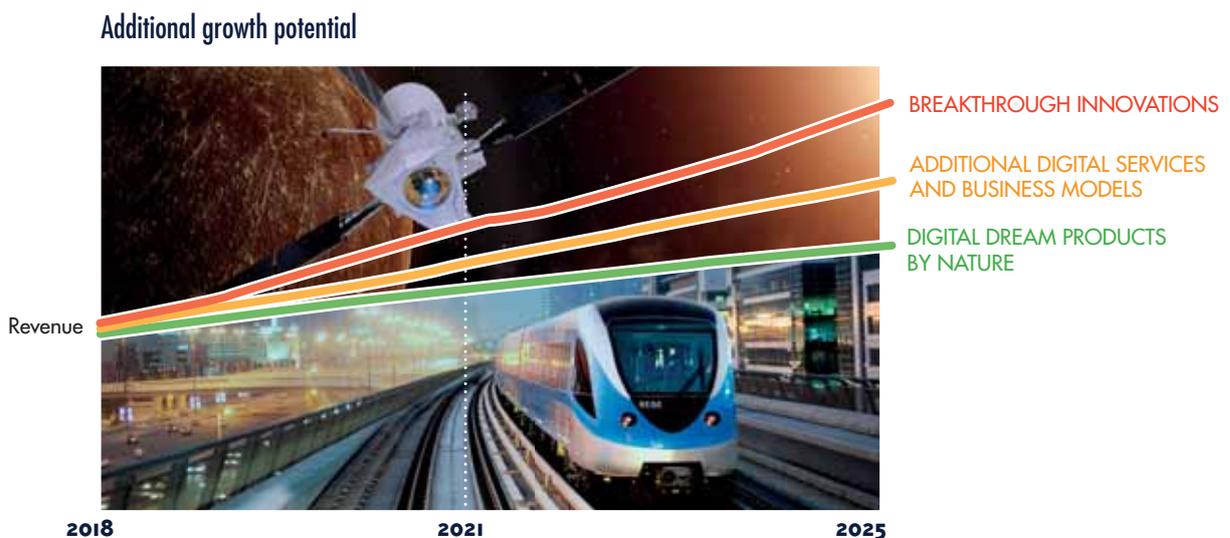
More than **400** patent applications in 2020, including **25%** in key digital technologies

3 Digital Factories



DIGITAL, A GROWTH DRIVER IN ALL OUR BUSINESS LINES

The majority of Thales markets are digital in nature, as a link in critical decision-making chains. Digital technology enables new services and new business models to be offered in an increasingly wider range of applications. Value creation is shared: digitisation enables improved functionality to be offered to our customers and more recurring revenues for Thales.



Digital technologies structure the future of our industries

➤ BIOMETRICS: IMAGINING NEW ARCHITECTURES TO REDUCE THE TIME FOR COMPLEX COMPUTATIONS

To improve the performance of its biometric matching system, Thales has worked in particular on the performance/efficiency trade-off of its computing architecture using the most advanced microelectronics techniques. **The solution reduces the number of servers required and the carbon footprint by 50%** compared to previous solutions.

In fact, biometric data processing and comparison require massive computational capacity. The Thales solution enables border agencies and any other government agency working in real time to benefit from a scaleable solution, by reducing costs.

➤ PUREFLY, THE BRAIN OF TOMORROW'S AIRCRAFT

Thales is developing PureFlyt, an **innovative flight management system**, which improves in-flight efficiency and security.

The PureFlyt system relies on data from the aircraft or drone, but also on data from the outside world, especially meteorological data. To do this, a massive volume of data, combining in-depth knowledge of avionics, connectivity and 40 years of expertise is processed in flight management systems. The artificial intelligence used in the design has enabled 100 million hours of flight experience to be accumulated.

The system calculates alternative trajectories in real time and reacts quickly to program changes. It allows crews to take better decisions, continually refine the trajectory and optimise the flight for lower fuel consumption and greater passenger comfort.

80% of our engineers are specialists in systems or software

Recognised as the **leading European industrial company** in the field of physics by Nature magazine

3,000 researchers

More than

€1 bn self-financed investments in R&D each year

30,000 employees work in the Group's technical operations

RISK CONTROL: THE GROUP'S DNA

Throughout the world, Thales supplies highly-complex systems, products and equipment. Their nature is often critical for its customers, governments, administrations and major corporations. Control of the risks related to these complex projects has long contributed to the Group's performance.

The risk identification and management system deployed at all levels of the Group and overseen at the highest level makes it possible to better control the risks' consequences, whether

operational and strategic, legal and regulatory, or financial. This system also enables particular attention to be focused on societal and environmental challenges.

A PROACTIVE APPROACH TO IDENTIFY AND MANAGE RISKS

Integrated in the decision-making and operational processes of the Group, risk management is part of Group management and guides decision-making. It is based on a robust governance and control system.

Risk governance

AUDIT AND ACCOUNTS COMMITTEE OF THE BOARD OF DIRECTORS (5 meetings in 2020)

Chaired by Mrs Anne-Claire Taittinger, Director.

- Responsible for ensuring the effectiveness of internal control and risk management systems.

RISK MANAGEMENT COMMITTEE (3 meetings in 2020)

Chaired by the Chairman & CEO.

Includes the Chief Financial Officer, the Chief Operating and Performance Officer, the Group Secretary and General Counsel

- Defines the acceptable risk level.
- Assigns responsibilities for managing and controlling risks.
- Verifies that risk management measures are fully comprehensive.

RISK ASSESSMENT COMMITTEE (16 meetings in 2020)

Chaired by the Vice President, Audit, Risks and Internal Control.

Includes the Risk Director, Quality Director and Insurance Director

- Analyses risks and evolving threats.
- Updates and prioritises risk levels (risk mapping).
- Prepares a consistent policy of prevention, internal control, audit and, where appropriate, transfer of risk to insurance companies.
- Issues recommendations to the Risk Management Committee.

Risk Control System

AUDIT, RISKS AND INTERNAL CONTROL DEPARTMENT

Certified by IFACI (three-year certification renewed in March 2019), attached to the Group Secretary and General Counsel.

Based on its risk assessments, the department is responsible for ensuring that:

- risks are managed via the performance of audits and the provision of guidance and advice across the Group;
- adequate internal controls are maintained.

The Group's statutory auditors are in regular contact with the Audit, Risks and Internal Control Department.

NETWORK OF 19 RISKS ADVISORS

- Oversee main risk factors.
- Characterise risks.
- Monitor major incidents.
- Ensure continuous improvement of the system.

The key contacts for the Audit, Risks and Internal Control Department in Major Countries and Global Business Units are the Directors of Operations.

EXTERNAL AUDITS AND CERTIFICATIONS

For most of its operations, the Group is subject to a control environment imposed by its customers and regulatory authorities, which require strict certification and controls. These specific constraints are in addition to its statutory obligations.

A SYSTEM CONSTANTLY ADAPTED TO THE BUSINESS PRIORITIES

Risk mapping

Every year, Thales prepares and updates a map of the main risks to which the Group is exposed, regardless of their nature. This mapping is organised on the basis of a matrix of 19 risk factors. They break down into 56 independent, measurable risk scenarios, each attributed to a single line of responsibility.

Thales also carries out thematic risk mapping, particularly regarding the prevention of corruption and influence peddling as well as cybersecurity.

Finally, twice a year, the Group prepares a risk mapping by Global Business Unit and by Major Country, in addition to the risks already identified and managed by operational management. The operational managements concerned, the Quality Department and the Insurance Department are involved in this work.

Clearly identified responsibilities

➤ 3 MAIN STRANDS OF RISK GOVERNANCE

Expertise



CORPORATE (6 functional departments)

Governance and organisation of risks shared at Group level (cash flow, foreign exchange, insurance, etc.)

Entrepreneurship



7 GLOBAL BUSINESS UNITS and their 30 business lines

Risks related to major bids and projects, product policies, business strategy

Operational



150 local operational ENTITIES

Risks related to execution

Compliance with laws, regulations and internal processes (Chorus 2.0)

Audits

➤ INTERNAL

The internal audit and advisory plan, updated on a half-yearly basis and approved by the Audit and Accounts Committee of the Board of Directors, draws from risk analysis as well as current issues (bids and projects, product policy, supply chain, etc.) in respect of which specific risk factors have been identified. Audits are also conducted regarding the prevention of corruption and influence peddling, export control, joint venture governance as well as the integration of newly acquired companies, within approximately 18 months after closing.

Audit practices are regularly updated: by way of illustration, in 2019, for small entities recently acquired, a Welcome audit practice, focusing on compliance and internal control, was introduced; In addition, several audit practices were further strengthened in 2020 in terms of personal data protection and cybersecurity.

In 2020, 51 internal audit assignments were conducted.

➤ EXTERNAL

Two statutory audit firms are appointed by the Group, in addition to firms occasionally called upon locally. Their due diligence (in-depth reviews, limited reviews or statutory reviews) is scaled according to the size and risks to which Group companies may be exposed.

Concerning the fight against corruption and influence peddling, as well as the actions carried out as part of the duty of vigilance, Thales carries out, with the support of specialist service providers, due diligence on third parties with which the Group is in contact, proportionate to the assessment of the risk identified.

In particular, the internal anti-corruption management system was audited by AFNOR (Association Française de Normalisation) in 2020. In March 2021, this assessment led to ISO 37001 certification for some of the Group's activities.

COVID-19 pandemic

Faced with the unprecedented health crisis caused by the spread of the COVID-19 coronavirus, Thales has given complete priority to protecting the health of its employees and their families, its customers and the population at large. At the same time, the Group has restructured itself to ensure business continuity, for its civil and military customers whose activities are critical, particularly in the fight against the pandemic and its consequences. While the results for 2020 naturally reflect the Covid-19 crisis, the teams' efforts around the world have demonstrated the Group's human and economic resilience as well as its agility.

Eco-design helps to control environmental risks

Thales is committed to controlling climate risk by seeking to anticipate changes in environmental standards by applying them to its products and services. In order to apply a sustainable approach, Thales is deploying a Group-wide eco-design policy that ensures the consideration of environmental issues throughout the life cycle of its innovations (limiting the use of materials, reduction in size and mass, lower energy consumption, consideration of end-of-life and substitution of hazardous materials). In 2020, 44% of new products and systems incorporated eco-design and Thales has set itself the target of achieving 100% new eco-designed products by 2023. Furthermore, Thales continues to develop solutions leading to a better understanding of environmental challenges.

This approach also answers the need to create value for customers and to differentiate through innovation.

ETHICS AND INTEGRITY, AT THE HEART OF THE CORPORATE RESPONSIBILITY POLICY

For almost 20 years, Thales has implemented a proactive and increasingly demanding corporate responsibility policy. Thus, as of 2020, the CSR objectives in line with the four pillars of the Group’s CSR strategy⁽¹⁾ are now taken into account to calculate the annual variable compensation for a large number of managers.

A COMMITTED PLAYER GLOBALLY

The nature and destination of cutting-edge technologies developed by the Group, such as artificial intelligence or biometric recognition, can raise new ethical questions which must be answered clearly. For this reason, Thales is committed to investing, together with all its willing stakeholders, in the definition of international standards and the dissemination of ethical, societal and environmental best practices. This approach is embodied in particular in its involvement in **the United Nations Global Compact** of which it has been a signatory since 2003. As a result of Thales commitments to Human Rights, labour law, protection of the environment, and the fight against corruption, in 2012 it achieved the Global Compact Advanced level. Each year, Thales meets players involved in these issues at the **United Nations Forum on Business and Human Rights**.

Thales also contributes to the work carried out in the context of the **International Forum on Business Ethical Conduct (IFBEC)**, a structure shared by the AeroSpace and Defence Industries Association of Europe (ASD) and the Aerospace

Industries Association of America (AIA). Thales also actively participates in the working groups of intergovernmental organisations (**OECD, United Nations**, etc.). Moreover, conscious of the controversy linked to the use of **white phosphorus** in fireboxes, in 2019, Thales is committed to no longer producing or selling materials containing this substance by 2022. In this way, it responds proactively to its stakeholders.

In September 2020, Thales signed the “Statement from Business Leaders for Renewed Global Cooperation” initiated by the United Nations Global Compact for the opening of the 75th UN General Assembly. The Group also took part in the “Uniting Business LIVE” summit, which brought together for three days before the General Assembly heads of companies, governments and civil society committed to the UN’s mission.

In line with its past climate-based initiatives, the Group is committed to implementing the principles and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) set up by the G20.

Thales has also mobilised the technical and scientific skills of its employees around the world to fight against Covid-19 and its effects. For example, Thales Digital Solutions in Montreal has submitted nine projects, developed in partnership and with government funding, to propose innovative solutions that address the most critical challenges in the fight against Covid-19. These projects focus on boosting the capabilities of healthcare organisations and supporting government decision-making. In France, Thales took part in the development of an AI-based solution that will make it possible to carry out an initial diagnosis by analysing lung images from patient scans.

(1) Diversity and inclusion, Health and safety at work, Climate change, Fight against corruption.

11,270

anti-corruption and influence peddling training sessions delivered in 2019-2020

150

operational entities conducted an assessment of corruption risks

ISO 37001

Certification process launched in 2020 leading to certification in March 2021

A strengthened anti-corruption system

To protect itself against corruption, which is a major risk for multinational companies, Thales has had a zero tolerance policy in place since the end of the 1990s. This corruption risk prevention policy is subject to continuous improvement. These principles and policies are described in detail in the Group's Extra-Financial Performance Statement. This is assessed regularly and was updated in 2019. The ISO 37001 standard is only awarded to companies that can demonstrate that they have a structured and effective anti-corruption management system supported by strong management commitment and including a rigorous system for identifying, preventing, controlling and dealing with corruption risks.

Thales is one of the first major companies in its segment to be ISO 37001 certified and the Group plans to continue this process with a view to extending the scope of this certification.

➤ REINFORCEMENT OF GOVERNANCE

The Integrity and Compliance Committee relies on a network of 120 Chief Compliance Officers and Compliance Officers to deploy and implement Thales's integrity and compliance procedures throughout the Group.

➤ TRAINING OF EMPLOYEES

The training programme on the fight against corruption and influence peddling, revised in 2018, was completed in 2019-2020 by more than 11,200 employees identified as the most exposed. The selection criteria are based on the professional field, the level of responsibility and the geographic area.

In 2020, training on the fight against corruption and influence peddling makes up part of the variable compensation criteria for a large number of managers.

➤ EXTENDED ALERT SYSTEM

The alert system has evolved into a unique system open to employees and external and occasional staff. In 2020, the Group alert system received 25 professional alerts (against 34 in 2019).

The 26% drop in the number of alerts can be explained by the effects of the global Covid-19 pandemic. There were no alerts on allegations of possible corruption.

➤ ASSESSMENT SYSTEM FOR THIRD PARTIES

The system for assessing the integrity of third parties of Thales aims to help with decisions on whether or not to enter into business relationships with a third party, to continue with a business relationship or to end one.

The Group has selected a specialist service provider with the skills and the means to conduct integrity checks (due diligence) in proportion to the assessment of the risk identified. These checks are included in the operating processes (purchases, business reviews, review of mergers-acquisitions, etc.).

Very strict control of exports

The Group exports its equipment and systems according to very strict rules designed to protect the national security of democratic states and combat the proliferation of weapons of mass destruction throughout the world. Compliance with the export control is therefore a critical challenge. In 2020, defence and security activities accounted for approximately 48% of Thales revenue.

The countries in which Thales manufactures systems and equipment for civil and military applications have strong governance, and exercise strict control over manufacturing and sales/marketing processes.

They are signatories of international laws and conventions regulating the production, sale, export, re-export and import of dual-use components, equipment and technologies, such as the United Nations Arms Trade Treaty, which came into force in late 2014, and which was strongly supported by Thales during the drafting process.

➤ VIGILANCE IN MANUFACTURING AND PURCHASING

Many of Thales business activities are therefore subject to strict compliance with export regulations in various countries. In addition, a

significant proportion of the Group's products and solutions rely on items that are purchased from external suppliers. The Group therefore takes steps to ensure that it remains constantly aware of changes in legislation affecting purchased goods, particularly in the United States, where the Group spends over €1bn every year on goods and services that are liable to be subject to US export controls with extraterritorial reach.

Continue deploying the compliance policy for the protection of personal data

In order to ensure the coherent implementation within the Group of compliance with obligations relating to the protection of personal data and provide support to operational entities, Thales continued the deployment of its network of Personal Data Officers to ensure an appropriate network within all of the Group's functions and entities.

Under the responsibility of the Group's Data Protection Officer, they ensure the implementation of the Group's personal data protection policy.

The Group's Executive Committee ensures regular monitoring of Thales compliance programme relating to the protection of personal data.

Rigorous processes to combat anti-competitive practices

Strict respect for national and international regulations on anti-competition practices is one of the pillars of the Group's integrity and compliance programme.

A dedicated team of experts performs a competitive analysis of agreements and sensitive projects and issues all notifications required to the competent regulatory authorities in Europe or abroad. The Group also implements a policy to raise awareness of these rules, in particular for the drafting of guidelines and the implementation of specific training tools aimed at the most exposed employees.

A network of lawyers supports the operational units on a daily basis, monitoring cases that present potential risks and ensuring awareness sessions.

“ **ETHICS AND INTEGRITY ARE AT THE CORE OF CORPORATE RESPONSIBILITY. THEY ARE ALSO ESSENTIAL FUNDAMENTALS FOR CONFIDENCE. IT IS FOR THESE REASONS THAT THALES HAS FOCUSED SO MUCH ATTENTION ON THIS AREA FOR MORE THAN 20 YEARS.** ”

Isabelle Simon, Group Secretary and General Counsel



A DYNAMIC AND COMMITTED BOARD OF DIRECTORS

7
meetings per year

99%
attendance rate

3
specialist committees

- Audit and Accounts Committee
- Governance and Remuneration Committee
- Strategic and Corporate Social Responsibility Committee

WORK OF THE BOARD OF DIRECTORS IN 2020

- health assessment and impact on activities;
- measures taken to ensure the continuity and development of activities while protecting the health of Group employees;
- limitation of the 2019 dividend to the amount of the interim dividend paid in December 2019;
- update of the Group's targets for 2020;
- review of the Group's updated anti-corruption programme.

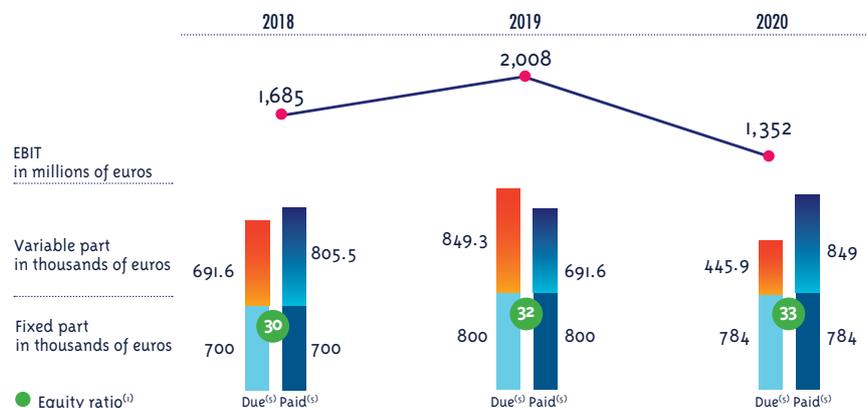
PRESENTATION OF THE EXECUTIVE COMMITTEE

ON 31 DECEMBER 2020

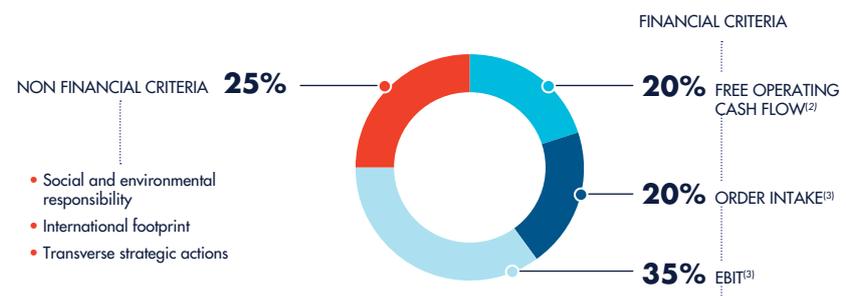


PRINCIPLES OF COMPENSATION

COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, GROUP EBIT AND EQUITY RATIO OVER THE LAST 3 YEARS



STRINGENT REQUIREMENTS FOR VARIABLE ANNUAL COMPENSATION

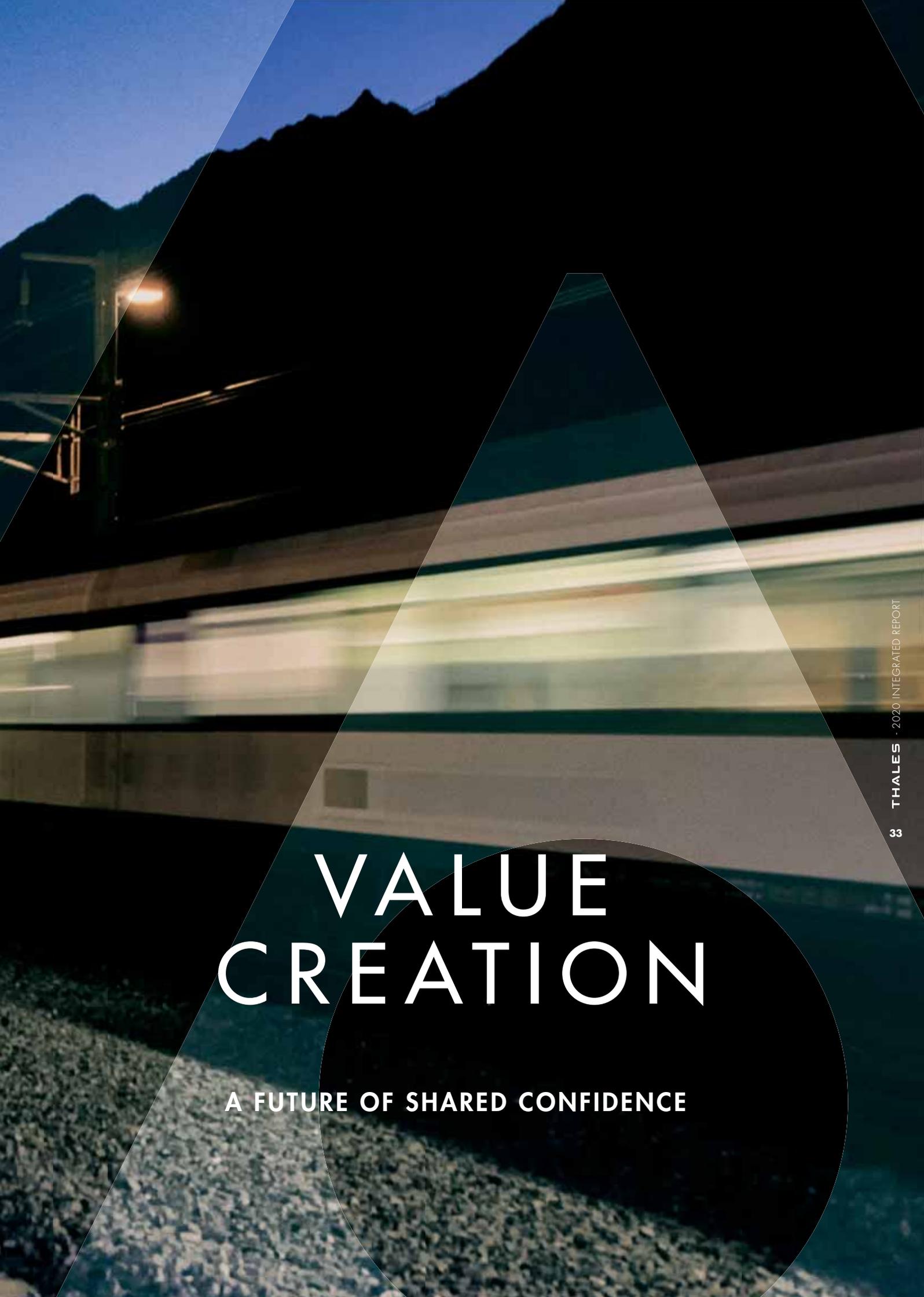


PERFORMANCE CRITERIA FOR LONG-TERM COMPENSATION

- 40%** AVERAGE ORDER INTAKE 2020-2022
- 40%** CUMULATIVE FREE OPERATING CASH FLOW 2020-2022
- 20%** STOCK MARKET PERFORMANCE OF THALES COMPARED TO AN EQUALLY WEIGHTED INDEX OF 8 PEERS⁽⁴⁾ AND THE EURO STOXX INDEX

(1) Compensation of Patrice Caine/median salaries in France. (2) No amount is due when the amount achieved is more than 2% less than the revenue at fiscal budget. (3) No amount is due when the amount achieved is lower than or equal to 90% of the target. (4) Airbus, Atos, BAE Systems, Capgemini, Dassault Aviation, Leonardo, Rolls-Royce, Safran. (5) Amount due for the year; amount paid in the year.





VALUE CREATION

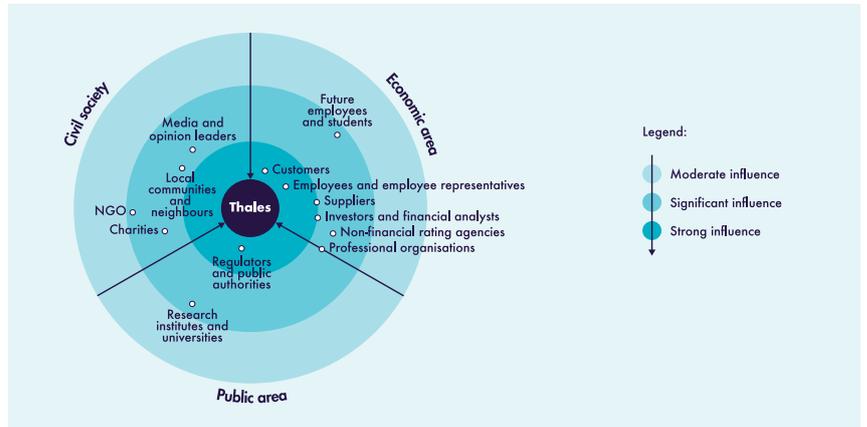
A FUTURE OF SHARED CONFIDENCE

A CULTURE OF DIALOGUE AND PARTNERSHIP

The rapid transformation of society, the globalisation of trade and the development of digital technologies are generating new challenges in terms of responsibility and ethics for both Thales and its stakeholders.

Thales's teams are committed to interacting constructively with their ecosystem in the firm belief that listening to stakeholders is a precious source of knowledge, and that different points of view enrich the decision-making process.

These exchanges between Thales and its stakeholders are structured so that the relevant information, frameworks and spaces for dialogue are appropriate for each stakeholder, depending on the business priorities.

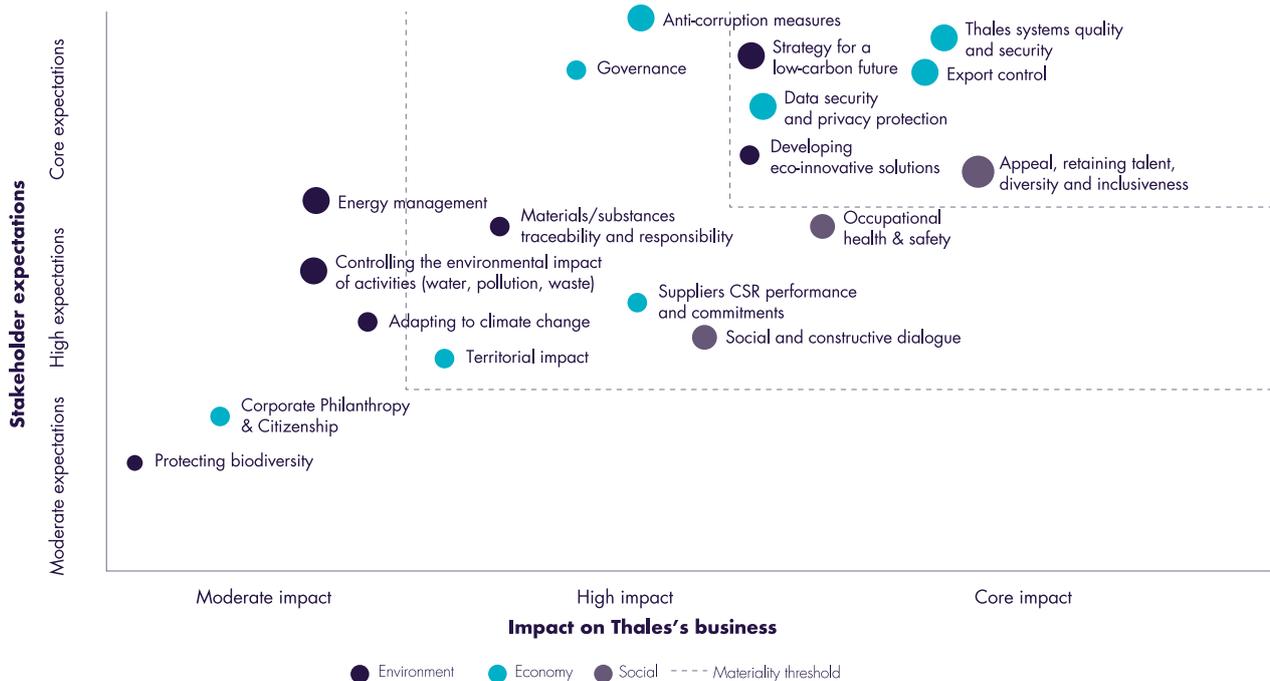


LISTEN TO OUR STAKEHOLDERS

TO BETTER UNDERSTAND THEIR EXPECTATIONS

The Group's ongoing dialogue with its main stakeholders and internal work involving most of the Group's functions have made it possible to identify and classify **Thales's environmental, social and economic challenges** in terms of stakeholders' expectations and their impact on Group activities.

These business priorities have been formalised through a **materiality matrix** presented below. In addition, in-depth work was also carried out to determine Thales's level of performance on each business priority. The inclusion of a third dimension in this matrix makes it possible to refine the strategy and policies implemented by the Group, resulting in better anticipation of expectations and an ability to seize opportunities.



30 framework agreements with universities and public research centres in Asia, the United States and Europe

20 laboratories created with research institutes

More than 200 doctoral students supported worldwide

PROTECT, ENGAGE AND INSPIRE

OUR EMPLOYEES

At the end of 2020, Thales had more than 80,500 employees across the Group's seven Global Business Units whose efforts throughout the year, despite the exceptional circumstances related to the health crisis, made it possible to meet customer expectations and contribute to the initiatives taken to enhance the Group's performance.

The Group's human resources policy is based on an inclusive and stimulating approach focused on innovation. In order to rise to the challenges of a world of far-reaching change, Thales wants to give everyone the opportunity to perform at their best and care about others.

Key events in 2020

➤ CHALLENGE: ENSURING BUSINESS CONTINUITY IN A SAFE AND HEALTHY ENVIRONMENT

Since the beginning of the health crisis, the Group has activated crisis units to better cope with changes in the health situation, protect the health of employees and organise business continuity. The role of the Group's HSE and HR teams was to ensure in particular the consistent implementation of Thales's health instructions on the sites while taking into account national specificities in accordance with the Group's policy.

Thus, the organisation of work has been reviewed in all of the Group's countries to address the health crisis and restrictions imposed locally. The quality of IT equipment and tools and the efforts of the IT teams have made the extensive use of teleworking easier.

In some countries, a teleconsultation service has been set up by the sites' health services, as well as psychological support via a telephone platform available to employees.

➤ CHALLENGE: ATTRACT, RETAIN AND DEVELOP TALENT

The development of Thales's social media presence continued in 2020, enhancing the Group's reach and attractiveness. At the end of 2020, more than 721,000 people followed the Group's news on LinkedIn. In 2020, Thales was ranked third in the Glassdoor ranking of top employers, and fourth in the Universum ranking of experienced engineers.

The Group has maintained its commitment to the integration of young people into the workplace through a high level of work-study recruitment and internships (in France, Thales signed 1,295 work-study contracts and 1,270 internship agreements in 2020).

Thales reviewed its leadership model in 2020. Called "Leadership@Thales" it details the conduct expected of all Group employees around three themes: "Think big", "Make it happen" and "Together".

➤ CHALLENGE: PROMOTE DIVERSITY AND AN INCLUSIVE CULTURE

Thales believes that diversity and inclusion are essential to remain innovative and perform well in a constantly changing environment.

Committed since 2016 to a drive to strengthen the presence of women in management positions, in early 2021 the Group set itself the target of having, by the end of 2023:

- 20% of women in the Group's most senior positions (NR 10 to 12);
- 75% of Management Committees with at least three women.

In addition, for over 30 years now, Thales has had a policy of promoting disabled employment, reaffirmed in France by the signing of a new three-year collective agreement in November 2020. This policy includes, in particular, the training of disability advisors, the integration of work-study students and trainees with disabilities and the pursuit of the "Disability Confident Organisations" certification process for all sites in France (by the end of 2020, 40 sites will be certified, compared with 31 by the end of 2019).



To find out more about the Group's commitment to its employees, see chapter 5.4 of the 2020 Universal Registration Document.

80,500
employees
in more than
70 countries

7,427
newly recruited
employees in 2020

31% of which are women

98%
of employees have
a permanent contract

94%
of employees
are full-time

A workforce comprising
26%
women

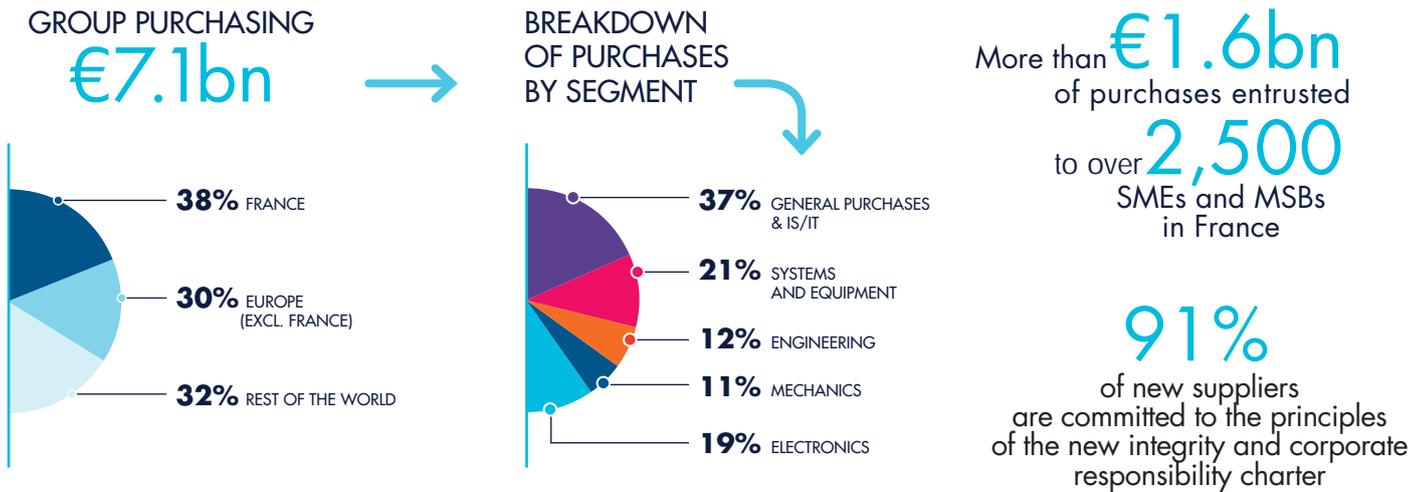
37%
of employees are under
the age of 40

A RESPONSIBLE SUPPLY CHAIN

Purchases account for almost half of Thales's revenue. The Purchasing function is thus at the heart of the Group's strategic challenges. It aims to give Thales, at global level, a sustainable competitive advantage based on value creation, innovation, commercial partnerships and operational excellence.

This strategic vision, driven by 1,200 buyers in 35 countries, is entirely focused on the satisfaction of Thales's customers.

Thales's Purchasing is also at the core of the Group's corporate responsibility policy and forms part of its purpose: **"Building a future we can all trust"**.



THALES CAN ONLY ACHIEVE EXCELLENT PERFORMANCE IF ITS SUPPLIERS ALSO DO SO!

Roque Carmona, Chief Procurement Officer



Key events in 2020

> COMMITMENTS FOR RESPONSIBLE PURCHASING

In 2020, commitments for responsible purchasing were clearly stated and supported by the Group's corporate management.

This Responsible Purchasing policy aims to provide Thales with a sustainable competitive advantage at the global level, focused on value creation, innovation, commercial partnerships and operational excellence.

This policy addresses six main areas:

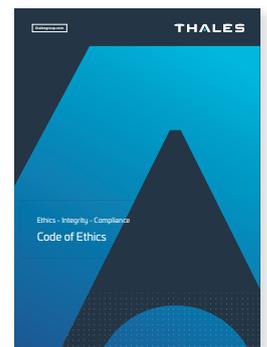
- the compliance of suppliers with laws and regulations in force;
- the establishment of quality relationships based on mutual loyalty;
- sharing expertise to stimulate innovation;
- the involvement of suppliers alongside Thales in the fight against climate change;
- specific support for local SMEs;
- supporting suppliers in connection with international development opportunities;
- expanding the use of Social and Solidarity Economy players.

> A STRENGTHENED CORPORATE RESPONSIBILITY

Thales asks its suppliers and subcontractors around the world to adhere to its corporate responsibility approach by signing an Integrity and Corporate Responsibility Charter that commits them to respecting essential principles such as human rights, employment practices, combating corruption and influence peddling, managing conflicts of interest, protecting information, protecting the environment, complying with health and safety rules, and ethics.

The Group's objective is to ensure that 100% of new partners sign this Charter (or commit to equivalent principles) by 2023, in order to develop an even more responsible supply chain.

By the end of 2020, 91% of new suppliers were committed to the principles of the new Thales Integrity and Corporate Responsibility Charter.



► THALES: VIGILANCE IN MANUFACTURING AND PURCHASING

Procedures for regular assessment of the integrity situation of suppliers and subcontractors as part of the Duty of Care are part of the Group's Purchasing Compliance policy. The latter was strengthened in 2020 and covers both integrity issues and supplier risks, particularly in terms of financial health, economic dependence and cybersecurity.

The commitment of suppliers to respect these business priorities is a major element in the long-term relationships forged with Thales.

More specifically on the Duty of Care, the analysis and ranking of at-risk suppliers is based on three criteria: the type of purchase made, the country where the supplier or subcontractor operates and the purchase amount committed by Thales to the latter.

Thales then uses the support of a third-party organisation, which evaluates its at-risk suppliers according to a three-phase process: firstly, registration of at-risk suppliers on a dedicated platform, then completion of a self-assessment questionnaire by the supplier, and finally control by the third-party organisation of the evidence submitted by the supplier in order to assign a score. This approach is also part of a specific initiative within the Aeronautics sector in conjunction with GIFAS⁽¹⁾.

This supplier assessment process requires in-depth work on the part of Thales's experts and its service providers. In order to facilitate this approach, Thales is therefore carrying out a major educational effort towards its suppliers and subcontractors.

In 2020, more than twenty awareness sessions were held to explain the assessment process and answer questions from buyers in all purchasing segments and all geographical areas.



► INTENSIFY PARTNERSHIPS WITH SUPPLIERS

At the end of 2020, the second edition of the Suppliers' Conference took place. Despite the health context, it brought together, via a digital format, more than 400 strategic suppliers worldwide (large businesses, medium-sized businesses, SMEs and startups) representing nearly 50% of annual purchases.

This event made it possible to mobilize Thales teams and suppliers to continue to create competitive, resilient and sustainable partnerships.

(1) Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS - French Aerospace Industries Association)

Meeting the challenges of climate change

Climate change is a major issue to which Thales wishes to provide a coherent response through its activities and services, in particular through its purchasing policy.

In 2020, a "low-carbon" questionnaire was prepared and sent to more than one hundred suppliers belonging to the purchasing categories identified as emitting the most greenhouse gases. Initial feedback from the suppliers consulted shows a growing commitment to the subject; by way of example, more than 50% of suppliers who responded to the questionnaire committed to respecting the Paris Agreement.

Several pilot operations were also carried out for air travel, car rentals and packaging services. These require suppliers to commit to quantified targets for reducing their emissions.

Active involvement in the face of the Covid-19 crisis

The meticulous monitoring of suppliers that Thales put in place during the crisis, particularly those involved in critical operations, has enabled the Group to maintain its deliveries to its major customers around the world.

Thales also took action by creating a "crisis unit" dedicated to its suppliers, aiming to:

- Analyze critical suppliers and identify those that were maintaining their activities or not, and thus be able to identify any impacts on projects and programs;
- List the risk situations from the activity perspective in order to highlight the cash flow problems experienced by suppliers.

In the aeronautical sector, specific monitoring is carried out in conjunction with GIFAS and has led to the signing of a Charter of Commitment between Customers and Suppliers by the major contractors;

- Stop claims and penalties for SMEs related to the crisis;
- Ensure that payment deadlines are met despite any internal disruptions;
- Relay measures to support businesses in difficulty. Within this framework, on a case-by-case basis, orders have been notified in advance, advances have been made, payments have been accelerated, etc. These actions are fully in line with the good practices developed, in France, within the MoD Action PME Convention as well as that of the Pacte PME association, of which Thales is a founding member.

At the same time, as part of the French aeronautical revival plan, Thales took part in the creation of the "ACE Aéro-Partners" investment fund whose ambition is to develop industrial champions, notably through consolidation of players in the sector.

INNOVATION FOCUSED ON THE PLANET

Climate change and the scarcity of resources are major challenges, bearing physical as well as social risks. In line with its values and purpose of building a future we can all trust, for a long time now Thales has been committed to protecting the environment.

In 2020, by becoming a signatory of the principles and recommendations of the Task force on Climate-related Financial Disclosures (TCFD), the Group has further strengthened its commitment to a low-carbon future, in line with its previous commitments made at COP21 and the French Business Climate Pledge.

THALES LOW CARBON STRATEGY IN 3 POINTS

The strategy adopted by the Group for a low carbon future was determined using the methodology of the globally recognised Science Based Targets initiative (SBTi). This commitment has facilitated the definition of low carbon objectives in line with the Paris Agreement

and consistent with the 2°C climate scenarios. The objectives of this strategy and the associated action plans were prepared in collaboration with multidisciplinary working groups, for each of the Group's main sources of greenhouse gas emissions.



Preserving biodiversity

Although the overall impact of the Group's activities on biodiversity is low, Thales encourages its sites and employees to preserve and promote actions to protect biodiversity. For example, on some sites, inventories are carried out on a voluntary basis or in partnership with local biodiversity protection authorities or organizations, and ad hoc management measures are implemented.

Recycle waste, preserve water

Thales's commitments to achieve a non-hazardous waste recycling rate of 75% by 2023 have already reduced the ratio of waste production per person by 20% between 2018 and 2020 (excluding exceptional waste). In addition, the landfill rate decreased between 2018 and 2020 from 18.7% to 13.5% (excluding exceptional waste).

Despite the low level of consumption resulting from optimised multi-annual management plans (favouring recycling loops), and the absence of operations in water-stressed areas, water resource management remains a subject of attention for the Group, which remains committed to not seeing its consumption increase.

COMMITTED TO HUMANITY

Thales's commitment to society is organised under the banner of the Thales Solidarity programme and carries a mission aligned with the Group's purpose: because trust is essential for societies to flourish, innovation must be open to as many people as possible; Thales is thus committed to benefiting civil society with its expertise and talents, to ensure that each one is a player today in the decisive changes of tomorrow.

THALES SOLIDARITY PROGRAMME PROJECTS IN 2020

In 2020, the Solidarity Fund selected and funded a total of 15 projects in eight countries targeting more than 7,000 students and adult beneficiaries for the year 2020-2021.

Of these, 11 projects - in Spain, Haiti, France and Italy - are the result of the annual call for projects, which aims to support and enhance the commitment of employees by providing financial support for general interest initiatives in which they are involved and which fall within one of the Fund's priority areas.



Thales Solidarity programme <https://www.thalesgroup.com/en/global/corporate-responsibility/corporate-citizenship>

IN 2020, THE THALES SOLIDARITY FUND FINANCED 15 PROJECTS IN 8 COUNTRIES, IN THE FIELDS OF EDUCATION AND PROFESSIONAL INTEGRATION, DIGITAL CITIZENSHIP AND ENVIRONMENTAL PROTECTION.

A new digital platform

In 2020, Thales Solidarity launched a digital platform aimed at facilitating employees' commitment to solidarity by enabling them to find out about the programme's projects and news and, above all, to discover the various possibilities for involvement. Active since January 2020, the platform has gradually offered different programmes: participation in the call for projects, volunteer missions, salary rounding, etc. In a few months, more than 5,500 employees have activated their accounts on this platform.

Strong involvement of employees and sites in the face of the pandemic

Thanks to their technical skills, many employees have joined local or national citizen initiatives to produce masks and visors.

In March 2020, Thales Solidarity launched the first volunteer campaign in France on its commitment platform "Tous mobilisés contre le Covid" (All mobilized against Covid): 10 simple solidarity actions to be carried out in strict compliance with the lockdown measures, such as helping caregivers in their daily tasks, accompanying the most fragile, remote school support, helping teachers in their use of digital technology, etc.

In the United Kingdom, Thales, in partnership with Airbus and around twenty other companies, has produced ventilators to meet the growing needs of hospitals, providing its expertise in the field of training and simulation of complex systems. In Brazil, Thales engineers also worked with local university teams on a project to produce ventilators.

Disseminate knowledge

Thales participates in several chairs held by universities or leading universities and whose research aims to strengthen scientific knowledge in areas related to the Group's activities.

Thales also supports more than 220 PhD students around the world who work on subjects directly related to Thales's technical issues.

Round off your pay

In 2020, this innovative solidarity tool mobilized more than 5,000 micro-donors in France, and made it possible to allocate more than €365,000 to nine projects of general interest in accordance with the choices of employees. Overall fundraising over the last five years has amounted to more than €1,350,000, half of which comes from the Group's contribution.

Géris, innovate for the regions

A subsidiary of the Thales Group, the consultancy firm Géris supports large groups, SMEs and local players in boosting the local economic fabric. In areas of employment impacted by de-industrialisation, Géris implements synergies to create sustainable employment, while helping SMEs in their digital or ecological transition.

For example, large groups can make available to SMEs experienced employees on a voluntary basis, or support employees in their project to set up a company.

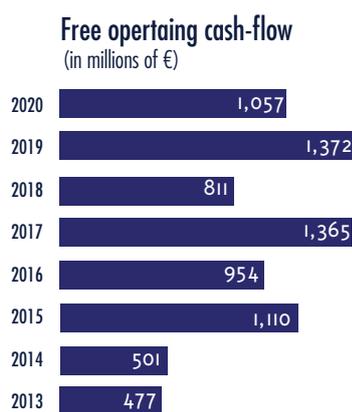
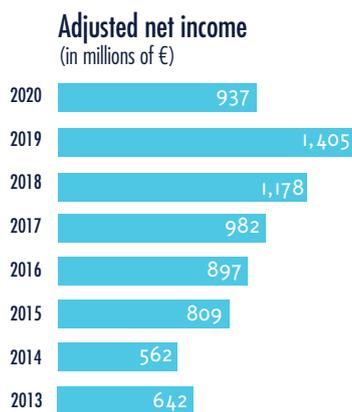
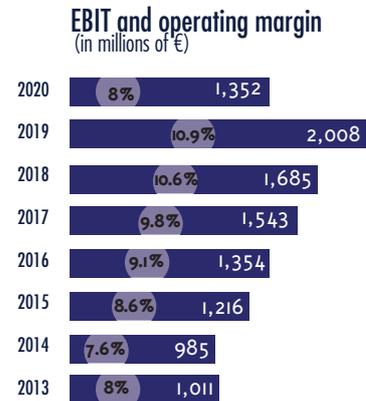
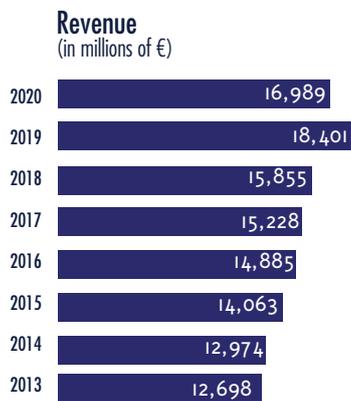
Géris also develops a prospective vision in partnership with players in the region, to influence the implementation of relevant actions.



Géris assignments: www.geris.fr

FINANCIAL AND EXTRA-FINANCIAL PERFORMANCES

The strategic plan **AMBITION 10** has demonstrated its relevance since 2013



Financial objectives

For 2021, based on a health and economic context with no major new disruptions, and a rapid normalisation of global semiconductor supply chains, Thales set up 3 financial objectives:

- a ratio of order intakes to revenue of over 1;
- revenue of between €17.1 billion and €17.9 billion;
- an EBIT margin of between 9.5% and 10%.

An exceptional 2020

Thanks to the mobilisation of all its employees in the unprecedented situation of a global pandemic, Thales was able to demonstrate its human and economic resilience as well as its agility. Thus, the Group posted a strong recovery in the second half of the year, both in terms of order intake and profitability. The objectives of the global crisis adaptation plan were largely exceeded.

Thus, the second half of 2020 saw a strong recovery both in terms of order intake and profitability. The EBIT margin before restructuring costs thus returned to the level of the second half of 2019. In addition, in 2020, cash generation is once again very solid. It illustrates both the robustness of the civil-defence business model and the focus of the teams on operational performance.

The Group's digital strategy, strengthened by its leading position in cybersecurity, is bearing fruit in all of the Group's activities, with excellent commercial successes in space, defence, rail signalling and data protection.

Strategic priorities remain unchanged

In what is still an uncertain economic and health environment, Thales is continuing to implement all the levers of its Ambition 10 strategic plan, which is a driver of profitable and sustainable growth.

The Group continues to strengthen its positioning in long-term growth markets while investing to support long-term growth. Essential to boosting the Group's momentum, R&D investments remained at a high level of over 1 billion euros.

Recognised performance in corporate responsibility

Thales's voluntary commitment to corporate responsibility has once again been recognised by extra-financial rating agencies. Thus, in 2020, for the fourth consecutive year, Thales was ranked among companies who have developed, at global level, the most advanced corporate responsibility policy in the "Aerospace & Defence" sector by the Dow Jones Sustainability Index (DJSI).

At the same time, the extra-financial rating agencies MSCI and Ethifinance (Gaia Rating) have awarded, respectively, the rating AA (5th consecutive year) and 83/100 to Thales for its corporate responsibility policy, thus highlighting the consistent effort made by the company in this area.

In terms of the protection of the environment, the low-carbon strategy established in 2019 positions the Group in an ambitious plan to reduce emissions by 2030.

Particular attention has also been paid to the integration of Gemalto's teams, further increasing the attractiveness of the Group as an employer.

In 2020, Thales embarked on a certification process in application of the ISO 37001 "Anti-corruption management systems" standard. The certification was issued by AFNOR in March 2021 for a scope comprising Thales SA and the companies it controls in France, as well as certain international subsidiaries of Thales International SAS.



New extra-financial ambitions for 2023

NON-FINANCIAL OBJECTIVES		RESULTS 2020
Percentage of new suppliers committed to the principles of the new Purchasing charter	100% by 2023	91%
Frequency rate of accidents at work with stoppage (Thales employees)	-30% by 2023 ^(c)	-25% (Frequency rate of 1.66)
Change in energy intensity (Toe/Revenue in Millions of euros)	0% in 2019 ^(c)	+0%^(c)
Reduction in direct operational CO ₂ emissions (internal operations and mobility)	-20% in 2023 ^(c) (in absolute terms)	-35%^(d)
	-40% in 2030 ^(c) (in absolute terms)	
Reduction in indirect CO ₂ emissions (purchases and use of Thales equipment)	-7% in 2023 ^(c) (in absolute terms)	-29%^(e)
	-15% in 2030 ^(c) (in absolute terms)	
Non-hazardous waste recycling rate (excluding one-offs)	>75% by 2023	60%
Percentage of women in top positions	20% by 2023	18%
Percentage of Management committees with at least three women	75% by 2023	68%

(a) Excluding exceptional waste. (b) Data including Gemalto. (c) Reference year 2018. (d) Data for 2018 and 2019 were updated in 2020 following a review of the data. (e) Excluding DIS Global Business Unit for emissions related to purchases of goods and services.

PRINCIPLES OF RESPONSIBILITY



Launched in 2000, the United Nations Global Compact (UNGC)⁽¹⁾ is both a policy platform and a practical framework for companies that are committed to sustainable business practices. It seeks to align business operations and strategies everywhere with 10 universally accepted principles. Over 12,600 companies in 159 countries have joined the Global Compact. **Thales has been a signatory since 2003** and has adopted the 10 principles of the Global Compact.

In 2012, through its annual Communication on Progress (COP), Thales reached the **Global Compact Advanced** level under the United Nations Global Compact Differentiation Programme, which evaluates companies on the basis of 21 specific criteria and represents the highest standard of **sustainability performance** and reporting. Thales is one of 663 companies in the world which are classified as Global Compact Advanced (**5%** of total companies adhering to the Global Compact).

Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed Human Rights within their sphere of influence.

Pages 5, 22-23, 36-37, 39

Principle 2

Businesses should make sure they are not complicit in Human Rights abuses.

Pages 5, 22-23, 28-29

Labour

Principle 3

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

Pages 22-23, 34

Principle 4

The elimination of all forms of forced and compulsory labour.

Pages 22-23, 36-37

Principle 5

Businesses should uphold the effective abolition of child labour.

Pages 5, 22-23, 36-37

Principle 6

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

Pages 22-23, 34, 36-37

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Pages 16-17, 22-23

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Pages 5, 22-23, 37, 38

Principle 9

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

Pages 22 to 25, 37, 38

Anti-corruption

Principle 10

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

Pages 5, 22-23, 28-29

(1) www.unglobalcompact.org

ABOUT THIS REPORT

In a group as global and diversified as Thales, corporate responsibility is inseparable from the concepts of security and performance. Beyond its obligation to comply with laws and standards of ethical conduct, it is a key strategic advantage for the business. Resulting from the implementation of the **best professional practices** and the maturity acquired in this domain, this integrated report details the strategy, governance and financial and non-financial performance of the Group with a view to creating value. Thales believes this document will contribute to a **better understanding of its business activities**, the complexity of its working environments. It is also a testament to the **Company's commitment** to all of its stakeholders.

METHODOLOGY

An internal working group under the guidance of the Ethics, Integrity and Corporate Responsibility Department, and comprising members from several functional departments, was involved throughout the process to provide the underlying structure for this information. Several members of Thales Executive Committee also participated in producing the report.

The aim has been to focus the integrated report on **Thales's strategy** and to select only **the most relevant information** regarding this strategy, rather than producing an exhaustive list; it supplements the 2020 Universal Registration Document and refers to it whenever necessary.

The purpose of this report is to detail the way in which Thales interacts with its ecosystem and uses capital **to create short, medium and long-term value**.

SCOPE

The report covers the 2020 financial year (1 January 2020 to 31 December 2020). It includes medium and long-term outlooks and thus provides a **forward-looking view** of the Group within its environment.

FOR MORE INFORMATION

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+33 (0)1 57 77 86 49

OTHER THALES PUBLICATIONS



2020 Universal Registration Document



Overview of Thales



Thales key corporate responsibility documents:
Code of ethics
Code of conduct – Prevention of corruption and influence peddling
User guide to the internal alert system

Thales would like to thank Group employees for their contributions. This document is printed in France by an Imprim'Vert certified printer on PEFC certified paper produced from sustainably managed forest.



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